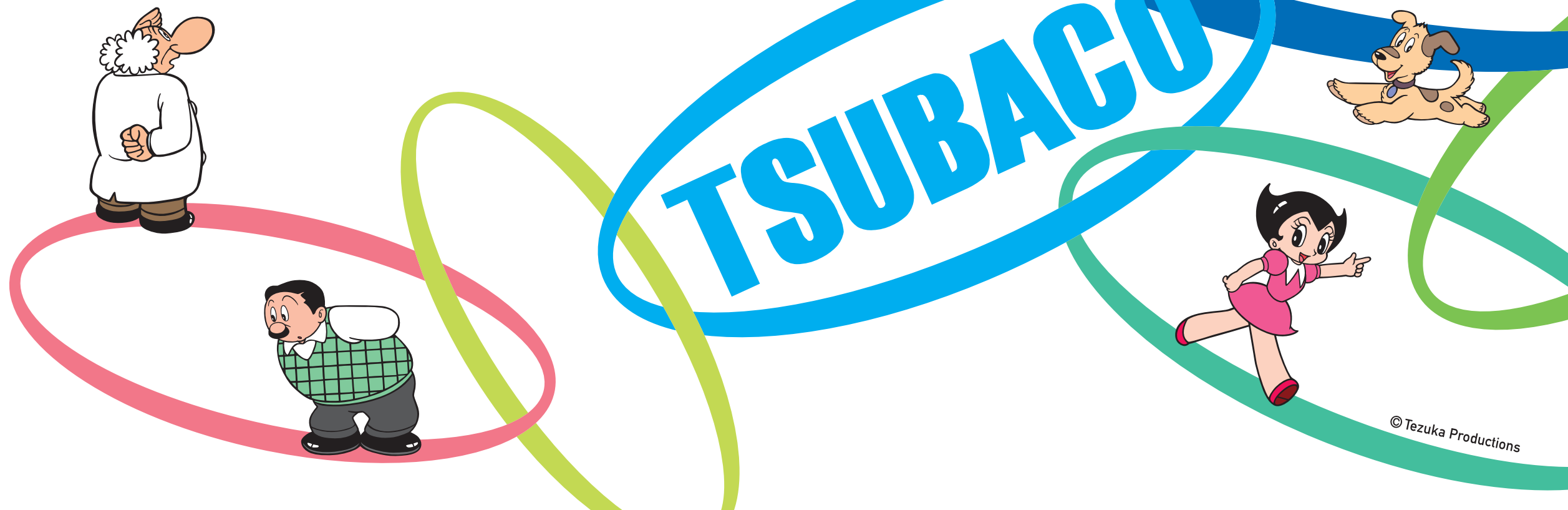


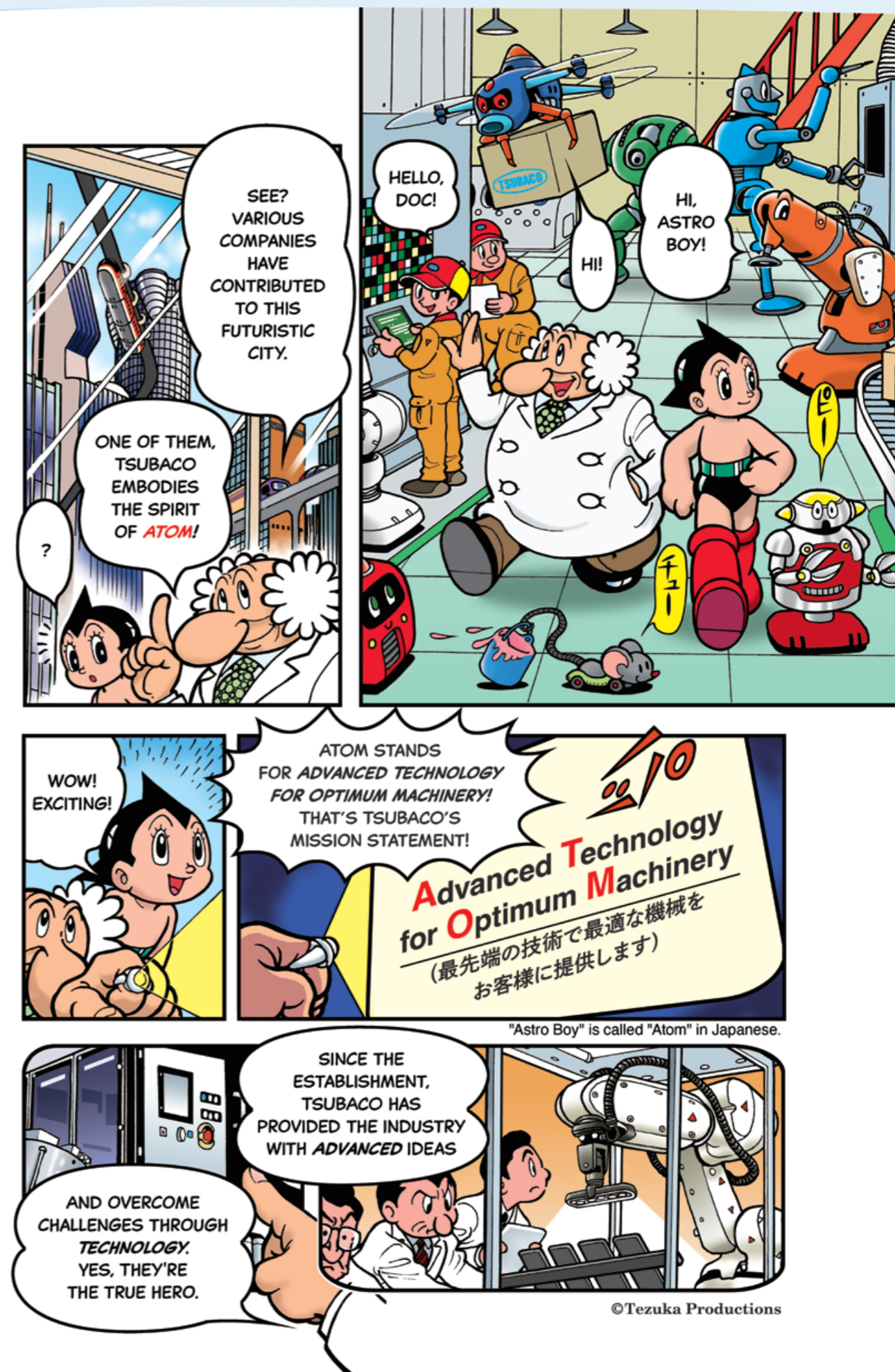
2025
TSUBACO
INTEGRATED REPORT

TSUBACO TSUBAKIMOTO KOGYO CO., LTD.
SINCE 1916

Advanced **T**echnology for **O**ptimum **M**achinery

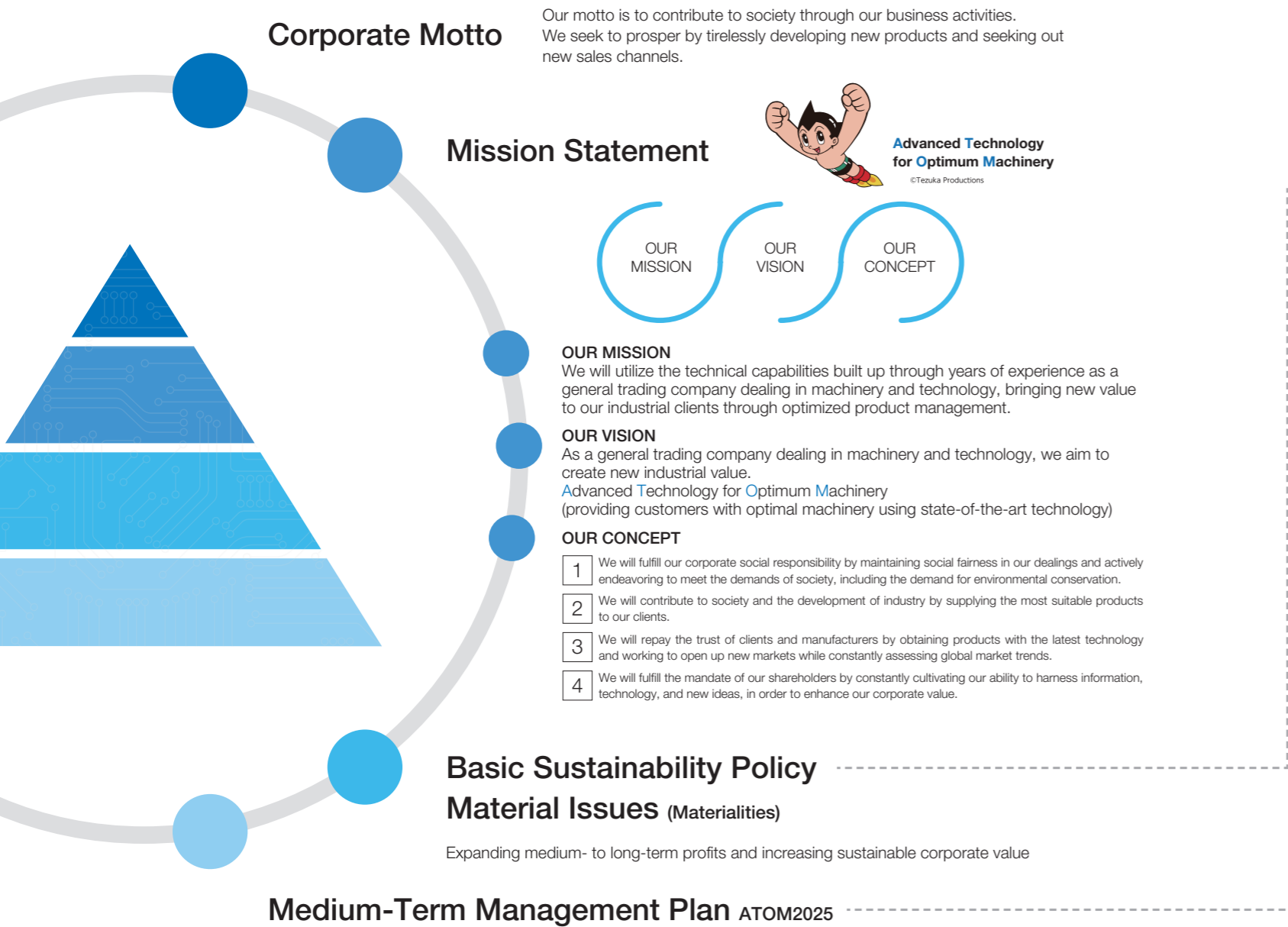
TSUBACO





Our Philosophical Framework

Leveraging the unique strengths it has cultivated over the course of its long history as a “general trading company dealing in machinery and technology” and with the goal of growing and developing sustainably as a corporation that creates value for the future, the Group has systematized the corporate philosophy that is based on its corporate motto to form the fundamental philosophy of its management. The Group’s mission statement embodies the value it provides to society and sets a new course for the future.



Material Issues (Materialities)

Based on its Basic Sustainability Policy, the Company has identified the following as its material issues (materialities). We aim to achieve sustainable growth and resolve society’s challenges by tackling material issues through business activities that leverage our strengths.

Material issues (materialities) recognized by the Company				
Changes in external environment	E	S	G	Material issues (materialities) recognized by the Company
Accelerating transition to a decarbonized society	○			• Action to achieve a decarbonized society
Declining birthrate, aging population, and difficulty in securing human resources		○		• Strengthening human capital measures (including health management and diversity management) • Action to achieve an automated society
Advance of the digital society	○	○		• Strengthen digital-related fields (advanced semiconductors, etc.) • Improve productivity by investing in DX
Expansion of ESG investment	○	○	○	• Promote sound business activities with an emphasis on sustainability management

See more: P. 33 Identifying Material Issues

Medium-Term Management Plan ATOM2025

As we aim to achieve our medium-term management plan, we are pursuing seven priority measures from the perspectives of business strategy and strengthening our management foundation to address the material issues (materialities) we recognize.



See more: P. 17 Medium-Term Management Plan ATOM2025

Editorial line

We are issuing our first-ever integrated report this fiscal year. It is intended for our stakeholders, including shareholders and investors, to deepen their understanding of the Group’s business model, medium- to long-term growth strategies, and processes for continuously increasing corporate value, opening new opportunities for dialogue. Taking the unique strengths we have cultivated over more than 100 years of the Group’s history as our starting point, we will tell the story of how we create value, including our progress on our Medium-Term Management Plan ATOM2025, and the orientation of our future growth.

Period covered by this integrated report

This integrated report covers the business activities carried out in fiscal 2024 (April 1, 2024 to March 31, 2025). However, some sections may include information on things that happened before or after the aforementioned time period.

Scope of this integrated report

The scope of this integrated report covers Tsubakimoto Kogyo Co., Ltd. and companies in the Group. Items with different reporting scopes will specify the applicable reporting scope.

Note on forecasts

This integrated report is intended to provide information to serve as a reference for investment decisions; it is not intended to be a solicitation for investment. Additionally, the information herein is based on Tsubakimoto Kogyo’s judgments at the time the report was prepared; accordingly, Tsubakimoto Kogyo does not promise to achieve or guarantee the achievement of the numerical targets or policies herein. Please be aware that the information in this report is subject to change without notice. Thank you for your understanding.

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Our Path to Growth

For over 100 years, we have boldly pursued transformative change and innovation to meet the demands of each era

Tsubakimoto Kogyo was founded in 1916 in Osaka's Nishi Ward as a trading company dealing in chemical products and rubber goods, such as tires and tubes. In response to industry demands, we expanded the scope of our business, focusing primarily on transmission components, such as chains. Since then, we have expanded our scale as a specialized trading company in step with the growth of the Japanese economy. While technological innovation and globalization have diversified the functions expected of trading companies, we have transformed into a “general trading company dealing in machinery and technology.” Guided by our motto, “A bridge between people and technology—Bringing humanity to people and efficiency to machinery,” we have optimized our sales structure and

expanded our engineering capabilities. We contribute to the development of the industrial sector by proposing optimal products and solutions for adapting to new industries and improving production sites, including in the automobile industry. Going forward, we will continue to uphold the traditions we have built as a group of professionals in machinery and technology. By pursuing state-of-the-art technology and striving for constant transformation, we will contribute to the sustainable development of society and the creation of future value for industry.



Founding

1916 >>> Founding and establishment of management structure

Sanshichiro Tsubakimoto began selling rubber and chemical products, later founding Tsubakimoto Kogyosho, which manufactured bicycle chains. Two years later, he changed the Company's name to Tsubakimoto Shoten and began selling chains and transmission equipment. While supporting the increased production of coal in Japan, the Company also expanded its business scope to include plants for cement factories and other business areas. Amid the chaos following Japan's defeat in World War II, the Company contributed to Japan's postwar reconstruction by selling chains for public infrastructure investment projects and conveyors for transporting coal and fertilizer. During the 1950s, as the production of timing systems for automobile engines came under domestic control, we jointly developed timing chains and began supplying them to major automobile manufacturers. This timing chain business contributed to the development of Japan's motorization and led to the establishment of the Company's business foundation.

Leap

1960 >>> Period of rapid growth and testing times for management

During the period of high economic growth in Japan, the Company continued to grow alongside the increasing demand for capital expenditures by responding to the rapid changes in Japan's industrial structure. Proactive management enabled the Company to further strengthen its management infrastructure as a specialized trading company for machinery and technology, contributing to Japan's high economic growth. In 1971, it became listed on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange. The Company's main transmission and transport equipment department faced severe challenges in 1975 due to the oil crisis. However, by reorganizing the organization from a branch system to a business division system, aggressively pursuing sales of mechatronics and industrial robots, and developing new products such as the Calmer pump, the Company successfully returned to a growth trajectory. In addition, the Company began offering integrated services covering both upstream and downstream processes, contributing to industrial development by streamlining factory operations and supporting the bubble economy.

Transformation

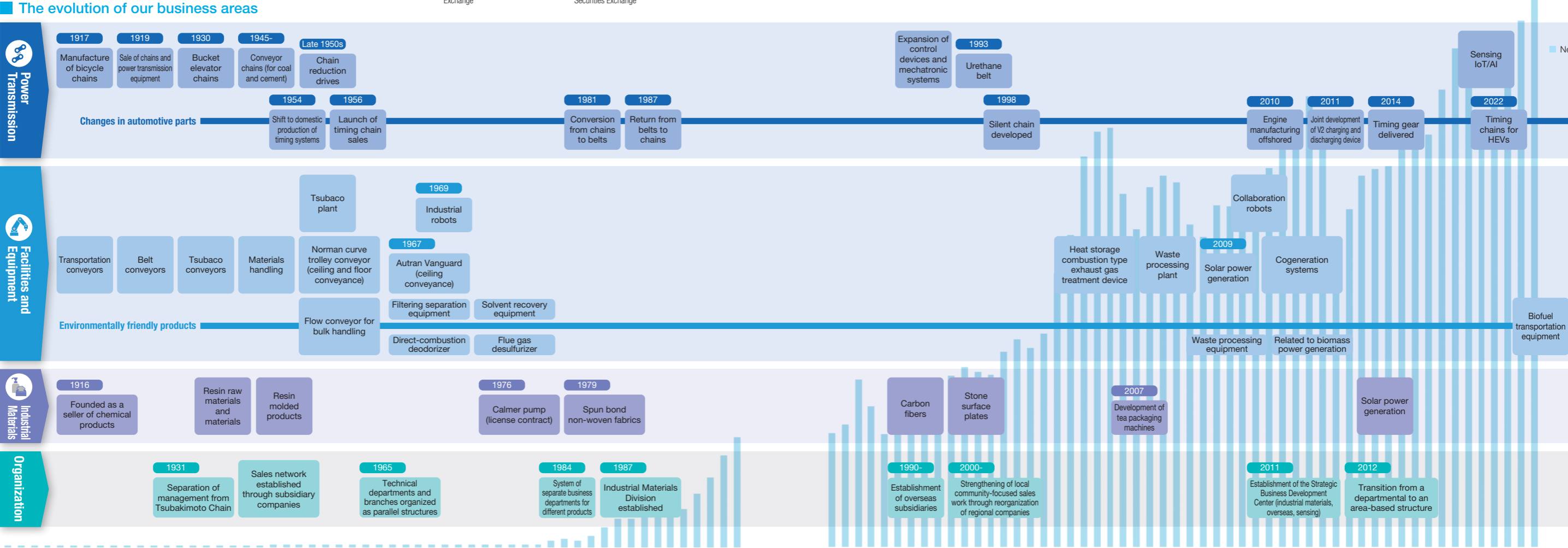
1990 >>> A new century and new challenges to transform and reform

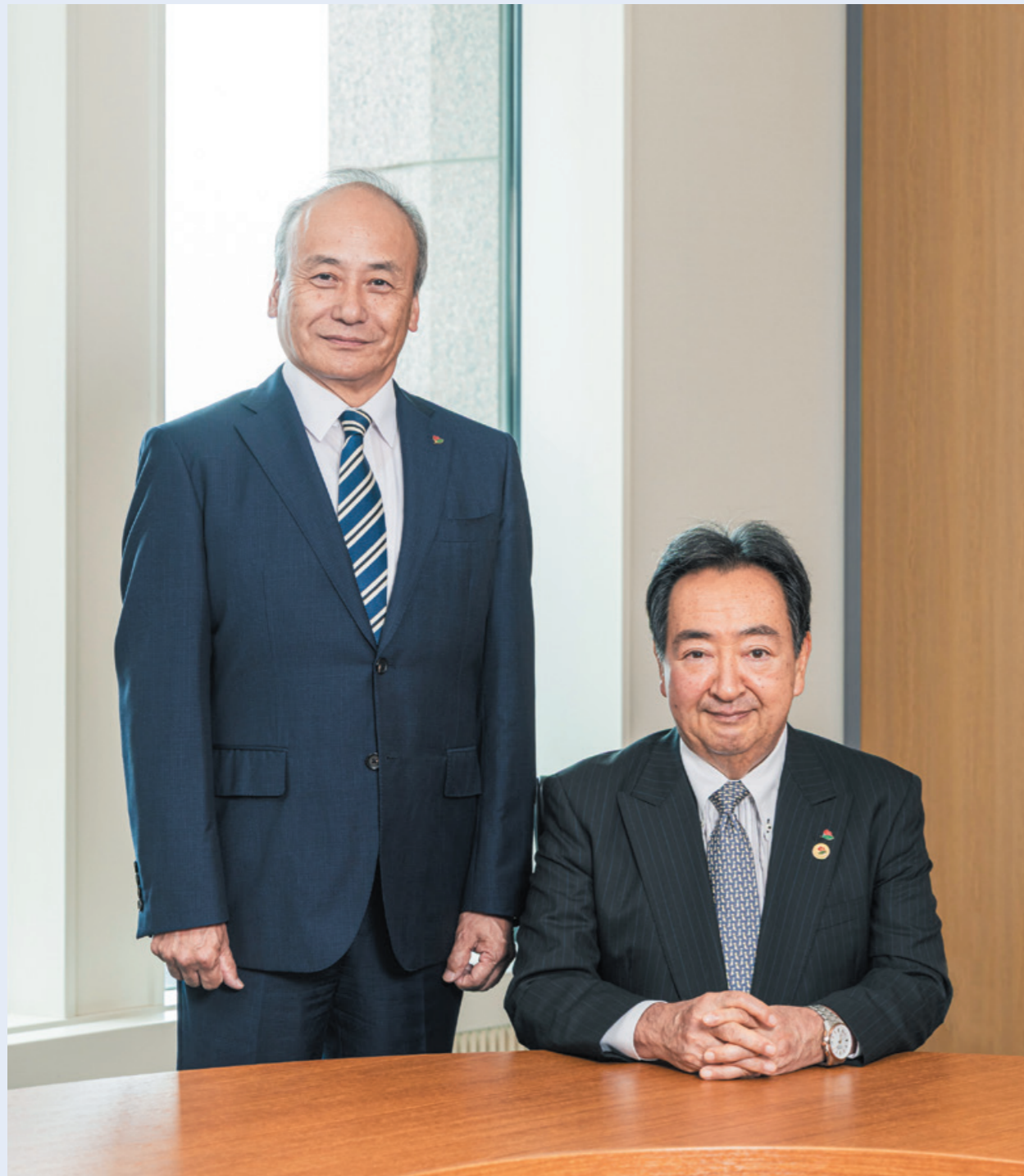
Amidst the economic downturn following the bursting of the bubble economy, Japanese companies accelerated their overseas expansion. Tsubakimoto Kogyo also joined the trend, proactively pursuing international growth. Having established local subsidiaries in Singapore, Thailand, and Shanghai, we have built a foundation for our global business. At the same time, we have expanded the Group and strengthened its management structure by promoting local community-focused sales work through the reorganization of domestic subsidiaries. In order to meet the diversifying requirements of production sites, we have continued to challenge ourselves by transforming and reforming ourselves for a new age, pursuing expertise and strengthening our engineering capabilities. This allowed us to overcome the challenges of the 2008 Global Financial Crisis.

Development

2010 >>> Pursuit of sustainable development and growth

As the issues our customers face grow increasingly complex, we have transitioned from a departmental to an area-based structure to encourage cooperation between business units and strengthen our sales capabilities through a focus on communities. In 2016, we celebrated our 100th anniversary and took our first steps as a century-old company. We are dedicated to supporting industry and social infrastructure and will continue connecting people and technology to meet the evolving needs of society. With global environmental issues intensifying, we will continue developing high-performance products that create added value to support people's lives and help to achieve carbon neutrality, a goal that will link the evolution of industry and society. Under the medium-term management plan ATOM2025, which we launched in 2023, we are pursuing new growth strategies to demonstrate the value of our existence in this era of sustainability. We aim to contribute to solving societal issues as we work toward a sustainable society.





A Bridge Between People and Technology

The business environment we find ourselves in is growing increasingly complex, and societal changes are accelerating.

Against this backdrop of environmental change, the Group has been pursuing a number of management reforms, including the transformation of our organization and reforms to our corporate governance. We will continue to relentlessly pursue reform as we work toward becoming a company that can continue delivering value in a changing society.



Tetsuya Tsubakimoto
Representative Director,
Chairman, and CEO

橋本哲也

Powered by the enterprising spirit that has shaped our history for over 100 years, we will continue to pursue growth for ourselves and our customers

Founded in Osaka in 1916, Tsubakimoto Kogyo will celebrate its 110th anniversary next year. We started out selling rubber products like tires and ebonite, as well as chemical products that were novel at the time, and later expanded into the manufacture and sale of bicycle chains. Today, our business is focused on sales proposals for a variety of machine parts and systems for the manufacturing and logistics industries, primarily related to products from our sister company, Tsubakimoto Chain Co. We operate sales companies in seven countries, including China and Singapore, leveraging our agility to drive sales. Drawing on our experience as a machinery trading company with extensive sales and technical capabilities, we will carry on doing our utmost to contribute to the growth of our valued customers as we strive for further development and build a stable foundation for our 200th anniversary.

With the power of the “engineering meets solutions” approach, we will help society to overcome its challenges and achieve sustainable growth in our corporate value

Based on our corporate motto of “contributing to society through our business activities,” Tsubakimoto Kogyo has worked tirelessly for many years to provide machinery and systems to save labor and reduce environmental impacts. This approach of using business to contribute to society while generating profit is rooted in our tradition. One could even say that it anticipated today’s megatrends of pursuing sustainability and the SDGs. The increasing awareness of the SDGs among a growing number of our business partners is stimulating the growth of our business base. We believe that our longstanding commitment to these goals puts us a step ahead of the competition. We aim to grow even further by continuously incorporating new technologies and insights, enhancing our ability to offer compelling solutions, and responding swiftly to the evolving needs of the market.



Masashi Koda
Representative Director,
President, and COO

香田昌司

| MESSAGE FROM THE COO |

A corporate culture passed down for over 100 years

“Bringing humanity to people and efficiency to machinery.” These were the words that initially drew me to Tsubakimoto Kogyo, and they remain our company slogan today. The company brochure at the time featured photographs of industrial robots, large-scale production plants, and reduction drives for aircraft. I remember feeling a strong connection to Tsubaco for its promising future and strong contributions to society. It stood out, even among the trading companies I admired. Our corporate motto states that “We seek to prosper by tirelessly developing new products and seeking out new sales channels.” These are not mere platitudes. We place great importance on realizing this philosophy through concrete measures and actions.

Our medium-term management plan ATOM2025 identifies material issues (materialities) that reflect the external environment, and establishes a corporate motto, mission statement, and basic sustainability policy, setting out priority measures to address them. On the individual level, each employee drafts a target-setting card with specific action plans, creating a framework to ensure that not only numerical targets but also actions grounded in our philosophy are integrated into daily tasks.

The competitive advantage offered by our three strengths and the “engineering meets solutions” approach

Tsubakimoto Kogyo has established a unique competitive advantage as a “group of professionals who face down challenges by applying the ‘engineering meets solutions’ approach,” leveraging the strengths cultivated within our long-standing corporate culture and business model of 1) problem-solving personnel, 2) our one-stop system, and 3) our business foundation. Tsubakimoto Kogyo would generally be categorized as a distributor of transmission systems and machine tools. As such, many imagine that our business model is one of stocking catalog products and selling them by controlling prices and delivery times. In reality, however, we specialize in developing a deep understanding of the challenges our customers face and proposing solutions that leverage technology. For example, if a customer approaches us about installing a conveyor to bridge processes, we do not merely provide a quote based on their request. Instead, we explore more efficient and effective solutions, such as recommending the use of automated guided vehicles (AGVs) instead of a conveyor to avoid obstructing pathways. I feel that many of our sales representatives find genuine satisfaction in digging deep into our customers’ challenges and proposing the best solutions. They are the ones who stand closest to our customers, and it is their strong curiosity and rich creativity that make us so good at offering technical proposals. Something else that sets us apart is that although we are a trading company, we also possess a technical team and have many employees qualified as construction managing engineers.



This enables us to offer our customers consistent, end-to-end support, from proposal through design, construction, testing, and post-delivery maintenance. Furthermore, to address the diverse challenges of our customers, we have deepened our collaboration with partners who possess a wide range of expertise. I believe that our tireless dedication fosters long-term customer satisfaction and trust, giving us a competitive advantage over our rivals.

By honing our ability to offer technical proposals and fulfilling diverse roles in this manner, our customers recognize us as something more than just a trading company. To them, we are more like an engineering firm or manufacturer. Manufacturers prioritize expanding the sale of their own products above all else. Their strength lies in their ability to make specialized proposals tailored to specific fields. We, on the other hand, can combine products from multiple manufacturers to provide optimal solutions tailored to the specific applications and needs of our customers. This ability to coordinate is one of the strengths that sets us apart from manufacturers. When it comes to procurement, we demonstrate our capabilities as a trading company, leveraging our long-standing relationships with diverse suppliers to achieve cost competitiveness. This allows us to keep the quality of our proposals high while controlling the total costs.

For example, major manufacturers often require products that meet their own unique specifications. We make an effort to gain a deep understanding of those specifications as we collaborate with suppliers to provide optimal products. I believe that both our customers and suppliers appreciate our thorough attention to detail that leaves no stone unturned, such as in our customization and unitization of products, and consider it a unique added value that only we can provide. Furthermore, given our capability to address a wide range of processes across various industries, from making production lines more efficient to improving working environments, saving energy, and managing health and safety, many customers return to us for consultation when they expand into new areas.

ATOM aims for profit-focused growth through high value-added proposals

Our corporate vision is ATOM, which stands for “Advanced Technology for Optimum Machinery” and refers to providing customers with optimal machinery using state-of-the-art technology. Although we originally formulated it in 2000, we believe it has remained relevant as a vision to pursue amid the accelerating pace of technological progress and societal change.

This fiscal year marks the final year of ATOM2025, during which we have leveraged the expertise and technical capabilities cultivated over the years to advance priority measures aligned with our material issues. As a result of these efforts, in the environmental field, we have achieved growth in sales of high-efficiency equipment and systems that contribute to a decarbonized society, while successfully entering new domains related to the recycling of resources, such as secondary battery recycling facilities. In addition, we are incorporating state-of-the-art technology and equipment into automation and labor-saving initiatives, such as the development of automation systems utilizing collaborative robots and the development and launch of new models of tea packaging machines. This has allowed us to accumulate expertise in proposing higher value-added solutions.

The financial targets of ATOM2025 were achieved ahead of schedule in fiscal 2023, and fiscal 2024 performance surpassed the previous year, setting new records for net sales, profit, and order backlog. While favorable market conditions played a role in contributing to this growth, I believe it was primarily the result of our strategy to increase value through consultative sales. Our customers have come to trust us, saying, “Tsubaco is efficient,” “Their proposals incorporate the latest insights,” and “They provide solid guarantees.” This trust results in commensurate profits for us. Furthermore, efforts to acquire new customers through close cooperation within the Group and by leveraging product information, our expertise, track record, and networks have also contributed to growth in our financial performance. I expect that our next medium-term business plan will target net sales of around 150 billion yen. However, scaling up is not our top priority. While sharing expertise and leveraging AI can improve efficiency in many areas, as mentioned earlier, our strengths and what our customers expect from us reside in the human capacity to seek substantive solutions to issues. Developing this type of talent requires a certain level of accumulated experience. Merely hiring a large number of people, for example, could temporarily boost sales, but it would not lead to sustainable profits. The important thing is for each and every employee to make creative proposals that offer high added value, so that we can maximize profits in a way that satisfies our customers. I believe that continuously creating social and economic value in this manner represents Tsubakimoto Kogyo’s unique path to growth.

Growth strategies based on expanding business areas and product offerings

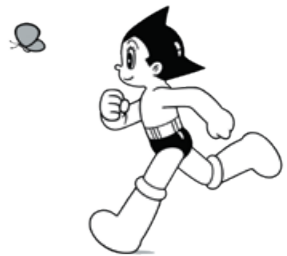
To ensure that we continue to generate stable earnings into the

future, it is paramount for us to expand our customer base. To achieve this, we believe there is significant potential for growth in our business areas, overseas especially.

We aim to provide a consistent service to our customers at home and abroad. Our basic policy is to provide services that offer the same level of satisfaction overseas as domestically, in particular for Japanese companies expanding into international markets. At our overseas bases, we cooperate with local suppliers and partners to provide efficient and cost-effective proposals.

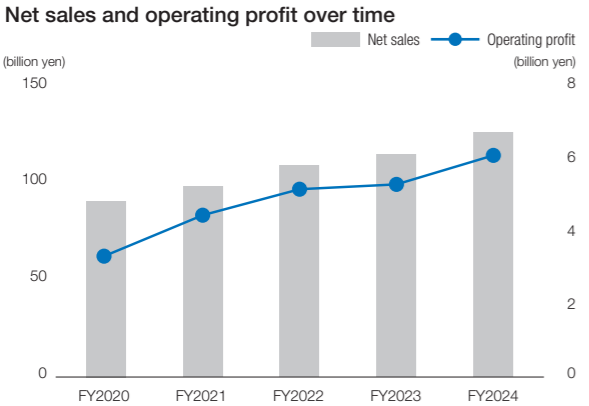
Additionally, we have established SRSBD (SRS Business Development: the overseas division of the Strategic Business Development Center) as an organization supporting overseas business. Utilizing our expertise in trade rules, export controls, and local tax systems, we cooperate with domestic and international sales personnel to establish a system that meets customer needs. In this manner, we endeavor to offer customers the same level of reassurance, whether overseas or in Japan. The ratio of overseas sales to net sales currently stands at roughly 12%. Our aim is to raise it to 20%. Doing so will require us to strengthen support for Japanese companies’ overseas bases while expanding business with local companies. By developing proposals that reflect an understanding of local cultures and business practices, we aim to offer services to the satisfaction of local companies as well. In addition, we will work to bolster the management structure of our overseas subsidiaries and increase their profitability.

In terms of future focus areas, we consider India to be a highly attractive market. Although the business environment is said to be challenging due to complicated tax systems and other factors, it is a market that must not be bypassed. Concretely speaking, we intend to focus our expansion on industries in which we already have business dealings, such as the automobile, tire, air conditioner manufacturing, and chemical manufacturing industries. We are also considering launching equipment in the Indian market that already has a proven track record in Japan, such as infrastructure-related equipment. We are currently searching for suppliers on the ground and recruiting local Indian talent, as we prepare for the establishment of a full-scale base.





In terms of products, we will continue to focus on the environmental and automation sectors. For example, introducing collaborative robots not only alleviates labor burdens and improves productivity, but also lowers the environmental impact and energy costs by enabling the reduction of air conditioning and lighting during periods when humans are not working. The Industrial Materials Department is addressing the issue of waste plastics by developing biodegradable materials, as well as the products made from processing such materials and the machinery used to process them. In this way, we seek to expand our offerings of products that can address societal issues from multiple angles. Furthermore, in order to accelerate the discovery of high-quality and distinctive imported products that meet new market needs, we have established a new import product discovery office department within the Strategic Business Development Center starting this fiscal year. ATOMBD (ATOM Business Development: the department responsible for advanced technology development within the Strategic Business Development Center) is responsible for the development of new businesses that incorporate state-of-the-art technology. Across the entire company, we are developing products and businesses that will further enhance the added value of existing operations and expand future business domains, such as sensors for specialized image processing and transportation devices that utilize magnetism for contactless operation. We proactively explore potential tie-ups and cooperation to integrate new technologies, regardless of whether they involve investment, and aim for further growth through these partnerships. M&A is one of the options, but we do not view it as merely a means to expand scale. To strengthen our growth fields, we believe the key points are whether companies can complement our technologies in areas like energy efficiency, automation, and AI, and whether their corporate cultures align with ours. Additionally, when necessary, we can consider offering support and collaboration based on existing relationships of trust to sales outlets facing succession issues. We believe this is also meaningful for the maintenance of community-based services for our customers.



Building a foundation for growth

Tsubakimoto Kogyo operates under an area-based organizational structure, allowing sales representatives to

function as jacks of all trades with broad knowledge and skills across product categories. This enables them to meet the diverse needs of our customers. Naturally, individuals possess varying levels of knowledge and experience, so we actively engage in internal communication, including with our technical departments, and foster cross-departmental cooperation, cultivating a culture that seeks to address any and all concerns a customer may have. To further develop our ability to offer technical proposals, we are emphasizing training through both on-the-job (OJT) and off-the-job (OFF-JT) training. Not only do our employees build up their skills through practical work with customers and suppliers, we also regularly provide training opportunities led by our technical teams and Human Resources Department. This enables every employee to acquire broad industry knowledge and lays the foundation for them to perform as jacks of all trades. Regarding the learning environment and content updates, we are enriching technical courses through e-learning and promoting reskilling initiatives to develop personnel with skills in digital transformation (DX). We take measures to provide employees with an environment conducive to learning, such as introducing hybrid formats that allow online participation to accommodate circumstances such as childcare responsibilities. Through such measures, we aim to enable our employees to maximize their abilities and deliver value to our customers. Having recognized the importance of creating an environment where diverse talent can enjoy their work and contribute to the Company long-term, we are pushing for improved compensation and flexible working styles. For example, we provide a supportive work environment for employees with childcare or caregiving responsibilities by offering departmental and work schedule adjustments whenever possible. We are also developing frameworks to allow employees to continue working after retirement, enabling experienced personnel to remain active for longer while transferring their expertise to the next generation. Such measures have resulted in an exceptionally high retention rate for mid-career hires, with many employees continuing to work beyond the age of 65. Unfortunately, progress on KPIs for female participation is behind schedule. Improvements will require reforming the organizational culture, not through short-term measures, but by expanding job roles through changes to the personnel system and transforming the mindset of male-dominated managerial positions. We will steadily proceed with the measures currently underway and accelerate our pace to set even higher targets in the next medium-term management plan. We are also working on digital transformation (DX) aimed at the evolution of our business model. Currently, as STEP 1, we are advancing initiatives focused on business streamlining and improving the working environment. We started by implementing paperless operations, and our major bases in Tokyo, Osaka, Nagoya, and Yokohama have now completed their transition to hot-desking arrangements. Not only has this deepened communication between departments and improved business efficiency, it has also made it easier for employees to consult specialized departments, allowing for early risk avoidance and contributing to higher quality in business operations.

We also recognize that bolstering our cybersecurity is critical as a basis for digital transformation. We will build up the reliability of our business operations by further improving security measures, creating an environment where employees can feel secure and concentrate on their work. Furthermore, we will proceed with initiatives to further enhance our ability to propose solutions to customers through digital transformation, such as AI-powered equipment operation monitoring and diagnostic systems. We have always considered it obvious to address governance and compliance, but we will develop necessary regulations and enhance regular training to meet the increasingly sophisticated demands from the market and society.

Taking our corporate value to the next level

Tsubakimoto Kogyo recognizes that the capital market's demand for a PBR of 1 is a key indicator. In order to achieve this, we plan to further improve ROE through continuous efforts such as generating ongoing profits via high-added-value proposals and enhancing capital efficiency, including the implementation of flexible share buybacks. Furthermore, through enhanced disclosure of information, including this report, and proactive dialogue with our shareholders and investors, we seek to foster a deeper understanding of our growth strategies and

our approach to creating value over the medium to long term, enabling stakeholders to evaluate us properly. With regard to shareholder returns, our basic policy is to continue providing stable dividends over the long term. Until now, we have used the consolidated payout ratio as an indicator. Going forward, however, we will use dividend on equity (DOE) to achieve more stable dividends. What I consider important is making Tsubakimoto Kogyo a company that employees can take pride in telling their families and friends about. This is not simply a matter of creating a comfortable working environment or offering higher pay, but offering our employees work that contributes to society and instills a sense of pride. Our focus on expanding our range of environmental-related products and promoting automation aligns perfectly with this direction. I believe that fostering a corporate culture where employees enjoy their work stimulates creativity and encourages the taking on of new challenges, forming the foundation for enhancing corporate value. As Tsubakimoto Kogyo, we will continue to do our utmost to remain a company that contributes to society and earns the trust of all our stakeholders. We thank you for your continued support.

A message to our stakeholders



Since its founding, Tsubakimoto Kogyo has honed its engineering and solution-providing capabilities, going beyond the traditional scope of a trading company by working alongside customers to solve challenges in industries related to “moving,” “transporting,” and “making.” The industrial sector today is in the midst of a period of profound transformation marked by automation, digital transformation, and globalization. We believe our mission goes beyond merely addressing our customers’ challenges; it is to serve as partners in creating new value together. Our personnel possess intimate knowledge of each customer and industry with whom they work. By organically integrating the capabilities of our staff with the networks we have cultivated as a trading company, we will maximize the strength of our Group and contribute to the development of a sustainable society. Thank you for your continued support for our Group’s evolving initiatives.



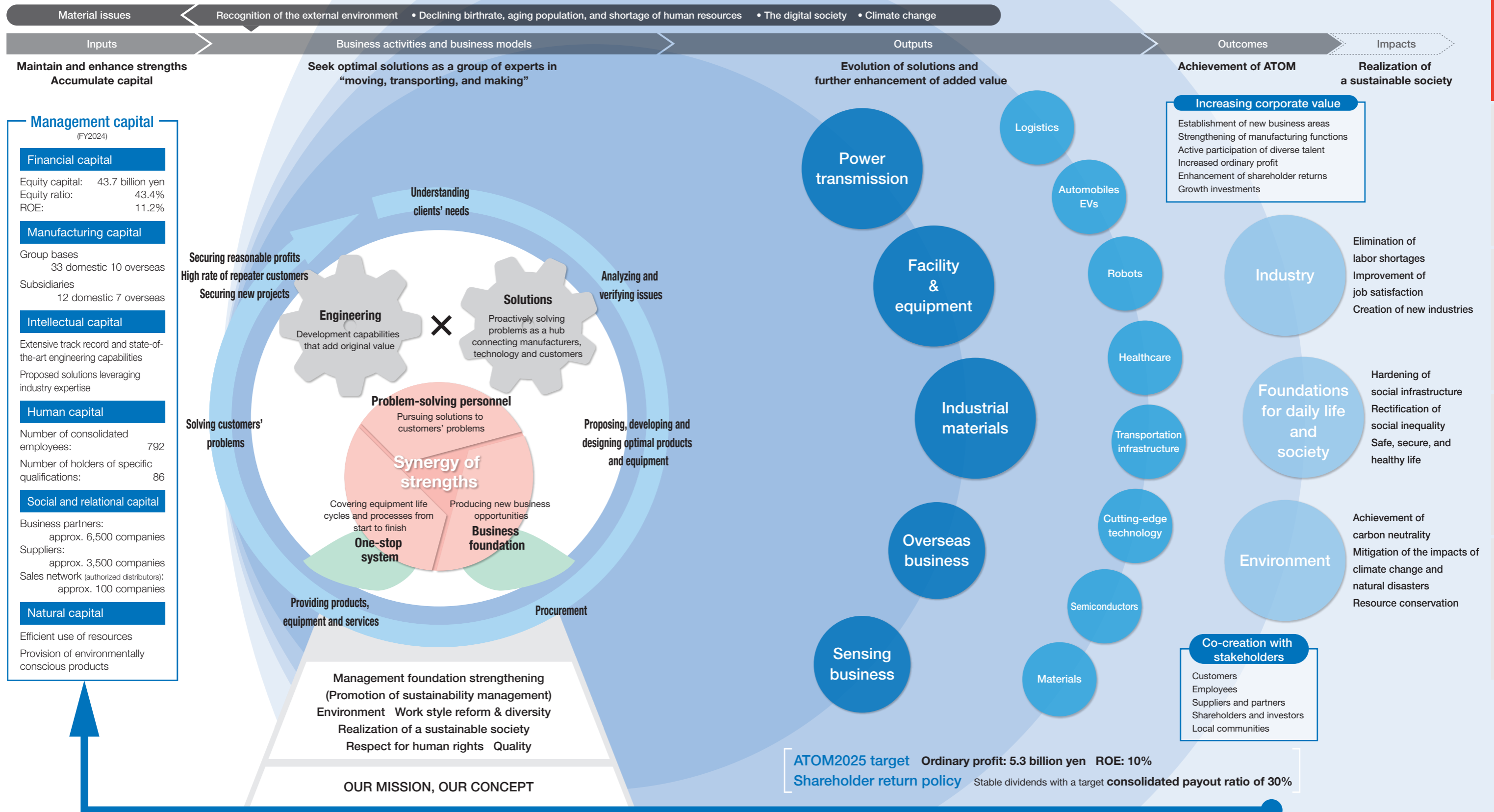
The Value Creation Process

Over the course of our history spanning more than 100 years, the Group has leveraged both financial and non-financial capital across a wide range of business areas to generate greater revenues. In the future, we will capitalize on the expertise and technologies we have accumulated to drive cross-segment business initiatives, actively enter new fields, and develop original solutions. Through these efforts, we aim to become a partner capable of delivering proposals that yield higher corporate value for our customers and contribute to solving societal challenges.

OUR VISION

Advanced Technology for Optimum Machinery

Using state-of-the-art technology to provide customers with optimal machinery



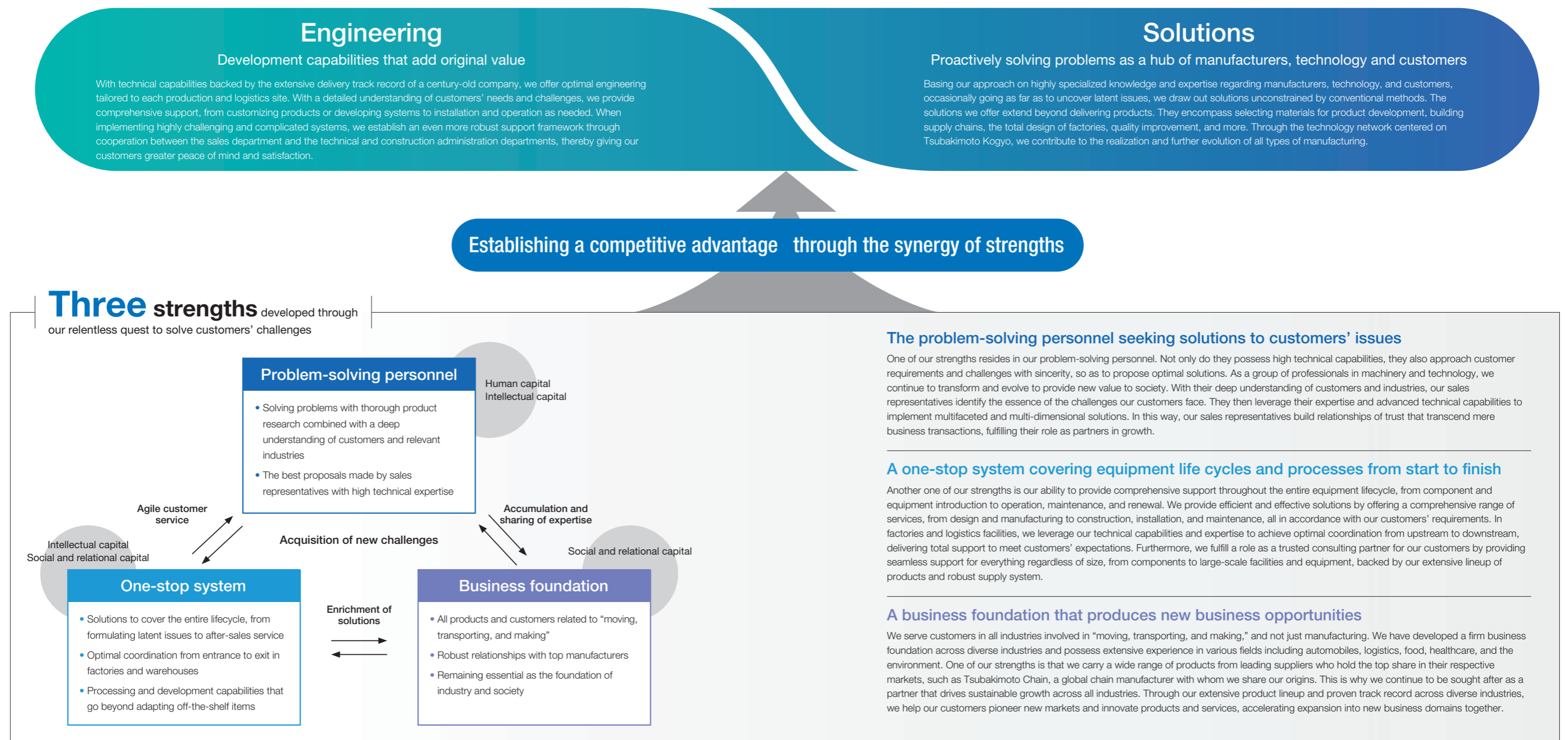


Strengths that Produce Competitive Superiority

Ever since our founding in 1916, the Group has sought out the best personnel and systems to solve the challenges our customers in the manufacturing and logistics sites face when “moving, transporting, and making.” Cultivated through these efforts, the ability to grasp our customers’ true challenges and the breadth of our business areas, which extend beyond mere product sales, are strengths of the Group. Furthermore, our extensive business foundation, built through diverse suppliers and customers in response to evolving customer challenges and industry shifts, has also enriched our solution offering by addressing new challenges. The cooperation of these strengths establishes the power of our unique competitive advantage offered by our “engineering meets solutions” approach. As a trading company, not only do we reliably supply products to our customers, but we also believe our *raison d’être* as a “general

trading company dealing in machinery and technology” lies in contributing to our customers’ enhanced corporate value. We do this by acting as a partner to our customers, proposing better products and systems, pursuing engineering capabilities that add new value, and providing optimal solutions that connect manufacturers and customers through technology. As a professional group of experts in machinery and technology, we stand alongside our customers on the production floor, gathering the latest information and requirements. By leveraging our long-standing customer base built on trust, proposing optimal solutions, and creating new business opportunities to solve challenges, we will continue to provide further added value to the industrial sector and achieve the sustainable growth of the Group.

The competitive advantage of Tsubakimoto Kogyo: **Engineering meets solutions**



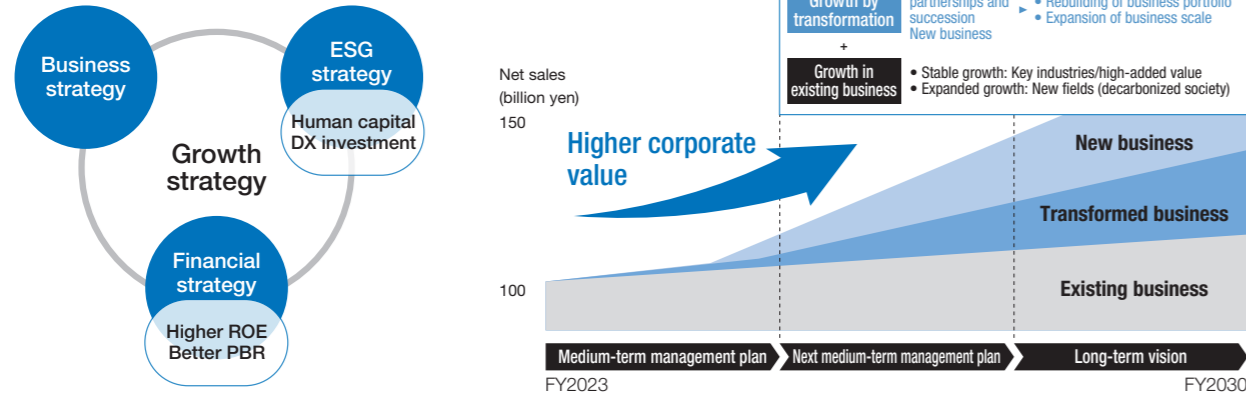


Medium- to Long-term Growth Strategy

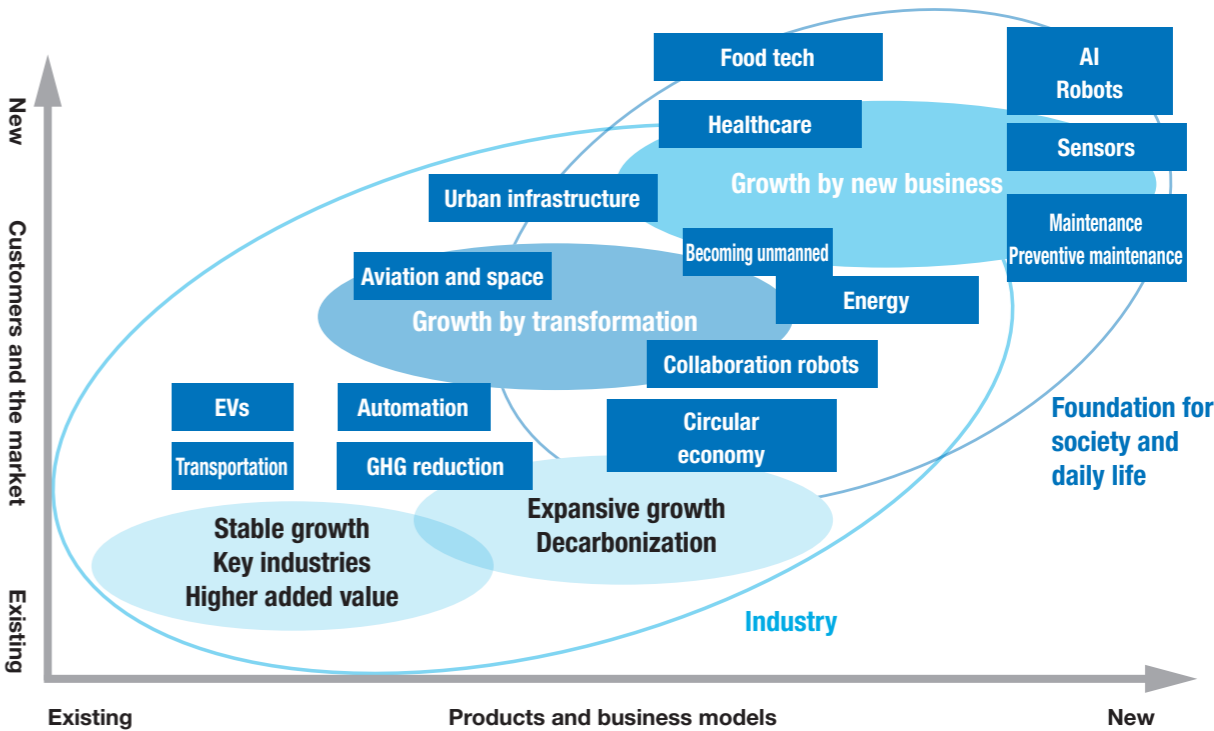
We are currently reviewing our business portfolio in terms of both our focus sectors (existing and new) and the management of specific businesses (profitability and growth potential). The power transmission business is expected to see a slowdown in the growth of internal combustion engine components due to the rising tide of electrification. Nevertheless, we will pursue the further expansion of our business through infrastructure-related equipment and environmental devices. In the facility and equipment business, we will focus our efforts on automation and efficiency-enhancing equipment intended to alleviate labor shortages resulting from the declining birthrate and aging population, as well as renewable energy and recycling equipment. In the industrial materials business, we will develop highly functional materials such as biodegradable non-woven fabrics, so that they can become pillars of business for the next generation. Through the expansion of our three core businesses, we will generate cash to serve as the source for strategic growth investments. In our overseas business, we will accelerate the reorganization of our bases, with a focus on Asia, and discover new import products. By developing highly competitive goods from overseas, we will expand our lineup of quality and cost-responsive products, thereby enhancing our growth potential and profitability. We expect the highest growth going forward to come from the sensing business. We will improve profitability through the expansion of the AI and automatic identification markets and work to transform sensing into a growth business by expanding the robotics field, which incorporates image processing equipment and robots.

Growth image (long-term roadmap)

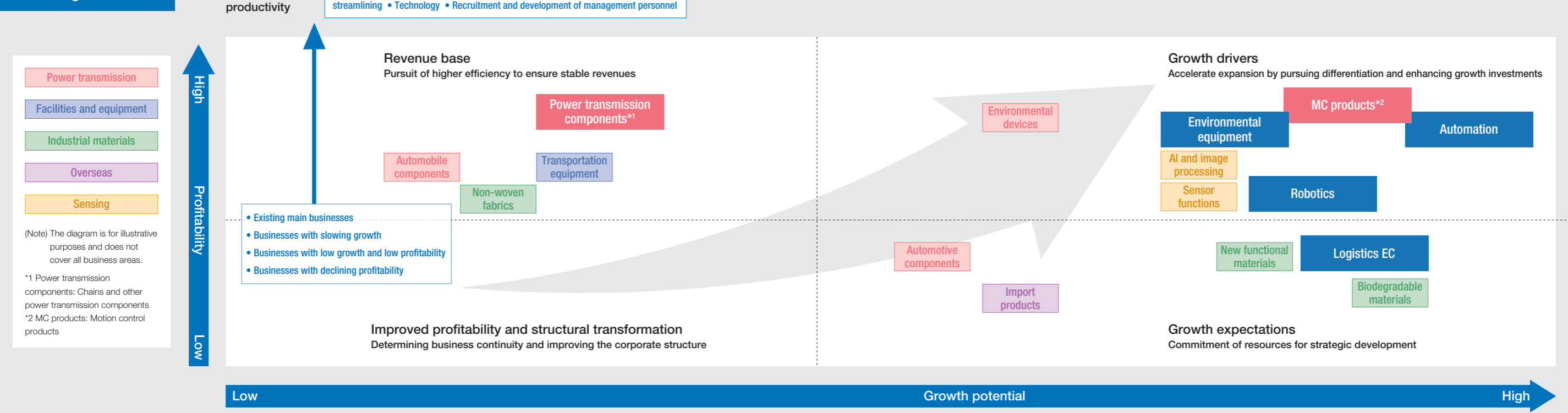
We will use state-of-the-art technology to lead the way in building a people and environmentally-friendly industry and infrastructure for our society



Expansion of business areas



Potential growth areas





Medium-Term Management Plan ATOM2025

We are implementing our Medium-Term Management Plan ATOM2025, which is based on the Basic Sustainability Policy and material issues (materialities) and covers the three years from fiscal 2023 to fiscal 2025.

Basic policy

ATOM2025 emphasizes ROE as a type of financial data and sets out a basic policy of promoting management conscious of dividend payout ratios, pursuing the resolution of social issues with a view to realizing a sustainable society, and proactively disclosing information.

"Advanced Technology for Optimum Machinery" refers to providing customers with optimal machinery using state-of-the-art technology. Building on this concept, we aim to further increase ordinary profit toward fiscal 2030.

Material issues (materialities)

ESG	Changes in external environment	Material issues	SDGs
Environment	• Accelerating transition to a decarbonized society	<ul style="list-style-type: none">Action to achieve a decarbonized societyStrengthening approaches to new fieldsExploring business opportunities	<div><div>7</div>RENEWABLE AND CLEAN ENERGY</div> <div><div>11</div>SUSTAINABLE CITIES AND COMMUNITIES</div> <div><div>13</div>CLIMATE ACTION</div> <div><div>15</div>LAND, LIFE AND Ecosystems</div>

Financial and non-financial targets and their state of progress

Through the steady execution of business strategies outlined in our priority measures, we achieved our financial targets ahead of schedule in fiscal 2023, with further growth in fiscal 2024.

At the same time, while the human added value ratio has met its target for non-financial goals, other targets remain unmet, so we will accelerate our efforts further to achieve them as we head into the final fiscal year.

We will implement measures to meet all targets in the final fiscal year in order to provide a basis for the subsequent medium-term management plan.

		FY2025 (target at plan inception)	FY2022 (actual)	FY2023 (actual)	FY2024 (actual)
Financial targets	Ordinary profit (billion yen)*1	53	45	54	62
	ROE*1 *2	10%	9%	10%	10%
Non-financial targets	Human added value ratio*3 *4	108	100	106	108
	Ratio of women with career track positions*5	8%	5%	6%	5%
	Ratio of male employees taking childcare leave*5	100%	82%	70%	84%
	Number of holders of specific qualifications*3 *5 *6	115	100	101	104

*1 Excluding special factors, such as temporary impacts

*2 Profit attributable to owners of parent/equity capital

*3 Indices shown based on FY2022 as 100

*4 Calculated by dividing added value amount (gross profit) by personnel expenses

*5 Standalone figures for Tsubakimoto Kogyo Co., Ltd.

*6 Number of certified supervising engineers

Capital policy and shareholder returns

- Aim to increase capital efficiency to raise corporate value while maintaining a sound financial foundation → ROE 10%
- Stable dividends with a target payout ratio of 30%
- Agile share buybacks
- Continuation of biannual shareholder benefits

See more: P. 20 Shareholder return policy

Priority measures			Progress in FY2023 and FY2024	Material issues in FY2025
Business strategy	1	Cultivating core industries	<ul style="list-style-type: none">Logistics: Facilities for e-commerce centers and for sorting, storage, and automatic transport of beverages have increasedEnvironment: Demand has increased for PV recycling and facilities related to secondary batteries for automobiles	<ul style="list-style-type: none">Develop new products for growth fields (logistics, healthcare, environment, food, transport infrastructure, EV)Explore businesses related to fields such as renewable energy and environmental conservation to handle the shift to a carbon neutral societyAim to increase the number of products by discovering distinctive imported goods in response to the needs of domestic sales basesHave business divisions and sales companies come together and share new product informationContinue global strategy (development of new markets) and enhance earnings structure of overseas subsidiaries
	2	Strengthening approaches to new fields	<ul style="list-style-type: none">Got involved in semiconductors, electric vehicles, and other such new fields through system proposals in which advanced products are added to AI robots/AGV/AGF/AMR (autonomous transport robots)	
	3	Expanding sales of high-value-added products	<ul style="list-style-type: none">Expanded sales through increased adoption of newly developed medium-speed tea packaging machines and inspection equipment utilizing AI deep learning, as well as the discovery of high-quality and distinctive imported products	
	4	Exploring business opportunities in a decarbonized society	<ul style="list-style-type: none">Products that contribute to achieving SDGs: Volume of sales increased steadily with a focus on environmental devices. Contactless devices in particular underwent expansion in applications, and testing continued for BHV and HEV automotive components ahead of mass production	
Management foundation strengthening	5	Investing in human capital	<ul style="list-style-type: none">Work continued to improve employment conditions while also investing in human capital, including training and health management, to enhance employee engagement	<ul style="list-style-type: none">Recruitment of promising human resources, HR reforms, and overhaul of conditions (rethinking of career track and general staff system, revision of salary structure, program for employment of older persons, and promotion of female participation, etc.)Introduction of a "Meister" system to evaluate technical capabilities and expertiseBusiness streamlining and better productivity through digital transformations and enlivened communication among employees
	6	Promoting DX	<ul style="list-style-type: none">Hot-desking introduced at all major basesWork streamlined through elimination of paper work and IT infrastructure strengthened toward utilization of digital technologies	
	7	Promoting sustainability management	<ul style="list-style-type: none">Conducted supplier surveys based on human rights and procurement policies to enhance supplier managementManagement strategy and HR strategy linked to enhance human capital measures	

Message From the Corporate Officer in Charge of Our Financial and Digital Transformation Strategies

We will accelerate the implementation of our business strategy through the optimal allocation of funds, enhancing profitability and increasing shareholder returns



The steady progress of the medium-term management plan ATOM2025

The financial strategy of our medium-term management plan ATOM2025, which covers the three fiscal years from 2023 to 2025, is to maintain a sound financial foundation while enhancing capital efficiency to increase corporate value. The basic policy is to aim for a target ROE of 10% during the plan period. In terms of the status of progress, efforts to strengthen our approach to growth fields by offering high-value-added proposals are proceeding smoothly, and we achieved our financial targets for fiscal 2023 ahead of schedule. Fiscal 2024 saw us significantly boost performance in both equipment and components by enhancing cooperation within the Group and capturing aggressive investment in thriving industries such as food, logistics, the environment, and automobiles. As a result, orders received, net sales, order backlog, operating profit, ordinary profit, and profit all achieved record highs. We expect further growth in fiscal 2025, the final year of the medium-term plan, despite uncertainties such as geopolitical risks, the slowdown in the Chinese economy, and the impact of the Trump administration's policies. This is due to the steady recording of sales from our plentiful order backlog and our continued efforts to reach out to industries with a strong appetite for capital expenditures. Furthermore, we established a Sustainability Promotion Committee in fiscal 2023 to advance initiatives concerning the environment, quality, human rights, and other areas, including those involving our suppliers. Our corporate motto has long emphasized contributing to society through our business activities. We will further bolster our efforts to address global societal challenges, including our commitment to achieving carbon neutrality by 2050 and promoting the circular economy.

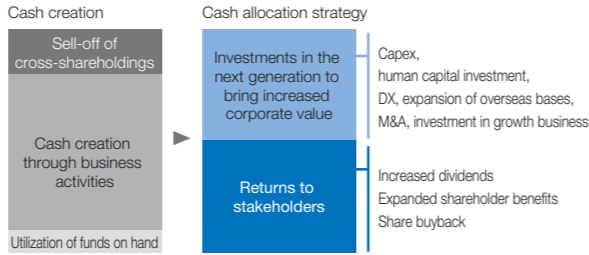
See more: P. 17 Medium-Term Management Plan ATOM2025

Maintain financial soundness and step up growth investments

In preparation for unforeseen circumstances, we will maintain working capital equivalent to two months of consolidated monthly sales and make steady investments based on the priority measures of ATOM2025 to build the foundation for medium- to long-term growth, while also increasing returns for shareholders. The main investments are: i) Developing new products and enhancing bases to expand business operations; ii) Strengthening human capital (recruiting and developing talent, creating an environment to support work style reforms, and promoting health management, including with enhanced

employee benefits); iii) Establishing the foundation for digital transformation (introducing digital tools, bolstering security, hardening networks, and establishing satellite bases as part of business continuity planning). Furthermore, we will take an open stance toward exploring strategic partnerships and M&A opportunities to expand our business domains and acquire new technical capabilities. In terms of investment capital, in addition to funds on hand, we will secure funds through appropriate recoveries from business activities, such as obtaining operating cash flow through the advancement of business strategies as well as selling off cross-shareholdings.

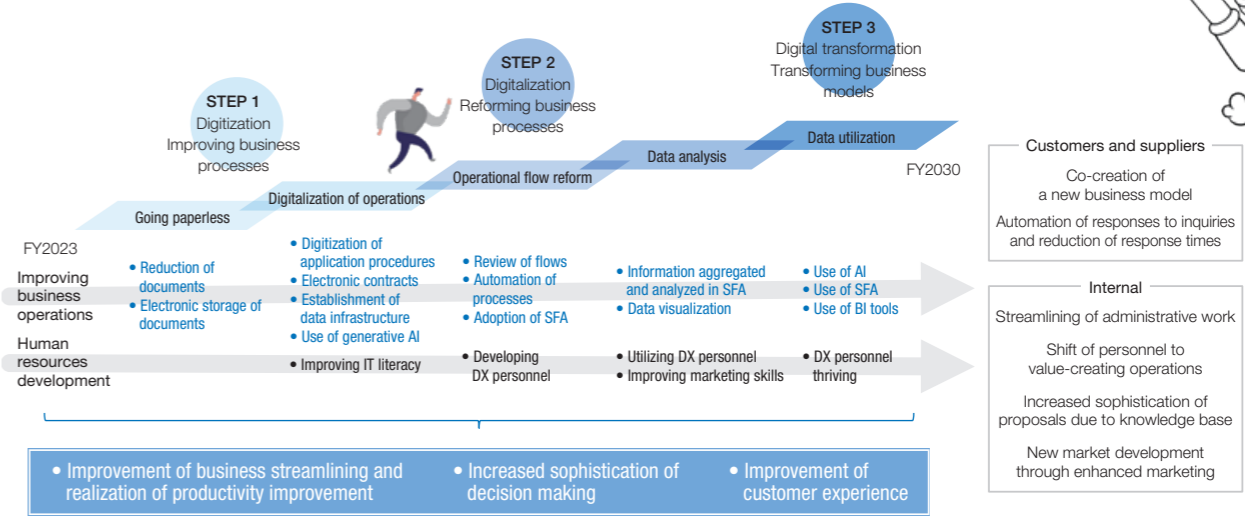
Approach to cash allocation



Promoting our digital transformation (DX) strategy

We have identified “Improve productivity by investing in DX” as a material issue for strengthening our management foundation and are working to establish an environment that anticipates the future evolution of our business model. From fiscal 2023 to fiscal 2030, we will divide our efforts into three phases, progressively implementing our DX initiatives, from streamlining business operations to enhancing the customer experience. STEP 1 (FY2023–FY2025) focuses on work style reform, business streamlining, and ensuring business continuity. We have implemented hot-desking in our offices and digitized documents, application processes, and approval workflows. This has yielded results in the streamlining of information sharing and routine tasks. In STEP 2, we will further increase productivity by implementing business process reforms while introducing digital tools such as RPA-driven automation, AI, and SFA. We are also working to develop personnel with DX expertise to spearhead these initiatives in each department. Specifically in terms of human resource development, we are currently reviewing specific curricula to ensure that the individual employees, who are well-versed in the operational characteristics of their respective departments, can become leaders in digital transformation. This involves not only enhancing digital skills but also developing management skills to lead change. We are also considering establishing a promotion team to ensure the penetration and acceleration of initiatives. Furthermore, from fiscal 2026 to fiscal 2027, we will pursue the streamlining and digitization of operations at our seven overseas bases and develop the All Tsubaco Network to centralize information across bases worldwide. In STEP 3, we will utilize the data we have gathered to enhance our marketing functions and accelerate both our efforts in new growth fields and the development of new business models. These DX initiatives will enable us to create new value by applying our strengths, namely our ability to offer technical proposals and our expertise derived from our broad business foundation.

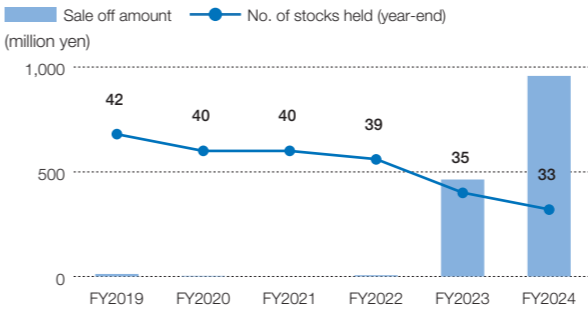
Our DX roadmap



Reduction in cross-shareholdings

As a key measure to make more effective use of capital and enhance profitability, we are reducing cross-shareholdings while verifying the rationality of the same holdings. As of March 31, 2025, the ratio of outstanding holdings to consolidated net assets exceeded 30%. The target is to reduce this ratio to below 20% by March 31, 2029. The Company maintains cross-shareholdings based on the principle that building trust with the counterparties is both necessary and feasible, and that such transactions are economically rational. If it is anticipated that these objectives will be significantly diminished or completely lost, the Company will execute systematic and periodic divestments. The necessity or lack thereof to purchase or dispose of specific individual stocks is deliberated by the Board of Directors following review by the responsible director. In fiscal 2024, we sold off cross-shareholdings in four financial and two general business stocks. In fiscal 2025, we plan to sell cross-shareholdings in five financial and two general business stocks, and will continue such sales thereafter. In cases where the issuer of shares in which we hold a stake also holds shares in us (so-called cross-ownership), should the other party express the intent to sell their shares in Tsubakimoto Kogyo, we will respect that decision.

Change in no. of stocks of cross-shareholdings

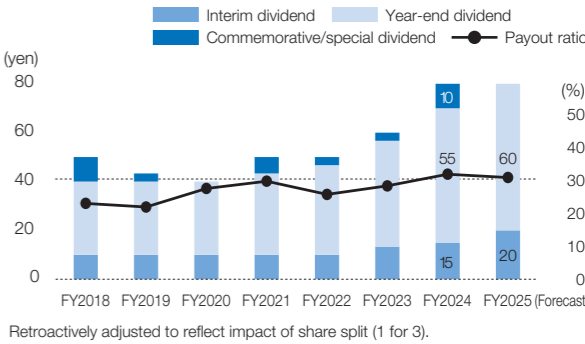


Shareholder return policy

The Company's target is a consolidated payout ratio of 30%, and we place importance on paying appropriate dividends in a stable and continuous manner based on earnings for each period. In addition, with the goal of encouraging more individual shareholders to invest steadily and for the long term, we

implemented a share split in April 2024 and expanded our shareholder benefits program. We also flexibly execute share buybacks, with 450,000 shares worth 843 million yen repurchased in fiscal 2024.

Change in dividends



Enhancing corporate value through corporate management that takes equity cost and share prices into account

The Company's ROE has been steadily maintained above 10% against a backdrop of rising profit, and we recognize that it significantly exceeds our CAPM-based shareholders' equity cost of 6% to 8%. On the other hand, since PBR has not consistently exceeded 1, improving our share price level remains a challenge. We will therefore focus on cultivating a better understanding of our growth potential through proactive information disclosure and expanding shareholder returns. Moreover, we are considering reviewing our business portfolio based on our medium- to long-term growth strategies (P.15). Taking a “create, develop, expand” approach, we will review metrics to evaluate each business segment and refine our analysis of opportunities and risks. In addition to pursuing a sustained improvement in ROE by expanding our revenue base and enhancing capital efficiency through the implementation of business strategies, we will further enhance our sustainability management and Group governance to strengthen the framework that enables sustainable growth.

Human Capital Management

Connecting different types of expertise and strengthening the organizational capabilities that create ever greater value

Our fundamental philosophy regarding human capital

The Group assigns prime importance to human capital en route to “tirelessly developing new products” and “seeking out new sales channels.” We aim to further enrich our human capital by maximizing the potential of both individual and organizational capabilities, and by stimulating them within the workplace environment.

Human capital policy

The Group’s corporate mission is to utilize its technical expertise built up through years of experience as a general trading company dealing in machinery and technology, bringing new value to industrial customers through optimized product management. In order to realize this mission, the Group has established the following specific policies and will actively invest in human resources, based on a recognition of the importance of developing human resources and improving the internal environment so that each and every employee can grow autonomously and reach their full potential.

1. Human resource development policy

As a general trading company dealing in machinery and technology, in order to bring new value to industrial customers, the Group’s basic policy for human resource development is to promote self-sustaining growth through mutual enlightenment among employees with different backgrounds, knowledge, and skills, and to assign personnel to positions that enable them to reach their full potential.

2. Internal environment improvement policy

The Group’s policy is to promote the development of a free, open-minded and healthy internal environment and to work toward the realization of diverse and flexible working styles so that each and every employee can grow autonomously and fulfill their potential.

Message from the corporate officer in charge of human resources

We are focusing our efforts on developing a training system that will allow youngsters to quickly become productive contributors while also mastering highly specialized skills, fostering a workforce of ambitious individuals who are unafraid to embrace change and take action. Furthermore, we will strengthen interdepartmental cooperation and foster a corporate culture that generates results across the Group. Through continuous investment in human capital, we will cultivate a resilient organization where solution-oriented talent with exceptional problem-solving skills can thrive and actively contribute, working hand-in-hand with society to shape the future.



Measures concerning human capital

We are implementing various measures to cultivate highly ambitious professionals with strong technical capabilities, build an organization where diverse people can thrive, and establish a workplace environment where employees can work without concern for their physical or mental well-being.

1. Measures to draw out the strengths of individuals

We are focusing our efforts on developing people who can serve as solution sales professionals equipped with engineering capabilities to develop products and cultivate customers, as well as the drive to constantly pursue improvement and innovation.

— Initiatives to improve our engineering capabilities

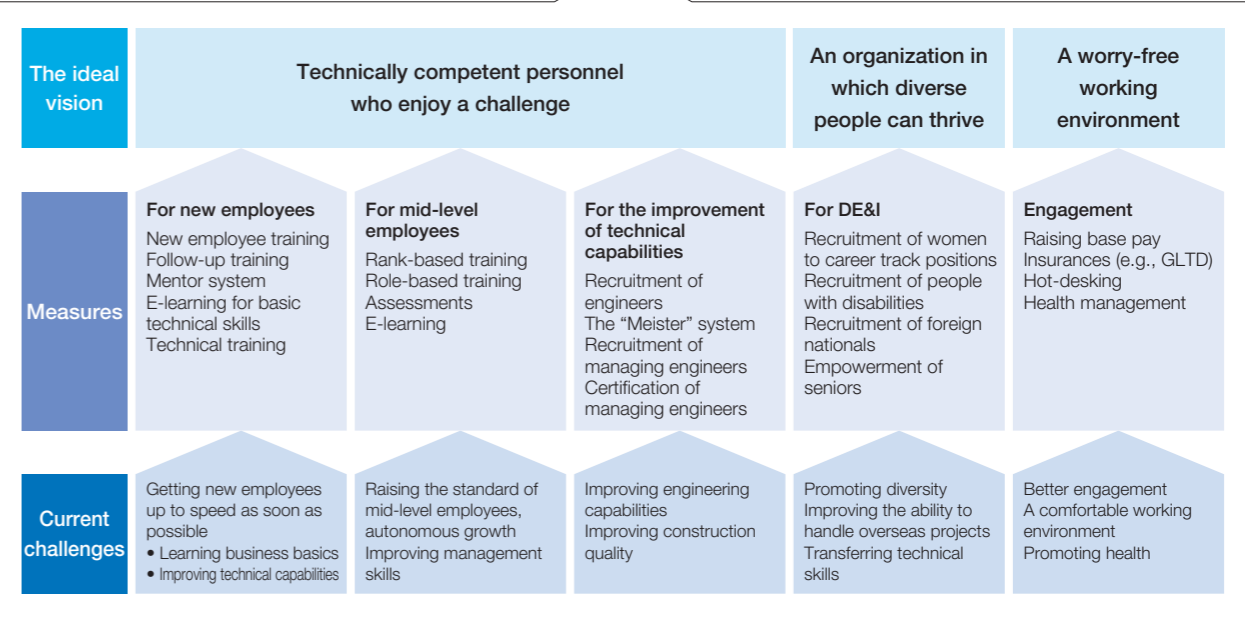
Around 80% of our employees come to us with a liberal arts background. The same goes for roughly 70% of employees in sales departments. All employees are therefore required to complete e-learning courses to acquire basic technical skills, regardless of the department they are assigned to upon joining the Company. Technical departments also hold technical workshops and hands-on training sessions on conveyor assembly, improving technical capabilities through practical experience. Furthermore, we proactively participate in training sessions and study groups organized by our suppliers and the manufacturers of our products, continuously building up our employees’ technical skills.

— The “Meister” certification system

In fiscal 2025, we launched our “Meister” certification system, recognizing and additionally compensating employees with excellent technical capabilities and knowledge in specific technical fields who can mentor junior employees to disseminate these capabilities and knowledge within the Company. Employees thus certified as Meisters provide technical support to youngsters and share feedback within the Company on the latest technologies and industrial trends.

Measures to strengthen human capital

Securing a competitive advantage with technically competent problem solvers



— Initiatives to support development

Technical capabilities are developed through practical experience. We are therefore bolstering our onboarding measures (i.e., initiatives designed to help new employees quickly adapt to the workplace, thereby improving retention within the organization and promoting development) to enable new hires to contribute effectively as quickly as possible. We have introduced a mentor system to give new hires a smooth transition to

starting work, providing the youngsters who become mentors with training to improve their listening and consulting skills. Furthermore, we are archiving our internal training measures, making it possible for mid-career hires to receive the training they need through e-learning. Our OJT program promotes employee growth by regularly rotating assigned clients, providing opportunities to gain practical experience through contact with a variety of industries and clients.

2. Measures to enhance the capabilities of the organization

We are undertaking a variety of initiatives to strengthen the entire organization so that it can maximize its comprehensive capabilities.

— Exercising our comprehensive capabilities across departments

We have transitioned from a structure based on business departments to one based on geographic areas in order to enable us to seamlessly handle all aspects of our business from components to large-scale equipment. In provincial areas, we are establishing a local subsidiary for each region to facilitate the transfer of operations while strengthening community-focused sales activities. The subsidiaries proactively hire locally sourced personnel, training them to the same standards as the Company’s employees and jointly engaging in their human development.

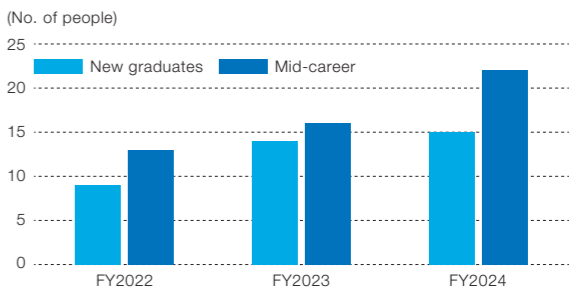
— Specialized departments

We have established technology offices to provide technical support to sales departments. Not only do they offer support in terms of design and technical matters during the proposal phase of a system, they also conduct design reviews to identify the feasibility and risks of the proposed systems. Furthermore, in order to enhance construction quality and ensure compliance with the Construction Business Act, we have established the Construction Administration Department with more than 30 qualified managing engineers to thoroughly implement quality controls.

— An organization where employees of all stripes can thrive

We take a strategic approach to recruitment in order to secure diverse human resources. With regard to new graduate recruitment, in addition to raising starting salaries, we are raising awareness of the Group and increasing interest through the use of digital signage on university campuses, as well as advertising in stadiums and public transportation stations and terminals. Furthermore, we are putting greater effort into hiring mid-career professionals through a variety of recruitment methods and channels, including employee referrals, placement agencies, and direct hiring. Furthermore, we have created an environment that supports older employees who possess extensive experience and advanced skills, allowing them to thrive and find fulfillment in their work and leading many of them to continue working energetically even after age 65.

— New hires by year





Our Business Model at a Glance

Although we were founded as a trading company dealing in rubber and chemical products, we have expanded our scale as a specialized trading company by expanding the scope of our business to meet the needs of the industrial sector. Even as we honor the experience, expertise, business foundations, and trust with our customers that we have cultivated over the more than 100 years since our founding, we seek to accurately grasp how times are changing, so that we can provide value to society as we aim for sustainable growth.

Net sales	124.3 billion yen	Operating profit	6.0 billion yen
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(FY2024)

Power transmission business

Core business offering a wide range of parts for power transmission components
Overwhelming product variety and unshakeable strength built up throughout our history
Connecting to clients through our product proposal capabilities

Net sales

46%

Facility and equipment business

Solutions that **connect** the world
Handling labor shortages by leveraging our engineering capabilities
Key business for contributing to solution of issues faced by society

Net sales

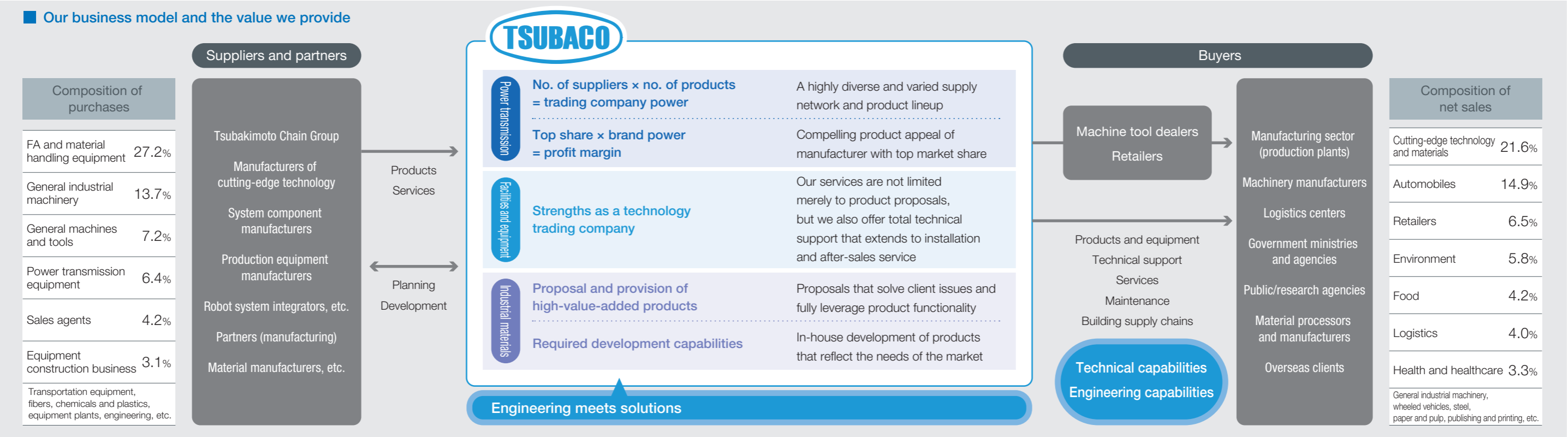
46%

Industrial materials business

Development capabilities speaking to our history since our founding
High added value combined with originality
Business that pursues growth through innovative thinking

Net sales

8%





Business Strategy for the Power Transmission Business

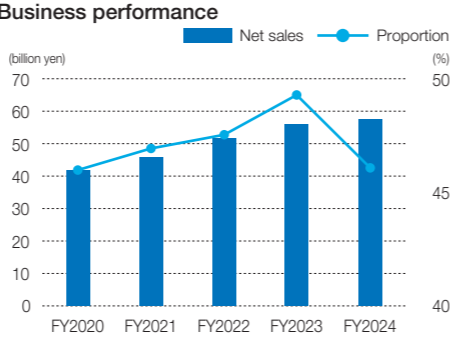
Connecting to clients through our product proposal capabilities and discovering their latent needs
Overwhelming product variety, exceptional problem-solving capabilities, and unshakeable strengths
built up throughout our history

Business outline

Our core business consists in the handling of a wide range of power transmission components, such as chains, reduction drives, and other mechanical components that are essential for a variety of equipment and devices. Not only do we boast an overwhelmingly extensive lineup, including products with the top share in their respective markets, but we also specialize in providing combination products that offer customized and modular solutions tailored to customer requirements.

We propose a variety of solutions related to “moving, connecting, and communicating” for a broad range of customers across various industries. These include OEM clients to whom we supply ongoing products such as those integrated into mass-produced items, machinery manufacturers who incorporate our system components into the specifications of their machine parts, and end-users (FC customers) to whom we supply new or replacement parts for factory production equipment. This business has its deepest relationship with Tsubakimoto Chain, our sister company, with whom we share the history of our founding. For automotive engine timing chains, we have built a three-way alliance including the automobile manufacturer that has lasted for decades, and we continue to develop next-generation products. Timing chains are an essential component for HEVs, and we anticipate demand for them to remain steadfast in the coming future.

About 30% of this business is carried out through Group subsidiaries and distributors. Easily exceeding 100 in number, our sales bases at home and abroad play a vital role in establishing a robust business foundation. Group subsidiaries, in particular, have earned the firmly-rooted trust of our customers by proposing tailored solutions that align with regional characteristics and exercising legwork to provide prompt service. As a new domain in which to add value, we are concentrating efforts on our sensing business, which uses IoT and AI technologies to build data collection, analysis, and interpretation systems to respond to the evolution of manufacturing. We go beyond simply providing standalone sensors, offering comprehensive solutions that integrate image processing equipment for analysis and inspection during manufacturing processes, along with interconnected image processing systems. This provides visibility into previously unseen aspects, enhances quality, and contributes to solving challenges on the production floor.

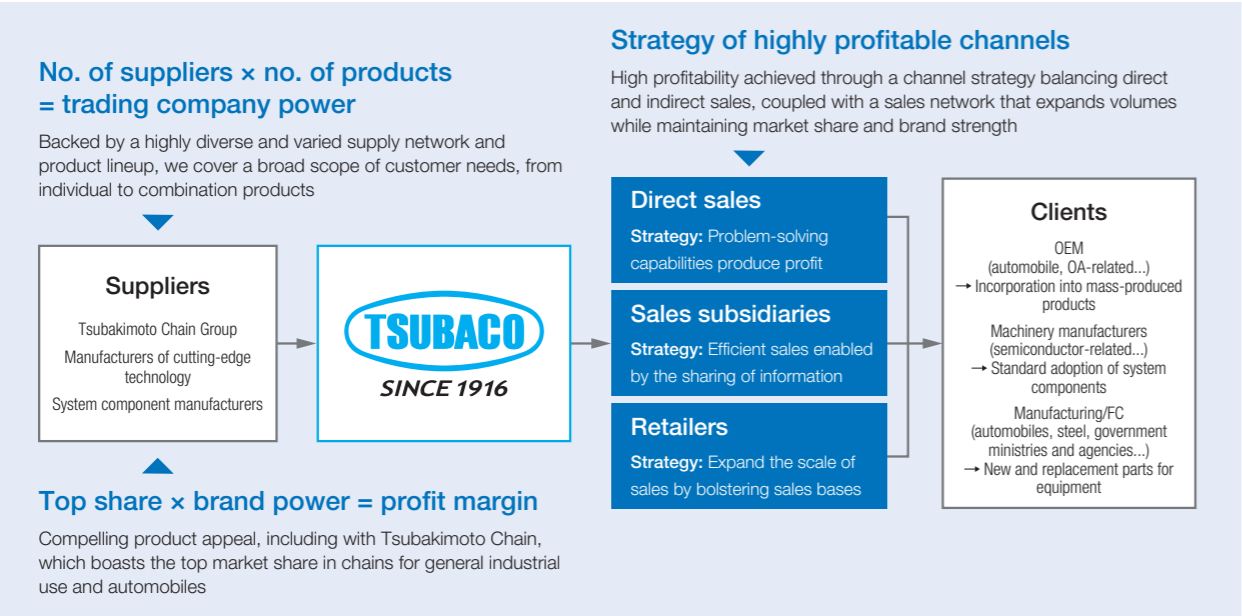


Main products

Transmissions, reduction drives, and various other drive parts; conveyor chains and other parts for transport; control devices; sensors; electronic devices; and other power transmission devices



Business model



Recognition of the business environment

Strengths	Opportunities
<ul style="list-style-type: none">• The top distributor in Japan for Tsubakimoto Chain, a global leader in chain manufacturing• Higher added value through the proposal of combination (unit) products → qualitative superiority• Comprehensive coverage of sales areas and local community-focused sales work through 12 direct sales companies in Japan• Network of over 100 retailers in Japan and abroad → numerical superiority	<ul style="list-style-type: none">• Rising need for the automation of factory equipment due to labor shortages• Increasing supply of components for data center equipment amid rising AI demand• Expanding demand for environmentally friendly products due to the accelerating transition to a decarbonized society• Expansion of the domestic semiconductor manufacturing industry in light of geopolitical risks
Risks	Responses to risks
<ul style="list-style-type: none">• Lack of competitive product offerings and suppliers besides Tsubakimoto Chain• Impact of suppliers' product competitiveness, rising costs• Restructuring of the finished automobile manufacturing industry, the primary recipients of engine components• Reconsideration of supply chains due to rising protectionism (automobiles, semiconductors)	<ul style="list-style-type: none">• Early incorporation of market needs through joint development with manufacturers, development of proprietary products → Commitment of resources• Development of manufacturers who will be the new pillars (AI, sensors, image processing)• Further stabilization of business relationships through increasing customer satisfaction

Business strategy

— The business vision for the medium to long term

Establishing our position as a “general trading company dealing in machinery and technology” that is capable of manufacturing products in line with customer requirements

We will concentrate our efforts on bolstering our human resources and organizational structure to expand our business with the manufacturers of semiconductor manufacturing equipment, who are expected to make continuously greater investments in capital expenditures. We will further expand opportunities to contribute for our semiconductor industry specialists—one of our strengths—and enhance activities across our entire Company. Furthermore, we will accelerate new customer acquisition by upskilling and handpicking young talent through specialist training, enabling them to function as industry-focused teams.

We will build up the sensing business as a new domain. We will promote the development of advanced products and a strategy for high added value through investments in startups related to AI, image processing, and automatic recognition equipment. This will contribute to improving the efficiency and productivity of our customers' facilities, while creating new business opportunities and innovation.

Reference: The Medium- to Long-term Growth Strategy on P. 15

New	We will pursue exclusive sales rights for newly developed products, primarily in the sensing field, and strengthen our problem-solving skills through investments in and M&A of companies possessing cutting-edge technical capabilities. Digital transformation is expected to accelerate in the manufacturing sector. We will invest in AI and sensing manufacturers, where greater demand is anticipated, particularly to enhance efficiency and visibility in equipment maintenance and quality control amid labor shortages, as well as expand into new business areas such as robotics.
Transformation	We will position motion control products as a future pillar of revenue as we shift our focus from traditional automotive and steel industries to manufacturers actively involved in digital transformation investments, such as the semiconductor sector. We will also consider M&A opportunities with SMEs specializing in trading machinery, which are experiencing difficulties with business succession, as well as medium-sized trading companies specializing in new fields such as semiconductors and electronic components, as we aim to expand our product offerings and commercial rights. Moreover, we intend to further expand our business by strengthening the management of the Group, with an eye toward expanding the sales subsidiaries' bases.
Existing	We will steadily engage with our power transmission business, including chains, as a revenue base resilient to economic fluctuations. We will focus not only on OEM customers and machinery manufacturers but also on FC customers, who represent a solid source of demand. Furthermore, we will dig deeper into our regional strategies by organically leveraging our direct sales departments, sales subsidiary departments, and distributor networks. We will accelerate the deepening and development of customer relationships by strengthening information sharing within the Group, with our direct sales departments implementing account strategies for major global manufacturers and our sales subsidiaries leveraging a local community-focused approach for regional manufacturing plants. Additionally, we will cooperate with equipment departments to capture demand for maintenance and other services, thereby acquiring new customers. By sharing strategies and strengthening support with distributors who handle the large volumes of Tsubakimoto Chain products, we will leverage our sales network to further deepen customer relationships.

Addressing social issues through business

We will plot the course we must take to strengthen Japan's industrial base, commit our sales resources to areas that are of particular importance from the perspective of issues and investment, and enhance social value to contribute to the elevation of domestic industries and the establishment of stable supply chains.

— Example initiatives

Against a backdrop of mounting geopolitical risks and stronger economic security measures, bolstering the domestic semiconductor and digital industry infrastructure has become a key issue. With robust government support, investment by associated companies is expected to grow. Semiconductor manufacturing equipment, in particular, requires the development of cutting-edge, high-precision, and high-quality components capable of supporting the evolution of advanced semiconductors, which are becoming increasingly miniaturized and more sophisticated. We have utilized the strengths of our specialist human resources to establish a collaborative development framework with manufacturers. By providing optimal equipment and systems that satisfy increasingly sophisticated requirements, we contribute to the stabilization of the supply chain.



Business Strategy for the Facility and Equipment Business

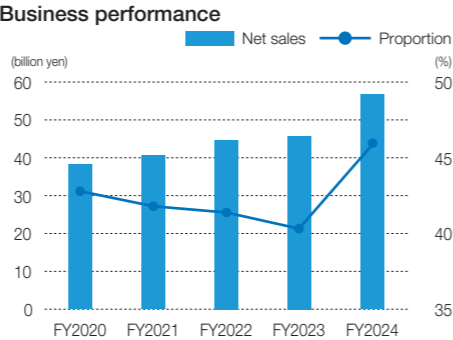
Applying our extensive track record and proven engineering capabilities to solutions that connect the world
We offer state-of-the-art technology and machinery to pioneer the future of industry and contribute to solving society’s challenges

Business outline

The Company's facility and equipment business deals in equipment and industrial machinery related to material handling, FA* systems, and powder conveying systems. It has long been concerned with saving labor and solving environmental issues. We have honed our engineering capabilities to provide proprietary handling systems, leveraging Tsubakimoto Chain as our greatest partner to cover everything from conveyance to sorting across all industries in the material handling sector, and from assembly lines to inspection lines in the FA sector. Furthermore, having developed expertise in a variety of industrial machinery through our transportation technology, we boast a vast portfolio of successful project deliveries, including coating and drying equipment for films, large-scale machine tools for machining, and freezer equipment for the food industry. We apply this expertise to the environmental sector, focusing on conveying equipment and peripherals for biomass power generation facilities and other applications.

With partners such as Tsubakimoto Chain and other highly specialized companies, we supply customers with optimal solutions to address the increasingly complex and sophisticated challenges on the production floor, such as increasing productivity, addressing labor shortages, and decarbonization. Our strength lies in the close cooperation between our sales departments, which act as the interface with customers, our technology offices, which carry out the technical verifications of proposed solutions, and our construction administration departments that leverage their extensive experience to reliably solve on-site challenges. This teamwork enables us to provide a full range of support extending beyond equipment proposals to include installation and after-sales service. The accumulated expertise forms a significant competitive advantage as our problem-solving capability through our “engineering meets solutions” approach. This business has been handling industrial robots—the very symbol of factory automation—since the hydraulic era. We have consistently fulfilled the needs of automation by swiftly adopting cutting-edge technologies, such as the shift toward electrification, and by responding sensitively to changing demands, demonstrating our raison d’être as a general trading company dealing in machinery and technology. We will continue to grow as we provide solutions to production sites to keep them one step ahead of the competition.

*FA: Factory automation



Main products

Clean energy-related equipment, medical equipment, chemical machinery and equipment, water treatment equipment, foodstuff machinery, other environmental equipment, machine tools, industrial robots, various conveyors, various automation machines, AS/RS warehouses and automatic sorting machines, and FA systems including various conveying devices



Business model



Recognition of the business environment

Strengths	Opportunities
<ul style="list-style-type: none">Customer acquisition through collaboration between power transmission and equipment departmentsBrand power of our transportation, FA, and material handling equipmentOur extensive knowledge of products and accumulation of expertiseRobust relationships of trust with clientsA total support system based on the cooperation of technical and construction administration departmentsSuppliers with a broad variety of specializations	<ul style="list-style-type: none">Robust capex in JapanExpansion of business opportunities accompanying industry reorganization driven by the electrification of the automobile sectorHorizontal deployment of EV-related achievements to finished automobile manufacturers and Tier 1 companiesExpansion of capex demand to accommodate transformations in the automobile industry, such as GigacastingIncreased investment in labor-saving and environmental measures
Risks	Responses to risks
<ul style="list-style-type: none">Securing of human resources and technical capabilities; passing down of expertiseAging of SME partnersFluctuations in capital investment demand due to economic conditionsInsufficient efforts in growth fields, such as the cutting-edge technology sectorIncreased competitiveness of overseas manufacturers, intensifying price competition	<p><Measures related to human resources and training></p> <ul style="list-style-type: none">Education and training to develop technically proficient human resources <p><Measures to enhance competitiveness, including expanding product offerings, technical capabilities, and partnerships></p> <ul style="list-style-type: none">Enhancing competitiveness through the borderless integration of technical capabilities from multiple suppliersAcquisition of commercial rights through M&A or partial capital participation, product developmentCultivation of industries less affected by economic fluctuations (food, pharmaceuticals, etc.)

Business strategy

The business vision for the medium to long term

A group of professionals with wide-ranging professional expertise, problem-solving skills, and engineering capabilities

Among all of our core businesses, we regard the facility and equipment business as a growth sector with particularly strong potential for expansion, and we will continue to commit resources to it over the medium to long term. In order to bolster our approach to growth fields such as cutting-edge semiconductors and secondary batteries, we will concentrate our efforts on developing new products that incorporate the latest technologies owned by start-ups, leveraging the expertise accumulated with our existing partners as the foundation. We will also explore potential business partnerships with start-ups with which we can create technical synergies, also considering the possibility of M&A opportunities in the future. In this way, we will secure technical human resources and expand our commercial rights, with the aim of this business comprising 50% of total net sales by fiscal 2028, the final year of our next medium-term management plan.

Reference: The Medium- to Long-term Growth Strategy on P. 15

New	We will focus our efforts on turning cutting-edge technology sectors (semiconductors, EVs, AI, new solar cells, etc.), along with robotics, pharmaceuticals, and healthcare, into pillars of our future revenue. We will undertake M&A with a view to penetrating new industries and acquiring human resources and technical capabilities well versed in advanced products and industries, as we aim to expand into new business domains.
Transformation	We will enhance product development capabilities and open new sales channels by investing development costs and other capital into existing suppliers. By aggressively incorporating cutting-edge technologies such as AI into existing products, we will make it possible to offer state-of-the-art facilities and equipment and enhance competitiveness. We will accelerate efforts to capture key industries, such as automobiles, logistics, environment, and food, by leveraging Meister human resources with deep expertise in these sectors and establishing a cross-functional organizational structure.
Existing	To address the growing demand for automation driven by factors such as labor shortages and the changing environment, including the restructuring of the automobile, logistics, and food industries, it is becoming increasingly important to enhance specialized knowledge across these sectors and expand the range of products offered. Not only will we strengthen cooperation with the material handling department of our key partner Tsubakimoto Chain, we will also pursue collaboration and alliances with diverse companies from their development stages onward, with an eye toward developing new technologies and sourcing partners, allowing us to maintain and enhance our competitive advantage.

Addressing social issues through business

We will contribute to solving various challenges facing the industrial sector by providing the most advanced equipment for automation, renewable energy, and environmental recycling, addressing social issues such as labor shortages resulting from a declining birthrate and aging population, as well as climate change and environmental conservation.

Example initiatives

Labor shortages have led to a rising demand for automation in the food industry. However, out of the primary operations of processing, packaging, and packing, it has proven particularly challenging to automate processing due to hygiene concerns. Leveraging our extensive experience and expertise with food freezers, we have succeeded in automating ingredient processing for the restaurant industry. This project involved the collaboration of multiple partners to develop systems centered around collaborative robots, selecting the optimal equipment tailored to each processed item. It holds promise for horizontal deployment across various food processing sectors, including the ready-to-eat meals industry.

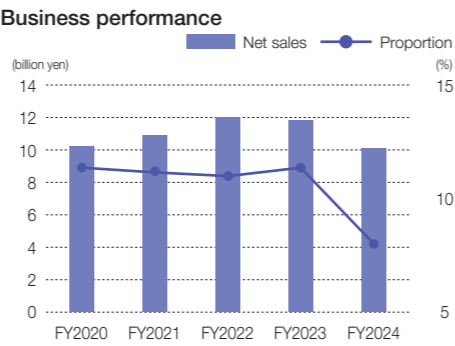


Business Strategy for the Industrial Materials Business

“High added value combined with originality”: Development capabilities speaking to our history since our founding
Supporting businesses from the ground up with our proprietary development capabilities and ability to build supply chains

Business outline

Tsubakimoto Kogyo got its start in the chemical industry, handling rubber products. Since then, we have expanded our operations to include the cutting-edge materials of each era, product development, and even the manufacture of processing machinery. We support a wide range of products, from industrial materials such as those for the interiors of automobiles, non-woven fabrics for wet wipes, spray pumps for shampoo and cosmetic containers, and resin molded products, to carbon composites such as carbon fiber, and even stone surface plates and tea packaging machines, extending our support all the way to supply chain construction. Furthermore, we have been quick to identify the trends of the times, such as environmental issues, and have been the first to bring cutting-edge materials like biodegradable films to market. We are also actively pursuing the development of new products and expansion into new markets, launching new businesses such as supplying microfiber to manufacturers of automobile accessories, developing environmentally friendly biodegradable materials, and using drones to provide inspection and surveying services. Our methods of sensitively perceiving the needs of the times and creating high-value-added products through joint development are utterly unrivaled. We will continue to pursue growth through innovative thinking.

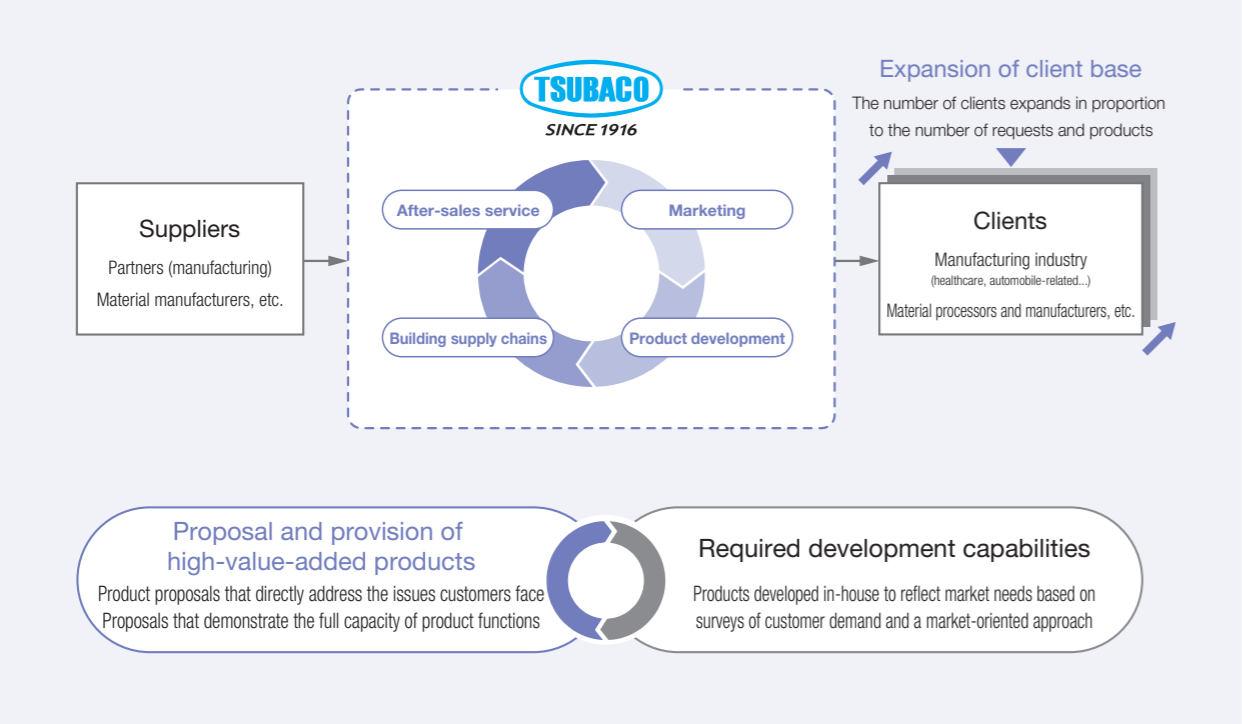


Main products

Non-woven fabrics and their derivatives, synthetic resin molding machines and molded products, functional materials



Business model



Recognition of the business environment

Strengths	Opportunities
<ul style="list-style-type: none">Know-how based on specialized expertise (in materials, molding, processing, assembly) and experienceMarketing based on robust relationships of trust with clientsLabor-saving and cost-reducing measures devised as a general trading company dealing in machinery and technology	<ul style="list-style-type: none">Acquisition of commercial rights due to the restructuring of the industry and withdrawal of major materials manufacturersNew market entry owing to the growth of e-commerce driven by transformations in distribution models and sales/advertising methodsCapturing of latent demand through digital marketingJoint selling of automation and labor-saving machinery and materials through departmental collaborationContributing to the streamlining of customers' business through the promotion of assembly units and OEM sales
Risks	Responses to risks
<ul style="list-style-type: none">Securing and succession of technical human resourcesIncreasing fragility of supply chains due to labor shortages, rising raw material prices, and increasing geopolitical risksDiversification of client acquisition routes through digital transformation	<ul style="list-style-type: none">Enhanced cooperation with technical partnersDevelopment of technical human resources for products in materials and OEMDistribution of manufacturing and processing bases, establishment of overseas basesSupport for increasing suppliers' productivity through collaboration with equipment departments and sales subsidiariesPromotion of business leveraging digital technology in specialized fields

Business strategy

The business vision for the medium to long term

Maximize profits by expanding our portfolio of original products, including those developed in-house, exclusive distribution items, and licensed goods

By providing comprehensive solutions combining our original products with processing machinery, we will horizontally expand into customers' existing industries and pursue new market segments. For the food and beverage industry, we will expand our lineup of high-, medium-, and low-speed tea packaging machines, while also devoting efforts to developing ancillary equipment and selling biodegradable materials. In the field of advanced semiconductors, we will develop and market precision positioning units, in anticipation of equipment demand driven by generative AI. We will continue developing high-value-added original products in the cosmetics, chemicals, housing, and building materials sectors. We will expand new business models that leverage digital transformation, including e-commerce sales of professional-grade products and inspection and surveying services utilizing drones.

Reference: The Medium- to Long-term Growth Strategy on P. 15

New	We will deepen cooperation with our technical partners, with whom we have collaborated on development in manufacturing and processing, through measures such as personnel exchanges and capital participation. This will enhance our functions as a “manufacturing trading company” and create new business models. In addition, we will seek expansion into new business domains by promoting distinctive original products that take advantage of digital transformation.
Transformation	As we further strengthen cooperation with partners within Japan, we will pursue our OEM business by building out our manufacturing bases and expanding our design and development capabilities to undertake the production of our customers' products. Furthermore, through collaboration with equipment departments, acquiring production technology skills, and the expansion of our partners, we will endeavor to sell our proprietary products developed using our technical expertise for the food and hygiene sectors.
Existing	We will make full use of our sales network as we aim to expand our sales channels with higher added value for our products. By establishing processing and assembly bases and developing manufacturing bases, we will promote the sale of products as combined units. This will help reduce customers' management workloads and cut down on processing steps. Furthermore, the domestic materials processing industry exhibits distinct industry characteristics by region, requiring the integration of materials and processing machinery into proposals tailored to specific product applications. Through cooperation with our sales subsidiaries, we will efficiently develop businesses closely tied to local industries.

Addressing social issues through business

In order to limit environmental pollution and destruction, we will cooperate with major materials manufacturers to focus attention on the fields of biodegradable and compostable materials. We will contribute to society through the development of new materials that are conscious of their environmental impact.

Example initiatives

We are capable of providing not only the product, i.e., the material, but also the technology and processes used to process it. That is our strength. With respect to pollution caused by plastic waste, for example, the use of biodegradable materials that decompose in soil would enable natural decomposition, reducing the discharge of microplastics into the oceans and soil. Since 2007, we have sold our proprietary tea packaging machines worldwide, including in Europe, and we have now embarked on a new project to transition from tea bags made with conventional materials to fully soil-degradable (home compostable) tea bag materials. This initiative—an effort in environmental conservation—would mark the first time in the world that such a product has been commercialized. Furthermore, we will work to develop molded products using biodegradable resins as well as expand our lineup of biodegradable films (TF-BIO) with the goal of integrating sales with film processing machinery.

Overseas Business

Product appeal and the capability to offer solutions, cultivated domestically
Our overseas network and experienced trade management system underpin the streamlining and expansion of our business

Business outline

In our overseas business, we collaborate with local subsidiaries, primarily in Asia, to provide services and solutions equivalent to those offered within Japan. Although we mainly target Japanese companies, we are also expanding the scope of our business to encompass local companies.

We provide comprehensive support for overseas factory equipment and parts, not only proposing wiring solutions, but also undertaking the construction work.

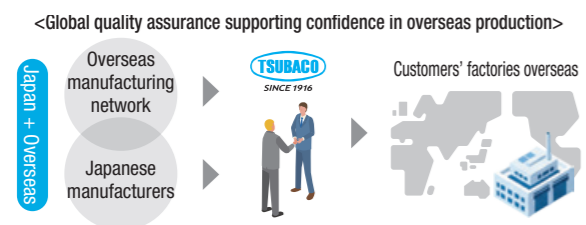
We can leverage our overseas bases and networks to select, propose, and procure the optimal products, while also providing far-reaching support for complicated import and export operations. Additionally, we are making an effort to promote the domestic adoption of products discovered and developed overseas.

Our overseas subsidiaries and representative offices are bolstering the sharing of information and cooperation with domestic counterparts. By enhancing customer satisfaction through the provision of high-quality services, we aim to further expand our business domains.



Overseas sales network

Two approaches that underpin the growth of customers' business

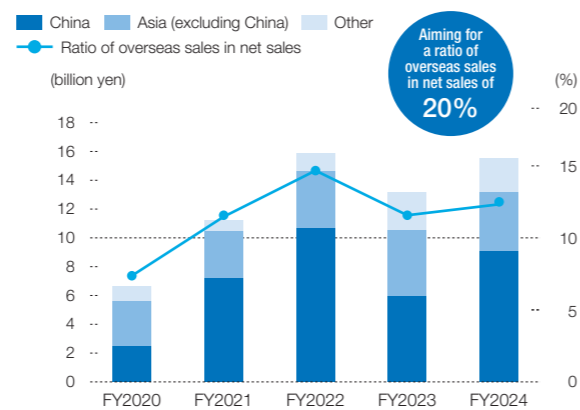


- Product and technical service quality equal to that in Japan
- High price competitiveness due to cooperation with local partners
- Smooth handling based on a thorough understanding of local cultures and business practices

Focus sectors

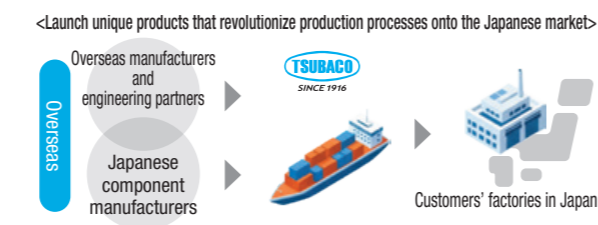
Asian industry is seeing rapidly growing demand for automation in production and logistics sites to alleviate labor shortages and improve quality. The Group is therefore rolling out its high-value-added technical proposals not only to Japanese companies but also to local customers. Furthermore, against the backdrop of tightening regulations and supply chain requirements, demand for environmental investments and products is robust, and we are promoting sales of highly efficient equipment and components, as well as materials and their processed products with a low environmental impact. The automobile sector, in particular, has a broad reach overseas, and we will focus on Japanese companies to introduce equipment aimed at automation and efficiency.

Net sales overseas



Overseas network

In addition to our local subsidiaries, we have numerous manufacturing, sales, and procurement networks spanning Asia, Europe, and the Americas. Not only do we supply products according to our customers' quality and price requirements, but we have also built a robust collaborative framework with partners in manufacturing, engineering, and other fields. This enables us to provide installation and maintenance services to the same level of customer satisfaction, whether in Japan or abroad.



- Quality assurance based on comprehensive support from import to delivery, installation, and maintenance
- Overseas manufacturers of components and equipment
- Overseas engineering partners

Focus areas

ASEAN, which holds a crucial position in the global supply chain, is expected to continue seeing the transfer of production and equipment upgrades coming from Japan and China. We will therefore lean into our domestic and international collaboration to ensure a seamless response. Within ASEAN, Vietnam in particular is expected to see increased entry by Japanese companies aiming to establish new supply chains, so we will redouble our efforts there.

Furthermore, we are conducting feasibility studies for the full-scale launch of operations in India, where Japanese companies are making significant inroads and expanding their businesses.

See more: P. 8 Areas × Growth strategies based on expanding business areas and product offerings

Overview of Our Sustainability Management

Our approach to sustainability

Ever since our founding, we have always emphasized the importance of contributing to society through our business activities, a principle enshrined in our corporate motto and passed down throughout our history. This philosophy has been incorporated into the Group's Basic Sustainability Policy that was enacted in 2023, and we have been actively working to resolve social issues, including environmental issues, and have reflected this philosophy in our business activities toward the realization of a sustainable society. As society faces ever expanding and intensifying challenges, such as climate change, the environment, and the declining birthrate and aging population, we recognize that the Group cannot develop sustainably without a resolution to these issues. In its medium-term management plan ATOM2025, the Group has designated the promotion of sustainability management as a priority measure from the perspective of management foundation strengthening and has formulated various policies (in the areas of the environment, quality and product safety, occupational safety and health, human capital, human rights, and procurement). Through business activities based on these policies, we aim to achieve social value in order to contribute to the sound development of society.

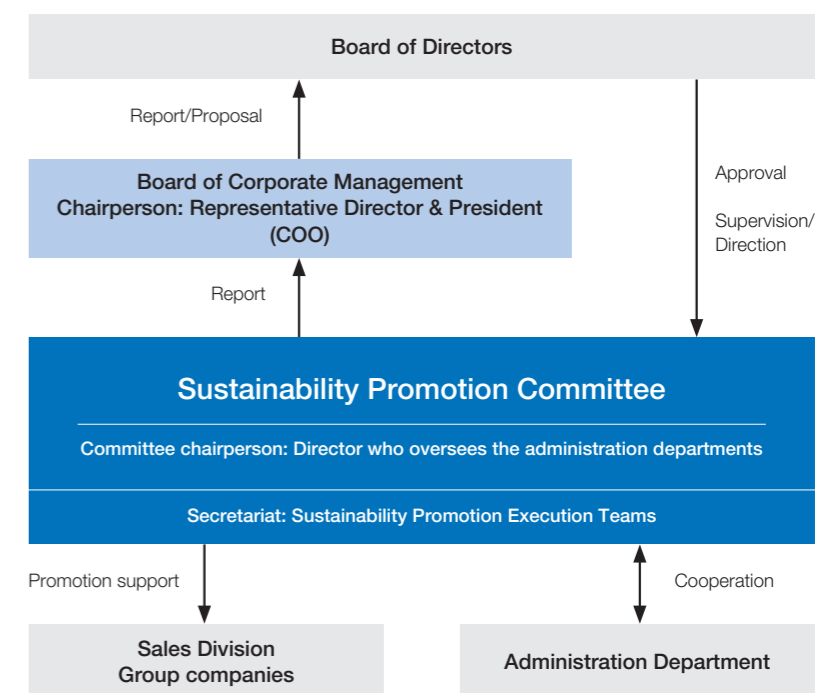
Basic Sustainability Policy

Based on our corporate motto, which is "to contribute to society through our business activities," we, as a group of professionals in machinery and technology, will continue to innovate and evolve in order to provide value to society and contribute to the creation of future value for industry. In addition, we aim to be a company that is trusted by its stakeholders by actively working to resolve the issues faced by society, including environmental issues, toward the realization of a sustainable society. At the same time, we will build a transparent management system and actively disclose information to achieve this goal.

Internal structure for sustainability management

In order to promote management based on the perspective of sustainability, we have established a Sustainability Promotion Committee chaired by the director who oversees the administration departments. The Sustainability Promotion Committee discusses topics to be addressed by all companies over the medium to long term—such as targets related to material issues (materialities) for sustainability, including matters relating to climate change—and the direction in which to proceed, and sets policies and targets for all companies. The committee also builds and establishes the structure to put these things into action and monitors the status of initiatives. In this structure, the main issues compiled by the Sustainability Promotion Committee first pass through the Board of Corporate Management and are then reported and proposed to the Board of Directors, before supervision is enacted and direction provided.

Sustainability promotion organization chart



Governance

Supervisory structure of the Board of Directors

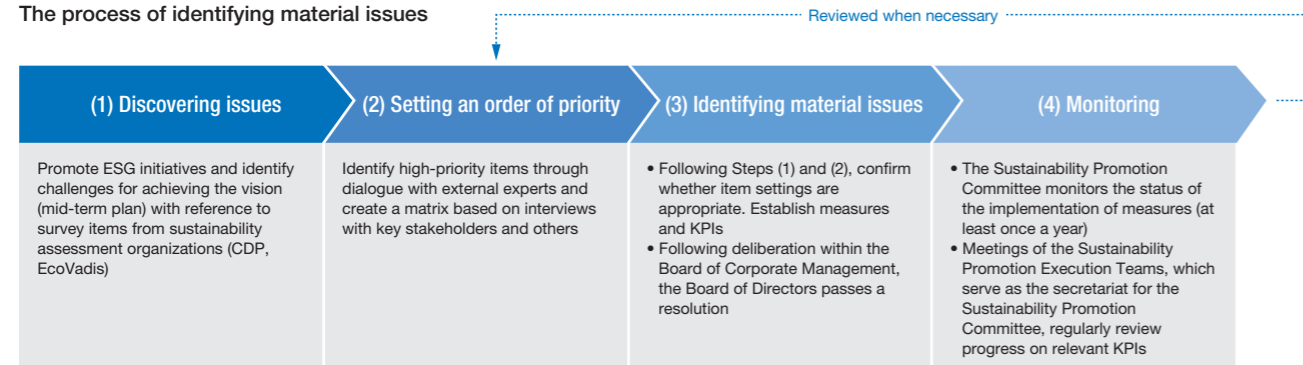
Tsubakimoto's Board of Directors sees action on sustainability issues as a material issue in terms of management and places it at the core of medium- to long-term management strategy. In order to deal with sustainability issues, we have established a Sustainability Promotion Committee as an advisory body for the Board of Corporate Management, which is chaired by the Representative Director & President. The Sustainability Promotion Committee issues reports to the Board of Corporate Management, which in turn issues reports and recommendations to the Board of Directors. The Board of Directors reviews and approves such matters, assessing the risks and opportunities as necessary. The Board of Directors also supervises the activities of the Sustainability Promotion Committee and issues instructions for sustainability initiatives to be implemented by each department through the committee. The Sustainability Promotion Committee is chaired by the director who oversees the administration departments and comprises three or more committee members nominated by the Board of Corporate Management. It works toward sustainable corporate growth and corporate value creation over the medium to long term by undertaking management from the perspective of sustainability and aims to ensure the Company lives up to the trust placed in it by its stakeholders. The Sustainability Promotion Committee meets at least once a year and reports to the Board of Directors on the content of its meetings and key issues. In addition, the Sustainability Promotion Committee works to ensure reliability in the implementation of improvement measures by managing the status of initiatives on issues of management strategy to be tackled in line with instructions from the Board of Directors. In addition to reporting on the progress and initiatives related to the KPIs, the Sustainability Promotion Committee meeting for fiscal 2025 will also involve ESG initiatives and the BCP as main areas of discussion.



Identifying Material Issues

We aim to contribute to the resolution of issues faced by society and to the building of a sustainable society through our business activities, and based on the Basic Sustainability Policy of the Group, we identify materialities (material issues) in management. We also implement progress management on the basis of KPIs defined to evaluate initiatives in terms of these materialities. In addition, to further deepen our awareness of our social responsibility and achieve increasing corporate value over the medium to long term, we are working to strengthen our sustainability initiatives. Furthermore, by identifying changes in the business environment and implementing the materiality identification process on a regular and ongoing basis, we are able to perceive changes in importance and reflect them in our business activities.

The process of identifying material issues



KPI progress and measures

Changes in external environment	Risks and opportunities ○ = Risks ○ = Opportunities	Material issues	Initiatives over the medium to long term	Measures, status of progress, and major initiatives	KPIs	FY2022 (actual)	FY2023 (actual)	FY2024 (actual)	FY2025 (target)	FY2030 (target)
Accelerating transition to a decarbonized society E	<ul style="list-style-type: none"> Reduction in demand for engine components Reduction in business opportunities due to electrification Expansion of systems related to renewable energy infrastructure Expansion of equipment related to secondary battery materials and EV charging infrastructure Expansion of investment demand related to transportation infrastructure 	Action to achieve a decarbonized society <ul style="list-style-type: none"> Strengthen approaches to new fields Explore business opportunities 	<ul style="list-style-type: none"> Use actual measurements to monitor results and refine target setting Investigate introduction of carbon credits Improve the precision of Scope 3 calculations and consider the reduction of targets Explore business opportunities and develop products 	<ul style="list-style-type: none"> Converting to renewable electricity, LED lighting, and HEVs for company cars Calculating impact through carbon tax calculations Converting to green electricity at Nagoya, Mikawa Anjo, Kyushu, and Hakone bases Scenario analysis of business impacts from climate change shows revenue growth will exceed revenue loss 	GHG emissions (Scopes 1 and 2) ^{*1} GHG emissions (Scope 3) t-CO ₂ ^{*2} Rate of renewable energy usage Increase of net sales from responding to climate change	28% reduction -	27% reduction 753,651 12.6%	26% reduction 870,155 13.4%	30% reduction Reduction target currently under review 15%	50% reduction ^{*10} 20%
Declining birthrate, aging population, and difficulty in securing human resources S	<ul style="list-style-type: none"> Expansion of the risk of business continuity becoming impossible due to the shortage of sales personnel Creation of an environment where diverse talent can thrive, enabling flexible responses to changing business conditions, attracting individuals capable of generating new business ideas, and further harnessing the capabilities of existing talent while ensuring retention Reform of work styles and acceleration of workplace improvement Recruitment of human resources positively impacted by the Company's assessment as a company that proactively engages in DE&I Reduction in the acquisition of large-scale equipment projects due to the shortage of employees with managing engineer qualification Increased demand for equipment that addresses labor shortages (automation equipment that utilizes robots, etc.) Growing demand for equipment for the manufacturing sector that is shifting away from Japan Growing demand for high quality, advanced import products 	Strengthen human capital measures (including health management and diversity management) Action to achieve an automated society Strategy for high added value Strengthen overseas business	<ul style="list-style-type: none"> Enhance cooperation with employment agencies to recruit female mid-career professionals Expand the range of duties for existing personnel and develop their capabilities, increase awareness of family issues, also among male employees, and improve the environment and systems. Establish an environment conducive to the thriving of diverse human resources and the expansion of business areas Proactive recruitment of qualified human resources and systematic assignment to ensure they gain sufficient practical experience Increase gross profit through the development of high-value-added products Secure and develop top talent in Japan and overseas, equipping them with specialized skills to enhance the Company's bases overseas Reorganize overseas bases to enhance support 	<ul style="list-style-type: none"> Recruiting female new graduates and experienced mid-career candidates year-round, as well as utilizing internal job transfer systems to increase the number of women with career track positions Promoting health management through the KENKO Investment for Health program Care for the mental health of highly stressed employees by occupational physicians Reviewing HR policies and improving compensation to enhance employee engagement Running a farm to promote the participation of a diverse workforce, donating harvested vegetables to Kodomo Shokudo children's cafeterias Increasing the number of employees qualified as Chief Engineers Improving the gross profit margin by increasing added value through product combination and integration Local recruitment of highly skilled human resources Discovering high-quality, unique imported products 	Ratio of women with career track positions Ratio of female managers Gender wage gap Ratio of male employees taking childcare leave Ratio of staff undergoing stress checks Employee engagement ^{*3} Comprehensive evaluation of the degree of health management ^{*4} Turnover rate ^{*5} Proportion of employees with disabilities Number of holders of specific qualifications ^{*3} ^{*6} Human added value ratio ^{*3} Number of employees overseas (bases outside Japan) Ratio of overseas sales in net sales	4.8% 1.8% 58.0% 82.0% 81.0% - - 5.8% 1.1% 100 100 101 14.7%	6.0% 0.9% 59.9% 70.0% 97.5% 100 - 4.0% 2.1% 101 106 97 11.6%	5.4% 2.5% 60.0% 84.0% 98.6% 107 47.5 3.9% 2.0% 104 108 99 12.5%	8.0% 3.3% 60.0% 100.0% 100.0% 115 50.0 4.0% 2.5% 115 108 100 16.0%	10.0% 4.0% 70.0% 100.0% 100.0% 125 55.0 3.0% 3.0% 120 110 105 20.0%
Advance of the digital society E S	<ul style="list-style-type: none"> Increased business opportunities, including in components, accompanying the return and new establishment of equipment in cutting-edge fields within Japan Reduction of operational man-hours through the introduction of cloud services Information leaks resulting from the deterioration of systems Reallocation of staff to high-value-added sectors following DX-enabled business process reviews and efficiency improvements 	Strengthen digital-related fields (advanced semiconductors, etc.) Improve productivity by investing in DX	<ul style="list-style-type: none"> Investigate new products, such as AI devices for manufacturing and inspection equipment for the semiconductor and LCD industries Enhance the IT infrastructure to improve business operations Overhaul core systems, implement SFA Take the next step from digitalizing operations to reforming operational flow From analyzing to utilizing data 	<ul style="list-style-type: none"> Selling distinctive energy-saving, power-saving, and sensor equipment that is compatible with changing facilities and devices Developing a cross-functional organization through the "Meister" system Developing an information management infrastructure, initiating the use of electronic contracts, and promoting the digitization of important paper documents Enhancing DX-related e-learning courses 	Net sales in digital-related fields ^{*7} Annual amount of DX-related investment Paper document volume (paperless) ^{*8}	8.7 billion yen 0.56 billion yen -	9.8 billion yen 0.47 billion yen -	10.8 billion yen 0.53 billion yen 30% reduction	10.5 billion yen 0.50 billion yen 50% reduction Currently reviewing KPIs in view of the realization of DX	13.0 billion yen 0.50 billion yen 70% reduction
Expansion of ESG investment E S G	<ul style="list-style-type: none"> Reduction of business opportunities due to the failure of suppliers to meet evaluation criteria Establishment of a business foundation with suppliers that comply with international standards Management foundation strengthening and expansion of the revenue base Sustainable growth and increasing corporate value 	Promote sound business activities with an emphasis on sustainability management <ul style="list-style-type: none"> Create social value through business activities Accelerate SDG initiatives across various fields such as the environment and human rights 	<ul style="list-style-type: none"> Continue with supplier surveys, analyze and share data for corrective support Realize supplier management by implementing ESG cloud services Regularly review the BCP, conduct drills in accordance with the manual, and promote the BCM 	<ul style="list-style-type: none"> Conduct surveys covering the top 80% of suppliers by purchase volume, including their endorsement of human rights and the procurement policy, and provide guidance to suppliers who have not yet taken action Implement advice and support based on discussions with subcontractors Disseminating information on how to use the safety confirmation system Sharing the BCP manual and organizational structure 	Supplier questionnaire response rate Rate of agreement with code of conduct (human rights and procurement) ESG initiative adoption rate among suppliers ^{*9} Safety confirmation drill message response rate Ratio of companies with a companywide BCP in place	- - - 70% -	- - - 85% -	70% 67% 65% 96% 41%	80% 80% 80% 100% 56%	100% 100% 100% 100% 100%

*1: Vs. fiscal 2013 (1,293 t-CO₂) *2: Categories 1/2/3/4/5/6/7/11 *3: Index *4: Standard deviation *5: Over the last year *6: Number of certified supervising engineers

*7: Cutting-edge technology-related (semiconductors, LCDs) *8: Vs. fiscal 2023 (Osaka and Tokyo Head Offices)

*9: Proportion that score 20 points or higher (out of 30 points) for ESG initiatives *10: Carbon neutral by 2050



Environmental Initiatives

Fundamental philosophy

We view solutions for global environment conservation and other issues faced by society as important management issues of the Tsubakimoto Group and work toward the achievement of a sustainable society by creating environmental and economic value through business and corporate activities based on the technical capabilities that form our strengths as we go about putting our corporate motto and other elements of our mission statement into practice.

Environmental Policy (excerpt)

1. Provision of products and services that contribute to environmental conservation

2. Contribution to a decarbonized society

3. Sustainable use of resources

4. Coexistence with nature
5. Compliance with environment-related laws and regulations

6. Continuous improvement of environment management system

7. Awareness raising among all officers/employees and implementation of conservation activities



Visit our website for details on our Environmental Policy.
<https://www.tsubaki.co.jp/en/ir/sustainability/environment/management/>

Disclosure based on TCFD recommendations

In order to ensure we have a concrete understanding of the risks and opportunities that climate change will have on our business, we undertake scenario analysis. In our scenario analysis, we assume two scenarios (a 1.5°C one and a 4°C one), identify the risks and opportunities that may impact our business by the year 2030, and assess the extent of this impact.



Strategy

In order to ensure we have a concrete understanding of the risks and opportunities that climate change will have on our business, we have undertaken scenario analysis. We assumed two scenarios: one of 1.5°C warming and another of 4°C warming. Having identified the risks and opportunities that may impact our business by the year 2030 and assessed the extent of this impact, we then investigated measures to be taken.

Transition Plan/Roadmap/Action Plan for Decarbonization

Current			2050
Target	50% reduction in GHG emissions by 2030		Carbon neutrality by 2050
GHG emission reduction	Initiatives in offices <ul style="list-style-type: none">Specific energy-saving measures (use of LED for office lighting, upgrading of devices to energy-saving devices)Introduction of electricity from renewable energy		
	Initiatives through company vehicles <ul style="list-style-type: none">Better fuel efficiency through promotion of eco-drivingUpgrade of company vehicles to HEV/BEV, exploration of introduction of charging facilities (at Mikawa Anjo and Shikoku sales offices)Use of HEV/BEV for company vehicles (and rental cars)	Initiatives in the supply chain <ul style="list-style-type: none">Reduced CO₂ emissions through introduction of GreenEX*Exploration into collaboration with suppliers in the supply chain toward a reduction in Scope 3 emissions[Medium to long term] Review of inventory bases, streamlining of logistics, and use of green logisticsInitiatives to minimize the impact of carbon pricing through enhanced engagement with suppliers and client companies	
Effective use of resources	Initiatives toward a circular economy <ul style="list-style-type: none">Ongoing gathering of information concerning policy, regulations, and other such mattersIdentification of types of industrial waste, and initiatives toward reductionProposals to clients regarding recycling (removal facilities, etc.)Exploration of raw materials for low-cost alternative non-woven fabrics		
Business transition	Initiatives toward sustainability and decarbonized products <ul style="list-style-type: none">Proactive offering of products that contribute to decarbonization of society, enhancement of sales structureActive rethinking of product portfolioIncorporation into medium-term management plan		
Market appraisal	Disclosure of sustainability information <ul style="list-style-type: none">Proactive information disclosure of climate change-related actionsProactive information disclosure through external initiatives such as CDP and EcoVadisFormulation of a new medium-term management policy that sees the transition to a decarbonized society as a business opportunityIntroduction of a GHG calculation system for obtaining third-party certification		
Adapting to climate change	Continuous risk assessment <ul style="list-style-type: none">Regular evaluation of risks to bases, enhancement of disaster response (flood damage), review of scope of insurance coverage	<ul style="list-style-type: none">Engagement with suppliers concerning BCP, procurement channel diversificationDiversification of customer portfolio	
	Creation of a comfortable working environment <ul style="list-style-type: none">Continuous implementation of health managementPrevention of productivity loss through meticulous action in response to changes in the working environment	<ul style="list-style-type: none">Better production efficiency through DXOffsetting cost increases caused by declining labor productivity through a shift to high-value-added products (and services)	

*GreenEX: A service offered by JR Tokai, JR West Japan, and JR Kyushu aimed at achieving net-zero CO₂ emissions

Scenario analysis conditions and definitions

Scenario	Outlook	Reference scenario
1.5°C scenario	Strict policies are enacted and technological innovation progresses toward the achievement of net-zero carbon emissions by 2050, a target aimed at realizing a sustainable society. Temperature increase remains stable below 1.5°C at the end of the 21st century.	<ul style="list-style-type: none">IPCC SSP1-1.9IEA WEO2024 NZE scenario
4°C scenario	Currently enacted policies continue, and no additional measures are taken. Temperature increase exceeds 2°C at the end of the 21st century, and major impacts from climate change are felt.	<ul style="list-style-type: none">IPCC SSP5-8.5IEA WEO2024 STEP scenario

Impact timing	Impact
Near term: Within 1-2 years Medium term: Within 5 years Long term: Within 20 years	Large: Major impact on the Company (500 million yen or more) Medium: Limited impact on the Company (50–500 million yen) Small: Minimal impact on the Company (less than 50 million yen)

Risks and opportunities identified through scenario analysis, and planned actions

Categories of opportunities & risks	Scenario	Item	Specific impact on the Group	Impact	Impact timing	Measures
Transition risks	Policy/legislation	Introduction of carbon tax	Increase in heating and lighting expenses at offices and fuel costs for sales vehicles due to the introduction of a carbon tax	Small	Short- to medium-term	<ul style="list-style-type: none">Specific energy-saving measures (use of LED for office lighting, upgrading of devices to energy-saving devices, etc.)Procurement of electricity from renewable energy sourcesSwitching of sales vehicles to HEV/BEVReduced CO₂ emissions through introduction of GreenEX (JR Tokai)
		Strengthening of obligation to report emissions	Increase in compliance costs, such as third-party certification costs for GHG emissions	Small	Short- to medium-term	<ul style="list-style-type: none">Introduction of a GHG calculation system for obtaining third-party certificationExploration into collaboration with suppliers in the supply chain toward a reduction in Scope 3 emissions
		Recycling regulations	<ul style="list-style-type: none">Stricter plastic and other regulations increase the use of alternative materials for non-woven fabrics and other such products, leading to higher production costsRising costs related to the disposal of industrial waste, such as equipment removed and packaging materials required during installation work	Large	Medium-term	<ul style="list-style-type: none">Exploration of raw materials for low-cost alternative non-woven fabricsOngoing gathering of information concerning policy, regulations, and other such mattersIdentification of types of industrial wasteProposals to clients regarding recycling (removal facilities, etc.)
	Technology	Advancement of next-generation technologies	<ul style="list-style-type: none">Missed sales opportunities caused by delays in the development of new products that contribute to decarbonizationLoss of sales opportunities caused by the disappearance of needs for existing products	Small	Short- to medium-term	<ul style="list-style-type: none">Proactive offering of products that contribute to decarbonization of societyActive rethinking of product portfolioExploration, knowledge acquisition, and enhanced cooperation with manufacturers regarding new technologies that contribute to decarbonizationSelection of products based on emission reduction volume and LCCO₂
		Rising costs of raw materials	Increase in costs due to a shift to renewable raw materials	Large	Medium-term	<ul style="list-style-type: none">Initiatives to fully minimize the impact of soaring costs of raw materials through engagement with suppliersUnderstanding regarding cost passing among client companies through engagement
		Change in reputation among clients and investors	<ul style="list-style-type: none">Loss of sales opportunities due to decarbonization efforts being rated as insufficientInsufficient initiatives and lack of disclosure result in decreased trust from stakeholders and lower external ratings	-	Medium-term	<ul style="list-style-type: none">Proactive information disclosure of climate change-related actionsProactive information disclosure through external initiatives such as CDP and EcoVadisFormulation of a new medium-term management policy that sees the transition to a decarbonized society as a business opportunity
Physical risks	Acute	Extreme weather (intensification of natural disasters)	<ul style="list-style-type: none">Sales decline due to supply chain disruptions, stalled sales activities, and factory shutdowns or production cutbacks at client sites caused by large-scale natural disastersInventory and other owned assets damaged by floods or other such disasters	Small	Medium- to long-term	<ul style="list-style-type: none">Engagement with suppliers concerning BCPDiversification of product procurement channels where possibleDiversification of client portfolio
	Chronic	Rise in average temperature	Decline in worker efficiency due to deterioration of the working environment caused by rising temperatures	Medium	Medium- to long-term	<ul style="list-style-type: none">Regular evaluation of risks to basesEnhancement of disaster response (flood damage), etc., at basesRethinking of scope of insurance coverage (some inventory assets are only covered for fire, and losses from water damage are not covered)
Opportunities	Resource efficiency	Streamlining of logistics/production	Reduced energy usage through inventory base reorganization and logistics streamlining	Small	Medium-term	<ul style="list-style-type: none">Review of inventory bases, streamlining of logistics
	Energy sources	Energy saving/ decarbonization	Reduced energy costs through switching sales vehicles to EV or other eco-friendly cars	Small	Short- to medium-term	<ul style="list-style-type: none">Better fuel efficiency through promotion of eco-drivingUpgrading of company vehicles to HEV/BEVExploration into introduction of charging facilities (at Mikawa Anjo and Shikoku sales offices)
	Products and services	Development and growth of low-carbon emission products and services due to factors including changes in consumer and client preferences	<ul style="list-style-type: none">Expansion of components and the facility and equipment business related to renewable energy, electric mobility, and hydrogen energyExpansion of logistics, railway infrastructure, food (agribusiness), and agriculture-related businessesExpansion of recycling and other environmental businesses	Large	Short- to medium-term	<ul style="list-style-type: none">Enhancement of GX-related business and its incorporation into medium-term management planDiscovery of low carbon emission products for import[Medium to long term] Exploration of collaborative robots and other products capable of increasing productivity under rising temperatures
	Markets	Change in client and investor behavior	<ul style="list-style-type: none">Decarbonization initiatives received well by clients, leading to increased sales opportunitiesBetter assessment from investors and diversified procurement opportunities through decarbonization initiatives and proactive approach in the environment business	-	Medium-term	<ul style="list-style-type: none">Proactive information disclosure of climate change-related actionsProactive information disclosure through external initiatives such as CDP and EcoVadisFormulation of a new medium-term management policy that sees the transition to a decarbonized society as a business opportunity



Risk management

In the Group, Sustainability Promotion Execution Teams take the lead in identifying and assessing sustainability-related risks and analyzing opportunities. Among sustainability-related risks and opportunities, the risks and opportunities related to climate change are identified, analyzed, and assessed on the basis of scenario analysis. Important risks and opportunities that have been identified and assessed are reported by the Sustainability Promotion Committee to the Board of Directors and the Board of Corporate Management as required, ensuring information on risks and opportunities is shared. At the same time, appropriate measures against risks are considered, and opportunities are incorporated, as necessary, into our management strategy and the issues to be addressed. Specifically, among sustainability-related risks, the risks related to management strategy and business operations are deliberated on by the Board of Corporate Management and the Board of Directors as necessary. Cooperation with the Risk Management Committee will be requested as and when required, all the while efforts are made to avoid the materialization of such risk events and consideration is given to measures to be taken if they do materialize. The Sustainability Promotion Committee also takes the lead with regard to opportunities and supports the initiatives of each business division. Regarding opportunities related to climate change, we are working to expand sales opportunities by developing new products, such as those related to decarbonization, that meet customer needs.

Indicators and targets

The Group's GHG emissions (Scope 1 and Scope 2 emissions at all domestic bases of the Group) are used as metrics for assessing risks and opportunities related to climate change. Although fiscal 2024 saw a year-on-year increase due to heightened activity at each base following the end of the COVID-19 pandemic, emissions were still 25.8% lower than in fiscal 2013. We aim to reduce the Group's GHG emissions by 50% from the fiscal 2013 level by fiscal 2030 and to achieve carbon neutrality by 2050 through various decarbonization initiatives such as the use of renewable energy. We have been calculating and tracking emissions within our supply chain (Scope 3) since fiscal 2023. Going forward, we will strive to improve the accuracy of our Scope 3 calculations while also advancing discussions on Scope 3 reduction targets.



Actual GHG emissions (Scope 1 and 2)

	Emissions (t-CO ₂)			Reduction rate (%)
		Of which, Scope 1*1	Of which, Scope 2*2	
FY2013	1,293	710	583	—
FY2021	968	513	456	25.1
FY2022	928	532	395	28.2
FY2023	945	543	402	26.9
FY2024	960	562	398	25.8

*1 Scope 1 is defined as the direct emissions of greenhouse gases emitted by the Group itself. Therefore, it is calculated from the fuel consumption (gasoline, diesel oil, heavy oil, city gas, LPG) at all domestic bases of the Group.
*2 Scope 2 is defined as the indirect emissions associated with the use of electricity, heat, and steam supplied by other companies. Therefore, it is calculated from the electricity consumption at all domestic bases of the Group.

Actual GHG emissions (Scope 3)

	Category	Emissions (t-CO ₂)	
		FY2023	FY2024
Scope 3*3	1. Purchased goods & services	531,315	570,580
	2. Capital goods	1,953	2,070
	3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	200	204
	4. Upstream transportation & distribution	637	873
	5. Waste generated in operations	265	305
	6. Business travel	1,811	1,603
	7. Employee commuting	251	276
	11. Use of sold products	217,220	294,244
	Total	753,651	870,155

*3 Scope 3 is defined as emissions from other companies in the supply chain other than Scope 1 and Scope 2. Therefore, the emissions from other companies resulting from the activities of the Group (including overseas) are calculated by category.

Environmental businesses: Case studies



Decarbonization

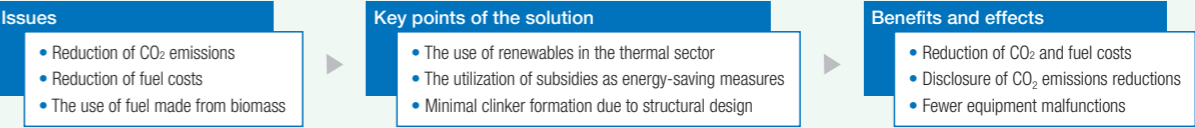
As decarbonization in the thermal sector becomes a significant issue, biomass boilers emerge as the next step

Overview

The paper industry employs steam in many manufacturing processes, and the adoption of biomass boilers is progressing to reduce CO₂ emissions and fuel costs. In response to plans to introduce biomass boilers utilizing biomass fuel to supply the steam load at a site that manufactures the base paper for corrugated cardboard, we worked together with a partner possessing expertise in the environmental field to jointly develop a solution. The system is designed to co-burn RPF (solid fuel) made from biomass materials and waste plastics as fuel. The goal is to use biomass materials to reduce CO₂ emissions and RPF to reduce fuel costs. Now that the disclosure of CO₂ intensity within the supply chain is required, this represents a major initiative toward decarbonization.

Characteristics

The current use of natural energy primarily focuses on the electricity sector, such as solar, wind, hydroelectric, and geothermal power generation. In the thermal energy sector, the current state of the use of renewable energy is heavily skewed toward large biomass boilers handling tens of tons and biomass power generation. Tsubakimoto Kogyo offers biomass boilers with capacities of several tons for use in general factories. We offer three types: universal, rotary, and compact, and will devote our efforts to developing a new market for biomass boilers. Additionally, depending on the scale of the customer's operations, subsidies covering two-thirds or one-half of the cost may be available as an energy-saving measure. A key feature of our biomass boilers is their unique design, incorporating a conveyor-type grate and agitator blades not found in other manufacturers' models. This construction drastically reduces the formation of clinkers (lumps of molten ash), which are otherwise a primary cause of equipment malfunctions.



Resource recycling

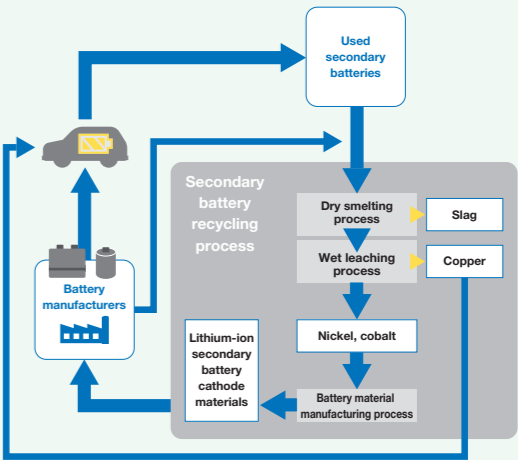
Entering a New Field: Lithium-ion Secondary Battery Recycling Plant

Overview

Amid the accelerating transition to a decarbonized society, solar (PV) and biomass facilities have gained attention for their renewable energy capabilities. In addition, the automobile industry has entered a "once-in-a-century period of radical transformation," leading to growing demand for lithium-ion batteries to accommodate the increasing adoption of battery electric vehicles (BEVs). Going forward, the supply and demand for raw materials such as cobalt and nickel are expected to tighten, and efforts to establish a system for domestic resource recycling as a national policy are intensifying. Under these circumstances, there is growing demand for facilities to recycle solar panels and lithium-ion batteries, as a growing amount of existing equipment and components are nearing the end of their service life and require updates or replacement. Tsubakimoto Kogyo has secured orders for carbon classification and raw material blending equipment for the construction of a recycling plant to recover copper, nickel, cobalt, and lithium from used lithium-ion secondary batteries (LIBs) and other sources. As we transition toward a circular economy that maximizes the sustainable use of resources, this business holds promise as one that can contribute to the future of society.

Characteristics

The plant's processing capacity (raw material throughput) is approximately 10,000 tons per year in LIB cell conversion, enough to supply batteries for about 60,000 BEVs. The LIB recycling plant efficiently processes used LIBs with high impurity content by combining a dry smelting process with a wet leaching process, enabling it to handle the anticipated increase in used LIB generation. This future-oriented recycling facility supports the development of a sustainable and recycling-oriented society and promotes the adoption of battery electric vehicles (BEVs).



Social

Respect for human rights

Based on many years of experience in a wide range of supply chains in various industries as a group of professionals in machinery and technology, we recognize that working with suppliers to reduce human rights risks in the supply chain is an important issue and is part of the social responsibility that we must fulfill. We have established a Human Rights Policy in accordance with the Basic Sustainability Policy and aim to create social value through business activities based on this policy. We will comply with and respect international norms concerning human rights, take forward initiatives to promote respect for human rights at the level of the Group as a whole, and strive to fulfill the Group's responsibilities.

Human Rights Policy (excerpt)

Based on our corporate motto, which is "to contribute to society through our business activities," we, as a group of professionals in machinery and technology, will continue to innovate and evolve in order to provide value to society and contribute to the creation of future value for industry. Toward the realization of a sustainable society, we have established the following Human Rights Policy to promote respect for human rights and to fulfill our responsibilities.

- | | |
|--|---|
| 1. Compliance with norms and laws regarding respect for human rights | 6. Dialog and discussions with stakeholders |
| 2. Responsibility to respect human rights throughout all business activities | 7. Education for officers and employees |
| 3. Scope of application | 8. Information disclosure |
| 4. Due diligence on human rights | 9. Material issues concerning human rights |
| 5. Correction and remedy | |



Visit our website for details on our Human Rights Policy
<https://www.tsubaki.co.jp/en/ir/sustainability/social/human-rights/>

Diversity, Equity & Inclusion (DE&I)

The Group seeks to foster a workplace culture that allows employees from various backgrounds to thrive out of our recognition that diverse values are essential for the sustainable development of business. We implement policies and operate systems to ensure fairness in recruitment, placement, evaluation, compensation, and promotion, regardless of race, religion, nationality, age, gender, sexual orientation, or disability, so that every individual can fully exercise their abilities. We respect the individuality and abilities of each and every employee, as we embrace and harness diversity, striving to foster an organizational culture where everyone can feel secure in their work.

Promoting the recruitment of mid-career professionals

Tsubakimoto Kogyo actively recruits and promotes human resources with a diversity of backgrounds. Regarding our recruitment of mid-career professionals, we actively welcome individuals with diverse industry and job role experience. By incorporating the knowledge and perspectives they have cultivated into our organization, we aim to enhance the flexibility and competitiveness of the entire organization.

We are also working to enhance our onboarding program following job placement, ensuring that those hired as mid-career professionals can quickly adapt to the workplace and begin using their skills. Through initiatives such as these, we aim to foster an organizational culture that respects diverse values and encourages mutual learning. Going forward, we will continue to achieve sustainable growth through human resource strategies that support flexible and diverse ways of working.

Supporting the active participation of employees with disabilities

Tsubakimoto Kogyo is making a concerted effort to create an environment in which diverse human resources can exercise their abilities to the fullest and considers the employment of people with disabilities as one of its key social responsibilities. We are committed to ensuring that everyone can feel comfortable and find fulfillment in their work.

As part of this effort, we run a farm, giving employees a place to experience the joy of working and connect with society by growing vegetables. Employees with disabilities can work at the farm, handling tasks that correspond to their individual abilities, as the Company offers them continuous employment support through the production, management, and harvesting of crops. Through social initiatives such as our cooperation with Kodomo Shokudo children's cafeterias, we create an environment where employees can find meaning in their work.

Changes in external environment	No. employed	Percentage of employees
Status of employees with disabilities	11.5*	2.0%

As of March 31, 2025

*Part-time employees are counted as 0.5 people



Improving labor practices and the working environment

We consider it a key management priority to ensure the creation of a workplace where all employees can feel secure in their work and use their abilities to the fullest extent. We make a continuous effort to enable diverse working styles, promote health management, and maintain good relations between labor and management. Concretely speaking, we are enabling flexible working styles and bolstering support for work-life balance by introducing and expanding programs such as flexible working hours and remote working arrangements for employees with child and elderly care responsibilities. Furthermore, we are working to curb long working hours by properly managing labor time and encouraging employees to take their annual paid leave. We are also promoting initiatives to support the physical and mental health of our employees, including improving mental health care, increasing participation rates in regular health checkups, and making effective use of the stress check program. Moreover, we are putting our weight behind efforts to establishing training programs and consultation systems to prevent harassment, helping to create a safe and secure workplace. We will continue to strive to sustainably increase corporate value by creating a working environment where diverse human resources can thrive over the long term.

Supporting employees in balancing work and family life

Tsubakimoto Kogyo is committed to developing programs and an environment that help employees balance childcare and work responsibilities, enabling them to confidently continue working throughout different life stages. With our childcare leave benefits that exceed statutory minimal requirements and arrangements that allow for reduced working time, we have created a structure that gives employees the flexibility to work during periods in their lives when they have and raise children. We are also working to encourage male employees to take childcare leave, fostering awareness throughout the workplace by providing training for managers and featuring articles in our in-house newsletter. As a result, the ratio of male employees taking childcare leave has steadily increased in recent years.

Major support measures (beyond statutory obligations)

- Childcare leave: Up to age 3
- Reduced working hours: Until enrollment in elementary school
- Child nursing care leave: 3 days paid

Ratio of male employees taking childcare leave (FY2024)

84%

Health management

We have been investing in human capital and expanding healthcare training programs to strengthen our management infrastructure. We issued a health declaration in June 2024 and submitted our first certification application in October of the same year, being recognized as an Outstanding Organization of KENKO Investment for Health 2025.

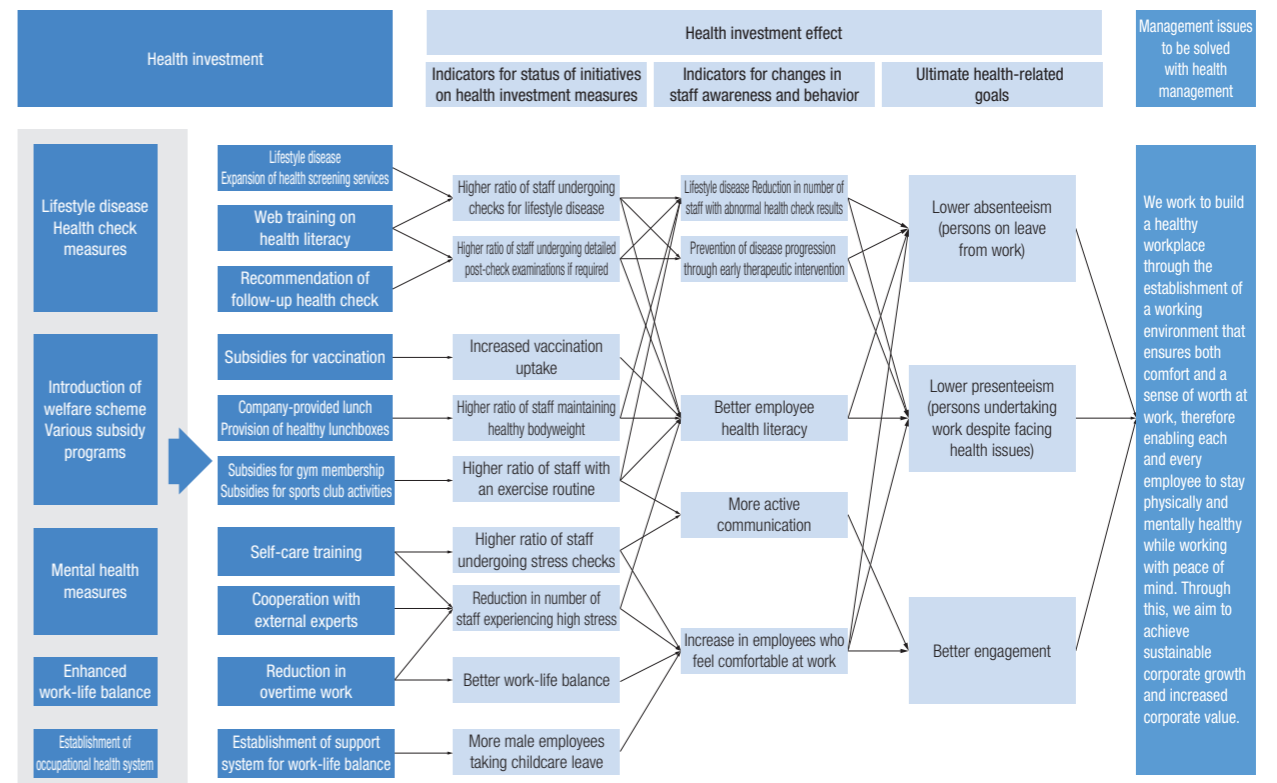


We will continue our efforts to improve workplace productivity, review lifestyle habits, and establish an environment where employees can work in safety and good health, while also striving to enhance our corporate value.

Indicators concerning health management (FY2024)

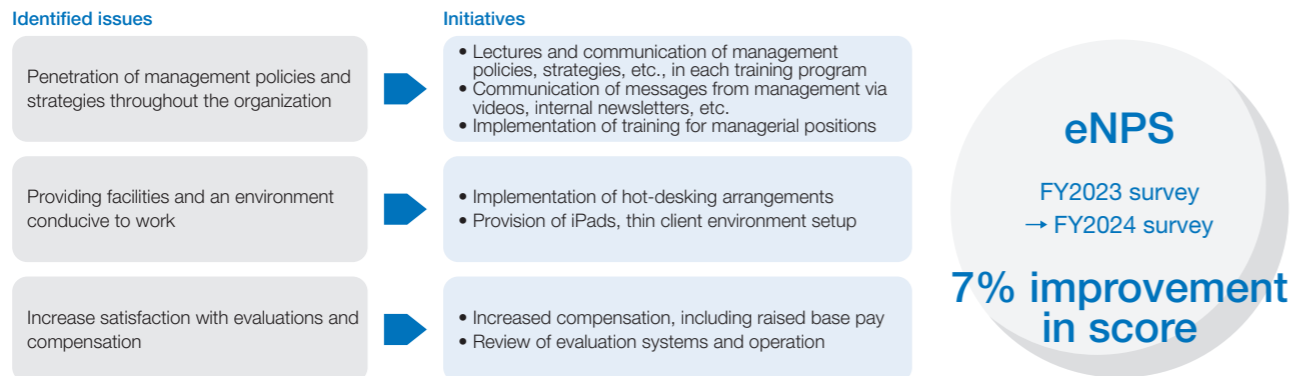
Issue	Actual results
Ratio of health checks uncovering abnormalities	17.3%
Ratio of staff undergoing stress checks	98.6%
Ratio of staff experiencing high stress	6.6%
Ratio of staff maintaining healthy bodyweight	60.9%

Health management strategy map



Employee satisfaction (engagement)

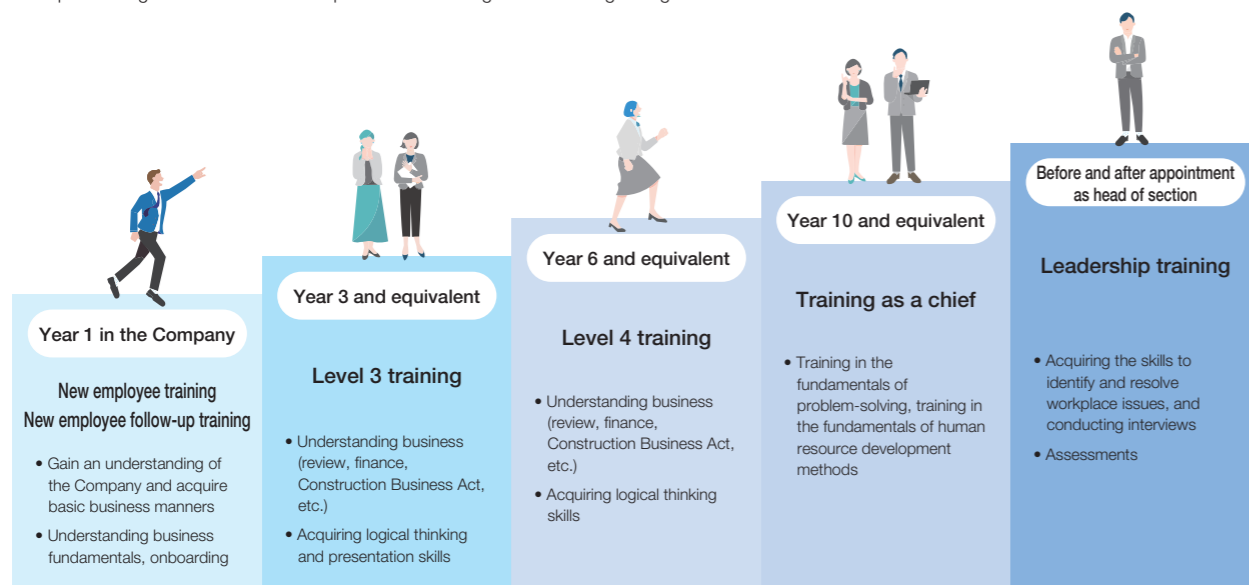
Tsubakimoto Kogyo seeks to create a workplace where every employee feels connected to the organization, finds meaning in their work, and can actively demonstrate their capabilities. As part of this effort, we conduct regular employee engagement surveys to gain visibility into the issues affecting the health of our organization and the workplace environment. Specifically, we have begun using eNPS (employee Net Promoter Score) surveys to measure employee loyalty and satisfaction based on the question: "Would you recommend our Company to friends or acquaintances?" Survey results are analyzed on a departmental basis, issues are identified, and action plans are developed based on these findings. We will continue to listen to our employees and work to foster a corporate culture where they can work with a sense of purpose and pride, striving for continuous improvement in engagement.



Human resource development and training programs

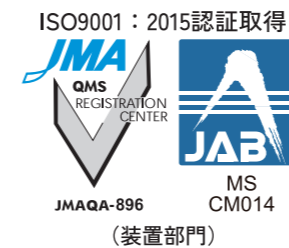
The Group assigns prime importance to human capital and promotes systematic human resource development and training programs en route to fulfilling our corporate mottoes of "tirelessly developing new products" and "unrelentingly seeking out new sales channels."

In addition to emphasizing OJT (On-the-Job Training), we have implemented a goal management system (MBO) to promote individual growth, as well as planned departmental rotations aimed at broadening perspectives and acquiring new skills. Our training programs include rank-based training for all employees from new hires to people in managerial positions, role-based training to enhance management skills, technical training to deepen expertise, and e-learning programs to support self-directed learning. Through these measures, we aim to cultivate human resources that are eager to take on challenges while possessing advanced technical capabilities and acting without fearing change.



Training	Subjects	Objective
E-learning for technical skills Technical training	Upon joining the Company	Acquisition of basic technical skills Acquisition of practical skills through the use of sample machinery
E-learning	All employees	Learning business skills, computer skills, and other skills tailored to each employee's needs, on demand
Role-based training	Section head-level	Penetration of management policies, updates on legal revisions, etc. Re-confirmation of attendance, evaluation, and other duties; confirmation of mental health support measures
Mentor training	Years 2–5 in the Company	Understanding the mentor system, acquiring active listening skills

Quality and product safety



The Group's management policy states that "As a general trading company dealing in machinery and technology, our guiding principle is to prioritize satisfying clients and to prosper by tirelessly developing new products and seeking out new sales channels," and we view providing safe and reassuring products and services to customers an important issue in terms of management. To further ensure the safety of our products, we shall build and maintain a structure for managing quality and product safety, while setting out a policy regarding quality and product safety to ensure the safety of our products.

In addition, our equipment departments have obtained ISO 9001:2015 certification, with our primary goal being to enhance customer satisfaction through product quality assurance. Additionally, we conduct ISO surveillance audits and internal quality audits as we strive to share and correct compliance with quality-related laws and internal rules. Furthermore, once a year, the director overseeing the sales department chairs the top-level Supplier Evaluation Committee, where information on suppliers' quality, management systems, and workload is shared across the Company.

Supplier engagement

Under "our concept" of "fulfilling our corporate social responsibility by maintaining social fairness in our dealings and actively endeavoring to meet the demands of society, including the demand for environmental protection," the Group emphasizes supplier engagement. Our business is built on relationships with a wide range of stakeholders, and in order to continue our operations while maintaining their trust, we believe that open, bilateral communication with suppliers will become increasingly essential. In fiscal 2024, we implemented the following measures on the 143 main suppliers with whom we have a business connection.

- Education on and confirmation of endorsement of our sustainable procurement policy and human rights policy (endorsement rate of 67%)
- Sustainability questionnaire (response rate of 70%)

As well as ensuring our suppliers know about the Group's sustainable procurement initiatives, we also regularly implement a questionnaire survey regarding ESG matters (human rights, the environment, health and safety, BCP, compliance, supplier management) to minimize risks to the Group and suppliers and bring sustainable growth.

Sustainability cooperation roadmap

		Phase 1 (FY2023 >>>)	Phase 2 (FY2025 >>>)	Phase 3 (FY2030 >>>)
E Environment	Our initiatives	<ul style="list-style-type: none"> GHG emissions calculation (Scopes 1, 2, and 3) CDP and EcoVadis assessment Visualization of GHG emissions with calculation tool 	<ul style="list-style-type: none"> Confirming the state of progress of GHG emission reduction measures Acquisition of third-party certification concerning the environment 	<ul style="list-style-type: none"> Carbon neutrality by 2050 Handling of carbon pricing Investigation into introduction of carbon credits
	Call to action in the supply chain	<ul style="list-style-type: none"> Confirmation of GHG emissions calculation status 	<ul style="list-style-type: none"> Promotion of use of renewable energy Request for CDP response (primary suppliers) 	<ul style="list-style-type: none"> Setting of GHG emission reduction targets
S Human rights & health and safety	Our initiatives	<ul style="list-style-type: none"> Become a Certified Outstanding Organization of KENKO Investment for Health and enhance activities in this area 	<ul style="list-style-type: none"> Information gathering for human rights due diligence initiatives Reviews of regulations and standards on the basis of international standards 	<ul style="list-style-type: none"> Creation of human rights risk map
	Call to action in the supply chain	<ul style="list-style-type: none"> Assessment of status of initiatives to promote respect for human rights Assessment of situation regarding health and safety in the workplace Confirmation of health check and stress check implementation status 	<ul style="list-style-type: none"> Exploration of improvement measures through dialog with parties who have not implemented initiatives to promote respect for human rights Primary supplier survey & dialogs 	<ul style="list-style-type: none"> Sharing of status of human rights due diligence initiatives Assessment of status of initiatives to promote respect for human rights at secondary suppliers Work towards sustainable growth targets beyond the SDGs
G Compliance & BCP	Our initiatives	<ul style="list-style-type: none"> BCP manual preparation 	<ul style="list-style-type: none"> BCP review and training 	<ul style="list-style-type: none"> BCM implementation and satellite base establishment
	Call to action in the supply chain	<ul style="list-style-type: none"> Confirmation of status of legal compliance Checking of disaster supplies and BCP manuals 	<ul style="list-style-type: none"> Provision of information on BCP measures and other matters through dialog and other means Confirmation of BCM implementation status 	<ul style="list-style-type: none"> Strengthening of cooperation in contingencies, such as construction of an emergency communication network
Supplier management	Call to action in the supply chain	<ul style="list-style-type: none"> Dissemination of procurement and environmental policies to main suppliers and survey to confirm their endorsement Periodically request written endorsement and implement questionnaire (biannually) 	<ul style="list-style-type: none"> Visits to companies who have not responded to investigate the situation Holding supplier briefings and courses Improvement proposals for suppliers by theme 	<ul style="list-style-type: none"> 100% supplier questionnaire response rate 100% implementation ratio of initiatives for ESG matters Fully-fledged implementation of initiatives at secondary suppliers Cooperation in assessments with Supplier Assessment Committee

Declaration of Partnership Building

We declare that we will prioritize working on the goals of the Declaration of Partnership Building in order to build new partnerships through cooperation and mutual prosperity with our business partners in the supply chain and businesses aiming to create value.



Visit our website for details on our Declaration of Partnership Building.
<https://www.tsubaki.co.jp/en/ir/sustainability/social/supplier/>



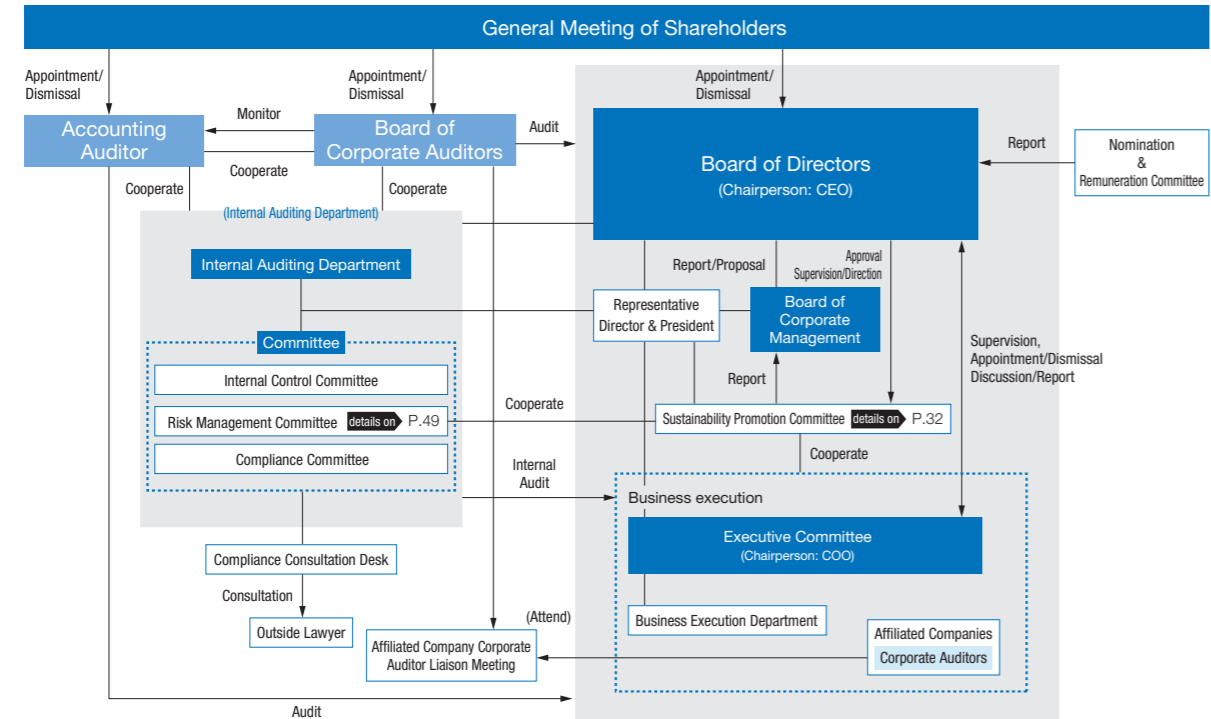


Corporate Governance

Basic policy Basic policy on corporate governance

The Company believes that the key points of corporate governance are the appropriate and prompt decision-making by the Board of Directors on corporate management, the reliable development of business based on such decision-making, and the maintenance of compliance in the process of such decision-making and business execution.

Structure (as of June 26, 2025)

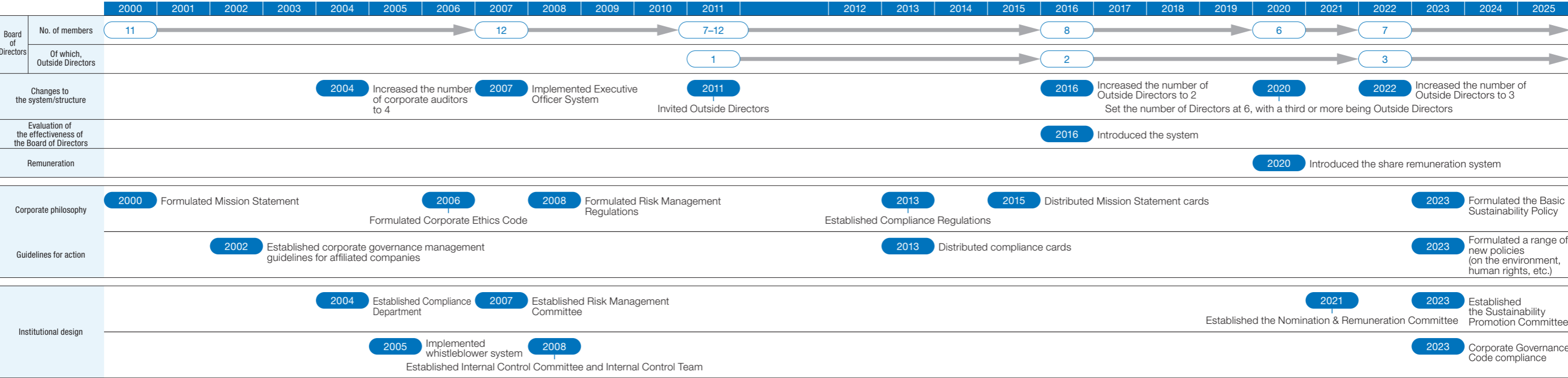


Our Group governance System to ensure the appropriateness of business operations in the Group

The Company has established Regulations for the Management and Operation of Affiliated Companies in order to understand the management status of subsidiaries and associates, to promote the guidance and training, and to improve the management efficiency of the Group. The Company appoints Directors who are responsible for the business of subsidiaries and associates and gives them the authority and responsibility to establish a compliance system and a risk management system. The Compliance Committee promotes and manages these in a cross-sectional manner in cooperation with the Financial & Accounting Department, the Human Resources Department, and other departments.

The development of our corporate governance framework: a timeline

We are continuously working to increase the transparency and fairness of our corporate governance. We have introduced a performance-linked remuneration system, aligning the interests of each Director with those of our shareholders and incentivizing the taking of a medium- to long-term perspective in the pursuit of better performance.



Overview of institutions

Meeting body	Overview
Board of Directors	<ul style="list-style-type: none">Issues resolutions concerning the Company's basic management policies, important matters related to business execution, matters authorized by resolutions of the General Meeting of Shareholders, and matters stipulated by laws, regulations and the Articles of IncorporationReceives reports on the status of execution of important businessMajor topics in FY2024<ul style="list-style-type: none"><Resolutions>Personnel system for employeesApproval of financial statements and budgetOrganizational restructuring and top management human resourcesNumber of meetings held in FY2024: 13 <div><Items reported></div> <ul style="list-style-type: none">Results forecast and status of business progressThe presence or absence of transactions with related partiesActivities of each committee
Board of Corporate Auditors	<ul style="list-style-type: none">Preparation of audit reports, audit policies, audit plans and allocation of duties, confirmation of the content of materials for the Board of Directors meetings and other important meetings, and evaluation of the development and operation of an internal control systemImportant audit items in FY2024<ul style="list-style-type: none">(1) Response to legal revisions<ul style="list-style-type: none">Status of response to the revision of the Ordinance for Enforcement of the Labor Standards Act and the abolition of quarterly reports(2) Audit of the internal control system<ul style="list-style-type: none">Evaluations from a risk-based perspective on the results of a review of the scope of evaluation for company-wide internal controls and business processes(3) Operational audits of subsidiaries<ul style="list-style-type: none">Conducted on-site inspections of two domestic and two overseas subsidiaries to check the status of business execution and examine related transactionsNumber of meetings held in FY2024: 15
Nomination & Remuneration Committee	<ul style="list-style-type: none">Nomination: The Committee examines the appropriateness of new appointments and reappointments of Directors (including Representative Directors) in advance and reports opinions to the Board of DirectorsRemuneration: With regard to individual remuneration for Directors and persons in other such roles, in addition to the basic remuneration amount, the Committee deliberates on matters such as whether the details of individual performance-linked remuneration and share remuneration correctly fit with the predetermined payment formula, and whether the shares are delivered in accordance with the Share Delivery Regulations, and reports its opinions to the Board of DirectorsCommittee chairperson: Outside DirectorCommittee composition: 2 Independent Outside Directors, 1 Representative DirectorNumber of meetings held in FY2024: 2
Board of Corporate Management	<ul style="list-style-type: none">Advisory body supporting the Representative Directors in their decision-making Ensures that the top management of the Company is fully aware of important policies and measures decided by the Representative Directors and shares the same vision
Executive Committee	<ul style="list-style-type: none">Reports and deliberates on the status of Executive Officers' business execution
Internal Control Committee	<ul style="list-style-type: none">As a system supporting the business execution of the Representative Directors, the committee works to prevent problems in business activities in terms of the internal control system and compliance based on the Financial Instruments and Exchange Act, business risks, and sustainable development of business (sustainability)
Compliance Committee	<ul style="list-style-type: none">A committee shall be established with the Corporate Officer overseeing corporate administration as the committee chairperson and the Legal and Credit Control Department serving as the department responsible for its operation. The Board of Directors makes decisions on important matters related to initiatives

Executive remuneration

1. Policy on the determination of the amount of remuneration and other payments for Corporate Officers or the calculation method thereof

The Company has established a policy on the determination of the amount of remuneration and other payments for Corporate Officers, ensuring that the objectivity of the remuneration and other payments for Corporate Officers is guaranteed and that the amount of remuneration is commensurate with the roles and responsibilities of each Corporate Officer.

On the basis of this, the Company makes a distinction between Directors and Corporate Auditors in determining the remuneration and other payments for Corporate Officers and submits the annual remuneration limit for resolution at the General Meeting of Shareholders.

In addition, in the policy on the determination of the amount of remuneration and other payments for Corporate Officers, the amount of remuneration for Directors who concurrently serve as Executive Officers is not separated into the Director portion and the Executive Officer portion, but is treated as Director remuneration only, and the amount of remuneration is limited.

Under this policy, remuneration for Directors excluding Outside Directors and Executive Officers who do not concurrently serve as Directors (hereinafter referred to as “Directors, etc.”) consists of basic remuneration, performance-linked remuneration (short-term incentive remuneration), and share remuneration (medium- to long-term incentive remuneration). The remuneration ratio for Directors (excluding Outside Directors) is 60% for basic remuneration, 30% for performance-linked remuneration, and 10% for share remuneration. Outside Directors receive only basic remuneration.

The remuneration system and remuneration levels for Directors, etc. are determined by resolution of the Board of Directors after receiving reports from the voluntarily established Nomination & Remuneration Committee from the viewpoint of ensuring the objectivity and transparency of the decision-making process. The Nomination & Remuneration Committee deliberates on matters such as whether the content of individual performance-linked remuneration and share remuneration, in addition to the basic remuneration amount for each Director, etc., correctly matches the predetermined payment formula, and whether the shares are granted in accordance with the Share Delivery Regulations. In addition, the Nomination & Remuneration Committee deliberates these individual remunerations after taking into consideration factors including position, years of experience, performance, corporate performance, social standards, and employee standards. The remuneration and other payments for the current fiscal year were also deliberated by the Nomination & Remuneration Committee, and the Company has received a report stating that the remuneration is appropriate.

(A) Basic remuneration

The amount is determined according to the roles and positions of Directors, etc. and Corporate Auditors, and is paid as fixed monthly remuneration.

The remuneration for Outside Directors is fixed monthly remuneration only.

The remuneration for Corporate Auditors is fixed monthly remuneration only. The remuneration level is determined by the Board of Corporate Auditors.

(B) Performance-linked remuneration (short-term incentive remuneration)

The indicator for the Company’s performance-linked remuneration is the amount of consolidated ordinary profit recorded at the end of the fiscal year. If the amount is less than 2 billion yen, no performance-linked remuneration will be paid. The reasons for selecting this indicator are that the consolidated ordinary profit reflects the business performance of the Group and is reported at the General Meeting of Shareholders, that it is publicly announced as a performance target and the degree of achievement of management targets is easy to understand for stakeholders, that it can be easily and accurately measured upon closing the accounts, and that it enables the elimination of arbitrariness.

The targets for the indicators related to performance-linked remuneration for the current fiscal year were to first secure consolidated ordinary profit of 2 billion yen, and then to secure consolidated ordinary profit of 5.9 billion yen, which was announced to the public at the beginning of the fiscal year. Actual results were 6.513 billion yen.

The amount of performance-linked remuneration is for Executive Officers as prescribed in Article 34, Paragraph 1 of the Corporation Tax Act, and does not include Outside Directors and Corporate Auditors. Furthermore, the amount of performance-linked remuneration for each Director, etc. is calculated as follows, in accordance with the provisions of Article 34, Paragraph 1 of the Corporation Tax Act.

In addition, regarding the payment of performance-linked remuneration to each of the following Directors, etc., the voluntarily established Nomination & Remuneration Committee is scheduled to hold deliberations, and once all Outside Directors in the Committee approve it, the Board of Directors shall pass a resolution to pay the remuneration after receiving a report to that effect.

- Calculation method
- As the total amount of performance-linked remuneration, the total amount of each Director and Executive Officer shall be (Consolidated ordinary profit - 2 billion yen) × 5%. (Rounded down to the nearest million yen)
 - Performance-linked remuneration shall not be paid if consolidated ordinary profit is less than 2 billion yen.
 - The maximum total amount of performance-linked remuneration shall be 70 million yen for Directors and 90 million yen for Executive Officers.
 - The amount to be paid to each Director, etc. shall be calculated by the following method. (Rounded down to the nearest 10,000 yen)
 - In the calculation, the Directors shall use the Director’s table, and the Executive Officers shall use the Executive Officer’s table.

Amount paid to each Director, etc.

=

Total amount of performance-linked remuneration for Directors

×

Coefficient by position (i) of each Director, etc. × Coefficient of length of term in office (ii)

Total of coefficient by position after adjustment of terms in office of all Directors in office ((i) × (ii), rounded up to three decimal places)

(i) (Coefficient by position, Director's table)		(Coefficient by position, Executive Officer's table)		(ii) (Coefficient of length of term in office)	
Position	Coefficient	Position	Coefficient	Coefficient of length of term in office	Number of months served per year
Representative Director & Chairman	2.70	Senior Executive Managing Officer	2.00	Coefficient of length of term in office =	12
Director & Chairman	1.50	Executive Managing Officer	1.40		
Representative Director & President	2.50	Senior Managing Officer	1.35		
Representative Director (Executive Managing Officer)	2.00	Managing Officer	1.30		
Director (Executive Managing Officer)	1.50	Senior Executive Officer	1.20		
Director (Managing Officer)	1.20	Executive Officer	1.00		
Director (Executive Officer)	1.00				

(C) Share remuneration (medium- to long-term incentive remuneration)

- Outline of payment of share remuneration
- (i) Method of granting points to Directors, etc.
- The Company will grant points to each Director, etc. according to their position and other relevant factors on the point grant date specified in the Share Delivery Regulations during the trust period. The total number of points to be granted by the Company to Directors, etc. per fiscal year will not exceed 180,000 points (of which 90,000 points are for Directors and 90,000 points are for Executive Officers).
- (Note) The Company conducted a 3-for-1 share split on April 1, 2024. The number of points above is based on the number of shares after the share split.
- (ii) Delivery of the Company’s shares according to the number of points granted
- Shares in the Company shall be delivered to the Directors, etc. according to the number of points granted in (i) above in accordance with the procedures in (iii) below. One point shall be equivalent to one share in the Company.
- (iii) Delivery of shares in the Company to Directors, etc.
- The delivery of the shares in the Company described in (ii) above to each Director, etc. shall be made from the trust after each Director, etc. completes the prescribed beneficiary determination procedures upon their retirement.

2. Total amount of remuneration and other payments by category of corporate officer, total amount of remuneration and other payments by type, and number of applicable officers

Category of corporate officer	Total amount of remuneration and other payments (Millions of yen)	Total amount of remuneration and other payments by type (Millions of yen)			Number of applicable corporate officers (Persons)
		Basic remuneration	Performance-linked remuneration	Share remuneration	
Directors (excluding Outside Directors)	254	162	69	21	5
Corporate Auditors (excluding Outside Corporate Auditors)	38	38	—	—	3
Outside Directors	46	46	—	—	6

(Note) 1. The non-monetary remuneration and other payments for Directors (excluding Outside Directors) are the share remuneration listed above.
2. The above includes two Directors (including one Outside Director) and two Corporate Auditors (including one Outside Corporate Auditor) who retired upon the conclusion of the 121st General Meeting of Shareholders held on June 27, 2024.

Corporate officer candidate selection policy and process

Policy and procedures for the Board of Directors in appointing and dismissing members of senior management and nominating candidates for Directors and Corporate Auditors

(1) Appointment of Director candidates

The Company appoints multiple Directors from both inside and outside the organization who possess abundant experience, keen insight, and advanced expertise to ensure appropriate decision-making and effective management oversight. Concretely speaking, internal Directors are nominated from among the Chairman and President, who are responsible for managing business operations, as well as Executive Officers in charge of overall Company management and Executive Officers responsible for compliance. Outside Directors are appointed from among individuals possessing an objective and specialized perspective based on extensive experience as corporate executives and deep insight into social and economic trends. Appointments are made by the Board of Directors following a process in which the voluntarily established Nomination & Remuneration Committee deliberates on candidates, and the Board incorporates the Committee’s recommendations.

Directors serve terms of office of one year, and they are subject to re-election annually via resolutions of the General Meeting of Shareholders.

(2) Appointment of Corporate Auditor candidates

The Company appoints multiple Corporate Auditors from among internal and external candidates who possess the extensive experience and advanced expertise necessary to perform the audits that ensure the development of sound management of the Company and enhance its credibility in society. These appointments are made with the consent of the Board of Corporate Auditors. In concrete terms, internal Corporate Auditors shall be appointed from among individuals possessing knowledge and experience in corporate management, finance, accounting, risk management, and other related fields, while Outside Corporate Auditors shall be appointed from among individuals possessing abundant knowledge and experience in a variety of different fields. These appointments are subject to resolution by the General Meeting of Shareholders.

In case of any vacancy among the Corporate Auditors, one Substitute Corporate Auditor is appointed and elected by resolution at each General Meeting of Shareholders.

(3) Appointment of top management

The Company’s top management team is made up of its Executive Officer, who are appointed from among individuals possessing the necessary disposition, capabilities, and experience to take responsibility for the business execution of their respective departments. The voluntarily established Nomination & Remuneration Committee deliberates on candidates, and the Board of Directors decides on appointments following a process that incorporates the findings of the Committee.

(4) Dismissal of Directors and members of top management

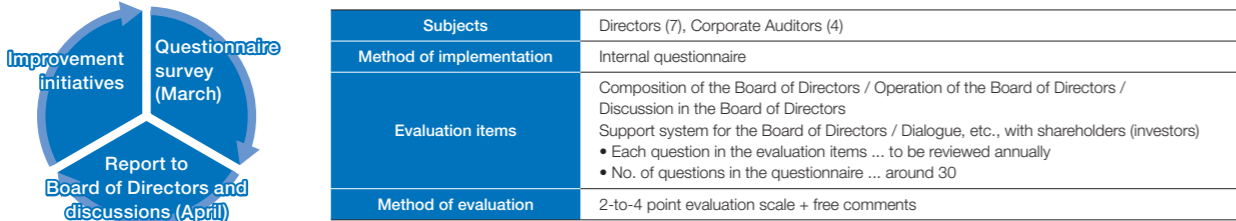
In the event that a Director, Executive Officer, or other member of the top management team of the Company no longer meets the criteria for appointment, such as when doubts arise regarding their required abilities, disposition, experience, or values, the reasons for dismissal shall be clearly stated. Following consultation with the voluntarily established Nomination & Remuneration Committee, the Board of Directors shall discuss the matter, incorporating the Committee’s findings. If the Board of Directors subsequently determines that there are valid grounds for dismissal, the Director in question shall be dismissed in accordance with applicable laws and regulations by submitting a dismissal proposal to the General Meeting of Shareholders and obtaining its resolution. Regarding the dismissal of members of top management, proposals are submitted to the Board of Directors, and dismissal is authorized by a resolution of the Board.



Evaluating the effectiveness of the Board of Directors

In order to continuously enhance the functions expected of the Board of Directors, the Company conducts an annual evaluation of the effectiveness of the entire Board of Directors. This evaluation is carried out by means of a questionnaire administered to all Directors and Corporate Auditors. The results are then reported to and discussed by the Board of Directors, and measures are taken to address any identified deficiencies. The evaluation for fiscal 2023 included feedback regarding the need to expand opportunities for knowledge acquisition. A Corporate Officers' training program was introduced to improve the situation.

The evaluation and improvement process



A summary of the evaluation results for fiscal 2024 is given below. Generally speaking, the effectiveness of the Company's Board of Directors is ensured, and we recognize that the composition of the Board, the method of its operation, and the state of discussions within the Board are generally appropriate. On that basis, suggestions for further improving the effectiveness of the Board of Directors included providing additional training opportunities and ascertaining the status of dialogues with shareholders. The Board of Directors discussed how to respond to these suggestions and confirmed that it will expand training programs and refine and review reporting materials. We will continue to improve the Board of Directors' oversight and enhance its functionality by verifying effectiveness and implementing improvements.

Corporate officer training, provision of information to outside officers

In order for them to fulfill the roles and legal responsibilities entrusted to them by shareholders upon assuming their offices, the Company requires Directors and Corporate Auditors, including Outside Directors and Outside Corporate Auditors, to acquire the necessary knowledge regarding both the Company's internal environment, such as its business, finances, and organization, and its external environment. Even after assuming their offices, Directors and Corporate Auditors continue to undergo training to update their knowledge as necessary. This includes participation in external seminars and other programs designed for Directors and Corporate Auditors, ensuring they continuously acquire and refresh the knowledge required in areas such as the Company's business and finances. The aforementioned training programs are also offered to Executive Officers. Furthermore, we cooperate with outside experts to implement educational programs as appropriate in order to cultivate the next generation of management by fostering a management mindset and leadership skills.

Message from an Outside Director

Counting on the performance of diverse talent and the promotion of new businesses to further enhance corporate value

Yumiko Yasuhara

As an Outside Director, I have naturally attended meetings of the Board of Directors, but also meetings of the Executive Committee, consultations with Corporate Auditors, and meetings with Executive Officers. Each of these forums addresses various matters concerning management policies, the state of business operations, finances, human resources, and other areas, allowing me to understand how our business is conducted on a daily basis and what policies are guiding business operations. During our board meetings, Corporate Officers with diverse expertise and experience raise questions and make proposals based on their respective concerns, and I often apply what I have learned at opportunities such as those mentioned above to discussions at meetings of the Board of Directors. Furthermore, the Board of Directors has been monitoring the progress toward achieving the targets set forth in the Medium-term Management Plan from the perspectives of both business strategy and strengthening the management foundation. In particular, it has focused its discussions on industry trends, personnel systems, and the promotion of digital transformation (DX). After these discussions, what I hope to see in the future is, first and foremost, initiatives to promote female empowerment. While there are various forms of female empowerment, I believe it is crucial to take a long-term perspective and develop female candidates for Corporate Officers, creating model cases. Furthermore, I believe we should continue growing our existing businesses to build a solid foundation while always keeping an eye out for new business opportunities, including M&A, and actively exploring them. Regarding such business strategies, by understanding the opinions expressed by full-time Directors, Corporate Auditors, and Executive Officers during the information gathering and deliberation stages, I believe we can recognize these matters as issues requiring consideration even before they are brought before the Board of Directors, allowing for deeper discussion at the board level. In the future, I believe that corporate social responsibility will become increasingly diverse and extensive, with a greater emphasis on sustainability. As an Outside Director, I will continue to work for the enhancement of the Company's corporate value by making proposals that support sustainable growth, while remaining mindful of further strengthening compliance and governance, which form the foundation of sustainability management.

Skills matrix – Directors and Corporate Auditors

	Name	Male Female	Skills (knowledge, experience, capabilities) expected by the Company					
			Corporate management	Sales and marketing	Finance and accounting	Legal matters and compliance	DX and IT	Internationality
Directors	Tetsuya Tsubakimoto	Male	○	○	○	○	○	○
	Masashi Koda	Male	○	○	○	○	○	○
	Hiroshi Kasugabe	Male	○		○	○	○	○
	Takuichi Fujishige	Male	○	○		○	○	○
	Hideki Ninomiya (Outside, Independent)	Male	○	○	○		○	
	Yumiko Yasuhara (Outside, Independent)	Female			○	○		
Corporate Auditors	Naomichi Yamamoto (Outside, Independent)	Male			○	○		
	Osamu Ogawara	Male	○	○		○	○	○
	Shinichiro Yamano	Male			○	○	○	○
	Hitoshi Kobayashi (Outside)	Male			○	○		○
	Tetsuya Yamamoto (Outside)	Male	○	○		○		○

*This matrix shows the knowledge, experience, and capabilities expected of each individual. It does not purport to be an exhaustive representation of all the skills that each individual possesses.

Directors and Corporate Auditors

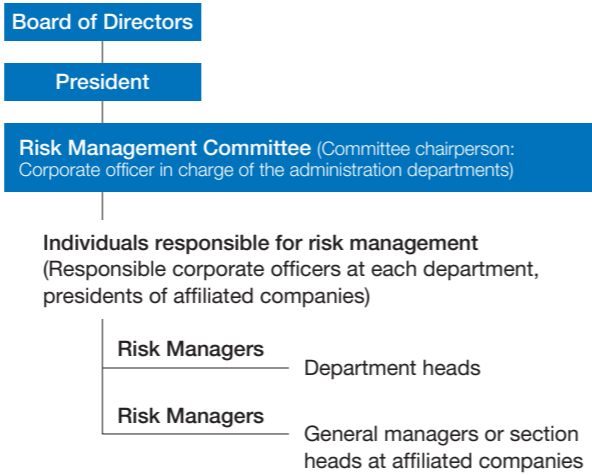
		Career highlights	Attendance at meetings of the Board of Directors	Significant concurrently held positions	Number of shares held
Directors	Tetsuya Tsubakimoto, Chairman (Representative Director) & CEO	Oct. 2011 President (Representative Director); General Manager, Strategic Business Development Center Jun. 2018 Chairman (Representative Director); in charge of Overseas Business Jun. 2019 Chairman (Representative Director) & CEO (current position)	13/13	None	98,683
	Masashi Koda, President (Representative Director) & COO, overseeing Overseas Business	Jun. 2018 President (Representative Director); in charge of Strategic Management, General Manager of the Strategic Management Center (in charge of Planning and Public Relations) Jun. 2019 President (Representative Director) & COO Jun. 2024 President (Representative Director) & COO; overseeing Overseas Business (current position)	13/13	None	14,984
	Hiroshi Kasugabe, Director, Executive Managing Officer; overseeing Corporate Administration; in charge of Internal Auditing, Public Relations, Sustainability, Internal Control, Risk Management, and Compliance	Jun. 2022 Director, Executive Managing Officer; overseeing Corporate Administration; General Manager, Corporate Administration Center; in charge of Internal Auditing, Legal Affairs, Credit Control, Public Relations, Internal Control, Risk Management, and Compliance Jun. 2023 Director, Executive Managing Officer; overseeing Corporate Administration; General Manager, Corporate Administration Center; in charge of Internal Auditing, Legal Affairs, Credit Control, Public Relations, Sustainability, Internal Control, Risk Management, and Compliance Jun. 2024 Director, Executive Managing Officer; overseeing Corporate Administration; in charge of Internal Auditing, Public Relations, Sustainability, Internal Control, Risk Management, and Compliance (current position)	13/13	None	10,695
	Takuichi Fujishige, Director, Executive Managing Officer; overseeing Sales and Strategic Business Development; General Manager, Strategic Business Development Center; in charge of technology offices	Jun. 2020 Executive Managing Officer; General Manager, Eastern Japan Headquarters; General Manager, Eastern Japan Sales Headquarters (in charge of Construction Management); Deputy General Manager, Strategic Business Development Center (in charge of ATOM Business Division) Jun. 2022 Executive Managing Officer, General Manager of Eastern Japan Headquarters (in charge of Construction Management); Deputy General Manager, Strategic Business Development Center (in charge of ATOM Business Division) Jun. 2024 Director, Executive Managing Officer; overseeing Sales and Strategic Business Development; General Manager, Strategic Business Development Center; in charge of technology offices (current position)	10/10	None	11,905
	Hideki Ninomiya, Outside Director	Jun. 2009 Representative Director & President, HAYAKOMA MARINE SERVICES Co., Ltd. (current position) Apr. 2011 Representative Director & President, HAYAKOMA SHOJI Co., Ltd. (current position) Jun. 2016 Outside Director, the Company (current position)	12/13	Representative and Executive Director, HAYAKOMA UNYU Co., Ltd. Representative Director & President, HAYAKOMA SHOJI Co., Ltd. Representative Director & President, HAYAKOMA MARINE SERVICES Co., Ltd.	3,558
	Yumiko Yasuhara, Outside Director	Dec. 2012 Registered as an attorney in Osaka Bar Association; Joined Takeyama Law Office (current position) Jun. 2022 Outside Director, the Company (current position)	13/13	Attorney-at-law, Takeyama Law Office	979
	Naomichi Yamamoto, Outside Director	May 2012 Opened Naomichi Yamamoto Law Office, Attorney-at-law (current position) Opened Naomichi Yamamoto CPA Office, President (current position) Jun. 2016 Outside Corporate Auditor, the Company Jun. 2024 Outside Director, the Company (current position)	13/13	Representative Attorney-at-law, Naomichi Yamamoto Law Office President, Naomichi Yamamoto CPA Office	7,082

*Takuichi Fujishige's record of attendance at meetings of the Board of Directors is for meetings held after his appointment on June 27, 2024. Naomichi Yamamoto's record of attendance at meetings of the Board of Directors is for meetings held before his retirement as a Corporate Auditor on June 27, 2024 and after his appointment as Outside Director on June 27, 2024.



Risk Management

The Group has established Risk Management Regulations, and the Risk Management Committee under the Board of Directors takes the lead in monitoring and responding to risks in general across the Group as a whole. The Risk Management Committee is required by regulation to meet, in principle, twice a year, and works in collaboration with the Sustainability Promotion Committee as necessary in identifying and assessing company-wide risks, including climate-related risks and risks related to human capital and diversity, as well as other relevant major risks. The Committee also convenes extraordinary meetings as necessary to discuss countermeasures for any major risks that are identified.



Representative risks and response policies

Business environment Business operation Risks pertaining to the environment, disasters, and other matters

Risks	Summary	Basic response policy	Probability of materialization	Impact
Fluctuations in capex demand	Sales of the Group's mainstay power transmission and facility and equipment businesses tend to be highly dependent on capex trends in various industrial sectors and the supply of components incorporated into manufacturers' products. Accordingly, if capex and the supply of components are restrained due to economic downturns or other factors, the Group's overall performance can be significantly affected.	The Group carefully monitors changes in the global economic situation, obtains information on capex demand in each industry and production plan forecasts from manufacturers, and takes measures to promptly respond to the situation. These are regularly reported and examined by the Board of Directors and the Executive Committee.	Medium	High
Securing of human resources	The medium- to long-term growth of the Group depends on the capabilities of each individual employee to a great extent. The Group recognizes that human resources are its most important asset and strives for the optimum deployment and development of human resources. However, the medium- to long-term growth of the Group may be hindered if the Group cannot secure highly talented human resources as planned when needed or if there are delays in human resource development.	The Group recognizes the risks described as being sustainability-related and has made addressing human capital and diversity risks a central theme of the Sustainability Promotion Committee. Based on the recognition that recruitment and development of human resources are not only current issues to be addressed but also future risks, the Group continuously reviews its personnel system to better accommodate individual needs, conducts employee training that includes on-the-job training, improves working conditions, and works to create a comfortable working environment and structure.	Low	High
Overseas business expansion and exchange rate fluctuations	The Group is working to expand its business in overseas markets, with a focus on Southeast Asia. Therefore, in the event that terrorism, political turmoil, differences in business practices, or other problems occur in the countries or territories in which overseas subsidiaries operate, the performance of those subsidiaries may deteriorate, adversely affecting the Group's performance overseas.	The Group collects information on the overall business environment overseas through its overseas subsidiaries and representative offices as necessary. We collect information with a focus on the impact on the Group's business performance, looking at factors that concern companies and industries in Asian countries in particular, including capex trends, environment-related regulations, and export and import-related regulations.	High	Medium
	Items denominated in local currencies, including sales, expenses and assets of overseas consolidated subsidiaries, are converted into Japanese yen when preparing consolidated financial statements. Therefore, if the exchange rates at the time of conversion fluctuate significantly, the value after conversion into Japanese yen may change significantly, and the Group's operating results and financial position may be adversely affected.	The Group hedges exchange rate fluctuation risks by, as a general rule, opting for settlement through foreign currency deposit accounts and forward exchange contracts for transactions denominated in foreign currencies that are affected by exchange rate fluctuations.		
Unexpected deterioration in profitability of long-term, large-scale construction projects and delays to the construction schedule	With respect to long-term, large-scale construction projects, such as projects for which sales are recorded based on the progress of construction, additional costs may arise and there may be delays to the construction schedule due to factors such as specification changes, additional construction, deterioration in the business conditions of subcontractors and subcontract factories, and delivery delays. And depending on the project, provision for losses on construction contracts may be recorded in order to prepare for future construction losses, which may lower profitability.	The Group has developed a management system for each construction project and implements strict management of estimates in the process of receiving orders as well as the progress of construction after an order is received. When there is a change in profitability, the Group promptly changes the estimated cost to ensure appropriate accuracy upon the recording of sales.	Medium	High
Information security	In the course of building information security in the Group, if information leaks outside the Group due to computer virus infections, unauthorized access, or other unforeseen circumstances, it may cause a deterioration in the Group's social credibility and have an adverse effect on its business performance and financial position.	The Group, having installed systems that are resistant to cyber-attacks, makes thorough efforts under the Group's management system to protect personal information and confidential information. The Group regularly examines information security vulnerabilities and takes measures against them.	Low	High
Occurrence of a disaster	In addition to cases where the Group's business activities become impossible due to a situation involving a major earthquake or other such natural disaster, a sudden accident, or other such factors, there is a possibility that the planned sale and purchase of machinery, equipment, or other such products may be hindered if customers and suppliers suffer significant damage to production or other facilities, or if infrastructure problems occur. In addition, if the Group's overall activities are hindered due to the outbreak of an infectious disease or other such situation, it is possible that the Group's operating results may be seriously affected.	The Group periodically conducts regular facility inspections, disaster preparedness drills, and takes other such actions to prevent disasters and accidents that may affect the Group in the event of a natural disaster, and to minimize damage in the event such incidents occur. We have also implemented a system to confirm the safety of employees. The Group has also brought in the BCP (Business Continuity Plan) concept and has introduced a system that enables the general decentralization of operations (i.e., continuing operations by shifting them to alternate areas) while enabling employees to undertake some sales activities and product delivery instruction activities from home. Thanks to this system, the Group is able to continue important business even in the event of a disaster and has put in place preparations for swift business recovery.	Low	High



Risks	Summary	Basic response policy	Probability of materialization	Impact
Transition risks and physical risks due to climate change	With regard to risks from climate change, in the scenario where the temperature increase is limited to 2°C above pre-industrial levels (involving mainly transition risks), the increase in costs (carbon tax, etc.) due to the strengthening of regulations with the aim of the decarbonization of society may have an impact on business performance. On the other hand, in the scenario where the temperature increase is 4°C above preindustrial levels (involving mainly physical risks), the Group may be affected by the exacerbation of natural disasters, and the specific obstacles to business outlined to the left may occur.	The Group has established a Sustainability Promotion Committee to identify and assess climate change risks as well as human resource and diversity risks across the entire Group. With regard to transition risks and physical risks related to climate change, the Sustainability Promotion Committee identifies risks and opportunities based on scenario analysis. These risks and opportunities are then assessed for their significance according to their financial impact, and countermeasures are considered. The Sustainability Promotion Committee also reports the identified and assessed risks to the Board of Directors and other internal organizations as necessary, where appropriate countermeasures are considered.	Low	Medium
Dependence on specific suppliers	Tsubakimoto Chain Co. and its group companies are important suppliers to the Group. The products of the Tsubakimoto Chain Co. Group are an important core for the strategic development of the Group's businesses and account for approximately 30% of the total value of purchases made by the Group. In the event that the supply of the Tsubakimoto Chain Co. Group's products is disrupted, we may not be able to fulfill the Company's obligations to deliver products to customers and adhere to delivery dates, and thus net sales may decrease.	The Group has built a continuous product supply system while closely exchanging information with the Tsubakimoto Chain Co. Group and obtaining information that includes the production plans of this group.	Low	High

*For details on other risks, see the Annual Securities Report (submitted: June 26, 2025).
https://ssl4.eir-parts.net/doc/8052/ir_material_for_fiscal_ym6/186547/00.pdf



Compliance

Basic approach to compliance

We believe that the essence of compliance lies not merely in adhering to laws and regulations, but also in building strong, trusting relationships with our stakeholders through fostering a culture of integrity and a healthy working environment through autonomous and highly ethical conduct.

Compliance initiatives

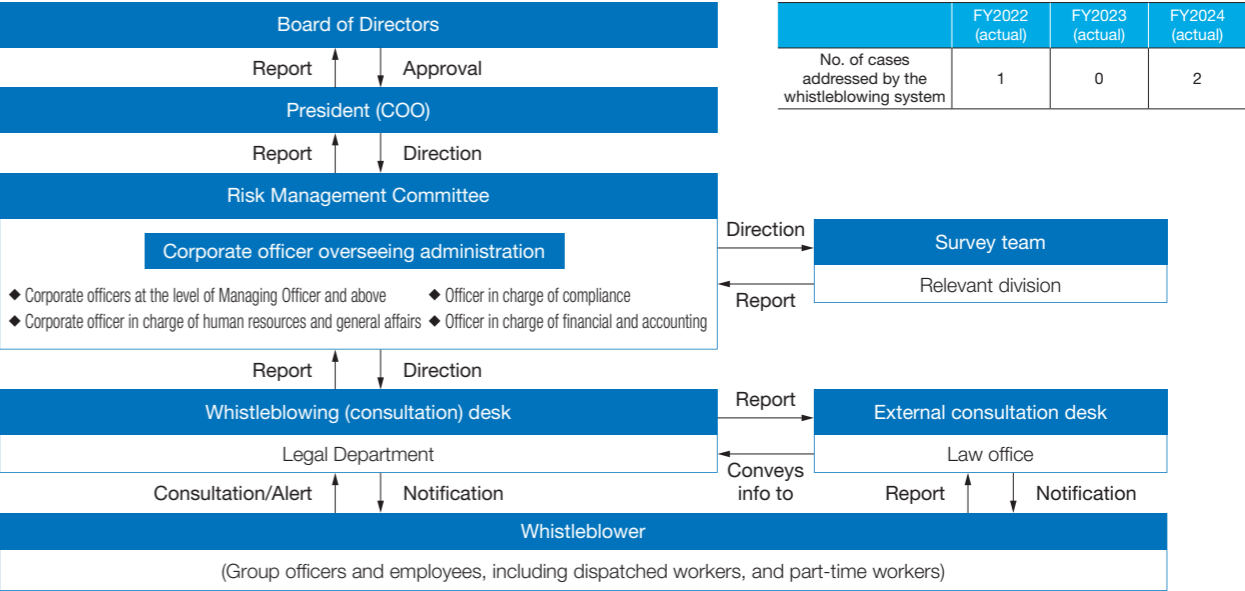
We distribute "Compliance Cards" and "Mission Statement Cards" to all corporate officers and employees of the Group, requiring them to carry these at all times. This serves to provide an opportunity for reflection on our Corporate Motto and the fundamental principles of compliance, promoting awareness and thorough understanding. Furthermore, we hold Compliance Days twice a year to foster compliance, and through measures such as compliance training at each level, we work to improve awareness of compliance across the Group.

	FY2022 (actual)	FY2023 (actual)	FY2024 (actual)
No. of serious compliance violations	0	0	0

Target	Zero compliance violations (FY2025–FY2030)
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Whistleblowing system

We have established an internal whistleblowing system to report violations of laws, internal rules, or socially accepted norms. This system facilitates the early detection of such acts, enables prompt corrective action, and helps prevent misconduct, and through it, we aim to strengthen the overall compliance framework of the Group and foster a transparent working environment.





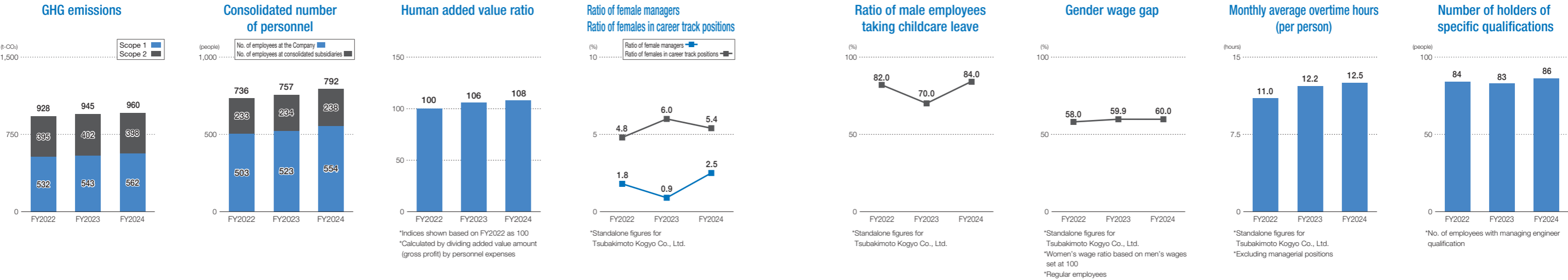
Financial and Non-financial Summary

Financial data

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Operating results											
Net sales (Millions of yen)	86,806	88,711	88,889	98,645	107,450	104,939	89,646	96,890	107,963	113,503	124,323
Operating profit (Millions of yen)	2,160	2,298	2,557	3,414	5,682	5,293	3,283	4,396	5,102	5,233	6,021
Ratio of operating profit to net sales (%)	2.5	2.6	2.9	3.5	5.3	5.0	3.7	4.5	4.7	4.6	4.8
Ordinary profit (Millions of yen)	2,366	2,428	2,778	3,693	6,019	5,629	3,794	4,762	5,434	5,577	6,513
Profit attributable to owners of parent (Millions of yen)	1,427	1,536	2,175	2,421	4,105	3,740	2,736	3,177	3,667	4,000	4,691
State of cash flows											
Cash flows from operating activities (Millions of yen)	2,019	1,040	2,844	8,975	5,401	190	△3,412	6,570	6,716	5,015	3,592
Cash flows from investing activities (Millions of yen)	△252	△99	△204	△160	△699	△943	△204	△152	△461	△69	461
Cash flows from financing activities (Millions of yen)	△486	△2,356	△455	△902	△639	△960	△849	△808	△971	△1,077	△2,051
Cash and cash equivalents at end of period (Millions of yen)	5,448	3,986	6,132	14,070	18,115	16,412	11,935	17,604	22,927	26,855	28,953
Financial position (end of fiscal year)											
Total assets (Millions of yen)	57,939	52,684	56,520	73,038	75,739	65,969	64,496	76,773	84,474	94,756	100,672
Equity capital (Millions of yen)	17,304	16,506	19,845	21,490	23,876	24,504	28,176	30,577	33,806	40,134	43,736
Financial indicators											
Return on equity (ROE) (%)	9.0	9.1	12.0	11.7	18.1	15.5	10.4	10.8	11.4	10.8	11.2
Return on assets (ROA) (%)	4.4	4.4	5.1	5.7	8.1	7.9	5.8	6.7	6.7	6.2	6.7
Equity ratio (%)	29.9	31.3	35.1	29.4	31.5	37.1	43.7	39.8	40.0	42.4	43.4
Per share information*											
Profit per share (Yen)	74.02	80.49	113.96	127.56	218.59	199.16	145.72	169.19	195.18	212.90	252.03
Net assets per share (Yen)	906.11	864.49	1,039.59	1,144.07	1,271.19	1,304.69	1,500.29	1,628.03	1,798.91	2,135.89	2,382.17
Dividend per share (Yen)	16.67	21.67	26.67	33.33	50.00	43.33	40.00	50.00	50.00	60.00	80.00
Payout ratio (%)	22.5	26.9	23.4	26.1	22.9	21.8	27.4	29.6	25.6	28.2	31.7

*The Company implemented a reverse share split at a ratio of 5-for-1 on October 1, 2017, followed by a 3-for-1 share split on April 1, 2024. Figures shown have been calculated based on the number of shares after the share split and reverse share split.

Non-financial data



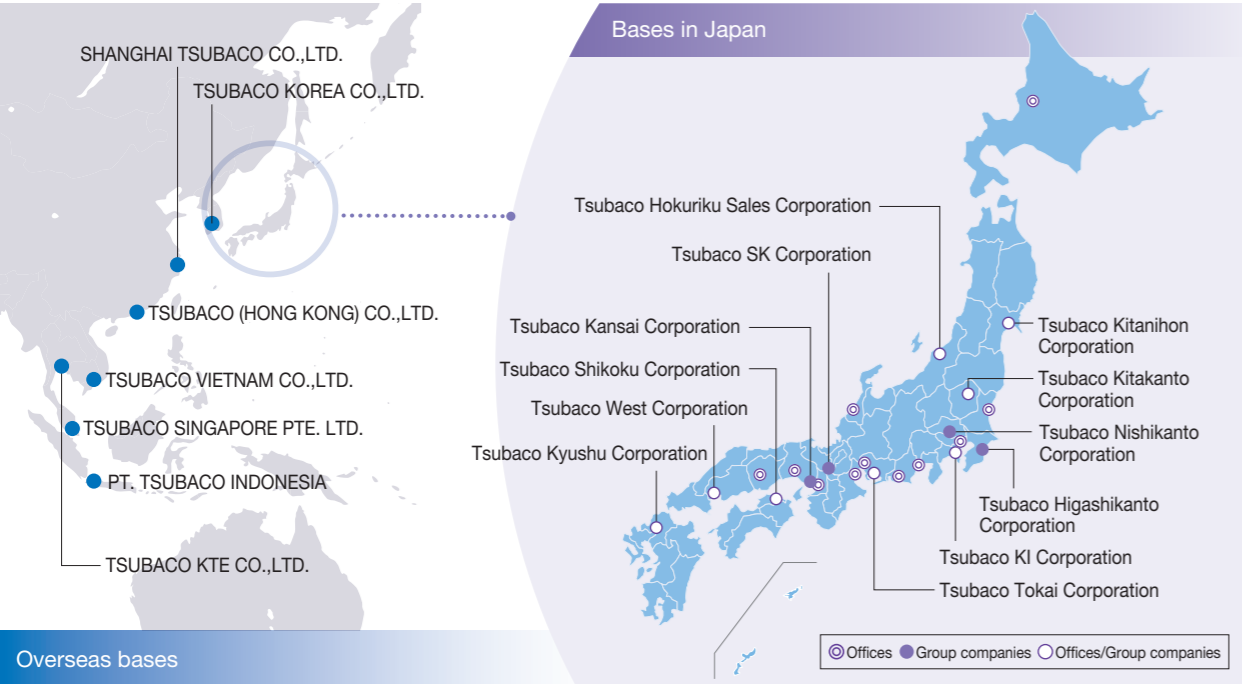


Corporate Overview

(As of March 31, 2025)

Company name	Tsubakimoto Kogyo Co., Ltd.
Founded	October 1, 1916
Incorporated	January 10, 1938
Headquarters address	Osaka Headquarters (Head Office) 3-3-20 Umeda, Kita-ku, Osaka-shi, Osaka 530-0001 (Meiji Yasuda Life Osaka Umeda Building) Tokyo Headquarters 2-16-2 Konan Minato-ku, Tokyo 108-8222 (Taiyo Life Shinagawa Building)
Paid-in Capital	2,945,915,516 yen
Employees	792 (consolidated)

Group network



Introduction to IR-related website

Tsubakimoto Kogyo is also making concerted efforts in IR activities through the use of our website, with the aim of providing timely and fair information to our shareholders and investors. You can view details of our latest IR information, our latest sustainability information, and more.

Shareholder and investor information
<https://www.tsubaki.co.jp/en/ir/>



Share Information

(As of March 31, 2025)

Total number of authorized shares	48,000,000
Total issued shares	19,493,907
Number of shares in circulation	9,423,476
Number of shareholders	11,121

Major shareholders (top 10)

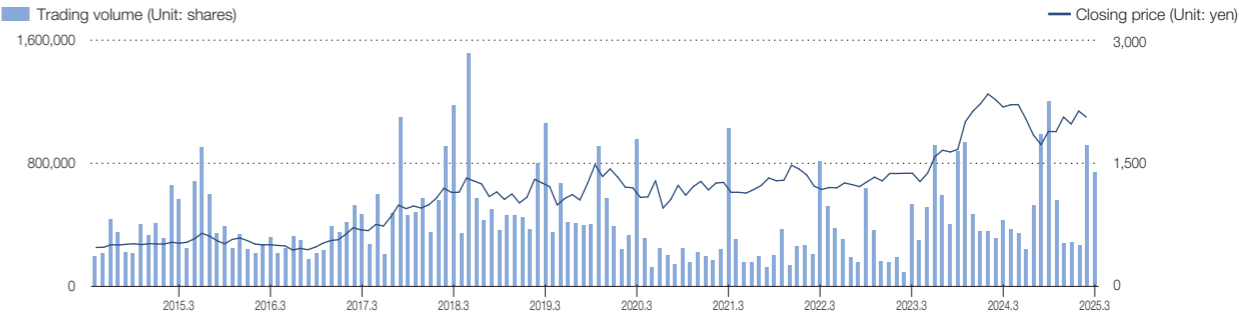
Shareholder name	Shares held (Thousand shares)	Shareholding ratio (%)
Tsubakimoto Chain Co.	2,014	10.82
Taiyo Life Insurance Co.	1,680	9.03
NORTHERN TRUST CO. (AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Business Department)	1,272	6.83
The Master Trust Bank of Japan, Ltd. (trust account)	1,109	5.96
HIKARI TSUSHIN, INC.	786	4.23
Sumitomo Mitsui Banking Corporation	572	3.07
Sumitomo Mitsui Trust Bank, Limited	564	3.03
MUFG Bank, Ltd.	564	3.03
Custody Bank of Japan, Ltd. (trust account)	528	2.84
Nippon Life Insurance Company	453	2.44

Note 1: In addition to the above, there are 880 thousand treasury shares held by the Company. The number of treasury shares does not include the Company's shares (252 thousand shares) held by the Custody Bank of Japan, Ltd. (trust account) as trust assets in the Board Benefit Trust for Corporate Officers, etc.

Note 2: Shares held by the Master Trust Bank of Japan, Ltd. (trust account) are those related to trust operations.

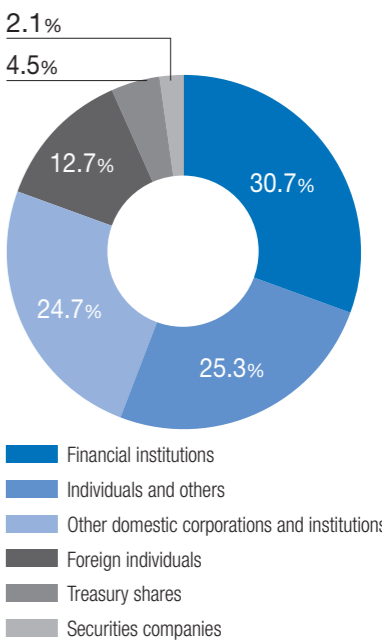
Note 3: Shares held by the Custody Bank of Japan, Ltd. (trust account) include 275 thousand shares related to trust operations and 252 thousand shares of the Company's shares held as trust assets in the Board Benefit Trust for Corporate Officers, etc.

Share price over the last 11 years (April 1, 2014 – March 31, 2025)



*The Company implemented a reverse share split at a ratio of 5-for-1 on October 1, 2017, followed by a 3-for-1 share split on April 1, 2024. Figures shown have been calculated based on the number of shares after the share split and reverse share split.

Shareholding structure



External evaluations



Environmental printing marks in the Integrated Report



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Manga Designers Lab.