

**Ezaki Glico Co Ltd**

**Explanation of Shareholder Proposal from Dalton  
Investments**

February 2026

## Four Shareholder Proposals from Dalton Investments

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

### 01 Election of 2 directors

Proposal for the election of Mr. James B. Rosenwald III and Mr. Junichiro Sano as Outside Directors

P.3~7

### 02 Share Buyback

Implementation of a 10% or 35 billion yen Share Buyback

P.8~12

### 03 Expand restricted stock compensation

Proposal to expand stock-based compensation to incentivize

P.13

### 04 Implementation of TSE request

Concerning measures to realize management consciousness of the cost of capital and the stock price

P.14~16

# [Why We Submitted This Shareholder Proposal]

## Strengths and Growth Potential of Ezaki Glico

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**Ezaki Glico has strong brands and solid long-term growth potential.**

- Globally recognized brands such as Pocky and Pretz, with a **broad fan base in Japan and overseas.**
- **Improving confectionery margins despite higher raw material costs**, excluding temporary factors such as system disruptions and product recalls.
- Established brands in the U.S., China, and ASEAN, **with overseas businesses accounting for over half of operating profit.**
- **Further growth potential** through deeper brand penetration, new retail channels, and market expansion.



**Strengths & Growth Potential**



**Desired State (Shareholder Value Creation)**



**Not Connected**

**Current Reality (Structural Issues)**

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# 【Why We Submitted This Shareholder Proposal】

## Current Situation: Strengths Not Connected to Shareholder Value

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Despite strong businesses and growth potential, these strengths are **not sufficiently connected in shareholder value.**

- **5 years average ROE remains in the low 4% range**, with no meaningful improvement even after the introduction of the new corporate purpose
- Persistently low profitability in the health & food and dairy businesses, with the dairy business posting **significant losses over the past two years**
- **Major operational incidents in recent years**, including shipment suspensions due to system failures and voluntary recalls of chocolate products
- Excess net financial assets, including cash and equivalents equivalent to approximately 33% of market capitalization, **contributing to depressed ROE**

As a result, **shareholder support for director election proposals has declined at recent AGM.**

- March 2025 AGM: average approval rates declined by approximately 9.8%; approval rate for the CEO fell to 77%

Strengths & Growth Potential



Desired State (Shareholder Value Creation)



Not Connected

Current Reality (Structural Issues)

# 【Why We Submitted This Shareholder Proposal】

## Structural Issues Preventing Shareholder Value Creation

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### ① Business Portfolio Optimization

- High-return confectionery and overseas businesses offset by structurally weak health food and dairy businesses.
- Board accountability questioned over continued resource allocation to the loss-making dairy business.

### ② Balance Sheet Inefficiency

- No share buybacks since 2022, leaving excess net cash unaddressed.
- JPY 5 billion asset reduction plan insufficient to improve ROE.

### ③ Misalignment Between Management and Shareholders

- Low director share ownership limits alignment with shareholder value creation.
- **Governance structure raises concerns over accountability to shareholders.**

Strengths & Growth Potential



Desired State (Shareholder Value Creation)



Not Connected

Current Reality (Structural Issues)

# 1. Rationale for Electing Two Independent Outside Directors

## Evaluation of the Current Board Composition (Skills and Functionality)

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<Factual Assessment of the Company's Disclosed Board Skills>

Financial and accounting skills focus on operations and internal management, and the disclosed skills matrix indicates **no directors with practical capital markets experience.**

<Evaluation of Board Functionality>

Given the current skills profile and structural issues, **the board has not sufficiently demonstrated the ability to assess capital efficiency or strategic options from a shareholder perspective.**

※ This assessment is based on information publicly disclosed by the company.

※ Financial and accounting skills are assigned to two of the eight directors.

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Source : Company report, Dalton analysis

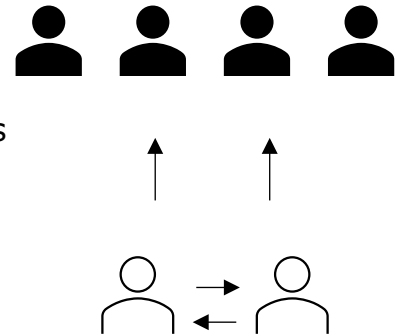
# 1. Rationale for Electing Two Independent Outside Directors

## Electing Two Independent Outside Directors Is Necessary to Address Structural Issues

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### Proposed Solution: The election of two independent outside directors will achieve the following

- Introduce a shareholder-oriented and capital markets perspective to the board
- Substantially strengthen oversight of management decisions
- **Objectively evaluate all strategic options, including going private**, from the perspectives of corporate value and the common interests of shareholders



### Outside director candidates :

① **James B. Rosenwald : Dalton Investments, CIO**

② **Junichiro Sano : Dalton Investments, Senior Advisor**

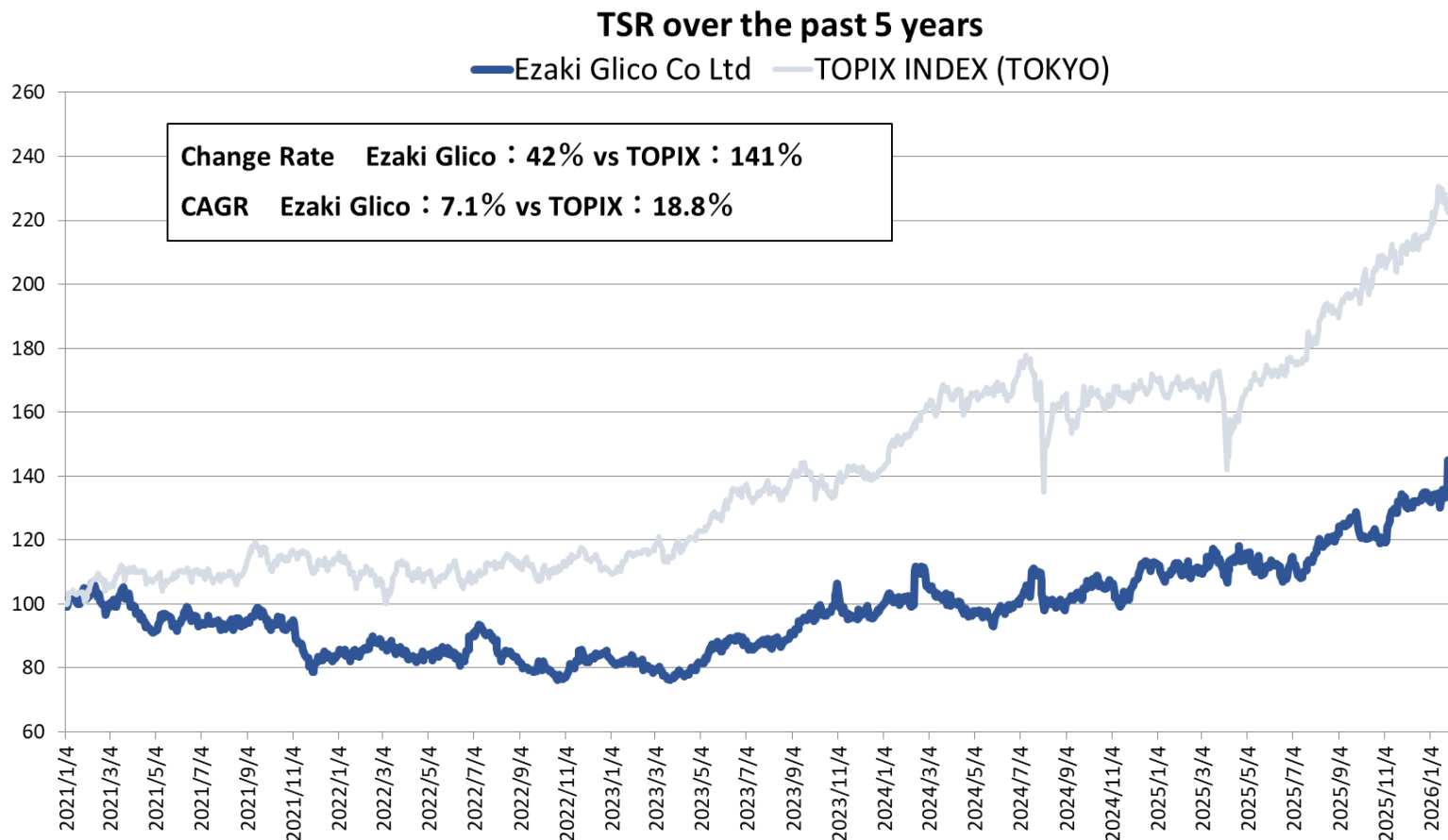
The outside director candidates bring strong expertise in investment, corporate management, capital markets, and corporate governance, and will strengthen board effectiveness through independent, **shareholder-oriented oversight**. This **will enable objective evaluation of strategic options, including going private**, from the perspectives of corporate value and shareholders' common interests.

**More substantive strategic discussion enabled by two directors.**

## 2. Share Buyback

### Ezaki Glico's Current Status: Share Price Trends

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



Source : Dalton analysis

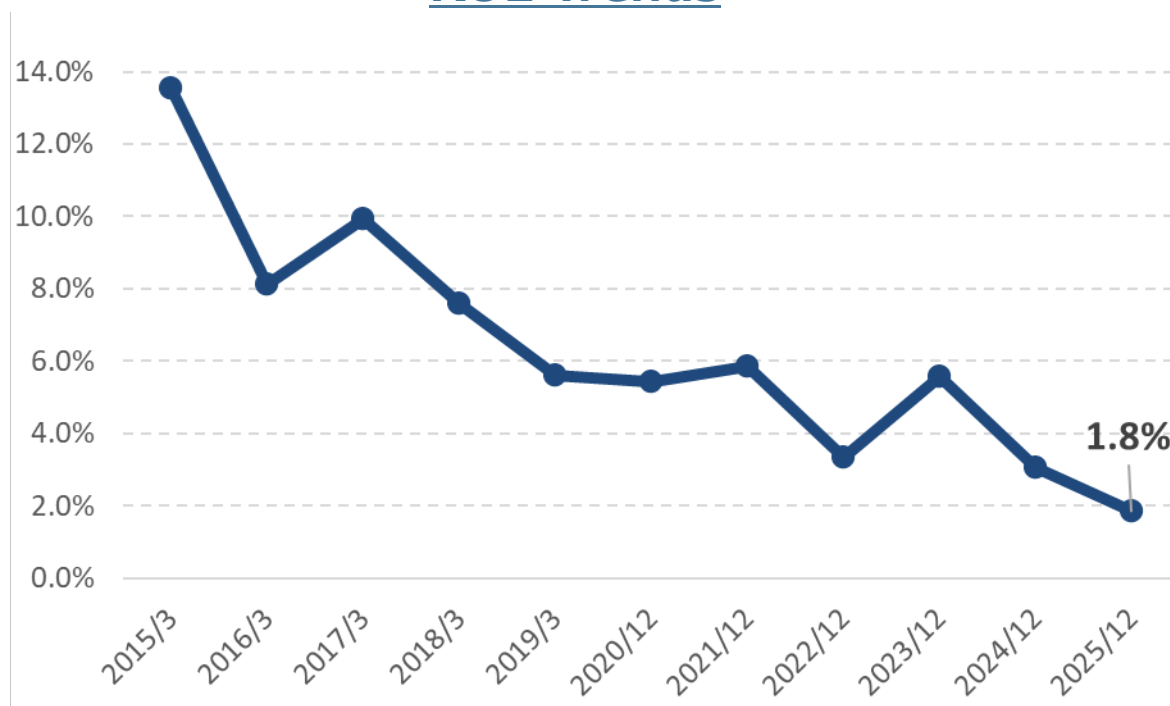
\* Total shareholder return through February 10, 2026, with December 30, 2020 as 100

## 2. Share Buyback

### Ezaki Glico's Current Status: ROE Trends

- Return on equity (ROE) has declined from approximately 12% ten years ago to 1.8% in FY12/2025, with the five-year average ROE at only around 4%.
- The sharp decline in ROE reflects management's inability to use shareholders' capital efficiently.

#### ROE Trends



#### **What Is ROE? :**

ROE measures how efficiently shareholders' capital (equity) is converted into profits.

#### **Illustrative Examples :**

Equity: 100 → **Profit: 10**  
(ROE 10%)

Equity: 100 → **Profit: 4**  
(ROE 4%)

⇒ **Higher ROE generally leads to higher valuation and share price.**

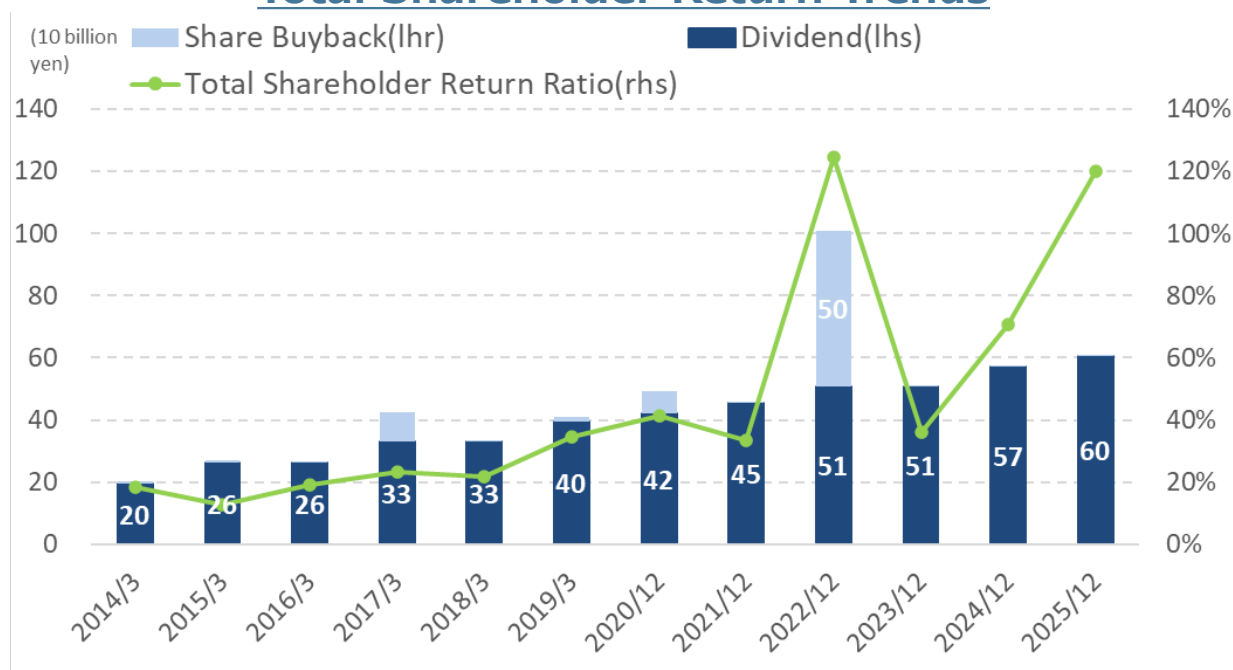
Source : Company report, Dalton analysis

## 2. Share Buyback

### Ezaki Glico's Current Status: Shareholder Return

- The February 13, 2026 JPY 25 billion (7.2%) buyback is a positive step; however, the new mid-term plan provides no specific allocation for dividends or buybacks.
- With cash exceeding JPY 100 billion and depressed capital efficiency, clearer capital policies to enhance ROE are needed.

#### Total Shareholder Return Trends



Source : Company report, Dalton analysis

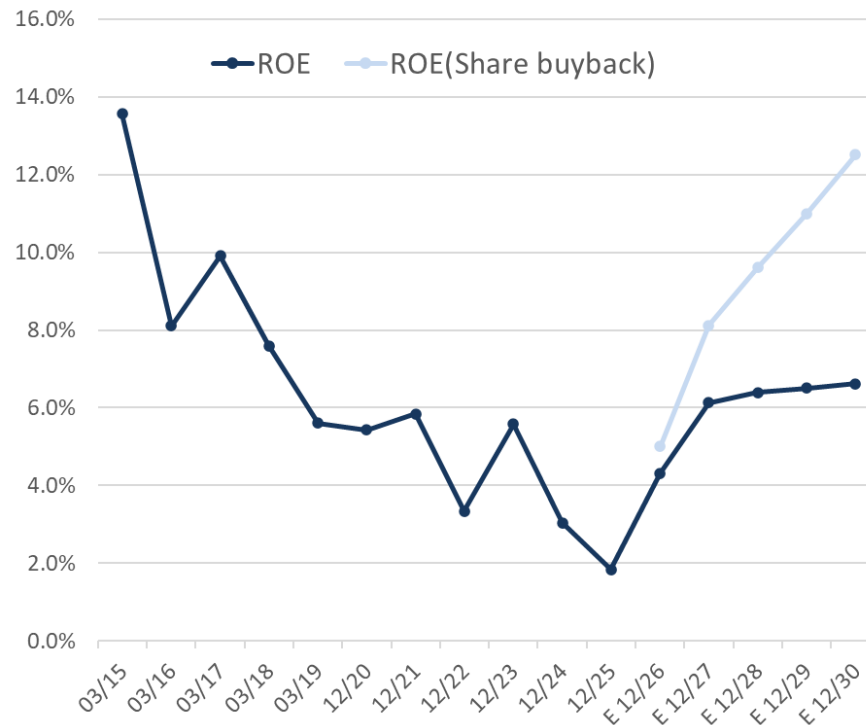
## 2. Share Buyback

### Effect: ROE improvement of share buyback

~10% buybacks conducted continuously over five years

⇒ ROE rises to 12% by FY12/2028, with the upward trend continuing.

Only 7.2% buybacks: ROE reaches only ~6%, ⇒ below the 8% cost of capital and the 6–8% target.

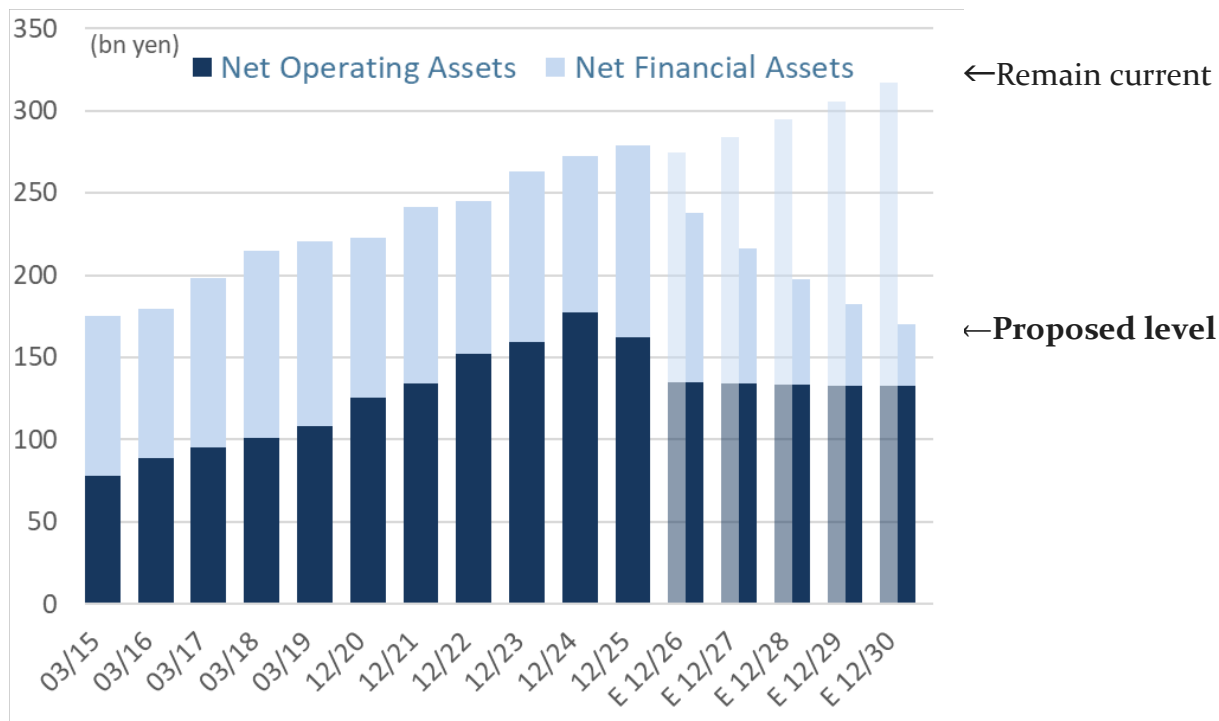


Source : Company report, Dalton analysis (Future projections are calculated by Dalton)

## 2. Share Buyback

### Effect: Impact of share buybacks on Cash assets

- Even with continued share buybacks and JPY 45bn+ growth investments over the next three years, net financial assets of ~JPY 30bn can be maintained by FY12/2030.
- Ongoing operations are expected to sustain ~JPY 30bn, providing sufficient buffer against future risks.



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

\* Net Financial Assets : (Cash + Long term Investments) – Debt

### 3. Expand restricted stock compensation

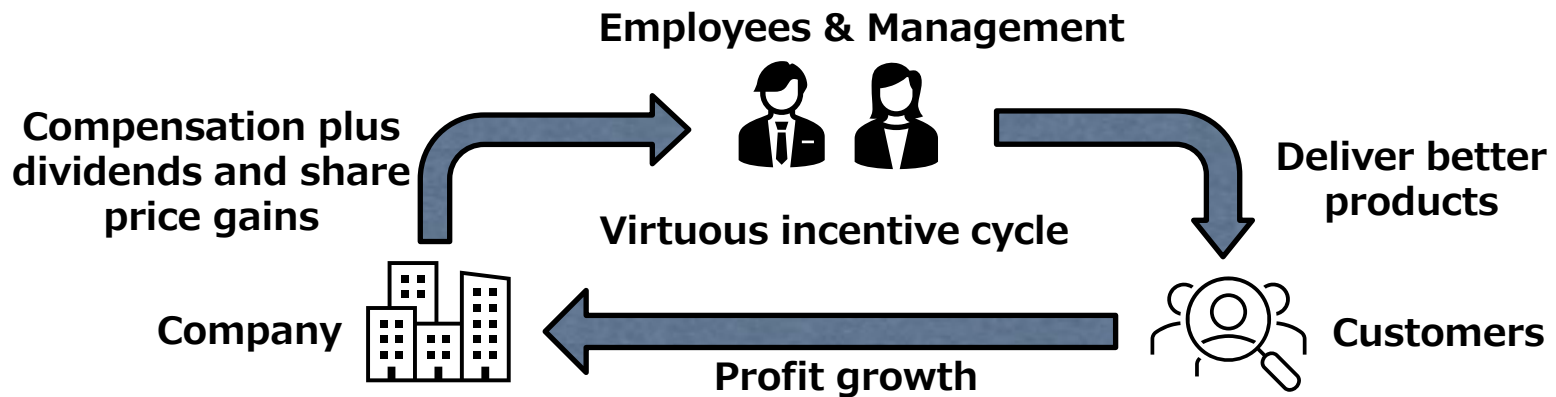
## Revising Director Compensation to Restore a Shareholder-Oriented Mindset

#### Issue: Lack of Shareholder Alignment

- Directors' share ownership is minimal, **limiting alignment with shareholder value.**
- The founding family **holds 6.5%**, while President Etsuro Ezaki holds 0.1% and the Chairman (his father) 0.4%.
- In FY12/2024, fixed compensation paid to directors amounted to JPY 192 million; meanwhile, the granting of equity-based compensation was largely not implemented.

#### Proposal

- **To correct the misalignment between management perspectives and shareholder awareness,** redesign restricted stock compensation as a performance-linked incentive tied to ROE and TSR. If targets are met, **grant shares over three years equal to 3× fixed compensation.**



Source : Company report

## 4. Implementation of TSE request

# Independent Assessment of Ezaki Glico's Response to the TSE Request

- Dalton conducted an independent **scorecard**-based assessment of Ezaki Glico's response to TSE request.
- Items requiring particular improvement: **(3) balance sheet efficiency, (4) resource allocation, and (7) linkage to the medium- to long-term vision.**

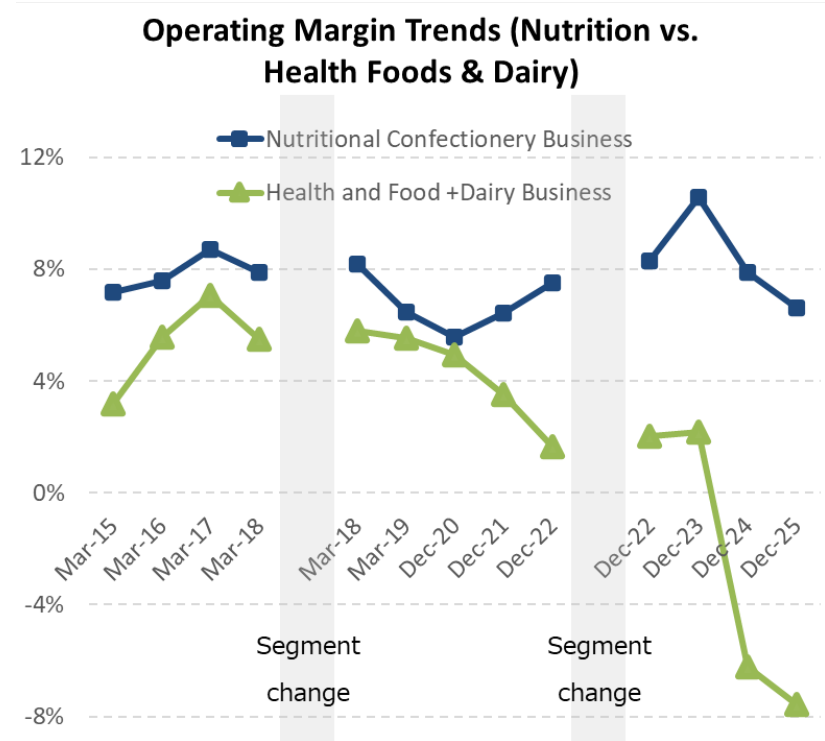
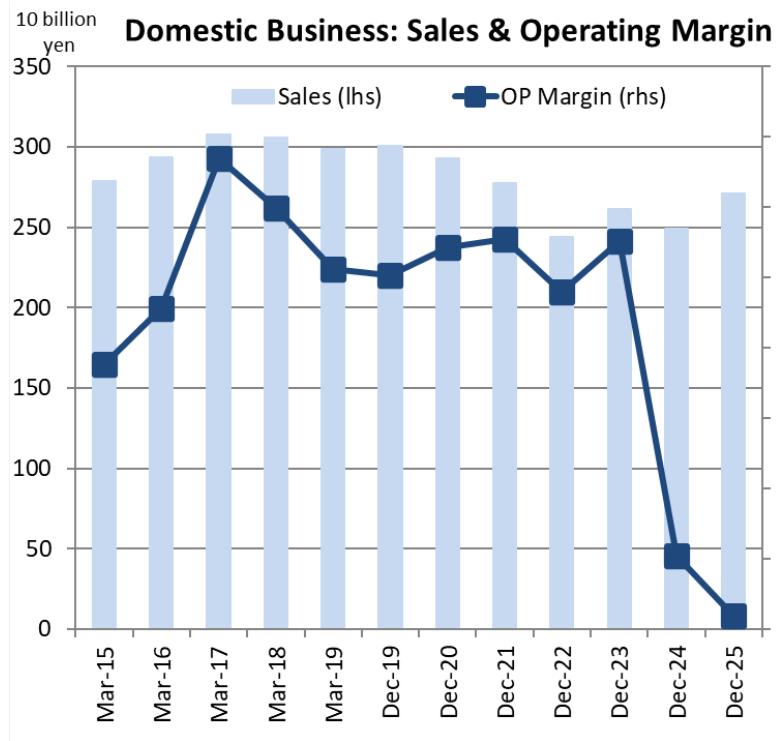
Theme	Pt	TSE Request	Grade	Company Response
<b>Analysis and Evaluation of the Current Situation</b>	1	Consider cost of capital from investor's perspective	B	Disclosure of cost of capita, but a slightly higher level desirable
	2	Analyze and evaluate company's profitability (ROE, ROIC), including segment and market valuation (PBR, PER)	B	Disclosure of current situation and direction toward achieving ROE of 6–8%, but segment-level analysis of capital profitability is required
	3	<b>Consider balance sheet efficiency, including check for excessive cash and assets</b>	C	<b>Insufficient asset reduction scale; limited progress on balance sheet efficiency. No disclosure of a specific required cash level.</b>
<b>Consideration and Disclosure of Initiatives</b>	4	<b>Awareness of appropriate allocation of resources, including investment and human capital</b>	C	<b>Cash flow allocation is disclosed, but no ROIC targets or business-level ROIC disclosures. No disclosure on portfolio review; health food and dairy businesses require concrete improvement plans.</b>
	5	Being aware of need to reduce capital costs	A	Disclosure of initiatives to reduce cost of capital
	6	Designing management compensation system that provides an incentive to increase corporate value	B	Adopted stock compensation plan, but small.
	7	<b>Explain initiatives in linkage with the medium- to long-term vision</b>	C	<b>ROE target is low, with no disclosure of ROE drivers or a logic tree by component.</b>
<b>Dialogue with Shareholders</b>	8	Proactive involvement of management and board	B	Limited dialogue between top management and shareholders/investors

Source : Tokyo Stock Exchange (<https://www.jpx.co.jp/english/news/1020/u5j7e5000001bqd-att/240201en.pdf>) , Graded on a scale of A to C

## 4. Implementation of TSE request

# Dalton's Assessment of Issues in the resource allocation

- Domestic business: improving margins in nutrition confectionery, but declining margins in health food and dairy; **the dairy business has posted significant losses over the past two years.**
- In line with the TSE request, **portfolio review and concrete measures to improve capital returns** should be clearly presented for businesses not covering their cost of capital.



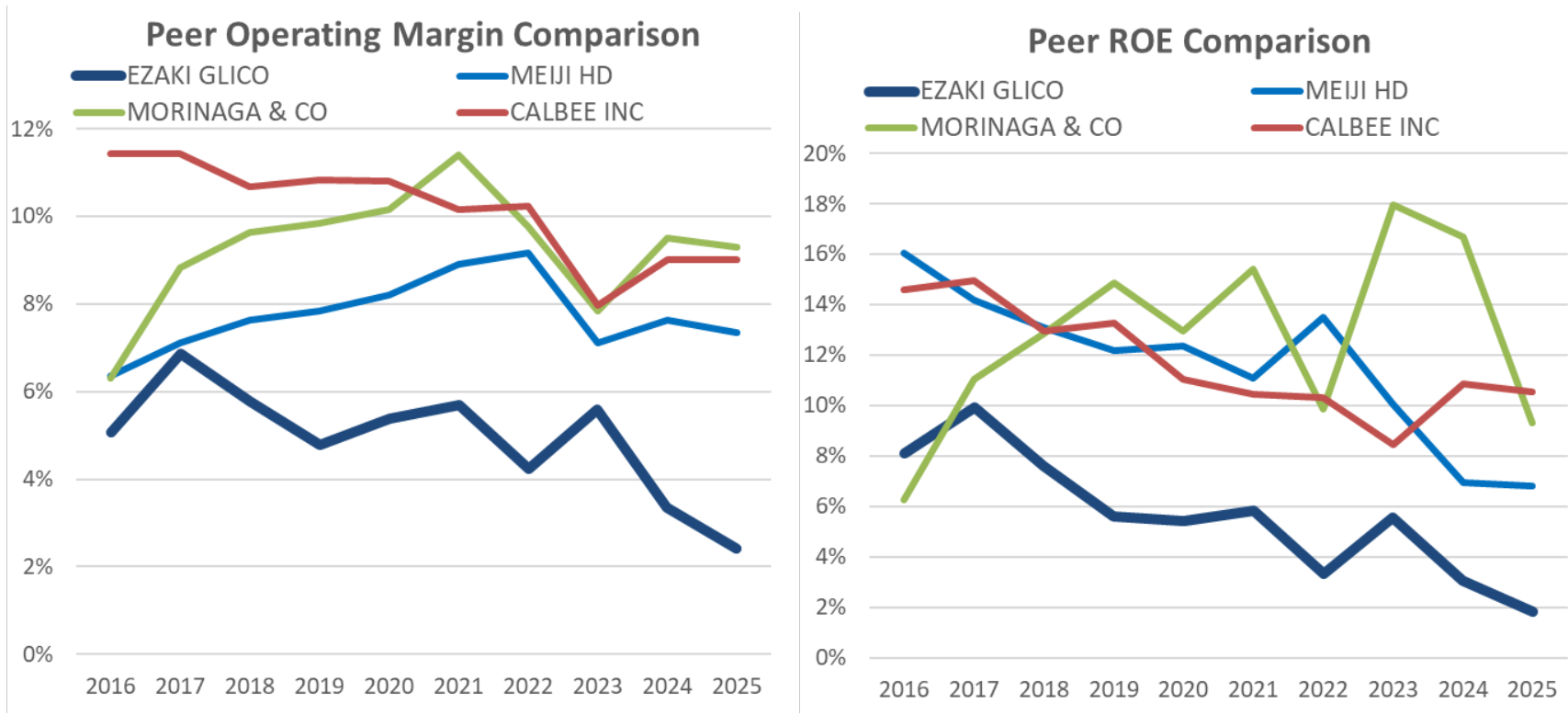
Source : Company report, Dalton analysis

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

## 4. Implementation of TSE request

# Dalton's Assessment of Issues in linkage to the medium- to long-term vision

- Ezaki Glico's operating margin has significantly lagged those of key peers—Meiji Holdings, Morinaga & Co., and Calbee—even prior to the system failure.
- While peers have maintained ROE of around 10%, the 6–8% ROE target under the new mid-term plan is insufficient and **should be raised promptly to 12%**.



Source : Company report, Dalton analysis

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