



STANDARD
TOKYO

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Working to realize increased corporate value

Tenox Corporation strives for day-to-day business growth and increased corporate value, with a long-term vision "to provide society with safety and peace of mind through foundation construction with the aim of becoming a sustainable company with a richness that all stakeholders can experience."

On March 31, 2023, the company received a request from the Tokyo Stock Exchange concerning measures to help realize management with an awareness of capital costs and stock prices. This will encourage a change in awareness regarding increased corporate value for listed companies, and Tenox strongly believes that we must realize sustainable growth in accordance with stakeholders' expectations and an increase in corporate value in the medium and long term.

This is to inform you of the initiatives that Tenox has organized to work toward increased corporate value. The main four points are as follows.

1. Understanding Tenox's capital costs and desirable return on capital

Tenox's capital costs = cost of shareholders' equity

To ascertain a return on capital that will yield an equity spread (ROE (return on equity) – cost of shareholders' equity) that serves as a source of corporate value, ROE must be at least 5%.

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Increasing ROE is a major prerequisite for increasing PBR (price-to-book ratio)

ROE needs to be at least 8% for a PBR ratio of 1.

2. To increase ROE

Challenges based on changes in key indicators over the past 10 years:

- PBR has shifted in the vicinity of 0.4–0.6 -> The market valuation of Tenox's growth potential is low
- BPS (total equity per share) has grown -> Effective use of accumulated owned capital is vital
- ROE has fallen below 5% in the last 3 years -> Increasing ROE is an urgent task

3. Measures to increase ROE

(1) Increase profit

Steadily implement the three basic strategies (development strategy, sales/construction strategy, ESG strategy) of the Medium-term Management Plan

(2) Increase investment in growth areas that will create cash in the future

- Expand existing business through M&A, branch out into new business
- Environment-related investment in response to climate change
- Investment in human capital management

(3) Effective use of assets

(Increase total asset turnover rate)

- Make assets visible (share information within the Group, promote DX)
- Increase asset utilization ratio

(4) Measures for returns to shareholders

- Stable dividends
- Flexible acquisition of treasury shares

4. Increasing ROE and the next Medium-Term Management Plan

The current Medium-Term Management Plan sets an ROE target of 8% for FY2023, the Plan's final year, but the financial forecast for FY2023, announced on May 12, 2023, suggests it will be difficult to reach that target. By steadily implementing measures to increase ROE, we will once again set the challenge of an ROE of at least 8% in the next Medium-Term Management Plan (FY2024–FY2026).

(Indicators to reach during the period of the next Medium-Term Management Plan)

Net Sales	:	At least 24 billion yen
Ordinary income	:	At least 1.5 billion yen
ROE	:	At least 8%

The next Medium-Term Management Plan is to be made public in May next year, based on a review of the current Medium-Term Management Plan. When this is carried out, we will summarize our efforts to date to increase corporate value, and share a plan to increase corporate value that incorporates solutions to problems.

We will strive to further enhance our IR activities with the aim of increasing PBR, directly asking the opinions of the people who support us and making sure these are reflected in our management as we work for sustainable growth.