TSUKISHIMA HOLDINGS CO., LTD.

Securities code: 6332

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

April 25, 2024

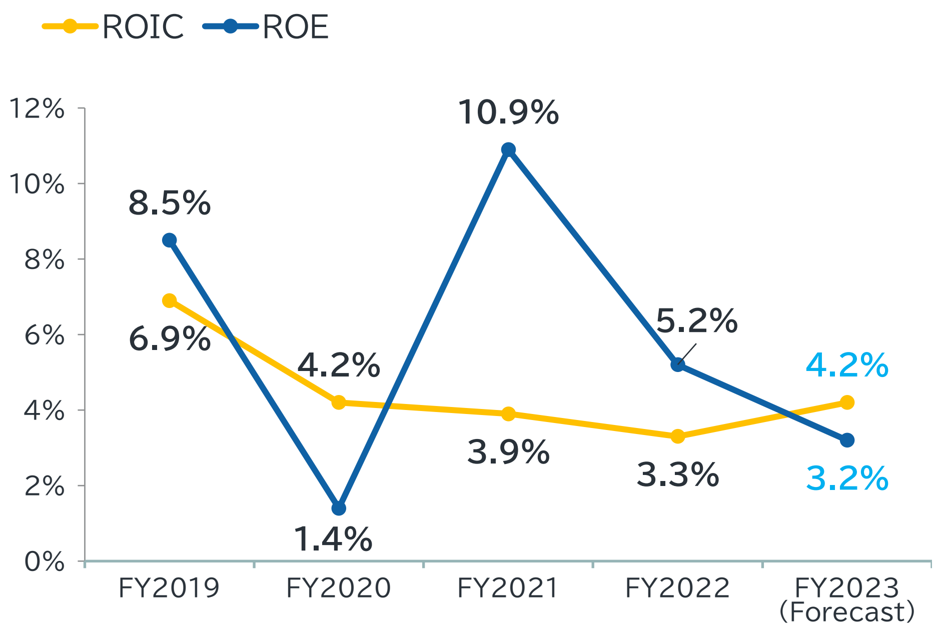
Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Analysis of current situation and issues

● **Improving Price Book-value Ratio (PBR) is a top priority in management.**

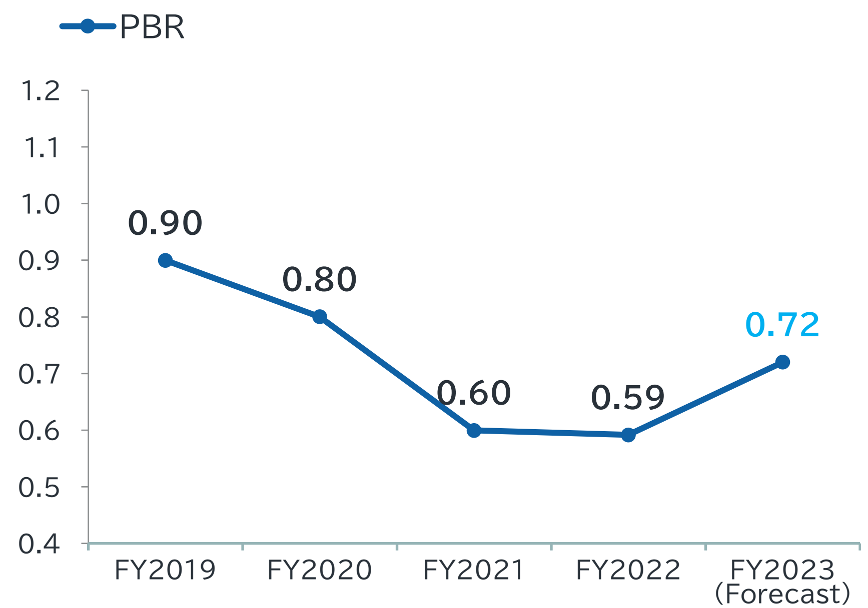
-For FY2026, the final year of the Medium-Term Management Plan, the targets are set for Return on Invested Capital (ROIC) of 7% or more and Return on Equity (ROE) of 8% or more.
-ROIC for FY2023 is expected to be 4.2%, and ROE is expected to be 3.2% due to the impact of extraordinary losses by impairment losses of fixed assets.
-PBR remains below 1.0, currently at around 0.7.
-Low PBR is attributed to low level of ROE.
➢It is necessary to improve capital efficiency by enhancing ROIC and improve PBR by continuously improving ROE.

ROIC / ROE (%)



・For FY2020, the ROE was low due to the impact of special losses (impairment losses).
・For FY2021, the ROE was high due to the impact of special gains (gain on sale of non-current assets).

PBR (Times)



・PBR=Market capitalization÷Book value of equity capital

Action for Improvement of Corporate Value

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PBR↑	=	ROE↑	×	PER↑
Steadily implement the Medium-Term Management Plan and aim for continuous improvement of corporate value		Improve profitability and capital efficiency		Achieve sustainable growth over the medium to long term

	Measures to improve corporate value and capital efficiency	FY2023 Actual	Future policies	improvement Indicators
Business portfolio reforms	● Revising the business portfolio ● Strengthening and expanding priority domains	● Establishment of business portfolio review rules and investment criteria	● Further allocation of management resources to priority domains ● Revenue growth and profitability improvement through the merger with JFE Engineering Corporation's domestic water engineering business ● Absorption merger of DAIDO CHEMICAL ENGINEERING CORP. by Tsukishima Kankyo Engineering Ltd. (planned for October 2024) ● Reconstruction of Tsukishima Kikai Co., Ltd. with deteriorating performance ● Promotion of DX investment for business efficiency improvement (core system restructuring, IT equipment renewal, security enhancement, etc.)	ROE
Enhancing earning capabilities	● Business efficiency improvements through DX promotion ● Reducing selling, general and administrative expenses and cost of sales	● Merger with JFE Engineering Corporation's domestic water engineering business (from October 2023) ● Strategic investment amount approx. 5 billion yen (Capital investment, R&D investment, Human capital investment, DX investment, etc.) ● Sale of idle assets 0.6 billion yen		ROE
Enhancing returns to shareholders	● Controlling equity capital at an appropriate level through continual dividend increases and timely, appropriate, and dynamic purchase of treasury shares	● Acquisition of treasury shares 0.8 billion yen ● Continuous increased dividends (planned increase in dividend by 2 yen per share)	● **Further expansion of dividend return ratio, etc.** **Dividend return ratio40% ⇒ 50% or more** (policy in FY2024) Control of shareholders' equity through BS (Balance Sheet) management	ROE / PER
Sale of cross-shareholdings	● Continually reducing cross-shareholdings (3～5 billion yen)	● Dissolution of cross-shareholdings in multiple stocks ● Sale amount1.3 billion yen (gain on sale of investment securities 0.7 billion yen)	● **Further expansion of cross-shareholdings reduction, improvement of liquidity (raising the target: sell more than 7 billion yen during the Medium-Term Plan period)** ● Aim to sell more than 3 billion yen in the FY2024	ROE / PER
Reducing capital costs	● Enhancing disclosure of information Strengthen IR activities	● Establishment and disclosure of human rights policy and procurement policy Disclosure of shareholder dialogue Small meeting held(for analysts)	● Further promotion of non-financial information disclosure Continuation of active dialogues with institutional investors Development of measures to expand the individual investor base	PER

ROE → PER → PBR

Capital Allocation(cumulative total for 4 years)

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- **Revised the cash flow plan based on the results of first year of the Medium-Term Management Plan**
- Generating **37.0-42.0 billion yen** through capital efficiency improvement, a keen awareness of capital costs, utilization of operating cash flows, acceleration of sales of cross-shareholdings. The funds raised will be optimally allocated to investments in growth and shareholder returns.
- Utilizing interest-bearing debt as necessary for M&A activities and other investments.

Initial plan

Cash inflows	Cash outflows
Cash flow from operations 30.0-35.0 billion yen	Capital investment 8.0-10.0 billion yen
	Strategic investment 15.0-20.0 billion yen
Sale of cross-shareholdings 3.0-5.0 billion yen	Shareholder returns 8.0-10.0 billion yen
Debt funding etc.	M&A etc.

Revised plan

Cash inflows	Cash outflows	
Cash flow from operations 30.0-35.0 billion yen	Capital investment 8.0-10.0 billion yen	Ordinary investment (maintenance, renovation)
	Strategic investment 15.0-22.0 billion yen	Capital investment (new, expanded) R&D investment Human capital investment GX/DX investment, etc.
Sale of cross-shareholdings 7.0 billion yen or more	Shareholder returns 10.0-12.0 billion yen	Continual dividend increases, dynamic purchase of treasury shares ← Enhance
Debt funding etc.	M&A etc.	Implementing appropriate M&A activities, flexibly raising funds externally as necessary Carrying cash flow forward if not implemented

Improving ROE by establishing an optimal capital structure, and enhancing returns to shareholders

Review of Shareholder Return policy (Enhancing Returns to Shareholders)

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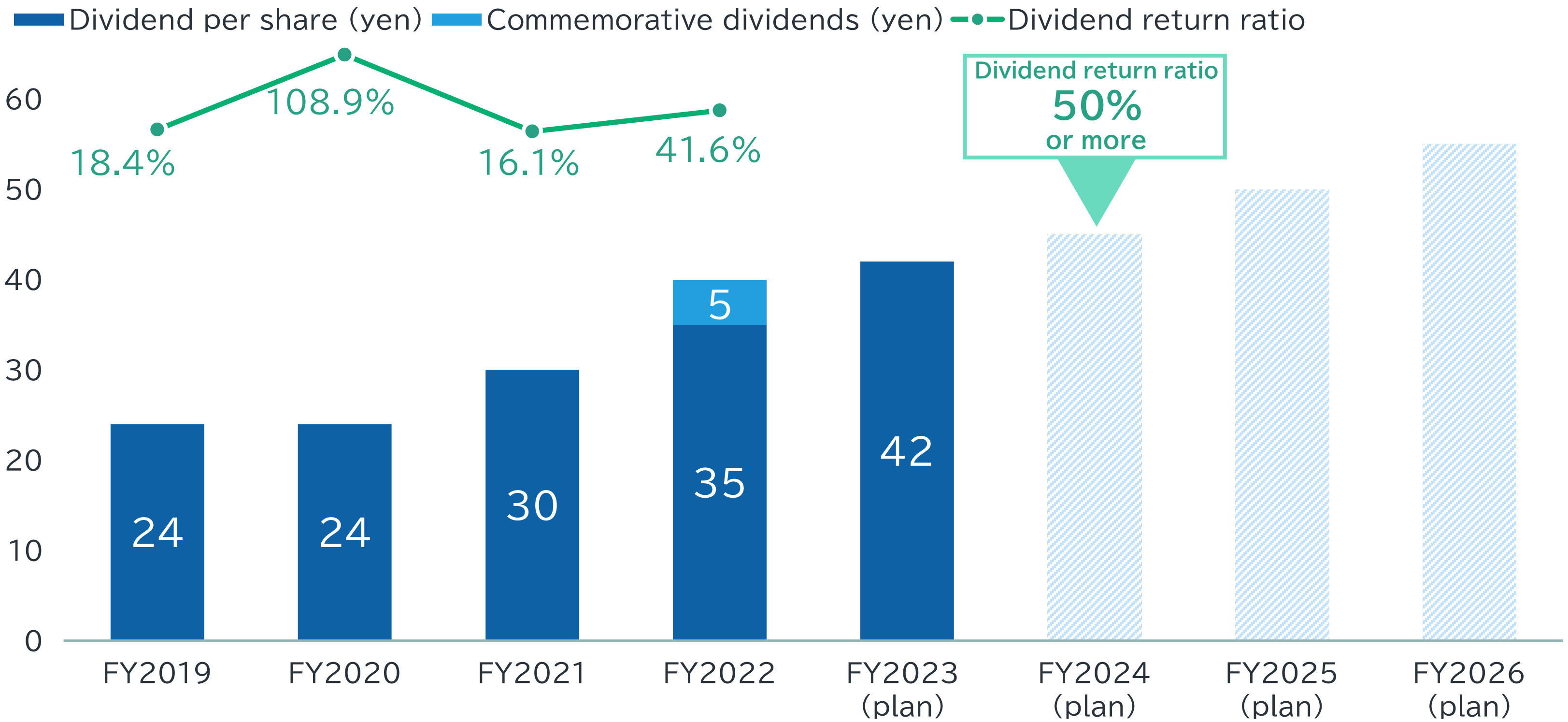
- The target dividend return ratio for FY2024 will be expanded to **50% or more** by further expansion of cross-shareholdings reduction and revising the timing of capital investments under consideration.
- Strive for stable dividends and continuous dividend increases, while implementing dynamic purchases of treasury shares.

Review of shareholder return policy

	Initial plan	FY2024
Total return ratio	50% or more	50% or more (No change)
Dividend return ratio	40% or more	**50% or more**



*In FY2020, the dividend return ratio and the total return ratio both stood at 108.9% due to impairment losses for PRIMIX Corporation. The figures would have been about 30% based on profit excluding impairment losses.

Notes

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