Press Release

Global ESG Strategy
May 30, 2024

Shareholder Proposal to NC Holdings Co., Ltd. and Views on the Opinion of the Company's Board of Directors

Global ESG Strategy ("GES") is an investment fund managed by Swiss-Asia Financial Services Pte Ltd ("SAFS") that makes medium- to long-term investments from an ESG (environment, social, and governance) perspective, and as a responsible investor, its management policy is to support the achievement of improvements in medium- to long-term corporate value and shareholder value of Japanese listed companies through constructive dialogue, etc.

In 2023, GES began investing in NC Holdings Co., Ltd. ("NCHD" or the "Company"), a company listed on the Tokyo Stock Exchange Standard Market (Securities Code 6236). Throughout our engagement since initially investing in NCHD, it became clear that there are issues with NCHD's approach to corporate governance, such as the continued accumulation of internal reserves that ignores capital efficiency required of a listed company. GES also experienced that NCHD's approach to dialogue with shareholders was not always forward-looking and welcoming, and moreover, the continued refusal to publish a medium-term management plan like its other listed peers despite repeated requests from multiple shareholders.

To address these concerns, GES submitted the following four shareholder proposals (the "Shareholder Proposals") for deliberation at the annual shareholders meeting scheduled to be held in June 2024, with the aim of improving capital efficiency, promoting dialogue with shareholders, and disclosing the medium-term management plan. Please refer to Exhibit 1 for details of the Shareholder Proposals.

Agenda Item 1:	Appropriation of Surplus
Agenda Item 2:	Partial Amendment of Articles of Incorporation (Policy on Dividend of Surplus)
Agenda Item 3:	Partial Amendment of Articles of Incorporation (Handling by Directors of Interviews With Shareholders)
Agenda Item 4:	Partial Amendment of Articles of Incorporation (Disclosure of Medium-Term Management Plan)

Furthermore, NCHD published the opinions of its board of directors regarding the Shareholder Proposals on May 15, 2024, but the opinions of the board of directors regarding each of the proposals include unsubstantiated claims, intentionally misleading statements, and factual errors, making it even clearer that the NCHD board of directors and management hold a hostile and dismissive view of the opinions of its shareholders with no regard for their common interests. Notice is also hereby given of GES's views regarding those board of director opinions, as described in Exhibit 2.

GES recognizes that the situation with respect to NCHD’s corporate governance is even more serious than at the time of submitting the Shareholder Proposals, so to maximize the common interests of shareholders, it is considering further countermeasures, including requesting an extraordinary shareholders meeting.

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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 is 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).

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 NCHD 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 NCHD the right to exercise their voting rights on their behalf by designating SAFS et al. or any other third party as their proxy.

Exhibit 1

Shareholder Proposals to NC Holdings Co., Ltd.

Agenda Item 1: Appropriation of Surplus

GES has proposed an appropriation of surplus with a dividend of 161 yen per share as a year-end dividend for FY2023.

Agenda Item 2: Partial Amendment of Articles of Incorporation (Policy on Dividend of Surplus)

GES has proposed that it be prescribed in the company's Articles of Incorporation that the dividend amount be maintained at a minimum payout ratio of 200% from FY2024 to FY2025.

As background to the proposals in Agenda Items 1 and 2, the Company's net assets remain at a high level of 7 billion to 9 billion yen compared to its market capitalization of 6.3 billion yen (as of May 24, 2024). The ratio of net assets to total assets is also trending around 50%, but management has not clearly indicated whether this level is necessary for business operations or what kind of net assets are required for management objectives, and the situation continues in which they are accumulated without being utilized. The Company's decision to channel internal reserves into a pool without any concrete future investment plans clearly goes against the Tokyo Stock Exchange's call for "management that is conscious of cost of capital and return on capital based on the balance sheet." Accumulated internal reserves should be used to actively invest in new businesses, but no sufficiently concrete investment plan has been presented to shareholders at this time. As with the building up of net assets, net cash on the balance sheet continues to accumulate, increasing to 4.6 billion yen, which is as much as 31.0% of total assets as of March 2023.

Nevertheless, since then the Company has continued its policy of accumulating internal reserves, and as reasons for doing so has cited to GES possibilities that cannot be considered concrete and realistic, such as the possibility of being unable to receive any loans at all from Japanese financial institutions during a recession, and the possibility of carrying out a number of M&As in quick succession, which it has never done before.

Assuming the FY2023 dividend of 161 yen per share in the Shareholder Proposal, it is possible to calculate that the share price would rise to 5,367 yen, and if NCHD were to raise the dividend payout ratio to 200%, then based on FY2024 net income, the share price would rise to 8,443 yen.

Given the above, GES has proposed an appropriation of surplus of 161 per share as a year-end dividend for FY2023 and that it be prescribed in the company's Articles of Incorporation that a dividend payout ratio of 200% or more will be maintained from FY2024 to FY2025.

Agenda Item 3: Partial Amendment of Articles of Incorporation (Handling by Directors of Interviews With

Shareholders)

GES repeatedly requested individual interviews with all NCHD directors ahead of the FY2023 shareholders meeting, but of the 11 directors, individual interviews were not realized with six directors who are the President & Representative Director and outside directors. As stated previously, it is important not only for GES but for all stakeholders to understand whether NCHD's board of directors is carrying out appropriate management decisions and supervision, especially from the perspective of capital efficiency. Despite this, the situation is such that the opinions of six out of 11 directors, i.e. 55% of the board of directors, have not been heard. GES believes that individual interviews with directors and major shareholders will serve the common interests of all other shareholders who can make decisions only based on normally disclosed information. Promoting constructive dialogue between each director and shareholders not only contributes to improving NCHD's corporate value, but also indicates transparency and openness on the part of NCHD's board of directors, which leads to a better evaluation of NCHD's share price by the markets.

In order to achieve an appropriate dialogue between NCHD's directors and shareholders, GES has proposed that handling by directors of individual interviews with shareholders be prescribed in the company's Articles of Incorporation.

Agenda Item 4: Partial Amendment of Articles of Incorporation (Disclosure of Medium-Term Management Plan)

As a shareholder, in order to understand the management strategies and objectives of the company's management, and the progress thereof, GES has requested through repeated interviews with NSHD the formulation and disclosure of a medium-term management plan that includes specific and quantitative target values. Also, the Company has stated that in addition to GES, multiple shareholders have also requested that the company publish a concrete management plan many times in the past, but that it has deliberately refused to publish a management plan due to the high volatility of its business. GES believes that since this situation of not producing a concrete management plan continues, it cannot be said that the NCHD board of directors is fulfilling its duty of accountability to shareholders, and under such circumstances, there is a serious flaw in the situation that compels shareholders to appoint the directors to whom management is delegated without presentation of a management plan at the general meeting of shareholders. NCHD management's continued refusal to publish a management plan is an abnormal situation, and there is no choice but to conclude that this is evidence of insufficient management ability or inability by the outside directors to perform their supervisory functions and a serious failure of governance, or both.

Since NCHD management cannot be expected to voluntarily announce a medium-term management plan, GES has proposed that the duty to publish a concrete medium-term management plan be made clear in the Articles of Incorporation in order to have the NCHD board of directors sufficiently fulfill its duty of accountability to shareholders.

Exhibit 2

NCHD Management's Opinions Opposing the Shareholder Proposals

NCHD Board of Directors' Opinion on Shareholder Proposal 1: Appropriation of Surplus

The NCHD board of directors has asserted that since the company's distributable amount is insufficient to meet the dividend amount in the agenda item regarding appropriation of surplus proposed by GES, it will not be presented as an agenda item at the annual shareholders meeting scheduled to be held in June 2024.

However, this is clearly an unsubstantiated false claim. NCHD is a holding company that conducts business through its subsidiaries, and as parent company, manages the business of these subsidiaries through its shareholding. Therefore, NCHD itself does not generate external profits; rather, its subsidiaries such as Nippon Conveyor Co., Ltd. are the source of value. The structure is such that the resources and distributable amounts for NCHD to return profits to shareholders as a listed company, such as dividends and treasury shares, basically come from subsidiaries in the first place.

It is because NCHD is premised on this structure, and because NCHD management also recognizes this, that it explains its own dividend policy to shareholders using the dividend payout ratio on a consolidated basis.

According to the summary of accounts for the fiscal year ending March 2024 published on May 15, 2024, the earned surplus on the consolidated balance sheet is more than 4.0 billion yen, which is more than sufficient,[1] and it would therefore have been possible to legally distribute the surplus as proposed by GES by having the Company's subsidiaries pay dividends and by performing an extraordinary settlement of accounts. In other words, although NCHD was able to legally secure a distributable amount sufficient to pay the dividend amount proposed by GES, at the sole discretion of its board of directors, it concealed this fact and refused to introduce the proposal on the grounds that, as a matter of form, it was illegal premised on NCHD's distributable amount as of the end of the fiscal year ending March 2024. Such a response can only be deemed to be an unacceptable response that is extremely unreasonable and that ignores the interests of shareholders.

NCHD Board of Directors' Opinion on Shareholder Proposal 2: Partial Amendment of Articles of Incorporation (Policy on Dividend of Surplus)

(1) Assertion that it makes continuous and stable business operations difficult

The NCHD board of directors asserts the following: "This will, without taking into account the business environment surrounding our company and management policy, etc., force the company to raise the consolidated dividend payout ratio to an abnormal level of 200% that is the same level as in (1) over the two years of FY2024 and FY2025, making

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[1] Stock companies are required to publish financial statements (announce financial results) without delay after the conclusion of the annual shareholders meeting for each business year, but as far as GES has been able to confirm, the financial results for the three stock companies that are NCHD's consolidated subsidiaries (Nippon Conveyor Co., Ltd., NH Service Co., Ltd., and Kansai Denki Kogyo Co., Ltd.) have only been announced up to the fiscal year ending March 2021, and there has been a failure to announce financial results for at least the fiscal years ending March 2022 and March 2023, which violates the Companies Act. Even though as the holding company, NCHD should have the financial results for each subsidiary announced in a timely manner, it has left the illegal situation unaddressed, it has neglected proper disclosure of information to shareholders, and it has failed to disclose the amount of surplus that is the basis of each subsidiary's distributable amount.

continuous and stable operation of the company's business difficult. The proposing shareholder's attempt to pursue short-term profits in this way, even if it means interfering with the company's sustainable business operations or paying dividends that exceed the distributable amount in violation of the Companies Act, can only be called extremely inappropriate."

However, this is a false assertion that clearly was made to mislead shareholders. As described in the written proposal pertaining to the Shareholder Proposal, even in an analysis based on conservative assumptions such as assuming that NCHD's sales and profits will remain flat going forward after the dividends of surplus proposed by GES are carried out, at the end of FY2025, the Company would continue to maintain net cash of approximately 360 million yen and a net asset ratio of 36.5%, so it is clear that the Company would continue to maintain excessively strong financial soundness.

Furthermore, an analysis of a downside scenario in which, after paying the dividend amount proposed by GES, NCHD's operating income and net income decreased to half of the company's forecast for FY2024 for the next two consecutive years found that even in such an extreme scenario, there would be net cash of 360 million yen and a net asset ratio of 36.5% at the end of FY2025, and the Company would continue to maintain sufficient financial soundness.

This kind of objective analysis shows that payment of GES's proposed dividends by NCHD, which has a substantial net cash position, would not "make sustainable business operations difficult and damage corporate value and the common interests of shareholders" as NCHD claims.

Financial forecast if the company policy is adopted (million yen)	FY2023	FY2024	FY2025
Dividend amount per share (yen)	65	65	65
Dividend payout rate	54.6%	102.6%	102.6%
Net cash (million yen)	1,063	1,055	1,048
vs. market cap	*16.9%*	*16.8%*	*16.7%*
Net D/E	(0.13)	(0.12)	(0.12)
Net cash / EBITDA	0.94	1.68	1.67
Net asset ratio	44.3%	41.7%	43.4%

Financial forecast if the Proposal is adopted	FY2023	FY2024	FY2025
Dividend amount per share (yen)	161	254	254
Dividend payout rate	135.2%	200.6%	200.6%
Net cash (million yen)	1,063	913	360
vs. market cap	*16.9%*	*14.5%*	*5.7%*
Net D/E	(0.13)	(0.11)	(0.05)
Net cash / EBITDA	0.94	0.89	0.35
Net asset ratio	44.3%	39.2%	36.5%

Financial forecast assuming downside scenario	FY2023	FY2024	FY2025
Dividend amount per share (yen)	161	127	127
Dividend payout rate	135.2%	200.6%	200.6%
Net cash (million yen)	1,063	638	362
vs. market cap	*16.9%*	*10.1%*	*5.8%*
Net D/E	(0.13)	(0.08)	(0.05)
Net cash / EBITDA	0.94	1.02	0.58
Net asset ratio	44.3%	37.9%	36.5%

Note: Sales and current net income are assumed to be company forecasts for FY2024 and constant for FY2025. EBITDA is calculated assuming that depreciation expenses are the same as in FY2023. Net cash and net assets for each period from FY2024 onwards are calculated by assuming capital investment equal to depreciation expense each period and then adding the amount obtained by subtracting dividends from current net income to the preceding period's net assets. Net asset ratio is calculated assuming that total assets are proportional to sales. Market capitalization is as of May 24, 2024.

The financial forecast if the company policy is adopted assumes that going forward, the FY2023 total dividend of 65 yen continues. The financial forecast if the Proposal is adopted and the downside scenario assume the original shareholder proposal item 1 's year-end dividend of 161 yen for FY2023 (which was 200% of the company's projected net income for FY2023 at the time of shareholder proposal submission) and a dividend payout ratio of 200% for the next two years. The downside scenario assumes that operating income and net income in FY2024 and FY2025 will decrease by half.

(2) Assertion that it is necessary to hold cash and equivalents on hand to take orders for large projects

The NCHD board of directors asserts the following: “A major characteristic of the Company’s conveyor business is that, if we have accepted an order for a large project, the timing of the delivery and of cash coming in may be significantly out of sync because the work proceeds in multi-year units. Therefore, in order to accept orders for large projects, it is necessary for us not only to borrow funds from outside, but to hold funds on hand that are commensurate with that business characteristic. Moreover, in public works projects in the civil engineering field and energy-related fields where our Company expects growth, at least a certain capital adequacy ratio is required in order to accept orders. Additionally, a certain amount of liquidity on hand is important in order to conduct flexible M&A, and a certain capital adequacy ratio is also required to raise funds through bank borrowing. We have disclosed these business characteristics of our Company to shareholders in the past. Naturally, we have also explained this to the proposing shareholder.”

However, this explanation is based on ambiguous claims from beginning to end, and it cannot possibly be called a concrete explanation that can be accepted by shareholders.

To date, the management has never given a reasonable and concrete explanation not only to GES, but publicly, regarding why they maintain a substantial amount of net cash and why they continue to increase it further. We can only conclude that, although the management itself does not really understand the future business risks or funding needs, their perception is on the level of sensing that it is safer just to grow net cash as much as possible.

As stated previously, even if the dividend amount proposed by GES is implemented, the result will be that net cash will continue to be maintained in FY2025, and that the net asset ratio will also maintain a sufficiently high level at 36.5%. If they will make assertions, which have been insufficient to date, such as that sustainable and stable operations will be difficult, they should clarify the specific grounds for why they believe that, and the management should fulfill its duty of accountability to shareholders.

NCDH asserts that they have to ensure a generous level of funds on hand in order to prepare to accept large orders, but while this is obvious, it does not mean that they have to maintain a large amount of net cash.

For example, if they were to borrow five billion yen, that would be recorded as interest-bearing debt on the right side of their balance sheet and five billion yen of cash would be added under assets on the left, and in this situation net cash (i.e., “interest bearing debt minus cash and equivalents”) would be zero, but they would have been able to secure five billion yen as funds on hand. Even if they say they want to maintain funds on hand, that does not mean that they must maintain the situation in which they have a large amount of net cash. To date, the management has never given a reasonable public explanation regarding why they have adopted a policy of maintaining and continuing to increase a large amount of net cash.

Based on the NCHD management only having given abstract and irrelevant explanations concerning necessary financial reserves to date, we cannot help but harbor grave doubts about whether the management and the outside directors who monitor the management have sufficient literacy concerning the corporate finance that is required to manage a listed company.

(3) Assertion that the proposal for the appropriation of surplus pursues short-term profit and does not give any consideration to future investments for business operations and the need to secure funds that are a prerequisite for such investments

NCHD's board of directors asserts, for example, that "[the dividend amount proposed by GES] is nothing but a proposal that pursues short-term profit and does not give any consideration to future investments for the sustainable business operations of the Company and the need to secure funds that are a prerequisite for such investments, and we believe that it will significantly harm medium-to-long-term corporate value and the common interests of shareholders, and is thus inappropriate."

However, we are forced to conclude that this is evidence that they are completely unaware that it is instead NCHD's very policy of blindly continuing to stockpile internal reserves that is significantly harming medium-to-long-term corporate value and the common interests of shareholders.

If paying the dividend amount proposed by GES means that future investment and the necessary funds that are its prerequisite will no longer be sufficient and that sustainable business operations will become difficult, the management should explain why that is after publicly disclosing a medium-term management plan that includes a business plan, financial plan, investment plan, and shareholder return policy, as well as concrete standards for the financial soundness that the management is thinking of. Vaguely asserting, for example, that business operations will be difficult merely intentionally stirs up unease among shareholders, and it must be characterized as being far removed from a state where the accountability that is required of the management of a listed company is being fulfilled.

NCHD Board of Directors' Opinion on Shareholder Proposal 3: Partial Amendment of Articles of Incorporation (Handling by Directors of Interviews With Shareholders)

At a listed company, shareholders are dispersed into a large number, and for small shareholders, even if they were to bear the cost and take the time to carry out activities to impose discipline on management through conversations with directors, because the benefit of that would be enjoyed by all shareholders uniformly, small shareholders do not have the incentive to carry out those activities to impose discipline on management. Because their shareholders are dispersed in this way, listed companies have the problem of discipline not being imposed on their management even if they have engaged in irresponsible management.

When the improvement of corporate value has been promoted by a large shareholder representing many small shareholders by bearing the cost and taking the time itself to impose discipline on management using constructive dialogue activities through individual interviews, because all shareholders, not only the relevant large shareholder, receive the benefit that is obtained through those activities, conducting individual interviews will certainly contribute to the common interests of shareholders.

In its opinion opposing GES' shareholder proposal, NCHD's board of directors asserts that among the individual interviews that were able to be held with some directors, the proposing shareholder, "while only asking questions and providing opinions with essentially the same content and not giving sufficient explanation of the necessity thereof, has stubbornly continued to demand individual interviews with all 11 directors."

However, GES has clearly communicated that "our intention in wanting to have one-on-one interviews with all directors is because we want to directly ask each director about what they think about and how they are involved with the environment, issues, and opportunities surrounding the company, management policies, the management structure, and their method of having relationships with stakeholders, etc., and to judge their suitability as directors based on the possibility of a proposal to reappointment them as director candidates being submitted at the annual shareholders meeting. Therefore, with regard to the interviews with the directors, because we anticipate that if other people were to attend it would be difficult to freely express oneself, we request that interviews be arranged between our company and the directors one at a time."

Although they are making the criticism that we are only asking questions with essentially the same content and there is no meaning in that, asking each director the same question of what they think about NCHD's management issues and scope for improvement and hearing what each director thinks is very meaningful.

Regardless of that, it must be said that the assertion that individual interviews with directors are not necessary if we are asking the same question betrays a lack of awareness of the responsibility of each director and the significance of dialogue with shareholders. Of course, there is significant meaning in receiving regular updated explanations of results from the person in charge of IR or the like and receiving explanations from the president of management issues and management policies that the president is thinking about, but on the other hand, we believe it is very meaningful to confirm whether individual directors also have their own independent opinions after appropriately understanding the management environment and whether they are actively contributing to the board of directors.

NCHD asserts that, if viewed in light of the principle of shareholder equality or the issues of fair disclosure and insider information management, it has appropriately responded by not accepting individual interviews, but in that GES has always told NCHD that it is not the case that it wants to ask about unpublished material facts under insider trading regulations or material information under fair disclosure rules in the individual interviews, the assertion that problems will arise under fair disclosure rules or insider trading regulations is irrelevant.

In addition, the Companies Act distinguishes between the rights of shareholders according to the number of shares they hold, and premised on this kind of system, establishing differences in handling according to the number of shares held within a reasonable scope is permitted even under the principle of shareholder equality.

For example, a shareholder who has continuously held at least 3% of voting rights for the prior six months is granted the right to request the convocation of an extraordinary shareholders meeting. GES is aware that, if anything, large shareholders being granted that type of right also comes with the responsibility of representing small shareholders in carrying out activities to impose discipline on management.

GES has requested individual interviews with each director since January 30, 2024, but because, for example, the directors are busy and their schedules could not be adjusted, as a result we have only been able to hold interviews with some directors. If we suppose that they were busy with their regular business and do not have the spare time for interviews even when requested by a large shareholder, such a director could not be said to have secured sufficient time to fulfill their duties as a director of NCHD, and it must be said that they would be inappropriate as a director.

In addition, after the submission of the shareholder proposal this time, GES contacted NCHD and asked NCHD to create an opportunity for a more detailed explanation of the shareholder proposal, and it is extremely regrettable that they have issued the opposing opinion without creating such an occasion and without showing an attitude of trying to deeply understand the intention and background of the shareholder proposal.

General Principle 5 of the Corporate Governance Code provides that management and directors (including outside directors) should engage in constructive dialogue with shareholders and should pay due attention to the interests and concerns of shareholders through such dialogue, but the response by NCHD management has violated that General Principle, and because they cannot be said to be in compliance with the Corporate Governance Code and also have not provided a reasonable explanation for the reason for that, they are in a situation that violates the Listing Regulations. We have no choice but to have serious concerns about the competence of NCHD's board of directors, and in particular of President Hironori Kajiwara and Director Hiroshi Yoshikawa who take the lead on determining the policy for responding to shareholders, as the management of a listed company.

NCHD Board of Directors' Opinion on Shareholder Proposal 4: Partial Amendment of Articles of Incorporation (Disclosure of Medium-Term Management Plan)

To date, we have received an explanation from President Hironori Kajiwara of NCHD that while they have received requests from multiple shareholders, including GES, to publish a medium-term management plan countless times in the past, they have continued to refuse to do so. We were surprised at the blatant acknowledgement of deliberately ignoring shareholder requests to disclose a management plan while having received countless requests from shareholders to publish a medium-term management plan.

The current situation, in which they have not sufficiently fulfilled their duty of accountability to their Company's shareholders by only disclosing generalized issues and forecasts regarding the management plan, also violates the TSE's Listing Regulations because if they are not also in compliance with Principle 3-1 of the Corporate Governance Code that prescribes the disclosure of a management plan they also are not providing an explanation. Furthermore, the attitude of President Hironori Kajiwara, who is deliberately refusing to publish a specific management plan without a reasonable explanation, must be said to be far removed from the attitude of sincerely pursuing the improvement of corporate value and the common interests of shareholders as a manager who has received a delegation from shareholders.

The situation in which NCHD management continues to refuse to publish a management plan is an unusual circumstance, and we are forced to believe that it is either evidence of a lack of sufficient management ability or a serious governance failure due to the outside directors failing to perform their supervisory function, or both.

The situation in which shareholders at the shareholders meeting are compelled to appoint directors who are delegated management without presentation of a management plan must be described as a serious flaw in corporate governance. Properly speaking, while it is natural as a listed company for NCHD's board of directors to publish a management plan on their own initiative, we cannot expect that they will do so because they continue to deliberately refuse to voluntarily publish a plan, so expressly stating the formulation and disclosure of a management plan in the Articles of Incorporation and requiring the management to manage after formulating a concrete medium-term management plan through this shareholder proposal will contribute to the common interests of shareholders.

NCHD management's assertion that requiring the disclosure of a management plan will create a significant impediment to management at NCHD and harm corporate value and the common interests of shareholders is an irrational argument that we cannot help but believe defies accepted norms.

End