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May 9, 2025

Company name: HOKKAN HOLDINGS LIMITED  
Name of Kosuke Ikeda, President and  
representative: Representative Director  
(Securities code: 5902; TSE Prime / SSE)  
Inquiries: Takuya Takeda, Director and  
Managing Executive Officer  
(Telephone: +81-3-5203-2680)

## Notice Concerning the Board of Directors' Opinion on Shareholder Proposals

We have received written notification from a shareholder of HOKKAN HOLDINGS LIMITED (the "Company") regarding shareholder proposals (the "Proposals") for the 100th Ordinary General Meeting of Shareholders scheduled to be held on June 27, 2025 (the "Meeting"). The Board of Directors held a meeting today and resolved to oppose the Proposals. Details are as follows:

### 1. Content and Reasons for the Proposals

#### (1) Proposing Shareholder:

One individual shareholder (name withheld due to privacy concerns)

#### (2) Subject:

i) Partial Amendment to the Articles of Incorporation (Sale of Cross-Shareholdings)

ii) Partial Amendment to the Articles of Incorporation (Verification and Disclosure of the Purpose of Holding Cross-Shareholdings)

(3) Content of Proposals and Reasons for Proposals: As described in the attached document "Content of Shareholder Proposals". The attached document "Content and Reasons for Shareholder Proposals" reproduces verbatim the relevant portions of the written proposal submitted by the proposing shareholder.

### 2. Opinion of the Company's Board of Directors on the Shareholder Proposals

#### (1) Partial Amendment to the Articles of Incorporation (Sale of Cross-Shareholdings) (Proposal 1)

1. Opinion of the Board of Directors: The Board of Directors opposes Proposal 1).

#### 2. Reasons for Opposition:

The Company carefully considers whether to hold cross-shareholdings when requested by business partners. We limit such holdings to companies with whom we intend to continue a business relationship, or those with whom we should strengthen our strategic relationship. We also carefully examine the appropriateness of such holdings, considering whether the benefits and risks associated with the holdings are commensurate with the cost of capital. Furthermore, the Board of Directors annually reviews the rationale for holding each cross-shareholding and decides whether to continue holding them. If it is determined that the rationale for continued holding is not justified, the shares are sold sequentially.

In November 2024, the Company announced its policy to reduce the ratio of cross-shareholdings to consolidated net assets to approximately 10 percent by the end of March 2027. During the fiscal year ended March 2025, we sold shares in four companies (sale amount: 859 million yen; gain on sale: 312 million yen). As a result, the ratio of cross-shareholdings to consolidated net assets at the end of the fiscal year ended March 2025 was 16.4 percent. We will continue to work towards achieving our target by the end of March 2027.

As described above, the Company has established a policy regarding cross-shareholdings at the Board of Directors level and regularly reviews the rationale for holding each individual cross-shareholding. Based on this review, the Board decides whether to dispose of each cross-shareholding.

In contrast, the proposed amendment to the Articles of Incorporation would obligate the Company to sell all of its cross-shareholdings within one year. If this provision is adopted, the Board of Directors' judgment regarding its policy on cross-shareholdings, the method of verifying their rationale, and the policy regarding holding or disposing of individual cross-shareholdings would be restricted.

This not only contradicts the Company's policy but also lacks rationality as it does not consider the appropriateness of holding cross-shareholdings based on sophisticated management decisions that take into account the relationship with the Company Group's business partners and the impact on its business, as well as long-term enhancement of corporate value. It may even damage the interests of shareholders.

Therefore, the matters related to this proposal should be decided specifically by the Board of Directors as matters pertaining to business execution, not uniformly stipulated in the Articles of Incorporation. We believe that it is not appropriate to include this provision in the Articles of Incorporation.

For these reasons, the Board of Directors opposes this proposal.

(2) Partial Amendment to the Articles of Incorporation (Verification and Disclosure of the Purpose of Holding Cross-Shareholdings) (Proposal 2)

1. Opinion of the Board of Directors: The Board of Directors opposes Proposal 2.

2. Reasons for Opposition:

As stated in the opinion of the Board of Directors regarding Proposal 1, the Company carefully considers whether to hold cross-shareholdings upon request from business partners, limiting such holdings to companies with whom we will continue to have a business relationship and companies with which we should strengthen a strategic business relationship. We also carefully examine the appropriateness of such holdings based on whether the benefits and risks associated with the holdings are commensurate with the cost of capital. Furthermore, the Board of Directors annually verifies the rationale for holding each cross-shareholding, and if it is determined that the rationale for continuing the holdings is not appropriate, the shares are sold sequentially.

The details of this verification are disclosed in the Corporate Governance Report under "Disclosure Based on Each Principle of the Corporate Governance Code" and "Principle 1-4. Cross-Shareholdings." While the results of the Board of Directors' review are not disclosed for individual cross-shareholdings, this is due to considerations regarding relationships with business partners and the impact on the business, and a decision that individual disclosure would be inappropriate.

As described above, even at present, we are disclosing that the Board of Directors annually verifies the rationale for holding cross-shareholdings. We disclose the results of the verification in our Corporate Governance Report and Securities Report, and make these documents available for

public viewing on our website. Furthermore, we will continue these efforts while striving for improvement in the future, taking into account market perceptions regarding cross-shareholdings.

If this proposal is adopted and the provision is included in the Articles of Incorporation, the Board of Directors' discretion regarding the method and content of verifying and disclosing the purpose of holding cross-shareholdings will be restricted.

Therefore, the matters related to this proposal should be decided specifically by the Board of Directors as matters pertaining to business execution, not uniformly stipulated in the Articles of Incorporation. We believe that it is not appropriate to include such provisions in the Articles of Incorporation.

For these reasons, the Board of Directors opposes this proposal.

(Attachment: “Content and Reasons for Shareholder Proposals”)

## 1. Partial Amendment to the Articles of Incorporation (Sale of Cross-Shareholdings)

### (1) Summary of the Proposal:

The following chapter and articles will be newly established in the Company's Articles of Incorporation. If formal adjustments (including, but not limited to, correction of article numbers) to the chapter and articles described in this proposal are required due to the approval of other proposals (including proposals by the Company) at this Ordinary General Meeting of Shareholders, the articles related to this proposal shall be deemed to be replaced with the articles after the necessary adjustments have been made.

(Underlines indicate changes)

Current Articles of Incorporation (Newly Established)	Amended Articles of Incorporation
	<u>Chapter 7 Cross-Shareholdings</u>  <u>[Sale of Cross-Shareholdings]</u> <u>Article 40: The Company shall sell all of its cross-shareholdings by June 30, 2026.</u>

### (2) Reasons for the Proposal:

The "Summary of Discussion Points of the Follow-up Meeting on the Review of Market Segments" published by the Tokyo Stock Exchange in January 2023 calls for the formulation and disclosure of plans for management with awareness of cost of capital and stock prices. Many listed companies have disclosed their policies for reviewing and reducing cross-shareholdings. On the other hand, the total amount of the Company's cross-shareholdings has actually increased over the past five years, and the reduction of cross-shareholdings has not progressed.

Therefore, in order to promptly reduce the Company's cross-shareholdings, we propose to establish a provision in the Articles of Incorporation that obligates the Company to sell all of its cross-shareholdings by the deadline, setting a period of one year from the conclusion of this Ordinary General Meeting of Shareholders.

## 2. Partial Amendment to the Articles of Incorporation (Verification and Disclosure of the Purpose of Holding Cross-Shareholdings)

### (1) Summary of the Proposal:

The following chapter and articles will be newly established in the Company's Articles of Incorporation. If formal adjustments (including, but not limited to, correction of article numbers) to the chapter and articles described in this proposal are required due to the approval of other proposals (including proposals by the Company) at this Ordinary General Meeting of Shareholders, the articles related to this proposal shall be deemed to be replaced with the articles after the necessary adjustments have been made.

(Underlines indicate changes)

Current Articles of Incorporation (Newly Established)	Amended Articles of Incorporation
	<u>Chapter 7 Cross-Shareholdings</u>  <u>[Verification and Disclosure of the Purpose of Holding Cross-Shareholdings]</u> <u>Article 41</u> <u>1. The Board of Directors shall specifically examine the appropriateness of the purpose of holding cross-shareholdings acquired or held by the Company, as well as the existence of benefits and risks commensurate with the cost of capital, and verify whether it is appropriate to hold such shares.</u>

	<u>2. The results of the verification and the purpose of holding the shares set forth in the preceding paragraph shall be disclosed in the Corporate Governance Report submitted by the Company to the Tokyo Stock Exchange.</u>
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(2) Reasons for the Proposal:

The "Corporate Governance Code [Principle 1-4. Cross-Shareholdings]" published by the Tokyo Stock Exchange requires listed companies holding cross-shareholdings to examine the appropriateness of the purpose of holding such shares and whether the benefits and risks associated with holding them are commensurate with the cost of capital, and to disclose the results of the verification.

Holding cross-shareholdings not only leads to deterioration of capital efficiency but also has the potential to function as a means of maintaining stable shareholders or artificially boosting profits. In addition, the Company's continued holding of shares as a major shareholder of a business partner may create a conflict of interest that harms the interests of minority shareholders of the business partner, potentially leading to mutual governance concerns.