



# NEUBERGER

**Note: English translation for reference only. The original Japanese version shall prevail.**

June 11, 2026

To the Board of Directors and the Special Committee of  
Nippon Dry-Chemical Co., Ltd.

## **Neuberger's Views Regarding the Tender Offer for Nippon Dry-Chemical Co., Ltd. (Securities Code: 1909) by ALSOK and Carlyle**

Neuberger ("we") is an institutional investor that holds shares of Nippon Dry-Chemical Co., Ltd. (the "Company") through funds under our management. We are a long-term investor focused on the creation of durable, long-term value, and we invested in the Company based on our positive assessment of its business foundation and growth potential.

We are writing with respect to the tender offer announced on May 13, 2026 for the Company's shares by TCG2511 Co., Ltd., an acquisition vehicle formed by ALSOK CO., LTD. ("ALSOK") and Carlyle (the "Tender Offer"). We believe it is appropriate to reexamine whether the tender offer price of JPY 3,730 per share fully reflects the Company's medium- to long-term corporate value.


We respectfully request that the Company's Board of Directors and Special Committee independently reexamine whether the tender offer price is fair from the perspective of the interests of shareholders as a whole, and whether the process leading to that conclusion was sufficiently robust and appropriate.

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### **1. The business plan underlying the DCF analysis appears conservative.**

The business plan for the fiscal years ending March 2027 through March 2030, which we understand to have served as the basis for the discounted cash flow ("DCF") analysis underlying the tender offer price, assumes that revenue will increase by 17%, from JPY 61,193 million to JPY 71,345 million, while EBITDA will increase by 7%, from JPY 8,582 million to JPY 9,201 million. In other words, earnings are assumed to lag sales. In this regard, the plan assumes a gradual decline in EBITDA margin from 14.0% to 12.9%, implying a continued deterioration in profitability even relative to the actual EBITDA margin of 14.7% for the fiscal year ended March 2026.

We question whether these assumptions are reasonable, for two reasons. First, the Company has a consistent track record of conservative forecasts: over the last four fiscal years ended March 2023 through March 2026, actual results exceeded initial forecasts by an average of 9% on revenue and 39% on operating profit. This track record suggests that the Company has tended to formulate conservative forecasts. Second, in light of the current business environment, including the expansion of domestic data center, factory and plant



projects, as well as rising construction prices, we believe there remains upside potential to both revenue and earnings.

The Company's own earnings materials for the fiscal year ended March 2026 reinforce this. They describe continued strength in fire-protection systems for data centers and for clean-room manufacturing environments such as semiconductor plants; a deliberate focus on winning higher-margin work such as gas-based fire-extinguishing systems; and growing demand for higher-margin maintenance of specialized facilities.

Accordingly, we believe that using a plan in which revenue and earnings may have been set conservatively as the basis for the DCF analysis could result in an understatement of the Company's intrinsic value. We respectfully request that the Board of Directors and the Special Committee reexamine the reasonableness of the assumptions underlying this plan.

## **2. The independence of the business plan formulation process also warrants further review.**

The DCF analysis is described as having been built on the medium-term management plan adopted on May 13, 2025, adjusted for the most recent order intake.

What gives us pause is that, when that medium-term plan was formulated, a director who came from ALSOK, one of the bidders, sat on the Company's Board.


We understand that, in connection with the Board's deliberations and resolutions regarding the Tender Offer, Mr. Manabu Hirabayashi, who came from ALSOK, was excluded from the process. However, it is not necessarily clear from the disclosed information whether independence from ALSOK was secured at the stage of formulating the medium-term management plan and reflecting the most recent order intake, both of which fed into the DCF analysis, one of the bases for the valuation justification.

This matters because of his role. According to the Company's annual report for the fiscal year ended March 2025, Mr. Hirabayashi was a director of the Company and held the positions of "Deputy Head of the Business Management Division / General Manager of the Sales Development Department / Officer in charge of Sales Development." On the face of those responsibilities, we believe he had authority over sales development and was well positioned to judge the very order-intake assumptions on which the plan depends. Nor is this an isolated point: Mr. Ryosuke Yamauchi, who also came from ALSOK and who, given the continuity of role, appears to have been Mr. Hirabayashi's predecessor, served as a director from 2021, holding posts including General Manager of the Sales Development Division, General Manager of the Corporate Sales Division, and, subsequently, Deputy Head of the Business Management Division / Officer in charge of Sales Development<sup>(1)</sup>.

Given that individuals from ALSOK were continuously involved in important executive responsibilities relating to sales development and corporate sales, it is not clear enough from the disclosed information how independence from ALSOK was ensured with respect to the medium-term management plan and the subsequent consideration of the most recent order intake, which serves as the basis for the valuation.

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<sup>1</sup> English translations of Japanese officer titles are literal translations prepared by Neuberger for reference only, based on the Japanese-language titles disclosed in the Company's annual securities reports. Official English titles have not been confirmed in the disclosures.



### **3. The comparable company set may not reflect the Company's actual business profile.**

According to the disclosures, the Company's third-party valuation advisor selected Morita Holdings Corporation, Nohmi Bosai Ltd., and Hochiki Corporation as the three comparable companies in its comparable company analysis.

We are concerned that a peer set drawn almost entirely from fire-protection and firefighting equipment names does not capture what the Company has become. The Company is not simply an equipment maker. It runs a construction- and maintenance-led business built on the installation, servicing, inspection and replacement of firefighting and fire-protection systems, and its growth is increasingly driven by data center, factory and plant projects – a profile described, as noted above, in its own fiscal year ended March 2026 earnings materials.

In light of these business characteristics, we believe the Company has similarities not only with fire-protection equipment and firefighting-related companies, but also with facility construction companies, including so-called subcontractors. Specifically, we believe there is a reasonable basis for considering facility construction companies such as Kinden Corporation and Kandenko Co., Ltd. as comparable companies.


Comparable company analysis is an important cross-check to a DCF-based valuation. If the selected peer group produces valuation multiples that are lower than those warranted by the Company's actual business profile, the analysis may affect the assessment of the relative fairness of the tender offer price. We believe the Board and the Special Committee should explain why facility construction companies were excluded, and test what their inclusion would do to both the valuation and the fairness conclusion.

### **4. The premium benchmark set deserves a second look.**

The Tender Offer represents premiums of 19.94% to the closing price on the business day immediately preceding the announcement (JPY 3,110), 32.65% to the one-month average price (JPY 2,812), 28.84% to the three-month average price (JPY 2,895), and 41.39% to the six-month average price (JPY 2,638). Compared with the median premiums of the comparable transactions referenced by the Company (35.42%, 43.20%, 44.49% and 43.34%, respectively), the Company explains that the premium to the six-month simple average closing price is close to the median of comparable cases, while the others sit somewhat below it.

Our concern relates to how that precedent set was constructed. The Company limited its benchmark to "transactions announced on or after January 1, 2025," comprising 57 transactions. However, this starting point is somewhat unusual. When we examined 44 of the 45 tender offers announced in 2026 (through the end of May 2026, excluding one that did not close), we found that most premium analyses measure from 2019, the year the Ministry of Economy, Trade and Industry issued its Guidelines for Fair M&A. Of those 44 transactions, 38 had an identifiable benchmark period; 29 of them started from 2019.

By way of illustration, we refer to the tender offer for The Kodensha Co., Ltd. by Kinden Corporation, which was announced just 12 days after the Tender Offer (the "Kodensha Transaction"). Kodensha is mainly engaged in the electrical facility construction business, and we recognize it, like the Company, as a company that benefits from rising construction



demand associated with domestic data centers and similar facilities – which is why we find it a useful reference. We would note, however, that our reference to the Kodensha Transaction is intended solely as one reference point on the question of how a premium benchmark set should be framed, and not in any other respect.

In the Kodensha Transaction, while the end point of the measurement period is the same as in the Tender Offer, April 30, 2026, the starting point differs. The comparison set is stated to consist of “197 tender offer cases aimed at taking private domestic listed companies, excluding investment corporations, that were announced between June 28, 2019, the publication date of the Ministry of Economy, Trade and Industry’s ‘Guidelines for Fair M&A,’ and April 30, 2026, and that were completed, excluding tender offers by a parent company for its subsidiary, management buyout (MBO) cases, two-step tender offers, tender offers in which the tender offer price was below the prior-day closing price, and cases in which the target company did not support the tender offer.” For this set, the average premiums to the prior-day close and the one-, three- and six-month averages were 50.33%, 52.04%, 54.17% and 55.86%, with medians of 42.53%, 43.14%, 43.77% and 46.41%, respectively.

We believe a closer comparison of the two transactions raises two further points.


First, in the Tender Offer, transactions with a price-to-book ratio (“PBR”) below 1x are expressly excluded from the comparison set, whereas in the Kodensha Transaction, at least as disclosed, there is no stated exclusion of transactions with a PBR below 1x. Based on market data we obtained for the most recent five-year period, both the Company and Kodensha have traded above a PBR of 1x since 2026, and both have also spent some time trading below, or in the vicinity of, a PBR of 1x during the period from June 1, 2021 onward.

We recognize that no two deals are identical. However, given that both the Company and Kodensha share similarities in that each may benefit from rising construction demand associated with domestic data centers and similar facilities, that there are similarities in their PBR trajectories, and that the transactions were announced in close proximity in time, we believe the difference in treatment warrants further explanation: in one case, transactions with a PBR below 1x were excluded, while in the other, at least as disclosed, no such exclusion criterion was stated. We believe the rationale for excluding PBR-below-1x transactions in the Tender Offer, including the effect of such exclusion on premium levels, should be explained and reconsidered.

Second, the Company disclosed only the median of its 57-transaction set and not the mean. With an odd-numbered set of 57, the median simply represents the 29th observation on each metric, and it does not necessarily capture either the shape of the distribution or the upper end of the premium range.

Putting these together: on our analysis, if one references the average premiums disclosed in the Kodensha comparison set, which is based on the more widely used 2019 starting point and comprises 197 transactions, the Tender Offer’s premiums would be positioned even lower than when compared against the medians of the Company’s 2025-onward, 57-transaction set. This suggests that the selection of the comparison set may have an impact on the relative assessment of the premium.

For these reasons, we believe real questions remain about how the benchmark set was constructed and what it implies for the relative fairness of the offer price. We respectfully request that the Board of Directors and the Special Committee explain why this particular



comparison set was adopted, and, if relative fairness was not tested against a broader comparison set such as the one described above, reexamine the matter promptly.

**5. The negotiated price appears to have been anchored to the target market capitalization in the medium-term management plan.**

According to the disclosures, the Special Committee and the Company reached the final price of JPY 3,730 after several rounds of negotiation. That price is described as the level proposed by the Company and the Special Committee as corresponding to the JPY 100 billion target market capitalization in the medium-term management plan.


This raises an important question. The DCF analysis, as disclosed, is not based on the medium-term plan as written; rather, it is based on that plan as updated for the most recent order intake. If the operating plan was refreshed for current conditions, the JPY 100 billion target market capitalization that anchored the price negotiation should logically have been refreshed as well, based on the same order intake and changes in the business environment.

As discussed above, the Company's business plan may have been set conservatively, and the price negotiations appear to have been anchored to a target market capitalization set out in the medium-term management plan on which that business plan was based. Moreover, given that the price level corresponding to that target market capitalization was proposed by the Company and the Special Committee themselves, the fact that multiple rounds of negotiations took place does not, by itself, establish the substantive fairness of the price. If the plan used as the starting point understated the Company's value, the target market capitalization derived from that plan would likewise be understated, and reaching that level would not necessarily indicate that fair value had been achieved.

Furthermore, with respect to what the Company refers to as the "target market capitalization of JPY 100 billion under the medium-term management plan," we understand this to represent the market valuation that the Company seeks to achieve in the public equity market as a listed company. Market capitalization in the public equity market is generally formed based on the trading price of minority shares, and it is different in nature from a control-based value that reflects the control premium typically associated with an acquisition of control.

Accordingly, using that target market capitalization as the reference point for the Tender Offer price lacks theoretical consistency as a pricing framework for a transaction in which the tender offeror side acquires control of the Company through the acquisition of shares from minority shareholders. In other words, if the fairness of the Tender Offer price is supported by the fact that it corresponds to the target market capitalization of JPY 100 billion under the medium-term management plan, which theoretically does not include a control premium, then such price formation may not adequately reflect the value that minority shareholders should be entitled to receive. In this regard, we believe the Company and the Special Committee should reexamine how a control premium is reflected in the Tender Offer price.

We also note that the Company did not obtain a fairness opinion on the tender offer price. Given the questions outlined above, including the possibility of a conservative business plan and the way the negotiated price was anchored, we believe a fairness opinion would have provided appropriate additional support in confirming the fairness of the price. We also see



room to consider the independence of the Special Committee that reviewed the transaction. While one of its members, Mr. Norihiko Tokeshi, participates as an independent outside statutory auditor, the disclosure indicates that he has served in the statutory auditor role for twelve years, since June 2014. In a going-private transaction such as this, where the major shareholder is in a position to have influence, we believe a higher degree of independence is required of the Special Committee. In light of these circumstances, having the Special Committee engage its own financial and legal advisors, as well as obtaining a fairness opinion, would have further supported the substantive fairness of the price, in our view.

#### **6. The market check may not have been sufficiently robust.**

According to the disclosures, after receiving ALSOK's going-private proposal on July 9, 2025, the Company began assessing whether potential alternative candidates existed and, between late August and mid-September 2025, approached Carlyle through its financial advisor to understand whether Carlyle would be interested in taking the Company private. It then provided ALSOK and Carlyle with the opportunity to conduct due diligence, received binding proposals from each, and compared and evaluated those proposals.

However, the Company explains that, taking into account information management risks arising from increasing the number of candidates and the feasibility of responding within the timeline contemplated in ALSOK's proposal, it did not make any concrete solicitation of parties other than ALSOK and Carlyle. It is also stated that no concrete proposal was received from any party other than ALSOK and Carlyle.

We believe questions remain as to whether this process constituted a sufficiently competitive price discovery process that maximized value for shareholders as a whole. The only external party that served as a substantive point of comparison was Carlyle, and Carlyle ultimately became a co-bidder with ALSOK in the Tender Offer. In light of this, we believe it is appropriate to examine whether any competing proposal independent from ALSOK was maintained throughout the process and whether the process exerted sufficient upward pressure on price.

We acknowledge the procedural protections: a 33-business-day offer period and the absence of deal-protection terms restricting the Company from engaging with rival bidders. However, an indirect market check conducted after the Board has already announced its support for the Tender Offer and its recommendation that shareholders tender their shares is not necessarily a sufficient opportunity for a potential alternative bidder to conduct adequate due diligence, secure financing and submit a bona fide competing proposal.

We therefore respectfully request that the Board of Directors and the Special Committee reexamine why no party other than ALSOK and Carlyle was actively solicited, and on what basis they concluded that, even after Carlyle joined ALSOK as a co-bidder, the market check served as a sufficient price discovery process for minority shareholders.

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We respectfully request that the Board of Directors and the members of the Special Committee act with due care in fulfilling their fiduciary duties and take appropriate steps to maximize the interests of shareholders as a whole.



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## **About Neuberger Berman East Asia Limited (Japan entity)**

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