



Corporate Report

Prime Market - Machinery
December 26, 2025

TSUBAKIMOTO CHAIN (6371)

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Focus on Business Transformation and Synergy Effects with DAIDO KOGYO in the Next Mid-Term Plan

- **Summary:** We analyzed the frequency of important keywords that the capital market looks for in TSUBAKIMOTO CHAIN (hereinafter, the "Company") in its Integrated Report, "TSUBAKI REPORT 2025," published by the Company. The results showed increased occurrences of terms such as "transformation," "business restructuring," "exit criteria," and "ROIC/WACC." This suggests that the next Mid-Term Management Plan, scheduled to begin in the fiscal year ending March 2027, will likely include fundamental improvement measures to address the low profitability of Motion Control (MC) and Materials Handling Operations. Furthermore, although the merger with DAIDO KOGYO CO., LTD. will result in a short-term negative impact on profitability and finances, it is strategically positioned to complement the Company's medium-to-long-term growth strategy for advancement to the Global South markets. We anticipate the formulation of concrete, complementary business strategies that leverage the strengths of both companies.
- **Business performance:** For FY26/3 (fiscal year ending March 2026), the first-half results saw net sales revised downward to ¥284.0 billion (initial forecast: ¥290.0 billion), representing a 1.7% year-on-year increase, while operating profit was also revised downward to ¥20.0 billion (initial forecast: ¥21.5 billion), marking a 12.5% year-on-year decrease, with an operating profit margin of 7.0% (initial forecast: 7.4%). However, with the steady recovery of quarterly orders, the disappearance of temporary expenses, and a favorable external environment, the recovery trend in performance is likely to accelerate in the future. This report presents CGRA's original leading performance indicators, business opportunities and challenges toward 2026, and a vision for the merger with DAIDO KOGYO.
- **ESG management:** In the Environmental (E) domain, the Company is focusing on expanding sales of eco-products linked to addressing materiality issues, and steadily achieving results. In the Social (S) domain, while diversity is improving through female's advancement and employee turnover remains low, employee engagement, though showing an upward trend, remains at a low level. In the Governance (G) domain, while a shareholder-oriented compensation system is progressing, the impression remains that the pace and effectiveness toward "transformation" are lacking.
- **Shareholder returns and stock valuation:** The Company maintains a basic policy of a consolidated dividend payout ratio of "35% or higher" while also pursuing "shareholder returns focused on the total payout ratio". Following the FY25/3 (fiscal year ended March 2025), the Company implemented a ¥10 billion share buyback also in the FY26/3. The total payout ratio was 82.4% for the FY25/3 and is projected to reach 95.9% for the FY26/3. In terms of stock valuation, if the discount factors for MC Operations and Materials Handling Operations were to disappear, a reasonable PBR of approximately 1.09x (equivalent to an expected stock price of ¥2,756) would be estimated. Conversely, for companies with robust cash generation capabilities such as this one, establishing a target Dividend on Equity (DOE) while taking into account the relationship "PBR = DOE / Dividend Yield," could also prove effective in enhancing the PBR.

Consolidated financial results and stock market data

Trading data		Performance						
		21/3	22/3	23/3	24/3	25/3	26/3COE	
Stock price (Dec/24/2025) : yer	2,277 yen	Sales : ¥100 million	1,933	2,158	2,515	2,668	2,791	2,840
52-weeks range : yen	2,318~1,546	Operating profit	88	178	189	212	228	200
Market cap	¥241.8 billion	Ordinary profit	110	200	209	234	253	220
Number of outstanding shares	106.21 million shares	Net profit	87	145	137	185	221	190
Average trading value (20 days)	¥410 million	EPS : yen	78.4	130.9	123.7	170.5	212.6	189.1
Company forecast PER	12.0 times	ROE : %	4.8	7.4	6.4	7.7	8.5	-
PBR (As of March 2025)	0.9 times	DPS : yen	25.0	40.0	43.3	53.3	80.0	80.0
Company forecast DPS : yen	80.0	Dividend payout ratio : %	31.9	30.5	35.0	31.3	37.6	42.3
Company forecast Dividend yield	3.5%	FCF : ¥100 million	183	119	120	294	94	-
ROIC (March 2025)	5.2%	NetCash : ¥100 million	68	175	257	492	435	-

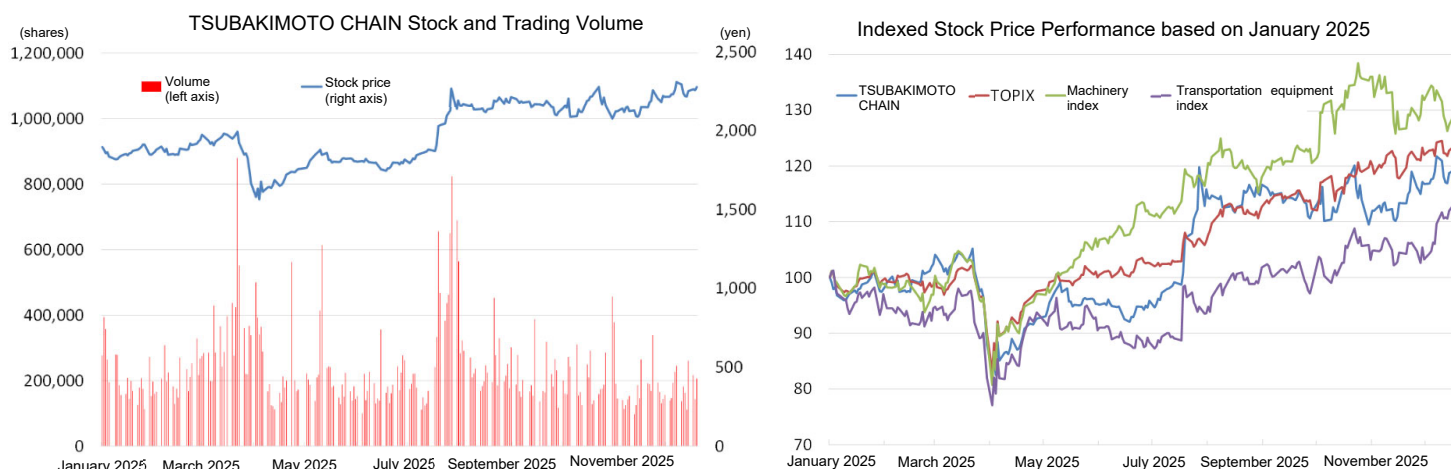
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Figure 1: Stock Price Performance of TSUBAKIMOTO CHAIN

TSUBAKIMOTO CHAIN stock has generally shown stock price performance on par with TOPIX. However, it has underperformed the machinery stock index while outperforming the transportation equipment stock index.



Source: Created by CGRA



Company Overview and Product Introduction

Committed to solving social issues and achieving sustainable growth through the “Moving” technology

Expand business areas while securing a high global market share

The Company was founded in Osaka in 1917 as a small factory manufacturing bicycle chain. The Company is currently expanding its business into four areas: Chain Operations, which is centered on industrial steel chains and holds a 17% share (No. 1) of the global market; Motion Control Operations; Mobility Operations, which is involved in timing chain systems for automobile engines and holds a 42% share (No. 1) of the global market; and Materials Handling Operations. The Company has evolved into a comprehensive solutions provider that contributes to society through its "moving" technology. In recent years, the Company has strategically pursued business expansion through mergers and acquisitions and the development of new businesses.

Focus on expanding business scope through M&A and developing new businesses, with Chain and Mobility Operations as the core pillars.

Transforming existing businesses through differentiation of proprietary technologies

Chain Operations offers a product line of approximately 20,000 items, including drive chains for power transmission, conveyor chains for transport, and plastic chains. It provides high-value-added products with enhanced wear life and fatigue strength. MC Operations specializes in "niche-top" product groups, with a focus on power conversion, reduction, and transmission. These product groups include reducers, linear actuators, shaft couplings, fasteners, clutches, and units. Mobility Operations specializes in timing chain systems, which play a critical role in enhancing the performance, miniaturization, and energy efficiency of automotive engines. It is accelerating the development of new products, such as vehicle-mounted clutches adopted in electric vehicles. Materials Handling Operations, centering on logistics devices for conveying, sorting, and storage, is expanding its maintenance services and advancing the development and sales of next-generation materials handling systems incorporating communication and AI technologies.

The transformation phase of the business portfolio has commenced

Ten years ago, in FY16/3, Mobility Operations generated 57% of consolidated operating profit. By the FY25/3, Chain Operations had generated 68% of consolidated operating profit, while MC Operations and Materials Handling Operations continued to face challenges of low profitability. In the "TSUBAKI REPORT 2025 (Tsubaki Group Integrated Report)," CEO Kose stated, "We will establish exit criteria and execute a growth strategy focused on recovering invested capital," indicating that the Company has entered a transformation phase for its business portfolio.

A transformation phase has arrived to restructure existing businesses.

Figure 2: Characteristics of business segments and major products, and customer industries

100 million yen, %	Chain Operations	Motion Control Operations	Mobility Operations	Materials Handling Operations
Net sales	962	233	911	683
(Composition ratio)	33.8	8.2	32.7	24.4
Operating profit	155	7	82	12
(Composition ratio)	68.2	3.4	36.3	5.5
Operating profit margin	16.5	3.4	9.1	1.8
Major products	Drive chain Conveyor chain Cables, hoses Supporting and guiding devices, etc.	Reducer Linear actuator Shaft couplings, fasteners Clutches, etc.	Timing chain systems for automotive engines Electrification-compatible products Automotive clutches, etc.	Conveying, sorting and storage systems Life science devices Maintenance, etc.
Main customers	Various manufacturing processes Logistics device manufacturers Mining, water treatment, shipbuilding, etc.	Various manufacturing processes Machine tools and semiconductor manufacturing equipment Injection molding machines and medical devices	Global Automakers (Toyota: 29%) (Japanese-affiliated automobiles: Approx. 60%)	Logistics and conveying processes Pharmaceutical and research institutions Various manufacturing plants, etc.
Market share	Global share of industrial steel chain: 17% (No. 1)	Domestic share of cam clutch: 90% Domestic share of power lock: 50% Domestic share of worm reducer: 30%	Global share of automotive timing chains: 42% (No. 1)	Domestic share of tilt tray sorter: 70%

Actual results for the FY25/3. Net sales composition is based on the "net sales to external customers." Operating profit is before the adjustment of corporate expenses.

Source: Created by CGRA



Three Noteworthy Points of TSUBAKIMOTO CHAIN

Point (1): A growing sense of urgency for business transformation

On October 14, 2025, the Company published the "TSUBAKI REPORT 2025 (Tsubaki Group Integrated Report)."

In the capital markets, the Company is under pressure to present strategies for improving the profitability of its MC and Materials Handling Operations, review its business portfolio, present a long-term growth plan for its Mobility Operations, and address the fact that its PBR is below 1.0x.

In such circumstances, CGRA has analyzed the frequency of keywords related to these demands across the past six integrated reports. The results show that the term "transformation" appeared 40 times in the 2025 edition, compared to 21 times in the 2024 edition. Since 2024, expressions related to business transformation, such as "business restructuring" and "exit criteria," have increased, indicating heightened expectations for business restructuring in the upcoming Mid-Term Plan. Furthermore, the term "ROIC" appeared ten times while "WACC" appeared four times, indicating a significant increase. This suggests that management is beginning to focus on the ROIC/WACC spread at the business unit level. Conversely, references to "shareholder returns" increased, while mentions of "PBR" and "ROE" declined. This gives the impression of a slight retreat from presenting a growth story and stock price awareness.

Point (2): Continued strong cash generation

For the remaining two periods (FY25/3-FY26/3) of its current Mid-Term Management Plan, which ends in FY26/3, the Company plans to allocate a total of ¥65 billion in funds. This includes free cash flow of ¥30 billion accumulated over two years, the sale of cross-shareholdings of ¥10 billion, and cash and deposits of ¥25 billion. The Company plans to allocate ¥25-30 billion to new growth investments and ¥35-40 billion to shareholder returns. The Company also plans to reduce the year-end cash and deposits balance from ¥75 billion at the end of FY24/3 to ¥50 billion (equivalent to two months' sales) by the end of FY26/3. Total free cash flow (FCF) for FY25/3 and the first half of FY26/3 has steadily accumulated to ¥21.5 billion. Furthermore, gain on the sale of investment securities during this period reached ¥8.9 billion, and shareholder returns, including share buybacks, amounted to ¥31.0 billion, indicating smooth progress. Conversely, the cash and deposits on the balance sheet at the end of the first half of FY26/3 were high, reaching ¥64.4 billion. Continued capital policy measures are expected, including the reduction of interest-bearing debt.

While achieving the Mid-Term Plan's current targets of ¥300-320 billion in net sales and a 9-11% operating profit margin is challenging, the "Monozukuri Reform" is enhancing cash generation capabilities through Link2025 in Chain Operations, Connect2025 in the MC Operations, and MAC2025 in Mobility Operations.

Point (3): Anticipating growth in the new Agriculture Business

The Company has identified cultivating new businesses that address social issues as a key theme in its "Long-Term Vision 2030." Specifically, the Company is actively fostering next-generation businesses that enable sustainable growth across six fields: Human Assist, Maintenance, Agriculture, Life Science, Energy Infrastructure, and New Mobility.

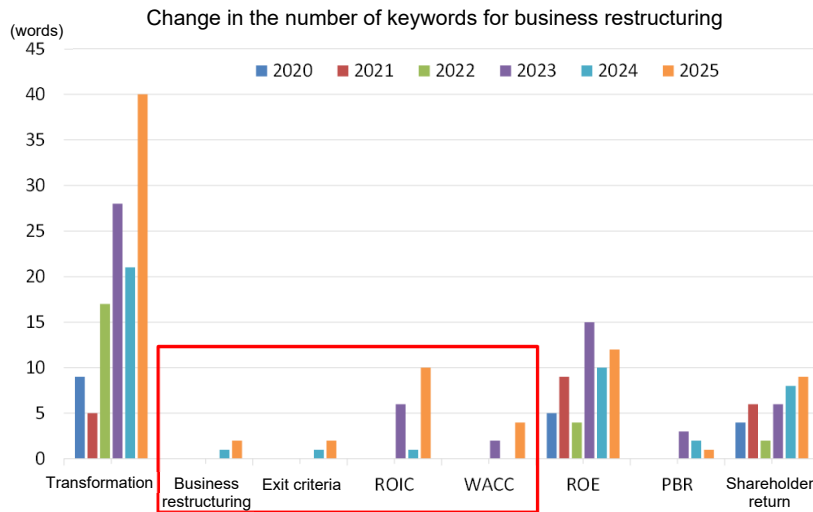
Among these businesses, the Agriculture Business is centered on the theme of "Bringing Innovation to Plant Factories." During the financial results briefing held in May 2025, net sales targets of ¥2.5 billion for the fiscal year ending March 2028 and ¥5 billion for the fiscal year ending March 2031 were presented. However, at the first-half results briefing for FY26/3, held in November 2025, the net sales target for the fiscal year ending March 2031 was revised upward to ¥5-10 billion. Currently, a non-consolidated subsidiary, TSUBAKI VEGYMOVE CO., cultivates and sells lettuce. Meanwhile, TSUBAKIMOTO CHAIN aims to contribute to sustainable agriculture by developing and selling its own efficient, labor-saving automation equipment. TSUBAKI VEGYMOVE anticipates net sales of approximately ¥2.5 billion for the current fiscal year. The Company is focused on acquiring new customers while pursuing stable, medium- to long-term profitability through future consolidation as a subsidiary.

Keywords that are expected to have a significant impact on business portfolio transformation are on the rise.

The unmanned manufacturing project is contributing to enhanced cash generation.

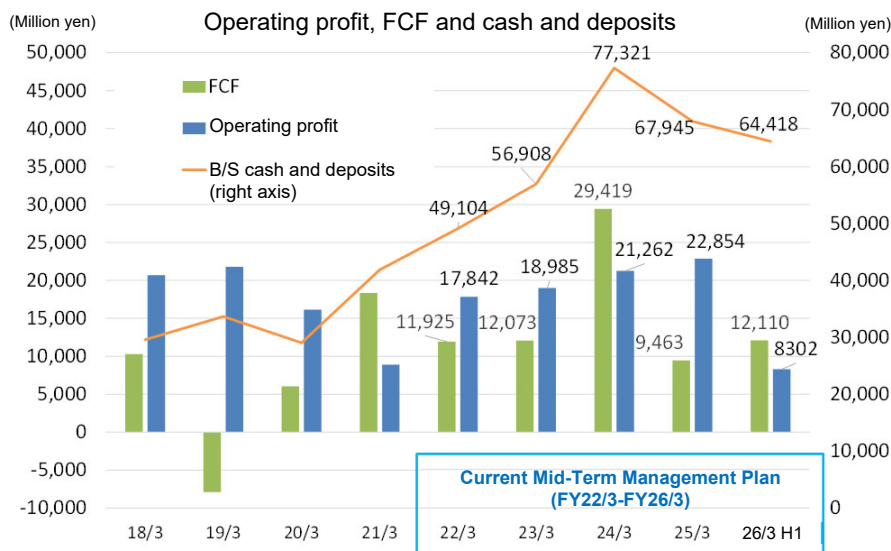
It is becoming evident that one of the new businesses, the Agriculture Business, has the potential for significant future growth.

Figure 3: Heightened expectations for business restructuring in the upcoming Mid-Term Plan



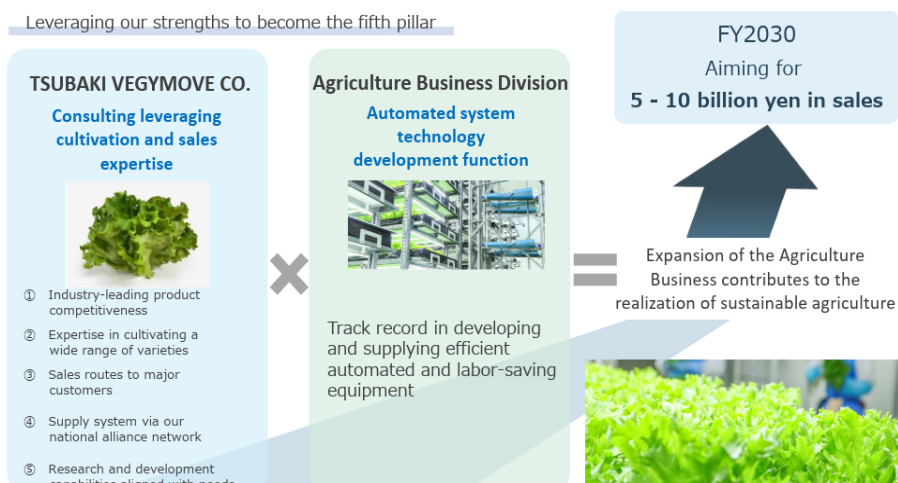
Important keywords such as "business restructuring" and "exit criteria" are beginning to appear more frequently.

Figure 4: Maintaining a strong cash generation



Continued capital policy is expected to be implemented to leverage the abundant cash.

Figure 5: A growth scenario for the fifth business, Agriculture Business is emerging



Challenging to cultivate new businesses tied to solving social issues.

Source: Created by CGRA based on company materials, etc.

Merger with DAIDO KOGYO

The merger is expected to take effect on January 1, 2026

On May 14, 2025, TSUBAKIMOTO CHAIN and DAIDO KOGYO CO., LTD. (hereinafter, "DAIDO KOGYO") signed merger and share exchange agreements effective as of January 1, 2026. For each DAIDO KOGYO share, 0.65 TSUBAKIMOTO CHAIN shares will be allocated, and DAIDO KOGYO is expected to become a wholly owned subsidiary of TSUBAKIMOTO CHAIN.

Negative impact on profitability and the balance sheet is expected to persist in the short term.

Concerns remain about profitability and balance sheet deterioration in the short term

In the first half of FY26/3, TSUBAKIMOTO CHAIN reported net sales of ¥135.6 billion, an operating profit of ¥8.3 billion, and an operating profit margin of 6.1%. Meanwhile, DAIDO KOGYO posted net sales of ¥29.1 billion, an operating profit of ¥800 million, and an operating profit margin of 3.1%. These figures suggest that profitability may decline following the integration. Furthermore, TSUBAKIMOTO CHAIN holds ¥40.8 billion in net-cash, with a net D/E ratio of -0.16x, while DAIDO KOGYO is a net-debt company with ¥16.5 billion in net debt and a net D/E ratio of +0.52x. Profitability and financial strength are both expected to deteriorate in the near term.

Early realization of synergies is anticipated

DAIDO KOGYO's motorcycle parts business, which does not overlap with TSUBAKIMOTO CHAIN's products, accounted for 54.3% of consolidated net sales in the first half of FY26/3, securing an operating profit margin of 7.8%. Accounting for 8.7% of consolidated net sales, the automotive parts business of the company primarily supplies products to Honda. This indicates an absence of customer overlap, as TSUBAKIMOTO CHAIN does not supply engine timing chains to Honda.

However, the automotive parts business and the industrial machinery business (22.4% of consolidated net sales) have shown low profitability in recent years. In addition to sales price adjustments, we expect early synergies to be realized through the mutual sharing of strengths, such as TSUBAKIMOTO CHAIN's expertise in production innovation.

Regional profitability data has not been disclosed since the first half of FY26/3. In FY25/3, however, the European business, centered on motorcycle parts, secured an operating profit margin of 9.8%, followed by Asia at 4.2%.

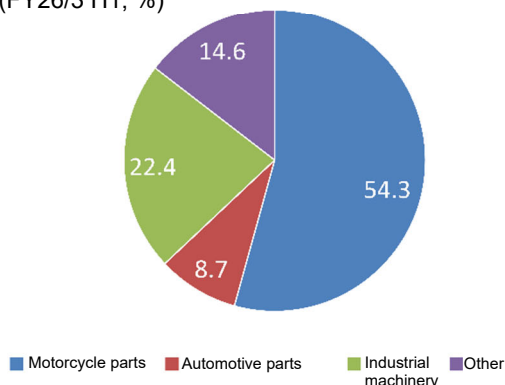
There is minimal overlap in terms of business and geographic areas, and we anticipate that synergies will materialize quickly by leveraging the strengths of both companies.

DAIDO KOGYO holds the key to Indian market strategy

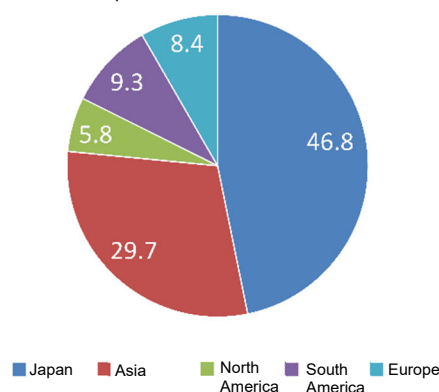
DAIDO KOGYO's "Integrated Report 2025" features a six-page India special section under the theme "Frontline of Global South Strategy." This section details the company's India strategy and its medium- to long-term Global South strategy. TSUBAKIMOTO CHAIN has embarked on a full-scale expansion into Global South markets, including India. This expansion is the most anticipated aspect of the merger. The primary focus is on a business strategy that leverages the complementary strengths of both companies.

Figure 6: DAIDO KOGYO's net sales composition and profitability by region and industry

DAIDO KOGYO's net sales composition by business (FY26/3 H1, %)



DAIDO KOGYO's net sales composition by region (FY26/3 H1, %)



Source: Created by CGRA based on various materials

Simple Performance Aggregation Simulation

We conducted a simulation based on the simple aggregation of both companies' performance. This approach excluded factors such as internal transactions, goodwill recognized, and synergy effects. In the medium to long term, the creation of synergy effects is anticipated by leveraging the strengths and complementary business relationships of both companies. However, in the short term, concerns remain regarding declining profitability and potential balance sheet deterioration. DAIDO KOGYO, in particular, has relatively low net sales per employee. CGRA believes that the success of the integrated global human resources strategy—including personnel allocation, development, and evaluation systems—will be a key factor in realizing synergies.

Figure 7: Performance and financial figures of both companies, and their simple aggregation

	TSUBAKIMOTO CHAIN			DAIDO KOGYO			Simple aggregation		
(Millions of yen, %)	FY24/3 Actual	FY25/3 Actual	FY26/3 Forecast	FY24/3 Actual	FY25/3 Actual	FY26/3 Forecast	FY24/3 Actual	FY25/3 Actual	FY26/3 Forecast
Net sales	266,812	279,193	284,000	56,041	57,515	-	322,853	336,708	-
Operating profit	21,262	22,854	20,000	227	1,382	-	21,489	24,236	-
Operating profit margin	8.0	8.2	7.0	0.4	2.4	-	6.7	7.2	-
Ordinary profit	23,450	25,332	22,000	778	1,434	-	24,228	26,766	-
Profit	18,551	22,122	19,000	342	1,192	-	18,893	23,314	-
(Evaluation)	High profitability			Low profitability					
Total assets	391,298	371,510	-	79,121	77,803	-	470,419	449,313	-
Net assets	260,559	262,162	-	36,685	36,787	-	297,244	298,949	-
Equity	258,400	259,810	-	31,158	30,723	-	289,558	290,533	-
Equity ratio	66.0	69.9	-	39.4	39.5	-	61.6	64.7	-
Cash and deposits	77,321	67,945	-	8,278	8,711	-	85,599	76,656	-
Interest-bearing debt	28,712	25,144	-	24,221	23,333	-	52,933	48,477	-
Net D/E ratio	-0.19	-0.17	-	0.51	0.48	-	-0.11	-0.10	-
(Evaluation)	Net cash			Net debt					
Operating CF	38,580	21,297	-	2,782	4,637	-	41,362	25,934	-
Investing CF	-9,161	-11,834	-	-2,838	-2,812	-	-11,999	-14,646	-
FCF	29,419	9,463	-	-56	1,825	-	29,363	11,288	-
Financing CF	-15,695	-21,655	-	-241	-1,700	-	-15,936	-23,355	-
Cash and cash equivalents	74,655	63,316	-	8,270	8,702	-	82,925	72,018	-
Net sales operating CF margin	14.5	7.6	-	5.0	8.1	-	12.8	7.7	-
(Evaluation)	High cash-generating capacity			Low cash-generating capacity					
Capital investment	13,581	12,444	-	3,972	3,921	-	17,553	16,365	-
Depreciation	13,883	14,211	-	3,053	3,181	-	16,936	17,392	-
R&D	6,346	6,820	-	566	672	-	6,912	7,492	-
Consolidated number of employees	8,750	8,768	-	2,480	2,454	-	11,230	11,222	-
Net sales per employee	3,049	3,184	-	2,260	2,344	-	2,875	3,000	-
Operating profit per employee	243	261	-	9	56	-	191	216	-
(Evaluation)	High human resource efficiency			Low human resource efficiency					
PBR: times	0.71	0.73	0.90	0.26	0.28	0.49	-	-	-
ROE: %	7.7	8.5	-	1.2	3.9	-	7.0	8.0	-
PER: times	10.1	8.7	12.0	24.1	7.4	-	-	-	-
Stock price: yen	1,717	1,849	2,277	786	863	1,470	-	-	-
Market capitalization: millions of yen	190,969	196,388	241,848	8,586	9,428	16,059	-	-	-
Dividend per share: yen	53.3	80.0	80.0	15.0	25.0	-	-	-	-
Dividend payout ratio: %	31.3	37.6	42.3	46.1	21.4	-	-	-	-
Dividend yield: %	3.1	4.3	3.5	1.9	2.9	-	-	-	-

Source: Created by CGRA based on various materials

Outline and Progress of Mid-Term Plan 2025

Outline of “Mid-Term Plan 2025”

Mid-Term Plan 2025 has established objectives for FY26/3, which is the final fiscal year, including net sales of ¥300-320 billion, an operating profit margin of 9-11% (operating profit of ¥27-35.2 billion), ROE of 8% or higher, and a consolidated dividend payout ratio of 35% or higher. The basic policies are as follows: (1) Creation of next-generation businesses to enable sustainable growth; (2) Further establishment of market positions and enhancement of earning capabilities in existing businesses; (3) Strengthening of the business foundation through Monozukuri Reform and enhanced human resource development; and (4) Strengthening of ESG initiatives. This period has been strategically positioned as a “seed-sowing phase for new businesses” to ensure sustainable growth and the realization of the Long-Term Vision 2030.

ROE, shareholder returns, and CO₂ emissions reductions met the targets.

Figure 8: Numerical targets of Mid-Term Plan 2025

Item	Indicator	FY26/3 Target	FY26/3 Company Forecast	Business Segment	FY26/3 Target Net sales (Billion yen)	FY26/3 Target Operating profit margin	FY26/3 Company Forecast
Profitability	Net sales	¥300-320 billion	Target not met	Chain	80-85	15% or higher	14.9%
Capital efficiency	Operating profit margin	9-11%	Target not met	MC	32-35	12% or higher	4.8%
Shareholder return	ROE	8% or higher	Target achieved	Mobility	95-100	11% or higher	9.8%
	Dividend payout ratio	35% or higher (initially 30%)	Target achieved	Materials Handling	90-95	6% or higher	1.2%
ESG	CO ₂ emissions	Reduction by 30% vs. FY14/3 (Scope: Group companies in Japan)	Target achieved				
		Reduction by 20% or higher vs. FY19/3 (Scope: Overseas Group companies)	Target achieved				

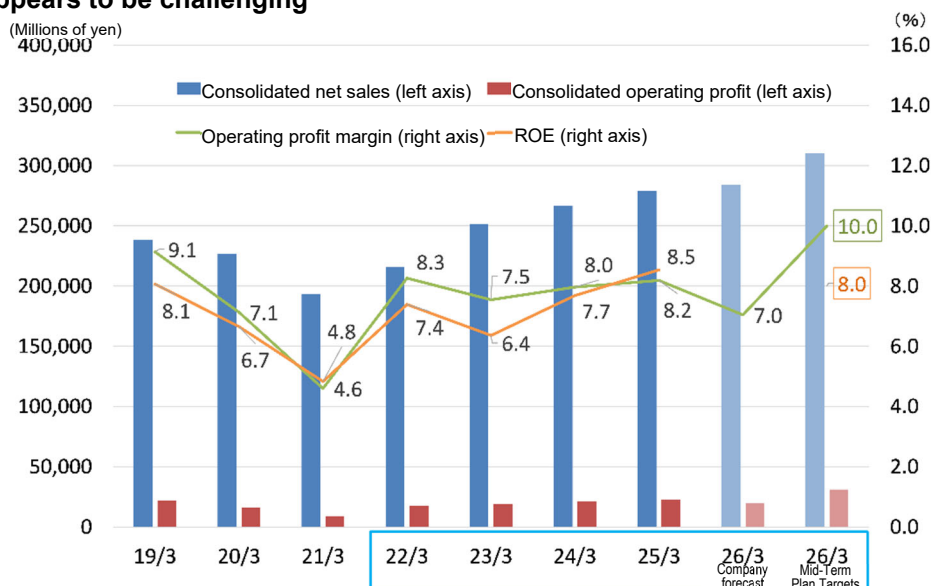
Source: Created by CGRA based on company materials, etc.

Improvement measures to promote transformation will be required in the next Mid-Term Plan

In FY25/3, the fourth year of Mid-Term Plan, the Company reported net sales of ¥279.1 billion, operating profit of ¥22.8 billion (operating profit margin: 8.2%), ROE of 8.5%, and a dividend payout ratio of 37.6% (total payout ratio: 82.4%). ROE and shareholder returns have already surpassed their respective targets. For FY26/3, the final year of Mid-Term Plan, net sales were revised downward to ¥284.0 billion (initial forecast: ¥290.0 billion), operating profit to ¥20.0 billion (initial forecast: ¥21.5 billion), and operating profit margin to 7.0% (initial forecast: 7.4%) in the first-half results announcement. The projected dividend per share remains unchanged at ¥80, with a consolidated payout ratio forecast of 42.3%. By business segment, MC Operations and Mobility Operations were revised upward compared with the initial operating profit forecast, while Materials Handling Operations was revised downward.

The unanticipated decline in profitability within MC and Materials Handling Operations had a substantial impact.

Figure 9: Achieving targets for net sales and operating profit margin appears to be challenging



Source: Created by CGRA based on company materials

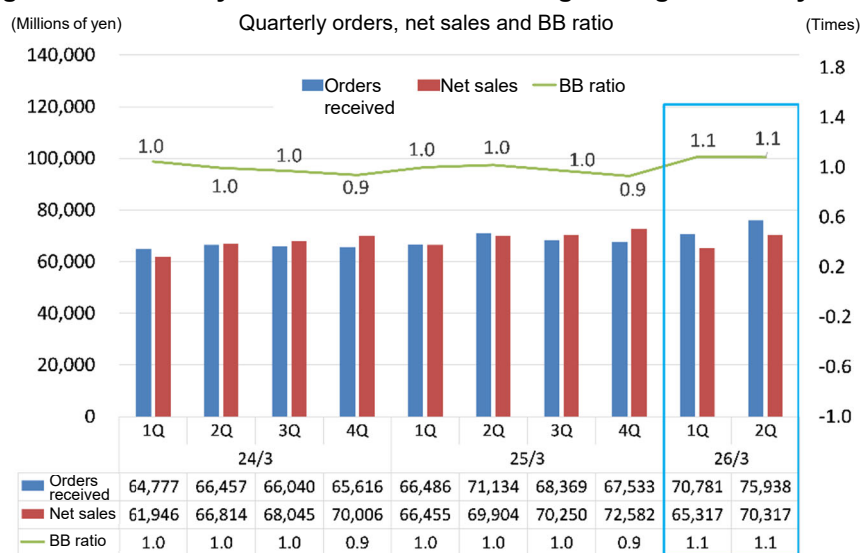
Quarterly Orders and Performance Trends

Orders received: Order volume is beginning to increase

Orders received during FY26/3 Q1 and Q2 are demonstrating a strengthening recovery trend across all operations, particularly in Chain Operations. Consolidated orders received in Q1 increased 6.5% year-on-year to ¥70.7 billion, while Q2 orders rose 6.8% to ¥75.9 billion, indicating that order volume is starting to pick up. The BB ratio (a leading indicator of performance) has remained consistently above 1.0, with the ratio calculated by dividing the amounts of orders received by net sales. Additionally, the order backlog at the end of Q2 amounted to ¥78.5 billion, marking a 6.1% year-on-year increase (equivalent to 3.3 months of monthly sales). This suggests a solid foundation for strong performance in Q3 and beyond.

Solid earnings performance is expected to continue, as indicated by the BB ratio and order backlog.

Figure 10: Quarterly orders received are strengthening a recovery trend



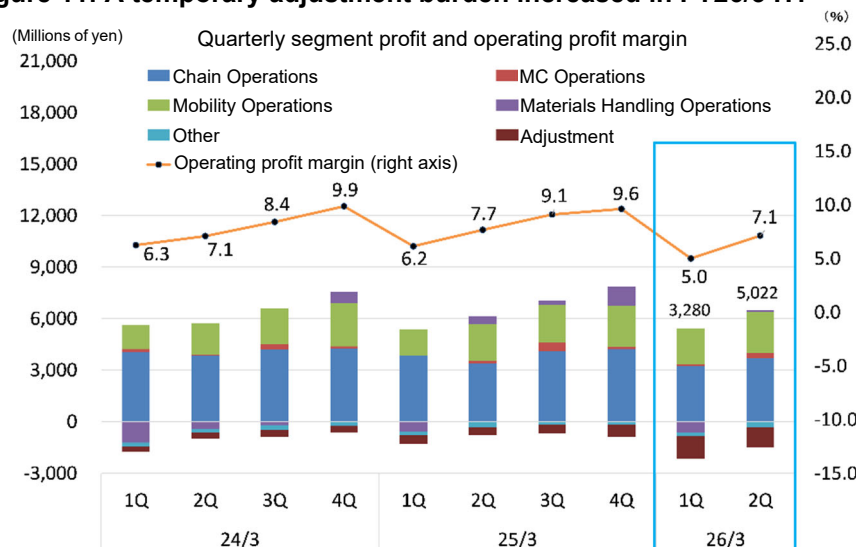
Source: Created by CGRA

Performance: Temporary fluctuations in expenses had a negative impact on profits in FY26/3 H1

For FY26/3 Q1, operating profit decreased by 19.8% year-on-year to ¥3.28 billion (operating profit margin: 5.0%). For Q2, operating profit decreased by 6.5% year-on-year to ¥5.022 billion (operating profit margin: 7.1%), marking a decline in profit for two consecutive quarters. However, this includes ¥1.1 billion in one-time expenses, such as costs related to the Osaka Kansai Expo and the merger with DAIDO KOGYO, which are recorded as adjustments. After adjusting for one-time expenses, the actual operating profit was comparable to the same period last year. The forecast for operating profit in the second half of FY26/3 is expected to decrease by 12.7% year-on-year, reaching ¥11.698 billion (operating profit margin: 7.9%).

A reduction in temporary expense burdens is expected from the Q3 onwards.

Figure 11: A temporary adjustment burden increased in FY26/3 H1



Source: Created by CGRA

Events Featured in 2025-2026

2025: Announcement of a merger with DAIDO KOGYO



In 2025, as domestic automobile production recovered, a global shift in demand progressed, with battery electric vehicles (BEVs) being replaced by plug-in hybrid electric vehicles (PHEVs) and hybrid electric vehicles (HEVs) equipped with engines. On the other hand, the prevailing uncertainty surrounding economic policy has led to a risk-averse approach to capital investment in the U.S. In light of the challenging external environment, the Company has implemented a business merger with DAIDO KOGYO, revised product prices in response to tariffs and repurchased its own shares.

In 2026, the external environment is expected to improve, prompting a focus on the content of the next Mid-Term Plan.

2026: The focus will shift to the next Mid-Term Plan, which is scheduled for announcement around June.

Key events in 2026 include the merger with DAIDO KOGYO and anticipation surrounding the next Mid-Term Plan, expected to be announced around June (the current Mid-Term Plan was announced on June 14, 2021). For the next Mid-Term Plan, expectations include structural reforms centered on transforming low-profitability businesses; a concrete medium- to long-term growth story; specific measures to maximize synergies with DAIDO KOGYO, where profitability may initially decline post-merger; and effective measures to improve PBR, including shareholder returns. Regarding the external environment, CGRA anticipates a recovery in automotive capital investment and machine tool orders, particularly in the U.S. Additionally, the automotive sector is projected to experience a sustained recovery, primarily driven by the proliferation of PHEVs and HEVs. Furthermore, recovery in semiconductor capital investment is anticipated to broaden its foundation.

Figure 12: Events featured in 2025-2026

Related items	Date	Contents
IR	May 14	Announced merger with DAIDO KOGYO CO., LTD.
	May 14	Announced repurchase of treasury stock
	May 14	Announced sale of cross-shareholdings
	Oct. 14	Published Integrated Report
	Oct. 31	Downward revision of FY26/3 forecast
Business	Jun. 4	Developed a compact mobility vehicle, "Fully Electric Cargo (tentative name)"
	Aug. 1	The artificial light plant factory "Fukui Mihama Plant" commenced operations
	Oct. 15	The Company's booth at the Osaka Kansai Expo attracted 55,499 visitors
	Oct. 27	Launched a new data analysis service plan for logistics warehouses
	Oct. 31	The LiniSort, which incorporates an AI image recognition inspection system, won the "Encouragement Award" at the Super Monozukuri Parts Awards
	Nov. 4	Signed partnership agreement with China's SEER and launched sales of AMR and AGF
External Environment		U.S. tariffs suppress and delay capital investment in the U.S., Japan, and China Some automakers have reduced production due to semiconductor shortages There has been consistent and significant demand for semiconductor capital investment in areas related to artificial intelligence
Related items	Date	Contents
IR	Jan. 1	Scheduled to merge with DAIDO KOGYO CO., LTD.
	Around June	The next Mid-Term Plan is to be announced
	-	Elimination of the ¥1.4 billion annual cost of the Osaka Kansai Expo and the DAIDO KOGYO merger
Business	-	Normalization of global automotive production (Mobility Operations)
	-	Commencement of official deliveries of arc chain actuators for trucks (MC Operations)
	-	Market launch of the 9th generation chain around 2027 (Chain Operations)
External Environment		Automotive capital investment and machine tool orders are recovering, primarily in the U.S. and Japan There is continued recovery in automotive production, centered on PHEVs and HEVs Semiconductor capital investment recovery is broadening from the AI sector to the memory sector

Source: Created by CGRA. Items with a background color indicate featured events.



Overview of Chain Operations

CGRA Perspective: Conveyor-related capital investment serves as a leading indicator of Chain Operations performance

The Company manages various chains that are incorporated into automated warehouses, conveying equipment, and diverse production facilities, primarily focused on logistics. These chains play a vital role in transporting goods and transmitting power. Furthermore, they contribute to solving societal challenges by minimizing energy loss, extending service life, and reducing equipment environmental impact through world-class transmission performance. Industrial steel chains, which hold the world's top market share, account for approximately 70% of net sales. Replacement demand constitutes half of net sales, which is a key source of high profitability. As a new initiative, we conducted a correlation analysis between the consolidated net sales of the leading conveyor equipment manufacturer and Chain Operations net sales. The correlation coefficient between the two was high at 0.92. We will continue to monitor conveyor-related capital investment as a leading indicator for Chain Operations.

We analyzed the largest conveyor-related company as a leading performance indicator.

Performance Trends: Continues to demonstrate high profitability

For FY26/3, net sales are projected to increase 4.4% year-on-year to ¥100.5 billion (initial forecast: ¥98.5 billion; actual for the first half: ¥49.064 billion; forecast for the second half: ¥51.436 billion). Operating profit is forecast to decline 3.8% year-on-year to ¥15.0 billion (initial forecast: ¥15.0 billion; H1 actual: ¥6.920 billion; H2 forecast: ¥8.080 billion). The projected operating profit margin is 14.9% (initial forecast: 15.2%). In the first-half financial results announcement, net sales were revised upward from the initial forecast, while operating profit remained unchanged. The impact of U.S. tariffs is being addressed primarily through product price increases. However, for FY26/3, a profit reduction impact of ¥700 million is expected to remain for some products.

Order Trends: Steady order environment expected to continue for the second half

Chain Operations recorded a substantial order intake during FY26/3 Q1, marking a 9.1% year-on-year increase to ¥24.7 billion, and Q2 increased by 8.7% year-on-year to ¥24.4 billion, suggesting a sustained favorable order environment. YASKAWA Electric's Motion Control segment, which includes servo motors and inverters, experienced a 2% year-on-year decrease in orders for the March-May 2025 period, which is highly correlated compared with Chain Operations orders. However, orders for the June-August period increased by 5% year-on-year. Daifuku plans orders for the October-December 2025 period to reach ¥181.1 billion, a 10% increase compared to the July-September period.

The order environment has shown consistent improvement.

Mid-Term Plan and Growth Strategy

The Company is targeting Chain Operations net sales of ¥80-85 billion and an operating profit margin of 15% or higher in FY26/3, the final year of Mid-Term Plan. Regarding net sales, the Company achieved a significant milestone by surpassing ¥90 billion in FY23/3. Furthermore, it attained an operating profit margin of 17.4% in FY24/3. Its matrix management approach is proving successful, advancing product development by identifying regional and customer industry characteristics. Furthermore, the Company is pursuing mergers and acquisitions to expand its presence in Europe and develop the Global South markets, leading to expectations for further growth.

Figure 13: Medium- to long-term growth potential is expected to be high



Source: Created by CGRA based on company materials



Overview of Motion Control Operations

CGRA Perspective: A rapid expansion into overseas markets is imperative

Motion Control (MC) Operations specializes in components such as reducers, electric cylinders, clutches, shaft couplings, and fasteners. These components are essential for the operational performance and machining precision of various machines. For FY25/3, the domestic net sales ratio was 69% (domestic production ratio 81%), while the overseas ratio remained low at 31% (U.S. ratio 10%), indicating a heavy dependence on domestic demand. While MC Operations secured an operating profit margin of 13.1% in FY19/3, the average operating profit margin over the past five periods was 4.7%, indicating persistent low profitability. There are still issues to be addressed regarding the realization of top-line growth potential, including the development of new products.

Fundamental reforms will be pursued to enhance profitability.

Performance Trends: Despite ongoing profitability issues, earnings forecasts have been revised upwards

FY26/3 net sales are projected to increase 6.9% year-on-year to ¥25.0 billion (initial forecast: ¥24.5 billion; actual for the first half: ¥11.879 billion; forecast for the second half: ¥13.121 billion). Operating profit is forecast to increase 55.8% year-on-year to ¥1.2 billion (initial forecast: ¥1.0 billion; H1 actual: ¥423 million; H2 forecast: ¥777 million). The projected operating profit margin is 4.8% (initial forecast: 4.1%). In the first-half financial results announcement, both net sales and operating profit forecasts were revised upward from the initial projections. This revision points to a recovery in demand for machine tools and semiconductor manufacturing equipment, primarily in the domestic market, along with the impact of product price increases.

Order Trends: Year-on-year growth in machine tool orders indicates an accelerating trend

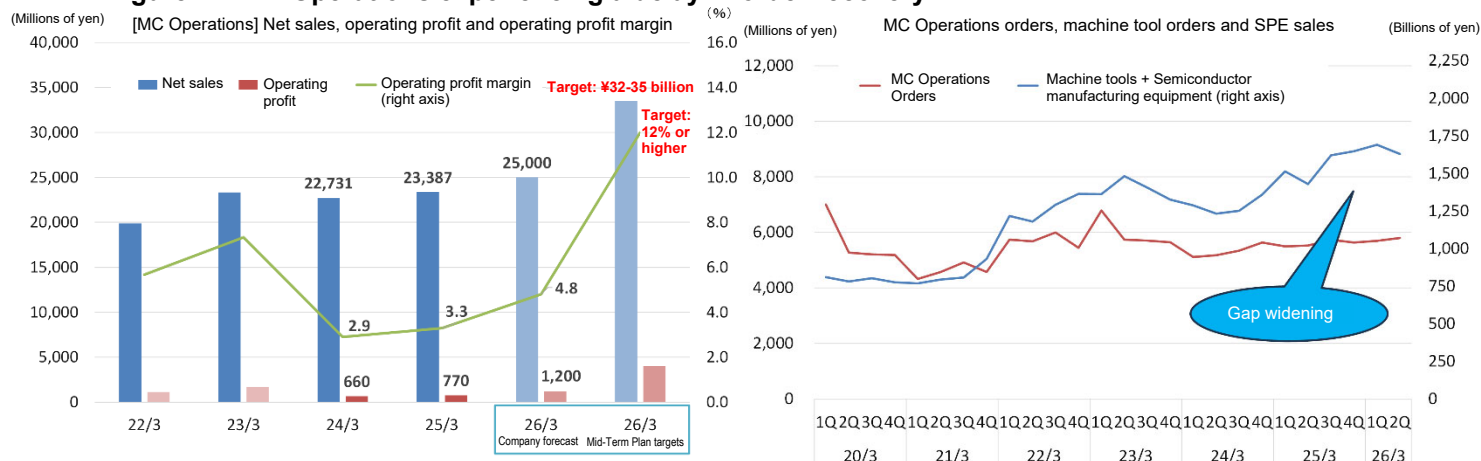
MC Operations orders received during FY26/3 Q1 increased 3.6% year-on-year to ¥5.6 billion, while orders rose 4.9% year-on-year to ¥5.7 billion during Q2, indicating a gradual recovery trend. As noted in the previous report, MC Operations order intake continues to lag behind the leading performance indicator—the sum of machine tool orders and semiconductor manufacturing equipment sales—and this gap remains unresolved. This indicates that excess inventory in the distribution channel has not been adequately reduced. However, machine tool orders in November 2025 increased 14% year-on-year, marking the second consecutive month of accelerating growth. Therefore, anticipation for a recovery in MC Operations orders has increased.

Orders are expected to increase in 2026.

Mid-Term Plan and Business Strategy

The Company is targeting MC Operations net sales of ¥32-35 billion and an operating profit margin of 12% or higher in FY26/3, the final year of the Mid-Term Plan. However, net sales fell significantly short of the plan, and the operating profit margin peaked at 7.3% in FY23/3. As part of its business strategy, TSUBAKI ATR, LLC, a U.S.-based company acquired in 2022 that manufactures and sells flexible couplings, has consistently demonstrated robust profitability as part of its business strategy. While integrated matrix management with Chain Operations is beginning to show results, a review of product strategy (including product development) and overseas strategy is likely required.

Figure 14: MC Operations experiencing a delay in order recovery



Source: Created by CGRA from various materials



Overview of Mobility Operations

CGRA Perspective: Focusing on profitability while adjusting supply based on demand fluctuations

Timing chain systems for automotive engines offered by Mobility Operations hold a 42% global market share and account for around 90% of the segment's net sales. In light of the recent shift in demand toward PHEVs and HEVs with engines, and as part of a strategic shift away from 100% Battery electric vehicles (BEVs), the Company has acquired a Stellantis global model project (HEV). Furthermore, it has acquired new, albeit small-scale, projects for 2026, demonstrating steady market share growth. In addition, Mobility Operations is developing new products in anticipation of the upcoming BEV era and has secured orders for new projects involving vehicle clutches compatible with BEVs. Securing a stable operating profit margin appears achievable.

Performance Trends: The impact of U.S. tariffs has been minimal, and the full-year forecast has been revised upwards

FY26/3 net sales are projected to increase 0.9% year-on-year to ¥92.0 billion (initial forecast: ¥92.0 billion; actual for the first half: ¥45.333 billion; forecast for the second half: ¥46.667 billion). Operating profit is forecast to increase 8.6% year-on-year to ¥9.0 billion (initial forecast: ¥7.9 billion; H1 actual: ¥4.472 billion; H2 forecast: ¥4.528 billion). The projected operating profit margin is 9.8% (initial forecast: 8.6%). In the first-half financial results announcement, net sales remained unchanged, however operating profit was revised upward by ¥1.1 billion. In addition to the impact of new European projects, the recovery of the Japanese market (due to the elimination of the impact of fraudulent certifications) and the impact of U.S. tariffs, which have had a net negative effect of approximately ¥100 million, and global price pass-through appear to have contributed to the revision.

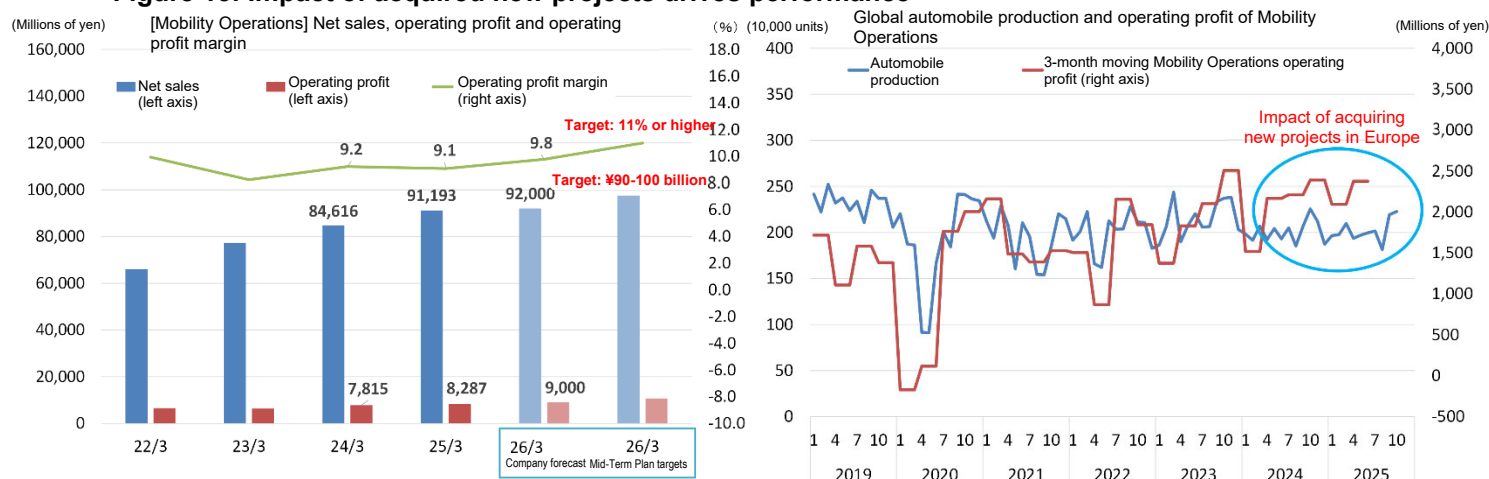
Order Trends: Looking ahead, we anticipate a recovery in production volumes from Japanese automakers

Orders received by Mobility Operations for FY26/3 Q1 increased 2.5% year-on-year to ¥22.4 billion, and Q2 also saw a 2.5% increase to ¥22.9 billion, indicating a gradual recovery trend. While market share gains and performance contributions from the production expansion of new European projects are evident, the pace of recovery is being hindered by sluggish production volume growth among Japanese automakers, which account for approximately 60% of net sales. With U.S. tariffs and semiconductor shortages showing signs of stabilizing, we anticipate a recovery in production volumes among Japanese automakers in 2026.

Mid-Term Plan and Business Strategy

The Company is targeting Mobility Operations net sales of ¥95-100 billion and an operating profit margin of 11% or higher in FY26/3, the final year of its Mid-Term Plan. However, due to the impact of U.S. tariffs and sluggish growth in the Chinese and Thai markets, results are expected to fall short of the plan. As part of the business strategy, the Company has consolidated its bases in Thailand and Europe, and is currently transferring production facilities from the Chinese base to the U.S. base. This strategic initiative aims to establish a resilient production system that can adapt to fluctuating demand, while also fueling the advancement of new products and the acquisition of new customers.

Figure 15: Impact of acquired new projects drives performance



Source: Created by CGRA from various materials



Overview of Materials Handling Operations

CGRA Perspective: A fundamental transformation is required to improve profitability

Approximately 60% of the net sales of Materials Handling Operations are attributable to system products used for conveying and sorting goods, as well as labo-stockers for regenerative medicine. Approximately 30% are attributable to the Mayfran business, which handles conveyance equipment (conveyors, hoppers, etc.) used for transporting metal chips from machine tools, as well as in scrap yards and food factories. The remaining portion is the Bulk business, which specializes in the provision of conveyors for powdered materials, various conveying equipment, and associated services. Materials Handling Operations primarily consists of custom-designed businesses centered on system solutions. Profitability is unstable due to variations in the profitability of individual projects, necessitating fundamental transformation.

Performance Trends: CCC in the U.S. has underperformed, leading to a significant downward revision of the full-year forecast

FY26/3 net sales are projected to decrease 1.9% year-on-year to ¥67.0 billion (initial forecast: ¥75.0 billion; actual for the first half: ¥29.61 billion; forecast for the second half: ¥37.39 billion). Operating profit is forecast to decrease 35.9% year-on-year to ¥800 million (initial forecast: ¥2.4 billion; H1 actual: a loss of ¥494 million; H2 forecast: ¥1.294 billion). The projected operating profit margin is 1.2% (initial forecast: 3.2%). In the first-half financial results announcement, both net sales and operating profit were significantly revised downward from the initial projections. A ¥1.3 billion deterioration in operating profit at Central Conveyor Company (CCC) in the U.S., along with a decline in net sales, primarily in the U.S., are the contributing factors to the revision.

Order Trends: Orders and inquiries are increasing, centering on Japan

Orders received for Materials Handling Operations reached the ¥14.0 billion bottom in FY25/3 Q3, and Q4 orders totaled ¥15.0 billion, marking a 11% decrease year-on-year. Orders received in FY26/3 Q1 increased 9.2% year-on-year to ¥17.2 billion, and Q2 orders also rose 11.1% to ¥22.1 billion, showing a strengthening recovery trend. In addition to the consolidation effect of an Indian subsidiary, the domestic materials handling business is experiencing an upward trend in orders and inquiries, particularly from the manufacturing and drugstore sectors. This necessitates a selective business evaluation approach that prioritizes profitability. Regarding the matter of the CCC business in the U.S., inquiries are rising, but a complete recovery in order intake is not anticipated until 2026 or later.

Mid-Term Plan and Business Strategy

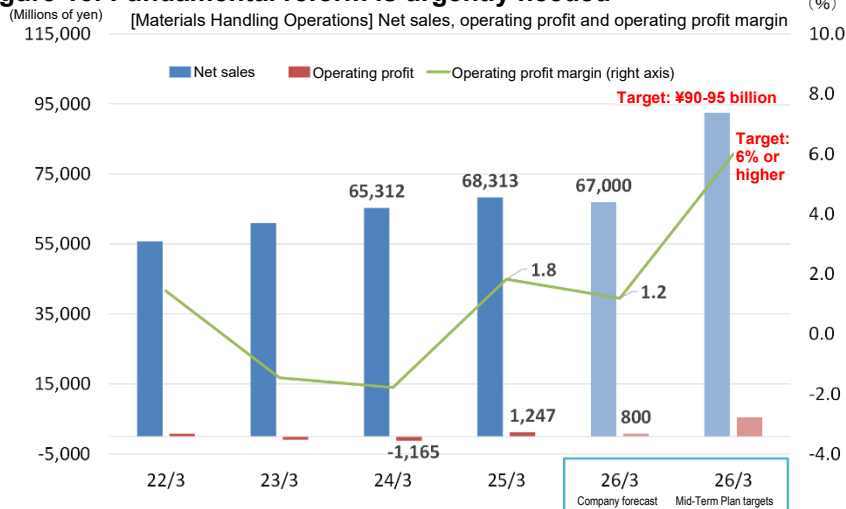
The Company is targeting Materials Handling Operations net sales of ¥90-95 billion and an operating profit margin of 6% or higher in FY26/3, the final year of the Mid-Term Plan, but current results significantly fall short of the plan. The Company is implementing business strategies that include promoting expansion of maintenance business, strengthening of system integration business through collaboration with other companies, and proposing image recognition and optimization technologies using AI technology. However, more fundamental changes, including exit from underperforming businesses, will be necessary to improve profitability.

Transforming the earnings structure is a key challenge.

We are optimistic to see an increase in order volume accompanied by improved profitability.

Key considerations include streamlining unprofitable industries and products, as well as focusing on the maintenance business.

Figure 16: Fundamental reform is urgently needed



Source: Created by CGRA from various materials



Approach to Stock Valuation

The expected stock price based on the SOTP calculation is ¥2,756

The Company has established ambitious targets in its current Mid-Term Plan, aiming for "ROE of 8% or higher" and a "dividend payout ratio of 35% or higher," with the objective of achieving a PBR of 1x or higher. The BPS of ¥2,533.14 as of the end of FY25/3 was applied to the stock price of ¥2,277 as of December 24, 2025, resulting in a PBR of 0.9x. ROE for FY26/3, including gains from the sale of cross-shareholdings stock, is projected to be around 8% (around 6% excluding the sale gains). Applying the PBR of 0.9x and ROE of 8.0% to the formula "PBR = ROE × PER" yields an expected PER of 11.2x.

An analysis of segment return on assets (ROA) for FY25/3 reveals notable disparities in capital efficiency across business segments. Chain Operations recorded 14.2%, Mobility Operations achieved 7.4%, and MC Operations and Materials Handling Operations attained 2.2% and 2.1%, respectively.

Chain Operations, which demonstrates growth rates and profitability comparable to Daifuku, is estimated to have an ROE of 15.5% based on its FY25/3 segment return on assets (ROA). This indicates a valuation equivalent to Daifuku's price-to-earnings ratio (PER) of 24x. Mobility Operations is expected to generate an ROE of approximately 8.0%. It could be valued at around the IFIS average forecast price-to-earnings ratio (PER) of 16.6x for the 88 transportation equipment companies.

Therefore, applying the above PERs (Chain Operations: 24x, Mobility Operations: 16.6x) to the FY25/3 net sales composition ratio of both businesses (Chain Operations 34%, Mobility Operations 33%) yields a SOTP-calculated PER of 13.6x. Conversely, the ROE for MC Operations and Materials Handling Operations is estimated at 2.3-2.4%, which is regarded as a discount factor of approximately 2-3 percentage points relative to the expected PERs calculated for the Chain Operations and Mobility Operations using the SOTP method.

If the discount factors for MC Operations and Materials Handling Operations were to disappear, the Company's expected price-to-earnings ratio (PER) would be 13.6x. Multiplying this by the projected ROE of 8.0% yields a reasonable PBR of 1.09x (= expected share price of ¥2,756). The "transformation" of MC Operations and Materials Handling Operations in the next Mid-Term Plan is the key to improving stock price valuation.

Aim for a return on equity (ROE) of 10% or higher

The average ROE for all listed companies has already increased to approximately 9.5%. For companies with strong cash generation capabilities, such as the Company, enhancing shareholder returns is an effective strategy. In addition, aiming for an ROE of 10% or higher through balance sheet management, e.g., reducing equity and setting upper limits, is considered to directly contribute to improving stock price valuation.

Setting a target DOE is also an effective strategy for improving the PBR

When aiming to enhance PBR through shareholder returns, the relationship formula, "PBR = DOE / Dividend Yield," is a valuable tool. For the FY25/3, the Company's DOE was 3.2% and the dividend yield was 4.3% (¥80 per share / closing stock price of ¥1,849). The projected dividend yield for FY26/3 is 3.5% (¥80 per share / Stock price of ¥2,257). To ensure a PBR of 1x, a DOE of 3.5% or higher will be required. CGRA believes that setting a target DOE of 3.5% or higher, or implementing measures to control net assets around ¥230 billion, would also be effective in achieving a higher PBR.

The key to improving stock price valuation lies with MC Operations and Materials Handling Operations.

To enhance PBR, compressing equity and establishing a target DOE are effective strategies.



Shareholder Return Policy

Shareholder Return Policy: Shifting to a policy of shareholder returns focused on the total payout ratio

In its May 14, 2024 announcement titled "Actions to Implement Management that is Conscious of Cost of Capital and Stock Price" the Company revised its shareholder return policy. It raised the consolidated dividend payout ratio benchmark from the previous 30% to "35% or higher" and will implement share buybacks with agility, shifting to a policy of "shareholder returns focused on the total payout ratio." Furthermore, the Company has outlined plans for FY25/3 and FY26/3 to allocate ¥25-30 billion to new growth investments and ¥35-40 billion for shareholder returns, while reducing year-end cash and deposits to ¥50 billion, equivalent to two months of monthly sales.

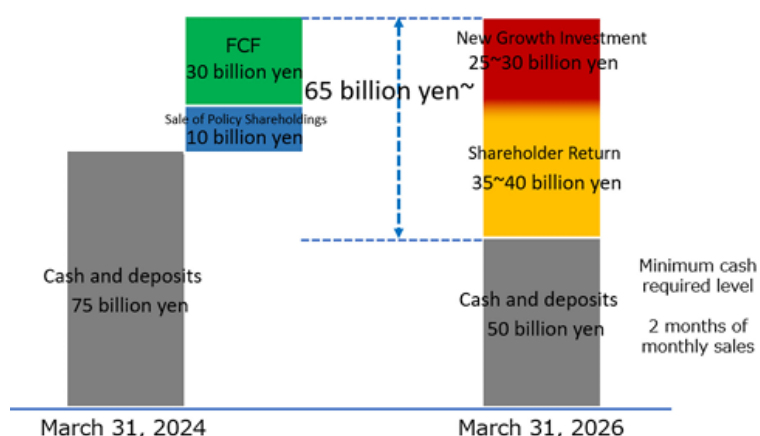
Shareholder return policy for ¥35-40 billion over 2 years from FY25/3 to FY26/3.

Total Payout Amount: Returns for FY25/3-FY26/3 are expected to be implemented as planned

For FY25/3, total payout amounted to ¥18.2 billion, with a total payout ratio of 82.4%. This comprised an annual dividend of ¥80 per share (total ¥8.2 billion, dividend payout ratio 37.6%) on a post-3-for-1 stock split basis, plus ¥10.0 billion in share buybacks. For FY26/3, an annual dividend of ¥80 per share is forecast, amounting to a total of ¥8.2 billion, with a dividend payout ratio of 42.3%. Additionally, the Company has purchased treasury shares with a maximum limit of ¥10 billion, or 6.5 million shares, from June 2, 2025, to December 30, 2025; the transaction was completed as of November 20. The total payout is estimated to be approximately ¥18.2 billion, with a total payout ratio of 95.9%, which is comparable to FY25/3. As a result, the total payout amount for the period from FY25/3 to FY26/3 is projected to be ¥36.4 billion (average total payout ratio of 89.1%).

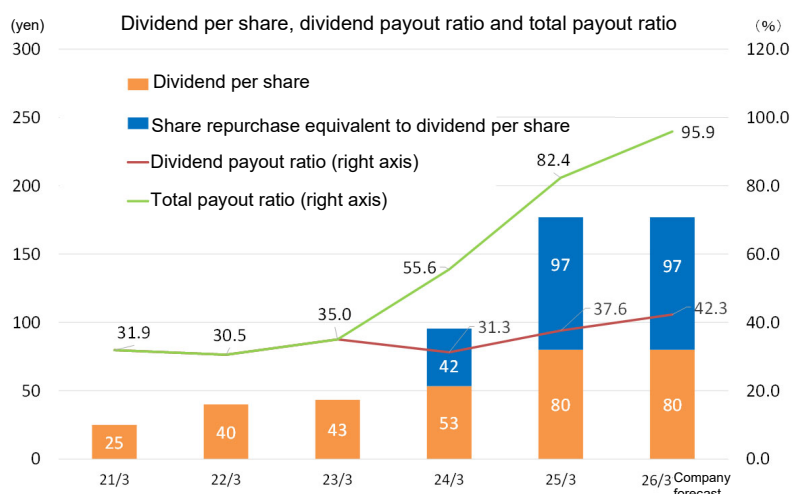
Proactive shareholder returns, including share repurchase.

Figure 17: Cash allocation during Md-Term Plan FY25/3-FY26/3



Source: Company materials

Figure 18: Average total payout ratio for FY25/3-FY26/3 was 89.1%



Source: Created by CGRA based on company materials, etc.

Evolution of Sustainable Management

The "transformation" toward realizing sustainable management appears to have entered the implementation phase

In the "TSUBAKI REPORT 2025," CEO Kose stated, "We will conduct a thorough analysis of Motion Control Operations and Materials Handling Operations and aim to reflect fundamental reforms in the next Mid-Term Plan," and "While accelerating investment and monetization in new businesses, we will establish exit criteria and realize a growth strategy focused on capital return." COO Kimura also explained that the Company has initiated a series of changes to its business structure and will continue to accelerate its business reforms. The Company's "transformation" can be assessed as transitioning from the conceptual phase to the execution phase.

In the next Mid-Term Plan, measures are anticipated to enhance the Company's sustainability.

Environment (E): Focusing on expanding sales of eco-products linked to addressing materiality

The Company is strengthening various activities with the goal of achieving net-zero Scope 1, 2, and 3 emissions by the fiscal year ending March 2051. As a result, the Company has achieved its FY26/3 reduction targets for Scope 1 and Scope 2 emissions on a global scale, a full year ahead of the initially anticipated deadline. For global Scope 3 emissions, the Company is working toward a 25% reduction target by the fiscal year ending March 2031 compared to 2021 levels. In addition, the Company is developing new eco-friendly products and expanding their sales, which is resulting in a tangible financial impact from environmental activities.

Social (S): Employee engagement score remains low

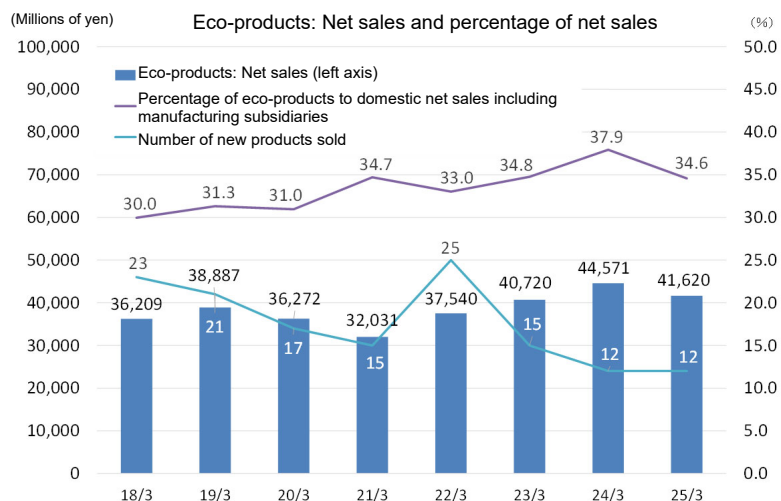
The ratio of female employees (10.0% as of April 1, 2025) and the ratio of female managers (5.2% in Japan) have improved. In addition, the non-consolidated employee turnover rate is low at 2.8%, and the turnover rate within three years of joining is also low at 3.0%. The biennial employee engagement score has shown an upward trend. However, the levels of "job satisfaction" and "company satisfaction" remained unchanged at 51.4% and 58.5%, respectively. Implementing targeted measures to improve these scores is essential.

We anticipate management that prioritizes employee engagement scores and total shareholder return (TSR).

Governance (G): Anticipating swift and effective governance

While there are no objections to the composition of the Board of Directors or the governance structure, there is an impression that management could improve in terms of speed and effectiveness. The performance-linked remuneration ratio for directors (excluding outside directors) is relatively high at 43%. The indicators used to determine remuneration include consolidated operating profit, return on equity (ROE), and the year-on-year change in market capitalization. In addition, the implementation of a restricted stock system is commendable. This system is designed to align the interests of directors with those of shareholders through equity ownership. However, given the Company's current circumstances, CGRA believes that extending the performance-linked remuneration system to the executive officer level and incorporating sustainability-related items, such as total shareholder return (TSR) and employee engagement, into the compensation-related indicators would be effective.

Figure 19: Sales growth of eco-products has been consistent and steady



Source: Created by CGRA from various materials

Financial Data

Figure 20 : Consolidated balance sheet and cash flow statement

(¥ mn, %)	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3
Current assets	116,536	125,400	132,144	143,949	134,083	145,185	166,512	182,054	205,853	193,313
Cash on hand and in banks	20,195	26,332	29,590	33,647	29,019	41,869	49,104	56,908	77,321	67,945
Receivables	48,726	50,760	55,612	59,807	57,046	55,377	59,131	63,208	67,350	64,639
Marketable securities	7,533	7,965	4,646	4,114	3,965	6,189	6,339	2,674	603	780
Inventories	33,153	33,875	37,676	41,884	40,278	38,389	49,008	55,882	58,156	56,159
Other current assets	6,929	6,468	4,618	4,495	3,773	3,360	2,930	3,381	2,421	3,785
Fixed assets	137,570	141,814	151,429	161,966	160,015	162,147	166,107	163,823	185,444	178,197
Tangible fixed assets	102,777	105,435	113,285	116,946	118,579	115,059	114,918	115,097	118,942	117,695
Intangible fixed assets	4,352	3,841	2,968	12,787	11,361	10,695	10,700	9,081	8,904	9,245
Investments and other assets	30,444	32,537	35,175	32,233	30,074	36,391	40,488	39,644	57,598	51,255
Total assets	254,106	267,215	283,574	305,916	294,098	307,332	332,620	345,878	391,298	371,510
Current liabilities	55,525	66,558	70,796	82,617	67,081	61,690	67,839	65,588	77,499	62,505
Notes payable - trade	24,986	25,462	34,148	33,701	27,030	25,674	28,373	29,643	33,291	19,934
Short-term borrowings	10,547	20,225	11,292	22,779	17,139	11,953	13,142	9,328	9,984	10,844
Other current liabilities	19,992	20,872	25,356	26,137	22,912	24,064	26,324	26,617	34,224	31,727
Long-term liabilities	52,766	44,439	43,012	47,844	50,961	58,147	55,023	53,707	53,238	46,842
Convertible bonds	10,000	10,000	10,000	15,000	15,000	15,000	15,000	15,000	15,000	10,000
Long-term debt	14,269	4,409	5,288	5,992	9,369	14,214	9,727	9,457	3,728	4,300
Other long term liabilities	28,497	30,030	27,723	26,851	26,592	28,933	30,295	29,249	34,510	32,542
Total liabilities	108,291	110,997	113,808	130,461	118,043	119,838	122,863	119,295	130,738	109,348
Minority interests	3,774	3,744	1,848	1,720	1,695	1,703	2,000	2,184	2,159	2,352
Shareholders' equity	142,041	152,474	167,916	173,734	174,360	185,791	207,756	224,398	258,400	259,810
Total net assets	145,815	156,218	169,764	175,454	176,055	187,494	209,757	226,582	260,559	262,162
Total liabilities and shareholders' equity	254,106	267,215	283,574	305,916	294,098	307,332	332,620	345,878	391,298	371,510
(¥ mn, %)	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3
Operating CF	19,090	25,434	27,657	24,197	20,275	27,890	21,000	21,352	38,580	21,297
Income before income taxes and minority interests	20,444	21,575	21,164	19,432	16,809	12,159	20,081	18,292	25,894	30,167
Depreciation and amortization	10,402	10,342	11,005	12,366	12,739	12,682	12,694	13,299	13,883	14,211
Working capital total	-3,721	-2,804	720	-5,847	-3,318	3,143	-7,998	-5,851	2,624	-7,783
Income taxes	-9,785	-6,126	-6,664	-7,354	-5,089	-3,810	-3,533	-7,403	-6,534	-9,045
Others	1,750	2,447	1,432	5,600	-866	3,716	-244	3,015	2,713	-6,253
Investing CF	-13,593	-13,420	-17,389	-32,088	-14,241	-9,560	-9,075	-9,279	-9,161	-11,834
Purchase of investment securities	-194	-229	-11	-212	-15	-252	-12	-24	-620	-21
Proceeds from sales of investment securities	0	19	0	328	215	166	352	793	2,775	5,668
Additions to property, plant and equipment	-13,750	-14,151	-15,542	-17,273	-14,661	-9,723	-8,004	-8,922	-10,844	-13,159
Proceeds from sales of fixed assets	147	135	167	198	171	689	178	354	178	240
Purchase of subsidiary investment	0	0	0	-15,457	0	0	0	0	0	0
Others	207	807	-2,001	327	48	-440	-1,589	-1,480	-650	-4,562
FCF	5,496	12,013	10,268	-7,890	6,034	18,330	11,925	12,073	29,419	9,463
Financial CF	-5,476	-4,084	-13,191	12,679	-10,385	-4,354	-7,780	-9,963	-15,695	-21,655
Net increase(decrease) in long term debt	-1,540	-688	-9,410	15,780	-2,398	1,213	-658	-4,581	-279	-3,667
Net increase(decrease) in short term debt	-190	913	1,042	1,813	376	-1,687	-3,005	145	-5,226	-9
Cash dividend paid	-3,554	-3,928	-4,544	-4,731	-4,541	-3,330	-3,516	-4,813	-4,767	-6,984
Others	-192	-381	-279	-183	-3,822	-550	-601	-714	-5,423	-10,995
Cash and cash equivalents at the beginning of the year	27,360	26,422	34,142	31,712	36,087	31,378	46,084	52,888	56,978	74,655
Cash and cash equivalents at the end of the year	26,422	34,142	31,712	36,087	31,378	46,084	52,888	56,978	74,655	63,316
Shareholders' equity ratio (%)	55.9	57.1	59.2	56.8	59.3	60.5	62.5	64.9	66.0	69.9
ROE (%)	9.0	9.9	9.2	8.1	6.7	4.8	7.4	6.4	7.7	8.5
ROA (%)	5.0	5.6	5.3	4.7	3.9	2.9	4.5	4.1	5.0	5.8

Figure 21 : Consolidated profit and loss statement

(¥ mn,%)	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3	26/3COE
Sales	203,976	198,762	215,716	238,515	226,423	193,399	215,879	251,574	266,812	279,193	284,000
YOY	3.7	-2.6	8.5	10.6	-5.1	-14.6	11.6	16.5	6.1	4.6	1.7
COGS	142,241	138,191	152,629	171,958	166,158	145,764	153,134	180,321	189,046	197,010	-
COGS ratio	69.7	69.5	70.8	72.1	73.4	75.4	70.9	71.7	70.9	70.6	-
SG&A	40,164	38,924	42,392	44,767	44,118	38,737	44,902	52,267	56,503	59,328	-
SG&A ratio	19.7	19.6	19.7	18.8	19.5	20.0	20.8	20.8	21.2	21.2	-
Operating income	21,570	21,647	20,694	21,789	16,146	8,896	17,842	18,985	21,262	22,854	20,000
YOY	0.7	0.4	-4.4	5.3	-25.9	-44.9	100.5	6.4	12.0	7.5	-12.5
Operating income ratio	10.6	10.9	9.6	9.1	7.1	4.6	8.3	7.5	8.0	8.2	7.0
Non-operating income/expenses	539	357	1,049	-167	552	2,129	2,204	1,973	2,188	2,478	2,000
Non-operating profits	1,505	1,505	1,784	1,809	1,918	3,265	3,230	2,933	3,770	4,209	-
Non-operating losses	966	1,148	735	1,976	1,366	1,136	1,026	960	1,582	1,731	-
Ordinary income	22,109	22,004	21,743	21,621	16,698	11,026	20,045	20,958	23,450	25,332	22,000
YOY	-0.7	-0.5	-1.2	-0.6	-22.8	-34.0	81.8	4.6	11.9	8.0	-13.2
Ordinary income ratio	10.8	11.1	10.1	9.1	7.4	5.7	9.3	8.3	8.8	9.1	7.7
Extraordinary income/loss	-1,665	-429	-579	-2,189	111	1,133	35	-2,666	2,444	4,835	-
Extraordinary income	75	10	0	4	533	1,190	130	376	3,719	5,088	-
Extraordinary loss	1,740	439	579	2,193	422	57	95	3,042	1,275	253	-
Pretax income	20,444	21,575	21,164	19,432	16,809	12,159	20,081	18,292	25,894	30,167	-
Taxes and deferred taxes	7,643	6,721	6,422	5,577	5,123	3,377	5,418	4,429	7,282	7,998	-
Tax ratio	37.4	31.2	30.3	28.7	30.5	27.8	27.0	24.2	28.1	26.5	-
Minority interests	33	257	75	75	109	75	119	120	60	46	-
Net income	12,766	14,596	14,666	13,779	11,576	8,706	14,543	13,742	18,551	22,122	19,000
YOY	-9.8	14.3	0.5	-6.0	-16.0	-24.8	67.0	-5.5	35.0	19.2	-14.1
NP margin	6.3	7.3	6.8	5.8	5.1	4.5	6.7	5.5	7.0	7.9	6.7
EPS	113.73	130.05	129.15	121.34	102.90	78.41	130.96	123.70	170.55	212.65	189.15
Segment Sales											
Chain Operations	63,998	60,600	67,338	72,023	67,526	61,312	74,174	90,096	94,151	96,277	100,500
Motion Control Operations	21,975	21,563	24,156	25,591	23,813	18,024	19,906	23,316	22,731	23,387	25,000
Mobility Operations	73,473	75,147	79,545	78,992	70,949	59,450	66,027	77,275	84,616	91,193	92,000
Materials Handling Operations	44,354	41,043	44,187	61,827	64,212	53,618	55,728	60,973	65,312	68,313	67,000
Other	3,186	3,001	3,331	3,548	3,542	3,941	3,074	3,200	3,404	3,547	3,400
Elimination	-3,011	-2,594	-2,843	-3,469	-3,622	-2,948	-3,031	-3,287	-3,402	-3,525	-3,900
Consolidated Sales	203,976	198,762	215,716	238,515	226,423	193,399	215,879	251,574	266,812	279,193	284,000
YoY											
Chain Operations	3.7	-5.3	11.1	7.0	-6.2	-9.2	21.0	21.5	4.5	2.3	4.4
Motion Control Operations	-2.6	-1.9	12.0	5.9	-6.9	-24.3	10.4	17.1	-2.5	2.9	6.9
Mobility Operations	9.7	2.3	5.9	-0.7	-10.2	-16.2	11.1	17.0	9.5	7.8	0.9
Materials Handling Operations	-1.8	-7.5	7.7	39.9	3.9	-16.5	3.9	9.4	7.1	4.6	-1.9
Other	7.3	-5.8	11.0	6.5	-0.2	11.3	-22.0	4.1	6.4	4.2	-4.1
Consolidated Sales	3.7	-2.6	8.5	10.6	-5.1	-14.6	11.6	16.5	6.1	4.6	1.7
Segment Profit											
Chain Operations	6,172	7,102	8,502	10,292	8,406	7,862	11,005	13,687	16,396	15,585	15,000
Motion Control Operations	2,428	2,218	3,060	3,340	2,189	747	1,129	1,710	660	770	1,200
Mobility Operations	12,258	12,385	10,258	8,734	5,791	3,782	6,568	6,376	7,815	8,287	9,000
Materials Handling Operations	659	706	416	402	647	-2,202	799	-888	-1,165	1,247	800
Other	84	-1	-41	-43	20	-330	-442	-534	-944	-833	-1,300
Elimination	-30	-765	-1,502	-936	-909	-963	-1,217	-1,365	-1,499	-2,203	-4,700
Consolidated Operating Income	21,570	21,647	20,694	21,789	16,146	8,896	17,842	18,985	21,262	22,854	20,000
YoY											
Chain Operations	23.4	15.1	19.7	21.1	-18.3	-6.5	40.0	24.4	19.8	-4.9	-3.8
Motion Control Operations	1.2	-8.6	38.0	9.2	-34.5	-65.9	51.1	51.5	-61.4	16.7	55.8
Mobility Operations	2.9	1.0	-17.2	-14.9	-33.7	-34.7	73.7	-2.9	22.6	6.0	8.6
Materials Handling Operations	-66.0	7.1	-41.1	-3.4	60.9	-	-	-	-	-	-35.8
Consolidated Operating Income	0.7	0.4	-4.4	5.3	-25.9	-44.9	100.6	6.4	12.0	7.5	-12.5
Operating Income Margin											
Chain Operations	9.6	11.7	12.6	14.3	12.4	12.8	14.8	15.2	17.4	16.2	14.9
Motion Control Operations	11.0	10.3	12.7	13.1	9.2	4.1	5.7	7.3	2.9	3.3	4.8
Mobility Operations	16.7	16.5	12.9	11.1	8.2	6.4	9.9	8.3	9.2	9.1	9.8
Materials Handling Operations	1.5	1.7	0.9	0.7	1.0	-4.1	1.4	-1.5	-1.8	1.8	1.2
Other	2.6	0.0	-1.2	-1.2	0.6	-8.4	-14.4	-16.7	-27.7	-23.5	-38.2
Consolidated Operating Income Margin	10.6	10.9	9.6	9.1	7.1	4.6	8.3	7.5	8.0	8.2	7.0

Source: Created by CGRA based on company materials, etc.



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Capital Goods Research & Advisory Co., Ltd.

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