

Global ESG Strategy to Disclose Its Voting Policy for the Upcoming General Shareholders' Meeting of Nippo Ltd.

Global ESG Strategy (GES) is an investment fund managed by Swiss-Asia Financial Services Pte Ltd (SAFS). GES started investing in Nippo Ltd (Nippo; Securities Code: 9913), which is listed on the TSE Standard Market, in 2023, and has continued to engage with management ever since. GES has decided its voting policy for the 73rd Ordinary General Shareholders' Meeting, to be held on June 25, 2024, as shown below.

Company proposals

Proposals 1: Appropriation of surplus	<u>For</u>
<ul style="list-style-type: none"> As noted in Proposal 5, GES has asked Nippo to take a more proactive approach to distributions from surplus. GES therefore votes for Proposal 1. 	
Proposal 2: Election of six directors (excluding Audit & Supervisory Committee Members)	
Yasuchika Iwasa, President	<u>Against</u>
<ul style="list-style-type: none"> Nippo has built up net cash and net asset positions, and has both inefficient capital policy and insufficient shareholder return policy. GES votes against the reappointment of President Iwasa, who as a representative director has a heavy responsibility for how management is conducted. 	
Hisatomo Mikami, Executive Managing Director in charge of Corporate, Corporate Planning, New Business Development	<u>Against</u>
<ul style="list-style-type: none"> Nippo has built up net cash and net asset positions, and has both inefficient capital policy and insufficient shareholder return policy. GES votes against the reappointment of Mr. Mikami, who as the director in charge of Corporate and Corporate Planning has a heavy responsibility for how management is conducted. 	
Atsushi Nakamura, Director and Chief of Trading Headquarters	<u>For</u>
<ul style="list-style-type: none"> While Mr. Nakamura has some responsibility for the inefficient capital policy and insufficient shareholder returns policy at Nippo, GES values his contribution to the Trading Headquarters business and votes for his reappointment. At present, Mr. Nakamura has not agreed to grant an individual meeting with GES, but GES hopes Mr. Nakamura will engage more actively in dialogue with shareholders and other stakeholders as a company director. 	
Yuji Okajima, Chief of Mechatronics Headquarters	<u>For</u>
<ul style="list-style-type: none"> GES votes for the appointment of Mr. Okajima, who should be able to leverage his experience as Chief of Mechatronics Headquarters to contribute management as a director. At present, Mr. Okajima has not agreed to grant an individual meeting with GES, but GES hopes Mr. Okajima will engage more actively in dialogue with shareholders and other stakeholders as a company director. 	

Masahiro Goto, Outside Director	<u>Against</u>
<ul style="list-style-type: none"> Not only has Mr. Goto not agreed to grant an individual meeting with GES, but his comments during the group meetings did also not provide confirmation of his suitability for Director and contribution to management. GES therefore votes against his reappointment. 	
Yoko Dochi, Outside Director	<u>For</u>
<ul style="list-style-type: none"> GES votes for the reappointment of Ms. Dochi, whose knowledge and experience suggests a capacity to contribute to management decisions generally and IR activity in particular. At present, Ms. Dochi has not agreed to grant an individual meeting with GES, but GES hopes Ms. Dochi will engage more actively in dialogue with shareholders and other stakeholders as a company director. 	
Proposal 3: Election of five directors serving as Audit & Supervisory Committee Members	
Hiroyuki Kawabe, Director (Audit & Supervisory Committee Member)	<u>Against</u>
<ul style="list-style-type: none"> Not only has Mr. Kawabe not agreed to grant an individual meeting with GES, but his comments during the group meetings also failed to confirm his qualities and suitability for Director (Audit & Supervisory Committee Member). GES therefore votes against his reappointment. 	
Tsutomu Umeno, Outside Director (Audit & Supervisory Committee Member)	<u>For</u>
<ul style="list-style-type: none"> Mr. Umeno has made a clear contribution to the establishment of a committee-based structure as Chairman of the Nomination and Compensation Committee, and has in the past expressed opinions and given advice to aid management decisions based on his experience and knowledge, rooted especially in his involvement in management of operating companies. GES votes for his reappointment, expecting further contributions in the future. At present, Mr. Umeno has not agreed to grant an individual meeting with GES, but GES hopes Mr. Umeno will engage more actively in dialogue with shareholders and other stakeholders as a company director. 	
Keiko Ikeda, Outside Director (Audit & Supervisory Committee Member)	<u>For</u>
<ul style="list-style-type: none"> Ms. Ikeda has shown a positive disposition towards dialogue and stated during group discussions with GES that individual meetings with shareholders are worth considering. GES votes for the reappointment of Ms. Ikeda and expects her to make a constructive contributions to discussions at the Board Of Directors and Audit & Supervisory Committee meetings. 	
Teiichi Gamo, Outside Director (Audit & Supervisory Committee Member)	<u>Against</u>
<ul style="list-style-type: none"> Not only has Mr. Gamo not agreed to grant an individual meeting with GES, but his comments during the group meetings also failed to provide confirmation of his qualities and suitability for Director (Audit & Supervisory Committee Member). GES therefore votes against his reappointment. 	
Hirokazu Tamaoki (Audit & Supervisory Committee Member)	<u>Against</u>
<ul style="list-style-type: none"> Mr. Tamaoki has not participated in either individual or group meetings with GES, so it has not been possible to confirm his qualities and suitability for appointment to Director (Audit & Supervisory Committee Member). GES therefore votes against his appointment. 	

Proposal 4: Continuation of response policies to large-scale purchases of the company's shares (Takeover Response Policies)	<u>Against</u>
<ul style="list-style-type: none"> • Despite having dismantled its takeover defense measures in 2009, Nippo reimplemented such measures 10 years later in 2019 as an emergency response to a tender offer by certain shareholders, in what can only be described as a throwback to a former era. GES votes against the proposal, on the understanding that the decision over whether an increase in influence by certain shareholders will contribute to corporate value and the common interests of the shareholders should be left to the shareholders themselves. • The existence of the takeover defense measures loosens management discipline and prevents management from engaging in change with a sense of urgency. Since Nippo reimplemented the takeover defense measures in 2019, Nippo has started to rapidly accumulate cash and implemented management policy that lacks focus on capital efficiency. Takeover defense measures at Nippo are now functioning NOT to maximize common interests of shareholders. 	

Shareholder proposals

GES approves of all shareholder proposals, 5 through 7, and asks all shareholders to provide their assent.

Proposal 5: Appropriation of surplus	<u>For</u>
<ul style="list-style-type: none"> • Nippo unveiled a revised medium-term plan on March 25, 2024, in which it announced that it would accelerate growth investment and adopt a more aggressive dividend policy than it had through FY2022. GES lauds Nippo for carrying out more ambitious investment than previously and expanding shareholder returns. • However, even assuming Nippo follows through on its medium-term plan, it will probably remain in a slight net cash position in FY2025, and the shareholders' equity ratio will remain above 50%. The plan therefore does not represent an adequately efficient use of the balance sheet. • GES proposed and will vote for a DPS of ¥163, in order to achieve more proactive shareholder returns. • In the event that shareholders pass both Proposal 1 and Proposal 5, the total dividend per share paid out will be ¥163. • GES submitted and will vote for this proposal in order to achieve more generous shareholder returns. 	
Proposal 6: Partial amendment of the Articles of Incorporation (Surplus dividend policy)	<u>For</u>
<ul style="list-style-type: none"> • The shareholder proposal for a higher dividend submitted by GES does not demand sustained, high dividends into the future, but is rather a time-limited measure that applies only to the fiscal years 2024 and 2025, the remaining two years covered by the current medium-term plan. The dividend policy proposed by GES is not intended to maximize shareholder interests only in the near term, nor is it intended to impede the longer-term growth of Nippo. GES submitted and votes for the proposal to encourage Nippo to implement “management that is conscious of the stock price” and raise capital 	

efficiency to a more appropriate level.

**Proposal 7: Partial amendment of the Articles of Incorporation
(Regarding meetings between directors and shareholders)**

For

- Nippo's management decisions and supervision on the management are inadequate from capital efficiency perspective and the share price. GES believes that constructive dialogue via one-on-one meetings between directors and major shareholders would impose management discipline and enhance corporate value, and that all shareholders would benefit as a result. GES submitted and votes for the proposal in its belief that taking the initiative as a major shareholder in holding individual discussions with directors will be beneficial for the common interests of all shareholders.
- The Board of Directors stresses that it engages in dialogue with shareholders, including institutional investors, in a reasonable manner and to a reasonable extent. However, leaving such communication to the discretion of the company has resulted in the lackluster pursuit of shareholder engagement, with management not being held accountable to shareholders and not being subject to sufficient discipline. GES believes this is one reason for the inefficiency of Nippo's operations.

Contact: globalesg@swissasia-group.com

About Global ESG Strategy

Global ESG Strategy ("GES"), an investment fund that is managed by SAFS, makes medium- to long-term investments from an ESG (Environment, Social and Governance) perspective, and its policy is to promote improvements on enterprise value and shareholder value of investee companies through constructive dialogue with investee companies and other means.

About Swiss-Asia Financial Services

SAFS was founded in 2004, and is a Singapore based investment management company that holds a Capital Markets Services (CMS) License under the Singapore Securities and Futures Act (SFA).

Disclaimer

This document is for the purpose of providing information on shareholder proposal by Global ESG Strategy ("**GES**") which is managed by Swiss-Asia Financial Services Pte Ltd ("**SAFS**") to Nippo and should not be used for any other purpose.

The information contained in this document is based on SAFS's independent research and analysis and publicly-available information. We, SAFS, Global ESG Strategy and other SAFS's affiliates ("**SAFS et al.**"), do not guarantee its

accuracy, appropriateness or completeness.

This document represents the unique views, expectations and opinions of SAFS et al. and is subject to change. You may not rely on this material for any purpose whatsoever, nor should it be interpreted as investment, financial, legal, tax or other advice.

The information and opinions included herein may include forward-looking statements. You should be aware that all forward-looking statements, estimates, and projections are inherently uncertain and subject to significant contingencies and have been included solely for illustrative purposes. Actual results may differ materially from the estimates, projections or assumptions contained herein due to reasons that may or may not be foreseeable. SAFS et al. accept no liability or responsibility whatsoever for any direct or consequential loss and/or damages arising out of or in relation to any use of opinions, forecast, materials and data contained herein or otherwise arising in connection therewith. ■

None of the information or content in this document is, in any way, an offer, a recommendation, a promotion of services or products; and shall not be construed as an advertisement, solicitation or representation or as advice or a recommendation regarding the purchase or sale of any investment product or any investment in any securities.

This document does not, and should not be construed as, a request for SAFS et al. to grant SAFS et al. or any other third party the authority to exercise voting rights on behalf of the shareholders of Nippo with respect to the agenda at the General Meeting of Shareholders. In addition, it does not propose, encourage, solicit or aim to grant the shareholders of Nippo the right to exercise their voting rights on their behalf by designating SAFS et al. or any other third party as their proxy.