



NH|GGP

SHAREHOLDER PROPOSALS TO MAXIMIZE TOYO SUISAN'S  
LONG-TERM CORPORATE VALUE

APRIL 2024

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# Executive summary

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## WORLD CLASS ASSETS

Toyo Suisan is a conglomerate with crown jewel assets, most notably the **North American instant noodle** and **refrigerated warehouse** businesses.

Due to its dominant position in North America, the Company has the opportunity to become a **global leader and consolidator** in the fast-growing instant noodle industry.

## AREAS FOR IMPROVEMENT

The Company excels in its core operating businesses but lags in **capital allocation**, including **shareholder returns**. As a result, the Company's market valuation is substantially below its **intrinsic value**.

The Company **invests heavily in legacy businesses** with ROIs which do not cover our assessment of the cost of capital, maintains **a low shareholder return ratio** with no recent history of share repurchases and has an **inefficient balance sheet** which carries excess cash and securities.

## OUR SHAREHOLDER PROPOSALS

Our proposals for the June 2024 AGM align the Company's operating excellence with the **"best-practice" policies** recommended by TSE, METI and FSA.

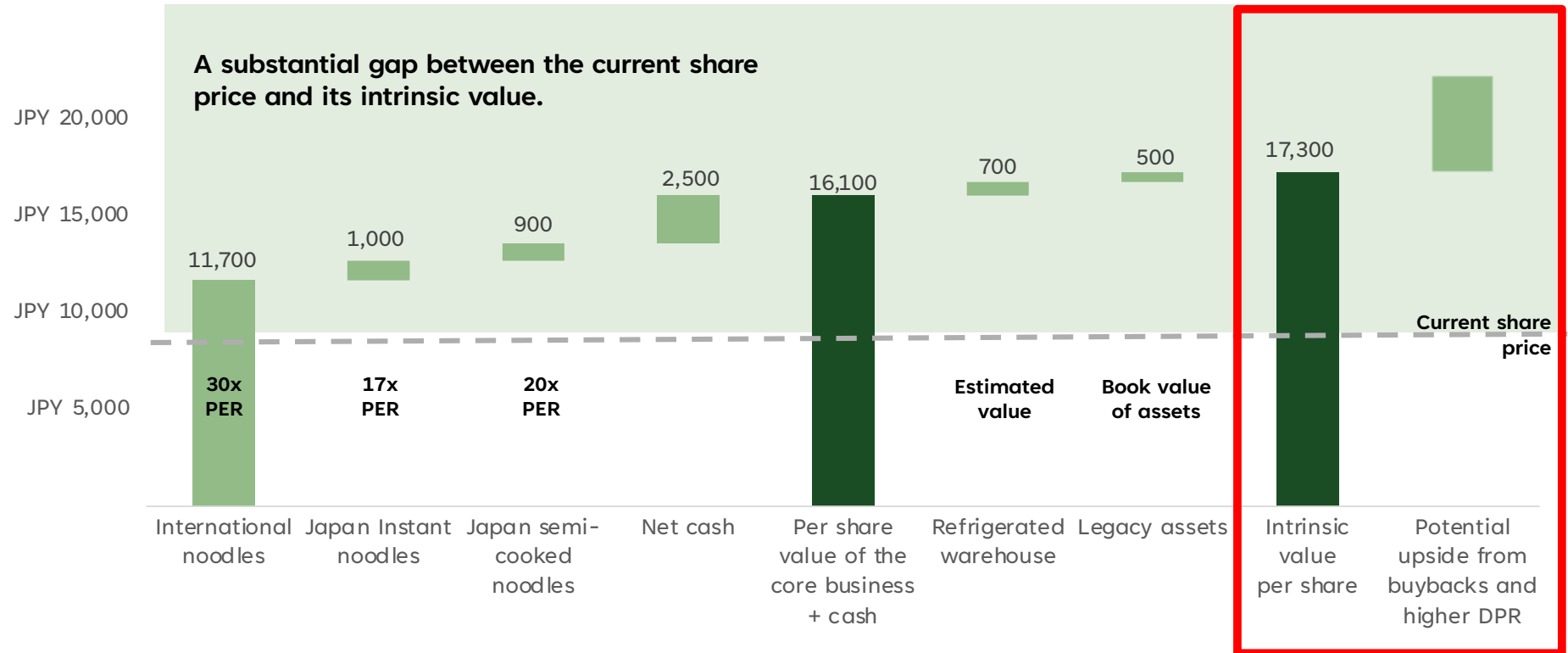
Proposals:

1. Increase **dividend** payout ratio to 40%.
2. **Repurchase** JPY20 billion of the Company's shares.
3. Implement a **director stock compensation program**.
4. Disclose the **cost of capital**.

We believe our proposals will help to **narrow the gap** between the Company's current share price and its long-term corporate value.

# We believe Toyo Suisan trades at a substantial discount to its potential value

NHGGP'S ESTIMATE OF THE INTRINSIC VALUE IS AT LEAST JPY17,300 PER SHARE<sup>(1)</sup>



Our analysis estimates the valuation multiples of the Toyo Suisan noodle businesses after considering peer multiples and business quality. We also estimate the value of the refrigerated warehouse and other legacy businesses should strategic alternatives be considered. Net cash and securities are valued at face value.

Additional value can be unlocked through changes in the shareholder return policy including:

- Share buybacks.
- Increasing the dividend payout ratio.

Note: (1) Based on NHGGP's estimates for fiscal year March 2025

## About NHGGP

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**NHGGP and the Investor Group have collective ownership of 3.8% of the Company's common shares.**

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Nihon Global Growth Partners Management, Inc. (“NHGGP”) is a long-term investor in Japanese listed companies that are growing rapidly in markets outside of Japan.

Prior to founding NHGGP in 2018, its principals were involved in managing a private equity program in Japan starting in 2004. All of the principals' prior private equity investments involved Japanese companies where a substantial portion of the growth was in markets outside of Japan.

NHGGP manages private investment vehicles including the NHGGP Japan Opportunities Fund L.P., which was launched in 2021.

NHGGP, which has prepared this presentation, is the lead public investor of the Investor Group.



WORLD CLASS ASSETS

# Toyo Suisan has built an extraordinary business in North America

NORTH AMERICA

## OVERVIEW

- Toyo Suisan, also known as Maruchan, dominates the instant noodle market in the US and Mexico.
- Maruchan has become a national brand in Mexico and the US.
- Maruchan's brand and scale allow it to spread its fixed costs widely, creating a competitive advantage.
- The Company is the lowest-cost producer and price leader.

## Representative products

Volume



Premium



Source: Company's disclosure and Euromonitor.

NH|GCP

## USA

- Founded in 1972, Maruchan, Inc., opened its first production facility in Irvine, CA in 1977.
- Production facilities in California, Virginia and Texas serve the US and Mexican markets.



## Mexico

- Established Maruchan De Mexico, S.A., a sales subsidiary, in Mexico City in 2004.

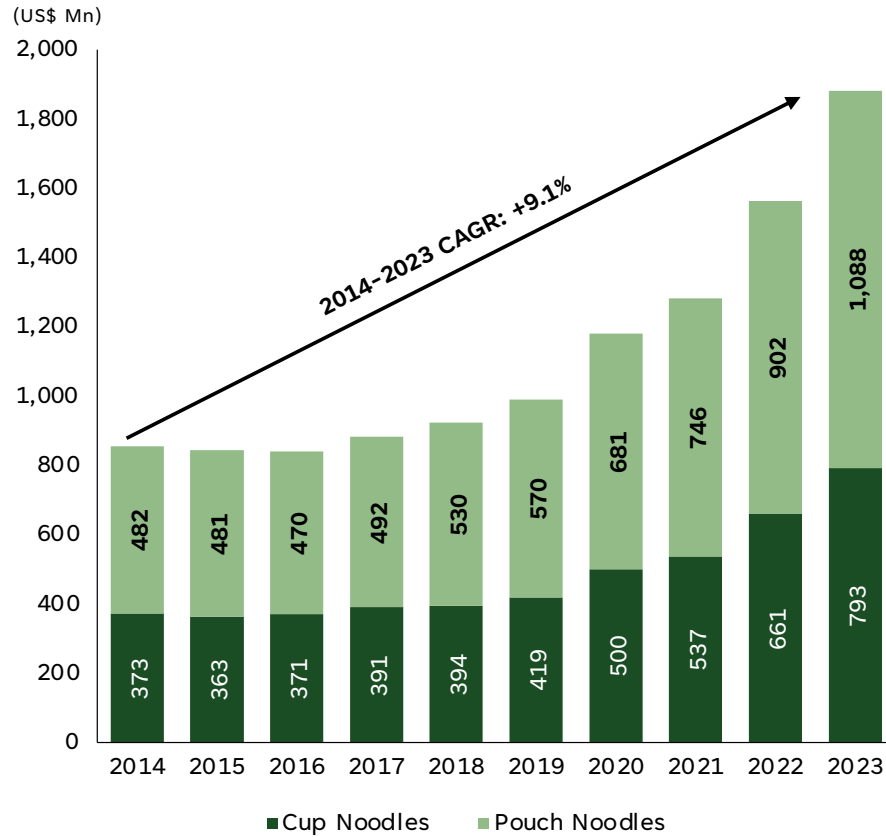




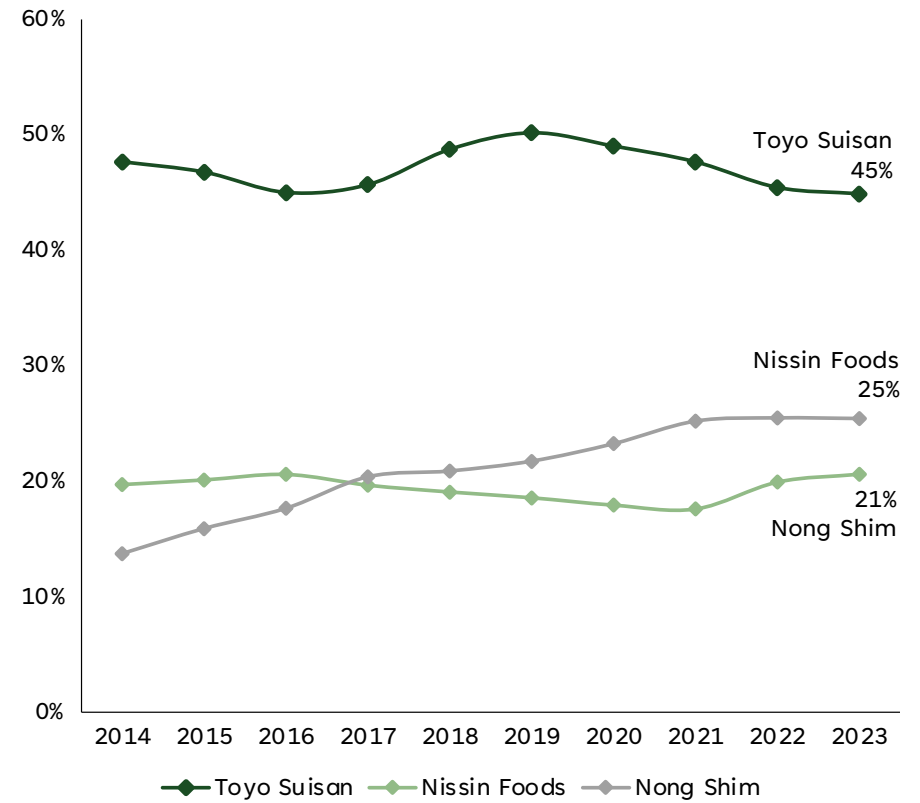
# Toyo Suisan is the largest player in the attractive US instant noodle market

NORTH AMERICA

MARKET SIZE (BY RETAIL SALES)



MARKET SHARE (BY RETAIL SALES) (%)



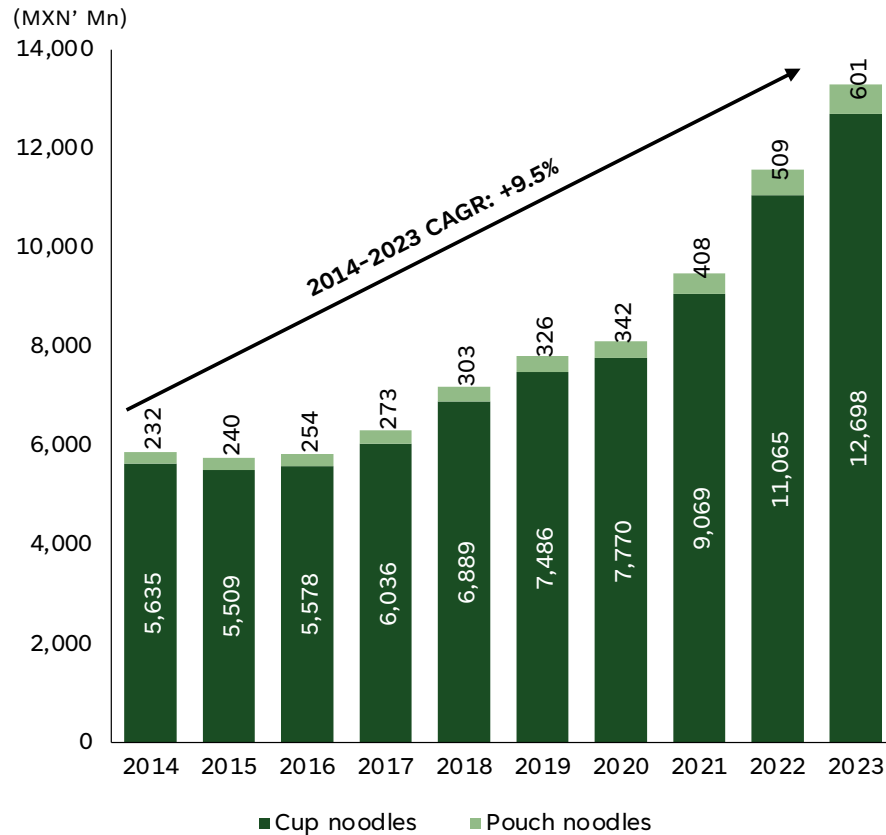
Source: Euromonitor

NH|GCP

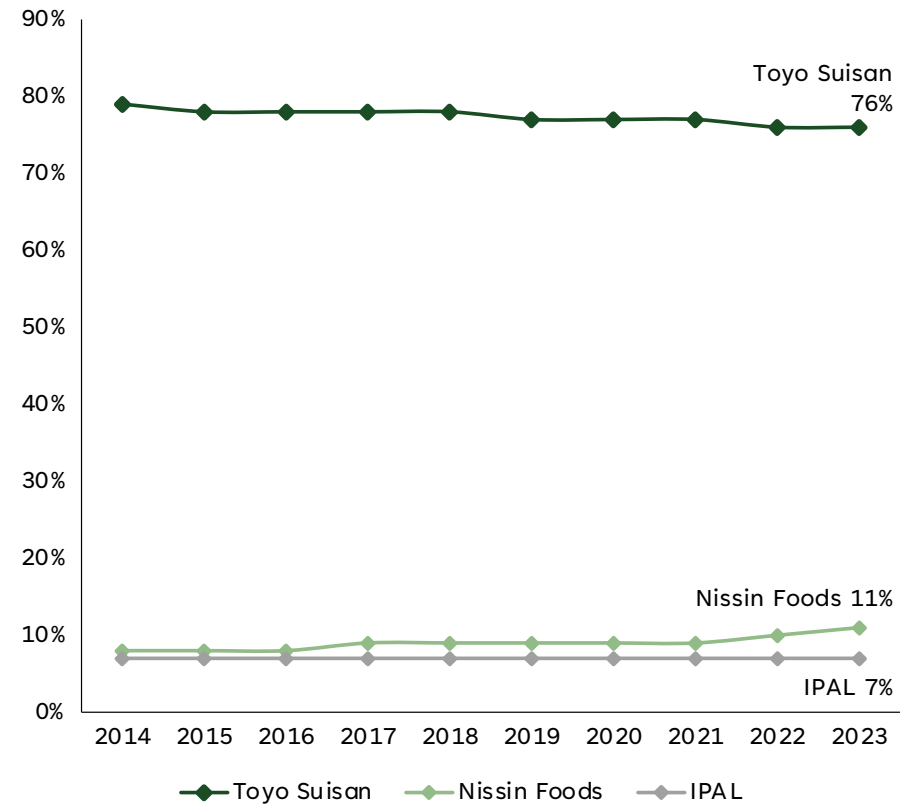
# Toyo Suisan is the dominant player in the fast-growing Mexican instant noodle market...

NORTH AMERICA

MARKET SIZE (BY RETAIL SALES)



MARKET SHARE (BY RETAIL SALES) (%)



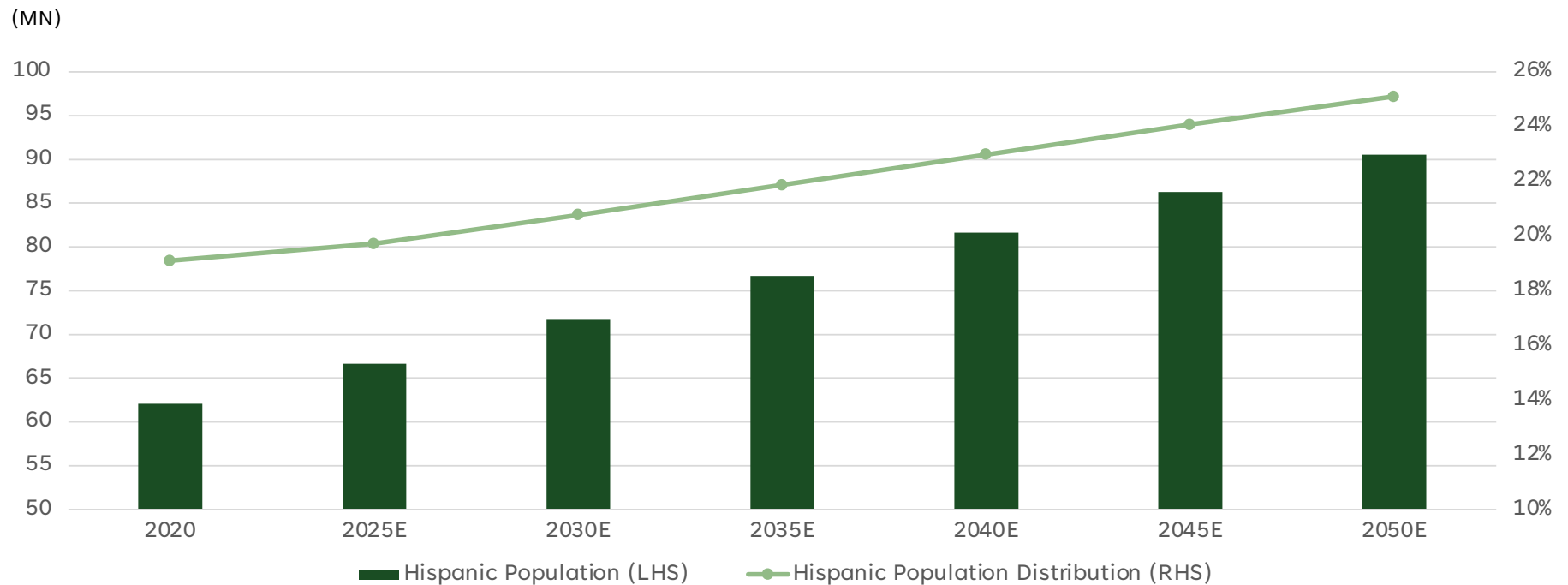
Source: Euromonitor

NH|GCP

# ...which augurs well for Toyo Suisan's continued growth in North America

According to the US Census Bureau, the Hispanic population, which is one of Maruchan's core customer segments in the US, is forecasted to outgrow the rest of the population.

## PROJECTED GROWTH OF HISPANIC POPULATION <sup>(1)</sup> IN THE US

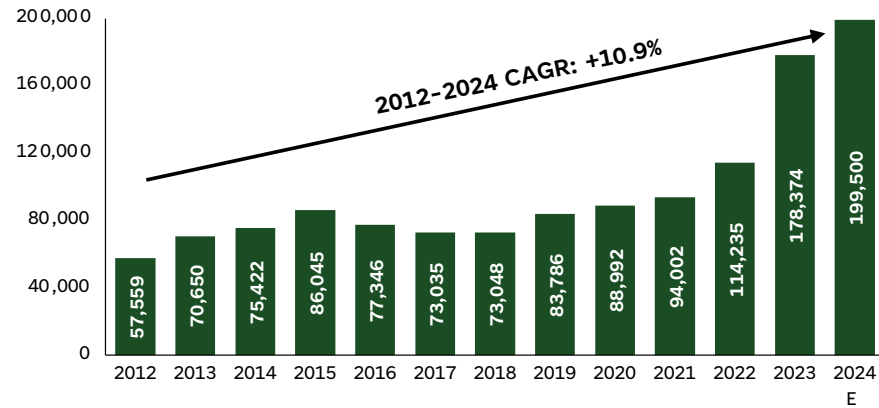


Note: (1) Hispanic population includes Hispanic and Latino ethnic origins.  
Source: US Census Bureau

# Toyo Suisan's North American instant noodle business has delivered strong financial results

NORTH AMERICA

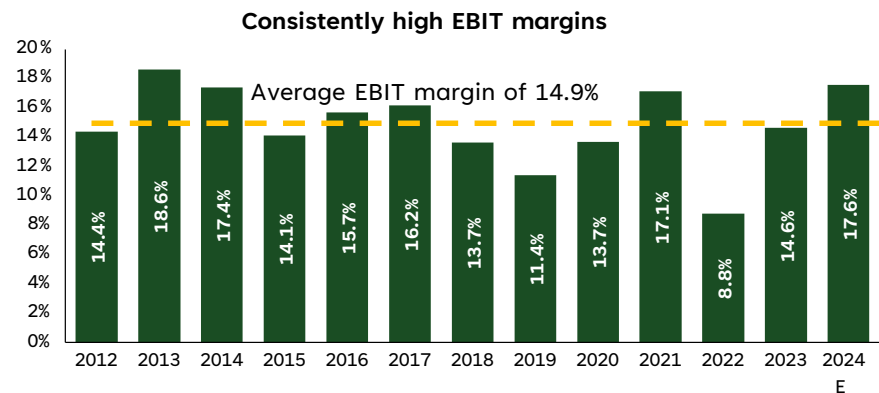
## REVENUE (JPY MN)



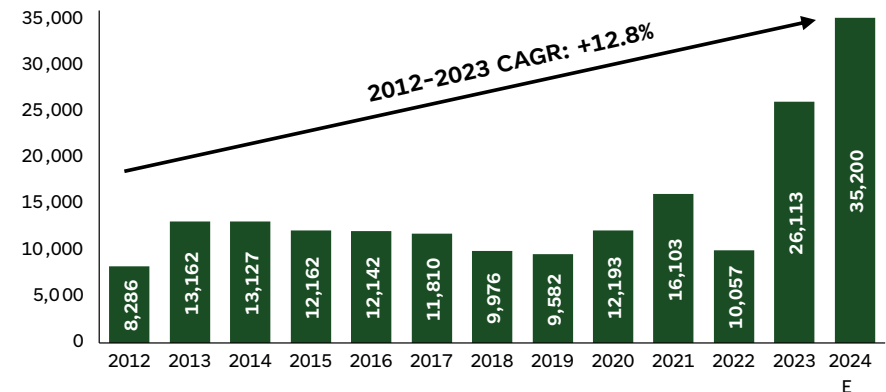
## OVERVIEW

- Consistently high EBIT margins due to volume growth and consecutive price hikes.
- Currently capacity constrained, but incremental capacity equivalent to ~20% of North American production set to come online in 2025.

## EBIT MARGIN (%)



## EBIT (JPY MN)



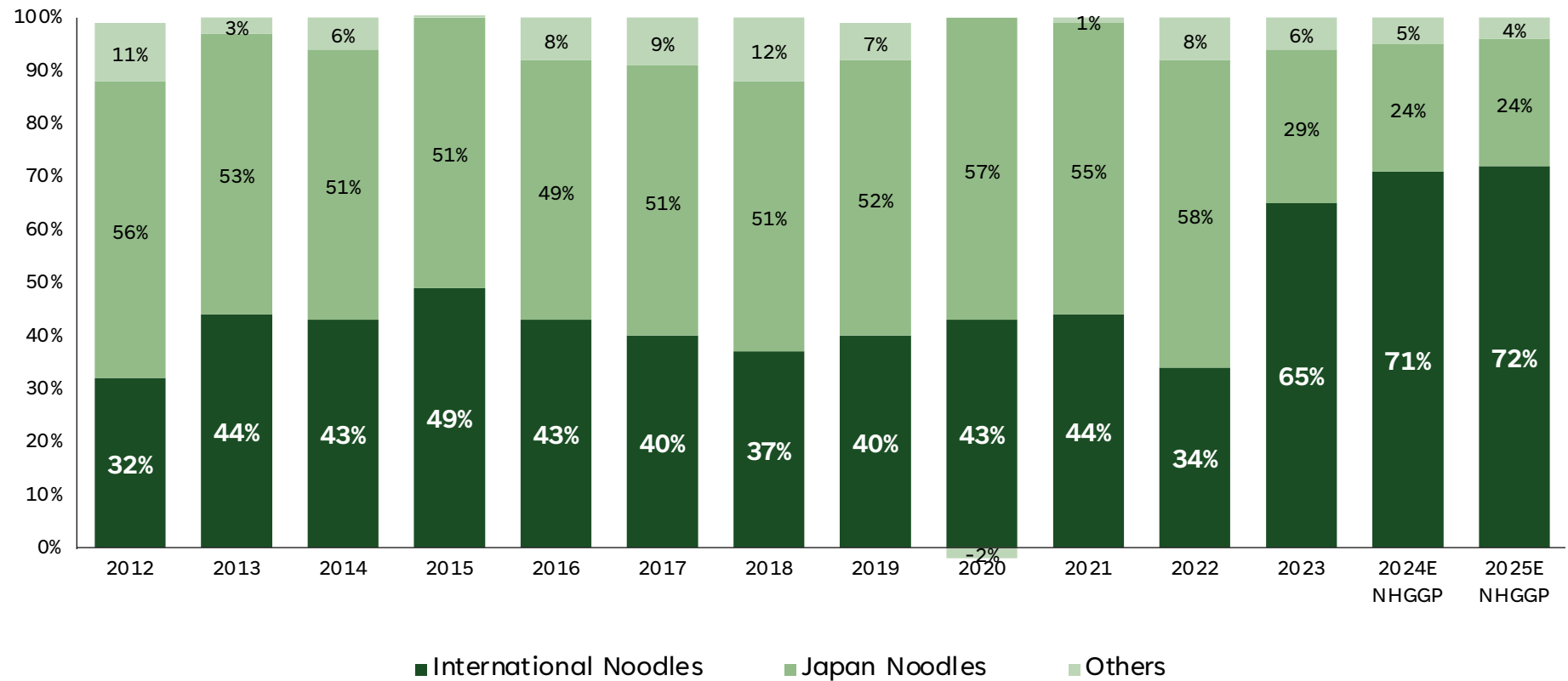
Source: Company filings and forward guidance

# Toyo Suisan's future is increasingly tied to its overseas instant noodle business

NORTH AMERICA

The North American instant noodle business is now the main driver of the Company's growth and profits.

PERCENT OF CONSOLIDATED EBIT BY SEGMENT



Source: Company filings; NHGPP estimates.

# Toyo Suisan's refrigerated warehouse business is greatly under-appreciated

REFRIGERATED WAREHOUSE

## OVERVIEW

- The Company is a **top 5** refrigerated warehouse player in Japan with 22 properties and 640k tons of warehouse capacity nationally.
- The refrigerated warehouse industry is highly attractive in Japan as it is in other major developed economies.
- **100% equity financed -- unlevered assets.**
- With its scale, the business has the potential to evolve into a major J-REIT listed separately from Toyo Suisan.
- Likely strong strategic buyer interest if offered for sale.
- Please see Appendix for more details on warehouses.

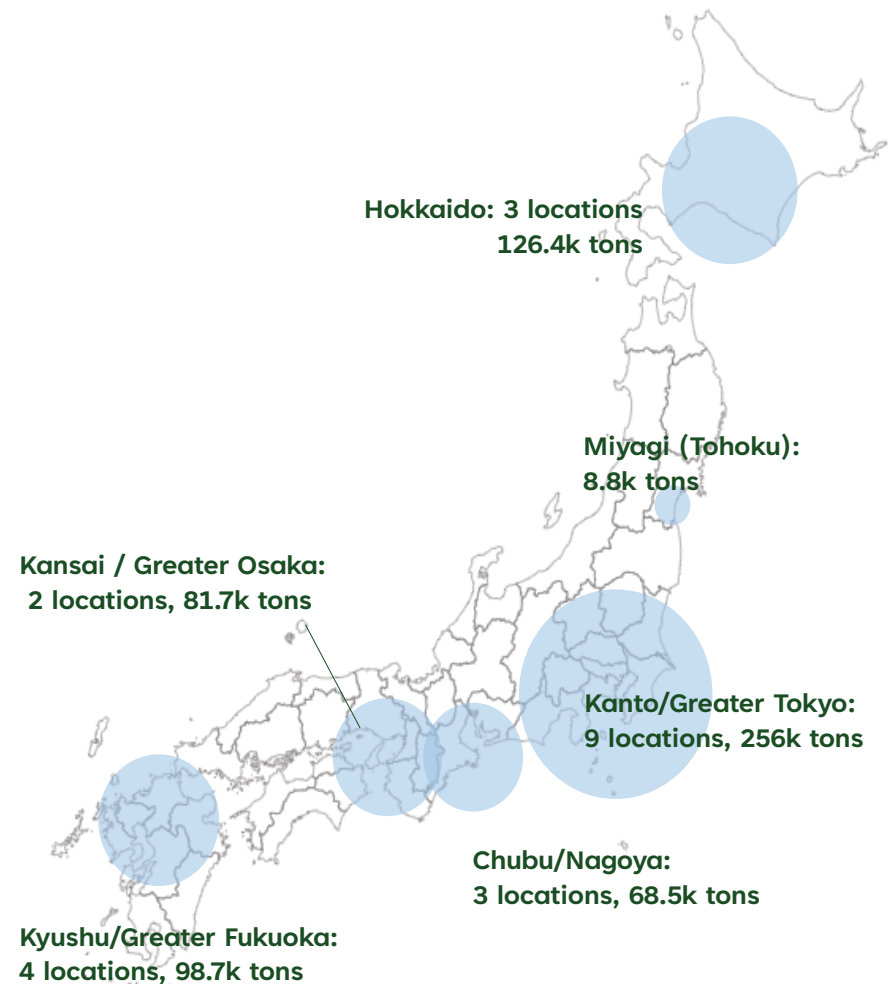
## OTARU, HOKKAIDO COLD STORAGE FACILITY



Source: Company filings, NHGGP research

NH|GGP

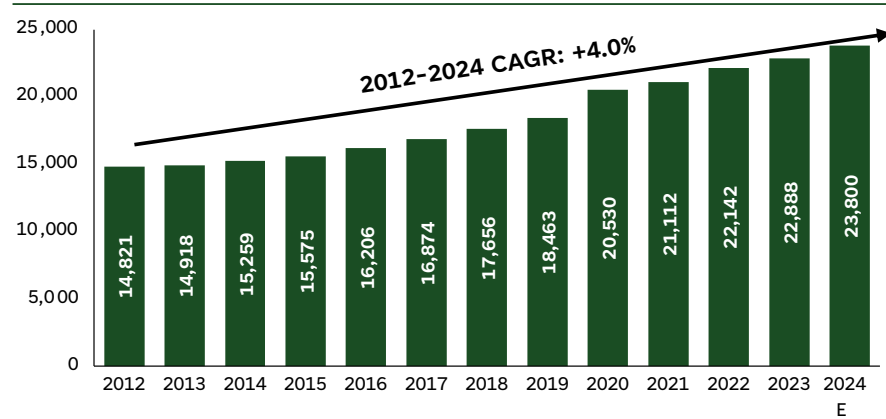
## 22 WAREHOUSES ACROSS JAPAN



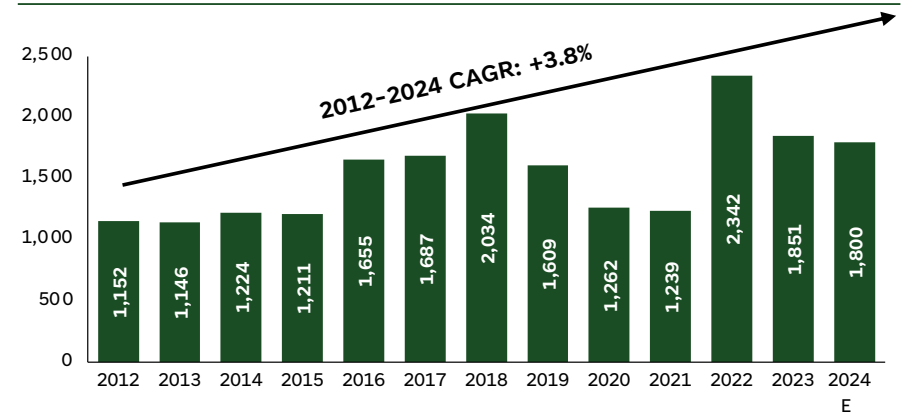
# The refrigerated warehouse business has created solid unlevered returns

REFRIGERATED WAREHOUSE

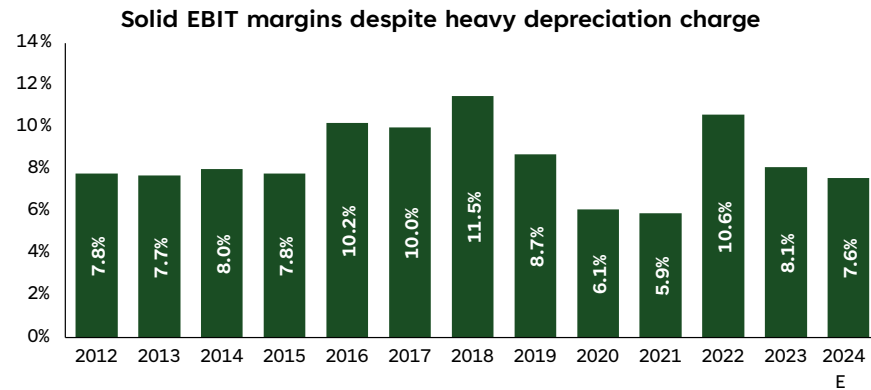
REVENUE (JPY MN)



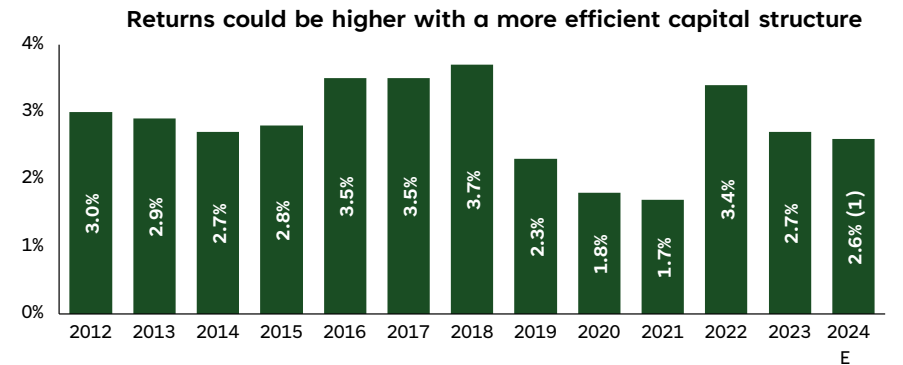
EBIT (JPY MN)



EBIT MARGIN (%)



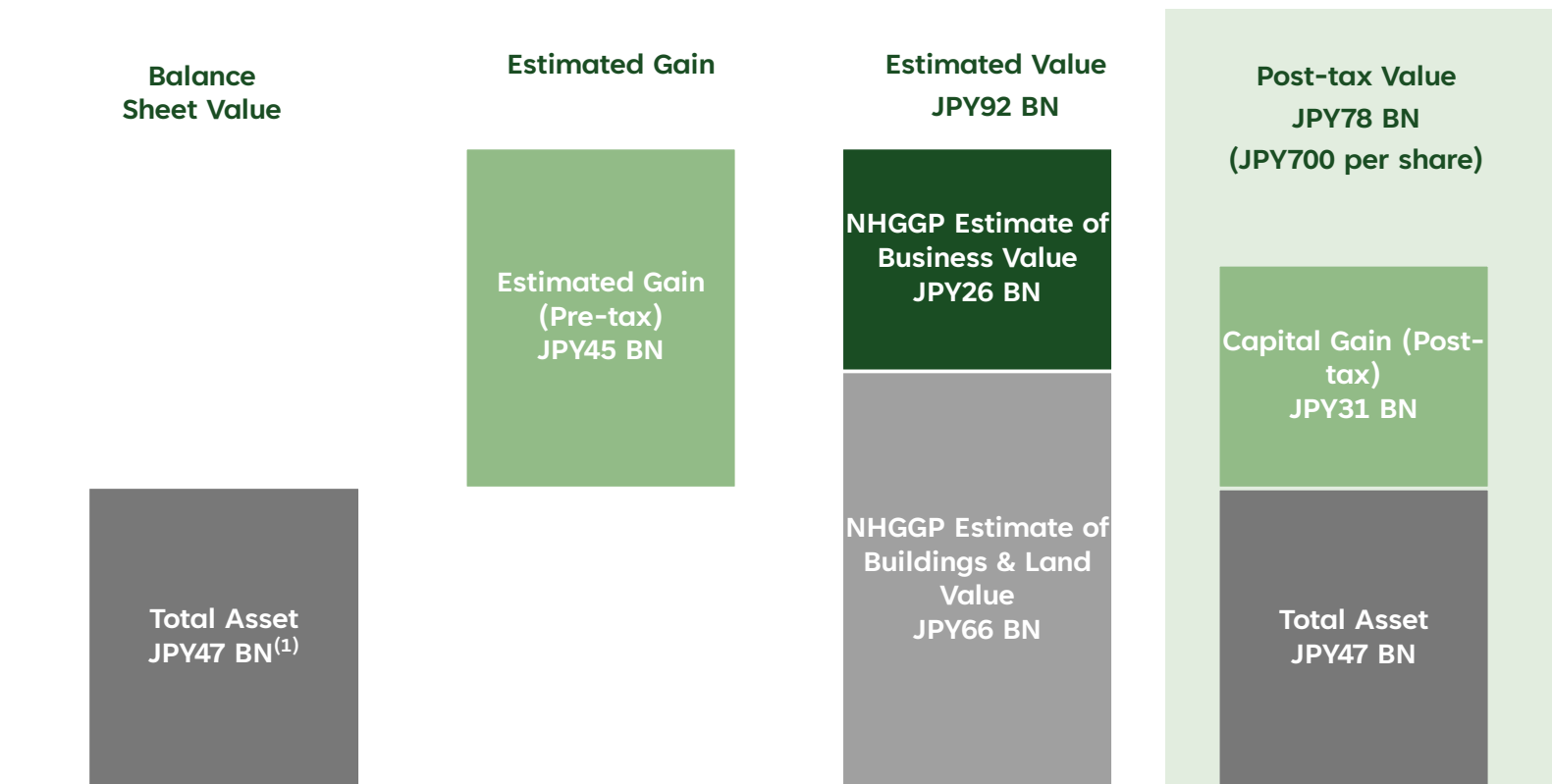
ROA (%)



Note: (1) Calculated with reported 2023 segment asset.  
Source: Company filings and forward guidance

# Estimated value of the refrigerated warehouse segment exceeds book value

We estimate that the private market value of the refrigerated warehouse segment far exceeds Toyo Suisan's current carrying value of the assets.



Note: (1) FY March 23 annual report  
Source: NHGGP estimates, Company filings





## AREAS FOR IMPROVEMENT

## Areas for improvement

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### STRATEGIC FOCUS

- The Company has the opportunity to be a global leader and consolidator in the rapidly growing instant noodle market.
- Streamlining the business portfolio will enable management to focus its attention and capital on maximizing long-term corporate value.

### CAPITAL ALLOCATION

- Capital should only be allocated to businesses with strong returns on investment.
- 1/3 of planned capital expenditures are designated for legacy businesses which barely break even.
- Over JPY105 billion is currently invested in legacy businesses, which compares to an estimated JPY146 billion<sup>(1)</sup> in the core noodle business.


### SHAREHOLDER FOCUS

- The Company's shareholder return policy is substantially out of alignment with best practices in 2024 Japan.
- Toyo Suisan's total shareholder return levels of ~35% fall well below the peer average of 58%.
- The Company has not made material share repurchases for the past 17 years.

Note: (1) Sum of segment assets adjusted for NHGGP's estimates of cash.

# The global instant noodle market is ripe for consolidation

The structure of the global instant noodle industry is consistent across geographies – the top 2-3 players dominate the majority of industry revenue and profits in each market. We believe that the coming years will see consolidation by a few players acting as global consolidators. Toyo Suisan, as the dominant player in the North American market, has the opportunity to be one such player.

KOREA 	
1. Nong Shim	56%
2. Ottogi	23%
3. Samyang	11%

INDONESIA 	
1. Indofood	71%
2. Wings Corp	19%
3. Jakarta Tama	3%

INDIA 	
1. Maggi (Nestle)	88%
2. Nissin Foods	6%
3. Capital Foods	1%

JAPAN 	
1. Nissin Foods	40%
2. Toyo Suisan	23%
3. Sanyo Foods	11%

USA 	
1. Toyo Suisan	45%
2. Nissin Foods	25%
3. Nong Shim	21%

MEXICO 	
1. Toyo Suisan	76%
2. Nissin Foods	11%
3. IPAL	7%

Source: Euromonitor, Morgan Stanley, Korea Herald, and Chegg

# A decade of regulatory reforms have heightened governance standards and encouraged M&A domestically and internationally

STRATEGIC FOCUS

MINISTRY OF ECONOMY,  
TRADE AND INDUSTRY (METI)

FINANCIAL SERVICES AGENCY,  
TOKYO STOCK EXCHANGE

Corporate value study group #1 — 2005

MBO Guidelines — 2007

Corporate value study group #2 — 2008

Ito Report (ROE Guidelines) — 2014

Stewardship Code

CGS Guidelines — 2015

Corporate Governance Code

Spin-off tax reform — 2017

Guidelines for group governance systems — 2018

Guidelines for Investor and Company Engagement

Fair M&A Guidelines — 2019

Guidelines for business transformations — 2020

CGS Guidelines — 2022

METI

Guidelines for Corporate Takeovers has sparked unsolicited takeovers and industry consolidation.

- Nidec's takeover of Takisawa
- Dai-Ichi Life's takeover of Benefit One
- Brother Industries' takeover offer to Roland DG

2023

Financial Services Agency

FSA demanded non-life insurers to sell out all cross-shareholdings.

Tokyo Stock Exchange

TSE advocates for attention to capital efficiency to improve corporate value.

# Toyo Suisan is at a critical juncture in terms of its strategic direction

We believe that Toyo Suisan should rationalize its business portfolio and strategic focus to allow it to be one of the consolidators in the global instant noodle market.



## OPTION #1: NATIONAL CHAMPION INSTANT NOODLE LEADER

- EXIT LEGACY BUSINESSES
- RAPID INTERNATIONAL GROWTH
- HIGH RETURNS ON INVESTED CAPITAL
- PREMIUM VALUATION
- GLOBAL INSTANT NOODLE CONSOLIDATOR

We believe that pursuing Option #1 is the optimal path to **maximize corporate value** while **reducing risks** to key stakeholders.



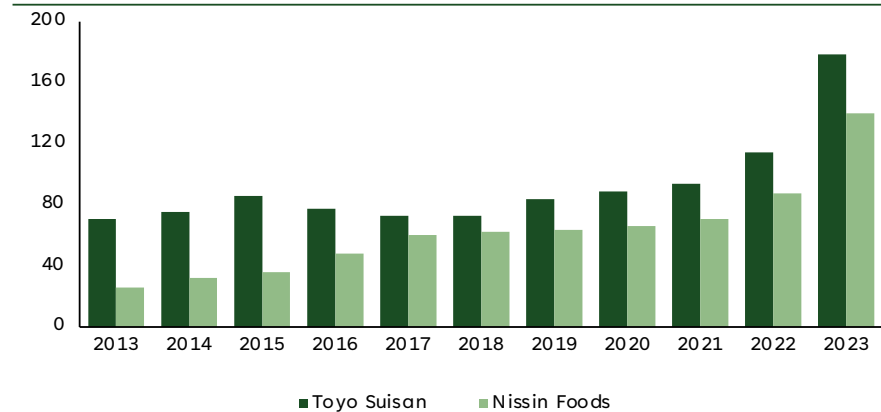
## OPTION #2: MAINTAIN STATUS QUO

- REMAIN IN CONGLOMERATE FORM
- INVESTMENT IN LOW RETURN LEGACY BUSINESSES
- SUSTAINED MARKET UNDER-VALUATION
- NOT MEETING ITS FULL POTENTIAL
- EVENTUALLY SOLD TO A GLOBAL INSTANT NOODLE CONSOLIDATOR

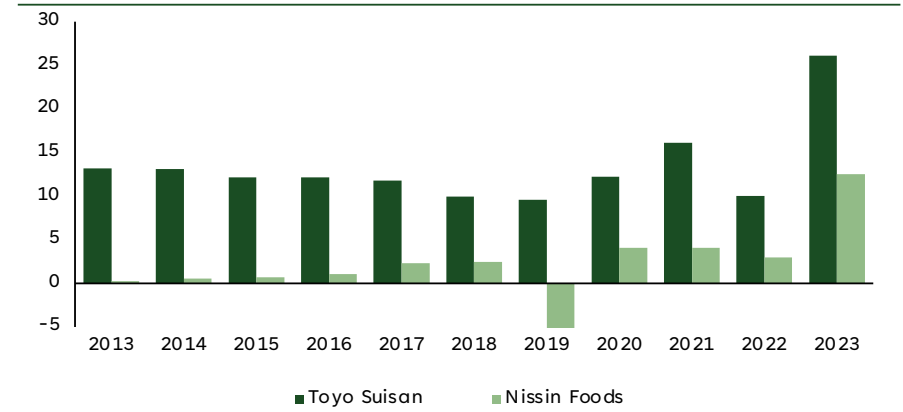
# Toyo Suisan vs. Nissin Foods: which one deserves a premium valuation?

Nissin Foods (2897.T) is one of the largest and most respected instant noodle companies globally. Toyo Suisan has consistently outperformed Nissin Foods in North America, one of the most profitable and fastest-growing markets in the world.

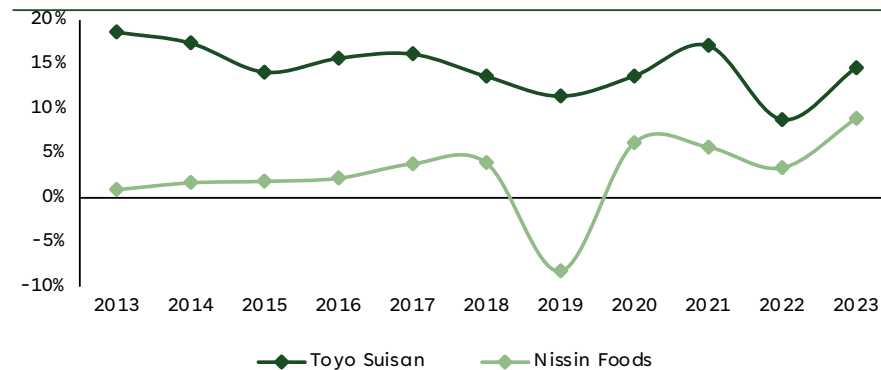
**NORTH AMERICA SALES (JPY MN)**



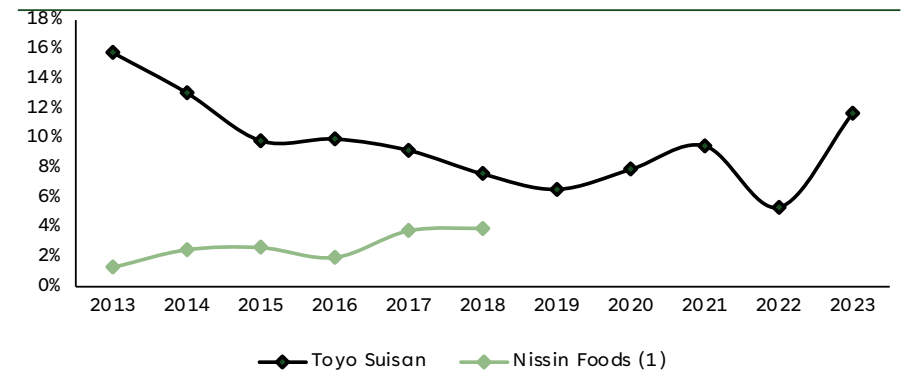
**NORTH AMERICA EBIT (JPY MN)**



**NORTH AMERICA EBIT MARGIN (%)**



**NORTH AMERICA ROA (%)**

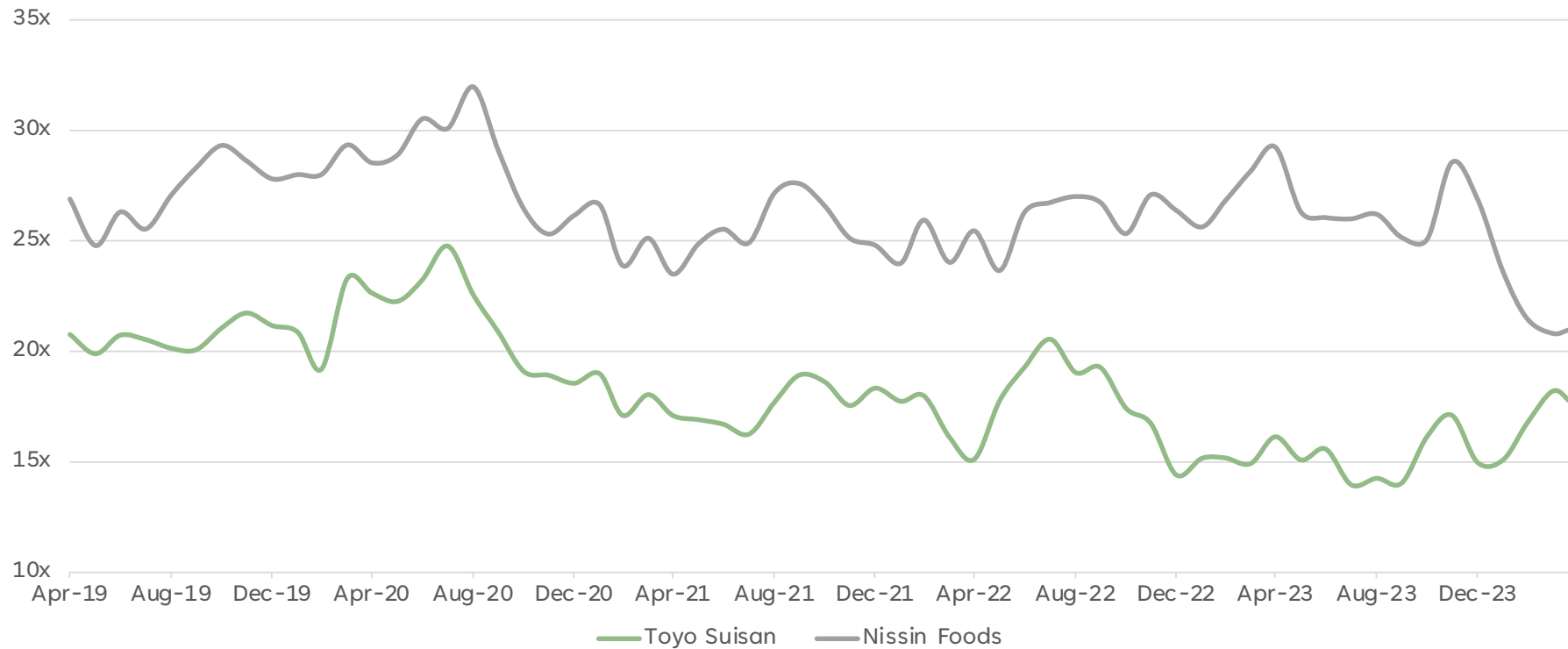


Note: (1) Nissin Foods stopped disclosing segment assets from 2019.  
Source: Company filings

# Toyo Suisan has historically traded at a discount to Nissin Foods – Why?

Toyo Suisan and Nissin Foods are both rapidly growing, major Japanese players in the global instant noodle industry. Toyo Suisan, however, has historically traded at an average ~8x P/E multiple discount to Nissin Foods.

## PRICE-TO-EARNINGS RATIO



Source: Bloomberg

## Toyo Suisan has historically traded at a discount to Nissin Foods (cont'd)

### NISSIN FOODS (2897.T)

#### STRATEGIC FOCUS

#### Strategic focus

- **Pure-play** on fast-growing global instant noodle market.
- No drag from non-core businesses.
- A “national champion” instant noodle player.

#### Management focus

- Nissin’s founder invented the instant noodle category in 1958 and since then management focus has resulted in many more industry-wide innovations.

#### Capital stewardship

- Clear shareholder return policy: 40% dividend payout ratio + share buybacks.
- Outstanding IR function and investor access to senior management.

#### Shareholder focus

- Ando family still plays a role in company management and are aligned with shareholders through owning 12% of the outstanding stock.
- Share split to allow for NISA investors.
- Daily liquidity of US\$30-50 million allows for institutional investor presence.



# Our views on the legacy businesses

We see no strategic reasons to continue holding the legacy businesses but many good strategic reasons for exiting them.

## Refrigerated warehouse



- Remaining within Toyo Suisan is hindering this quality business from achieving its full potential as one of Japan's premier independent refrigerated warehouse companies.
- To realize its full potential, the Company requires a level of capital investment and logistics/real estate management expertise that far exceeds what Toyo Suisan can provide.
- Options: IPO as an independent J-REIT or consider sale to strategic buyer.

## Processed foods



- There are more suitable homes for these businesses than within Toyo Suisan.
- We believe there would be significant interest in these assets from owners who can provide a more promising future than Toyo Suisan.
- Leading companies in those industries, such as Nissui (1332.T), Maruha Nichiro (1333.T), and Warabeya Nichiyo (2918.T), have been actively consolidating businesses for scale.
- These businesses are sub-scale and not competitive enough to earn the level of profitability that covers the cost of capital.
- Processed food, Seafood trading, and Other businesses have consumed a significant amount of capital but barely break even.

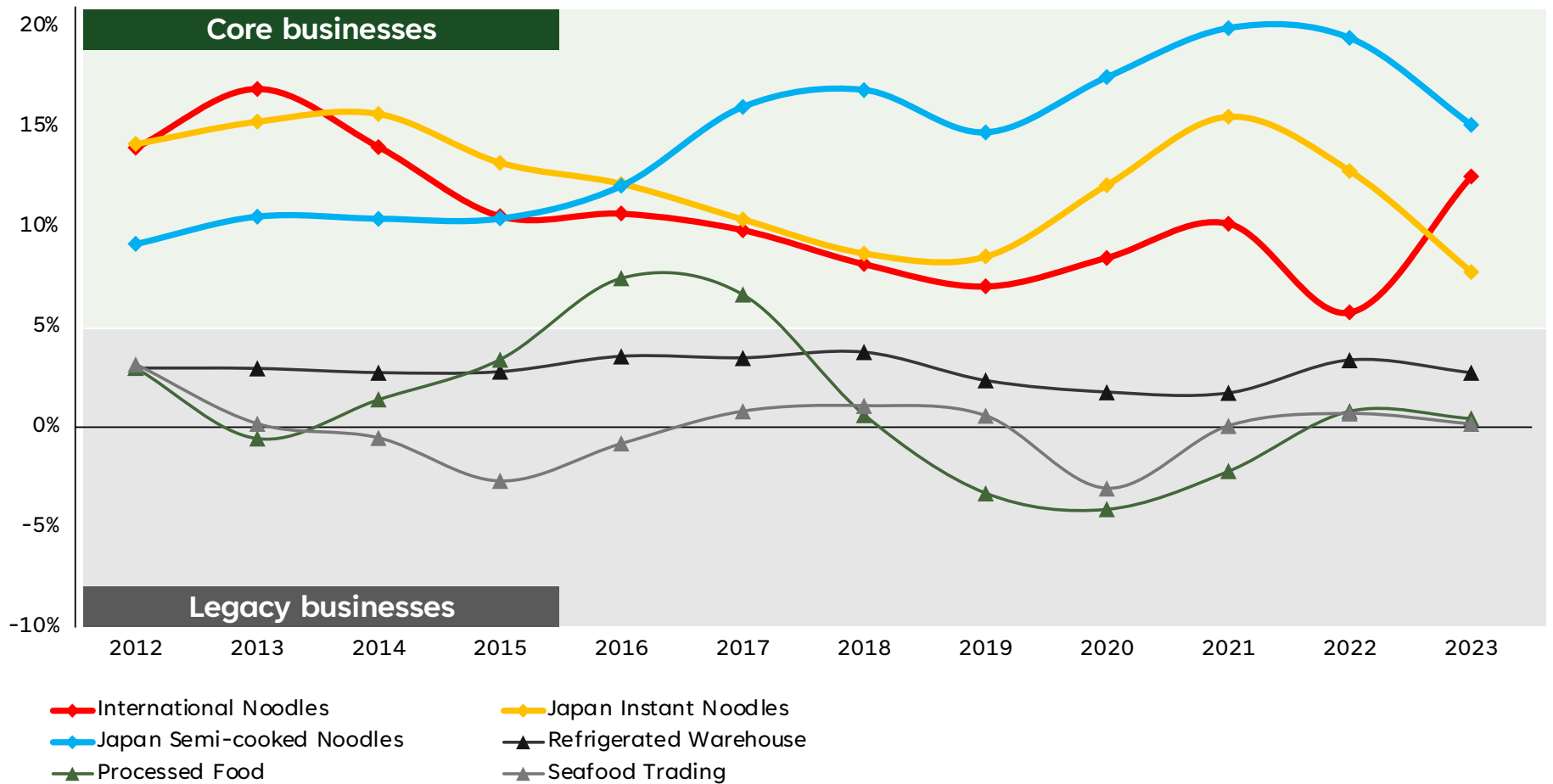
## Seafood trading



Source: Company's website and NHGGP estimates.

# The legacy businesses consistently produce low returns on capital

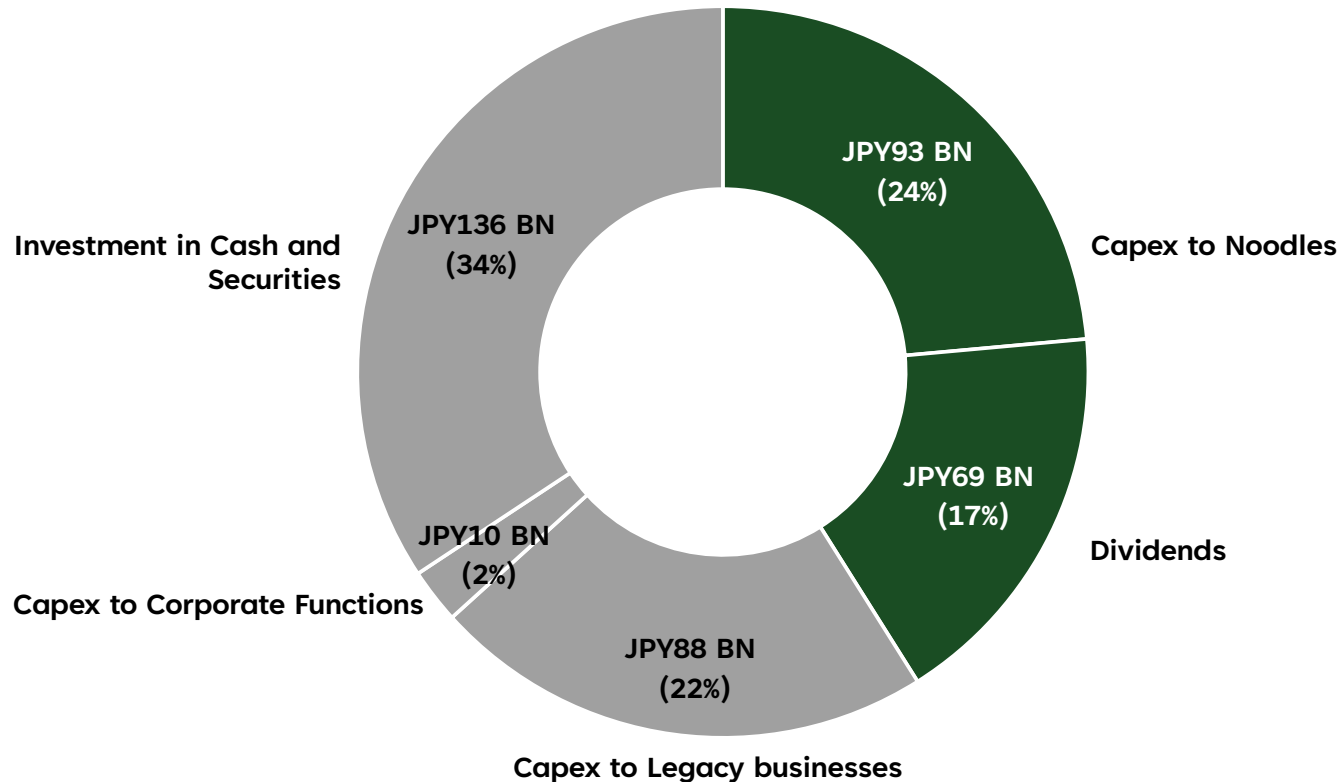
REPORTED ROA(%)



Source: Company filings

# Only 41% of cash flow has been directed to the highly attractive noodle business or to shareholders

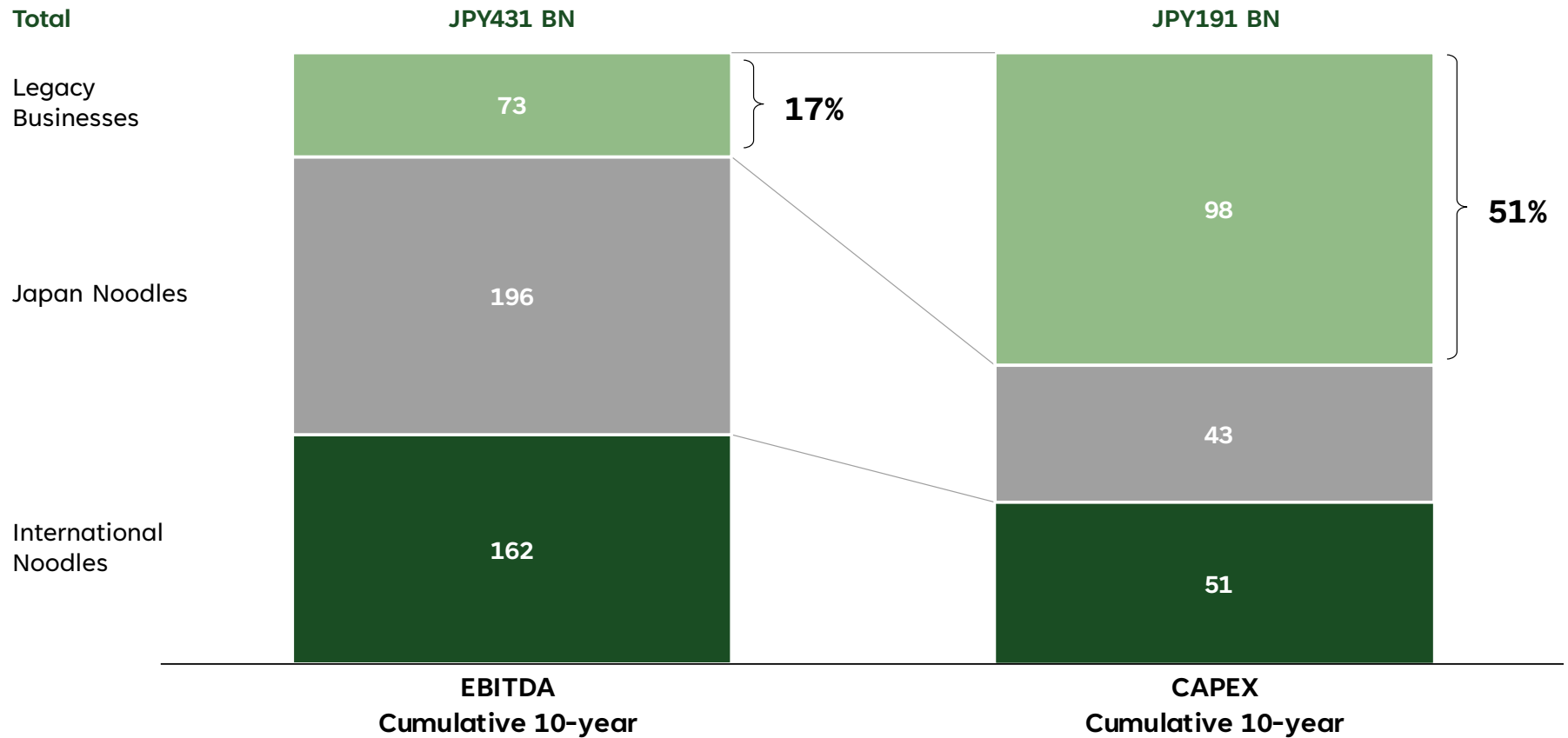
Over the past 10 years Toyo Suisan generated JPY396 billion of cash from operations, however only 24% of this cash flow was re-invested in the noodle business and only 17% was returned to investors through dividends. The balance of cash has either been kept on the balance sheet or invested in the low-return legacy businesses.



Note: JPY396 billion of cash is sum of total capex, dividends, and changes in investment and cash in the past 10 years.  
Source: Company filings

# Cash generated by the noodle businesses supports the legacy businesses

CAPITAL ALLOCATION



Source: Company filings

## Legacy businesses continue to receive large capex investments

CAPITAL ALLOCATION

50% of planned capex going to businesses with little to low returns on investment.

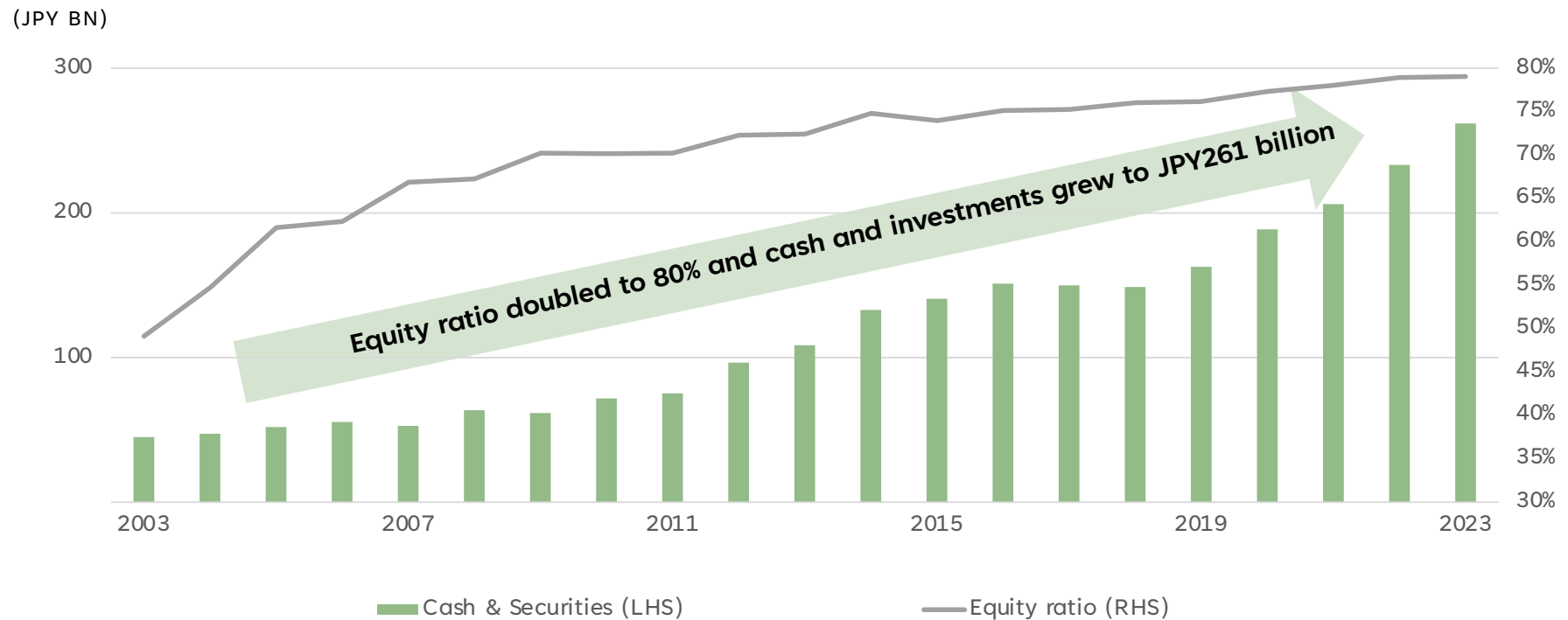
	Division	Segment Assets 2023A <sup>(1)</sup>	5 Year Average Adjusted ROA <sup>(1)</sup>	Growth Capex	
				2024 - 2026	%
Core businesses	International Noodles	62 BN	26.2%	20.0 BN	33%
	Japan Instant Noodles	61 BN	11.2%	-	0%
	Semi-cooked Noodles	23 BN	17.2%	10.0 BN	17%
	<b>Sub-total:</b>	<b>JPY146 BN</b>		<b>JPY30.0 BN</b>	<b>50%</b>
Legacy businesses	Refrigerated Warehouse	48 BN	2.4%	8.7 BN	14%
	Processed Food	20 BN	0.4%	10.0 BN	17%
	Seafood Trading	20 BN	0.2%	1.0 BN	2%
	Other Businesses	18 BN	3.3%	3.5 BN	6%
	<b>Sub-total:</b>	<b>JPY105 BN</b>		<b>JPY23.0 BN</b>	<b>39%</b>
<b>Corporate</b>		<b>JPY13<sup>(1)</sup> BN</b>		<b>JPY7.0 BN</b>	<b>11%</b>
<b>Cash and investments</b>		<b>JPY233 BN</b>		<b>-</b>	<b>-</b>
<b>Total</b>		<b>JPY 497 BN</b>	<b>5.8%</b>	<b>JPY60.2 BN</b>	<b>100%</b>

Note: (1) Adjusted ROA figured adjusted to remove NHGGP estimates of excess cash and securities currently held at the subsidiary levels.  
Source: Company filings and Medium Term Plan for years 2023-2025 which includes capex plans to 2026.

# We believe that Toyo Suisan is substantially over-capitalized

Toyo Suisan currently holds cash and securities of JPY261 billion – we estimate that the Company could run efficiently with only JPY50 billion of cash plus working capital, resulting in JPY200 billion of excess cash and investments equivalent to 22% of the market capitalization of the Company. Furthermore, a cash-generative consumer business such as Toyo Suisan should not finance 80% of its assets with equity.

## TREND OF EQUITY RATIO AND AMOUNT OF CASH AND SECURITIES



Source: Company's filings

# Toyo Suisan's shareholder return policy is not aligned with 2024 Japan

“Toyo Suisan Basic Policy on Distribution of Profit: Our basic policy on the distribution of dividends to investors is to distribute stable dividends while taking the operating results for the period into consideration.”<sup>(1)</sup>

## Issues

**X** NO COMMITMENT TO  
A SPECIFIC TARGET (%)

Peers disclose and commit to a targeted percentage of net income and/or equity to be paid out in the form of dividends. *Toyo Suisan's policy does not commit to any targeted % level of dividend payout.*

**X** NO CONSIDERATION  
OF EQUITY EMPLOYED

Peers consider the amount of equity retained and target their dividend levels on this basis through “Dividend on Equity” (DOE) policies. *Toyo Suisan's policy does not consider total equity levels when setting the level of dividends.*






**X** NO CONSIDERATION  
OF SHARE BUYBACKS  
OR TOTAL  
SHAREHOLDER  
RETURN

Peers consider share buybacks as part of the total shareholder return and make clear the conditions under which they will buy back stock. *Toyo Suisan's policy on profit distribution makes no mention of share buybacks nor to total shareholder returns.*

Source: <https://www.maruchan.co.jp/en/ir/management/policy.html>

## Comparison of Toyo Suisan total shareholder returns vs. peers

SHAREHOLDER FOCUS

	Return on Equity (ROE)		Dividend on Equity (DOE)		Dividend Payout Ratio (DPR)		Share Buybacks		Total Shareholder Return (TSR)	
	Stated Target	Actual	Stated Target	Actual	Stated Target	Actual	Combined Payout on Equity	% FDSO <sup>(1)</sup>	Stated Target	Actual <sup>(2)</sup>
 TOYO SUISAN	-	8.9%	-	2.6%	-	30.8%	-	0%	-	30.8%
 NISSIN®	-	10.7%	-	3.3%	40.0%	31.8%	5.6%	2.7%	-	51.6%
 Calbee Harvest the Power of Nature.	-	8.5%	4.5%	3.7%	-	45.2%	10.5%	6.7%	50.0%	87.3%
 NICHIREI	10.0%	9.9%	4.0%	3.0%	-	31.8%	5.2%	4.2%	-	51.4%
 Eat Well. Live Well. Ajinomoto	-	12.9%	-	4.7%	40.0%	38.6%	8.5%	3.5%	50.0%	68.5%

Notes: (1) % of FDSO repurchased during 2021-2023.

(2) Average TSR during 2021-2023.

Source: Company filings and investor presentations



## Peers clearly – and numerically – state their shareholder return targets



- “Endeavor to have a consolidated Dividend Payout Ratio (DPR) of around 40%”
- “Conduct share buybacks when have excess cash”



- “Aim for Total Shareholder Return (TSR) ratio over 50%”
- “Dividend on Equity (DOE) target 4.0%”
- “Maintain stable dividend growth”
- “Conduct agile share buy-backs”



- “DOE target 4.0%, based on consolidated equity”
- “ROE target 10%”
- “Conduct flexible stock buy-backs in consideration of capital efficiency and the market environment”

Eat Well, Live Well.



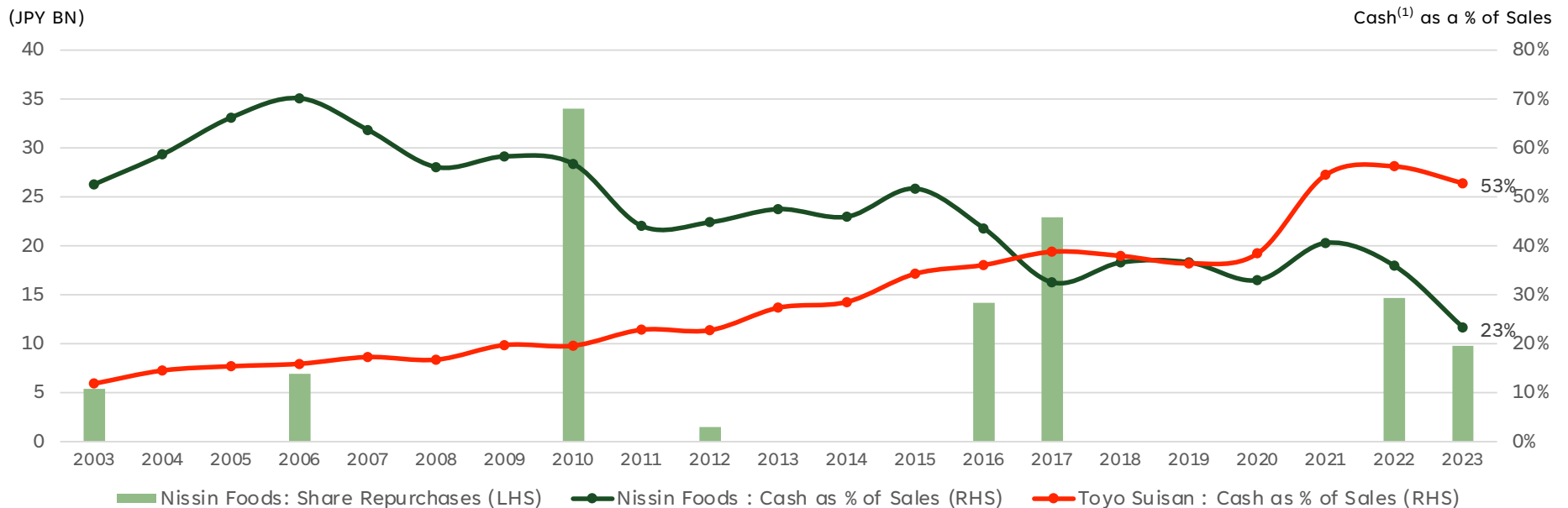
- “DPR target 40%”
- “Total return ratio 50% or higher”

Source: Company filings and investor presentations

# Toyo Suisan vs. Nissin Foods: Contrasting approaches to shareholder returns

Over the past 20 years, Nissin Foods returned 58% of cumulative net income to shareholders through dividends and share buybacks; during the same time period Toyo Suisan returned 31% cumulatively. Of particular interest is Nissin Foods' cash management, reducing cash as a percentage of sales from a peak of 70% to the current 23% while increasing net income threefold; during the same time period Toyo Suisan's cash as a percentage of sales has swelled from 12% to the current 53%.

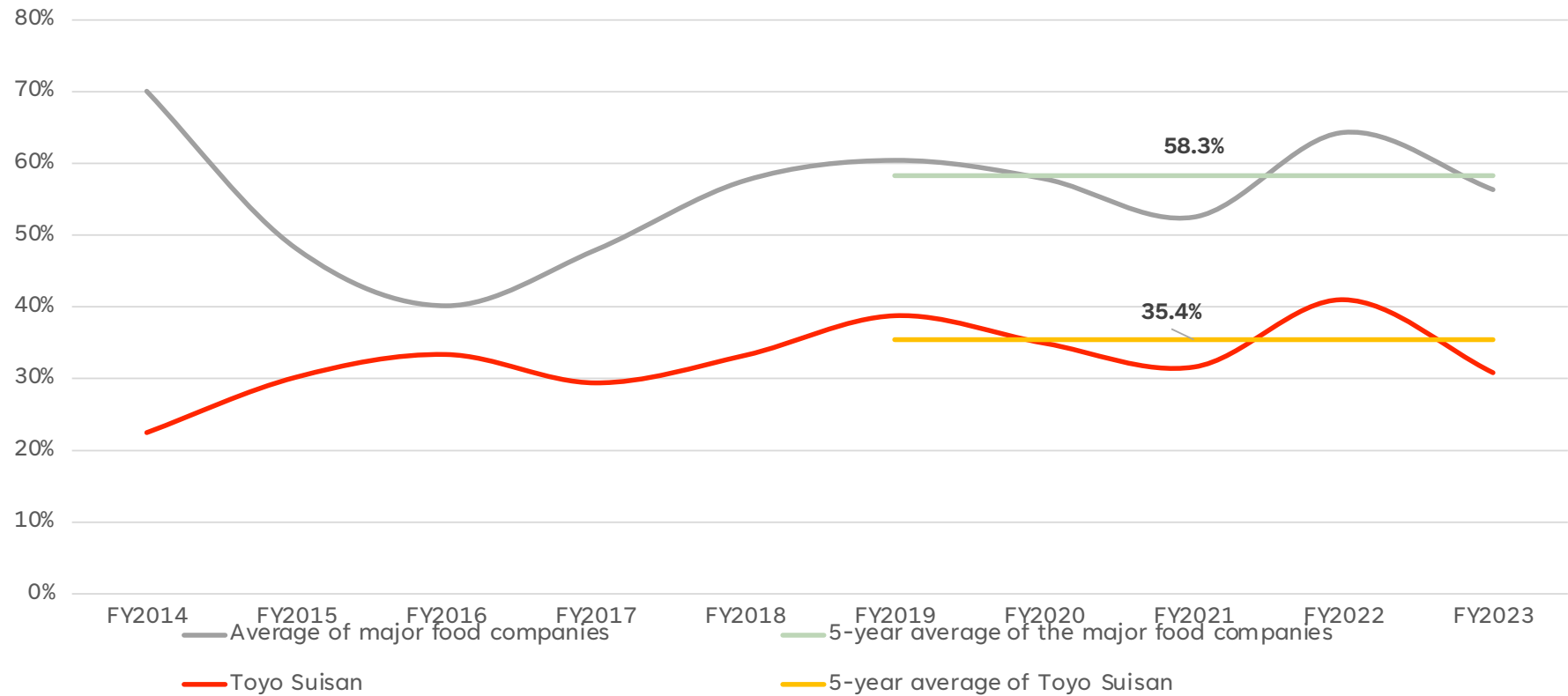
Nissin Foods' experience clearly demonstrates that an instant noodle company can both pay out a substantial portion of profits in the form of dividends and share buybacks while also growing its business rapidly.



Note: (1) Cash = Cash + STI + LTI - investments in affiliates  
 Source: Company filings

# Toyo Suisan's total shareholder returns materially lag its peer group

## TOTAL SHAREHOLDER RETURN RATIO INCLUSIVE OF SHARE BUYBACKS



Major food companies: Yamazaki Baking (2212.T), Calbee (2229.T), Yakult Honsha (2267.T), Meiji Holdings (2269.T), Asahi Group Holdings (2502.T), Kirin Holdings (2503.T), Suntory Beverage & Food (2587.T), Kikkoman (2801.T), Ajinomoto (2802.T), Kewpie (2809.T), House Foods (2810.T), Nichirei (2871.T), Nissin Foods Holdings (2897.T), Japan Tobacco (2914.T)  
 Source: Company filings, LSEG Datastream

## Third-party analysts agree

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**Alliance Bernstein 03/05/2024:**

“Ajinomoto and Nissin Foods’ management are driving the strongest returns focused change agendas, in our view, with Ajinomoto actively exiting low profit businesses and Nissin driving returns via the combination of clearly targeted international growth plans, reducing cross shareholdings, and share buybacks.”



**Credit Suisse 10/18/2022:**

“Toyo Suisan frequently trades at a discount to the food sector average despite its strong overseas presence.... (because) it is neither carrying out balance sheet management nor effectively using excess cash, in addition to limited awareness about business portfolio management including review and revision of low-margin businesses.”



**UBS 03/22/2019:**

“An issue for the company over the medium to long term is how this cash can be used...It will likely be important for the company to create an incentive structure for both management and employees to improve business value over the medium to long term, such as actively using treasury stock for bonuses.”

Source: Analyst reports



## SHAREHOLDER PROPOSALS

## NHGGP shareholder proposals for Toyo Suisan's June 2024 AGM

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PROPOSAL #1: Increase dividend payout ratio to 40%.

PROPOSAL #2: Repurchase JPY20 billion of the Company's shares.

PROPOSAL #3: Implement a management share compensation program.

PROPOSAL #4: Disclose the cost of capital.

# Proposal #1: Increase dividend payout ratio to 40%

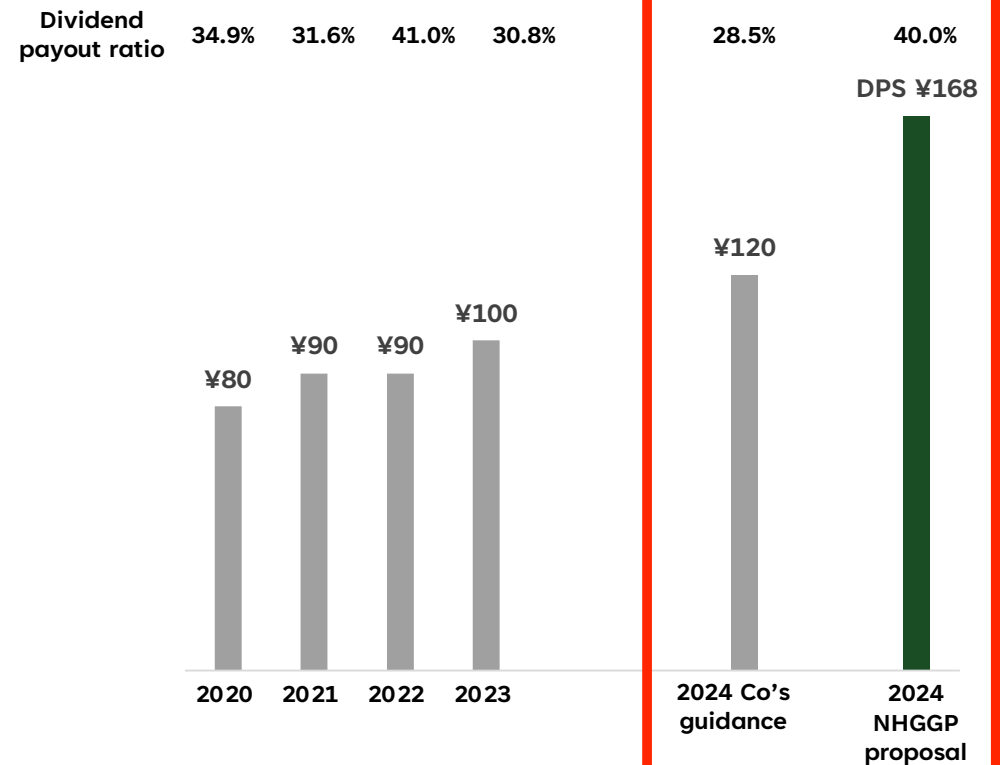
## X Company's dividend payout practice

- Historical dividend payout levels of ~30% well below peers and market norms.
- No justification for such a low level of dividend when cash at historically high levels.

## ✓ Our proposal

- Increase the dividend payout ratio to 40%, in line with peers.
- Our proposed incremental dividend represents only 1.9% of the Company's cash as of December 2023 and in no way compromises the Company's ability to invest in its future.

## HISTORICAL DIVIDENDS PER SHARE AND OUR 2024 PROPOSAL



Source: Company filings, NHGGP research

## Proposal #2: Repurchase JPY20 billion of the Company's shares

### **X** No meaningful share buyback in the past 17 years

- Toyo Suisan's levels of cash and equity are well above the levels considered "overly cash rich" and "overly equitized".
- Peers have been more conscious about managing their cash levels and opportunistically repurchasing shares.
- For comparison, Nissin Foods has repurchased 8% of shares outstanding over the past decade all while growing rapidly.

### **✓** Our proposal

- Repurchase up to JPY20 billion or **2% of shares outstanding**, which is comparable to Nissin Foods' 1.8% repurchase of shares in 2022.
- **JPY20 billion is only 4.6% of shareholders' equity** as of December 2023. The proposed share repurchase will not negatively impact the capitalization of the Company in any way.

Source: Company filings, NHGGP research

NH|GGP

## BENEFITS OF SHARE BUYBACK

### CAPITAL DISCIPLINE

- Capital allocation decisions should fundamentally consider returns on different uses of capital, including business investments.
- Repurchase of shares is a step towards holistically reviewing the cost of capital (Proposal #4).

### VALUE ACCRETIVE

- Using cash to buy back shares at attractive valuations is more accretive than keeping cash in savings accounts and investment accounts.
- Reduction in share count enhances EPS.

### SHAREHOLDER FOCUS

- Brings total shareholder return in line with direct peers and global comparable companies.
- Indicates the Company's willingness to actively address its recurring under-valuation.



# Proposal #3: Implement a director share compensation program

## **X** Almost all of director (including management) compensation is fixed with no apparent link to performance

- **85% of director compensation is fixed salary** and only 15% is in the form of bonus.
- **Bonuses are discretionary and are linked to the previous year's bonus.** No apparent link to the performance of the individual or the business.
- **No share-based compensation.** Cash only.

## **✓** Our proposal

- Makes the performance-linked compensation **40% of total compensation** with half of it being share-based compensation, which is equal to the market standards.
- **Annual review of the management performance** and rewards based upon value creation rather than seniority.
- Our proposal intends to implement a **compensation scheme that works for the management and shareholders as partners** in creating long-term corporate value.

Source: Company filings, METI, Japan Business Federation, Asset managers' voting guidelines

## STANDARD PRACTICES

PERFORMANCE  
LINKED  
PORTION  
COMPRISES 40%

- Performance-linked compensation comprises 40%+ on average among major TOPIX 500 companies in 2023.
- Our proposal changes the compensation to the standard of peer Japanese companies.

SHARE-BASED  
COMPENSATION  
IS NOW  
MAINSTREAM

- 60% of listed companies had share-based compensation as of October 2023 according to the Japan Business Federation.
- Share-based compensation comprised 15% to 30% of total compensation among major listed companies.

REGULATORS  
AND INVESTORS  
ALSO SUPPORT  
THE  
TRANSITION

- METI recommends long-term incentive compensation be the same as the global level of around 40 to 50%.
- Investors' AGM voting guideline: performance-linked and stock-based compensation systems are "desirable"

# Proposal #4: Disclose the cost of capital

## **X Legacy non-core businesses do not appear to be generating sufficient returns to cover their cost of capital**

- It is not clear to shareholders why such large amounts of capital expenditures are being invested in the legacy businesses when the investment returns are so low.
- It is not clear to shareholders why JPY105 billion of capital is currently held in the legacy businesses when this capital could instead be redirected to support the growth of the highly attractive global noodle business.

## **✓ Our proposal**

- Aims to foster a discussion between management and shareholders regarding the rationale for continued investment in the legacy businesses and establish a common set of information to be used to facilitate this discussion.
- Our proposal is consistent with the recommendations of the TSE regarding disclosure of Company's cost of capital which the Company has not yet implemented.<sup>(1)</sup>

## TOKYO STOCK EXCHANGE'S RECOMMENDATION

### CONSIDER FROM INVESTOR'S PERSPECTIVE

- Disclose the model parameters used in the calculation by the management, along with the Company's understanding of the cost of capital.
- Understand shareholder's expectations of the Company's cost of capital through engagement with investors.

### MEETING RECOMMENDED MINIMUM IS NOT ENOUGH

- PBR of above 1.0x or ROE in excess of 8% is not enough.
- The management is expected to assess return on capital by segment from various aspects with consideration on investors' perspectives.

### ENSURE THE EFFICIENCY OF BALANCE SHEET

- The management is requested to regularly inspect the balance sheet to ensure that it is effectively contributing to value creation.
- The management should ensure that the balance sheet does not carry excessive amounts of cash.

Note: (1) Tokyo Stock Exchange "Considering The Investor's Point of View in Regard to Management Conscious of Cost of Capital and Stock Price Key Points and Examples" February 1, 2024

# Summaries of voting guidelines of Japanese asset managers

## EXAMPLES OF VOTING CRITERIA

## INTERPRETATION ON TOYO SUISAN

EXCESS CASH  
MANAGEMENT

AND

SHAREHOLDER  
RETURNS

### Sumitomo Mitsui Trust Asset Management <sup>(1)</sup> :



A percentage of **net cash on total assets above 30% is considered cash-rich** and it is one of the key metrics in evaluating the allocation of surplus.



### Sumitomo Mitsui DS Asset Management <sup>(2)</sup> :

In principle, **votes against proposals** of appropriation of surplus with **below 50% payout ratio for cash-rich companies having excessive retained earnings.**



### Nomura Asset Management <sup>(3)</sup> :

In principle, **votes against proposals** of appropriation of surplus **if, for the most recent 2 fiscal years, payout ratio has been below 50%, equity ratio has been over 50% and net cash has been over 30% of total assets and sales, and for the most recent fiscal year, ROE was below 10%.**

- As of December 2023, net cash, including investments, was **48% of total assets** and 56% of FY March 2024 full-year management guidance sales.
- Shareholders equity **79% of total assets.**
- Dividend payout ratio only **~30%.**
- Capital returns from strong instant noodle businesses have masked the capital allocation issue and helped the company slip through those criteria.

Note:(1) Sumitomo Mitsui Trust Asset Management: Our Principles for Exercising Voting Rights (for Domestic Stocks) as a Responsible Institutional Investor (December 2023)

(2) Sumitomo Mitsui DS Asset Management: Criteria for Determining the Exercise of Voting Rights (January 2024)

(3) Nomura Asset Management: Proxy Voting Standards for Japanese Companies (November 2023)

# Summaries of voting guidelines of Japanese asset managers

## EXAMPLES OF VOTING CRITERIA

## INTERPRETATION ON TOYO SUISAN

MANAGEMENT  
STOCK  
COMPENSATION

### Meiji Yasuda Asset Management <sup>(1)</sup> :



For sustainable growth and enhancement of corporate value over the medium to long term, management compensation **should ideally be rational and linked to long-term performance, such as performance-based compensation or stock-based compensation.**

### Asset Management One <sup>(2)</sup> :



To maximize shareholder interests over the medium to long term, **management compensation should ideally include performance-linked and stock-based compensation.**

Management compensation system should be linked to the long-term performance, not to the “previous year’s compensation level.”

AWARENESS OF  
COST OF  
CAPITAL

### Sumitomo Mitsui Trust Asset Management <sup>(3)</sup> :



**The board of directors should take actions toward realizing management that is conscious of capital costs and stock market valuations.** It is also recommended that companies **disclose their policies and specific initiatives and targets for improving valuations and their progress,** utilizing specific indicators such as PBR and ROE.

Managing each business with a consideration of the cost of capital and disclosing the management’s evaluation are now standard practices in 2024 Japanese corporate governance.

Note:(1) Meiji Yasuda Asset Management: Voting guideline for domestic stocks (April 2024)

(2) Asset Management One: Guidelines for Exercising Voting Rights (Japanese Equities) (April 2024)

(3) Sumitomo Mitsui Trust Asset Management: Our Principles for Exercising Voting Rights (for Domestic Stocks) as a Responsible Institutional Investor (December 2023)

## Summaries of voting guidelines from international perspectives

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### **Glass Lewis 2024 Japan benchmark policy guidelines on allocation of profits:**

“...there has been growing criticism regarding insufficient capital efficiency and shareholder returns prevalent among Japanese companies. Issues such as excessive cash on balance sheets, maintaining significant levels of cross-shareholdings, low return on equity and other capital allocation issues, all contribute to insufficient capital efficiency and shareholder returns. In our view, shareholders should expect more than a stable dividend from their investment. Investors typically purchase a company’s common shares to gain value from the potential growth and upside in the business.”



### **BlackRock 2024 Japan proxy voting guidelines on dividends and share repurchases:**

“We would vote against the proposal if the company holds excessive cash and securities, including cross-shareholdings, on its balance sheet, without a credible plan or financial strategy to utilize such assets, including total shareholder return or investment plan.”

“We would vote in favour of a proposal for a share repurchase plan if the proposed amount is not excessive and where there are clear reasons to support...In addition, if the company accumulates retained earnings without an appropriate business plan, we may vote for a shareholder proposal urging the company for more active stock repurchases.”



### **BlackRock 2024 Japan proxy voting guidelines on shareholder proposals:**

“Where a proposal is focused on an issue that we agree needs to be addressed and the intended outcome is consistent with long-term value creation, we will look to the board and management to demonstrate that the company has met the intent of the request made in the shareholder proposal. Where our analysis and / or engagement indicate a need for improvement in the company’s approach to the issue, we will support shareholder proposals that are reasonable and not unduly constraining on management. Alternatively, or in addition, we may vote against the re-election of one of more directors if, in our assessment, the board has not responded sufficiently or with an appropriate sense of urgency.”

# Inquiries

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## **General inquiries:**

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Longacre Square Partners

E: [nhggp@longacresquare.com](mailto:nhggp@longacresquare.com)



## APPENDIX

## Engagement with the Company to date

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- Over the past year we have had several meetings with the Investor Relations staff of Toyo Suisan and have found the staff to be capable and responsive.
- Since September 2023, we have made requests to meet with members of the Toyo Suisan senior management team in order to build a constructive dialogue and mutual understanding, in accordance with the guidance put forth by the Tokyo Stock Exchange as well as general market practice. The Company declined our meeting requests, citing corporate policy.
- In March 2024, prior to submitting our shareholder proposals, we sent a letter to senior management and the board of directors informing them of our plans to submit shareholder proposals for the June 2024 annual general meeting and asking for an opportunity to discuss our proposals in advance of their submittal. Our request for a meeting was declined.
- In April 2024, prior to launching our public campaign but after submitting our shareholder proposals, we requested the opportunity to discuss our submitted proposals in more detail. The Company did not respond to our request.



## Select valuation multiples for comparable food companies

Ticker	Capitalization		Valuation				Operating Statistics				
	Market Cap (Local currency) (millions)	Enterprise value (Local currency) (millions)	EV/EBITDA	PER	PBR	Dividend Yield	ROE	ROA	EBITDA Margin	Net Income Margin	
<b>JAPANESE PEERS</b>											
Toyo Suisan Kaisha	2875.T	1,020,106	819,433	9.8 x	17.7 x	2.0 x	1.3%	11.7%	9.2%	16.8%	10.7%
Nissin Foods	2897.T	1,307,473	1,275,671	10.6 x	21.0 x	2.6 x	1.6%	13.0%	7.8%	15.4%	8.1%
Kikkoman	2801.T	1,882,121	1,824,824	17.4 x	32.4 x	3.8 x	1.0%	12.4%	9.1%	14.4%	8.2%
Ajinomoto	2802.T	2,934,613	3,286,081	13.0 x	27.0 x	3.5 x	1.3%	12.2%	5.7%	15.6%	7.0%
Nichirei	2871.T	524,772	621,237	9.5 x	18.5 x	1.9 x	1.9%	10.5%	5.0%	9.4%	3.9%
<b>AVERAGE</b>				<b>12.0 x</b>	<b>23.3 x</b>	<b>2.8 x</b>	<b>1.4%</b>	<b>10.9%</b>	<b>9.3%</b>	<b>13.5%</b>	<b>7.0%</b>
<b>INTERNATIONAL PEERS</b>											
Campbell Soup	CPB	13,450	18,101	9.2 x	14.0 x	2.7 x	3.3%	20.6%	6.4%	19.2%	9.0%
Conagra Brands	CAG	14,868	23,537	9.6 x	11.5 x	1.5 x	4.5%	10.6%	4.3%	19.6%	10.4%
General Mills	GIS	40,179	52,359	12.1 x	14.9 x	3.9 x	3.3%	26.0%	8.2%	20.9%	13.0%
Hershey	HSY	38,051	42,774	13.7 x	19.4 x	7.3 x	2.9%	50.3%	16.3%	26.7%	17.1%
Kellanova	K	19,753	26,199	11.3 x	16.3 x	4.1 x	3.9%	26.7%	5.6%	17.5%	9.5%
PepsiCo	PEP.O	242,595	280,256	15.2 x	21.6 x	11.4 x	2.9%	50.9%	9.5%	19.0%	11.8%
Coca-Cola	KO	261,043	292,345	19.4 x	21.5 x	9.6 x	3.2%	42.8%	11.3%	32.9%	26.6%
Mondelez International	MDLZ.O	93,365	111,821	14.4 x	19.7 x	3.3 x	2.4%	18.0%	7.0%	20.0%	12.5%
McCormick & Company	MKC	69,294	75,291	13.3 x	19.1 x	--	0.5%	--	4.6%	1.7%	1.0%
Nestle	NESN.S	251,834	301,223	15.2 x	18.7 x	6.8 x	3.2%	28.8%	8.6%	21.0%	12.8%
Unilever	ULVR.L	96,448	138,315	11.5 x	16.4 x	5.8 x	3.8%	34.9%	8.5%	19.8%	10.6%
<b>AVERAGE</b>				<b>13.2 x</b>	<b>17.6 x</b>	<b>5.6 x</b>	<b>3.1%</b>	<b>29.1%</b>	<b>10.9%</b>	<b>20.7%</b>	<b>12.0%</b>

Source: Bloomberg consensus estimates of calendar year 2024 for international peers and fiscal year March 2024 for Japanese peers; data as of April 22, 2024.

# Logistics and Commercial REITs command premium valuation multiples

Name	Ticker	Market Cap (JPY millions)	Enterprise value (JPY millions)	Leverage		Valuations		Operating Statistics		
				LTV	Loan/EBITDA	EV/EBITDA	Dividend Yield	EBITDA (NOI) margin	ROA	Dividends as % of total assets
<b>Warehouse REITs</b>										
Industrial & Infrastructure Fund	3249.T	351,031	563,314	49.0%	10.7 x	28.5 x	5.0%	55.2%	3.5%	3.1%
SOSiLA Logistics REIT	2979.T	81,626	143,646	42.5%	12.1 x	28.1 x	3.9%	63.8%	2.5%	2.3%
GLP J-REIT	3281.T	573,524	970,084	44.2%	10.2 x	24.9 x	4.4%	71.7%	3.4%	3.1%
Nippon Prologis REIT	3283.T	683,039	1,016,339	37.8%	8.3 x	25.4 x	3.2%	67.4%	2.9%	2.7%
LaSalle Logiport REIT	3466.T	271,420	442,440	42.1%	11.9 x	30.8 x	3.5%	64.6%	2.8%	2.6%
Mitsui Fudosan Logistics Park	3471.T	253,232	388,432	38.6%	9.1 x	26.2 x	3.3%	66.0%	2.6%	2.4%
Mitsubishi Estate Logistics REIT	3481.T	179,996	283,180	38.0%	10.1 x	27.8 x	3.5%	69.6%	2.8%	2.5%
CRE Logistics REIT	3487.T	87,752	158,781	44.1%	11.3 x	25.3 x	4.5%	71.6%	3.0%	2.6%
Advance Logistics	3493.T	76,342	133,762	42.4%	10.0 x	23.3 x	4.4%	74.5%	2.9%	2.6%
Japan Logistics Fund	8967.T	237,980	357,680	43.5%	8.3 x	24.8 x	3.8%	71.0%	3.8%	3.5%
<b>Average</b>				<b>42.2%</b>	<b>10.2 x</b>	<b>26.5 x</b>	<b>3.9%</b>	<b>67.5%</b>	<b>3.0%</b>	<b>2.8%</b>
<b>Diversified REITs</b>										
Escon Japan REIT	2971.T	40,019	73,110	43.8%	9.1 x	20.0 x	6.8%	72.4%	4.3%	4.0%
Tokaido REIT	2989.T	33,102	49,452	32.7%	8.6 x	26.1 x	5.2%	68.7%	3.2%	3.2%
Activia Properties	3279.T	293,715	559,565	46.7%	11.9 x	25.0 x	5.0%	64.2%	3.4%	2.8%
Hulic REIT	3295.T	205,632	385,748	44.8%	12.7 x	27.2 x	4.7%	64.7%	2.9%	2.5%
Nippon REIT	3296.T	147,802	280,422	48.2%	12.2 x	25.7 x	5.0%	62.6%	3.2%	2.8%
Sekisui House REIT	3309.T	323,792	581,034	45.2%	12.2 x	27.5 x	4.6%	66.3%	2.8%	2.9%
Tosei REIT	3451.T	50,746	92,046	47.7%	9.9 x	22.2 x	5.1%	59.3%	3.8%	3.1%
Nomura Real Estate Master Fund	3462.T	645,039	1,166,416	43.7%	11.2 x	25.1 x	4.6%	55.6%	2.9%	2.6%
Star Asia	3468.T	128,325	225,165	46.3%	11.4 x	26.6 x	5.0%	63.0%	3.3%	2.8%
Xymax REIT	3488.T	27,886	47,601	40.9%	9.3 x	22.4 x	5.4%	64.1%	3.7%	3.3%
Takara Leben Real Estate REIT	3492.T	74,017	141,167	47.1%	12.5 x	26.3 x	5.3%	71.6%	3.1%	2.6%
NTT UD REIT	8956.T	170,138	292,288	44.4%	8.7 x	20.8 x	5.3%	57.4%	4.0%	3.3%
Tokyu REIT	8957.T	154,754	259,254	43.3%	7.6 x	18.7 x	4.8%	68.3%	5.0%	3.2%
United Urban REIT	8960.T	441,239	765,092	44.5%	10.6 x	25.1 x	4.4%	60.4%	3.1%	2.8%
Heiwa Real Estate REIT	8966.T	150,181	262,718	46.7%	10.7 x	24.9 x	4.6%	63.1%	3.5%	3.1%
Hankyu Hanshin REIT	8977.T	92,740	173,064	45.6%	11.7 x	25.2 x	4.4%	58.5%	2.8%	2.4%
Daiwa House REIT	8984.T	548,680	956,230	42.5%	11.0 x	25.9 x	4.3%	62.1%	2.7%	3.9%
<b>Average</b>				<b>44.4%</b>	<b>10.7 x</b>	<b>24.4 x</b>	<b>5.0%</b>	<b>63.7%</b>	<b>3.4%</b>	<b>3.0%</b>

Source: LSEG Datastream, Company filings; data as of April 19, 2024.

## List of Toyo Suisan refrigerated warehouses

LOCATION	WAREHOUSE	CAPACITY (TONS)	OFFICIAL LAND REGISTRY			
			LAND (SQM)	FLOOR SPACE (SQM)	YEAR OF CONSTRUCTION	REGISTERED OWNER
Hokkaido	Sapporo Dai-San	20,511	9,968	12,193	Oct-89	Toyo Suisan
	Ishikari	62,333	115,000	19,587	Mar-94	Toyo Suisan
	Ishikari Shin-Ko	43,575	34,356	17,384	Apr-20	Toyo Suisan
Tohoku	Miyagi Toyo	8,800	6,513	10,259	Apr-84	Subsidiary
Kanto	Johoku Toyo	16,069	16,721	18,090	Feb-90	Subsidiary
	Saihoku Toyo	35,398	23,338	14,406	Jan-19	Subsidiary
	Oi Futo	20,639	5,000	14,566	Feb-05	Toyo Suisan
	Jonan Jima	16,883	4,500	13,027	Feb-92	Toyo Suisan
	Heiwa Jima	8,653	N.A.	N.A.	N.A.	Rented
	Higashi Ohgishima 1	63,034	7,558	18,878	Mar-91	Toyo Suisan
	Higashi Ohgishima 2	40,504	12,528	33,463	Mar-97	Toyo Suisan
	Higashi Ohgishima 3	38,800	10,000	N.A.	N.A.	Rented
	Shonan Toyo	16,000	10,287	15,446	Jan-95	Subsidiary
	Suruga Toyo	23,724	15,308	18,428	Jun-89	Subsidiary
Tokai	Nagoya	12,800	6,613	11,392	Sep-86	Toyo Suisan
Kansai	Chubu Logistics Center	32,000	16,528	13,454	Sep-09	Toyo Suisan
	Maishima	43,000	13,205	28,937	Mar-98	Toyo Suisan
	Kobe	38,722	16,858	N.A.	N.A.	Toyo Suisan
Kyushu	Fukuoka	25,144	16,540	N.A.	N.A.	Toyo Suisan
	Fukuoka Island City	24,973	18,901	19,561	Feb-16	Toyo Suisan
	Saga	33,960	8,147	N.A.	N.A.	Toyo Suisan
	Imari Toyo	14,600	34,139	4,693	Sep-00	Subsidiary

Source: Company filings, Land registry, NHGGP research