



March 11, 2025

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News Release

RIX CORPORATION

1-15-15 Sanno, Hakata-ku,
Fukuoka City, Fukuoka, Japan
Tokyo Stock Exchange Prime Market (7525)

Action to Implement Management That is Conscious of Cost of Capital and Stock Price (updated)

RIX CORPORATION (hereinafter referred to as “RIX”) hereby announces that, at a meeting of the Board of Directors held today, it has reassessed the current situation regarding actions to implement management that is conscious of the cost of capital and stock price and has updated its policies and initiatives for improvement.

For more information on RIX’s actions to implement management that is conscious of the cost of capital and stock price, please refer to the annexed document.

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



March 11, 2025

Updated

Current Situation

- In FY2024, **net sales and operating profit are expected to reach a record high, but profit attributable to owners of parent is expected to decrease** due to extraordinary loss at an overseas subsidiary and tax deductions for income taxes not expected to be as large as in the previous fiscal year.
- PBR was 1.43 in FY2023, but is **expected to be around PBR=0.96 in FY2024** due to the decline in stock prices.
- The forecasted dividend cut at the time of the May 2024 earnings announcement was perceived as a more negative factor than expected, and the stock price fell sharply. We analyze that the reasons were **insufficient explanation of the profit plan of the GP2026 mid-term management plan to investors and inadequate presentation of the capital allocation policy.**
- ROE for the last three years **has trended at a level close to the goal of ROE = 11% or more** set in the RIX's Long-term Vision for 2030.
- Regarding the stock price, although it has more than doubled over the past five years, we believe that the stock price is not yet sufficiently valued, considering the PBR and PER.

Transitions in Our Business Performances and Management Indicators

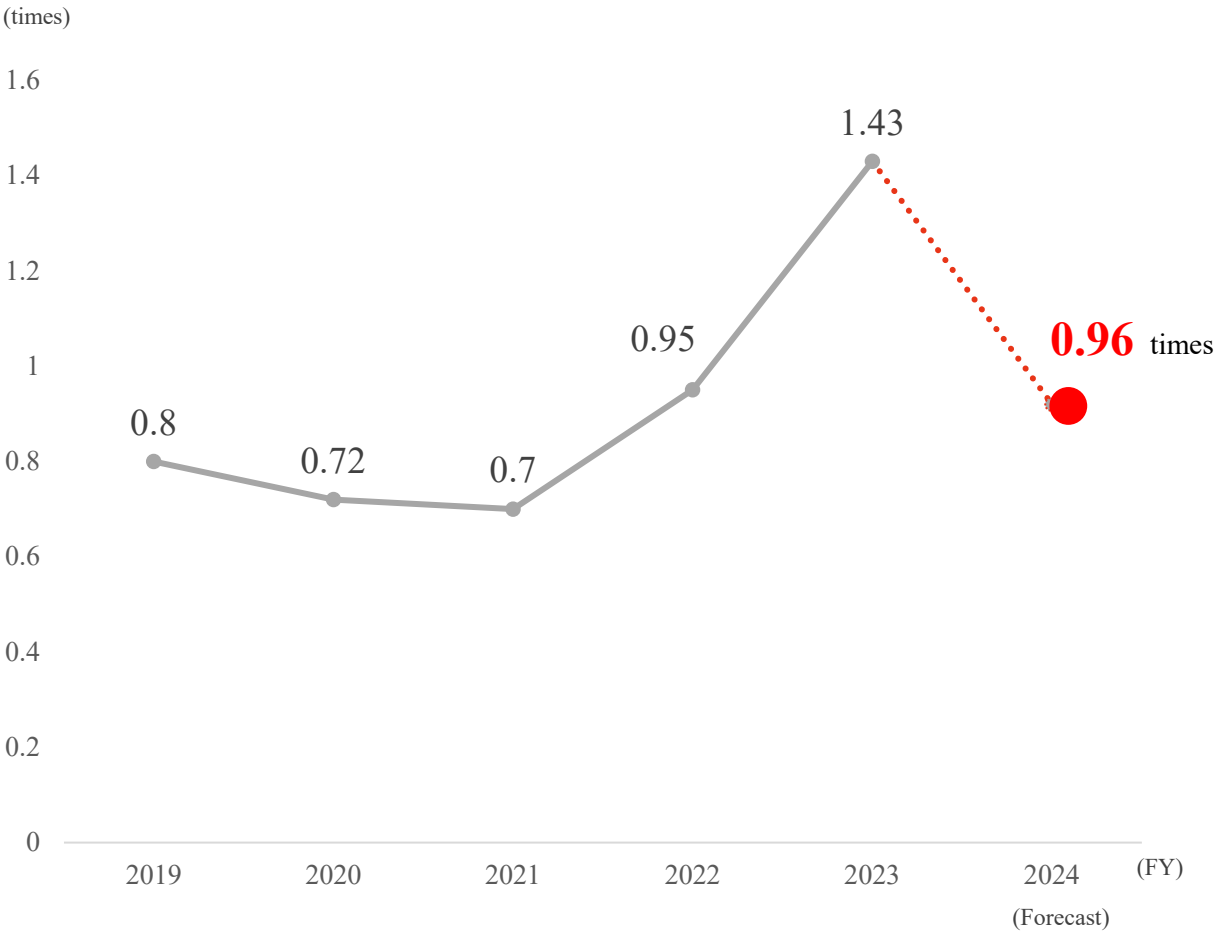
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 (Forecast)
Net sales (million yen)	43,426	36,023	39,969	45,233	49,752	54,000
Operating Profit (million yen)	2,577	1,785	2,580	3,326	3,544	3,680
Profit attributable to owners of parent (million yen)	1,826	1,364	2,051	2,763	2,779	2,670
ROE (%)	11.7	8.1	11.2	13.7	12.4	10.9
Stock price (yen)	1,574	1,552	1,647	2,512	4,160	3,000
PBR (times)	0.80	0.72	0.70	0.95	1.43	0.96
PER (times)	7.04	9.29	6.56	7.39	12.10	9.09

※PBR for FY2024 (forecast)is calculated assuming a share price of 2,850 yen

PBR exceeds 1.0 in FY2023, but **is expected to decline below 1.0 in FY2024 due to a fall in the stock price.**

Improve performance and profitability, strengthening IR/shareholder returns, etc.

PBR Transition



Policies for Improvement

01

Improving Performance through Promotion of Mid- to Long-term Management Plan (GP2023 / LV2030)

Sales are expanding not only in existing fields but also in growth fields such as electric vehicles (EV). Regarding overseas expansion, we will accelerate activities mainly in the U.S., India, and China. For human resources, who will be the foundation for growth, recruitment and training will be promoted based on “RIXing Action” (details: P.8, P.12).

02

Increasing the ratio of original products and improving the operating profit margin

Increasing the ratio of "original products" with high profit margins.
Accelerating the deployment of measures to create original products, such as the establishment of a new R&D center and a factory in India. (Details: P.5~7)

03

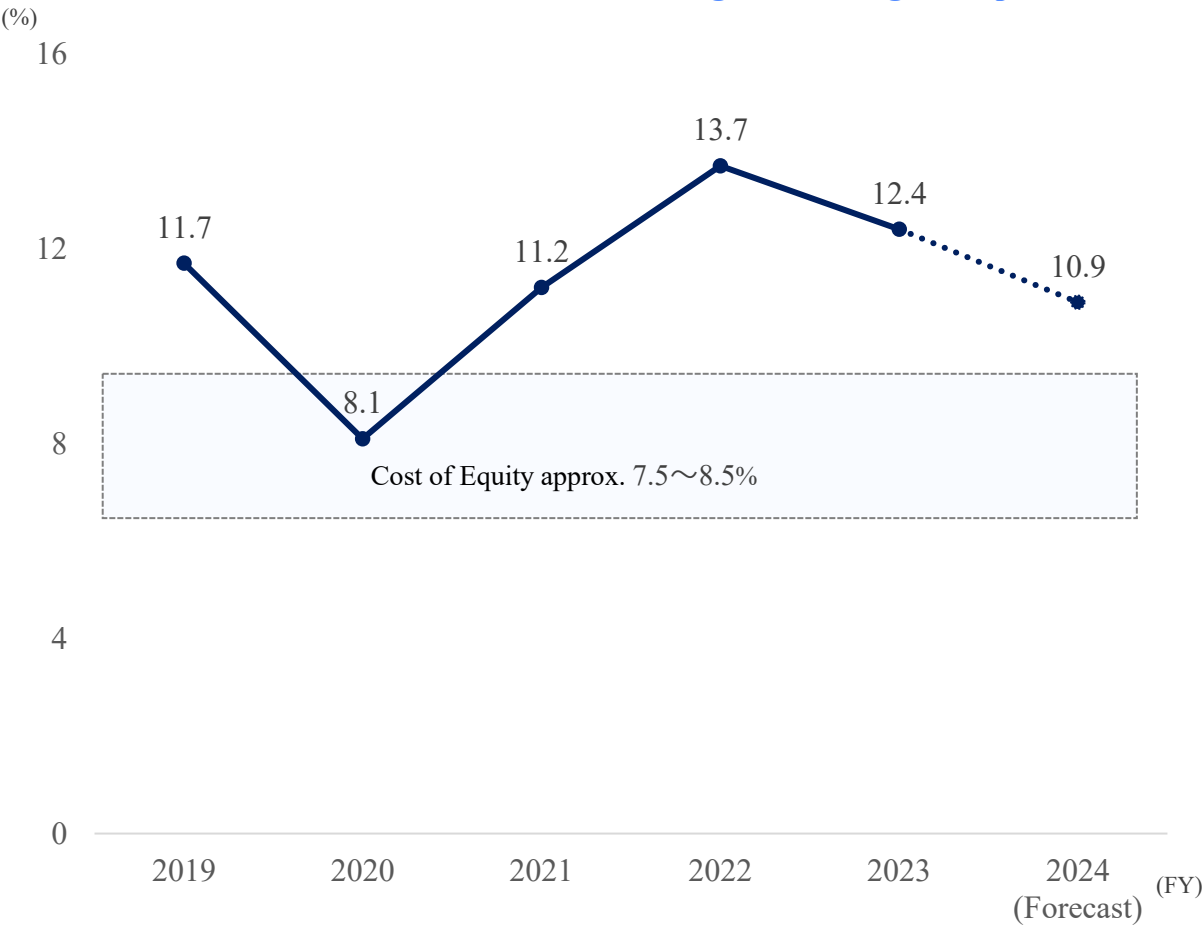
Strengthening IR/shareholder returns (e.g., asset/capital allocation disclosure / introducing DOE)

By disclosing its investment vision for growth, including capital expenditures and R&D expenses, we aim to become a company that is considered for medium- to long-term investment. In addition, the Company will improve the low trading volume, which is an issue for the Company, by eliminating cross-shareholdings and introducing DOE. (Details: P.9~11)

Continue to Promote Long-Term Management Plan "LV2030" to Maintain ROE of 11% or More.

ROE Transition and Cost of Equity

Maintain ROE=11% or more as stated in the long-term management plan "LV2030"



Improving Profitability and Strengthening Management Base Based on the Long-term Management Plan "LV2030"

Strengthen profitability and management base by carrying out 01 to 04

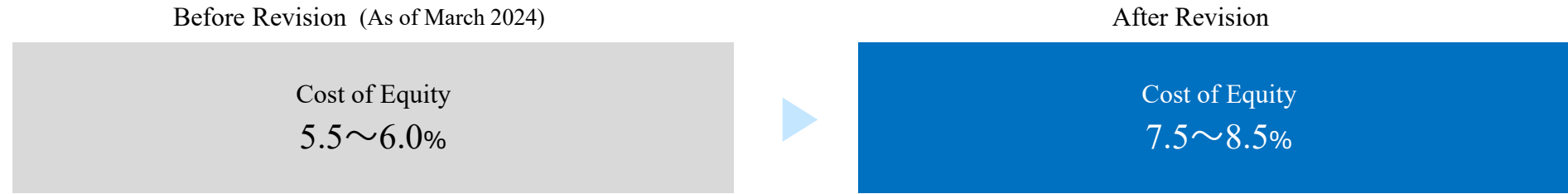
01. Business Field Consolidated net sales 70 billion yen	02. Profitability <table><tr><td>Operating profit ratio</td><td>ROE</td></tr><tr><td>8 % or more</td><td>11 % or more</td></tr></table>	Operating profit ratio	ROE	8 % or more	11 % or more
Operating profit ratio	ROE				
8 % or more	11 % or more				
03. Human Resources & Organization Work environment adapted to external changes	04. Stakeholder Relations Corporate citizenship through RIX's business				

e.g.

- Continue to acquire customers by constantly setting growth fields
- Expanding overseas business mainly in the U.S., China, and India
- Increasing the ratio of "original products" with high profit margins
- Establishing organizations to realize internal and external collaborative creation (e.g., RIX Cooperative Creation Center)
- Recruitment and education based on the "RIXing Action".

LV2030 details from [our website](#)
*Available in Japanese only

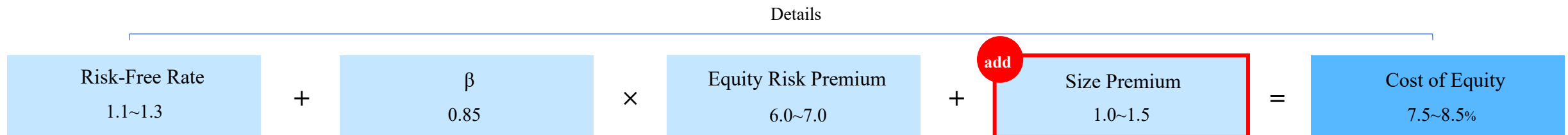
Review Cost of Equity Based on Discussions with Investors



Through discussions with investors, we recognized a gap between the cost of equity calculated by the CAPM (5.5-6.0%) and investors' expected returns (7.5-8.5%). So, we reviewed the cost of equity.

Main factor of the gap

The Company's low stock liquidity (low share volume) reduces the volatility of the stock price (β : around 0.8)



Based on the above gap, continue to implement initiatives to maintain ROE of 11% or more and improve liquidity.

As a “Manufacturing and Trading Company,” Further Strengthening Our Manufacturing Function Going Forward.

Increasing the Composition Ratio of Original Products to Improve Profitability.

Our Product Categories and “Original Products”

01 Own Products

Products made in our factory
e.g. : rotary joints

02 Group Products

Products made in our group companies
e.g. : valves

03 Monopoly Products

Products for which we have exclusive sales rights
e.g. : overseas inverters

Original Products

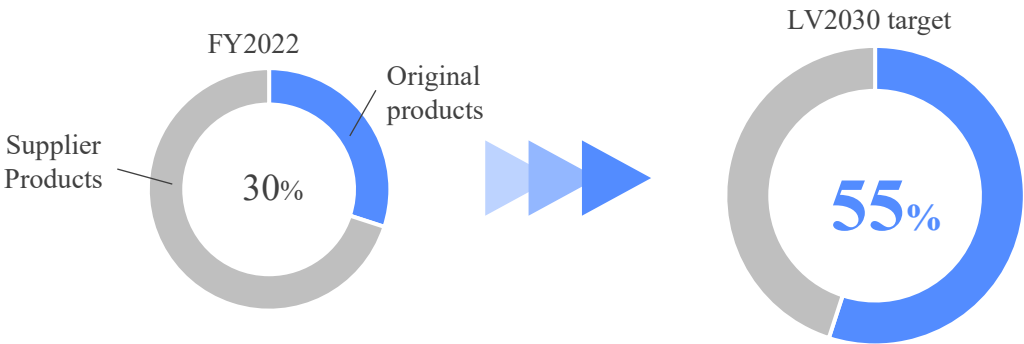
04

Supplier Products

Aims to Strengthen Development of Original Products

- To solve customer and social issues more than now
- Due to its uniqueness and high profit margins
- To be highly competitive both domestically and internationally

Current Original Product Sales Composition and Target



Investor Evaluation and Measures

TSE Prime Market Average PER

Wholesale Trade	Manufacturing	RIX'S PER
1 0	2 0	9.09

*FY2024 forecast

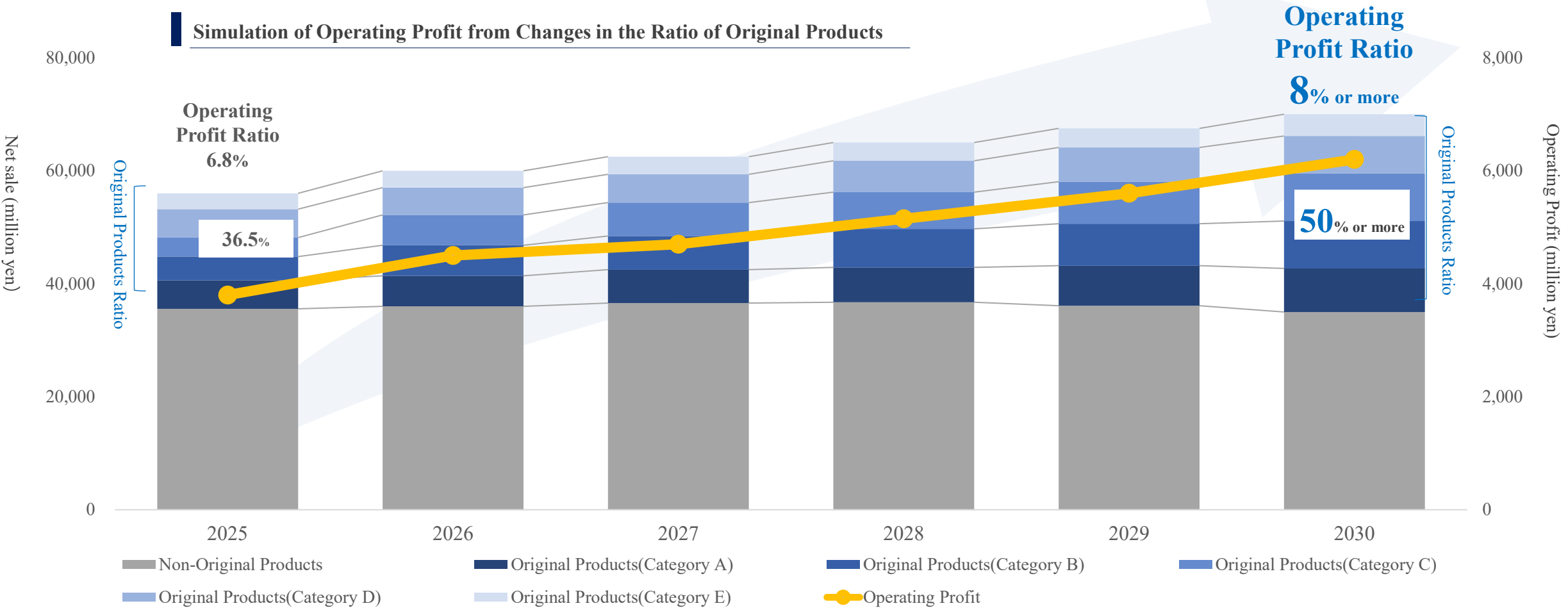
Manufacturing division's share of our operating income = approx. 20%

Appropriate PER = approx. 12

Expanding financial information to provide investors with more information on which to make decisions

Aiming to Increase Operating Profit Through Increasing Development and Sales of Original Products.

- Original products are less likely to be involved in price competition and contribute more to profits because they are more “unique” and “superior” than non-original products .
- If the ratio of original products can be increased to more than 50% in FY2030, the operating profit margin can be increased to 8% (FY2024 forecast = 6.8%).
- Among original products, profit margins vary (Category A: high gross margin to Category E: low gross margin), and each categorized product and product group has its own characteristics, so we aim to increase operating income through a well-balanced strategy of solving customer issues and achieving high profitability.



To improve the ratio of original products and profitability
To promote development of new products that will be the next core of the Company

RIX Cooperative Creation Center start operation in November 2024



RIX Cooperative Creation Center - Opened November 1, 2024

Purpose

New Product/ New Service Development

that are not limited to existing products

Competitive
Edge

Highly
Competitive

Highly
Profitable

Specific initiatives at the center (example)



Research and development of
equipment and machinery for
EV/HEV battery manufacturing
processes

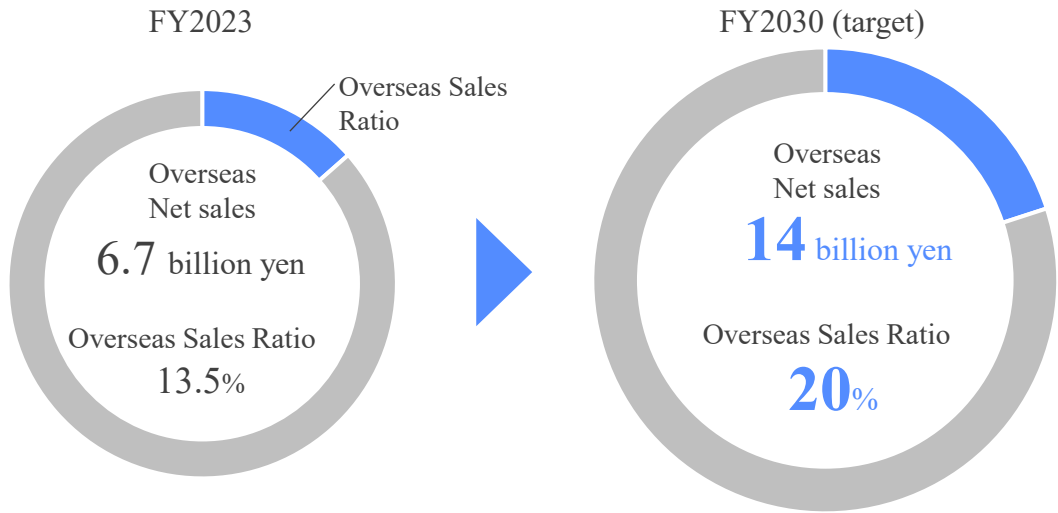


Research and development of
hydrogen-related technologies (in
collaboration with universities in
Fukuoka Prefecture)

New Organization Established to Expand Overseas Sales.

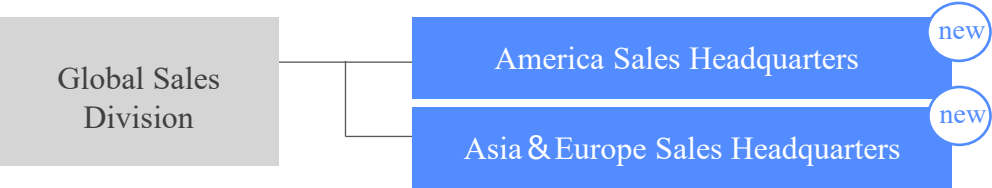
Steadily Expanding Sales for EV and HEV Battery Manufacturing Processes in the U.S., Where We Are Focusing on.

Overseas Sales Targets



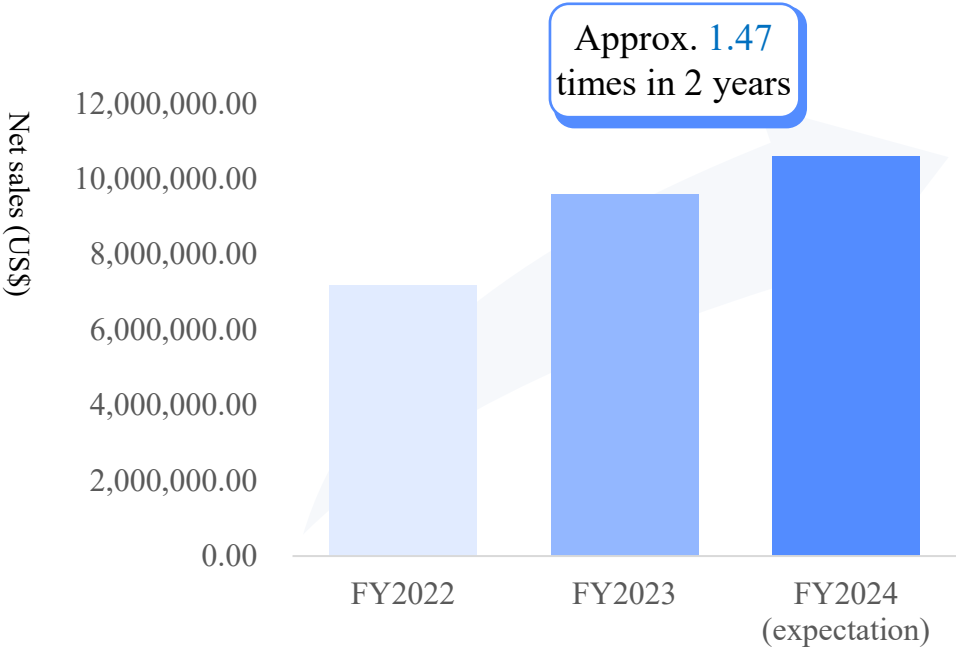
Establishment of New Overseas Related Organizations

Establishing new organizations in April 2024 to expand overseas sales, including the U.S., India, and China, which are our focus areas.



Transition of sales in the U.S.

- Established a sales subsidiary in the U.S. (Tennessee) in 2015, a sales office in West Virginia in 2020 and a manufacturing base in 2021.
- Sales in the country are mainly for EV and HEV battery manufacturing processes.
- Established a new sales office in North Carolina in 2023 to contribute more than ever in EV and HEV-related fields.



Capital Allocation Policy

Considering Investment in Capital Expenditures and R&D for Further Growth, as well as Additional Policies to Ensure Stable Dividends.

Capital Allocation Policy (FY2024 - FY2026)

【Supplement】 Current Status of Major Capital Expenditures, R&D Expenses, and IT Investments
Construction cost of the Cooperative creation center*2 + equipment (R&D investment) = 1.1 billion yen
Core system construction cost (IT investment) = 1.2 billion yen

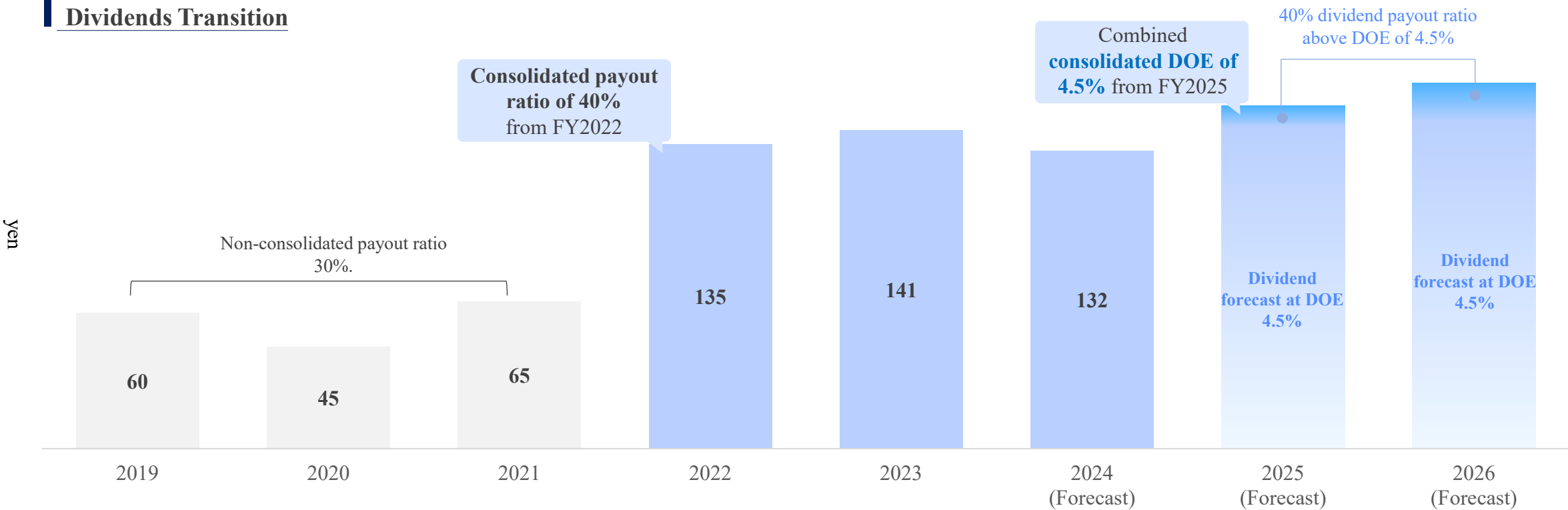


- Capital expenditures, R&D expenses, IT investments, etc.
- Flexible allocation to M&A and share buybacks
- Maintenance and renewal of existing facilities, etc.
- Introducing a dividend on equity (DOE) ratio of 4.5% in addition to the current policy of a 40% dividend payout ratio.
- Secure funds for purchases, labor costs, etc.

*1 Consolidated Statements of Cash Flows Cash and cash equivalents at end of year
*2 Remaining 40% of total construction costs

Adding a consolidated dividend on equity ratio (DOE) of 4.5% to the existing dividend policy in order to provide a more stable return of profits to shareholders.

Dividends Transition



- Revision the Payout Ratio to 40% on a Consolidated Basis from FY2022. Promoting the medium- to long-term management plan to improve profits.
- In addition to a consolidated payout ratio of 40%, a consolidated dividend on equity ratio (DOE) of 4.5% will be added from FY2025 in order to provide more stable returns to shareholders.
- From FY2025, the higher of a consolidated DOE of 4.5% or a consolidated payout ratio of 40% will be returned as dividends.

Focusing on top management commitment, diverse IR activities, and training of staff in charge to ensure optimal communication with shareholders and investors.

Top Executive Committing to IR

Our top executive is actively involved in IR activities and expresses our strengths and vision in his own words.

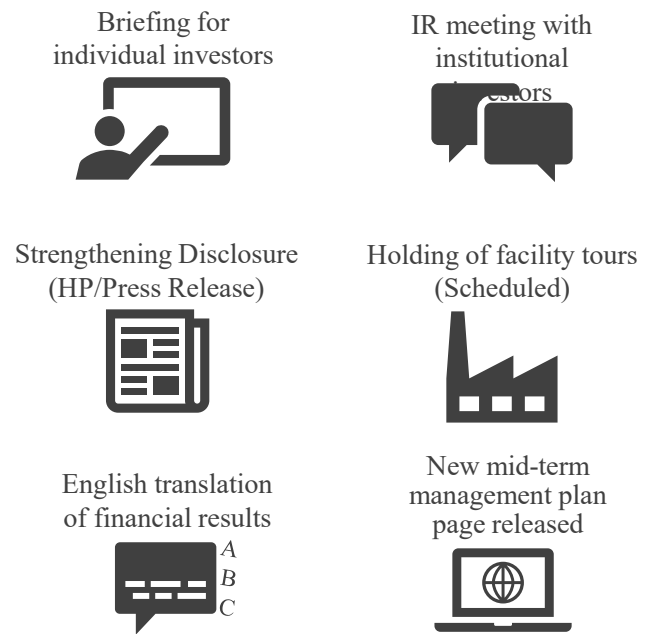


Takashi Yasui, Representative Director, President and Executive Officer, is actively interacting with shareholders and investors on various scenes.



Diversified IR Activities

Proactive IR activities from FY2022, seeking various communication



We will continue to increase the frequency and quality of dialogue with shareholders and investors, and disclose information in an appropriate and timely manner.

Training of Staff

Our employee has obtained the CIRP certification for investor relations.



One of our IR staff acquired the CIRP certification, an IR qualification sponsored by the NPO Japan Investor Relations Planners Association.

Implement more enhanced IR activities based on the knowledge acquired through attending IR planner courses and studying for the exam.

Formulated “Developing human resources who can put RIXing Action into practice” as part of its long-term vision.
Accelerating investment in employee training to make RIX a company capable of sustainable growth.

RIXing Action



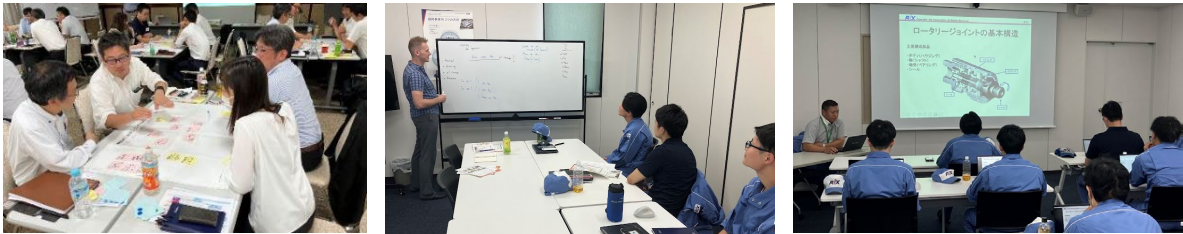
RIXing Action is a collective term that expresses the management philosophy, action guidelines, corporate culture, history, and business model that have been passed down from generation to generation in our company, and consists of nine actions. By having each employee act with RIXing Action in mind, we will develop and retain human resources and increase the number of fans of our company. ([▶detail on website](#))



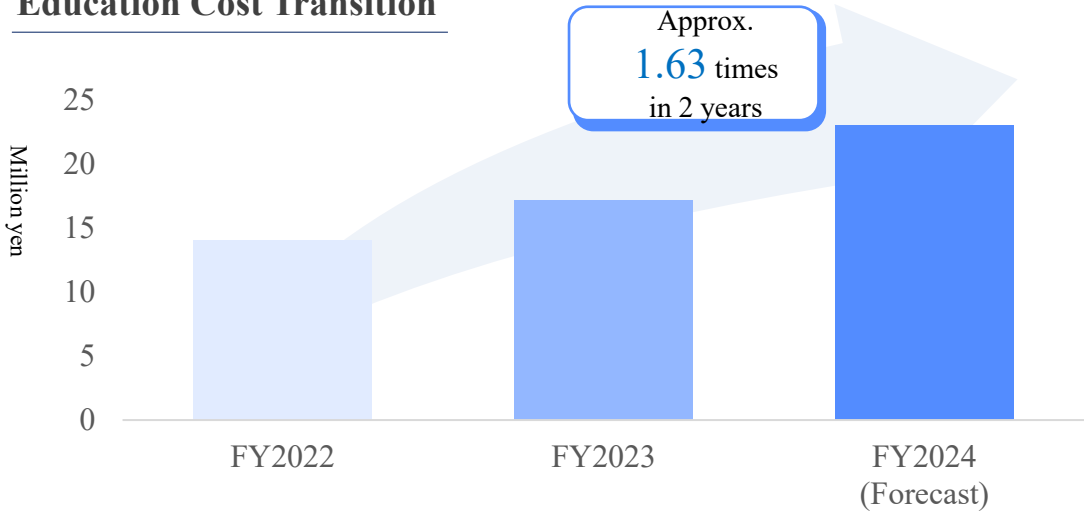
▲RIXing Action (excerpt)

Main Training Programs

RIXing Action Program (to instill our philosophy), Technical Training, Language Training, Training for New Managers, etc.



Education Cost Transition





In FY2024, net sales, operating profit and ordinary profit are expected to reach a record high, but profit attributable to owners of parent is expected to decrease due to extraordinary loss at an overseas subsidiary and tax deductions for income taxes not expected to be as large as in the previous fiscal year.



PBR, which has fallen below 1x due to the decline in the stock price, will be improved by improving performance and profitability, strengthening IR/shareholder returns, etc.



Based on discussions with investors, the cost of equity is revised from 5.5 - 6.0% to 7.5 - 8.5%. Recognizing again the low level of stock liquidity that had been a factor in the gap. We regard this as a priority issue for the future.



Increasing the composition ratio of “original products,” which is the key to further profit improvement. (Example: Development at RIX Collaborative Creation Center, etc.)



Capital Allocation Policy was established. In addition to clearly specifying growth investment limits and shareholder return limits, a dividend of 4.5% DOE will be introduced from FY2025 in order to provide a more stable return of profits.