



May 20, 2022

Company name: Neturen Co., Ltd.
Name of representative: Katsumi Omiya, Representative Director, Member of the Board, President and Chief Executive Officer
(Securities code: 5976; Prime Market of the Tokyo Stock Exchange)
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Notice Concerning the Opinion of the Board of Directors on Shareholder Proposal

Neturen Co., Ltd. (the “Company”) has received a document (the “Shareholder Proposal Document”) from its shareholder to the effect that a shareholder proposal (the “Shareholder Proposal”) would be submitted to the 111th Ordinary General Meeting of Shareholders (the “Shareholders’ Meeting”) to be held on June 28, 2022. The Company hereby announces that it resolved to oppose the Shareholder Proposal at its Board of Directors’ meeting held today, as described below.

1. Proposing shareholder

NORTHERN TRUST CO. (AVFC) RE NVI01

(Representative: Nippon Value Investors KK)

2. Details of the Shareholder Proposal

(1) Agenda

Appropriation of Surplus

(2) Outline and reasons for the Shareholder Proposal

As described in the Appendix, “Details of Shareholder Proposal.”

The Appendix “Details of Shareholder Proposal” is the translation of the relevant parts of the shareholder proposal document submitted by the Proposing Shareholder. The original text of the shareholder proposal is in the Japanese version.

3. Opinion of the Board of Directors on the Shareholder Proposal

(1) Opinion of the Company’s Board of Directors

The Board of Directors opposes the Shareholder Proposal.

(2) Reason for opposition

In May 2021, the Company formulated its long-term management vision “NETUREN VISION 2030” (covering a 10-year period from April 2021 to March 2031) and the 15th Medium-term Management Plan “Change!! New NETUREN 2023” (covering a three-year period from April 2021 to March 2024) (the “15th Medium-Term Management Plan”) for the purpose of raising capital efficiency to increase corporate value over the medium to long term, and using the funds generated by this to enhance investment for growth and shareholder returns.

Having positioned the three-year period covered by the 15th Medium-Term Management Plan as the first phase for achieving the vision, the Company is driving forward initiatives that are aimed at contributing to a sustainable society and increasing corporate value, by setting forth the following four basic strategies:

Basic strategies— Aiming to increase corporate value

- 1) Establish revenue base by further enhancing competitiveness of core business, and bringing new technologies, new products and new businesses to market.
- 2) Improve ability to roll out information by promoting digitization through establishment of the NETUREN-DX system
- 3) Identify SDGs as the core of management, promote reduction of CO2 and contribute to the creation of a sustainable society.
- 4) Develop human resources that enhance the Group’s sales and marketing capabilities globally.

The outline of the capital policy and financial strategy for the 15th Medium-Term Management Plan period is as stated below. The Company is implementing various measures to increase capital efficiency and manage business in a way that emphasizes the perspectives of not only the profit and loss statement (PL) but also the balance sheet (BS) and cash flows (CF).

- (1) Set an appropriate capital ratio and generate cash flows through asset reduction
 - 1) BS: Aim for an appropriate capital ratio
 - 2) CF: Generate cash flows through asset reduction
- (2) Develop and implement measures for increasing ROE
 - 1) Reduce cross-shareholdings
 - 2) Measures targeting a ROE of 5.0% or above, higher than the cost of capital
 - 3) Measures targeting a PBR of 1.0 times or above
- (3) Financing

While the Company will basically use cash on hand to finance capital investment or the like, if it becomes necessary to make a large-scale investment or the like, it will raise funds by methods according to the Group’s situation.
- (4) Reduce cross-shareholdings

The Company will steadily reduce its cross-shareholdings in accordance with Japan’s Corporate Governance Code. The proceeds from the sale of cross-held shares will be used to finance investments in various new businesses.

In addition, the 15th Medium-Term Management Plan states to review the shareholder return policy (including the consideration of the total return ratio and dividend on equity (DOE)) as one of measures aimed at further increasing corporate value.

In this effort, the Company reviewed its dividend policy in November 2021 and decided to continue the stable distribution of dividends and appropriate surplus according to business performance. Under the basic policy of making dividend decisions by considering factors such as the business environment surrounding the Group and its financial position, the Company aims to become an attractive company that meets the expectations of its shareholders and whose shares are held over the medium to long term. To this end, specifically, while maintaining the performance-linked appropriation of surplus targeting a consolidated dividend ratio of 40% or above, for the “stable distribution of dividends” in principle, the Company has changed the lower limit from an annual dividend of 10 yen per share to a DOE of 1.5%.

Based on this dividend policy, the Company plans to distribute year-end dividends for the fiscal year ended March 31, 2022 of 17 yen per share under the proposal on appropriation of surplus submitted by

the Company for this Shareholders' Meeting. Together with the interim dividends of 13 yen per share already distributed, the annual dividends will be 30 yen per share. Consequently, the consolidated dividend ratio for the fiscal year ended March 31, 2022 will be 44.5%.

On the other hand, the Company sees it also an important measure of shareholder returns to purchase its treasury stock based on factors such as the business environment, financial position, stock price levels, and strategies for growth investment. During a period from January 2010 to March 2022, the Company purchased treasury stock six times in total, which amounted to 8.9% of the total number of issued shares, for the purpose of flexibly implementing its capital policy in response to changes in the business environment.

In addition, the Company retired 2,884,000 shares of treasury stock (6.59% of the total number of issued shares before retirement) in March 2022.

Accordingly, the Company believes that, it can increase corporate value over the medium to long term and serve the shared interests of shareholders by quickly and flexibly acting to purchase treasury stock based on factors such as the business environment, financial position, stock price levels, and strategies for growth investment while basing shareholder returns on the basic principles of the dividend policy—"stable distribution of dividends" and "appropriating surplus according to its business performance," in addition to steadily investing for future growth based on its long-term management vision "NETUREN VISION 2030" and the 15th Medium-Term Management Plan.

On the other hand, the shareholder proposal calls for distributing all the profit for the fiscal year ended March 31, 2022, aiming for a dividend ratio of 100%. This differs from the shareholder return policy of the Company. While the Company considers it important to achieve an appropriate level of capital, it believes that expectations for dividends include appropriating surplus in a sustainably way according to business performance. Therefore, at this point, the Company believes that it should not adopt the capital policy of distributing all the profit, or a dividend ratio of 100%, which is assumed to be likely to require future changes if the business environment shifts. This entails the risk of inhibiting growth in corporate value over the medium to long term and, in turn, of harming the interests of shareholders.

For the reasons sated above, the Company's Board of Directors opposes the shareholder proposal.

End

Appendix “Details of the Shareholder Proposal”

* The followings are the translation of the relevant parts of the shareholder proposal document submitted by the Proposing Shareholder. The original text of the shareholder proposal is in the Japanese version.

Appropriation of Surplus

1. Details of the Proposal

(1) Kind of property for dividends

Cash

(2) Matters related to allotment of property for dividends and its total amount

Distribute dividends in an amount per share of common stock obtained by subtracting from 60 yen an amount of dividends per share of common stock to be resolved at the 111th Annual Shareholders' Meeting based on the proposal on appropriation of surplus submitted by the Company's Board of Directors (the “Company Proposal on Appropriation of Surplus”) (the proposed amount, the “DPS Proposed by the Company”) and the amount of interim dividend per share of common stock for the fiscal year ended March 31, 2022 of 13 yen (the amount obtained, the “DPS under This Proposal”), in addition to the DPS Proposed by the Company.

If profit per share to be presented at the 111th Annual Shareholders' Meeting, rounded down to the nearest whole number, (the “Actual EPS”) is not 60 yen, the 60 yen in the preceding paragraph shall be replaced with the Actual EPS.

The total amount of dividends under this proposal will be an amount obtained by multiplying the DPS under This Proposal by the number of shares subject to dividend payments as of the record date for voting rights at the Company's 111th Annual Shareholders' Meeting.

(3) Effective date for distribution of dividends from surplus

The day following the date of the Company's 111th Annual Shareholders' Meeting

This proposal is made so that it will be presented independently from and together with any proposal on appropriation of surplus that the Company submits to the 111th Annual Shareholders' Meeting.

2. Reason for proposal

- 60 yen per share described in this proposal is the most recent forecast amount of per-share profit as of February 4, 2022. This proposal aims for distribution of all the profit, in other words, a dividend ratio of 100%, regardless of the amount of the DPS Proposed by the Company.
- With the Company's capital ratio being high at over 70%, there is a concern over a further decline in return on equity if the consolidated dividend ratio remains at around 40%. Therefore, it is considered important for the Company to avoid further accumulation of capital going forward by adopting a dividend ratio of 100% in its capital policy.
- The Company's market capitalization of approximately 23.4 billion yen as of April 26, 2022 is about the same as the sum of cash and cash equivalents (approximately 16 billion yen) and investment securities (approximately 8 billion yen) as of the end of 2021, suggesting that the value of its core business is not recognized at all.