

Takashima & Co., Ltd.

8007

Tokyo Stock Exchange Prime Market

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Summary

Has formulated the next Medium-term Management Plan, Sustainability V (Value). Is aiming for further growth in enterprise value through efficient growth investments

Takashima & Co., Ltd. <8007> (hereafter, also “the Company”) operates three business segments*; the Construction Supply Business, the Industrial Materials Business, and the Electronic Devices Business. 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, weight 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 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 X (Cross), its current Medium-term Management Plan. In this planning document, it has set a specific Return on Invested Capital (ROIC) standard of 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 Business, which is omitted in this report due to its small scale.

1. Results trends

In the 1H FY3/23 consolidated results, net sales increased 2.8% year-on-year (YoY) to ¥38,817mn and operating profit decreased 30.5% to ¥596mn. While strong performance in the Electronic Devices Business led to higher sales, SG&A expenses increased due to upfront investments (M&As and systems investments) and increased expenses from the resumption of sales activities after the novel coronavirus pandemic (hereafter, “COVID-19”), resulting in decreased profits. However, these upfront investments are temporary and are expected to contribute to results in the 2H.

For the FY3/23 consolidated results, the Company’s initial forecasts of higher sales and profits remain the same, with net sales to increase 10.7% YoY to ¥82,000mn and operating profit to rise 16.3% to ¥1,800mn. The rate of progress for the full-fiscal-year forecast was within the expected range, with net sales at 47.3% and operating profit at 33.2%. The Company has been conducting M&As and replacing (renewing) its core system, which should contribute to results growth and profitability improvement. The Company aims to further improve customer value by strengthening every function.

Summary

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,” “Acquiring strong cost competitiveness by improving productivity,” and “Strengthening corporate governance.” Toward establishing the foundation for growth in the long term, it has set the targets of converting its business structure and portfolio, aiming for profit attributable to owners of parent of ¥1,400mn by FY3/23, the final fiscal year of the plan.

In addition to the current Medium-term Management Plan, Sustainability X (Cross), the Company formulated the next Medium-term Management Plan, Sustainability V (Value) (FY3/24 – FY3/26) in November 2022. 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 ¥100bn, profit attributable to owners of parent of ¥1.7bn, and ROE of at least 8.0%. The Company intends to increase profit attributable to owners of parent and ROE by effectively utilizing external funds and cash from each business.

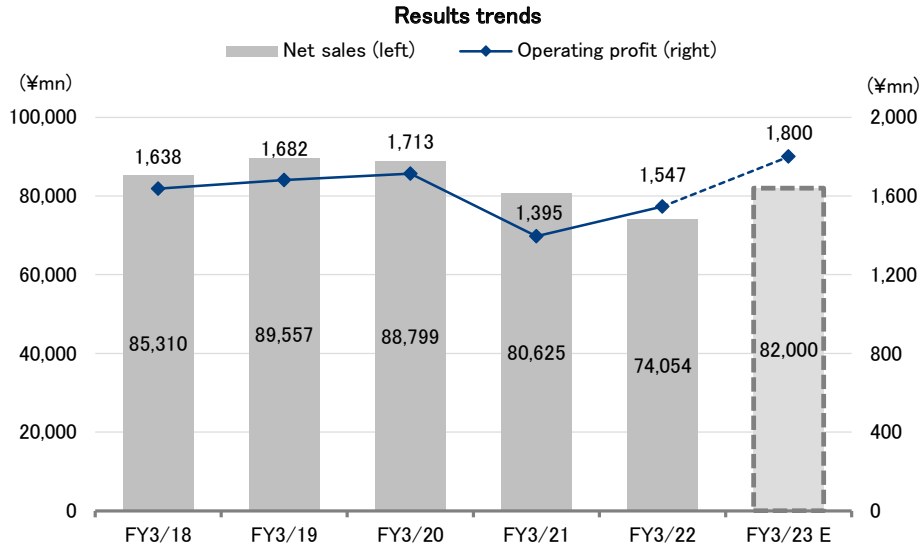
3. Measures to meet the continued-listing criteria

In addition to the Medium-term Management Plan, 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 by the end of FY3/26, 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. In November 2022, the Company upwardly revised its numerical targets in this planning document to aim for profit attributable to owners of parent of ¥1.7bn (up ¥200mn from the initial forecast), ROE of at least 8.0%, ROIC of at least 6.0%, a tradable shares market capitalization of at least ¥10bn, and a daily average trading value of at least ¥20mn 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 returns,” “establishing IR system,” and “complying with the Japan’s Corporate Governance Code.”

Key Points

- Is currently converting to become a sustainable-growth company through strategic investment with an awareness of capital cost
- Increased sales in 1H FY3/23, but decreased profits due to upfront investments (M&As and systems investments)
- Initial forecast of higher sales and profits in FY3/23 remains the same. Aims to further improve customer value by strengthening every function
- Has formulated the next Medium-term Management Plan, Sustainability V (Value). Is aiming for profit attributable to owners of parent of ¥1.7bn and ROE of at least 8.0% by FY3/26 through efficient growth investments

Summary



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

Company overview

Conducts three businesses: the Construction Supply Business, the Industrial Materials Business, and the Electronic Devices Business. An advanced sustainability-focused trading company that contributes to customers' energy saving, weight 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 business model of “rather than pursuing wide market expansion, we focus on pursuing customer value in our target market.” It is realizing high profitability by providing tailor-made functions and solutions that are truly necessary for its customers.

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. It has a total of 14 consolidated subsidiaries, 8 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. At the end of FY3/22 on a consolidated basis, the Group had 891 employees and paid-in capital of ¥3,801mn.

Company overview

History

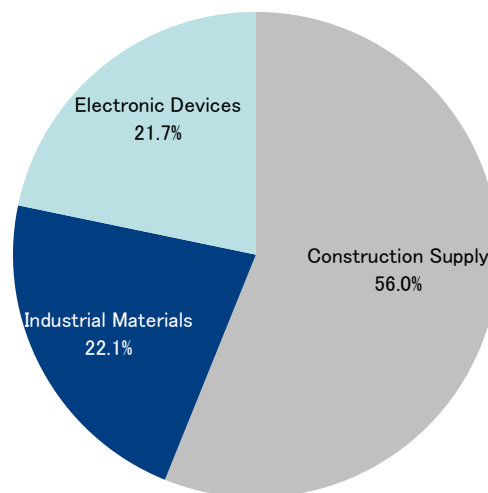
Date	Event
October 1915	Mr. Kotakichi Takashima founded Takashimaya Shoten Unlimited Partnership with paid-in capital of 10,000 yen. It mainly sold textile materials
December 1931	Reorganized as Takashimaya Shoten Co., Ltd. with paid-in capital of 500,000 yen
May 1949	Listed on the Tokyo Stock Exchange
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. Acquired all of the shares of Sinbou Edix Co., Ltd.

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

2. Business description

The Company has three business segments; the Construction Supply Business, the Industrial Materials Business, and the Electronic Devices Business. The percentage of total net sales by segment in 1H FY3/23 were that the Construction Supply Business provided 56.0%, the Industrial Materials Business 22.1%, and the Electronic Devices Business 21.7%. 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, weight saving, and labor saving, and thereby also contributing to the realization of a sustainable society.

Composition of net sales by segment (1H FY3/23)



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

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Company overview

(1) Construction Supply Business

This is the Company’s core business that provided 56.0% of total net sales in 1H FY3/23. It is comprised of 6 segments: Construction Supply Solutions, Civil Engineering Pile Solutions, Housing Materials Solutions, Housing Interior Solutions, Thermal Insulation Solutions, and Energy Solutions. It targets customers conducting businesses in the non-housing and housing market and its lineup includes a wide range of products and solutions relating to wall materials, the basic pile construction method, thermal-insulation materials, solar panel-related materials, and construction-related, including interiors. Utilizing its sales 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.

a) Construction Supply Solutions

It provides solutions that contribute to improving customers’ efficiency, including from the procurement of highly functional construction materials through to within-specifications support, and also as the coordinator of a nationwide construction network.

The main products handled

Wall materials	<ul style="list-style-type: none"> • ALC, extrusion molded cement board • Metal sandwich panels and Fire-resistant insulated partitions
Fire-resistant covering materials	<ul style="list-style-type: none"> • Winding fire-resistant covering materials (Makibee®) and fire-resistant calcium silicate boards • Dry fire-resistant materials, ceramic fire-resistant covering materials, etc.
Other materials	<ul style="list-style-type: none"> • TAK systems construction • Tile and stone detachment and fall prevention hardware (HI-TAK bonding method) • MA stone

Source: Prepared by FISCO from the Company’s website

b) Civil Engineering Pile Solutions

It contributes to increasing customers’ business efficiency and reducing their costs by providing civil engineering and pile materials and within-specifications support for a range of specialized construction methods, including ground improvement techniques and the EDO-EPS method, as well as by utilizing its nationwide construction work structure.

The main products handled

Construction method	<ul style="list-style-type: none"> • Foundation piles (rotary penetration steel pipe piles, various types of ready-made piles) • Ground improvements (columnar and shallow layer methods) • Exposed column base method construction method • EDO-EPS construction method (lightweight embankment construction method)
Materials	<ul style="list-style-type: none"> • Decorative formwork for civil engineering and construction • Plastic underground storage/infiltration blocks • Comb-shaped parts for railway platforms

Source: Prepared by FISCO from the Company’s website

c) Housing Materials Solutions

It provides a lineup of products that are essential for improving the safety, comfort, and energy efficiency of living environments. It also provides processing, distribution, and construction functions that draw out these various functions to the greatest possible extent.

Company overview

The main products handled

Exterior wall materials	<ul style="list-style-type: none"> • Autoclaved lightweight aerated concrete (ALC) • Siding boards
Roofing materials	<ul style="list-style-type: none"> • Various roofing materials
Disaster prevention-related products	<ul style="list-style-type: none"> • Anti-seismic and seismic control construction methods for housing (GH hybrid seismic control method)
Photovoltaic power systems	<ul style="list-style-type: none"> • Residential photovoltaic power systems
Energy products	<ul style="list-style-type: none"> • Storage batteries
All electrification products	<ul style="list-style-type: none"> • EcoCute devices • Induction cookers • HEMS-related products
Thermal-insulation materials	<ul style="list-style-type: none"> • Various thermal-insulation materials

Source: Prepared by FISCO from the Company's website

d) Housing Interior Solutions

Utilizing the product knowledge and processing technologies cultivated through many years of experience, it offers artificial marble processing and installation as well as a lineup of various products for interior design, providing them as solutions that contribute to improving customers' business efficiency.

The main products handled

Countertop materials (processing and construction)	<ul style="list-style-type: none"> • Acrylic artificial marble • Quartz stone • Ceramic stone • Stainless steel • Natural stone
Interior materials	<ul style="list-style-type: none"> • Wallpaper • Flooring materials • Deck materials • Underlay sheeting
Equipment	<ul style="list-style-type: none"> • Gas stoves • Range hoods • Dishwashers • Induction cookers
Interior decorating equipment	<ul style="list-style-type: none"> • Aluminum interior sliding door (Eagle Aristo)

Source: Prepared by FISCO from the Company's website

e) Thermal Insulation Solutions

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. At the same time, it is helping to conserve the global environment through energy saving.

The main products handled

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

Source: Prepared by FISCO from the Company's website

Company overview

f) Energy Solutions

The Company began working in the renewable energy field in advance of others in 1994 and is proud of its industry-leading track record. Going forward, in addition to sales of photovoltaic power systems and other products, it is aiming to providing comprehensive energy solutions by combining products, including V2H (the concept of effectively utilizing the electricity stored in electric vehicles for home use), storage batteries, and so on. In December 2022, the Company made New Energy Distribution System Inc. into a subsidiary, which is engaged in the construction of photovoltaic power systems and V2H nationwide, and is expected to expand its business.

The main products handled

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

Source: Prepared by FISCO from the Company's website

(2) Industrial Materials Business

This business provided 22.1% of total net sales in 1H FY3/23, the second highest percentage after the Construction Supply Business. It is comprised of four segments: Plastic Solutions, Rolling Stock Solutions, Textile Solutions, and Advanced and Functional Solutions. This business provides a wide range of value to customers, from the planning and design of the value chain to construction and support. Its customers are diverse, including that in the apparel field it proposes OEM products to major retail companies in Japan. In the plastic components field, it provides the Group's distribution materials with buffer designs to vehicle manufacturers and electronics manufacturers. In addition, in the rolling stock components field, it provides railway rolling stock materials manufactured at the Company's partner factories to railway rolling stock manufacturers. The "sheet house" (large storage tents handled) in this business are an excellent example of a Group collaboration. For the tent warehouses that combine a steel frame and membrane materials, the Company undertakes work from design through to the construction, while the Group companies provide processing functions. This collaboration between Group companies enhances value functions and also contributes to customers' energy saving through providing sheet houses.

a) Plastic Solutions

Its product lineup includes a wide variety of raw materials and products, from synthetic plastics to environmentally friendly plastics. Additionally, it designs, assembles, and performs complex processing to meet the various needs of customers.

The main products handled

SFC Resin series	<ul style="list-style-type: none"> SFC-AS (antistatic) SFC-FR (non-HBCD flame retardant)
ARCEL Resin series	<ul style="list-style-type: none"> ARCEL-ULV ARCEL-730 ARCEL-640 (vehicle interior materials)
General-purpose plastics	<ul style="list-style-type: none"> Distribution materials overall
High-performance compound resin processed products	<ul style="list-style-type: none"> Injection molded trays Extrusion molded trays Vacuum formed trays Foam molded cushioning materials

Source: Prepared by FISCO from the Company's website

Company overview

b) Rolling Stock Solutions

It provides interior and exterior components for rolling stock to railway operators and rolling stock manufacturers in Japan and overseas as solutions based on the key concepts of weight saving, energy saving, and labor saving, thus contributing to its customers' initiatives for decarbonization.

The main products handled

- Window glass
- Thermal-insulation materials and sound absorbing materials
- Structural components (ceilings, luggage racks, and AC outlets)
- Indoor furnishings (partitions, gable tables, and washroom lighting)
- Floor coverings

Source: Prepared by FISCO from the Company's website

c) Textiles Solutions

To meet diversifying needs, it provides the optimal materials when they are needed through efficient processing. By increasing the efficiency of processing and distribution and through thorough inspections and technological guidance, it provides products that give customers peace of mind and satisfaction.

The main products handled

Textile materials	<ul style="list-style-type: none"> • Synthetic canvas and non-inflammable membrane materials • Decorative tents and functional fibers for apparel
Textile products	<ul style="list-style-type: none"> • Container bags and products for the Ministry of Defense • Sign-related • Infrastructure-related and road clearing products
Apparel products	<ul style="list-style-type: none"> • Clothing, shoes, and bags
Tent storehouses	<ul style="list-style-type: none"> • Sheet houses (standard) and rental tents • Telescopic tents and mobile tents • System architecture (general buildings) • Hybrid curtains and negative pressure tents • Dome screens and stand shells • Other accessory equipment (Foundation work, earthwork, firefighting equipment, lighting equipment, etc.)
Motor vehicle-related parts and materials	<ul style="list-style-type: none"> • Metal processed products and rubber processed products
Products for DIY stores	<ul style="list-style-type: none"> • Wood products and rubber goods
Sales promotion materials	<ul style="list-style-type: none"> • Woodlac

Source: Prepared by FISCO from the Company's website

d) Advanced and Functional Solutions

It procures highly functional materials and products from Japan and overseas and provides solutions, including through the special processing of these materials and products. It contributes to customers' energy saving and cost saving through efficient layout designs of commercial facilities, office buildings, factories, and warehouses.

The main products handled

Industrial materials	<ul style="list-style-type: none"> • Polishing films, polishing cloths, and non-woven fabrics • Road materials, special paints, nonflammable membrane materials, and high-performance fibers • Infrastructure materials (Fibers for civil engineering, earthquake-resistant reinforcement materials, and heat-resistant fibers)
Energy-saving equipment	<ul style="list-style-type: none"> • LED Lighting
Environmentally friendly products	<ul style="list-style-type: none"> • EV chargers • Antibacterial and anti-fungal paints • Air conditioning-related products (filters) • Lightweight hanging smoke barrier • Membrane ceilings • Interiors • Signs
Other products	<ul style="list-style-type: none"> • Air conditioners, Refrigerant gas for air conditioners, freezers, refrigeration equipment, and various other items • Undercoat strengthening agent ("Dokodemo Shitaji" Series)

Source: Prepared by FISCO from the Company's website

Company overview

(3) Electronic Devices Business

In 1H FY3/23, this business provided 21.7% 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 electronic components sales business, which procures and sells electronic components according to customer needs from manufacturers developing businesses mainly in Asia, and the contracted manufacturing 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 has seven business sites in Japan and overseas (excluding representative offices) and two factories (in Thailand and Vietnam), and it is supporting its customers' businesses globally. Under Sustainability X, 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) Electronic Components Division

It manufactures and sells liquid crystal displays for diverse purposes, from consumer products to in-vehicle devices and industrial products, and it also sells acoustic components. It provides a wide range of value to customers.

The main products handled

Liquid crystal components	<ul style="list-style-type: none"> • Mono LCD (TN, STN, FSTN, VA, etc.) • COG modules • Backlight modules • TFT display • OLED display • Touch panels
Sound components	<ul style="list-style-type: none"> • ECM microphones • MEMS microphones • MIC board modules • Modules with cables • Speakers • Receivers

Source: Prepared by FISCO from the Company's website

b) Distributing Components

It carefully selects and proposes Asian manufacturers with excellent technologies, quality, and supply capacity, focusing on power electronics-related components. In addition, it can provide customized transformers and choke coils at its own plant in Thailand.

The main products handled

Semiconductors	<ul style="list-style-type: none"> • Diodes in general, TVS, and FET • Transistors and analog IC
Capacitors	<ul style="list-style-type: none"> • Electrolytic capacitors and film capacitors
Relays	<ul style="list-style-type: none"> • Power relays, latching relays, and communication relays
Transformers	<ul style="list-style-type: none"> • Transformers
Choke coils	<ul style="list-style-type: none"> • Choke coils
Optical devices	<ul style="list-style-type: none"> • LEDs, infrared light emitting diodes, and photodetectors • Photo-interrupters and UV LEDs
Mechanical components	<ul style="list-style-type: none"> • Terminal blocks, microswitches, connectors, etc.

Source: Prepared by FISCO from the Company's website

Company overview

c) Home Appliance Division

Utilizing its own factory established in Chon Buri, Thailand, in 2017 and local cooperation factories in Thailand and China, it is developing an EMS business mainly for white-goods manufacturers. In addition to cost-competitive board mounting, it cost-effectively and stably supplies products including transformers, choke coils and LCDs by designing customized components manufactured by iTak and good cost performance components manufactured in Asia. In response to the growing need for energy-saving white goods, the Company intends to invest in its own factories in Thailand and Vietnam. The Company will meet needs by investing in factory lines and expanding production capacity.

d) Digital Products Division

It solves customers' manufacturing-related issues by providing total support, from prototypes and outsourced design through to outsourced manufacturing and production within Japan, which takes into consideration aspects including costs, safety, productivity, quality, reliability, and technical certification for a wide range of products (software, mechanical, and hardware).

e) International Procurement Division

It conducts procurement on behalf of customers, utilizing its warehouses in Hong Kong, Malaysia (Penang), Vietnam, and Japan for delivery schedule control, inventory management, and component-quality management in order to provide value, including by reducing inventories and transportation costs.

f) Technical Division and Quality Management Project Team

The Technical Division & Quality Management Project Team supports customers' development and design, including through the Group's own factories, EMS factories, and quality-improvement guidance for the manufacturers it purchases from.

■ Results trends

Increased sales in 1H FY3/23, but decreased profits due to upfront investments

1. Overview of the 1H FY3/23 consolidated results

In the 1H FY3/23 consolidated results, net sales increased 2.8% YoY to ¥38,817mn, operating profit decreased 30.5% to ¥596mn, ordinary profit decreased 27.9% to ¥694mn, and profit attributable to owners of parent decreased 26.4% to ¥509mn.

Results trends

1H FY3/23 consolidated results

	1H FY3/22		1H FY3/23		YoY	
	Result	% of sales	Result	% of sales	Change	Change rate
Net sales	37,752	-	38,817	-	1,064	2.8%
Construction Supply	21,906	58.0%	21,748	56.0%	-157	-0.7%
Industrial Materials	9,077	24.0%	8,561	22.1%	-515	-5.7%
Electronic Devices	6,672	17.7%	8,410	21.7%	1,737	26.0%
Gross profit	4,248	11.3%	4,368	11.3%	120	2.8%
Operating profit	858	2.3%	596	1.5%	-261	-30.5%
Construction Supply	389	45.4%	107	18.0%	-282	-72.5%
Industrial Materials	79	9.3%	9	1.6%	-69	-87.8%
Electronic Devices	334	39.0%	423	70.9%	88	26.5%
Ordinary profit	963	2.6%	694	1.8%	-268	-27.9%
Profit attributable to owners of parent	692	1.8%	509	1.3%	-182	-26.4%

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

While strong performance in the Electronic Devices Business led to higher sales, profit declined due to an increase in SG&A expenses. This increase was due to the M&As conducted to meet the continued-listing criteria for the new market categories, as well as the replacement (renewal) of its core system to standardize and streamline operations and strengthen internal controls, based on the strategy of "Acquiring strong cost competitiveness by improving productivity" set forth in the Medium-term Management Plan, Sustainability X. In addition, the resumption of sales activities after COVID-19 also increased expenses. As M&As and systems investments are upfront investments, we at FISCO view them as beneficial cost increases.

The results by segment are as follows.

(1) Construction Supply Business

Net sales decreased 0.7% YoY to ¥21,748mn and segment profit declined 72.5% to ¥107mn. While the insulation materials-related and housing materials-related fields performed well, the construction materials-related field saw a slight decrease in sales due to the absence of the large-scale projects undertaken in the same period of the previous fiscal year. The solar energy-related field was impacted by supply delays due to semiconductor shortages, resulting in weak performance. In terms of profit, SG&A expenses increased due to the resumption of sales activities after COVID-19, as well as systems investment aimed at improving productivity.

(2) Industrial Materials Business

Net sales decreased 5.7% YoY to ¥8,561mn and segment profit declined 87.8% to ¥9mn. Sales grew in the plastics-related field despite the impact of semiconductor shortages on the automotive market. The textile materials-related field was sluggish, as demand decreased due to the impact of price hikes induced by soaring raw material prices. In terms of profit, SG&A expenses increased due to the strengthening of sales activities and systems investment aimed at improving productivity.

(3) Electronic Devices Business

Net sales increased 26.0% YoY to ¥8,410mn and segment profit rose 26.5% to ¥423mn, showing strong performance. In the electronic equipment-related field, there was a slowdown in the Company's main markets of consumer electronics and white goods, but the Company steadily executed within-specifications sales to cultivate new customers. In addition, transactions with existing customers also remained firm. By location, Thailand and Hong Kong had strong results. In Thailand, new orders for contracted manufacturing business were strong, and in Hong Kong, orders from main and semi-main customers remained steady.

Results trends

2. Financial condition

At the end of 1H FY3/23, total assets increased ¥4,993mn on the end of the previous period to ¥50,169mn. Among these, current assets increased ¥4,737mn to ¥40,160mn. Mainly cash and deposits decreased by ¥1,157mn, while notes and accounts receivable - trade, and contract assets increased by ¥4,178mn and merchandise and finished goods increased ¥1,353mn. Non-current assets increased ¥256mn to ¥10,009mn. Mainly investment securities under investments and other assets decreased ¥224mn, while property, plant and equipment increased ¥265mn.

Total liabilities increased ¥4,538mn on the end of the previous period to ¥31,237mn. Among these, current liabilities increased ¥4,629mn to ¥25,653mn. Mainly electronically recorded obligations - operating decreased ¥1,460mn, while notes and accounts payable - trade increased ¥5,470mn. Non-current liabilities decreased ¥92mn to ¥5,583mn, due to a ¥120mn decrease in long-term borrowings and other factors. Total net assets increased ¥455mn to ¥18,932mn. Retained earnings and valuation difference on available-for-sale securities decreased ¥581mn and ¥108mn, respectively, mainly due to dividend payments, while recording of profit attributable to owners of parent led to an increase of ¥509mn in retained earnings and an increase of ¥613mn in foreign currency translation adjustment.

Regarding stability, the equity ratio was 37.7% (40.9% at the end of the previous period), the current ratio was 156.6% (168.5%), and the non-current ratio was 52.9% (52.8%). The equity ratio declined 3.2 percentage points from the end of the previous period, but this was due to the effective use of external funds for investments based on the Company's plan to meet the continued-listing criteria in the new market categories. We 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.

Consolidated balance sheet and management indicators

	(¥mn)		
	FY3/22	1H FY3/23	Change
Current assets	35,423	40,160	4,737
Cash and deposits	7,305	6,148	-1,157
Non-current assets	9,753	10,009	256
Property, plant and equipment	4,252	4,517	265
Intangible assets	514	613	99
Total assets	45,176	50,169	4,993
Total liabilities	26,699	31,237	4,538
Current liabilities	21,024	25,653	4,629
Non-current liabilities	5,675	5,583	-92
Total net assets	18,477	18,932	455
Retained earnings	11,792	11,720	-72
Total liabilities and net assets	45,176	50,169	4,993
Stability			
Equity ratio	40.9%	37.7%	-3.2pt
Current ratio	168.5%	156.6%	-11.9pt
Non-current ratio	52.8%	52.9%	0.1pt

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

In 1H FY3/23, net cash used in operating activities was ¥487mn. This was mainly due to a ¥3,887mn increase in trade receivables, which can be considered positive because it is the result of the resumption of operating activities following COVID-19. Net cash used in investing activities was ¥300mn. Net cash used in financing activities was ¥556mn. The main cash outflows were ¥581mn for dividend payments and ¥120mn for repayment of long-term borrowings.

Results trends

Consolidated cash flow statement

	1H FY3/22	1H FY3/23	Change
Cash flow from operating activities	-1,359	-487	872
Cash flow from investing activities	-278	-300	-22
Cash flow from financing activities	-424	-556	-132
Cash and cash equivalents' increase/decrease amount	-1,954	-1,157	797
Balance of cash and cash equivalents at end of 1H	3,926	6,144	2,218

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

Outlook

Initial forecast of higher sales and profits in FY3/23 remains the same. Aims to further improve customer value by strengthening every function

For the FY3/23 consolidated results, the Company's initial forecasts of higher sales and profits have remained the same, with net sales to increase 10.7% year-on-year (YoY) to ¥82,000mn, operating profit to rise 16.3% to ¥1,800mn, ordinary profit to grow 3.2% to ¥1,900mn, and profit attributable to owners of parent to increase 8.0% to ¥1,400mn. The rate of progress for the full-fiscal-year forecast was within the expected range, with net sales at 47.3%, operating profit at 33.2%, ordinary profit at 36.6%, and profit attributable to owners of parent at 36.4%. The Company has been conducting M&As and replacing its core system, which should contribute to results growth and profitability improvement.

FY3/23 consolidated results outlook

	FY3/22		FY3/23		YoY	
	Result	% of sales	Forecast	% of sales	Change	Change rate
Net sales	74,054	-	82,000	-	7,946	10.7%
Construction Supply	42,020	56.7%	48,200	58.8%	6,180	14.7%
Industrial Materials	18,116	24.5%	19,400	23.7%	1,284	7.1%
Electronic Devices	13,724	18.5%	14,200	17.3%	476	3.5%
Operating profit	1,547	2.1%	1,800	2.2%	253	16.3%
Construction Supply	598	-	850	-	252	42.1%
Industrial Materials	268	-	400	-	132	49.3%
Electronic Devices	571	-	450	-	-121	-21.2%
Ordinary profit	1,840	2.5%	1,900	2.3%	60	3.2%
Profit attributable to owners of parent	1,296	1.8%	1,400	1.7%	104	8.0%

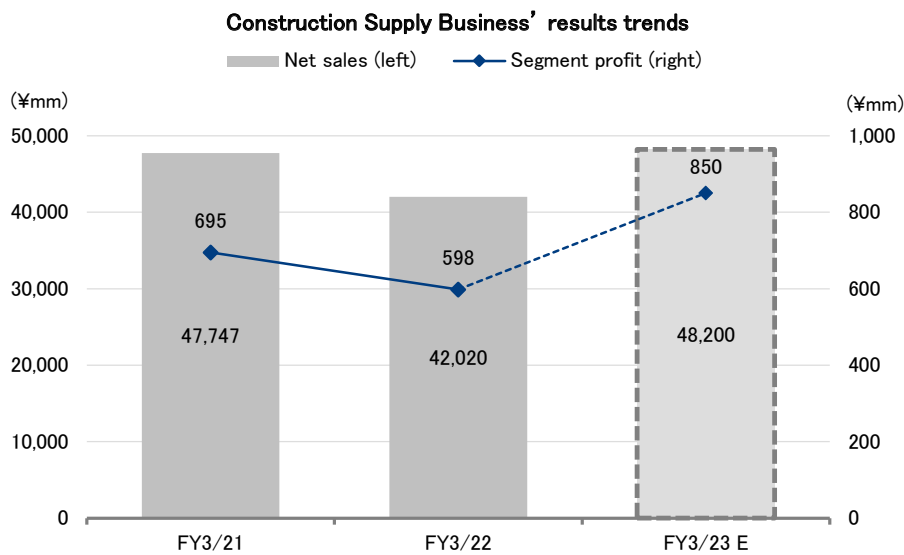
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Outlook

The Company’s initial forecasts by segment have remained the same. Details are as follows.

(1) Construction Supply Business

Net sales are forecast to increase 14.7% YoY to ¥48,200mn and segment profit to grow 42.1% to ¥850mn. The Company aims to win large projects by strengthening the functions that provide value at every stage in the value chain, of proposal, distribution, construction, and processing, and provide solutions that meet customer needs. With the acquisition of New Energy Distribution System Inc. as a subsidiary, the Company is now able to offer proposals that include construction, and results are expected to grow.



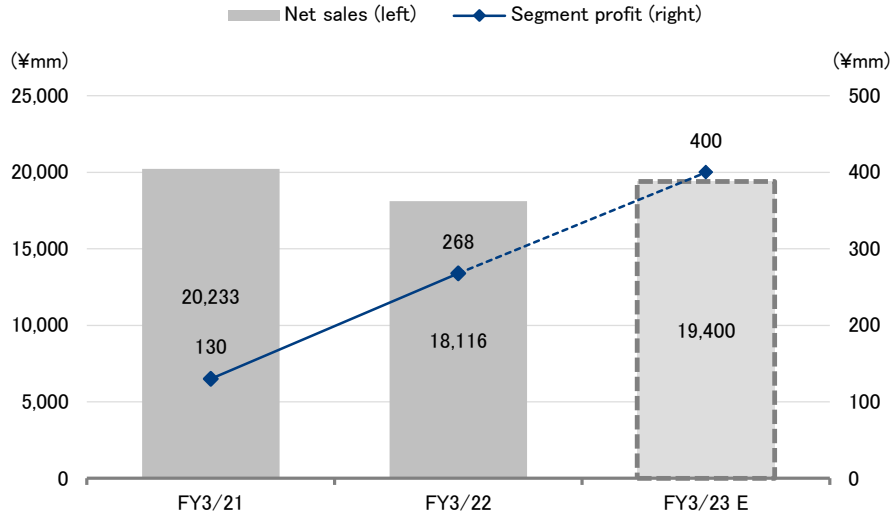
Source: Prepared by FISCO from the Company’s results briefing materials

(2) Industrial Materials Business

Net sales are forecast to increase 7.1% to ¥19,400mn and segment profit to rise 49.3% to ¥400mn. The Company will strengthen the functions that provide value in every stage of the value chain, of product manufacturing, proposal, design, processing, and construction. In addition, Sinbou Edix Co., Ltd., which became a subsidiary in December 2022, is expected to contribute to results. Sinbou Edix is engaged in the production of sanitation products and disaster prevention supplies, such as garbage bags, mainly in Nagano Prefecture. It is strengthening its business in the field of disaster prevention and expects synergies with disaster prevention-related products.

Outlook

Industrial Materials Business' results trends

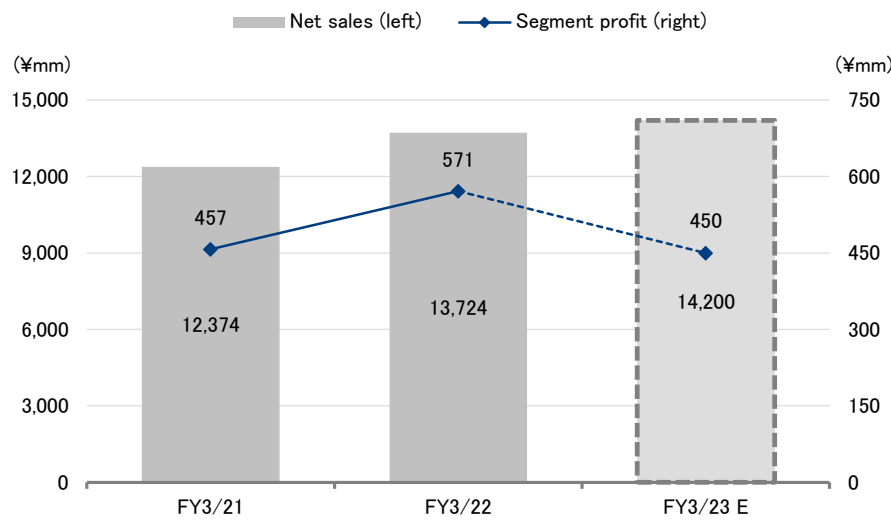


Source: Prepared by FISCO from the Company's results briefing materials

(3) Electronic Devices Business

Net sales are forecast to increase 3.5% to ¥14,200mn and segment profit to decrease 21.2% to ¥450mn due to investment in overseas improvement. The Company intends to further strengthen the business through support and functions that realize the quality and costs required by customers, and expects the business environment to remain favorable throughout 2H as well.

Electronic Devices Business' results trends



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

The medium- to long-term growth strategy

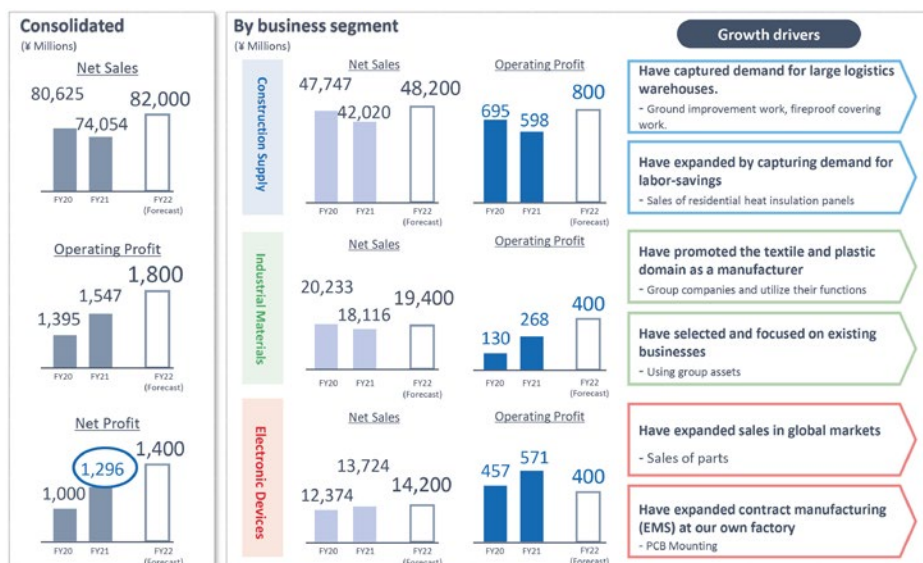
Has formulated the next Medium-term Management Plan, Sustainability V (Value). Is aiming for profit attributable to owners of parent of ¥1.7bn and ROE of at least 8% by FY3/26 through efficient growth investments

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 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,” “Acquiring strong cost competitiveness by improving productivity,” and “Strengthening corporate governance.” Toward establishing the foundation for growth in the long term, it has set the targets of converting its business structure and portfolio.

Specifically, to achieve “Further evolution of DANTOTSU Strategy,” the Company intends to contribute 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 intends to actively 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 will continuously work 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)

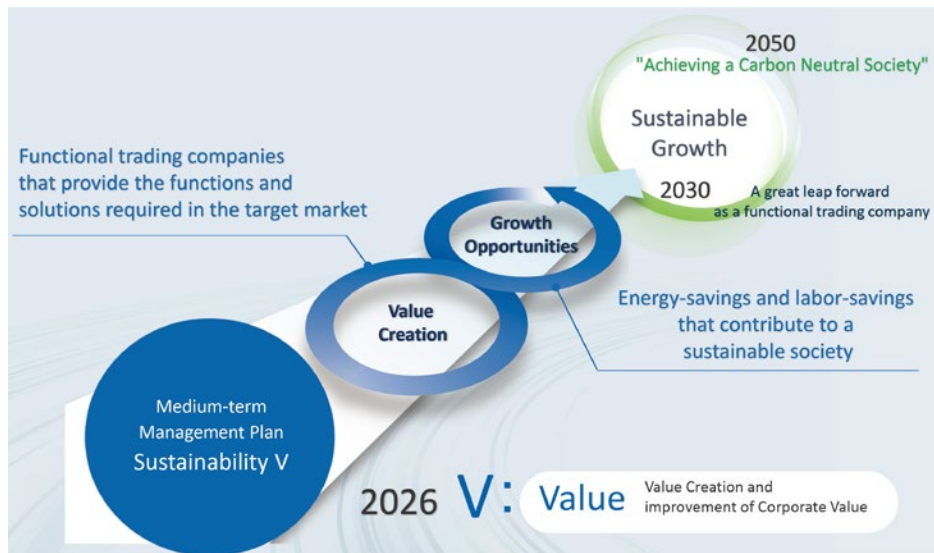


Source: Prepared by FISCO from the next Medium-term Management Plan Basic Policy

The medium- to long-term growth strategy

In addition to the current Medium-term Management Plan, Sustainability X (Cross), the Company formulated the next Medium-term Management Plan, Sustainability V (Value) (FY3/24 – FY3/26) in November 2022. 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.

Growth image of Sustainability V



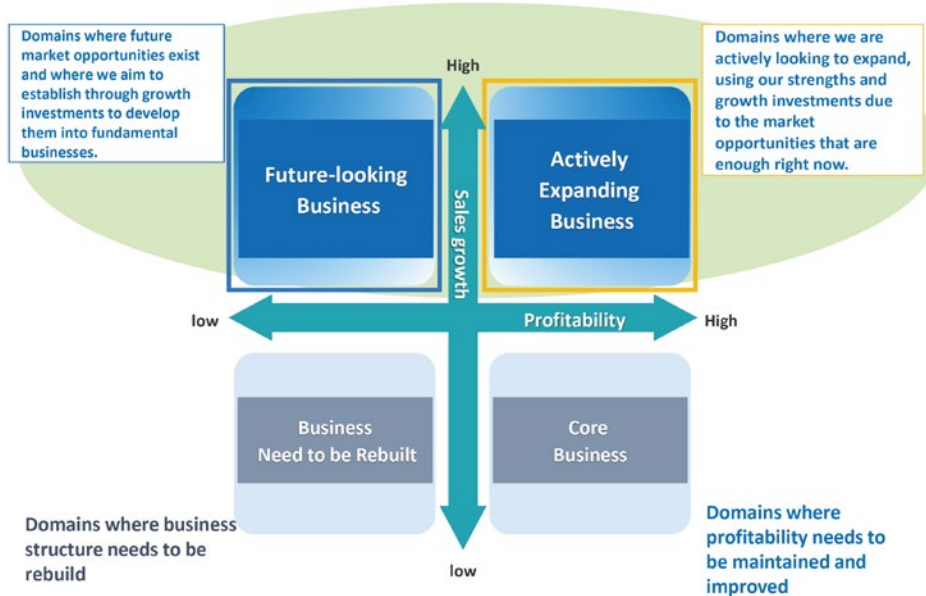
Source: Prepared by FISCO from the next Medium-term Management Plan Basic Policy

To realize a carbon-neutral society, the Company’s medium-term targets for FY3/26 are as follows: consolidated net sales of ¥100bn (¥60bn in the Construction Supply Business, ¥20bn in the Industrial Materials Business, and ¥20bn in the Electronic Devices Business), operating profit of ¥2.3bn, profit attributable to owners of parent of ¥1.7bn, ROE of at least 8.0%, ROIC of at least 6.0%, 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 addition, the Company has established a growth investment quota of over ¥10bn. 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 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 medium- to long-term growth strategy

Business portfolio management and strategic investment approach



Source: Prepared by FISCO from the next Medium-term Management Plan Basic Policy

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, the Company upwardly revised its numerical targets in this planning document to aim for profit attributable to owners of parent of ¥1.7bn (up ¥200mn from the initial forecast), ROE of at least 8.0%, ROIC of at least 6.0%, a tradable shares market capitalization of at least ¥10bn, and a daily average trading value of at least ¥20mn 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 returns,” “establishing IR system,” and “complying with the Japan’s Corporate Governance Code.”

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

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 ¥10bn. 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. 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).

We encourage readers to review our complete legal statement on “Disclaimer” page.

The medium- to long-term growth strategy

(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.” Specifically, 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 also participated in an online seminar in November to give a briefing about the Company to individual investors.

(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, weight 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. Moreover, its basic shareholdings policy is not to hold strategic holding shares if there is no rational reason to do so and also to quickly sell issues for which the meaning of holding them has diminished, and it is working to improve its ratio of tradable shares.

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. As of the end of 1H FY3/23, the progress is as follows: the number of tradable shares was 27,694 units, the tradable shares market capitalization was ¥6.61bn, the ratio of tradable shares was 61.5%, and the daily average trading value was ¥34.47mn. Compared to the end of June 2021, the tradable shares market capitalization has increased by ¥1.82bn and the daily average trading value has increased by ¥27.64mn.

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 December 31, 2021	-	-	-	¥12.06mn*2
As of March 31, 2022	27,058 units	¥6.34bn*3	60.1%	¥38.55mn*2
As of September 30, 2022	27,694 units	¥6.61bn	61.5%	¥34.47mn
Continued-listing criteria for the TSE Prime Market	20,000 units	¥10bn	35.0%	¥20mn
Compliance status as of September 30, 2022 (the Company’s estimates)	Met	Not met	Met	Met
Plan period described in the initial plan		End of March 2026		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 December 2021 as of December 31, 2021, and from January to March 2022 as of March 31, 2022.

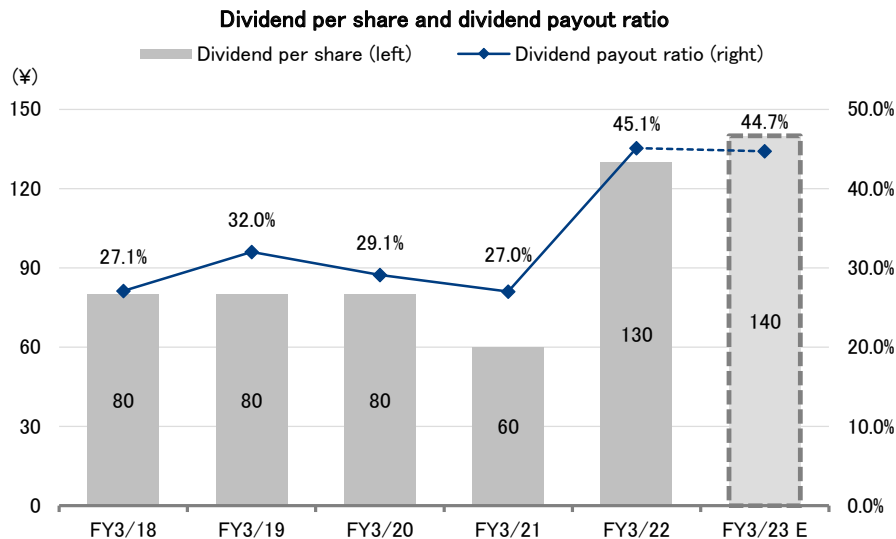
*3 Estimated by the Company based on the distribution status of the Company’s shares, etc., from January to March 2022

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

Shareholder return policy

In FY3/23, plans to pay a dividend of ¥140, an increase of ¥10 YoY

The Company considers returning profits to shareholders to be one of its most important management issues. For FY3/23, the Company plans to pay a dividend of ¥140 (an interim dividend of ¥70 and a period-end dividend of ¥70), an increase of ¥10 YoY. 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. The Company is also active the acquisition of treasury shares, most recently repurchasing 34,700 shares (¥99mn) from November 15 to December 1, 2022.



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



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