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Actions to Implement Management that is Conscious of Cost of Capital and Stock Price

We are pleased to announce that we have decided on the following specific measures to achieve cost of capital and stock price conscious management.

1. Awareness of present situation

We have positioned our "Mid-Term Management Plan 2025 (hereinafter referred to as "MTP 2025")," a five-year plan ending in March 2026, as "a period for strengthening profitability in existing businesses and planting seeds for new businesses that will lead to sustainable growth toward realization of our Long-Term Vision 2030^{*1}. In addition, in order to increase corporate value by improving profitability and capital efficiency, the Company has set "ROE (return on equity) of 8% or more" as a financial indicator for the final year of the plan and has set "shareholder returns based on a consolidated dividend payout ratio of 30%" as a policy during the period of the plan.

In the fiscal year ending March 31, 2024, the third year of MTP 2025, net sales reached a record high and operating margin recovered to 8.0%, which are the main KPIs^{*2} of the plan. ROE was 7.7%, mainly due to the growth of existing businesses. Regarding shareholder returns, the consolidated dividend payout ratio was 31.3%, and the total return ratio, including share buybacks, was 55.6%.

On the other hand, the P/B ratio as of March 31, 2024 was 0.71x, still below 1.0x, and we recognize the following items as the main reasons for this.

- Lagging investment in new and innovative growth
- It is taking time for the results of improvement measures related to unprofitable businesses to materialize
- ROE has remained at a low level due to a decline in the operating margin and an increase in shareholders' equity (delay in efficient use of capital)

Therefore, we will strive to further improve our return on capital and stock price by enhancing information disclosure on the progress of each business strategy set forth in MTP 2025, as well as by strengthening shareholder returns and dialogue with the capital markets.

(Reference)

*1 : Long-Term Vision 2030:

“We aim to become a corporate group that contributes to solving social issues through Linked Automation technology.”

• Social issues to be addressed by Tsubaki:

“Creating a people-friendly society”, “Building a safe and secure living infrastructure”

“Creating an Earth-friendly society”

*2 : MTP2025 Major Targets (KPIs)

Net sales JPY 300-320 billion、 Operating income ratio 9-11%、 ROE 8% or more、

Dividend payout ratio Based on 30%

Consolidated Financial Results

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|----------|----------|----------|----------|----------|
| Net Sales (million) | 226,423 | 193,399 | 215,879 | 251,574 | 266,812 |
| Operating income (million) | 16,146 | 8,896 | 17,842 | 18,985 | 21,262 |
| Operating income ratio (%) | 7.1 | 4.6 | 8.3 | 7.5 | 8.0 |
| Profit attributable to owners of parent (million) | 11,576 | 8,706 | 14,543 | 13,742 | 18,551 |
| Equity (million) | 174,360 | 185,791 | 207,756 | 224,398 | 258,400 |
| Favored Debt (million) | 41,509 | 41,168 | 37,870 | 33,785 | 28,713 |
| ROE (%) | 6.7 | 4.8 | 7.4 | 6.4 | 7.7 |
| Basic earnings per share (Yen) | 4,711.34 | 5,019.35 | 5,612.28 | 6,059.46 | 7,207.24 |
| Share price at end of period (Yen) | 2,460 | 3,050 | 3,055 | 3,215 | 5,150 |
| PBR (x) | 0.52 | 0.61 | 0.54 | 0.53 | 0.71 |

2. Basic Policy on Capital Management

In addition to achieving the goals of MTP 2025, we will provide strategic shareholder returns while ensuring sustainable profit growth in existing businesses in order to realize cost of capital and stock price-conscious management.

We also aim to achieve ROE of 8% or more by promoting, (1) sustainable profit growth through the implementation of growth strategies and, (2) strategic shareholder returns with an awareness of appropriate cash and cash equivalents levels, as described in the next section, "Specific measures to improve capital efficiency".

3. Specific measures to improve capital efficiency

(1) Sustainable profit growth through execution of growth strategies

In order to realize "aiming to become a corporate group that contributes to solving social issues through Linked Automation technology," as stated in our "Long-Term Vision 2030," we will further promote investment in human resources, technology, new product development, productivity improvement, and new business development, and strengthen our ability to achieve sustainable profit growth.

In addition, we aim to strengthen our sustainable growth and profitability by promoting improvement measures for low-profit businesses and analysis and discussion of our business portfolio.

(2) Strategic shareholder returns with an awareness of appropriate cash and cash equivalents levels

- We will aggressively invest and strategically return profits to shareholders by setting the required level of cash and cash equivalents at 50 billion yen (equivalent to about two months of monthly sales) during the MTP 2025 term.
- Regarding ordinary dividends, the basic policy regarding dividends will be raised from a "30% consolidated dividend payout ratio" to a "35% or more consolidated dividend payout ratio" (effective from the fiscal year ending March 31, 2025)
- In addition to ordinary dividends, the company will flexibly implement share buybacks and other measures, taking into account the necessary cash reserves and the amount of profit to be generated and total shareholder return ratio during the MTP 2025 term.
- Policy stockholdings will be sold with the goal of achieving a ratio of 10% or less of consolidated net assets as of March 31, 2026.

We will work to enhance corporate value by disclosing information such as our growth strategy, approach to our business portfolio, and the status of our ESG initiatives to our stakeholders in a timely manner, and improving engagement.

(Reference)

Cash allocation during the "MTP 2025" term (FY2025/3 - FY2026/3) (image)

