

# Takashima & Co., Ltd.

8007

Tokyo Stock Exchange Prime Market

20-Feb.-2024

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## Summary

### **Sales increased and profits surged in 1H FY3/24. Medium-term Management Plan targets upwardly revised in full-year FY3/24 forecast. Pursue sustainable profit growth through cost-conscious management**

Takashima & Co., Ltd. <8007> (hereafter, also “the Company”) operates three business segments\*; Construction Supply Segment, Industrial Materials Segment and the Electronic Devices Segment. It is an “advanced sustainability-focused trading company” that designs distribution channels from scratch to meet customer needs in a wide range of areas, from planning and design in the value chain processes in the upstream through to support and construction in the downstream, contributing to customers’ energy saving and labor saving, and thereby contributing to the realization of a sustainable society. In the most recent 10 years, the Company’s profit attributable to owners of parent has trended stably at around ¥1bn or more and it has built a solid earnings base and financial base. The Company is focusing the most on converting to become a sustainable-growth company by conducting strategic investment, as set out in a plan to meet the continued-listing criteria disclosed in November 2021 and in Sustainability V (Value), its current Medium-term Management Plan. In this planning document, it has set a Return on Equity (ROE) standard of at least 8.0% and a Return on Invested Capital (ROIC) standard of at least 6.0%, and is conducting business and investment activities with an awareness of capital cost, and in this situation, its enterprise value is expected to improve even more in the future.

\* Also conducts the Real Estate Leasing Segment, which is omitted in this report due to its small scale

#### 1. Results trends

In the 1H FY3/24 consolidated results, net sales increased 8.2% year on year (YoY) to ¥42,010mn and operating profit increased 70.6% to ¥1,018mn as sales increased and profit expanded significantly. The Construction Supply Segment and the Industrial Materials Segment both recorded increases in sales and profits and this good performance contributed to the improvement in the consolidated results. The Construction Supply Segment in particular saw a rapid rise in segment profit due to factors including strong orders received for the construction of logistics facilities and plants, among other projects. This led to consolidated operating profit rising by a considerable 70.6% YoY, realizing growth that outpaced the rise in net sales. Within this, the operating profit ratio also increased by 0.9 percentage points to 2.4%, showing that profitability is currently on an upward trend. On the other hand, the Electronic Devices Segment saw a decrease in sales and profit due to the effects of the market environment. Also note that following organizational reforms implemented on April 1, 2023, from the 1Q consolidated results onward, the Company’s building maintenance business and membrane-related business, which were previously categorized as functions in what had been the Industrial Materials Business, are now categorized as part of the Construction Supply Segment.

### Summary

For the FY3/24 consolidated results, the Company made an upward revision. The Company is now forecasting significant increases in both sales and profit, with net sales set to increase 18.0% YoY to ¥94,000mn and operating profit to increase 30.2% to ¥2,300mn. In addition to the strong performance of the Construction Supply Segment and the Industrial Materials Business in 1H FY3/24, Gansui Corporation, which was acquired by the Company in June 2023, is also expected to contribute to business results. Therefore, the forecasts for net sales and each type of profit have been revised upward compared to initial forecasts. Furthermore, in anticipation of the recording of extraordinary income due to the transfer of fixed assets in December 2023, in the results forecast announced in November 2023, the forecast for profit attributable to owners of parent only was revised upward.

## 2. Medium-term Management Plan

In December 2020, the Company announced Sustainability X (Cross), its Medium-term Management Plan with FY3/23 as its final fiscal year. Under this plan, while continuing to be based on the basic strategies in Sustainability 2020, the previous Medium-term Management Plan, of “DANTOTSU Strategy (Becoming our customers’ best of the best),” “Improve productivity,” and “Strengthen corporate governance,” it is strengthening even more its formation and expansion of the various functions in the value chain, from design through to construction and support, by “Further evolution of DANTOTSU Strategy,” “Developing unshakable cost competitiveness through improvements in productivity,” and “Strengthening corporate governance.” In order to establish a foundation for growth in the long term, it has made efforts to convert its business structure and portfolio (achieving its goal of profit attributable to owners of parent of ¥1,400mn by FY3/23, the final fiscal year of the plan).

In addition, the Company formulated the next Medium-term Management Plan, Sustainability V (Value) (FY3/24 – FY3/26) in March 2023. In the very long-term, the Company’s goal is to achieve a carbon neutral society by 2050, and it aims to simultaneously adapt to a sustainable society and achieve sustainable growth through value creation by capturing market growth opportunities. The Company has set numerical targets to achieve by FY3/26, such as consolidated net sales of ¥100.0bn, profit attributable to owners of parent of ¥1.9bn, ROE of at least 8.0%, and ROIC of at least 6.0%. The Company intends to increase profit attributable to owners of parent and ROE by effectively utilizing external funds, cash from each business and cash generated from the sale of strategic holding shares.

## 3. Measures to meet the continued-listing criteria

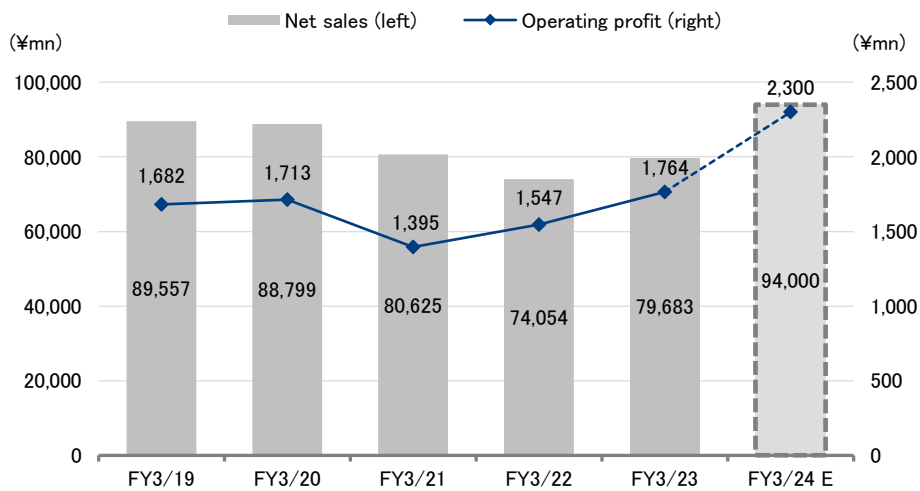
In November 2021, the Company submitted a plan to meet the continued-listing criteria in response to the Tokyo Stock Exchange’s (TSE) revision of its market categories. In order to meet the continued-listing criteria for the TSE Prime Market, it is targeting converting from implementing solid management as it had done up to the present time to becoming a sustainable-growth company by conducting strategic investment. The Company upwardly revised its numerical targets in this planning document in November 2022 and December 2023 to aim for profit attributable to owners of parent of ¥1.9bn (up ¥400mn from the initial forecast), ROE of at least 8.0%, ROIC of at least 6.0%, a tradable shares market capitalization of at least ¥10.0bn, and aiming to achieve a target of a daily average trading value of at least ¥20.00mn by FY3/26. To achieve these targets, it intends to improve enterprise value and shareholder value from the perspectives of a “Promoting capital allocation policy,” “Pursuing sustainable profit growth through investment returns,” “Enriching shareholder return policies,” “Establishing IR system,” and “Complying with Japan’s Corporate Governance Code.” In addition, the Company moved forward the date by which it plans to meet the criteria for tradeable shares market capitalization to March 31, 2025 because it was decided that transitional measures for continued listing criteria would end on that date. To meet the requirement on an accelerated timeline, the Company intends to continue conducting a variety of measures.

Summary

**Key Points**

- Increase in sales and considerable increase in profit in 1H FY3/24
- Strategic investment with an awareness of capital cost and greater added value in provided functions contributed to the increase in sales and profit
- FY3/24 results forecast revised upward, with positive factors including the Gansui Corporation M&A
- Has upwardly revised the numerical targets for the next Medium-term Management Plan, Sustainability V (Value). Is aiming for profit attributable to owners of parent of ¥1.9bn and ROE of at least 8.0% by FY3/26 through efficient growth investments

**Results trends**



Source: Prepared by FISCO from the Company's financial results

## Company overview

**Conducts three businesses: Construction Supply Segment, the Industrial Materials Segment, and the Electronic Devices Segment. An advanced sustainability-focused trading company that contributes to customers' energy saving and labor saving**

### 1. Company profile

The Company is a value-adding trading company founded in 1915 under the corporate mission to “contribute to society through our business activities.” A value-adding trading company has a basic stance of “rather than pursuing wide market expansion, we focus on pursuing customer value in our target market.” This means a business model of realizing high profitability by providing tailor-made functions and solutions that are truly necessary for its customers.

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Company overview

Also, the fact that the Company has many business bases both in Japan and globally is an important point for it to provide value to customers. As of September 30, 2023, it has a total of 19 consolidated subsidiaries, 13 in Japan and 6 overseas. It also has many equity-method affiliates, partner factories, and partner companies in Japan and Asia, and it supports the businesses of its customers globally. As of September 30, 2023 on a consolidated basis, the Group has 1,175 employees and paid-in capital of ¥3,801mn.

**History**

Date	Event
October 1915	Mr. Kotakichi Takashima founded Takashimaya Shoten Unlimited Partnership with paid-in capital of 10,000 yen. It mainly sold textile materials
December 1931	Reorganized as Takashimaya Shoten Co., Ltd. with paid-in capital of 500,000 yen
May 1949	Listed on the Tokyo Stock Exchange
October 1949	Changed the company name to Takashima Co., Ltd.
August 1989	Acquired all the shares of Icon Co., Ltd. (currently iTak International (Japan) Co., Ltd., a consolidated subsidiary (sales of electronic components, etc.))
September 1993	Established TAK (HONG KONG) Limited (currently iTak (International) Limited, a consolidated subsidiary) (sales of electronic components, etc.)
September 2005	Established Hi-Land Techno., LTD. (currently Hi-Land Inc. a consolidated subsidiary) (development, manufacture and sales of special sewing processed products)
April 2008	Established iTak International (Thailand) Co., Ltd. (currently a consolidated subsidiary) (sales of electronic components, etc.)
February 2010	Acquired the Construction Supply business from Marubeni Plax Corporation
March 2015	Acquired all the shares of CLS Corporation (currently a consolidated subsidiary) from Marubeni Corporation (processing and sales of artificial leather materials)
October 2015	Acquired all of the shares of Ono Sangyo Co., Ltd. (currently TAKCEL Co., Ltd, a consolidated subsidiary) (manufacture and sales of plastic molded products)
May 2017	Established iTak International (Vietnam) Co., Ltd. (currently a consolidated subsidiary) (sales of electronic components, etc.)
July 2018	Established Takashima Robot Marketing Co., Ltd. (currently a consolidated subsidiary) (rentals and sales of collaborative robots)
October 2019	Acquired all of the shares of Rest Corporation (currently a consolidated subsidiary) (toilet booth manufacture and construction)
April 2022	Following the TSE's reorganization of market categories, listing was transferred from the 1st section to the TSE Prime Market
December 2022	Acquired all of the shares of New Energy Distribution System Inc. (currently a consolidated subsidiary) Acquired all of the shares of Sinbou Edix Co., Ltd. (currently a consolidated subsidiary)
June 2023	Acquired all of the shares of Gansui Corporation (currently a consolidated subsidiary)

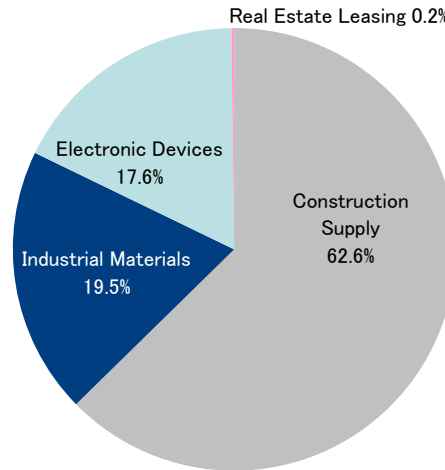
Source: Prepared by FISCO from the Company's securities report

## 2. Business description

The Company has three business segments; the Construction Supply Segment, the Industrial Materials Segment, and the Electronic Devices Segment. The percentage of total net sales by segment in 1H FY3/24 were that the Construction Supply Segment provided 62.6%, the Industrial Materials Segment 19.5%, and the Electronic Devices Segment 17.6%. The Company designs distribution channels in accordance with customer needs and covering a wide range of areas, from planning and design in the value chain processes in the upstream through to support and construction in the downstream, contributing to customers' energy saving and labor saving, and thereby also contributing to the realization of a sustainable society.

Company overview

**Composition of net sales by segment (1H FY3/24)**



Source: Prepared by FISCO from the Company's financial results

**(1) Construction Supply Segment**

This is the Company's core business that provides 62.6% of total net sales (as of 1H FY3/24). It is comprised of four segments: construction materials, housing materials, insulation materials, and renewable energy materials. Its lineup includes a range of various products and solutions relating to wall materials, the basic pile construction method, thermal insulation materials, solar panel-related materials, and construction-related, including interiors, for large, non-residential buildings and residential buildings. Utilizing its sales and construction network that covers the entire country, it supports customers' businesses over the entire value chain, from planning and design through to construction. An example of designing distribution channels and creating customer value is the full pre-cut of thermal insulation materials for house builders. In conducting this business, materials are allocated to each property (a detailed drawing is created that determines the installation position and measurements of the thermal insulation materials), processing is performed based on this drawing, and after the processing, the thermal insulation materials are distributed individually to the construction sites. The Company is responsible for functions from processing through to distribution, which enables labor saving and reduction of construction periods at construction sites. In addition, under its new Medium-term Management Plan, Sustainability V (Value), the Company plans to focus on renewable energy materials traditionally expected to expand. Specifically, it will actively invest in photovoltaic power and electric vehicles, areas where demand is expected to grow in the future. One recent example is the Company's acquisition of New Energy Distribution System (NEDS) Co., Ltd. in December 2022. It plans to increase its ability to provide solutions by combining its sales capabilities with the construction capabilities possessed by New Energy Distribution System.

**a) Construction materials**

This business provides customers with various products in line with their needs, including high-performance non-residential construction materials (wall materials, fire-resistant coverings, etc.) used primarily in large logistics facilities and plants, as well as pile-related and civil engineering materials (piles, foundation improvement methods, EDO-EPS methods, and transparent plastic underground retaining blocks, etc.) It provides solutions that contribute to the operational efficiency of customers at all stages of the value chain from design considerations to construction and installation via a nationwide sales and construction network.

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Company overview

**Main products handled**

<b>Exterior wall materials</b>	<ul style="list-style-type: none"> <li>• ALC, extrusion molded cement board</li> <li>• Metal sandwich panels and fire-resistant insulated partitions</li> </ul>
<b>Fire-resistant covering materials</b>	<ul style="list-style-type: none"> <li>• Winding fire-resistant covering materials (Makibee®) and fire-resistant calcium silicate boards</li> <li>• Dry fire-resistant materials, ceramic fire-resistant covering materials</li> </ul>
<b>Other materials</b>	<ul style="list-style-type: none"> <li>• TAK systems construction</li> <li>• Tile and stone detachment and fall prevention hardware (HI-TAK bonding method)</li> </ul>
<b>Construction method</b>	<ul style="list-style-type: none"> <li>• Foundation piles (rotary penetration steel pipe piles, various types of ready-made piles)</li> <li>• Ground improvements (columnar and shallow layer methods)</li> <li>• Exposed column base method, and EDO-EPS construction method (lightweight embankment construction method)</li> </ul>
<b>Materials</b>	<ul style="list-style-type: none"> <li>• Decorative formwork for civil engineering and construction</li> <li>• Plastic underground storage/infiltration blocks</li> <li>• Comb-shaped parts for railway platforms</li> </ul>
<b>Membranes</b>	<ul style="list-style-type: none"> <li>• Tent storehouses (Sheet houses, rental tents, telescopic tents, rooftops, mobile tents)</li> </ul>
<b>Energy-saving equipment</b>	<ul style="list-style-type: none"> <li>• LED lighting</li> </ul>

Source: Prepared by FISCO from the Company's website

**b) Housing materials**

This business addresses the increasing diversification of residential buildings, including ZEH, by providing materials that are essential for enhancing the safety, comfort, and energy-saving characteristics of living environments (exterior wall materials, roofing materials, “all electrification” materials, and thermal insulation materials), processing and installing a variety of counters (synthetic marble for kitchen counters and bathroom vanity units), and providing various other interior materials. It also offers a full-precut service to housebuilders in which the Company takes responsibility for layout, processing, and distribution functions, helping to save labor associated with measuring, cutting, and disposal work at construction sites.

**Main products handled**

<b>Exterior wall materials</b>	<ul style="list-style-type: none"> <li>• Autoclaved lightweight aerated concrete (ALC)</li> <li>• Siding boards</li> </ul>
<b>Roofing materials</b>	<ul style="list-style-type: none"> <li>• Various roofing materials</li> </ul>
<b>Disaster prevention-related products</b>	<ul style="list-style-type: none"> <li>• Anti-seismic and seismic control construction methods for housing</li> </ul>
<b>Photovoltaic power systems</b>	<ul style="list-style-type: none"> <li>• Residential photovoltaic power systems</li> </ul>
<b>Energy products</b>	<ul style="list-style-type: none"> <li>• Storage batteries</li> </ul>
<b>All electrification products</b>	<ul style="list-style-type: none"> <li>• EcoCute devices</li> <li>• Induction cookers</li> <li>• HEMS-related products</li> </ul>
<b>Thermal insulation materials</b>	<ul style="list-style-type: none"> <li>• Various thermal insulation materials</li> </ul>
<b>Countertop materials (processing and construction)</b>	<ul style="list-style-type: none"> <li>• Acrylic artificial marble</li> <li>• Quartz stone</li> <li>• Ceramic stone</li> <li>• Stainless steel</li> <li>• Natural stone</li> </ul>
<b>Interior materials</b>	<ul style="list-style-type: none"> <li>• Wallpaper</li> <li>• Flooring materials</li> <li>• Deck materials</li> <li>• Underlay sheeting</li> </ul>
<b>Equipment</b>	<ul style="list-style-type: none"> <li>• Gas stoves</li> <li>• Range hoods</li> <li>• Dishwashers</li> </ul>

Source: Prepared by FISCO from the Company's website



Company overview

**c) Insulation materials**

Utilizing the wealth of knowledge and experience it has cultivated over many years in the field of thermal insulation, it proposes a wide range of advanced thermal insulation materials and construction methods to create comfortable living spaces. Specifically, it contributes to the energy savings by providing insulation panels used to create refrigerator and freezer spaces in non-residential facilities, such as food factories and distribution warehouses, as well as offering a wide range of high-performance insulation materials and techniques for residential buildings.

**Main products handled**

<b>Thermal insulation materials</b>	<ul style="list-style-type: none"> <li>• Extruded polystyrene foams</li> <li>• High-performance phenolic foams</li> <li>• Rigid polyurethane foams</li> <li>• Glass wool, rock wool, and non-combustible insulating materials</li> </ul>
<b>Thermal insulation systems</b>	<ul style="list-style-type: none"> <li>• Residential thermal panel systems</li> <li>• Metal sandwich thermal insulation panels (Panels for freezing and refrigeration and fire-resistant insulating partition panels)</li> <li>• Underground spring water treatment thermal insulation systems</li> <li>• RC external thermal insulation systems</li> </ul>

Source: Prepared by FISCO from the Company's website

**d) Renewable energy materials**

The Company began working in the renewable energy field in advance of others in 1994 and is proud of its industry-leading track record in the residential photovoltaic power generation system market. The Company provides comprehensive products related to the creation and storage of power, including industrial and residential photovoltaic power generation systems, storage batteries and self-generated racks, and is also focusing on sales of V2H (the concept of effectively utilizing the electricity stored in electric vehicles for home use) and solar carports in anticipation of the full-scale arrival of EV in the future. In December 2022, the Company made New Energy Distribution System into a subsidiary, which is engaged in the construction of photovoltaic power systems and V2H nationwide, which is expected to provide opportunities to further expand its business.

**Main products handled**

<b>Photovoltaic power systems</b>	<ul style="list-style-type: none"> <li>• Industrial photovoltaic power systems</li> <li>• Residential photovoltaic power systems</li> <li>• Solar carport systems</li> </ul>
<b>Energy products</b>	<ul style="list-style-type: none"> <li>• Storage batteries</li> <li>• IoT</li> <li>• V2H</li> </ul>
<b>Developed products</b>	<ul style="list-style-type: none"> <li>• Smart Rack® developed by Takashima (photovoltaic power systems rack)</li> </ul>
<b>All electrification products</b>	<ul style="list-style-type: none"> <li>• EcoCute devices</li> <li>• Induction cookers</li> </ul>

Source: Prepared by FISCO from the Company's website

**(2) Industrial Materials Segment**

This business provided 19.5% of total net sales as of 1H FY3/24, the second highest percentage after the Construction Supply Segment. It is comprised of two segments: plastics-related materials and textile-related materials. It provides a wide range of value to customers, from design and manufacturing to processing and sales in the value chain to construction and support. The business serves a variety of customers and provides a variety of functions in each field. This includes providing logistics materials (plastic trays for transportation of parts, etc.) designed by the Group for their shock absorption characteristics to automotive and electrical manufacturers, it provides textile products to public agencies, and conducts OEM production of apparel and functional textiles for clothing.

Company overview

**a) Plastic-related materials**

This business handles a broad range of materials and products from synthetic resin to environmentally friendly resin, provides manufacturers with molded plastic trays for the packaging of manufactured parts (for transportation between processes and when shipping, etc.), and designs, assembles, and offers compound processing functions for internal and external materials (based on the keywords of energy savings and labor savings) used in rolling stock. In addition, it helps tailor manufacturing to the needs of customers by procuring and processing materials and products from Japan and overseas with high-performance characteristics, such as heat resistance and superior strength. Moreover, Group company TAKCEL Co., Ltd. manufactures and sells plastic molded products, focusing on general industrial products such as automobile and electronics, and it is also actively investing in the medical products field.

**Main products handled**

SFC™ Resin series	<ul style="list-style-type: none"> <li>• SFC-AS (antistatic)</li> <li>• SFC-FR (non-HBCD flame retardant)</li> </ul>
ARCEL® Resin series	<ul style="list-style-type: none"> <li>• ARCEL-ULV</li> <li>• ARCEL-730</li> <li>• ARCEL-640 (vehicle interior materials)</li> </ul>
General-purpose plastics	<ul style="list-style-type: none"> <li>• Distribution materials overall</li> </ul>
High-performance compound resin processed products	<ul style="list-style-type: none"> <li>• Injection molded trays</li> <li>• Extrusion molded trays</li> <li>• Vacuum formed trays</li> <li>• Foam molded cushioning materials</li> </ul>
Motor vehicle-related parts and materials	<ul style="list-style-type: none"> <li>• Glass, insulation materials</li> <li>• Sound absorbing materials, floor coverings</li> <li>• Structural components (ceilings, luggage racks, air conditioning outlets)</li> <li>• Room fixtures (sleeve partitions, gable table, washroom lighting)</li> </ul>

Source: Prepared by FISCO from the Company's website

**b) Textile-related materials**

This business sells textile materials, including the heavy fabrics (industrial textiles such as synthetic canvas, ornamental tents, truck canopies, etc.) that were the original business of the Company, as well as selling textile products for container bags and to the Ministry of Defense, and proposing OEM production of apparel products to major retailers in Japan. Furthermore, Group company Hi-Land Inc. develops, manufactures, and sells sewn products, while CLS Corporation both sells and exports various materials for bags, satchels, shoes, gloves and other items using materials such as artificial leather and synthetic leather.

**Main products handled**

Textile materials	<ul style="list-style-type: none"> <li>• Synthetic canvas and non-flammable membrane materials</li> <li>• Decorative tents and functional fibers for apparel</li> </ul>
Textile products	<ul style="list-style-type: none"> <li>• Container bags and products for the Ministry of Defense</li> <li>• Sign-related, infrastructure-related and road clearing pro</li> </ul>
Sales promotion materials	<ul style="list-style-type: none"> <li>• Wooden racks</li> </ul>
Apparel products	<ul style="list-style-type: none"> <li>• Clothing, shoes, and bags</li> </ul>
Motor vehicle-related parts and materials	<ul style="list-style-type: none"> <li>• Metal processed products and rubber processed products</li> </ul>
Products for DIY stores	<ul style="list-style-type: none"> <li>• Wood products and rubber goods</li> </ul>
Environmentally friendly products	<ul style="list-style-type: none"> <li>• EV chargers, antibacterial and anti-fungal paints</li> <li>• Air conditioning-related products (filters)</li> <li>• Lightweight hanging smoke barriers and membrane ceilings</li> <li>• Interiors and signs</li> </ul>
Industrial materials	<ul style="list-style-type: none"> <li>• Polishing films, polishing cloths, and non-woven fabrics</li> <li>• Road materials, special paints, nonflammable membrane materials, and high-performance fibers</li> </ul>
Other products	<ul style="list-style-type: none"> <li>• Refrigerant gas for air conditioners, freezers, refrigeration equipment, and various other items</li> </ul>

Source: Prepared by FISCO from the Company's website

Company overview

**(3) Electronic Devices Segment**

This business provides 17.6% of total net sales. It is conducted by the iTak Group centered on iTak (International) Limited that has its headquarters in Hong Kong, and it is composed of the device business, which procures and sells electronic components according to customer needs from manufacturers developing businesses mainly in Asia, and the assembly business, in which the iTak Group functions as the manufacturer, providing electronic manufacturing services (EMS) by mounting components on printed circuit boards. The iTak Group works proactively as a single business unit through strong cooperation between each site to cover all of the main countries in Asia. The ability to offer global manufacturing support for customers’ development, production, and purchasing from an office near to their site is one of the characteristics of the iTak Group. Under Sustainability V, the Company has set forth a policy of investing in its own factories in Thailand and Vietnam to support the needs of customers looking for manufacturing bases as its China plus one strategy.

**a) Device**

This business provides LCD displays for a broad range of applications, from consumer products to automotive and industrial equipment, as well as audio products (microphones, speakers, receivers, etc.), and power electronics-related parts such as semiconductors, capacitors, and relays. It carries out business that leverages its customer support capabilities by capturing customer needs, undertaking procurement, primarily from Asian manufacturers, and systematically implementing delivery control, inventory management, and quality management for part. As stated earlier, it has also established its own plant in Vietnam for the production of LCDs, and it is working to further strengthen in-house manufacturing capabilities.

**Main products handled**

<b>Liquid crystal components</b>	<ul style="list-style-type: none"> <li>• Mono LCD (TN, STN, FSTN, VA, etc.)</li> <li>• COG modules, backlight modules</li> <li>• TFT displays, OLED displays, touch panels, etc.</li> </ul>
<b>Sound components</b>	<ul style="list-style-type: none"> <li>• ECM microphones, MEMS microphones</li> <li>• MIC board modules, modules with cables</li> <li>• Speakers, receivers, etc.</li> </ul>
<b>Electronic components and semiconductors</b>	<ul style="list-style-type: none"> <li>• Diodes in general, TVS, FET, transistors and analog IC</li> <li>• Electrolytic capacitors and film capacitors</li> <li>• Power relays, latching relays, and communication relays</li> <li>• Transformers, choke coils and LEDs</li> <li>• Infrared light emitting diodes, photodetectors and UV LEDs</li> <li>• Photo-interrupters, terminal blocks, microswitches, connectors, etc.</li> </ul>

Source: Prepared by FISCO from the Company’s website

**b) Assembly**

Utilizing its own factory established in Chon Buri, Thailand, in 2017, this EMS business provides total support for PCB mounting from the design stage to mass production. With the Company’s background as an electronic component trading company and its capabilities as a manufacturer, it has created a structure that enables it to supply competitive products as a “trading company + manufacturer.” Its assembly services contribute to energy savings and the shift to inverter usage by white goods and other products through production at its Thai plant.

## Results trends

### Sales increased and profits surged in 1H FY3/24. Construction Supply and Industrial Materials both strong, companies acquired through M&A steadily contributing to expanded performance

#### 1. Overview of the 1H FY3/24 consolidated results

In the 1H FY3/24 consolidated results, net sales increased 8.2% YoY to ¥42,010mn, operating profit went up 70.6% to ¥1,018mn, ordinary profit rose 68.6% to ¥1,171mn, and profit attributable to owners of parent increased 41.5% to ¥720mn. Amid efforts by the Company, as a value-adding trading company, to continuously raise the added value of the solutions it provides, the Construction Supply Segment and the Industrial Materials Segment both recorded increases in sales and profits and this strong performance contributed to the improvement in consolidated results. The Construction Supply Segment in particular saw a rapid rise in segment profit due to factors including many orders received for the construction of logistics facilities and plants, among other projects. As operating profit outpaced net sales in terms of growth, the operating profit ratio also increased by 0.9 percentage points to 2.4%, showing that profitability is currently on an upward trend. Also, the Company is constantly aspiring to further grow its profits and its acquisitions of New Energy Distribution System, Sinbou Edix Co., Ltd., and Gansui Corporation contributed to this improvement in results. On the other hand, the Electronic Devices Segment saw a decrease in sales and profit due to the effects of the market environment.

#### 1H FY3/24 consolidated results

	(¥mn)					
	1H FY3/23		1H FY3/24		YoY	
	Result	% of sales	Result	% of sales	Change	Change rate
<b>Net sales</b>	38,817	-	42,010	-	3,193	8.2%
Construction Supply	22,413	57.7%	26,313	62.6%	3,900	17.4%
Industrial Materials	7,896	20.3%	8,198	19.5%	302	3.8%
Electronic Devices	8,410	21.7%	7,401	17.6%	-1,009	-12.0%
<b>Gross profit</b>	4,368	11.3%	5,869	14.0%	1,501	34.4%
<b>Operating profit</b>	596	1.5%	1,018	2.4%	422	70.6%
Construction Supply	51	0.2%	544	2.1%	493	966.4%
Industrial Materials	65	0.8%	232	2.8%	167	252.8%
Electronic Devices	423	5.0%	184	2.5%	-239	-56.3%
<b>Ordinary profit</b>	694	1.8%	1,171	2.8%	477	68.6%
<b>Profit attributable to owners of parent</b>	509	1.3%	720	1.7%	211	41.5%

Note: Also conducts the Real Estate Leasing Segment, which is omitted in this report due to its small scale  
 Source: Prepared by FISCO from the Company's financial results

Results by segment were as follows.

#### (1) Construction Supply Segment

Net sales increased 17.4% YoY to ¥26,313mn and segment profit increased 966.4% to ¥544mn. Within this, net sales in the construction materials field increased by 12.5% to ¥13,265mn. In this field, orders for the construction of logistics facilities and plants, which has been set as an Actively Expanding Business under the Company's Medium-term Management Plan, Sustainability V, among other projects, were strong and the acquisition of Gansui Corporation as a subsidiary in June 2023 also contributed to the improvement in business results.

#### Results trends

In the renewable energy materials field, which has been positioned as a Future-looking Business in Sustainability V, net sales increased 57.6% to ¥6,441mn. Installation of equipment aimed at realizing captive consumption increased at both industrial and residential properties due to factors such as the resolution of semiconductor shortages that had occurred in the previous fiscal year and growing demand for a carbon-free society. Additionally, the acquisition of New Energy Distribution System in December 2022 boosted results.

In the insulation materials field, net sales increased 10.7% to ¥4,857mn. In addition to materials sales, the smooth capture of construction projects also contributed to results. In the housing materials field, the Company is accelerating a process of deciding which businesses to keep or withdraw from. Although net sales decreased 18.5% to ¥1,748mn, as there was a focus on highly profitable businesses, this field was able to contribute to segment profit.

On the profit front, there was healthy top line growth in the construction materials, insulation materials, and renewable energy materials fields, and in the housing materials field, strong performance in terms of high unit cost, and high profit construction projects also contributed to increasing profits.

#### **(2) Industrial Materials Segment**

Net sales increased 3.8% YoY to ¥8,198mn and segment profit rose 252.8% to ¥232mn. Within this, net sales in the plastics-related materials field increased by 18.9% YoY to ¥4,557mn. As the effects of semiconductor shortages dissipated, production activities recovered in the auto industry, which contains customers for this field, leading to an increase in orders for molded products. In the textile-related materials field, net sales decreased by 10.4% to ¥3,640mn. This was partly due to stagnation in demand from apparel-related customer companies caused by the effects of an increase in retail prices following yen depreciation. Sinbou Edix, which was acquired and made into a subsidiary in December 2022, made positive contributions to both sales and profit.

On the profit front, the full-scale recovery of production activities in the auto industry, which contains customers for this segment, as well as factors such as continued efforts by the Company to raise the added value of the solutions it provides, resulted in a sharp increase in profit.

#### **(3) Electronic Devices Segment**

Net sales decreased 12.0% YoY to ¥7,401mn and segment profit decreased 56.3% to ¥184mn. Although the market for consumer electronics equipment such as white goods and video equipment had performed strongly up to the previous year, supported by factors including demand from people forced to stay at home due to the COVID-19 pandemic, in the fiscal year under review it was impacted by factors including a rapid fall in demand following changes in consumption trends as the pandemic ended. In addition to this downturn in the market environment, there was also a rebound effect from the strong performance in the previous fiscal year, resulting in decreases in both sales and profit. Net sales in the device business decreased 21.5% YoY to ¥3,147mn while net sales in the assembly business decreased 3.3% YoY to ¥4,254mn.

## **2. Financial condition**

Total assets at the end of 1H FY3/24 were ¥59,628mn, an increase of ¥6,568mn from the end of the previous year. Among these, current assets increased ¥258mn to ¥41,181mn. This was primarily attributable to an increase in notes and accounts receivable - trade, and contract assets of ¥1,563mn and decrease in cash and deposits of ¥2,082mn. Non-current assets increased ¥6,827mn to ¥18,446mn. This was mainly from increases in property, plant and equipment of ¥1,497mn and goodwill of ¥5,182mn.

## Results trends

Total liabilities increased ¥5,475mn from the end of the previous period to ¥38,995mn. Among these, current liabilities increased ¥4,734mn to ¥32,320mn. This was mainly attributable to an increase in short-term borrowings of ¥4,326mn. Non-current liabilities increased ¥739mn to ¥6,674mn due to an increase in long-term borrowings of ¥599mn and other factors. Total net assets increased ¥1,093mn to ¥20,633mn. This was mainly because retained earnings decreased ¥444mn due to dividend payments and increased ¥720mn as a result of recording profit attributable to owners of parent and increases of ¥435mn in foreign currency translation adjustment and ¥360mn in valuation difference on available-for-sale securities.

Regarding stability, the equity ratio was 34.6% (36.8% at the end of the previous period), the current ratio was 127.4% (150.2%), and the non-current ratio was 89.4% (59.5%). Although the equity ratio, current ratio and non-current ratio each declined slightly, this was due to the implementation of investments based on the Company's plan to meet the continued-listing criteria in the new market categories. We at FISCO expect ROE to increase as a result of investments that effectively utilize external funds, including interest-bearing debt. The Company's current ratio and non-current ratio are sound, and it can be said that it is maintaining financial soundness while actively investing for future growth. We at FISCO believe there is no problem with the level of the equity ratio.

## Consolidated balance sheet and management indicators

	(¥mn)		
	FY3/23	1H FY3/24	Change
<b>Current assets</b>	41,440	41,181	-258
Cash and deposits	7,791	5,709	-2,082
<b>Non-current assets</b>	11,619	18,446	6,827
Property, plant and equipment	4,707	6,204	1,497
Intangible assets	1,662	6,843	5,181
Investments and other assets	5,249	5,398	149
<b>Total assets</b>	53,060	59,628	6,568
<b>Total liabilities</b>	33,520	38,995	5,475
Current liabilities	27,585	32,320	4,734
Non-current liabilities	5,935	6,674	739
<b>Total net assets</b>	19,539	20,633	1,093
Retained earnings	12,482	12,758	276
<b>Total liabilities and net assets</b>	53,060	59,628	6,568
<b>Stability</b>			
Equity ratio	36.8%	34.6%	-2.2pt
Current ratio	150.2%	127.4%	-22.8pt
Non-current ratio	59.5%	89.4%	29.9pt

Source: Prepared by FISCO from the Company's financial results

In 1H FY3/24, net cash used in operating activities was ¥124mn. This was mainly due to an increase resulting from recording profit before income taxes and decreases in trade payables and decreases in payment of income taxes and decrease in accounts payable - other, and accrued expenses. Net cash used in investing activities was ¥4,167mn. This was mainly from a decrease resulting from the acquisition of subsidiary stock in connection with a change in the scope of consolidation. Net cash provided by financing activities totaled ¥2,052mn. This was primarily due to an increase in short-term borrowings.

## Results trends

## Consolidated cash flow statement

	1H FY3/23	1H FY3/24	Change
Cash flow from operating activities	-487	-124	363
Cash flow from investing activities	-300	-4,167	-3,867
Cash flow from financing activities	-556	2,052	2,608
Cash and cash equivalents' increase/decrease amount	-1,157	-2,083	-926
Balance of cash and cash equivalents at end of period	6,144	5,688	-456

Source: Prepared by FISCO from the Company's financial results

## Outlook

### Upwardly revised full-year forecasts due to strong 1H FY3/24 results and acquiring Gansui in M&A

For the FY3/24 consolidated results, the Company made an upward revision. The Company is now forecasting significant increases in both sales and profit, with net sales set to increase 18.0% YoY to ¥94,000mn, operating profit to increase 30.3% to ¥2,300mn, ordinary profit to increase 23.7% to ¥2,400mn and profit attributable to owners of parent to increase 202.8% to ¥4,800mn. Compared to the initial forecast (in May 2023), the Company is now projecting increases of 5.6% in net sales, 27.8% in operating profit, 26.3% in ordinary profit and 200.0% in profit attributable to owners of parent. In addition to the strong performance of the Construction Supply Segment and the Industrial Materials Segment in 1H FY3/24, Gansui Corporation, which was acquired by the Company in June 2023, is also expected to make full sales and profit contributions. In consideration of these and other factors, in November 2023, the Company revised its forecasts for net sales and each type of profit upward.

In December, the forecast for profit attributable to owners of parent was revised upward a second time due to the recording of extraordinary income due to the transfer of fixed assets. The Company plans to allocate the cash acquired from this sale of fixed assets to the repayment of short-term borrowings associated with the acquisition of Gansui Corporation, various forms of shareholder return including shareholder dividends, and investment activities aimed at realizing sustainable profit growth in the future. Also, in order to further raise corporate value, it will use any cash gained from the sale of non-focus assets for concentrated investment in core fields. FY3/24 is the first year of the Company's Medium-term Management Plan, Sustainability V (Value). Up to the end of the fiscal year, it will steadily implement various measures in pursuit of greater corporate value.

## Outlook

**FY3/24 consolidated results outlook**

(¥mn)

	FY3/23		FY3/24			YoY	
	Result	% of sales	Forecast	% of sales	vs Initial forecast	Change	Change rate
<b>Net sales</b>	79,683	-	94,000	-	5.6%	14,316	18.0%
Construction Supply	44,511	55.9%	59,350	63.1%	8.7%	14,838	33.3%
Industrial Materials	17,677	22.2%	19,000	20.2%	1.3%	1,322	7.5%
Electronic Devices	17,301	21.7%	15,450	16.4%	0.0%	-1,851	-10.7%
<b>Operating profit</b>	1,764	2.2%	2,300	2.4%	27.8%	535	30.3%
Construction Supply	611	1.4%	1,320	2.2%	57.1%	708	115.8%
Industrial Materials	23	0.1%	420	2.2%	5.0%	396	1,692.7%
Electronic Devices	1,014	5.9%	450	2.9%	0.0%	-564	-55.7%
<b>Ordinary profit</b>	1,939	2.4%	2,400	2.6%	26.3%	461	23.7%
<b>Profit attributable to owners of parent</b>	1,585	2.0%	4,800	5.1%	200.0%	3,215	202.8%

Source: Prepared by FISCO from the Company's financial results and summary of financial results

The Company's forecasts for each segment are as follows.

**(1) Construction Supply Segment**

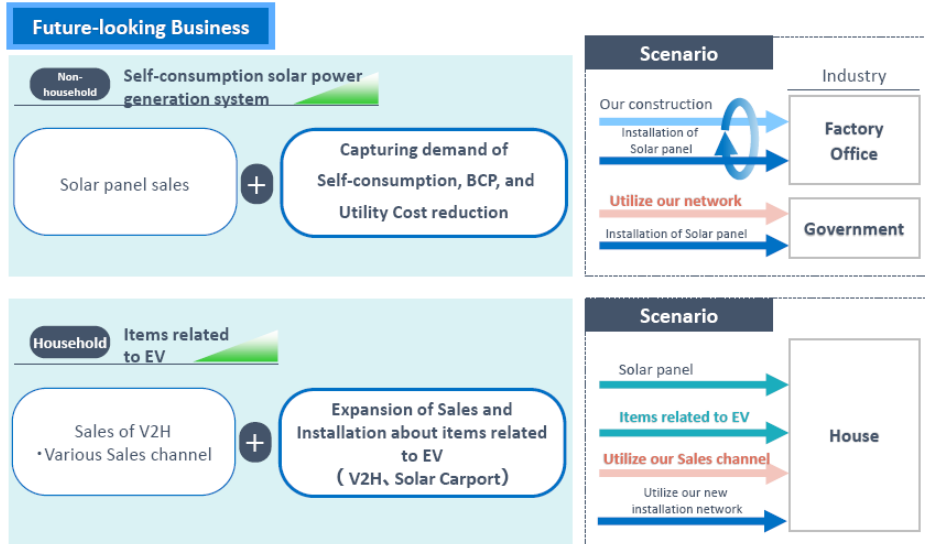
Net sales are forecast to increase 33.3% YoY to ¥59,350mn and segment profit to grow 115.8% to ¥1,320mn. This is mainly due to net sales and segment profit forecasts in the FY3/24 forecast being revised upward, with net sales being revised upward by 8.7% compared to the initial forecast and segment profit by 57.1%. Although the outlook for the business environment in both residential and non-residential fields remains uncertain, the Company will work to steadily raise the added value of the functions it provides and to incessantly grow its results in fields that are currently performing well, namely construction materials, insulation materials, and renewable energy materials. In consideration of various factors, particularly the improvement in the business environment due to the resolution of semiconductor shortages, as well as growing demand for a carbon-free society, at FISCO we think that the Company's positioning of the renewable energy materials as a Future-looking Business will produce positive results. The acquisition of New Energy Distribution System means it has established a framework in which it can also carry out construction work. By expanding and strengthening the functions it provides, it can be expected to steadily turn booming demand into business results. In addition to this, Gansui Corporation, which was acquired by the Company in June 2023, is also expected to make full sales and profit contributions. Each business in this segment is performing well and the top line is growing smoothly due to M&As. Amid this, the Company is also doing well in terms of construction projects, so profitability is expected to rise.

Under the Company's Medium-term Management Plan, Sustainability V (Value), this segment will work to translate growing demand into business results, specifically in the following areas: functional construction materials and labor-saving construction methods for large distribution warehouses, etc., an area that is expanding against the backdrop of growth in the e-commerce market; disaster prevention measures and improvements to housing functionality; photovoltaic power generation for captive consumption by factories and local governments, etc.; and EV-related materials. In particular, in the areas of photovoltaic power for captive consumption and EV-related materials, which are positioned as "Future-looking Businesses," the Company has a strategy of capturing expanding needs toward the fiscal year-end by building a system that allows solutions to be provided through collaboration with New Energy Distribution System with construction and sales integrated.



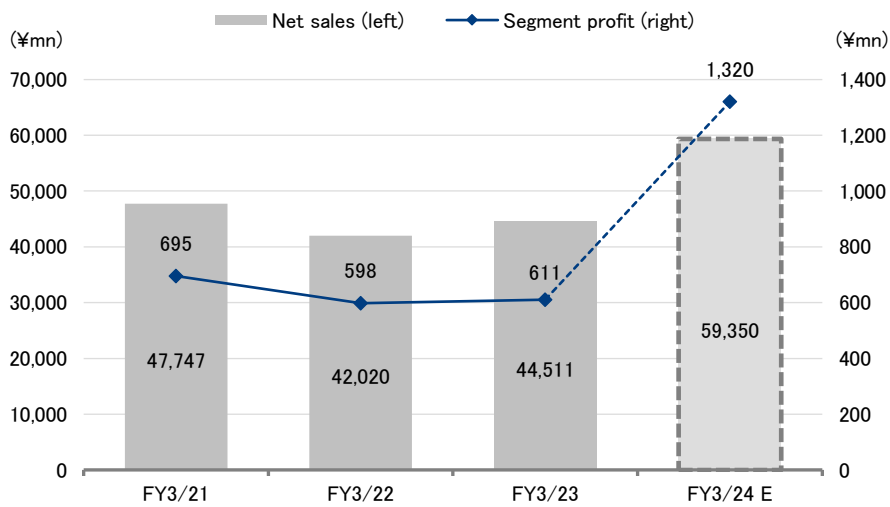
Outlook

Future-looking Businesses in Construction Supply Segment



Source: Reprinted from the Company's Medium-term Management Plan

Construction Supply Segment results trends



Source: Prepared by FISCO from the Company's financial results and summary of financial results

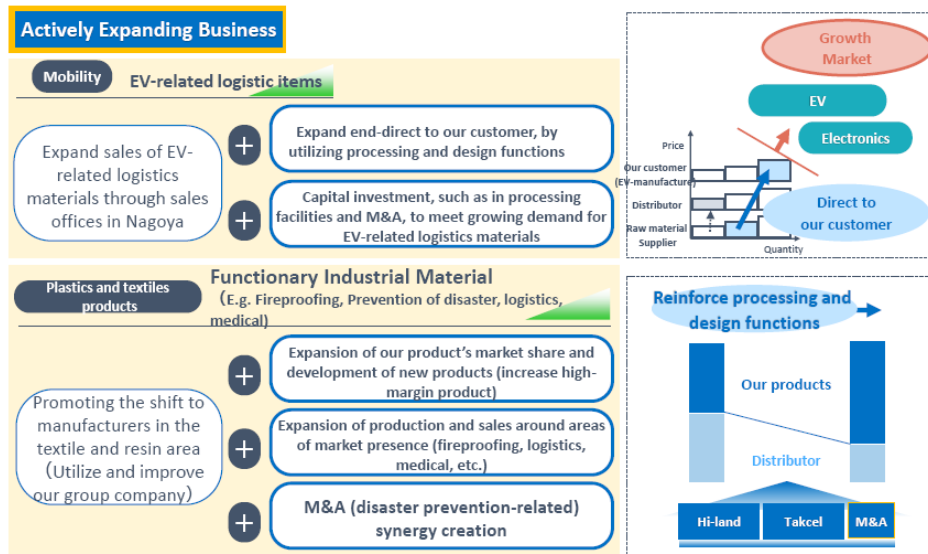
Outlook

**(2) Industrial Materials Segment**

Net sales are forecast to increase 7.5% YoY to ¥19,000mn and segment profit to grow 1,692.7% to ¥420mn. The forecasts for this segment have also been revised upward based on the strong current performance, with net sales being revised upward by 1.3% compared to the initial forecast and segment profit by 5.0%. In the second half of the fiscal year, conditions in the textile-related materials field are expected to be a little difficult following stagnation in demand from the apparel industry due to foreign exchange effects, while good results are anticipated in the plastics-related materials field due to the recovery of auto industry production following the resolution of semiconductor shortages. Also, in December 2023, Takashima Industries Co., Ltd was established as a new subsidiary that will take control of the Company's Industrial Materials Segment. This will build a new governance framework through which the Company intends to enhance organic collaboration between Group companies in this segment while also further enhancing the competitiveness of the segment as a whole.

Under the Company's Medium-term Management Plan, Sustainability V (Value), this segment will work to grow business results by accurately identifying the needs of diverse customers, specifically in the following areas: EV-related logistics materials and functional industrial materials (fireproof, disaster prevention, logistics, and medical related). In regard to disaster prevention-related materials, the Company is collaborating with Sinbou Edix on the sale of products that are within the specifications required by regional governments, and in 2H, it will steadily advance its strategies for each business under its basic policies.

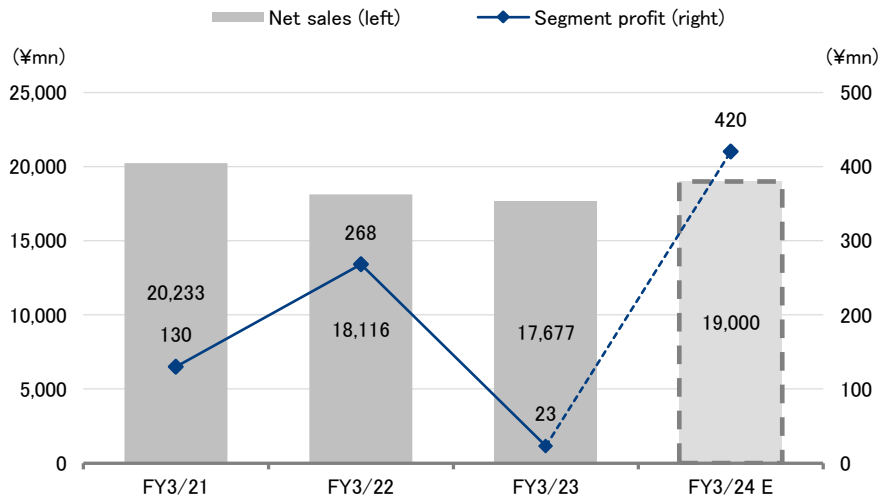
**Actively Expanding Businesses in the Industrial Materials Segment**



Source: Reprinted from the Company's Medium-term Management Plan

Outlook

Industrial Materials Segment results trends

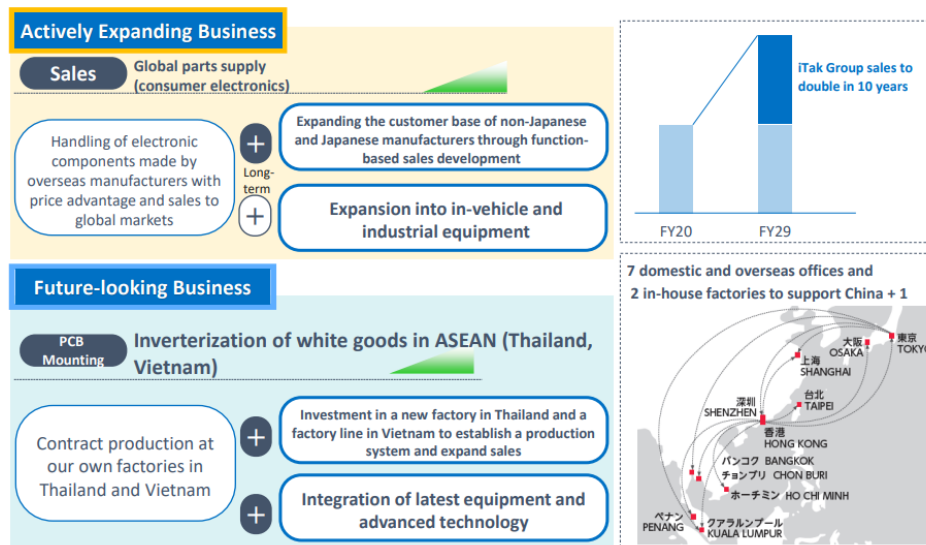


Source: Prepared by FISCO from the Company's summary of financial results

(3) Electronic Devices Segment

Net sales are forecast to decrease 10.7% to ¥15,450mn and segment profit to decrease 55.7% to ¥450mn, so there is no change from the initial plan. The Company is expecting purchase adjustments by customers to reduce inventories due to the end of the semiconductor supply shortage and for sudden production slowdown due to stagnation in the consumer electronics market and white goods market in response to changing consumer trends in the post-COVID-19 era, so a difficult year-end business environment is envisioned. Even with such difficult market conditions, the Company will provide devices for energy savings to customers at the global level amid increasing demand related to energy saving and thereby contribute to the realization of a sustainable society. In addition, the Company will focus on strengthening its production system while continuing to invest in plants in Thailand and Vietnam.

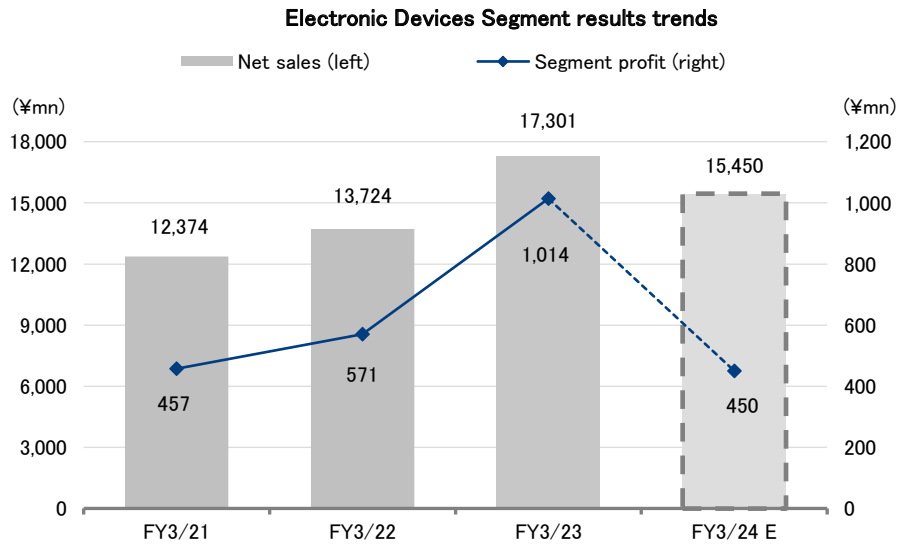
Areas of focus in the Electronic Devices Segment



Source: Reprinted from the Company's Medium-term Management Plan

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Outlook



Source: Prepared by FISCO from the Company's summary of financial results

## The medium- to long-term growth strategy

**Through efficient growth investments with an awareness of the cost of capital, is aiming for profit attributable to owners of parent of ¥1.9bn and ROE of at least 8.0% by FY3/26 through efficient growth investments**

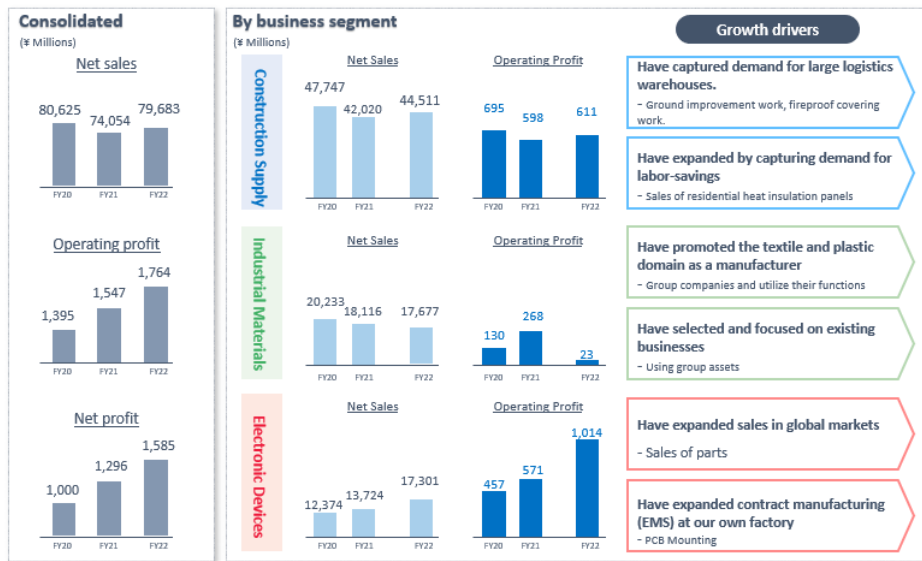
### 1. Medium-term Management Plan

In December 2020, the Company announced Sustainability X (Cross), its Medium-term Management Plan with FY3/23 as its final fiscal year. Under this plan, while continuing to be based on the basic strategies in Sustainability 2020, the previous Medium-term Management Plan, of “DANTOTSU Strategy (Becoming our customers’ best of the best),” “Improve productivity,” and “Strengthen corporate governance,” it has further strengthened its formation and expansion of the various functions in the value chain, from design through to construction and support, by “Further evolution of DANTOTSU Strategy,” “Developing unshakable cost competitiveness through improvements in productivity,” and “Strengthening corporate governance.” At the same time, it has also focused on converting its business structure and portfolio in order to establish a foundation for growth in the long term.

The medium- to long-term growth strategy

Specifically, to achieve “Further evolution of DANTOTSU Strategy,” the Company has contributed to the development of a sustainable society through providing energy-saving solutions, weight-saving solutions, and labor-saving solutions. To “Acquire strong cost competitiveness by improving productivity,” the Company has made efforts to improve productivity and reduce costs by reviewing work as a whole and creating systems while firmly maintaining its internal controls and compliance system. To “Strengthen corporate governance,” the Company is continuously working to build a more enhanced “offensive governance” structure based on the principles of the Corporate Governance Code. The systems investments conducted in 1H FY3/23 and the two M&As that made subsidiaries in December 2022 were based on these policies.

Progress of Sustainability X (Cross)

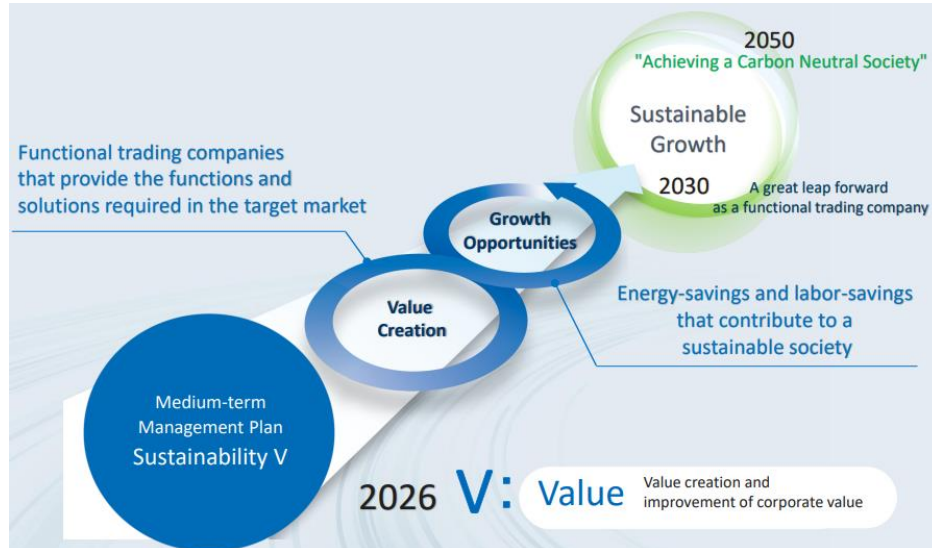


Source: Reprinted from the Company's Medium-term Management Plan

With the completion of Medium-term Management Plan Sustainability X in FY3/23, in March 2023 the Company established a new medium-term plan, Sustainability V, which extends from FY3/24 to FY3/26. In the very long-term, the Company's goal is to achieve a carbon neutral society by 2050, and it aims to simultaneously adapt to a sustainable society and achieve sustainable growth through value creation by capturing market growth opportunities.

The medium- to long-term growth strategy

Growth image of Sustainability V



Source: Reprinted from the Company's Medium-term Management Plan

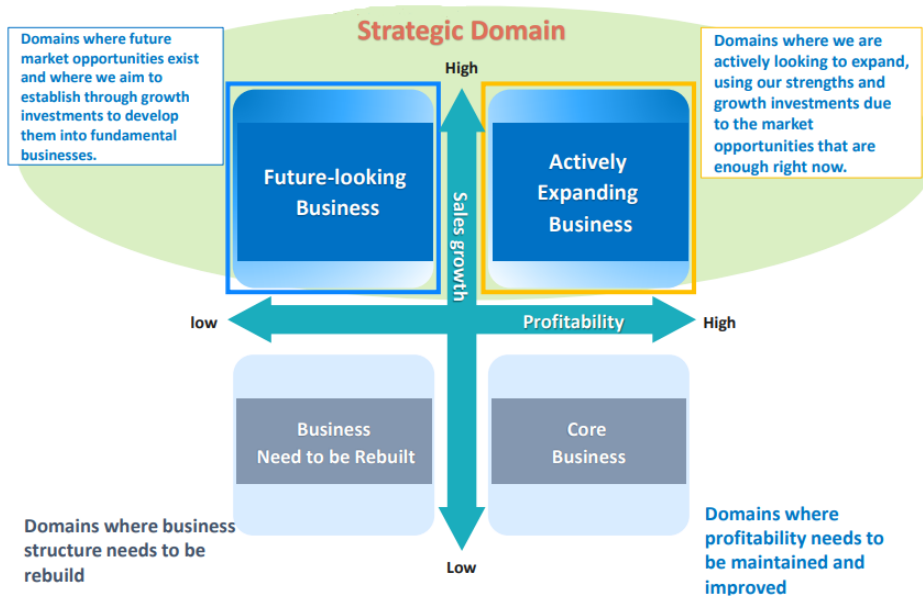
To contribute to realizing a carbon-neutral society through its business activities, the Company's medium-term targets for FY3/26 are as follows: consolidated net sales of ¥110.0bn (¥70.0bn in the Construction Supply Segment, ¥20.0bn in the Industrial Materials Segment, and ¥20.0bn in the Electronic Devices Segment), operating profit of ¥2.6bn, profit attributable to owners of parent of ¥1.9bn, ROE of at least 8%, ROIC of at least 6%, and a total payout ratio of 50%. The Company intends to increase profit attributable to owners of parent and ROE by effectively utilizing external funds and cash from each business. In December 2023, it revised its medium-term management targets upward. The target for net sales has been increased by ¥10.0bn compared to the target in the initial announcement, operating profit has been increased by ¥0.3bn, and profit attributable to owners of parent by ¥0.2bn. The target for the Construction Supply Segment has also been revised upward by ¥10.0bn due to factors including the consolidation of Gansui Corporation in June 2023, and business results in the construction materials and renewable energy materials fields following strong performance.

In addition, the Company has established a growth investment quota of ¥15.0bn. The Company has determined strategic investment areas by classifying each business on the two axes of sales growth rate (potential) and profitability (operating profit). Specifically, the Company will focus its investments on the domains of "Actively Expanding Business," where it is actively looking to expand, using its strengths and growth investments, and "Future-looking Business," where medium- to long-term market opportunities exist and where it aims to establish them through growth investments to develop them into future fundamental businesses. In addition to M&As aimed at strengthening and diversifying its business portfolio, the Company will invest in plants and facilities, human resources, and IT. The Company has also upwardly revised its growth investment quota. In its initial plan, this quota was set at over ¥10.0bn, but as of the end of 1H FY3/24, it has already invested ¥8,950mn and it is seeing smooth progress, so it has further raised its growth investment target. Going forward, it will actively invest in the investment areas it has determined while maintaining an awareness of the cost of capital.

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The medium- to long-term growth strategy

Business portfolio management and strategic investment approach



Source: Reprinted from the Company's Medium-term Management Plan

Also, in the latest version of the Medium-term Management Plan released in December 2023, the Company once again emphasized that it is strengthening awareness of the cost of capital and share price in its management. To date, under its compliance plan, it has engaged in management that is firmly aware of capital cost and share price, including setting targets for capital efficiency ratio, carrying out investment that focuses on capital efficiency and growth potential based on its basic capital allocation policy, and enhancing shareholder return as a basic policy. Going forward, it will pursue the further policies of setting price-to-book ratio as a new indicator with a target of at least 1.0, continuously enhancing ROE, and enhancing its P/E ratio. Specifically, it will work to consolidate market expectations regarding its future profit growth through initiatives such as advancing post-merger integration and enhancing earning capabilities at M&A companies, continuing to make new investments in strategic areas (M&A, plants, etc.), restructuring and strengthening the competitiveness of the Industrial Materials Segment, balancing growth with shareholder return, further strengthening information sharing with shareholders (overseas investors, individual investors), and enhancing capital efficiency by reducing its strategic holding shares.

2. Progress made in the initiatives to meet the continued-listing criteria

In order to meet the continued-listing criteria for the TSE Prime Market by the end of FY3/26, the Company is targeting converting from implementing solid management as it had done up to the present time to becoming a sustainable-growth company by conducting strategic investment. In November 2022 and again in December 2023, the Company upwardly revised its numerical targets in this planning document to aim for profit attributable to owners of parent of ¥1.9bn (up ¥400mn from the initial forecast), ROE of at least 8.0%, ROIC of at least 6.0%, a tradable shares market capitalization of at least ¥10.0bn, and a daily average trading value of at least ¥20.00mn by FY3/26. In addition, it was decided that transitional measures for continued listing criteria will end on March 31, 2025, so in May 2023 the Company decided to move forward the date by which it plans to meet the criteria for tradeable shares market capitalization to March 31, 2025. To achieve these targets, it intends to improve enterprise value and shareholder value from the perspectives of a “Promoting capital allocation policy,” “Pursuing sustainable profit growth through investment returns,” “Enriching shareholder returns,” “Establishing IR system,” and “Complying with Japan’s Corporate Governance Code.”

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The medium- to long-term growth strategy

**(1) Promoting capital allocation policy, pursuing sustainable profit growth through investment returns, enriching shareholder return**

As a result of its business activities up to the present time, the Company's financial base is currently stable, so it plans to generate profits and enhance returns to shareholders through investments that utilize external funds, including interest-bearing debt. Specifically, it will secure an investment framework of ¥15.0bn. While remaining aware of ROIC, its policy is to conduct investments including in equipment, human resources, and IT systems, mainly in its strategic domains (Future-looking Business and Actively Expanding Business); to allocate funds to M&A in peripheral areas and function enhancement of each business; and to adopt a strategic approach to business opportunities with an eye to business structural reforms and the arrival of the carbon neutral society in the future. Under this policy, in April 2022 the Company began a collaboration with Nissan Used Car Center Co., Ltd. for sales of used EV and V2H. In December 2022, the Company made New Energy Distribution System and Sinbou Edix into subsidiaries. In addition, most recently, Gansui Corporation was made a subsidiary in June 2023. With a history of nearly 60 years, Gansui has established a position as a leading company in the Chugoku and Shikoku regions, Okayama Prefecture in particular, pivoting on high-level technologies and services based on advanced specialization in foundation reinforcement and ground improvement in the housing market, where the market is expected to continue to be solid, and the non-housing market, where stable growth is expected. By acquiring Gansui, the Company is planning to generate synergies through cooperation in various fields, specifically ground improvement work for large distribution warehouses, which the Company has positioned as an Actively Expanding Business in Construction Supply Segment under its new Medium-term Management Plan, Sustainability V.

For returns to shareholders, from FY3/23 it will pay an interim dividend, while it is also targeting a total payout ratio of 50% by raising the consolidated dividend payout ratio to at least 40%, flexibly acquiring and extinguishing treasury shares, and setting a total payout ratio lower limit (¥500mn). (Regarding shareholder returns in FY3/23, the total payout ratio was 54.3%, the consolidated payout ratio was 47.9% and the Company acquired and extinguished 34,700 treasury shares.) Under this policy, in December 2023, the Company decided to use the cash generated from the sale of fixed assets to pay dividends to shareholders (increased dividends) and for a share buyback.

**(2) Establishing IR system**

To establish an IR structure, targeting institutional investors (particularly active funds for small- and medium-cap shares and for value investments), the Company plans to enhance both the quality and quantity of its communication with the goals of "raising name awareness in the capital market," "promoting understanding among investors," "forming an appropriate share price," and "forming an appropriate shareholder configuration." In January 2022 it newly established the IR and PR Unit, which is conducting activities including holding meetings for investors and participating in investor events. Also, since FY3/22 it has been disclosing the financial results summary report, the financial results briefing materials, shareholder newsletters, and the integrated report in both Japanese and English. In addition, in June 2022 the Company updated its website. It is also working to enhance activities by, for instance, participating in various online seminars to give a briefing about the Company to bolster communication with individual investors.



The medium- to long-term growth strategy

### (3) Complying with Japan's corporate governance code

Following the revision of the Corporate Governance Code by the Japan Exchange Group in November 2021, the Company is working actively to comply with it. As an advanced sustainability-focused trading company, it is conducting business based on the keywords of energy saving and labor saving, while it also established the Sustainability Committee (in January 2022) in order to further evolve its management to respond to the Sustainable Development Goals (SDGs). In addition, it plans disclosure in a form that complies with the Task Force on Climate-Related Financial Disclosures (TCFD) on linking each of the targets in the SDGs to the Company's own businesses and on risks and earnings opportunities for the Company's businesses in relation to climate change, and it disclosed content relating to these items in the integrated report published in June 2022. It has also introduced a platform for the electronic exercise of voting rights and has started to publish all of its disclosure materials in English. It has upheld a basic shareholdings policy to not hold strategic holding shares if there is no rational reason to do so, and the Company is actively selling these shares. It has established a target for the reduction of strategic holding shares to a level of less than 10.0% of its equity ratio as of the end of FY3/24. In addition, in December 2023, the Company updated the Medium-term Management Plan to further strongly promote management with an awareness of capital cost and share price.

Through these activities, the Company is progressing on a plan to meet the continued-listing criteria for the TSE Prime Market. On the stock markets as well, interest in the Company is rising and at FISCO, we think that we can expect its enterprise value to improve even more through business activities with an awareness of capital efficiency. Actually, compared to the end of June 2021, the tradable shares market capitalization increased by ¥3.45bn and daily average trading value increased significantly by ¥25.83mn. According to the Company's calculations, as of the end of October 2023, the tradable shares market capitalization apparently also met the criteria for maintaining a Prime Market listing. As of the end of March 2023, the progress is as follows: the number of tradable shares was 28,236 units, the tradable shares market capitalization was ¥8.24bn, the ratio of tradable shares was 63.2%, and the daily average trading value was ¥32.66mn.

#### Progress made based on a plan to meet the continued-listing criteria

		No. of tradable shares	Market capitalization	Ratio of tradable shares	Daily average trading value
The Company's compliance status and related trends	As of June 30, 2021*1	27,185 units	¥4.79bn	59.7%	¥6.83mn
	As of March 31, 2022	27,058 units	¥6.34bn*2	60.1%	¥38.55mn*2
	As of December 31, 2022*3				¥33.32mn
	As of March 31, 2023	28,236 units*4	¥8.24bn*4	63.2%*4	¥32.66mn*4
Continued-listing criteria for the TSE Prime Market		20,000 unit or higher	¥10.0bn or more	35% or higher	¥20.00mn or more
Compliance status as of March 31, 2023 (the Company's estimates)		Met	Not met	Met	Met
Plan period described in the initial plan		End of March 2026			

\*1 Calculated by the TSE based on the known distribution status of the Company's shares, etc., as of June 30, 2021

\*2 Estimated by the Company based on the distribution status of the Company's shares, etc., from January to March 2022

\*3 Estimated by the TSE based on the trading value of the Company's shares, etc. from January to March 2022

\*4 Calculated by the TSE based on the distribution status of the Company's shares, etc. from January to March 2023

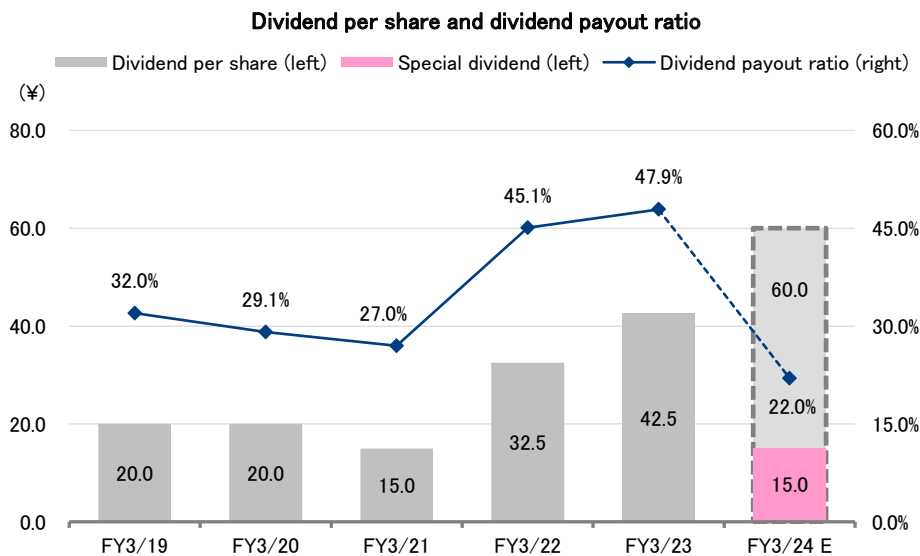
Source: Prepared by FISCO from the Company's press releases and results briefing materials

## Shareholder return policy

### Dividends for FY3/24 forecast to expand significantly with increased interim and year-end dividends and special dividend

The Company recognizes that returning profits to shareholders is an important duty of management. In FY3/23, it upwardly revised its dividend forecast after having recorded record-high net profit. As a result, it paid a per-share dividend of ¥170, a major increase of ¥40 from the previous year. For FY3/24, it was expecting to pay an interim dividend of ¥70 and year-end dividend of ¥25, but due to factors such as a strong performance in its 1H FY3/24 business results and an anticipated gain on sale of fixed assets, it is raising the interim dividend by ¥10 compared to the initial plan to ¥80 and the year-end dividend by ¥15 to ¥40 (regular dividend of ¥25 and special dividend of ¥15). Note that the year-end dividend is ¥40 because the Company carried out a 4-for-1 split of common stock on October 1, 2023.

It is conducting initiatives to meet the continued-listing criteria by FY3/26, and in this situation, its policy is to target a total payout ratio of 50% (through a consolidated dividend payout ratio of at least 40%, flexibly acquiring and extinguishing treasury shares, and setting a total payout ratio lower limit of ¥500mn). Considering these factors, we at FISCO think that the Company will continue its approach of prioritizing returns to shareholders in the future as well. As it is expecting to record extraordinary income due to the transfer of fixed assets in FY3/24, it is forecasting a total payout ratio of 41% and a consolidated dividend payout ratio of 22%, but this is only due to a one-off rise in profit. If the effects of this extraordinary income due to the transfer of fixed assets are excluded, then the total payout ratio is 53% and the consolidated dividend payout ratio is 47%, so the Company's policy of enhancing shareholder return remains unchanged.



Note: The Company conducted a stock split (4-for-1 split of common stock) in FY3/24  
Dividend amounts prior to FY3/24 are calculated by converting to post-stock split dividend amounts  
Source: Prepared by FISCO from the Company's financial results and results briefing materials



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