



March 14, 2023

Company Name Pole To Win Holdings, Inc.
Representative: Teppei Tachibana, President & CEO
(Securities code: 3657,
Tokyo Stock Exchange, Prime Market)
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Notice Concerning the Opinions of the Board of Directors on the Shareholder Proposal

The Company has received a request (hereinafter referred to as the "Shareholder Proposal Document") stating the proposal for the agenda to the 14th Ordinary General Meeting of Shareholders, which will be held on April 27, 2023 (hereinafter referred to as the "Shareholder Proposal"), and hereby announce that has resolved to oppose this Shareholder's Proposal at the board meeting held today. The details are as follows.

I. Proposed Shareholder

Shareholder Name: Dalton Kizuna Master Fund LP

II. Outline of the Shareholder Proposal

1. Proposed Agenda

- (1) Acquisition of Treasury Shares
- (2) Amendment to the Articles of Incorporation

2. Summary of Proposed Agendas

As described in the attached "Outline of the Shareholder Proposal".

Please be advised that the attached "Outline of the Shareholder Proposal" is an English translation of the Shareholder Proposal Document submitted by the proposed shareholder, translated by Pole To Win Holdings, Inc..

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

1. "(1) Acquisition of Treasury Shares"

(1) Opinion of the Board of Directors

The Board of Directors of the Company is against this Shareholder Proposal.

(2) Reasons

While aggressively investing in growth to achieve group growth and increase the corporate value, the Company also well recognizes that returning profits to the shareholders is one of the important management issues.

First, with regard to the growth investment, as stated in "3. Future Business Strategies" in the "Supplementary Information to the Financial Results for the Year Ended January 31, 2023" disclosed today, March 14, 2023, our basic policy is to make investments that are balanced between debt and equity while generating cash flows from operating activities.

Our "Service Life Cycle Solutions Business" provides quality consulting, game testing/verification & evaluation, software third party verification, environment construction and transition support, monitoring, customer support, anti-fraud, BPR* support in the planning, development, release, operation, and improvement processes of services and product lifecycles. It consists of three operations: (1) Domestic Solutions, (2) Overseas Solutions, and (3) Media & Contents. In this business, Domestic Solutions, Overseas Solutions, and Media & Contents work together to provide the services demanded by customers in all directions, and this collaboration creates a cycle of business expansion. Therefore, the growth cycle will be accelerated by investing in the core businesses of Domestic and Overseas Solutions, as well as the new business of Media Contents.

In particular, in the Media & Contents business, we have been receiving orders for animation production and graphic production for games, with a focus on "IP 360° development," in which IP (intellectual property) is developed into animation, games, music, stage and theater, apparel, metaverse, and WEBTOON (vertically scrolling color comics for smartphones). In addition, we have been working on expanding this business through expanding our capacity to receive orders for animation and graphic production, and investing in the expansion of our IP into the fields of music, stage, and theater.

The Group also strives to invest in growth to strengthen its management base. For the integration among the group companies, we are actively investing in improving offices and internal IT systems to enhance the effects of the integration and to promote the workplace improvements for employees.

Secondly, we recognize shareholder returns as another important management issue. With respect to dividends, our target payout ratio is 25%, and we have achieved a payout ratio in the range of 22.0% to 31.2% since our listing in October 2011, while striving to increase dividends on an ongoing basis. As for the acquisition of treasury shares, the Company has made timely and appropriate decisions and executed them by following decisions made at the Board of Directors, with the recognition that it is a part of Shareholder Return Policy. As of now, the Company is still in the process of acquiring its own shares up to 800,000 shares for a total amount of 700,000,000 yen based on the resolution made on December 9, 2022.

As disclosed in the Financial Results, net cash has been reduced by utilizing interest-bearing debt and acquiring treasury shares in the fiscal year ended January 31, 2023, and we intend to continue our efforts to improve ROE and shareholder returns in order to increase the corporate value. In addition, since investments in new businesses involve venture insecurity elements, we believe it is important to ensure flexible investment funds and financial stability.

Therefore, in the light of the Company's growth investment strategy and basic capital policy described above, we believe that a hasty resolution and execution of the share acquisition with a set timing and amount as proposed in the Shareholder Proposal, would likely result in a decline in financial stability, loss of investment opportunities, a decrease in the number of tradable shares, and other disadvantages, and would therefore be inappropriate.

For these reasons, the Board of Directors is against this Shareholder Proposal.

(Reference) Total Shareholder Returns

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ending January 31, 2024
Dividends	¥416 million	¥454 million	¥492 million	¥528 million	¥559 million
Acquisition cost of treasury shares	—	—	¥125 million	¥410 million	¥563 million
Total	¥416 million	¥454 million	¥617 million	¥938 million	¥1,122 million
Total return ratio	23.3%	21.4%	27.8%	118.0%	57.5%
Cash dividends per share	¥12	¥13	¥14	¥15	¥16
Payout ratio	25.4%	23.2%	23.9%	70.8%	30.3%

(Note)

1. Dividends paid and Acquisition cost of treasury shares are actual amounts recorded for each fiscal year.
2. Based on the resolution made at the Board of Directors meeting held on December 9, 2022, the Company is proceeding with the acquisition of its own shares up to 800,000 shares for a total amount of 700,000,000 yen. The acquisition cost of treasury shares for the fiscal year ending January 31, 2024 is the amount remained after a deduction of 136,374,900 yen, which is the amount for the acquired shares in the fiscal year ended January 31, 2023, from 700,000,000 yen.

*BPR: BPR stands for Business Process Re-engineering. To fundamentally review and optimize business processes by restructuring business flow, organizational structure, or information systems.

2. "(2) Amendments to the Articles of Incorporation"

(1) Opinion of the Board of Directors

The Board of Directors of the Company is against this Shareholder Proposal.

(2) Reasons

The Company recognizes that ensuring the diversity and independence of the Board of Directors is significant, and has most recently appointed one independent outside director in April 2020 and one in April 2022. At present, four of the 11 directors, including one full-time female director who is a US citizen, are independent outside directors. The Company's independent outside directors have become more diverse over the years, including one with management experience at an IT-related company, one who is a lawyer and has experiences in corporate management, one who belongs to a trading company and has experiences working in multiple countries and managing companies, and one who is a Doctor of Engineering and has experiences in corporate management at an overseas company.

By incorporating perspectives based on a variety of experiences, we believe that the Board's discussions have become more active and, accordingly, the Board's effectiveness has improved. However, this effect was not achieved solely through diversity, but also through the timely acquisition of the right people at the right time.

The Company intends to continue to promote diversity and independence on the Board of Directors in order to improve its effectiveness, and plans to submit a proposal at the Ordinary General Meeting of Shareholders in April 2023, to appoint a new independent outside board member who is a securities analyst and has experiences working for a venture capital firm.

We believe that the hasty appointment of independent directors for the purpose of securing the number of members, as proposed in this Shareholder Proposal, will not improve the effectiveness of the Board of Directors. Therefore, this Shareholder Proposal could serve the purpose of matching the number of independent outside directors, is deemed not appropriate as a provision of the Company's Articles of Incorporation, and does not fit in the provisions of the Articles of Incorporation, which are the fundamental rules of the Company, as a "goal" is not a univocally determinable statement.

For these reasons, the Board of Directors is against this Shareholder Proposal.

End

(Attachment "Outline of the Shareholder Proposal")

*The following is an English translation of the Shareholder Proposal Document submitted by the proposed shareholder, translated by Pole To Win Holdings, Inc..

I. Proposed Agendas

1. Acquisition of Treasury Shares
2. Amendment to the Articles of Incorporation

II. Summary of Proposed Agendas and Reasons for Propositions

Agenda: Acquisition of Treasury Shares

(1) Summary of the proposed agenda

Pursuant to Article 156, Paragraph 1 of the Companies Act, within one year from the conclusion of this General Meeting of Shareholders, the Company shall acquire up to 2,500,000 shares of its common shares at a total acquisition cost of 2,000,000,000 yen by means of the delivery of money.

(2) Reasons for the proposal

Our core outsourcing business for game companies does not require large capital investments and has a high cash flow generation capability. Although profitability has deteriorated somewhat in recent years, this is due to repeated acquisitions of non-core businesses and does not indicate a deterioration in the profitability of the core business (we believe it is necessary to take a cautious approach to future acquisitions and to consider downsizing or withdrawing from the Media & Contents business in the near term).

The Company's core businesses are expected to continue to generate ample operating cash flow, and further increases in cash assets of 10 billion yen are undesirable from the standpoint of the capital allocation policy and maintaining and improving capital efficiency. Conversely, the expansion of dividends and acquisition of treasury shares can be significant. We believe that we can return a total of 10 billion yen to the shareholders over the next five years without incurring any opportunity losses on the business side. Considering the current stock price situation, we propose the acquisition of treasury shares for this fiscal year as described in the Summary of the proposed agenda.

Agenda: Partial Amendment to the Articles of Incorporation (Board of Directors)

(1) Summary of the proposed agenda

The Company's articles of incorporation should state that "for as long as the Company remains publicly trade, it is our goal of having a majority of independent directors, including individuals with diverse backgrounds and skills."

(2) Reasons for the proposal

We believe that board diversity and independence are essential in the management of today's listed companies. A diverse board means a board that is able to make management decisions from a wide range of perspectives, including skill, experience, age, nationality, and gender, and an independent board means a board with at least a majority of independent outside directors.

Principle 4-8 of the Corporate Governance Code states that "Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least two one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors." In addition, Principle 4-7 of the Corporate Governance Code states that one of the roles and responsibilities of independent outside directors is to "Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholder".

Although we have four outside directors out of eleven directors, which meets the requirements of the Corporate Governance Code Principle, we believe that by more proactively having a majority of directors as outside directors, we can improve capital efficiency and shareholder returns, and establish a governance structure that will contribute to our sustainable growth and increase our corporate value over the med- to long term.

In addition to the number of outside directors, the qualifications of outside directors must be such that they can contribute to the Company's sustainable growth and medium- to long-term enhancement of corporate value, and in this regard, it is desirable to appoint women and people with high levels of experience and skills as investors and analysts.

Regarding the appointment of female directors, we fully agree with the statement in the "Practical Guidelines on Corporate Governance Systems" issued by the Ministry of Economy, Trade and Industry (METI) that "companies with no women on their boards of directors should actively consider appointing female directors, while ensuring the quality of their board members."

Secondly, we believe that the appointment of "highly experienced and skilled analysts" is an effective way to bring the perspective of outside investors and shareholders to the board of directors, while at the same time contributing to the enhancement of corporate value through sound risk-taking. The METI's "Practical Guidelines on Corporate Governance Systems" also states that "the appointment of persons with knowledge, experience, and ability in management with an awareness of capital markets as directors may be an option". Often it is explained that bankers and accountants are responsible for the finance portion of the skill matrix, but from the perspective of encouraging "sound risk-taking" expertise in accounting and debt markets alone is not sufficient, and that is where the significance of equity market professionals lies.

End