

5th July 2023

Three of Asset Value Investors' shareholder proposals pass at NCHD's AGM with another three achieving majority shareholder support

As announced in a press release dated 18 May, Asset Value Investors Limited ("AVI") submitted eight shareholder proposals to NC Holdings (TSE: 6236, "NCHD"), all of which we believe are firmly in the best interests of shareholders. At the ordinary general meeting of shareholders held on 29 June, three proposals were successfully approved and passed while a further three achieved majority shareholder support.

The proposals passed were:

- A special resolution (which required two-thirds of the vote to pass) amending the articles of incorporation to give shareholders the authority to determine dividends at general meetings,
- A dividend of JPY 65 per share, equivalent to a 70% pay-out ratio, and
- A stock compensation plan for directors, including a stock plan for executive directors based on achieving a three-year total share price return of over 50% and an average three-year ROIC of over 10%.

The proposals which achieved majority shareholder support but did not pass due to needing two-thirds support were:

- A special resolution to amend the articles of incorporation to increase the maximum number of directors allowed on the Board from 12 to 13,
- A special resolution setting minimum requirements when adopting or triggering a poison pill, and
- A special resolution that requires prior approval by a general meeting of shareholders for a third-party allocation of shares.

AVI believes that the special resolution is one of only a handful of shareholder-proposed special resolutions to have ever passed in Japan and that AVI is one of only three shareholders who had their resolutions successfully passed despite opposition by the Company this June AGM season.

AVI views the approval of three shareholder proposals and the majority support for three more as a significant step forward in enhancing NCHD's corporate value in the best interests of NCHD's shareholders. We believe the Board of Directors should acknowledge that three shareholder proposals achieved majority support despite not being passed and should respect the expressed wishes of shareholders by not taking actions contrary to these resolutions.

It is, however, disappointing that the majority-of-the-minority disclosure policy and the Board's attempt - in their 7th June announcement - to intimidate shareholders hindered dialogue between AVI and other shareholders, preventing an open and honest debate.

That the Board of Directors opposed six shareholder resolutions supported by a majority of shareholders raises serious questions as to whether the current directors are acting in shareholders' best interests. We hope the strong support for our resolutions has sent a powerful message to the Board that they need to improve communication with shareholders and listen to their concerns.

As elaborated in the presentation material on AVI's campaign website (www.enhancingNCHD.com), NCHD's shares have traded at a persistent discount to peers. To arrest the damage to corporate value and ultimately enhance the best interests of shareholders, AVI will strengthen its engagement with NCHD over the coming year and consider all options to ensure the Board of Directors is acting in the best interests of shareholders.

AVI at a glance

AVI is an investment management company established in London, United Kingdom, in 1985, and AVI has invested in Japanese equities for more than 20 years. AVI manages AVI Global Trust (Total Gross Assets: approximately JPY190bn (£1.2bn)), AVI Japan Opportunities Trust (Total Gross Assets: approximately JPY31bn (£0.19bn)), etc., as of 31 March 2023. AGT and AJOT are public companies whose shares are listed and traded on the main market of the London Stock Exchange.

AVI has signified its commitment to the "Principles for Responsible Institutional Investors: Japan's Stewardship Code" and, in accordance with its aim, engages in constructive "purposeful dialogue" (engagement) with management and board members in order to contribute to the enhancement of the corporate value and sustainable growth of the portfolio companies.

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Disclaimer:

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