

MARGIN OF SAFETY

BALANCE OF POWER

MANAGEMENT ANALYSIS



STRATEGIC AND “PROGRESSIVE” IR FOR VALUATION IMPROVEMENT

MARCH 2022



NISHIMOTO'S VALUATION



- Assumptions: Operating profit ¥5.5 billion and EPS ¥250 (based on our forecast)

Code	Name	Mkt. Cap (Y mm)	EV (Y mm)	EV/ EBITDA	P/B	P/E	Discount rate (Reciprocal of P/E)	Cost of Equity (theoretical)	Growth rate estimated by market	3yr AVG ROE	Div Yield	1YR stock return
9260	NISHIMOTO CO LTD	39,399	27,884	3.6	0.7	10.9	9.1%	6.6%	-2.5%	5.3%	3.8%	-14.6%
8079	SHOEI FOODS CORP	69,512	79,341	11.0	1.5	23.2	4.3%	6.6%	2.3%	6.9%	1.2%	-8.2%
9869	KATO SANGYO CO LTD	127,050	65,490	3.9	0.9	14.4	6.9%	6.0%	-0.9%	6.7%	2.2%	-12.5%
7451	MITSUBISHI SHOKUHIN	138,666	147,618	5.1	0.8	10.1	9.9%	7.0%	-2.9%	6.4%	1.6%	0.3%
2801	NIKKOMAN CORP	1,657,701	1,636,343	23.2	4.9	43.3	2.3%	7.5%	5.2%	10.3%	0.5%	20.3%

- What low P/E ratio indicates ;

- Risk premiums are over-added as its numbers and disclosures are not trusted by the market, which requires high yields.
- Theoretical cost of equity is 6.6% (with CAPM calculation) which deviates from 9.1% discount rate => **-2.5%** growth rate is factored in the market.
- 5.2 % growth rate is factored in the market for Kikkoman, your nearest competitor in the U.S.

ONLY THREE MEASURES FOR VALUATION IMPROVEMENT



- Sustained growth in sales and profits (depending on company strategy and tactics)
 - ⇒ Corporate effort needed but hard to "always keep" growing
(cycles of investment and payback)
- Improve market recognition and dissolve the IR information gap (depending on expression and communication)
 - ⇒ Tell your story! (already executed)
 - ⇒ Stop relying on Sell side analyst coverage (move to sponsored research)
 - ⇒ Improve the description of earnings estimate (profit increase/decrease breakdown)
- Valuation improvement by lowering cost of capital (commitment and representation of financial measures)
 - ⇒ Equity Beta stabilization (dividend policy)
 - ⇒ Capital Structure, Net Cash Neutral, etc.
 - ⇒ Express your goal in clear Balance Sheet management

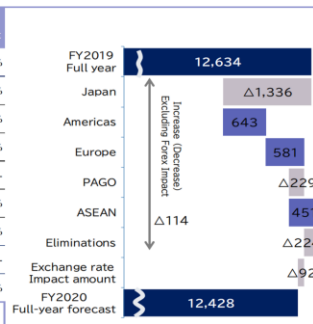
EXAMPLES



FY2020 Results (4) Operating Income by Region

- Earnings in the Americas and Europe rose sharply due to higher sales and improved profitability. Earnings in ASEAN increased due to the contribution of FSPT.
- Profits declined in Japan and PAGO.

(Millions of yen)	FY2019 Full year	FY2020 Full year	Year-on-year change	Excluding forex impact	
Consolidated operating profits	12,634	12,428	Δ206	Δ114	Δ0.9%
Japan	9,482	8,145	Δ1,336	Δ1,336	Δ14.1%
Americas	3,084	3,650	+565	+643	+20.9%
Europe	186	767	+580	+581	+312.1%
PAGO	Δ265	Δ494	Δ229	Δ229	-
ASEAN	205	642	+437	+451	+219.9%
Excluding FSPT	205	121	Δ83	Δ80	Δ39.4%
FSPT	0	520	+520	+534	-
Eliminations	Δ58	Δ282	Δ224	Δ224	+386.8%



[Reference Information] Consolidated operating profits excluding FSPT
 Consolidated Operating Income (Excluding FSPT) 12,634 11,907 Δ727



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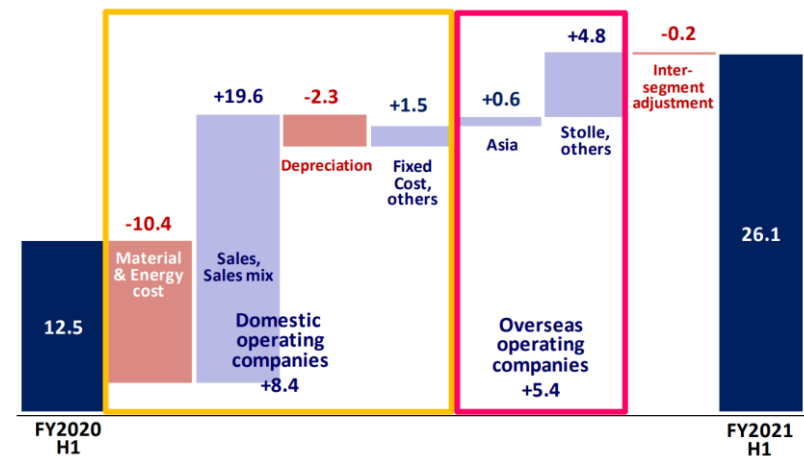
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3. Factors of Change in Operating Income



(in billions of yen)

FY2020 H1: JPY 12.5 bil. ⇒ FY2021 H1: JPY 26.1 bil. (+13.6 bil.)



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HIBIKI's Proposal

- The year-on-year difference in profit (actual and forecast) should be broken down by region and/or business segment.
- Clarify the discrepancy between realistic expected profit and your conservative profit estimate, including the negative contribution to profit from strategic investments.
- Other risk factors (e.g. currency exchange rate) may also be included.

EXAMPLES (2)

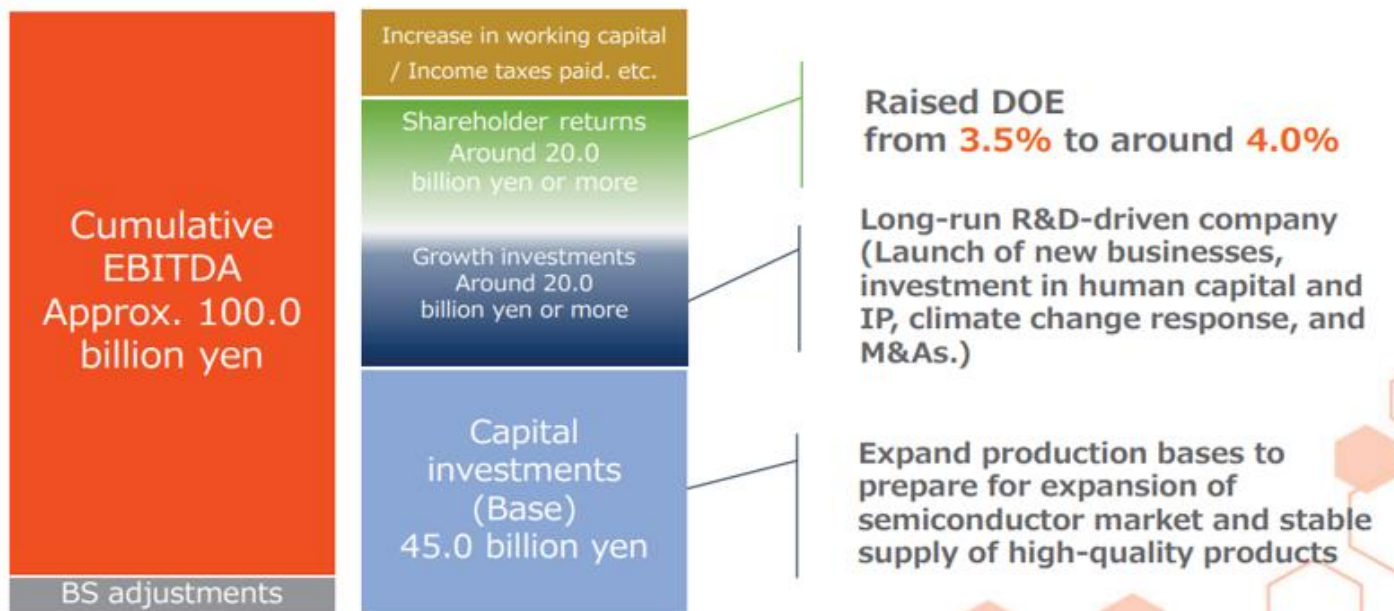


Reinforce management foundation (Promote BS management)

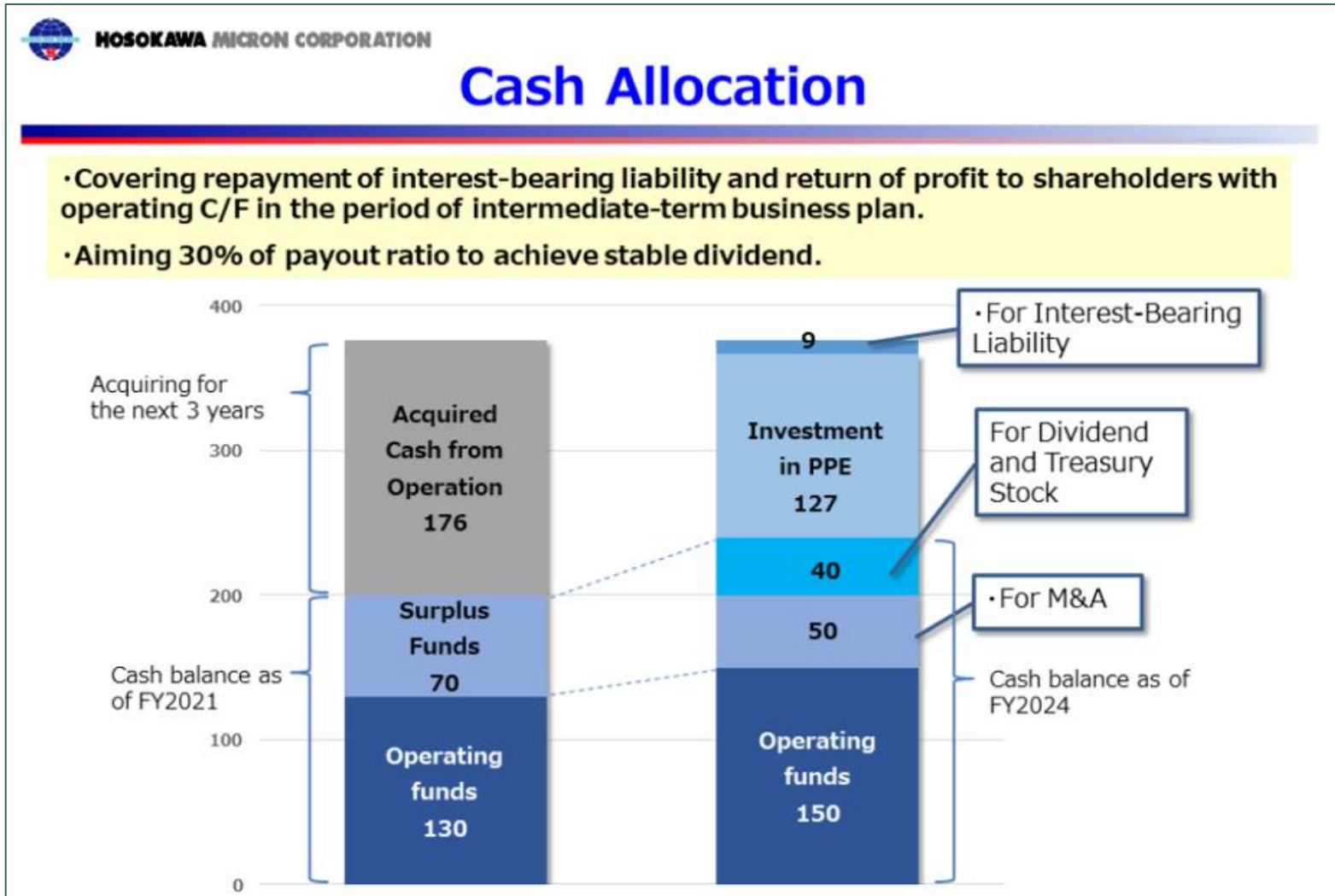
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EBITDA generated by a growth in semiconductor materials will be used for capital investment to prepare for demand growth in the semiconductor market and also flexibly allocate to shareholder returns after making sufficient growth investments.

3-year cash flow plan (image)



EXAMPLES (3)



INVESTOR ENGAGEMENT STRATEGY DIVERSIFICATION



Japanese market, especially small-cap companies, is losing attentions from global investors. Unless you take every possible measure, no one will likely pay attention to you even if your business is sound and you explain it at periodic earnings call as attendance is low. A shift from passive IR to aggressive and progressive IR strategy is a **must**.

- Hold sessions of business strategy briefing, vision for the future of food business, etc. in addition to current periodic earnings call
- Interactive discussion sessions with investors on "my essence of business management"
- Utilizing external IR advisory services for strategy development and execution all at once (We can also help as long as we put your stock on restricted trading list).
- Sponsored research
- It is essential to conduct above actions in multiple ways with focus on foreign investors. This is the weak link amongst Japan's traditional IR service companies.

DISCLAIMER



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