



## PRESS RELEASE

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June 12, 2024

To All

Name of Company: Hokuetsu Corporation

Name of Representative: Sekio Kishimoto, President and CEO

(Securities Code: 3865 (Prime Market, Tokyo Stock Exchange))

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### **Notice Concerning the Company's Perspective On a Major Proxy Advisory Firm's Recommendations For or Against Certain Shareholders' Meeting Proposals**

Hokuetsu Corporation (hereinafter, "Company") has confirmed that on June 11, 2024, a major proxy advisory firm Institutional Shareholder Services Inc. (hereinafter, "ISS") issued a report (hereinafter, the "Report") containing recommendations for or against the proposals made at the 186th Ordinary General Meeting of Shareholders to be held on June 27, 2024. The Company would like to inform you of the Company's views on the contents of the Report, as set forth below.

The Company asks its shareholders and investors to review this notice, and the contents of the "Notice of Convocation of The 186th Ordinary General Meeting of Shareholders," and to grant the Company their understanding of the Company's proposals.

#### Notes

In the Report, **ISS recommends voting "For" all of the Company's proposals except for Proposal 4** ("Approval of Implementation of Countermeasures in the Event that Daio Kaiun et al. Engage in a Large-scale Acquisition Without Complying with the Company's Response Policy"). Additionally, **ISS recommends voting "Against" all seven (7) shareholder proposals, which include Proposals 5 to 9 from the Oasis Group and Proposals 10 and 11 from Daio Kaiun.** The Company is positive about the fact that ISS recommended voting "For" all of the Company proposals except one, and "Against" all shareholder proposals, which means that ISS generally supports the Company's statements.

#### **1. Reasons Behind the ISS Recommendations to Vote "For" All Company Proposals (Except Proposal 4), and "Against" All Shareholder Proposals**

Although the Oasis Group and Daio Kaiun made strong assertions through the media about the legitimacy of their shareholder proposals for changes to the composition of the Company's board of directors,

including removal of the Company's President and CEO, Sekio Kishimoto, removal of the incumbent Outside Directors, the appointment of new candidates as Outside Directors, ISS made a determination that these statements by the Oasis Group and Daio Kaiun are not convincing enough to justify replacement of the Company's Board of Directors, and are not worth supporting, particularly pointing out that the Company's TSR has improved during the tenure of Sekio Kishimoto as the Company's President and CEO, and considering that (i) the Company's performance has turned around, and at this point there is not enough evidence of long-term underperformance, and (ii) the Company's Board of Directors has markedly improved its independence in recent years. In addition, Daio Kaiun's Proposal 11 ("Determination of Amount of Fixed Compensation for Each Outside Director") is a supplementary proposal to Proposal 10 ("Election of Five (5) Directors") and therefore need not be supported.

Moreover, the Oasis Group's Proposal 8 ("Determination of Basic Remuneration for Each Outside Director") was determined to be inappropriate because fixing the compensation to be paid to each Outside Director will reduce flexibility in managing compensation in response to changes in market environments and make it difficult to recruit qualified personnel. Also, Proposal 9 ("Determination of Remuneration for Granting Restricted Stock to Outside Directors") was determined to be inappropriate due to the vagueness of the restricted period and performance hurdles.

## **2. Reason Why ISS Is Against the Company's Proposal 4, and the Company's Perspective**

In the Report, **ISS mentions** with regard to the Company's Proposal 4 ("Approval of Implementation of Countermeasures in the Event that Daio Kaiun et al. Engage in a Large-scale Acquisition Without Complying with the Company's Response Policy") **that it may seem reasonable for the shareholders to support this Proposal, based on the fact that the Countermeasures are intended to be implemented specifically against Daio Kaiun, and that ISS recommended to vote against the Proposals made by Daio Kaiun.** However, ISS decided to recommend voting "against" Proposal 4.

The matters ISS cites as background for its recommendation actually are not of concern to the Company's shareholders; the Company's perspective and explanation are set forth below.

First, one of the reasons ISS cites in its Report as justification for its recommendation to vote against Proposal 4 is that (i) once the shareholders approve implementation of the Countermeasures at this Ordinary General Meeting of Shareholders, the shareholders will lose the opportunity to block implementation of the Countermeasures in the future, if the situation unfolds in a way that turns out to be detrimental to the shareholders by the time of implementation. However, as explained in the "Additional Explanations Related to Daio Kaiun Endorsement Release" dated June 11, 2024, the Company's Proposal 4 is designed to consult the shareholders as to whether or not to implement the Countermeasures in the limited situation in which Daio Kaiun et al., which already hold 21.12% of the shares of the Company, "engage in Large-Scale Acquisitions without complying with the Company's Response Policy;" therefore, **even if the shareholders approve Proposal 4, the Countermeasures will not be implemented as long as Daio Kaiun et al. comply with the procedures set forth in the Response Policy** (If Daio Kaiun et al. comply with the procedures set forth in the Response Policy and then engage in Large-Scale Acquisitions, the

Company will consult the shareholders about whether or not to implement the Countermeasures set forth in the Response Policy). **If Daio Kaiun dares to engage in Large-Scale Acquisitions without complying with the procedures set forth in the Response Policy, which was introduced with the intent to ensure that the Company's shareholders have necessary information and time to make appropriate decisions, it is hard to imagine that implementation of the Countermeasures would ever work against the interests of the Company's shareholders.**

Moreover, if the Company's Proposal 4 is approved, but Daio Kaiun et al. do not "engage in Large-Scale Acquisitions without complying with the Company's Response Policy" at any time before the Company's ordinary general meeting of shareholders, to be held in June next year, the Company intends to reconsider whether (or not) to make a proposal similar to Proposal 4, based on the situation at that time, including the movements of Daio Kaiun et al., in light of the recommendations of the Independent Committee.

A second reason ISS cites in support of its recommendation to vote against the Company's Proposal 4 is the failure to meet ISS's formal standards for (ii) the independence of the Independent Committee and, (iii) the independence of the Company's Board of Directors the Directors' term of office.

**However, all of the Company's independent Outside Directors who are members of the Independent Committee meet the Independence Tests of the Tokyo Stock Exchange and have a high level of independence, as stated in the Board of Directors' Opinion.**

Moreover, as already expressed in the "Notice of Additional Explanations Related to Proposals Made at General Meeting of Shareholders" dated June 3, 2024 (hereinafter, "Additional Explanations Dated on June 3,") **in connection with (iii) the independence of the Company's Board of Directors and the Directors' term of office, the Company believes that increasing the number and ratio of independent Outside Directors is an important issue, and the Company intends to consider it positively in the future.** The Company will proceed with deliberations, with a view to the ordinary general meeting of shareholders to be held in June next year, at which time the Company plans to submit a proposal for the election of Directors in conjunction with the expiration of the term of office of the incumbent Directors. Additionally, in connection with the Directors' term of office, as already explained in the Additional Explanations Dated on June 3, **the Company is positively considering a transition to a more appropriate corporate governance system, including reducing the term of office of directors to one (1) year, at the ordinary general meeting of shareholders to be held in June next year.**

**In light of the points and responses above, the Company once again asks its shareholders to vote "For" the Company's Proposal 4, as well as the Company's Proposals 1 to 3, which ISS recommended shareholders vote "For".**

The Company will continue its efforts to strengthen its corporate governance system and to improve its effectiveness based on dialogue with its shareholders.

Defined terms and expressions used in this press release are the same as those used in the related materials; please see the links below, for reference.

Notice of the Board of Directors' Opinion on the Shareholder Proposals (May 22, 2024)

[https://www.hokuetsucorp.com/pdf/20240522\\_release03.pdf](https://www.hokuetsucorp.com/pdf/20240522_release03.pdf) <sup>1</sup>

Supplementary Explanatory Materials: Our Efforts to Enhance Corporate Value (May 22, 2024)

[https://www.hokuetsucorp.com/pdf/20240522\\_release04.pdf](https://www.hokuetsucorp.com/pdf/20240522_release04.pdf) <sup>2</sup>

Notice of Additional Explanations Related to Proposals Made at General Meeting of Shareholders (June 3, 2024)

[https://www.hokuetsucorp.com/pdf/20240603\\_release01.pdf](https://www.hokuetsucorp.com/pdf/20240603_release01.pdf) <sup>3</sup>

Notice of Convocation of The 186th Ordinary General Meeting of Shareholders (June 10, 2024)

[https://www.hokuetsucorp.com/pdf/shareholders186\\_notice.pdf](https://www.hokuetsucorp.com/pdf/shareholders186_notice.pdf) <sup>4</sup>

Additional Explanations Related to Daio Kaiun Endorsement Release (June 11, 2024)

[https://www.hokuetsucorp.com/pdf/20240611\\_release01.pdf](https://www.hokuetsucorp.com/pdf/20240611_release01.pdf) <sup>5</sup>

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<sup>1</sup> An English translation can be found at the link below.

**[https://www.hokuetsucorp.com/pdf/ogm2024\\_en.pdf](https://www.hokuetsucorp.com/pdf/ogm2024_en.pdf)**

<sup>2</sup> An English translation can be found at the link below.

**[https://www.hokuetsucorp.com/en/pdf/releases/20240606\\_release01\\_en.pdf](https://www.hokuetsucorp.com/en/pdf/releases/20240606_release01_en.pdf)**

<sup>3</sup> An English translation can be found at the link below.

**[https://www.hokuetsucorp.com/en/pdf/releases/20240606\\_release02\\_en.pdf](https://www.hokuetsucorp.com/en/pdf/releases/20240606_release02_en.pdf)**

<sup>4</sup> An English translation can be found at the link below.

**[https://www.hokuetsucorp.com/pdf/ogm2024\\_en.pdf](https://www.hokuetsucorp.com/pdf/ogm2024_en.pdf)**

<sup>5</sup> An English translation can be found at the link below.

**[https://www.hokuetsucorp.com/en/pdf/releases/20240611\\_release01\\_en.pdf](https://www.hokuetsucorp.com/en/pdf/releases/20240611_release01_en.pdf)**