

June 10, 2024

To Whom It May Concern

Strategic Capital, Inc.  
Tsuyoshi Maruki, President & CEO

**Re: The rebuttals of DAIDOH LTD (3205) to our opinion**

Daidoh Ltd. ("Daidoh") has published the press release on June 7 titled "Our View on the Materials Published by Strategic Capital", which refute the materials titled " Re: Candidates for the Board of Directors proposed by DAIDOH LTD (3205)" and "Regarding the Shareholder Proposal to DAIDOH LTD. (TSE: 3205)" disclosed by Strategic Capital ("SC") on May27 and 29 respectively.

SC's view on Daidoh's rebuttal is as follows. Daidoh's current management team and the new representative director candidates have not only responded to SC's proposals and concerns in an ad hoc manner, but also have even gone so far as to go back on their words.

In addition, since SC is not planning an acquisition, Daidoh's criticism, which cites the " Guidelines for Corporate Takeovers " published by METI last August, is off the mark.

**Details**

**1) Candidates for Rep. Director hold numerous concurrent positions and desire to continue holding.**

SC has pointed out the problem of Yamada and Naruse of Gemini Strategy Group ("Gemini"), who are proposed by Daidoh as candidates for Representative Director, holding numerous concurrent positions and willing to continue to hold these positions. However, Daidoh refuted it.

SC would like to point out again that a representative director of a listed company holding numerous concurrent positions at companies with which it has no capital ties shows a lack of insight and professional ethics among listed company managers.

First of all, CEO candidate Yamada intends to continue to hold concurrent positions as representative director and director of numerous other companies. If the excuse that "there is no risk of the concurrent positions interfering with the execution of CEO's duties" were valid, many other listed companies' executives would do the same. However, SC is not aware of any such cases. As for COO candidate Naruse, who originally was supposed to continue his concurrent positions, another company's representative director and two other company directors as described in Notice of Convocation of AGM, it appears that he changed his response to stop holding other concurrent positions after receiving criticism from third parties, including SC.

**2) Concerns of a serious conflict of interest between Yamada and Daidoh Shareholders**

SC raised concerns that Gemini would receive consulting fees in addition to director fee for Yamada and Naruse, and it would create a significant conflict of interest between Gemini and Daidoh's shareholders. Daidoh countered that there was no need for such concerns as long as the procedures were carried out fairly.

As with point 1 above, it shows a lack of insight and professional ethics required for listed companies executives that they serve as representatives or senior executives of other companies and pay fees to the companies. SC is not aware of any similar cases at other listed companies.

### **3) Current Daidoh management continues to be involved with the company as advisors**

SC criticized Daidoh's current management team for remaining as advisors after stepping down as directors, but Daidoh countered by saying, "Nabewari and Watabe will not become advisors of Daidoh after stepping down from directors, so SC's assertion is simply contrary to the facts."

However, current CEO Nabewari clearly stated his intention that Nabewari and Watabe will remain as advisors at the meeting with SC on May 21. Therefore, the correct understanding is that SC's assertion is not "contrary to the facts," but rather that "they gave up the idea of becoming advisors which they had intended as they received criticism from third parties, including SC."

### **4) Concerns over Gemini's selection process and track record**

SC raised concerns about Gemini's selection process and track record.

Regarding the selection process, at the financial result meeting on May 24, Daidoh stated that Gemini and Daidoh were introduced through an acquaintance of Nabewari, and that there was no competition with other consulting firms when the consulting relationship (for the business improvements to the retail business) started a year ago.

For other points, please refer to our special website ([Regarding the Shareholder Proposal to DAIDOH LTD. \(Reason④\)](#)).

### **5) Unrealistic mid-term business plan**

Regarding the breakdown of JPY 1.5 B operating profit, Daidoh announced a partial revision of its mid-term management plan on June 7, after pointed out from SC. This means that Daidoh had made a mistake in the figures for important management targets. Not only that, Daidoh said that it "couldn't give an immediate answer" even though SC repeatedly asked the reason for the significant reduction in SG&A at the meeting with Daidoh on May 21 and the financial results meeting on May 24. Even if they now assert that the "the figures are well founded", it can be seen as nothing but an afterthought. For other points, please refer to please refer to our special website ([Regarding the Shareholder Proposal to DAIDOH LTD. \(Reason⑤\)](#)).

### **Others**

The stock option system, real estate leasing business, and failed M&A were caused by Daidoh's executives' poor management. However, they are now refuting the allegations as if their past inappropriate management were legitimate. SC can no longer engage in such arguments.

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