

Ezaki Glico Co Ltd

Explanation of Shareholder Proposal from Dalton Investments

February 2025

Three Shareholder Proposals from Dalton Investments

Dalton Investments has made three shareholder proposals to improve Ezaki Glico's corporate value and realize a fair share price.

01

Implementation of TSE request

Amendments to the Articles of Incorporation concerning measures to realize management consciousness of the cost of capital and stock price

02

Share Buyback

Implementation of a 10% or 27 billion yen Share Buyback

03

Expand restricted stock compensation

Proposal to expand stock-based compensation to incentivize each director to increase corporate value over the medium to long term

Our view of Ezaki Glico's business strengths and future potential

Business Strengths

- Ezaki Glico has world-famous confectionery brands such as “Pocky” and “Pretz” and has many fans around the world.
- With a history of more than 100 years, based on the founder's spirit of “contributing to the improvement of the physical condition of the people through food products,” the company has a high market share in the Japanese chocolate and frozen confectionery markets and has long supported the Japanese food market.
- The company has expanded into the U.S., China, and the ASEAN region established a brand despite numerous competitors in overseas markets, and secured higher profit margins in its U.S. and China than in its domestic operations.

Expectations for the Future

- In the overseas business, “Pocky” and “Pretz” are well-known, especially in the U.S. and China, and we expect to accelerate growth through brand penetration and further growth by expanding our market share through new retail chains and regional expansion.
 - In the past few years, the domestic business has been sluggish due to soaring raw material prices and other cost increases, but profitability is expected to improve in the future as sales price revisions become more widespread.
 - Performance is expected to improve as all shipments of chilled products have resumed following the temporary suspension of shipments due to ERP system trouble.
-

1. Implementation of TSE request

Premise of the proposal: Content of the TSE request

In February 2024, the Tokyo Stock Exchange (TSE) announced the following 10 requests for all listed companies as “Key Points and Examples of ‘Management Conscious of Cost of Capital and Stock Price’ from Investors' Perspective” (hereinafter referred to as “Points and Examples”), and we agree with its intent. We believe that it is particularly important to implement the initiatives in items 1-8 below.

Theme	Item	What is specifically required
Analysis and Evaluation of the Current Situation	1. Considering the cost of capital/equity in regard to the investor's perspective	• Disclose cost of capital
	2. Multifaceted analysis and evaluation based on the investor's perspective	• Evaluate the share price based on the capital efficiency
	3. Inspection of balance sheets to ensure their efficacy	• Disclose the optimal cash/capital level
Consideration and Disclosure of Initiatives	4. Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources	• Capital allocation based on CoE/ROIC • Review business portfolio
	5. Being aware of the need to reduce cost of capital	• Non-financial disclosure, IR, reducing performance volatility, etc.
	6. Designing a management compensation system that provides an incentive to increase corporate value over the medium to long term	• Compensation systems highly linked to the enhancement of corporate value (e.g., stock-based compensation)
	7. Explanation of efforts in relation to medium- to long-term goals	• Factoring in specific initiatives
Dialogue with Shareholders and Investors	8. Proactive involvement of management and board	• Direct management participation, feedback sharing, and outside board participation
	9. Taking a tailored approach to shareholders and investors	• Attribute-specific approach
	10. Disclosure of dialogue and further dialogue and engagement	• Disclosure of dialogue status

Source □ Tokyo Stock Exchange (<https://www.jpx.co.jp/english/news/1020/u5j7e50000001bqd-att/240201en.pdf>)

1. Implementation of TSE request

Dalton's Scorecard on TSE Requests

We have developed a scorecard for the eight items in “Key Points and Examples” section. We consider 3. efficient balance sheet, 4. appropriate allocation of management resources, and 7. efforts tied to the company's medium- to long-term goals to be items that are in particular need of improvement.

Theme	Pt	TSE Request	Grade	Company Response
Analysis and Evaluation of the Current Situation	1	Consider cost of capital from investor's perspective	B	Cost of capital (4-6%) is disclosed, but a higher level is desirable
	2	Analyze and evaluate company's profitability (ROE, ROIC), including segment and market valuation (PBR, PER)	B	Disclosed an analysis of its current situation and its direction toward achieving a 6-8% ROE, but an analysis of return on capital by segment is required.
	3	Consider balance sheet efficiency, including check for excessive cash and assets	C	The size of asset reduction is small, and efforts to improve balance sheet efficiency are inadequate. No disclosure of specific amounts of required shareholders' equity or cash levels
Consideration and Disclosure of Initiatives	4	Awareness of appropriate allocation of resources, including investment and human capital, with full awareness of the cost of capital and profitability, and whether balance sheet is contributing to value creation	B	Disclosure of cash flow allocations, but no disclosure of ROIC targets or ROIC by business No disclosure regarding the business portfolio review.
	5	Being aware of need to reduce capital costs Designing management compensation system	C	Not disclosed
	6	that provides an incentive to increase corporate value over the medium to long-term	B	Adopted stock compensation plan, but small
	7	Illustrate mid-term stance and relate it to current initiatives	C	No disclosure of efforts and logic tree for each component of ROE to achieve the ROE target of 6-8%.
Dialogue with Shareholders and Investors	8	Proactive involvement of management and board	B	Small meetings between the President and analysts of securities firms were held, but still few opportunities for dialogue between top management and investors

Source □ Tokyo Stock Exchange (<https://www.jpx.co.jp/english/news/1020/u5j7e50000001bqd-att/240201en.pdf>) , Graded on a scale of A to C

1. Implementation of TSE request Dalton's recognition of issues related to appropriate allocation of management resources

According to “Key Points and Examples,” 4. appropriate allocation of management resources is an area in need of improvement, especially in the domestic business. It is expected that the company will promote efforts to review its business portfolio with an awareness of cost of capital and return on capital.

Point 1

Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources

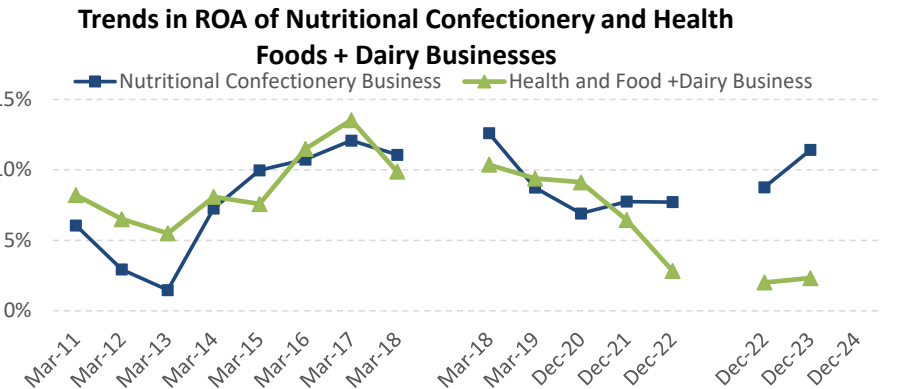
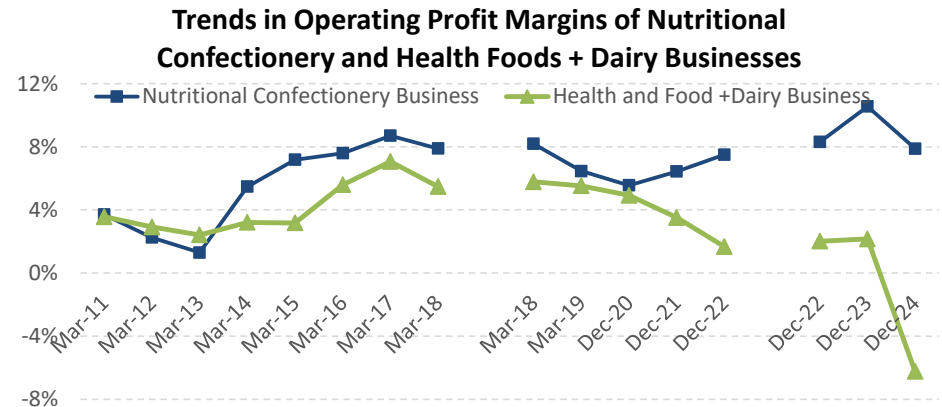
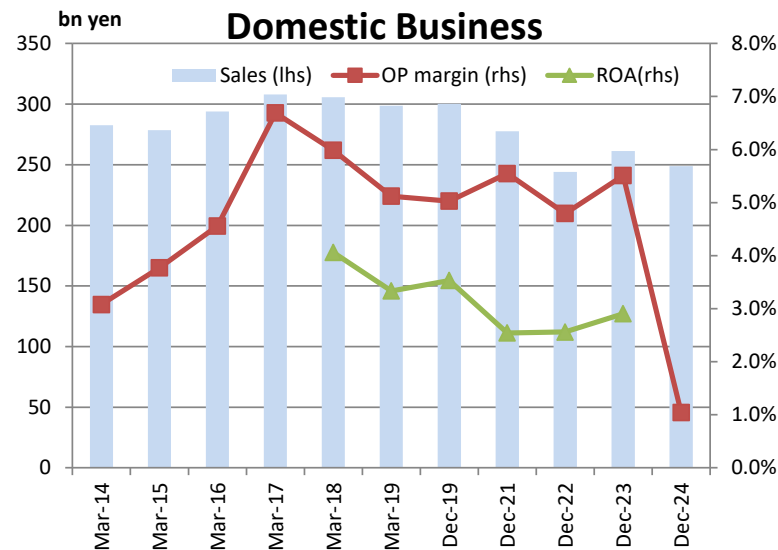
<div style="background-color: #c8e6c9; border: 1px solid #a5d6a7; padding: 5px; display: inline-block;">Explanation</div>	<div style="background-color: #bbdefb; border: 1px solid #90caf9; padding: 5px; display: inline-block;">Initiative Examples</div>
<ul style="list-style-type: none"> ◆ What shareholders and investors with a medium- to long-term perspective expect from a company is not technical efforts to improve profitability or stock price in the short term, but rather to promote fundamental initiatives and realize appropriate allocation of management resources. Specifically, companies are expected, with sufficient consideration of cost of capital and profitability, to push forward initiatives such as investment in R&D and human capital that leads to the creation of intellectual property and intangible assets that contribute to sustainable growth, investment in equipment and facilities, and business portfolio restructuring. ◆ In addition, as an effort to ensure the appropriate allocation of management resources, the future form of balance sheets should be considered (see point 3 in I. Analysis and Evaluation of Current Situation), and a plan should be formulated to achieve that vision, as well as a cash allocation policy to determine how capital, including future cash flows, will be allocated for investment in growth and shareholder returns. ◆ Strengthening of shareholder returns, such as share buybacks and dividend increases, should be implemented according to the situation, based on an analysis of whether the balance sheet is effectively contributing to value creation; it is not expected to be done as a one-time or transitory response only to share buybacks (through recap CBs, etc.) and dividend increases. 	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; padding: 5px;"> <div style="background-color: #0070c0; color: white; padding: 2px; text-align: center; font-weight: bold;">AISIN CORPORATION (7259)</div> <p style="font-size: small;">The company generated cash by reducing asset holdings through balance sheet reforms, and injected funds for investment in growth, shareholder returns to achieve the improvement of its corporate value. (Appendix, page 36)</p> </div> <div style="width: 50%; padding: 5px;"> <div style="background-color: #0070c0; color: white; padding: 2px; text-align: center; font-weight: bold;">SWCC Corporation (5805)</div> <p style="font-size: small;">To promote ROIC management throughout the company, easy-to-understand indicators and numerical targets for each site were set, and the company is working to create a system and environment in which each employee can take ownership of their own activities. (Appendix, page 25)</p> </div> <div style="width: 50%; padding: 5px;"> <div style="background-color: #0070c0; color: white; padding: 2px; text-align: center; font-weight: bold;">Chiba Kogyo Bank (8337)</div> <p style="font-size: small;">The company analyzed each division in terms of RORA (return on risk-weighted assets) and ROE, and specified which businesses to focus on and which to downsize. (Appendix, page 57)</p> </div> <div style="width: 50%; padding: 5px;"> <div style="background-color: #0070c0; color: white; padding: 2px; text-align: center; font-weight: bold;">NIPPON GAS (8174)</div> <p style="font-size: small;">The company disclosed mid- to long-term balance sheet plans and cash flow allocation policies, with a policy of not holding unnecessary shareholders' equity (Appendix, page 50)</p> </div> </div> <div style="margin-top: 10px; background-color: #f1f3f4; padding: 10px; border: 1px solid #dadce0;"> <div style="background-color: #d32f2f; color: white; padding: 5px; text-align: center; font-weight: bold; margin-bottom: 5px;">Examples of misalignment with investors' perspective</div> <ul style="list-style-type: none"> ✕ Low current profitability and market valuation, but only a temporary response of share buybacks (through recap CBs, etc.) or gradual improvement of existing businesses ➢ Shareholders and investors expect fundamental initiatives, such as investment in growth and review of business portfolios, in order to achieve sustained growth and a continuous profitability that is higher than cost of capital. </div>

Source □ Tokyo Stock Exchange (<https://www.jpx.co.jp/english/news/1020/u5j7e50000001bqd-att/240201en.pdf>)

1. Implementation of TSE request

Dalton's recognition of issues related to appropriate allocation of management resources

- Although the profitability of the Nutritional Confectionery business has been improving, the profitability of the Health & Foods and Dairy businesses has been declining even before the system failure, and ROA (operating income after tax/segment assets) is less than 5%, which does not cover the cost of capital.
- For “key points and examples,” Ezaki Glico should disclose its return on capital, including ROIC by segment, and review its business portfolio for businesses that are not covering their cost of capital.



Nutritional Confectionery: ~ 2018/03: Confectionery, 2018/03-2022/12: Confectionery & Foods, ~ 2024/12: Nutritional Confectionery, Health Food + Dairy Business: ~ 2018/03: Milk, Dairy + Cold Confectionery, 2018/03-2022/12: Dairy + Cold confectionery, ~ 2024/12: Dairy business + Health foods

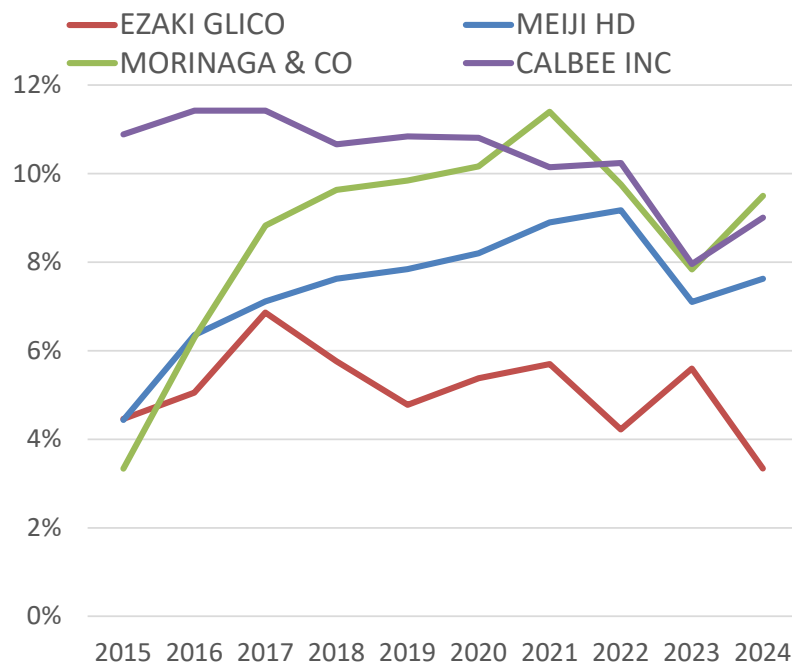
Source □ Company report, Dalton analysis

1. Implementation of TSE request

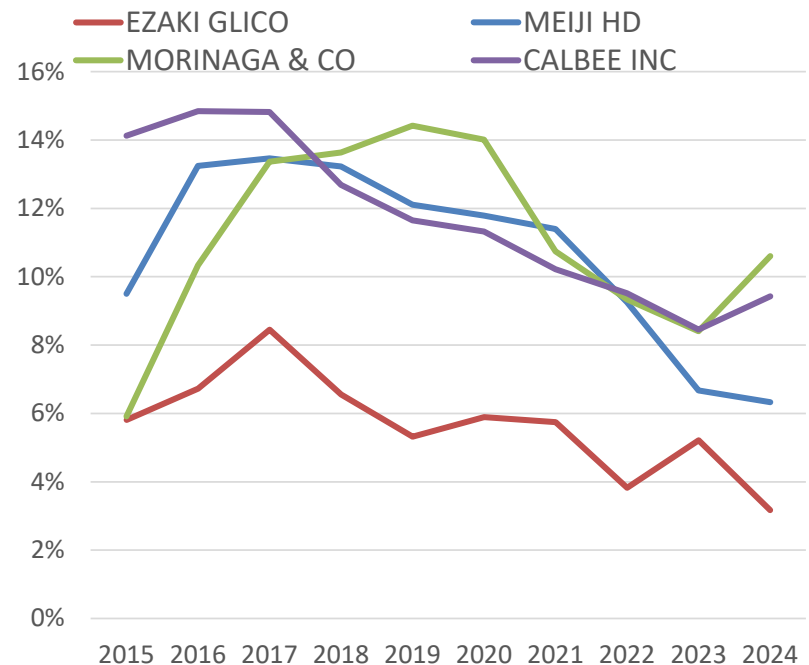
Dalton's recognition of issues related to appropriate allocation of management resources

- Even before the system failure, Ezaki Glico's operating profit margin was significantly lower than its competitors Meiji Holdings, Morinaga, and Calbee.
- In terms of ROE comparison, while competitors have maintained ROE of around 10%, Ezaki Glico's ROE has declined significantly in the past, and there is a large gap between its capital efficiency and that of its competitors.
- In the “Key Points and Examples” section, we expect Ezaki Glico to continue to make fundamental efforts to achieve return on capital that exceeds its cost of capital.

OP Margin Trends with Competitors



ROE Trends with Competitors



Source □ Company report, Dalton analysis

1. Implementation of TSE request

Conclusion

Although Ezaki Glico discloses that it has already implemented “measures to realize management conscious of cost of capital and stock price” as requested by the TSE, as shown in the scorecard, specific disclosures and details of efforts are insufficient.

In particular, the ROE target of 6-8% in the medium-term management plan (FY2025-FY2027) disclosed by Ezaki Glico on February 13, 2025, is a decrease from the target of 8% ROE in the “Direction of the Next Medium-Term Management Plan to Improve ROE and PBR” disclosed on August 14, 2024, and thus disappoints many investors' This was a disappointment to many investors.

To substantially respond to the TSE request “Points and Examples” and achieve ROE of 8%, we believe that the following three points in particular are lacking in the mid-term management plan.

- The amount of asset reduction in terms of capital policy (cash flow allocation) is small, and there is a lack of specific disclosure regarding balance sheet efficiency.
- No specific disclosure of business portfolio review and ROIC by business segment→Health & Food and Dairy businesses, which do not continuously cover the cost of capital, need to be improved.
- No analysis or disclosure of ROE components to achieve medium- and long-term ROE targets

To improve corporate value over the medium to long term, Ezaki Glico should practice management that is conscious of cost of capital and return on capital based on its balance sheet.

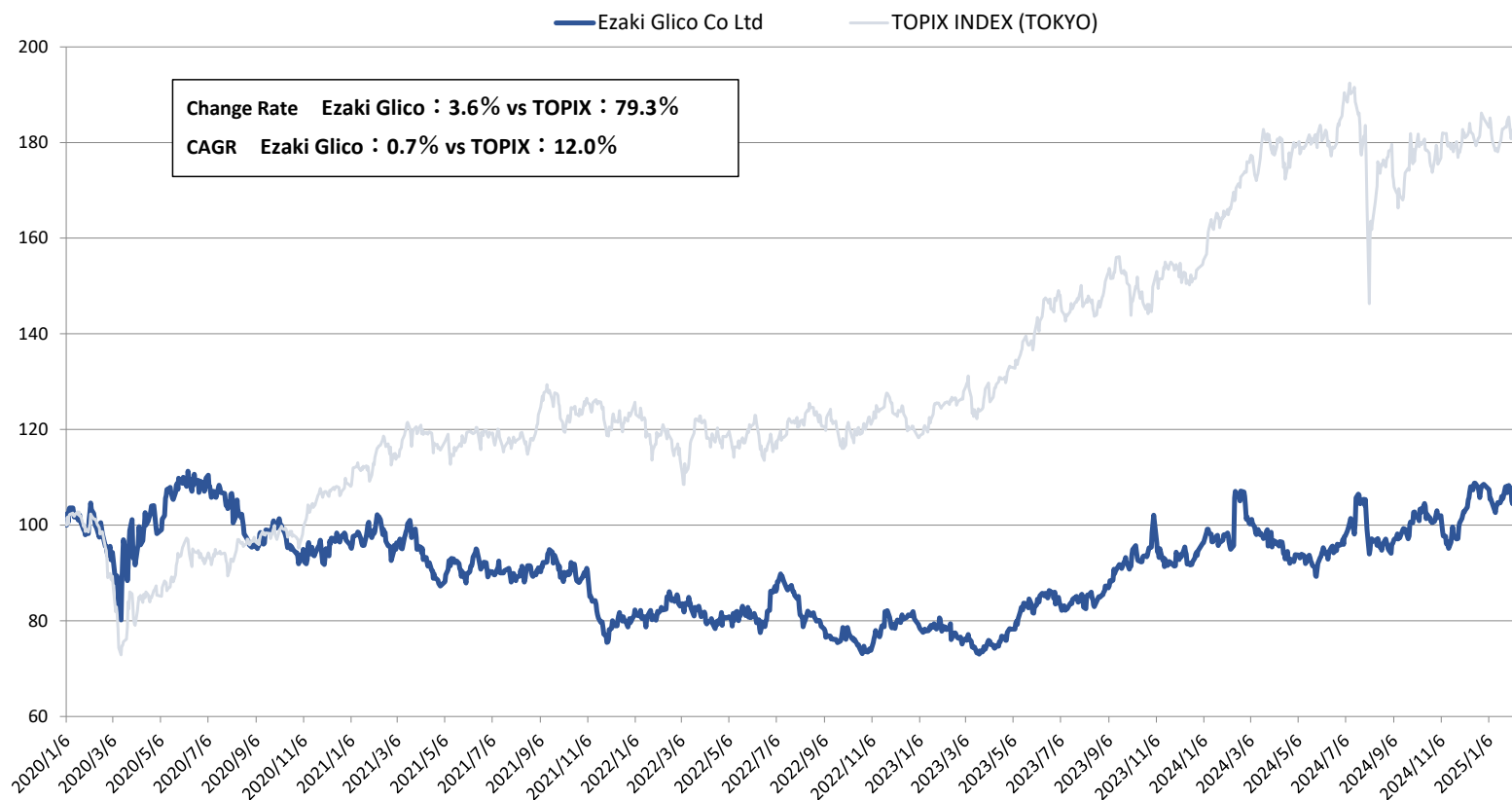
We propose that Ezaki Glico follow the TSE's “Points and Examples” request to meet the expectations of shareholders with a medium- to long-term perspective, which is the purpose of the TSE request.

2. Share Buyback

Ezaki Glico's Current Status: Share Price Trends

Ezaki Glico's stock price has remained significantly underperforming relative to TOPIX.

TSR over the past 5 years



Source □ Dalton analysis

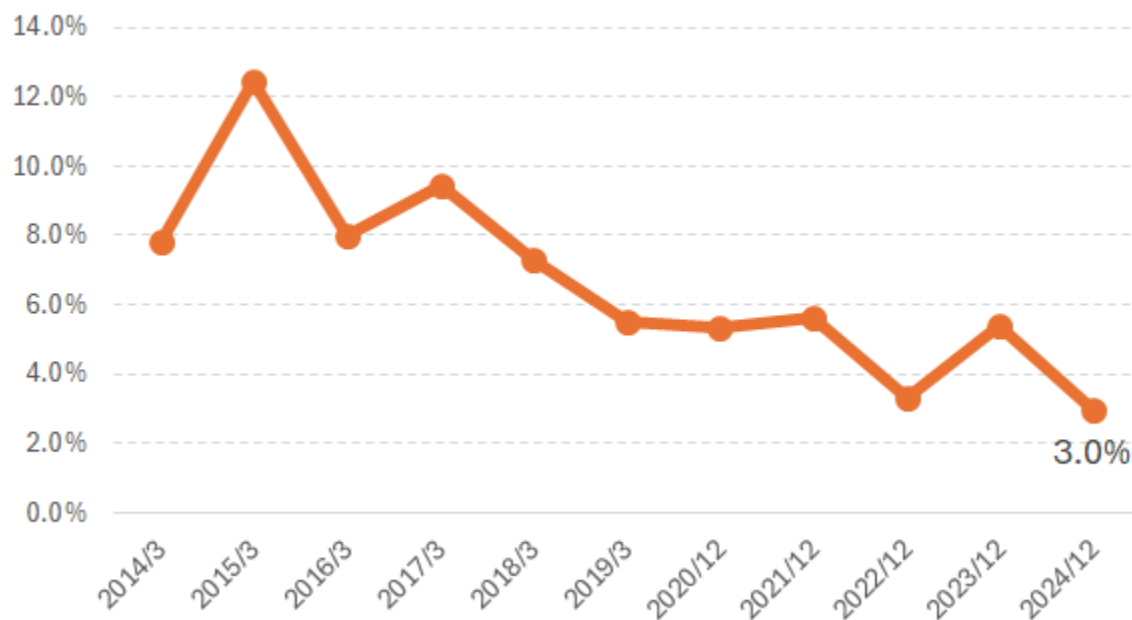
* Total shareholder return through February 20, 2025, with January 6, 2020 as 100

2. Share Buyback

Ezaki Glico's Current Status: ROE Trends

Ezaki Glico's return on equity (ROE) over the past 10 years has declined from 7.8% 10 years ago to 3.0% in FY2024/12, and the average ROE over the past 5 years is only 4.5%. This means that management has not been able to spend money efficiently. Ezaki Glico's most urgent task is to take fundamental steps to improve ROE.

ROE Trends



Source □ Company report, Dalton analysis

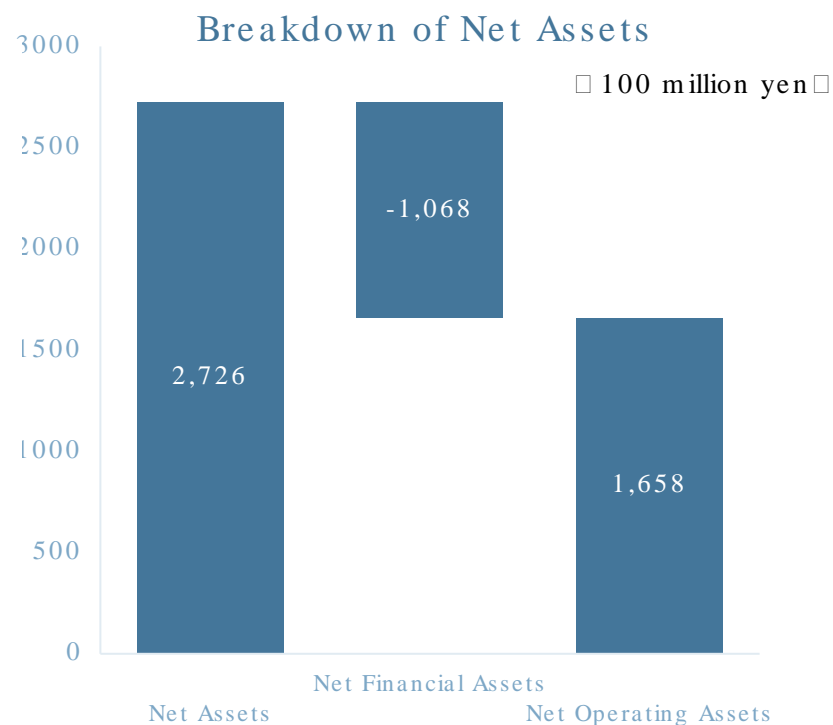
2. Share Buyback

Ezaki Glico's Current Status: Balance Sheet

The balance sheet shows a total of 107.0 billion yen in cash and deposits and investment securities, including policy-holding stocks, and a mere 0.2 billion yen in Debt, making total net financial assets of a size that accounts for more than 30% of net assets. Holding over 100 billion yen in cash assets with a direct return of close to zero is a factor in the decline in capital efficiency.

Balance Sheet Composition (as of Dec. 2024)

Cash, 602	Debt, 2
LT Investments, 467	Payable, 387
Receivable/Inventory, 914	Others, 663
Others, 138	Net Assets, 2,726
Fixed Assets, 1,657	
Assets	Liability/Net Assets



Source □ Company report, Dalton analysis

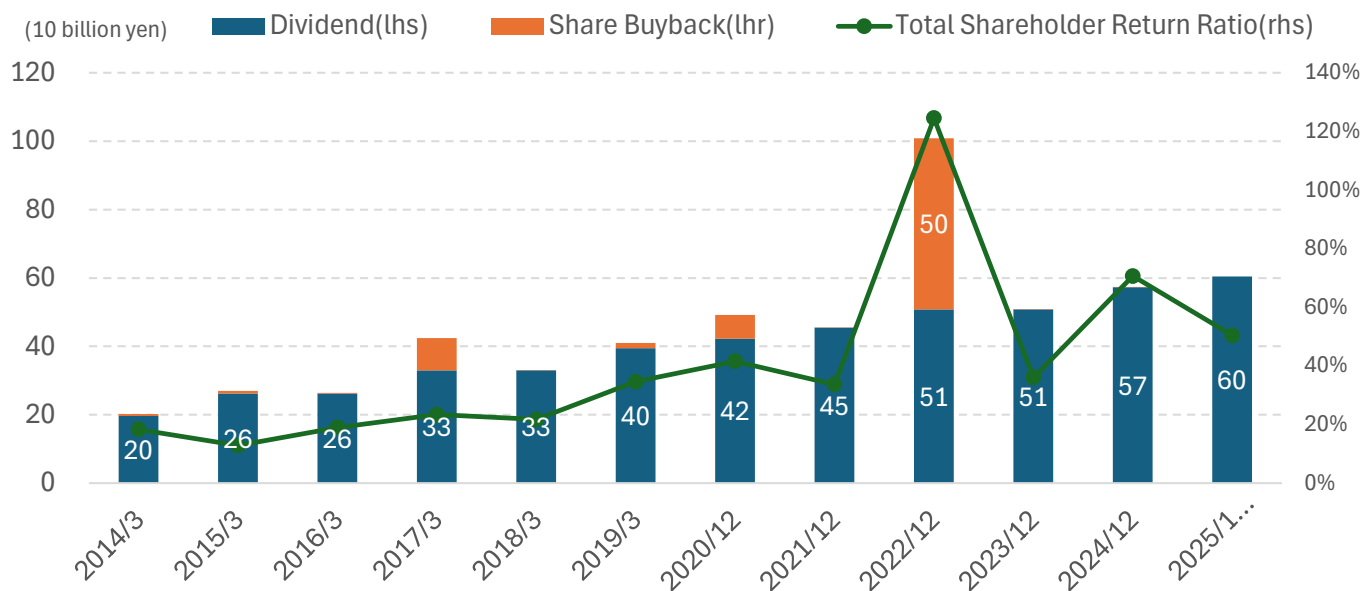
□ Net Financial Assets □ (Cash + Long term Investments) – Debt

2. Share Buyback

Ezaki Glico's Current Status: Shareholder Return

Although the new medium-term management plan (FY2025-FY2027) disclosed a dividend payout ratio target of 45% or more and a shareholder return plan of 25 billion yen, there was no specific disclosure of dividends and share buybacks. The company only conducted a share buyback of 5 billion yen in FY12/2022, and given that the company's capital efficiency has been declining due to the large amount of cash assets exceeding 100 billion yen, the company's shareholder return plan is insufficient to improve ROE. We believe that the company's shareholder return plan is insufficient to improve ROE.

Total Shareholder Return Trends



Source □ Company report, Dalton analysis

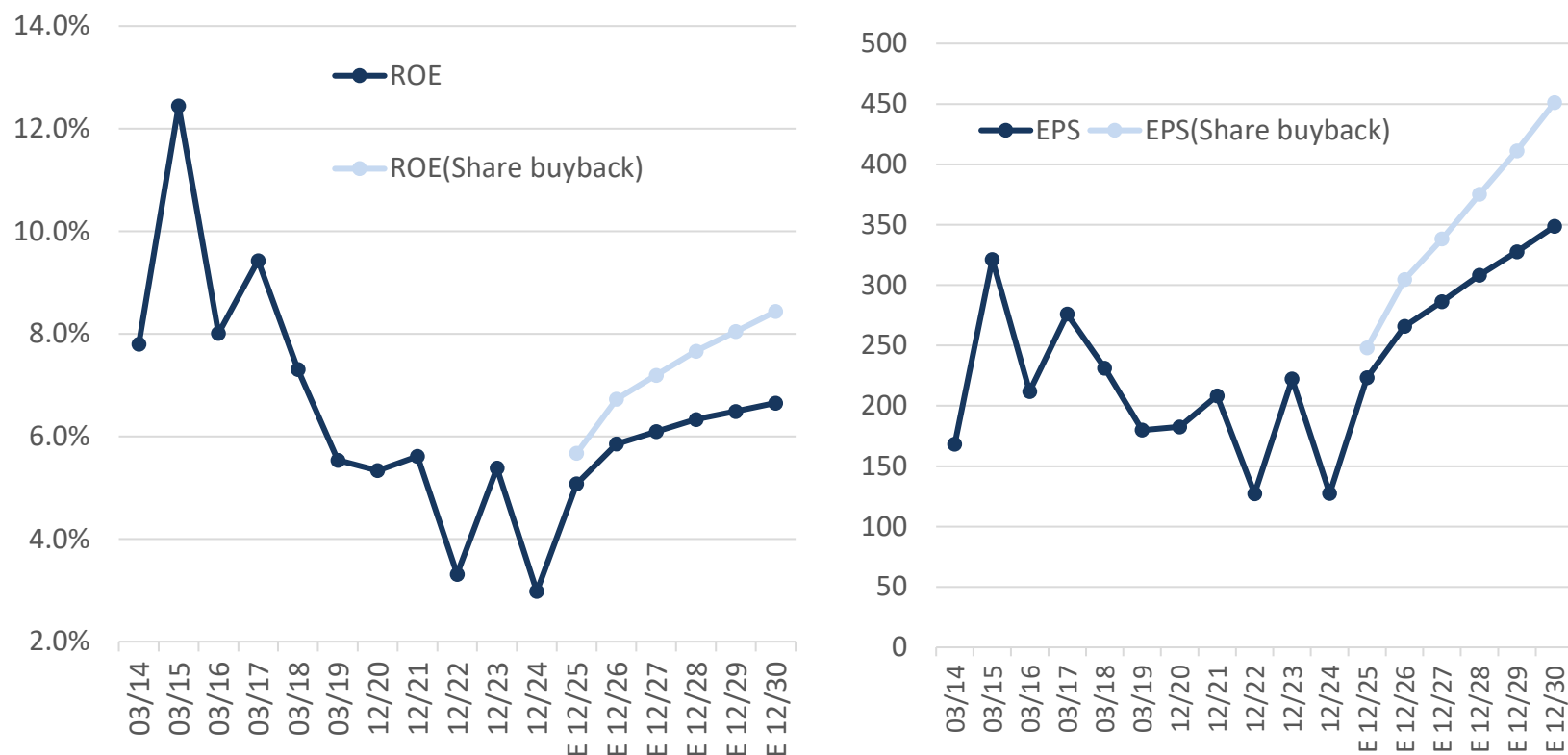
2. Share Buyback

Effect: ROE improvement of share buyback

(Case of 10% share buyback in FY12/2025, followed by continuation of 5% share buyback)

In this case, ROE trends upward to 7% in FY12/2027, and earnings per share (EPS) growth accelerates.

In the case without the share buyback, ROE will only recover to 6% in FY12/2027, failing to reach 8% cost of capital and making it difficult to achieve the 6-8% target.

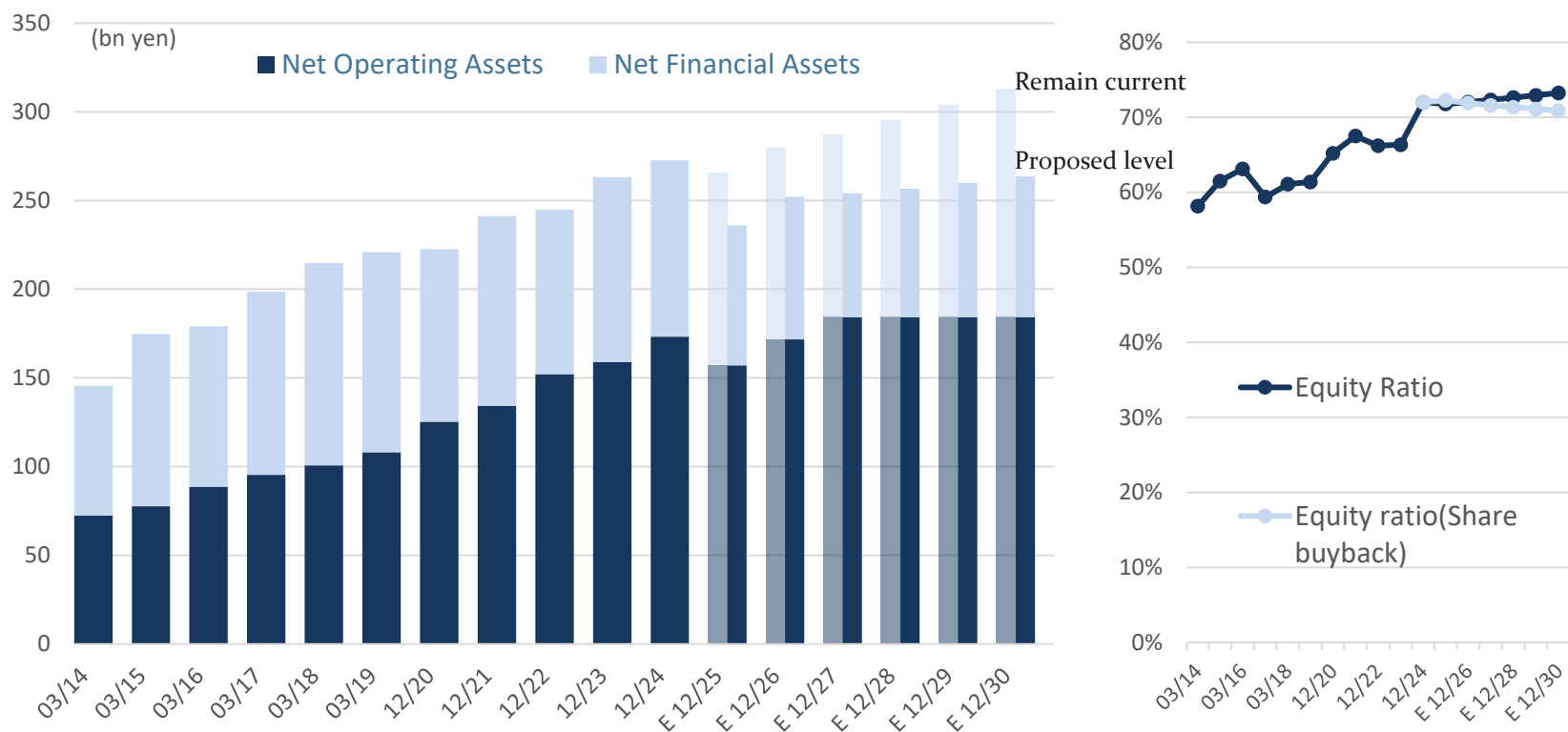


Source □ Company report, Dalton analysis (Future projections are calculated by Dalton)

2. Share Buyback

Effect: Impact of share buybacks on Cash assets

(In the same case as on the previous page, over 75 billion yen in growth investments over 3 years)
 Net financial assets will exceed 80 billion yen in FY12/2025. Thereafter, operating cash flow will maintain net financial assets in excess of 80 billion yen, and sufficient cash will be secured for future risks. The capital adequacy ratio remains high at around 70% compared to the past.



Source □ Company report, Dalton analysis (Future projections are calculated by Dalton)

□ Net Financial Assets □ (Cash + Long term Investments) – Debt

3. Expand restricted stock compensation

Summary

We believe that the greatest weakness of Japanese boards of directors is the small number of shares held by each director and the resulting lack of a shareholder perspective.

Our proposal is to design the restricted stock compensation plan as a performance-linked incentive plan that includes ROE and TSR (Total Shareholder Return), and to design it so that if the performance criteria are met, the cumulative amount of restricted stock equivalent to three times the fixed compensation will be granted over the next three years.

Ezaki Glico has a small shareholding of each director except for those from the founding family, and the majority of the directors' economic benefits are base remuneration as fixed remuneration. Although Ezaki Glico has introduced a restricted stock compensation plan, in FY12/2023, stock compensation is only 33 million yen, or 16% of fixed compensation, compared to fixed compensation of 209 million yen per year. At this pace, it will take approximately 19 years to reach a shareholding equivalent to three times the fixed remuneration, which is considered a guideline for effective stock remuneration to share value between directors and shareholders.

The Ministry of Economy, Trade and Industry (METI) explains the significance of expanding the introduction of stock-based compensation as “executive compensation that encourages 'aggressive management. The TSE's “Key Points and Examples” also indicates that granting company stock as an incentive for medium- to long-term corporate value enhancement is an effective means of promoting management aimed at increasing corporate value. We agree with the intent of the METI and TSE's “Key Points and Examples” request, and our proposal is in line with this intent.

We propose the expansion of restricted stock compensation in order to give each director an incentive to improve corporate value over the medium to long term and to manage the company from the same perspective as the shareholders.

□ □ □ □ □ □ □ 2023 □ 12 □ □ □ □ □ □ □ □ □ □

Reference: Original Shareholder Proposal

1. Implementation of TSE request

(1) Outline of Proposal

The following article shall be newly added to the current Articles of Incorporation as Article 38: “Chapter 7: Measures to realize management consciousness of cost of capital and stock price. In addition, upon the passage of any other proposal at this General Meeting of Shareholders (including a proposal that is subject to the Company's proposal), the following article shall be newly added as Article 38. If formal adjustments (including but not limited to correction of misalignment of article numbers) are required to the articles listed as this proposal due to the passage of other proposals (including those about company proposals) at this General Meeting of Shareholders, the articles about this proposal shall be read as the articles after the necessary adjustments have been made.

(Newly established) Chapter 7

(Measures to Achieve Management Conscious of Cost of Capital and Stock Price)

The Company, as long as it is a listed company, shall practice the following in accordance with the spirit of the “Measures to realize management with awareness of the cost of capital and stock price” as required by the Tokyo Stock Exchange.

1. View and disclose the cost of capital from the viewpoints of shareholders and investors.
 2. analyze and evaluate the company's stock price from multiple perspectives based on the viewpoints of shareholders and investors
 3. inspect whether the balance sheet is efficient in terms of cost of capital and return on capital, and disclose and implement plans for improvement if deemed necessary
 4. take drastic measures to ensure appropriate allocation of management resources, including reviewing its business portfolio, with an awareness of the cost of capital and return on capital, and disclose its capital allocation policy based on the appropriate allocation of management resources; and
 5. Be conscious of the need to reduce the cost of capital, and disclose and implement improvement plans when such improvement is considered possible.
 6. design an executive compensation system that provides an incentive to increase corporate value over the medium to long-term
 7. disclose in an easy-to-understand manner how each initiative will be implemented to realize the medium- to long-term vision and how each initiative will lead to the resolution of issues
 8. management and the board of directors will proactively engage in dialogue with shareholders and investors.
-

Reference: Original Shareholder Proposal

1. Implementation of TSE request

(2) Reasons for the proposal

We agree with the main purpose of the “Measures to Achieve Management Conscious of Cost of Capital and Stock Price” (hereinafter referred to as the “TSE Request”), which was requested by the Tokyo Stock Exchange on March 31, 2023 for all listed companies on the Prime and Standard markets. To ensure that the measures are not only formal but also highly effective, we believe that it is effective to continuously verify the measures based on the “Points and Examples of ‘Management Conscious of Cost of Capital and Stock Price’ from Investors' Perspective” (“Points and Examples”) released by the Tokyo Stock Exchange on February 1, 2024. We believe that the continuous verification of efforts based on the “Points and Examples” (hereinafter “Points and Examples”) is effective.

Given the current situation where approximately 80% of companies listed on the prime market have already disclosed their responses to TSE requests, one might think that this TSE request has already fulfilled its role. However, our greatest concern is that the quality of such disclosure and efforts varies significantly from company to company. While there are companies that are promoting responses based on excellent disclosures and effectively collaborating with initiatives to enhance corporate value, unfortunately there are also companies that do not understand the purpose of the TSE requirement, or seem to have only formalized it without any motivation. Although our company has already disclosed the status of disclosure based on the TSE request, specific disclosure based on the points and examples is insufficient. In order to achieve the 8% ROE target and increase corporate value over the medium to long term, the company should not only continue to grow profits, but also practice management with an awareness of the cost of capital and return on capital based on the balance sheet. In the items listed in the points and examples, we have identified the following: 3. Check whether the balance sheet is in an efficient condition and disclose and implement improvement plans; 4. Make drastic efforts and disclose capital allocation policies with an awareness of appropriate allocation of management resources, including business portfolio review; 7. What is the easy-to-understand disclosure for the realization of the company's vision, we believe that these items are particularly in need of improvement for the Company. We believe that by disclosing these specific details, the Company will be able to meet the expectations of shareholders and investors with a medium- to long-term perspective, which is the purpose of the TSE request.

Reference: Original Shareholder Proposal

2. Share Buyback

(1) Outline of Proposal

According to Article 156, Paragraph 1 of the Companies Act, within one year from the conclusion of this Ordinary General Meeting of Shareholders, the Company shall acquire up to 6,360,000 shares of its common stock for a total acquisition price of 27,000,000,000 yen by way of cash payment.

(2) Reason for the proposal

The Company's net financial assets, which are the sum of cash and deposits, marketable securities, and investment securities held by the Company, minus borrowings, are calculated to be 101.8 billion yen as of September 30, 2024, which is approximately 40% of the Company's total market capitalization as of September 30, 2024. The accumulation of cash assets over required funds leads to a decline in capital efficiency and damage to corporate value. Although the Company aims to achieve an ROE of 8%, the average ROE for the past five years has been in the 5% range, and excessive cash assets have been a factor in the decline in ROE. Repurchasing shares at a discount has the effect of increasing corporate value through improved earnings per share and net assets, and reducing the burden of future dividends through a decrease in the total number of shares issued and outstanding, thereby increasing corporate value over the medium to long term, rather than through short-term share price appreciation.

Although the share buyback of up to 27 billion yen under our proposal would exceed the size of net income, considering that the Company's net financial assets are 101.8 billion yen, it would provide sufficient funds for future M&A, capital investment, research and development, and to prepare for unexpected risks. This will not impair the balance between investment for growth, funds for business operations, and shareholder returns. Therefore, we believe that the Company should adopt a measure to acquire approximately 10% of its total outstanding shares (excluding treasury stock) as treasury stock in order to increase shareholder returns and improve capital efficiency, thereby enhancing its corporate value over the medium to long term.

Reference: Original Shareholder Proposal

3. Expand restricted stock compensation

(1) Outline of Proposal

At the Ordinary General Meeting of Shareholders to be held on March 24, 2020, the maximum annual amount of compensation for Directors of the Company shall be set at 390 million yen (including 35 million yen for Outside Directors), and separately from this, at the Ordinary General Meeting of Shareholders to be held on June 28, 2018, the amount of stock compensation shall be set at 150 million yen per year and the maximum number of shares to 27,000 shares per year (outside directors are not eligible for the grant. The Company has approved granting monetary compensation claims for the grant of restricted stock to the Company's directors and executive officers who are subject to the restricted stock compensation plan, with an annual amount not exceeding 390 million yen and the maximum number of shares to be granted being 92,000 shares. The specific timing and allocation of the payment shall be decided by the Board of Directors of the Company.

The Board of Directors shall determine the specific timing and allocation of the grant, but the plan shall be designed as a performance-linked incentive plan, and if the performance criteria are met, the plan shall be designed to grant restricted transferable shares equivalent to three times the fixed remuneration on a cumulative basis over the next three years.

.

Reference: Original Shareholder Proposal

3. Expand restricted stock compensation

(2) Reasons for the proposal

We believe that the greatest weakness of the Japanese board of directors is the small number of shares held by each director and the resulting lack of a shareholder-oriented viewpoint. In the company as well, except for those from the founding family, directors' shareholdings are small, and the majority of directors' economic benefits are basic compensation as fixed compensation. Although some compensation is tied to the achievement of business results, we believe that the purpose of restricted stock compensation, i.e., sharing value with shareholders, is insufficient. It is necessary to give directors an economic incentive to sustainably improve the Company's corporate value and to share the results of corporate value improvement with shareholders by uniting their interests with those of the Company's shareholders.

The guideline for effective stock-based compensation to share value between directors and shareholders is equivalent to three times the fixed compensation. Although the Company has introduced a restricted stock compensation plan, in the 119th fiscal year (January 1, 2023, to December 31, 2023), fixed compensation of ¥209 million per year was paid to the Company's directors (excluding outside directors), while stock compensation amounted to ¥33 million, only 16% of fixed compensation. At this pace, it will take about 19 years to reach the equivalent of three times the fixed compensation, which is considered a guideline for effective stock compensation to share value between directors and shareholders. Restricted stock compensation is meaningless unless it is granted during the director's term of office, so it is necessary to grant a certain amount of stock compensation in a shorter period.

In addition, almost all major listed companies in Europe and the U.S. have adopted shareholding guidelines that stipulate a certain amount of shares that are considered necessary to share value with shareholders and a certain period of continuous shareholding requirements. After a grace period of several years, in most cases, top management is required to hold 3 to 5 times their base compensation, and outside directors are required to hold 1 times their compensation. We suggest that the Company's directors and other members of management should not be bound by past norms, but aim for a level of ownership that is no less than world-class and demonstrate their commitment through appropriate disclosure, and we believe that stock ownership guidelines should be established.

This document has been prepared for qualified investors, is provided for informational purposes only, and does not constitute a solicitation of any shares in any investment vehicle managed by Dalton Investments. Such solicitations can only be made to qualified investors by means of the private placement memorandums, which describe, among other things, the risks of making an investment. Additionally, this presentation does not constitute investment advice of any kind.

All of the information in this document relating to Dalton Investments or its affiliates (collectively, "Dalton" or the "Firm") is communicated solely by Dalton, regulated by the U.S. Securities and Exchange Commission (SEC). SEC registration does not imply SEC endorsement. No representation or warranty can be given with respect to the accuracy or completeness of the information, or with respect to the terms of any future offer of transactions conforming to the terms hereof. Certain assumptions may have been made in the analysis which resulted in any information and returns/results detailed herein. No representation is made that any results/returns indicated will be achieved or that all assumptions in achieving these returns have been considered or stated. Additional information is available on request. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on market conditions. Unless otherwise indicated, figures presented are preliminary, unaudited, subject to change and do not constitute Dalton's standard books and records.

Individual portfolio account returns and holdings within a referenced Dalton composite may vary substantially for such factors including, among others, account specific restrictions – e.g. whether currency investments are permitted, timing of transactions, contributions, withdrawals, and market conditions at the time of investment.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE PERFORMANCE. THE VALUE OF THE INVESTMENTS AND THE INCOME FROM THEM CAN GO DOWN AS WELL AS UP AND AN INVESTOR MAY NOT GET BACK THE AMOUNT INVESTED. THESE INVESTMENTS ARE DESIGNED FOR INVESTORS WHO UNDERSTAND AND ARE WILLING TO ACCEPT THESE RISKS. PERFORMANCE MAY BE VOLATILE, AND AN INVESTOR COULD LOSE ALL OR A SUBSTANTIAL PORTION OF ITS INVESTMENT.

Any estimates, projections or predictions (including in tabular form) given in this communication are intended to be forward-looking statements. Although Dalton believes that the expectations in such forward-looking statements are reasonable, it can give no assurance that any forward-looking statements will prove to be correct. Such estimates are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date of this communication. Dalton expressly disclaims any obligation or undertaking to update or revise any forward-looking statement contained herein to reflect any change in its expectations or any change in circumstances upon which such statement is based.

Please note that neither the Funds/Composites nor the Investment Manager/Investment Advisor complies with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD") of the European Union. No direct or indirect offering or placement of shares by or on behalf of the Funds/Composites or the Investment Manager may be made to or with investors in member states of the European Union in breach of either the applicable requirements under the AIFMD or the private placement regime in each relevant member state. You are receiving this presentation either because (a) you are an existing investor and we are sending you an update to discharge our obligation, or (b) you have previously requested for submission of such information. If neither of these apply to you, please kindly ignore this presentation and reply to InvestorRelations@daltoninvestments.com with the subject "AIFMD distribution list review" as soon as possible so that we can remove you from our relevant distribution list in the future.

Any specific securities referenced herein are holdings as of the date identified in the document and any performance information relates only to the period covered by this document. No inferences should be made as to the profitability of specific positions overall.