

Takashima & Co., Ltd.

8007

Tokyo Stock Exchange Prime Market

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FISCO Ltd. Analyst

Yoichiro Shimizu



FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

In FY3/23, net profit hit an all-time high. Under its new Medium-term Management Plan, Sustainability V (Value), the Company will work to capture growth opportunities in the market and further raise enterprise value

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 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 Business, which is omitted in this report due to its small scale.

1. Results trends

In the FY3/23 consolidated results, net sales increased 7.6% year on year (YoY) to ¥79,683mn and operating profit increased 14.0% to ¥1,764mn. Consolidated sales and profit were boosted by large increases in sales and profit in the Electronic Devices Business, which benefited from the relatively quick recovery in electronic device-related markets from the impact of semiconductor shortages. In addition, profit attributable to owners of parent registered an all-time high owing to a gain on sale of investment securities and other factors.

For the FY3/24 consolidated results, the Company is forecasting increases in both sales and profit, with net sales set to increase 11.7% YoY to ¥89,000mn and operating income to increase 2.0% to ¥1,800mn. It is predicting sales and profit declines only for the Electronic Devices Business, due to inventory adjustments by customers in connection with the semiconductor supply shortage being eliminated, and is expecting strong performances from the Construction Supply Business and Industrial Materials Business.

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.” 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 ¥100bn, profit attributable to owners of parent of ¥1.7bn, 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.

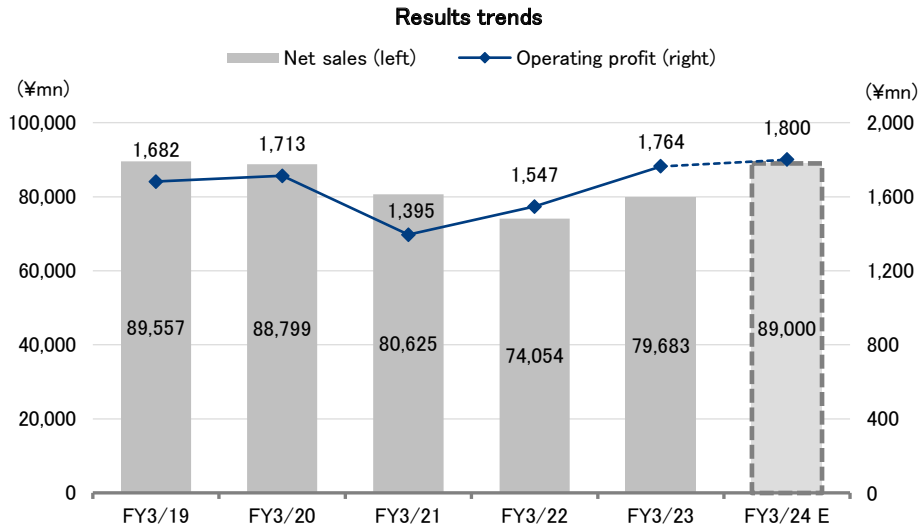
3. Measures to meet the continued-listing criteria

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. 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.” 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.

Key Points

- Is currently converting to become a sustainable-growth company through strategic investment with an awareness of capital cost
- In FY3/23, increases in sales and profit and an all-time high in net profit
- Forecasting higher sales and profit in FY3/24 as well
- 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 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.

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 15 consolidated subsidiaries, 8 in Japan and 7 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. (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)

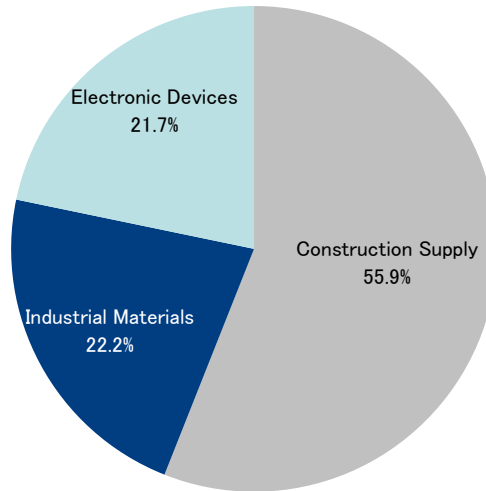
Source: prepared by FISCO from the Company's securities report

2. Business description

The Company has three business segments; the Construction Supply Business, the Industrial Materials Business, and the Electronic Devices Business. The percentage of total net sales by segment in FY3/23 were that the Construction Supply Business provided 55.9%, the Industrial Materials Business 22.2%, 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 and labor saving, and thereby also contributing to the realization of a sustainable society.

Company overview

Composition of net sales by segment (FY3/23)



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

(1) Construction Supply Business

This is the Company's core business that provided 55.9% of total net sales in FY3/23. It is comprised of six 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. In addition, under its new Medium-term Management Plan, Sustainability V (Value), the Company 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 Inc. 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.

Company overview

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.

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
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.

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.

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

Company overview

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.

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.

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"> • Metal sandwich thermal insulation panels (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

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 into a subsidiary, which is engaged in the construction of photovoltaic power systems and V2H nationwide, and is expected to expand its business.

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

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Company overview

(2) Industrial Materials Business

This business provided 22.2% of total net sales in 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, and 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.

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

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 energy saving and labor saving, thus contributing to its customers’ initiatives for decarbonization.

Main products handled

Main products handleda	<ul style="list-style-type: none"> • 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
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Source: Prepared by FISCO from the Company’s website

Company overview

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.

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"> • Wooden racks

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.

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

(3) Electronic Devices Business

In 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 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.

Company overview

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.

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.

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

Source: Prepared by FISCO from the Company's website

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).

Company overview

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

In FY3/23, increases in sales and profit and an all-time high in net profit

1. Overview of the FY3/23 consolidated results

In the FY3/23 consolidated results, net sales increased 7.6% YoY to ¥79,683mn, operating profit went up 14.0% to ¥1,764mn, ordinary profit rose 5.4% to ¥1,939mn, and profit attributable to owners of parent increased 22.3% to ¥1,585mn. There were large increases in sales and profits as the Electronic Devices Business demonstrated a stronger performance than expected and the Construction Supply Business generated steady results. Along with the good performances from these businesses, the Company recorded a gain on the sale of investment securities as a result of reducing its strategic holding shares, which it is doing under a compliance plan, and a gain on bargain purchase from its acquisition of Sinbou Edix Co., Ltd. As a result of these and other factors, net profit registered an all-time high.

FY3/23 consolidated results

	FY3/22		FY3/23		YoY	
	Result	% of sales	Result	% of sales	Change	Change rate
Net sales	74,054	-	79,683	-	5,629	7.6%
Construction Supply	42,020	56.7%	44,511	55.9%	2,490	5.9%
Industrial Materials	18,116	24.5%	17,677	22.2%	-439	-2.4%
Electronic Devices	13,724	18.5%	17,301	21.7%	3,576	26.1%
Gross profit	8,328	11.2%	9,434	11.8%	1,106	13.3%
Operating profit	1,547	2.1%	1,764	2.2%	216	14.0%
Construction Supply	598	38.7%	611	34.7%	13	2.2%
Industrial Materials	268	17.3%	23	1.3%	-244	-91.4%
Electronic Devices	571	36.9%	1,014	57.5%	442	77.4%
Ordinary profit	1,840	2.5%	1,939	2.4%	99	5.4%
Profit attributable to owners of parent	1,296	1.8%	1,585	2.0%	289	22.3%

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

Results trends

The results by segment are as follows.

(1) Construction Supply Business

Net sales increased 5.9% YoY to ¥44,511mn and segment profit increased 2.2% to ¥611mn. Ground improvement work and related areas were weak, but construction materials were solid thanks to strong market demand. The solar energy-related field was impacted by supply delays for solar panels and peripheral equipment due to semiconductor shortages, but these delays dissipated in the second half and revenue increased YoY. Insulation materials-related and housing materials-related fields generally performed well. On the profit front, SG&A expenses increased as a result of resuming sales activities post-pandemic, making systems investment, and incurring expenses associated with the acquisition of New Energy Distribution System. This increase, however, was more than offset by the increase in sales.

(2) Industrial Materials Business

Net sales decreased 2.4% YoY to ¥17,677mn and segment profit fell 91.4% to ¥23mn. In the plastic materials-related field, the performance was weak due to the automobile market, which is where the Company's customers are, being slow to recover from the impact of the semiconductor shortage, but orders of molded products increased, so net sales exceeded the previous year. The textile materials-related field weakened due to slowing in market demand on the impact of price increases. Amid these conditions, SG&A expenses rose as sales activities were increased to boost earnings, systems investment was increased, and expenses were incurred in connection with the acquisition of Sinbou Edix, which resulted in lower profit.

(3) Electronic Devices Business

Net sales increased 26.1% YoY to ¥17,301mn and segment profit increased 77.4% to ¥1,014mn as both sales and profit increased by significant margins. In the electronic equipment-related field, the situation was extremely challenging, with the domestic consumer electronics market, a main market of the Company, contracting YoY for the third consecutive year. However, the domestic white goods market returned to positive growth YoY for the first time in two years, and a strong performance contributed to earnings growth. With the market environment positive, new orders steadily increased and results were also boosted by yen depreciation, which led to earnings growth.

2. Financial condition

Total assets at the end of FY3/23 were ¥53,060mn, an increase of ¥7,884mn from the end of the previous year. Among these, current assets increased ¥6,017mn to ¥41,440mn. This was primarily attributable to increases in accounts receivable – trade of ¥2,592mn, electronically recorded monetary claims – operating of ¥1,127mn and merchandise and finished assets of ¥1,071mn. Non-current assets increased ¥1,866mn to ¥11,619mn. This was mainly from increases in machinery, equipment and vehicles in property, plant and equipment of ¥302mn and goodwill of ¥1,069mn.

Total liabilities increased ¥6,821mn from the end of the previous period to ¥33,520mn. Among these, current liabilities increased ¥6,561mn to ¥27,585mn. This was mainly attributable to increases in short-term borrowings of ¥2,524mn, notes and accounts payable – trade of ¥1,153mn and electronically recorded monetary obligations – operating of ¥1,870mn. Non-current liabilities increased ¥260mn to ¥5,935mn due to an increase in other non-current liabilities of ¥291mn and other factors. Total net assets increased ¥1,062mn to ¥19,539mn. This was mainly because retained earnings decreased ¥895mn due to dividend payments and increased ¥1,585mn as a result of recording profit attributable to owners of parent.

Results trends

Regarding stability, the equity ratio was 36.8% (40.9% at the end of the previous period), the current ratio was 150.2% (168.5%), and the non-current ratio was 59.5% (52.8%). The equity ratio declined 4.1 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	FY3/23	Change
Current assets	35,423	41,440	6,017
Cash and deposits	7,305	7,791	486
Non-current assets	9,753	11,619	1,866
Property, plant and equipment	4,252	4,707	455
Intangible assets	514	1,662	1,148
Total assets	45,176	53,060	7,884
Total liabilities	26,699	33,520	6,821
Current liabilities	21,024	27,585	6,561
Non-current liabilities	5,675	5,935	260
Total net assets	18,477	19,539	1,062
Retained earnings	11,792	12,482	690
Total liabilities and net assets	45,176	53,060	7,884
Stability			
Equity ratio	40.9%	36.8%	-4.1pt
Current ratio	168.5%	150.2%	-18.3pt
Non-current ratio	52.8%	59.5%	6.7pt

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

In FY3/23, net cash provided by operating activities was ¥700mn. This was mainly due to increases resulting from recording profit before income taxes and an increase in trade payables and decreases resulting from increases in trade receivables and contract assets. Net cash used in investing activities was ¥1,448mn. 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 ¥1,059mn. This was primarily due to an increase in short-term borrowings.

Consolidated cash flow statement

	(¥mn)		
	FY3/22	FY3/23	Change
Cash flow from operating activities	-389	700	1,089
Cash flow from investing activities	-654	-1,448	-793
Cash flow from financing activities	2,305	1,059	-1,245
Cash and cash equivalents' increase/decrease amount	1,421	470	-950
Balance of cash and cash equivalents at end of period	7,301	7,772	470

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

■ Outlook

In FY3/24, the first year of Sustainability V (Value), the Company is expecting sales and profit to increase as a result of steadily implementing various measures

For its FY3/24 consolidated results, the Company is forecasting net sales to increase 11.7% to ¥89.0bn, operating profit to rise 2.0% to ¥1.8bn, ordinary profit to fall 2.1% to ¥1.9bn, and profit attributable to owners of parent to increase 0.9% to ¥1.6bn. It is expecting sales and profit to both decrease only in the Electronic Devices Business, which will be affected by inventory adjustments by customers caused by slowing in the semiconductor market, but the Company is projecting increased sales and profit in the Construction Supply Business and Industrial Materials Business. Sustainability V (Value), the Company's next Medium-term Management Plan, will begin in FY3/24, and the Company plans to steadily implement various measures in order to raise enterprise value.

FY3/24 consolidated results outlook

	(¥mn)					
	FY3/23		FY3/24		YoY	
	Result	% of sales	Forecast	% of sales	Change	Change rate
Net sales	79,683	-	89,000	-	9,317	11.7%
Construction Supply	44,511	55.9%	54,600	61.3%	10,089	22.7%
Industrial Materials	17,677	22.2%	18,750	21.1%	1,072	6.1%
Electronic Devices	17,301	21.7%	15,450	17.4%	-1,851	-10.7%
Operating profit	1,764	2.2%	1,800	2.0%	35	2.0%
Construction Supply	611	-	840	-	228	37.3%
Industrial Materials	23	-	400	-	376	1607.3%
Electronic Devices	1,014	-	450	-	-564	-55.7%
Ordinary profit	1,939	2.4%	1,900	2.1%	-39	-2.1%
Profit attributable to owners of parent	1,585	2.0%	1,600	1.8%	14	0.9%

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

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

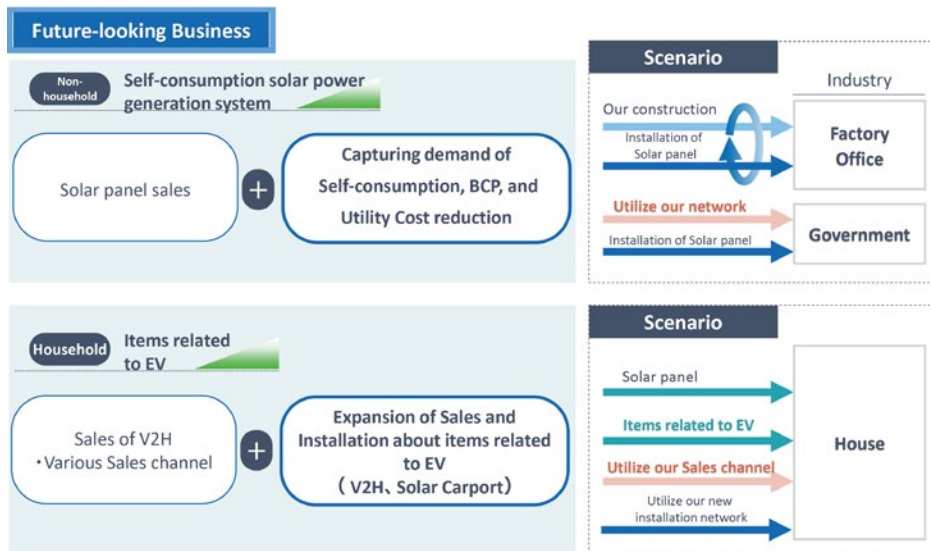
(1) Construction Supply Business

Net sales are forecast to increase 22.7% YoY to ¥54.6bn and segment profit to grow 37.3% to ¥0.84bn. The expected increase in net sales is from such factors as New Energy Distribution System contributing for the full-year after having been made a consolidated subsidiary and the acquisition of ground improvement projects, which have a high unit price. The Company will also continue to enhance its ability to provide solutions as a value-adding trading company by working to strengthen the functions of proposal, distribution, construction and processing while accurately meeting the needs of end users. On the profit front, the Company is expecting profit to increase on higher sales and also as result of acquiring orders for ground improvement projects, which have good profitability.

Outlook

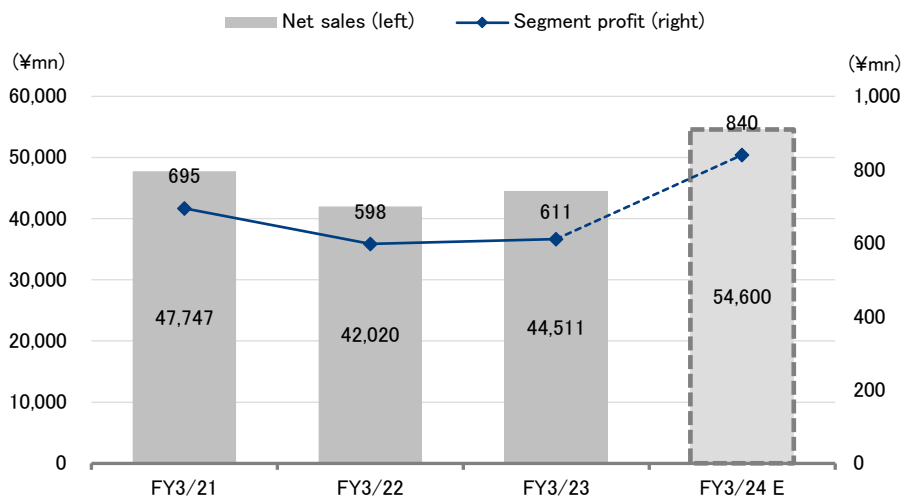
The Company's new Medium-term Management Plan, Sustainability V (Value), is starting in FY3/24. In this segment, the Company will work to translate growing demand into business results, specifically in the following areas: functional construction materials and labor-saving construction methods for large 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 will focus on accommodating needs by building a system that allows solutions to be provided through collaboration with New Energy Distribution System with construction and sales integrated.

Future-looking Businesses in the Construction Supply Business



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

Construction Supply Business' results trends



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

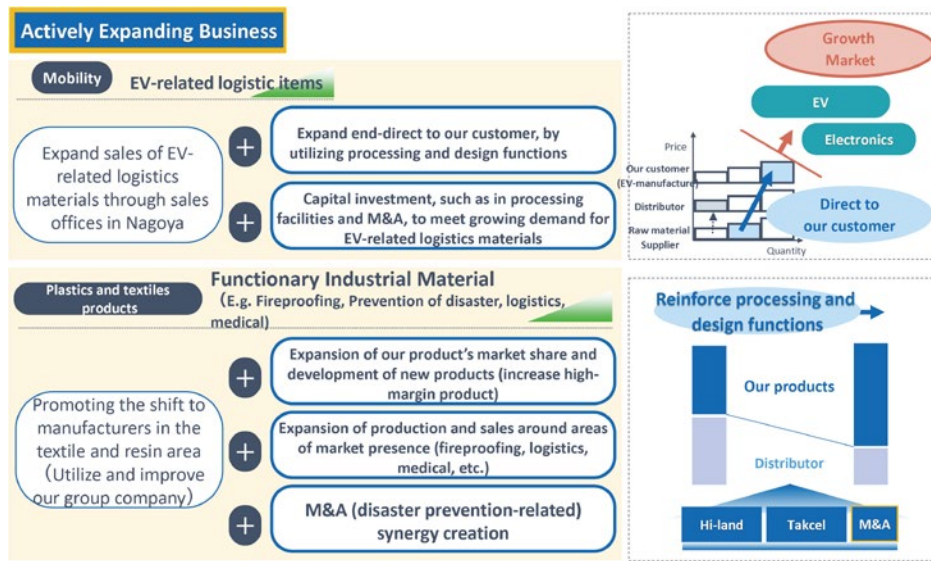
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Outlook

(2) Industrial Materials Business

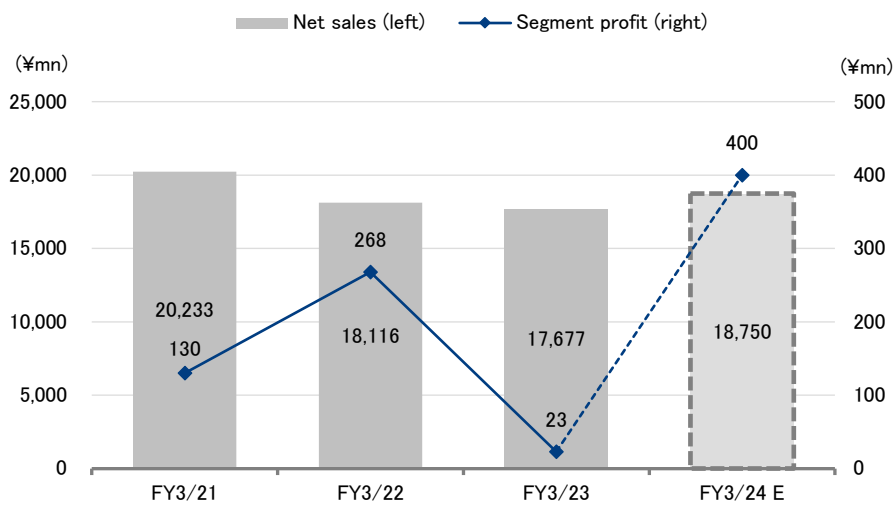
Net sales are forecast to increase 6.1% to ¥18.75bn and segment profit to rise 1607.3% to ¥0.4bn. The Company plans to increase earnings by further strengthening the product manufacturing, processing and design functions of the value chain and also by precisely grasping needs through thorough sales activities for end users in order to propose solutions. In addition, by strengthening these functions, the Company will increase the added value of its solutions and raise their profitability. Under Sustainability V (Value), the Company intends to increase earnings by precisely accommodating diversifying customer needs, specifically in the areas of EV-related logistics materials and functional industrial materials (for fire-proofing, disaster prevention, logistics and medical-related applications).

“Actively Expanding Businesses” in the Industrial Material Business



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

Industrial Materials Business' results trends



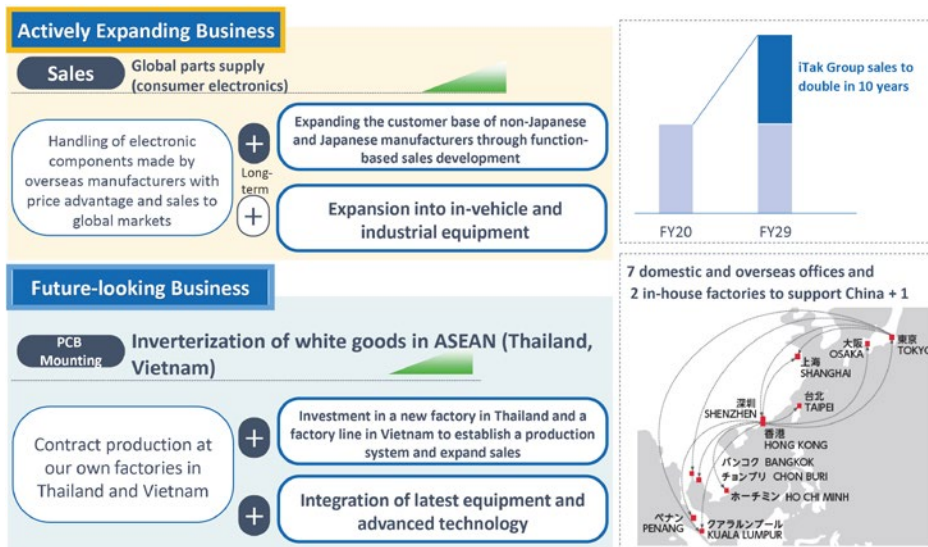
Source: Prepared by FISCO from the Company's results briefing materials

Outlook

(3) Electronic Devices Business

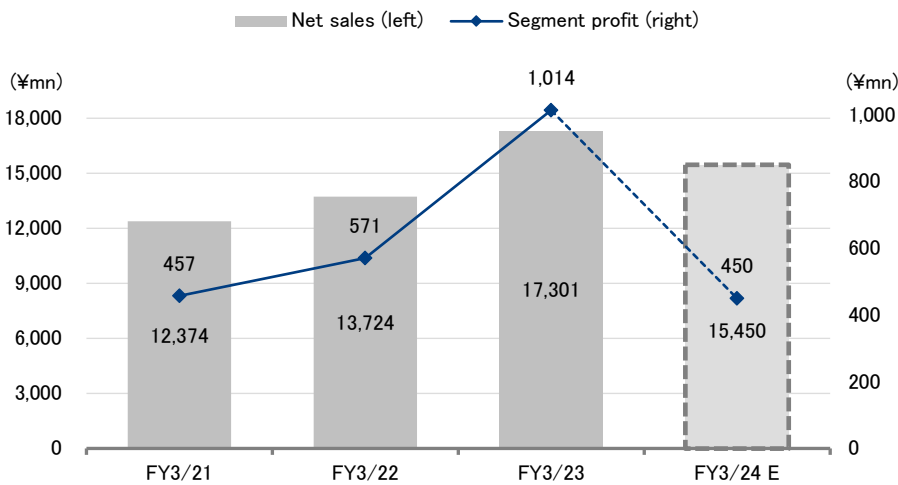
Net sales are forecast to decrease 10.7% to ¥15.45bn and segment profit to decrease 55.7% to ¥0.45bn. The Company is expecting purchase adjustments by customers to reduce inventories due to the end of the semiconductor supply shortage and for production to be adjusted in the first half of FY3/24 due to stagnation in the consumer electronics market and white goods market, so a difficult 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 Business



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

Electronic Devices Business' results trends



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

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The medium- to long-term growth strategy

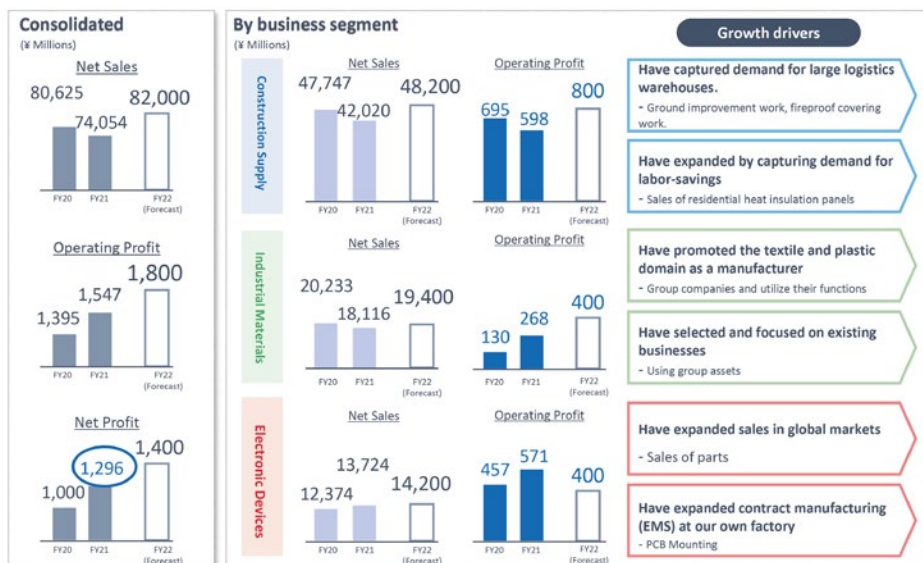
Has formulated the next Medium-term Management Plan, Sustainability V (Value). Is aiming for profit attributable to owners of parent of ¥1.7bn and ROE of at least 8.0% by FY3/26 through efficient growth investments

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,” “Acquiring strong cost competitiveness by improving 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.

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)

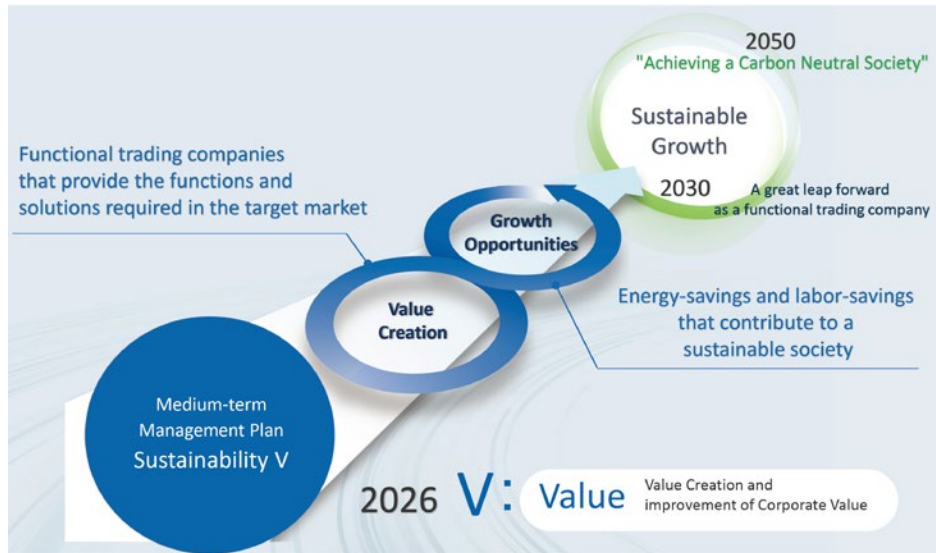


Source: Prepared by FISCO from the next Medium-term Management Plan

The medium- to long-term growth strategy

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.

Growth image of Sustainability V



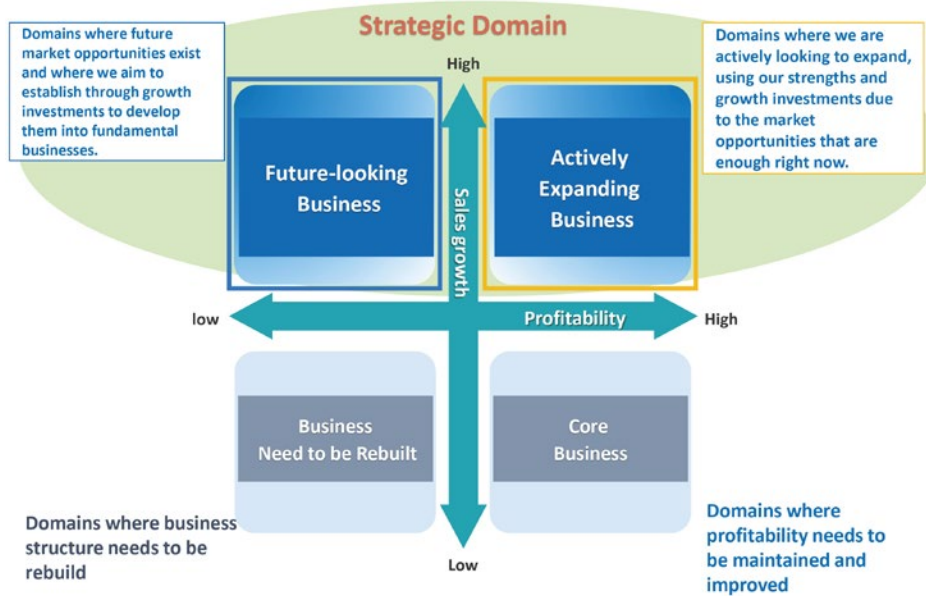
Source: Prepared by FISCO from the next Medium-term Management Plan Basic Policy

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 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 medium- to long-term growth strategy

Business portfolio management and strategic investment approach



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

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. Amid these conditions, 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 the Japan’s Corporate Governance Code.”

The medium- to long-term growth strategy

(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. 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 the Construction Supply Business 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.)

(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 is also working to enhance activities by, for instance, participating in online seminars in both November and March to give a briefing about the Company to 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. Moreover, it has upheld a basic shareholdings policy to not 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 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.

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 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. Compared to the end of June 2021, the tradable shares market capitalization has increased by ¥3.45bn and the daily average trading value has increased by ¥25.83mn.

Dividend per share and dividend payout ratio

	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*5
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 Calculated 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 known distribution status of the Company's shares, etc. as of the end of 2023

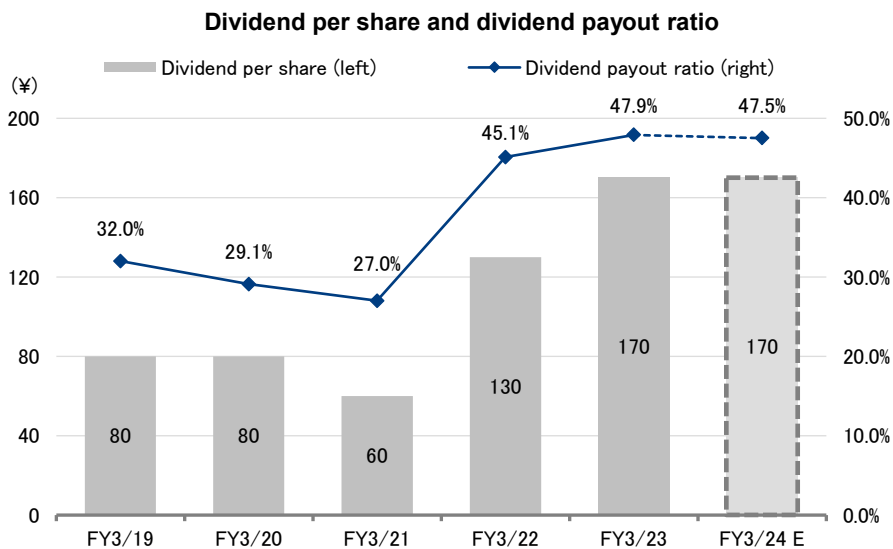
*5 Calculated by the Company based on the known distribution status of the Company's shares, etc. from January to March 2023

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

Shareholder return policy

In FY3/23, paid a dividend of ¥170, an increase of ¥40 YoY

The Company recognizes that returning profits to shareholders is an important duty of management. In FY3/23, the Company upwardly revised its dividend forecast after having recorded record-high net profit. As a result, the Company paid a per-share dividend of ¥170, a major increase of ¥40 from the previous year. For FY3/24, it is expecting to pay an interim dividend of ¥70 and year-end dividend of ¥25. The year-end dividend is ¥25 because the Company is planning a stock split (1-for-4 split of common stock) in October 2023. Not taking the stock split into account, the year-end dividend would be ¥100, for a full-year dividend of ¥170, the same level as FY3/23. 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 actively acquiring treasury shares, most recently repurchasing 34,700 shares (¥99mn) from November 15 to December 1, 2022 and retiring them on February 2, 2023.



Note: The Company plans to conduct a stock split (4-for-1 split of common stock) in FY3/24.
 Source: Prepared by FISCO from the Company's financial results and results briefing materials



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■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp