

# Takashima & Co., Ltd.

8007

Tokyo Stock Exchange Prime Market

4-Jul.-2024

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

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## Summary

**In FY3/24, sales were up, operating profit was down, and goodwill amortization increased. Thanks to management aware of capital costs, completed conformance with all continued-listing standards. For FY3/25, expecting higher sales and operating profit**

Takashima & Co., Ltd. <8007> (hereafter, also “the Company”) operates three business segments\*; Construction Supply Segment, Industrial Materials Segment and the Electronic Devices Segment. It is an advanced sustainability-focused trading company that designs distribution channels from scratch to meet customer needs in a wide range of areas, from planning and design in the value chain processes in the upstream through to support and construction in the downstream, contributing to customers’ energy saving and labor saving, and thereby contributing to the realization of a sustainable society. In the most recent 10 years, the Company’s profit attributable to owners of parent has trended stably at around ¥1.0bn or more and it has built a solid earnings base and financial base. The Company is focusing the most on converting to become a sustainable-growth company by conducting strategic investment, as set out in a plan to meet the continued-listing criteria disclosed in November 2021 and in Sustainability V(Value), its current Medium-term Management Plan. In this planning document, it has set a Return on Equity (ROE) standard of at least 8.0% and a Return on Invested Capital (ROIC) standard of at least 6.0%, and is conducting business and investment activities with an awareness of capital cost, and in this situation, its enterprise value is expected to improve even more in the future.

\* Also conducts the Real Estate Leasing Segment, which is omitted in this report due to its small scale. The Company sold the leased real estate in January 2024, so the Real Estate Leasing Segment is eliminated from FY3/25.

### 1. Results trends

In the FY3/24 consolidated results, net sales increased 13.1% year on year (YoY) to ¥90,120mn and operating profit decreased 0.9% to ¥1,748mn. The Electronic Devices Segment alone was impacted by a market slowdown and was forced into a difficult battle, but the Construction Supply Segment and Industrial Materials Segment both saw higher sales, which led to topline growth on a consolidated basis. In these segments, along with growth in existing businesses, M&A contributed to expanded results, specifically making subsidiaries of New Energy Distribution System Inc., Sinbou Edix Co., Ltd. and Gansui Corporation. Regarding operating profit, goodwill amortization expense increased for Gansui Corporation, and with results favorable, the Company increased returns to employees, so SG&A expenses went up. Regarding the increased goodwill amortization expense for Gansui Corporation, a purchase price allocation (PPA) was implemented, which shortened the amortization period, and this was a factor. The decrease in operating profit was for accounting for M&A; the businesses themselves generally proceeded steadily.

#### Summary

For the FY3/25 consolidated results, the Company is forecasting higher sales and profits, with net sales set to increase 4.3% YoY to ¥94,000mn and operating profit to increase 14.4% to ¥2,000mn. In all segments, the Construction Supply Segment, Industrial Materials Segment and Electronic Devices Segment, sales and profits are expected to increase. In particular, regarding the Construction Supply Segment and Industrial Materials Segment, the Company plans to leverage synergies with companies made consolidated subsidiaries and focus on strengthening and enhancing the solution functions it provides in order to further expand results. In the Electronic Devices Segment, though the business environment is expected to be difficult, the Company will continue to strengthen sales activities to expand results. Operating profit on a consolidated basis is expected to increase on the increase in sales and also due to a decrease in M&A-related expenses for Gansui Corporation and to the effects of making the company a consolidated subsidiary coming into play for the full year.

## 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,” “Secure strong cost competitiveness through increased 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 ¥110.0bn, profit attributable to owners of parent of ¥1.9bn, ROE of at least 8.0%, and ROIC of at least 6.0%. The Company intends to increase profit attributable to owners of parent and ROE by effectively utilizing external funds, cash from each business and cash generated from the sale of strategic holding shares.

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

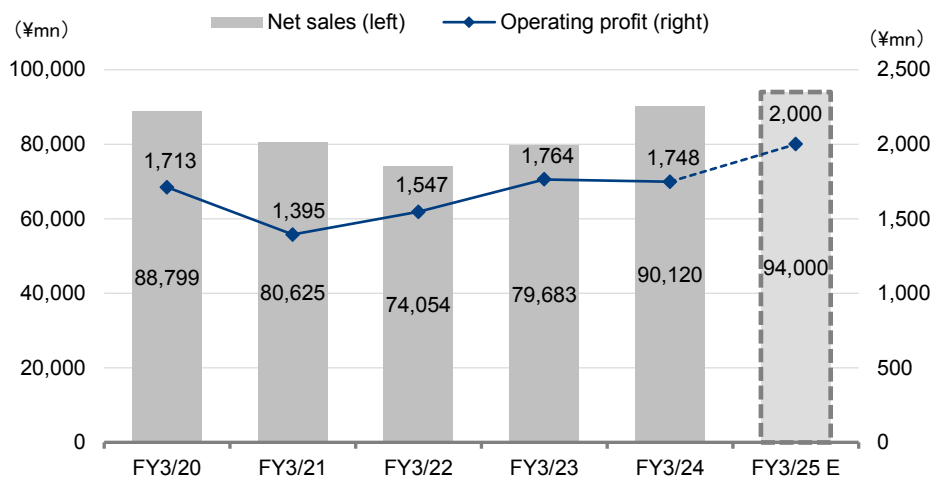
In November 2021, the Company submitted a plan to meet the continued-listing criteria in correspondence with the Tokyo Stock Exchange’s (TSE) revision of its market categories. In order to meet the continued-listing criteria for the TSE Prime Market, it focused on its target of converting from implementing solid management as it had done up to the present time to becoming a sustainable-growth company by conducting strategic investment. As a result, the Company completed conformance with all continued-listing criteria as of March 31, 2024. Regarding tradeable shares market capitalization, which had not been met, the Company targeted compliance by the end of March 2025, but it achieved the target one year in advance. Having met the standard for tradeable shares market capitalization, the Company has completed conformance with all standards for continued listing before the end of the transition period, but going forward the Company will continue to focus on raising corporate value and shareholder value in a sustained manner. As for the numerical targets of the plan, it has set the targets by FY3/26 of profit attributable to owners of parent of ¥1.9bn (revised upward in November 2022 and December 2023; up ¥0.4bn from the initial forecast) ROE of at least 8.0%, ROIC of at least 6.0%, tradeable shares market capitalization of at least ¥10.0bn, and daily average trading value of at least ¥20mn. To increase corporate value, the Company has basic policies of a capital allocation policy, pursuing sustainable profit growth through investment returns, enriching shareholder return, establishing an IR system, and complying with Japan’s Corporate Governance Code, and it intends to steadily execute related measures.

Summary

**Key Points**

- In FY3/24, sales up but operating profit down, impacted by goodwill amortization expense for Gansui Corporation
- Forecasting higher sales and profit in FY3/25
- Met all the standards for continued listing on the Prime Market as of March 31, 2024
- Focused on continuing to increase corporate value under its Medium-term Management Plan, Sustainability V(Value)

**Results trends**



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

## Company overview

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

### 1. Company profile

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

Company overview

Also, the fact that the Company has many business bases both in Japan and globally is an important point for it to provide value to customers. As of March 31, 2024, it has a total of 19 consolidated subsidiaries, 13 in Japan and 6 overseas. It also has many equity-method affiliates, partner factories, and partner companies in Japan and Asia, and it supports the businesses of its customers globally. As of September 30, 2023 on a consolidated basis, the Group has 1,175 employees and paid-in capital of ¥3,801mn.

**History**

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

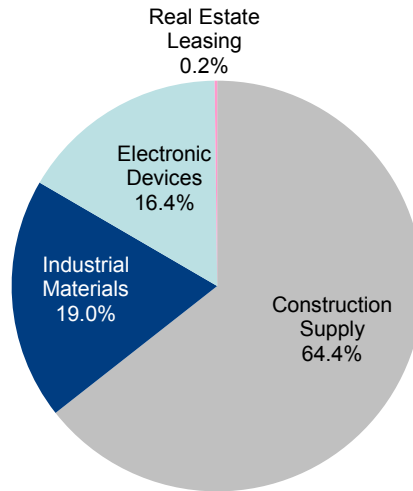
Source: Prepared by FISCO from the Company's securities report

## 2. Business description

The Company has three business segments; the Construction Supply Segment, the Industrial Materials Segment, and the Electronic Devices Segment. The percentage of total net sales by segment in FY3/24 was that the Construction Supply Segment provided 64.4%, the Industrial Materials Segment 19.0%, and the Electronic Devices Segment 16.4%. 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. With the sale of leased real estate in January 2024, the company expects to eliminate the Real Estate Leasing Segment starting in FY3/25.

Company overview

Composition of net sales by segment (FY3/24)



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

**(1) Construction Supply Segment**

This is the Company's core business that provides 64.4% of total net sales (as of FY3/24). It is comprised of four segments: construction materials, housing materials, insulation materials, and renewable energy materials. Its lineup includes a range of various products and solutions relating to wall materials, the basic pile construction method, thermal insulation materials, solar panel-related materials, and construction-related, including interiors, for large, non-residential buildings and residential buildings. Utilizing its sales and construction network that covers the entire country, it supports customers' businesses over the entire value chain, from planning and design through to construction. An example of designing distribution channels and creating customer value is the full pre-cut of thermal insulation materials for house builders. In conducting this business, materials are allocated to each property (a detailed drawing is created that determines the installation position and measurements of the thermal insulation materials), processing is performed based on this drawing, and after the processing, the thermal insulation materials are distributed individually to the construction sites. The Company is responsible for functions from processing through to distribution, which enables labor saving and reduction of construction periods at construction sites. In addition, under its Medium-term Management Plan, Sustainability V(Value), the Company plans to focus on renewable energy materials traditionally expected to expand. Specifically, it will actively invest in photovoltaic power and electric vehicles, areas where demand is expected to grow in the future. One recent example is the Company's acquisition of New Energy Distribution System Inc. in December 2022. It plans to further 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 materials**

This business provides customers with various products in line with their needs, including high-performance non-residential construction materials (wall materials, fire-resistant coverings, etc.) used primarily in large logistics facilities and plants, as well as pile-related and civil engineering materials (piles, ground improvement methods, EDO-EPS methods, and transparent plastic underground retaining blocks, etc.) It provides solutions that contribute to the operational efficiency of customers at all stages of the value chain from design considerations to construction and installation via a nationwide sales and construction network. In June 2023, the Company made a wholly owned subsidiary of Gansui Corporation, which has established a leading position in the Chugoku and Shikoku regions by providing total solutions related to ground improvements and surveying, accommodating from design to construction in an integrated manner. Through this acquisition, the Company’s design and construction functions will be strengthened and the value provided to customers further increased.

**Main products handled**

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

Source: Prepared by FISCO from the Company’s website

**b) Housing materials**

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



Company overview

**Main products handled**

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

Source: Prepared by FISCO from the Company's website

**c) Insulation materials**

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

**Main products handled**

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

Source: Prepared by FISCO from the Company's website

**d) Renewable energy materials**

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

Company overview

**Main products handled**

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

Source: Prepared by FISCO from the Company's website

**(2) Industrial Materials Segment**

This business provided 19.0% of total net sales as of FY3/24, the second highest percentage after the Construction Supply Segment. It is comprised of two segments: plastics-related materials and textile-related materials. It provides a wide range of value to customers, from design and manufacturing to processing and sales in the value chain to construction and support. The business serves a variety of customers and provides a variety of functions in each field. This includes providing logistics materials (plastic trays for transportation of parts, etc.) designed by the Group for their shock absorption characteristics to automotive and electrical manufacturers, it provides textile products to public agencies, and conducts OEM production of apparel and functional textiles for clothing.

**a) Plastic-related materials**

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

**Main products handled**

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

Source: Prepared by FISCO from the Company's website

Company overview

**b) Textile-related materials**

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

**Main products handled**

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

Source: Prepared by FISCO from the Company's website

**(3) Electronic Devices Segment**

This business provides 16.4% of total net sales. It is conducted by the iTak Group centered on iTak (International) Limited that has its headquarters in Hong Kong, and it is composed of the device business, which procures and sells electronic components according to customer needs from manufacturers developing businesses mainly in Asia, and the assembly business, in which the iTak Group functions as the manufacturer, providing electronic manufacturing services (EMS) by mounting components on printed circuit boards. The iTak Group works proactively as a single business unit through strong cooperation between each site to cover all of the main countries in Asia. The ability to offer global manufacturing support for customers' development, production, and purchasing from an office near to their site is one of the characteristics of the iTak Group. Under Sustainability V(Value), the Company has set forth a policy of investing in its own factories in Thailand and Vietnam to support the needs of customers looking for manufacturing bases as its China plus one strategy.

**a) Device**

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

Company overview

**Main products handled**

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

Source: Prepared by FISCO from the Company's website

**b) Assembly**

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

## Results trends

### In FY3/24, sales increased, but operating profit decreased. Final profit increased over three times from recording a gain on sale of non-current assets

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

In the FY3/24 consolidated results, net sales increased 13.1% YoY to ¥90,120mn, operating profit decreased 0.9% to ¥1,748mn, ordinary profit rose 3.3% to ¥2,004mn, and profit attributable to owners of parent increased 204.8% to ¥4,832mn. The Electronic Devices Segment alone was impacted by a market slowdown and was forced into a difficult battle, but the Construction Supply Segment and Industrial Materials Segment both saw higher sales, which led to topline growth on a consolidated basis. In these segments, along with growth in existing businesses, M&A contributed to expanded results, specifically making subsidiaries of New Energy Distribution System, Sinbou Edix and Gansui Corporation. Under the Medium-term Management Plan, Sustainability V(Value), the Company has put forth a policy of orienting itself to topline growth by strengthening growth investments in strategic fields, and believes that this is firmly paying off in expanded results. On the profit side, operating profit was down but only slightly, while profit attributable to owners of parent increased by 204.8% YoY. Rapid growth in final profit was partially due to recording extraordinary income associated with transferring non-current assets in January 2024. Under its Medium-term Management Plan, the Company will strengthen selection of investment targets to raise capital productivity. Cash derived from the sale of non-current assets in a non-core field was allocated to acquire shares in Gansui Corporation. In addition, the period-end dividend was increased as a result of recording a gain on the sale of non-current assets, which shows that the Company is proactive on shareholder returns. Regarding the decline in operating profit, goodwill amortization for Gansui Corporation increased, and with results favorable, returns to employees were enhanced, which swelled SG&A expenses. Regarding the increased goodwill amortization expense for Gansui Corporation, a PPA was implemented, which shortened the amortization period, and this was a factor. In FISCO's view, the decrease in operating profit was for accounting for M&A; the businesses themselves generally proceeded steadily.

#### FY3/24 consolidated results

	(¥mn)					
	FY3/23		FY3/24		YoY	
	Result	% of sales	Result	% of sales	Change	Change rate
Net sales	79,683	-	90,120	-	10,436	13.1%
Construction Supply	46,003	57.7%	58,177	64.4%	12,173	26.5%
Industrial Materials	16,185	20.3%	17,174	19.0%	989	6.1%
Electronic Devices	17,322	21.7%	14,795	16.4%	-2,526	-14.6%
Gross profit	9,434	11.8%	12,291	13.6%	2,857	30.3%
Operating profit	1,764	2.2%	1,748	1.9%	-16	-0.9%
Construction Supply	424	0.9%	866	1.5%	441	104.0%
Industrial Materials	182	1.1%	399	2.3%	216	118.7%
Electronic Devices	1,031	6.0%	400	2.7%	-631	-61.2%
Ordinary profit	1,939	2.4%	2,004	2.2%	65	3.3%
Profit attributable to owners of parent	1,585	2.0%	4,832	5.4%	3,247	204.8%

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

## Results trends

Results by segment were as follows

**(1) Construction Supply Segment**

Net sales increased 26.5% YoY to ¥58,177mn and segment profit increased 104.0% to ¥866mn. Within this, net sales in the construction materials field increased by 36.5% to ¥30,887mn. In this field, orders for the construction of logistics facilities and plants, which has been set as an Actively Expanding Business under the Company's Medium-term Management Plan, Sustainability V(Value), among other projects, were strong and the acquisition of Gansui Corporation as a subsidiary in June 2023 also contributed to the improvement in business results. In addition to the growth of existing businesses, making Gansui Corporation a consolidated subsidiary in June 2023 also added to earnings growth, and M&A in strategic areas contributed to earnings growth.

In the renewable energy materials field, which has been positioned as a Future-looking Business in Sustainability V(Value), net sales increased 42.4% to ¥13,047mn. Against a backdrop of rising energy costs and increasing demand for realizing a zero-carbon society, the business environment was generally good for both industrial and residential applications. Amid rampant need, the semiconductor shortage that occurred last year went away and provided a tailwind as device deployments expanded for the purpose of self-consumption. New Energy Distribution System, acquired in December 2022, contributing to results for the full year was also a positive factor.

In the insulation materials field, net sales increased 6.4% to ¥10,388mn. In addition to materials sales, the smooth capture of construction projects also contributed to results. Along with sales of supplies, project acquisition was steady, which contributed. In the area of residential supplies, net sales were down 17.2% to ¥3,686mn due to the impact of a market slowdown, including a decrease in detached housing starts caused by rising construction costs in the housing materials field.

On the profit front, construction materials, renewable energy materials, and insulation materials all firmly extended their topline and accumulated profits. The ratio of sales growth was 104.0% YoY, so major growth occurred.

**(2) Industrial Materials Segment**

Net sales increased 6.1% YoY to ¥17,174mn and segment profit rose 118.7% to ¥399mn. Within this, net sales in the plastics-related materials field increased by 17.2% YoY to ¥9,150mn. With the impact of the semiconductor shortage eliminated and production activities resuming in the automotive industry, the Company's customer, orders for logistics materials for automotive parts and materials increased. In addition, orders steadily increased for processing materials for construction applications handled by subsidiary Hi-Land. Orders for molded and fabricated products also expanded steadily in the medical-related field, which the Company has identified as a target area in the Medium-term Management Plan. At the same time, sales of textile-related materials decreased by 4.2% YoY to ¥8,023mn. Industrial textile materials and special sewing processed products for the Ministry of Defense were steady, but apparel-related materials had a hard fight. Demand from apparel-related companies, the Company's customer, stagnated due to the depreciating yen, among other factors.

Regarding profits, along with increased sales from plastic-related materials firmly extending the topline, Sinbou Edix, acquired in December 2022, contributed to results for the full year, which also added to profits. In addition, plant capacity utilization improved and the improved productivity helped profit to grow.

## Results trends

**(3) Electronic Devices Segment**

Net sales decreased 14.6% YoY to ¥14,795mn and segment profit decreased 61.2% to ¥400mn. Although the market for consumer electronics equipment such as white goods and video equipment had performed strongly up to the previous year, supported by factors including demand from people forced to stay at home due to the COVID-19 pandemic, in the fiscal year under review it was impacted by factors including a rapid fall in demand globally following changes in consumption trends as the pandemic ended. Net sales in the device business decreased 23.7% YoY to ¥6,134mn while net sales in the assembly business decreased 6.7% YoY to ¥8,641mn.

**2. Financial condition**

Total assets at the end of FY3/24 were ¥60,409mn, an increase of ¥7,349mn from the end of the previous year. Among these, current assets increased ¥2,436mn to ¥43,877mn. This was primarily attributable to an increase in cash and deposits of ¥4,579mn and decrease in electronically recorded monetary claims - operating of ¥3,023mn. Non-current assets increased ¥4,912mn to ¥16,531mn. This was mainly from increases in goodwill of ¥4,541mn and customer-related intangible assets of ¥380mn.

Total liabilities increased ¥3,309mn from the end of the previous period to ¥36,830mn. Among these, current liabilities increased ¥4,763mn to ¥32,349mn. This was primarily attributable to income taxes payable increasing ¥1,990mn and the current portion of long-term borrowings increasing ¥3,128mn. Non-current liabilities decreased ¥1,453mn to ¥4,481mn due in part to a ¥1,252mn decrease in long-term borrowings. Total net assets increased ¥4,039mn YoY to ¥23,578mn. Retained earnings increased by ¥4,832mn primarily as a result of recording profit attributable to owners of parent, while retained earnings decreased by ¥801mn as a result of dividend payments.

Regarding stability, the equity ratio was 39.0% (36.8% at the end of the previous period), the current ratio was 135.6% (150.2%), and the non-current ratio was 70.1% (59.5%). Regarding the current ratio and non-current ratio, the respective figures worsened slightly, but this was partly due to active strategic investment utilizing outside funds for the purpose of increasing corporate value, and it can be surmised that the basic strategy is being steadily executed. We at FISCO believe the figures for the current and non-current ratios are sound. From this, one can say the Company is maintaining financial health while actively conducting investment for future growth. The equity ratio improved YoY and in our view the level is not problematic.

## Results trends

**Consolidated balance sheet and management indicators**

	(¥mn)		
	FY3/23	FY3/24	Change
<b>Current assets</b>	41,440	43,877	2,436
Cash and deposits	7,791	12,371	4,579
<b>Non-current assets</b>	11,619	16,531	4,912
Property, plant and equipment	4,707	4,762	55
Intangible assets	1,662	6,609	4,947
Investments and other assets	5,249	5,159	-90
<b>Total assets</b>	53,060	60,409	7,349
<b>Total liabilities</b>	33,520	36,830	3,309
Current liabilities	27,585	32,349	4,763
Non-current liabilities	5,935	4,481	-1,453
<b>Total net assets</b>	19,539	23,578	4,039
Retained earnings	12,482	16,898	4,416
<b>Total liabilities and net assets</b>	53,060	60,409	7,349
<b>Stability</b>			
Equity ratio	36.8%	39.0%	2.2pt
Current ratio	150.2%	135.6%	-14.6pt
Non-current ratio	59.5%	70.1%	10.6pt

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

In FY3/24, net cash used in operating activities was ¥6,057mn. This was mainly due to an increase resulting from recording profit before income taxes and decreases in trade payables and decrease in accounts receivable - trade, and contract assets. Net cash used in investing activities was ¥2,519mn. This was mainly from an increase following an increase in proceeds from sale of property, plant and equipment and 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 ¥4,128mn. This was primarily due to a decrease in short-term borrowings.

**Consolidated cash flow statement**

	(¥mn)		
	FY3/23	FY3/24	Change
Cash flow from operating activities	700	6,057	5,357
Cash flow from investing activities	-1,448	2,519	3,967
Cash flow from financing activities	1,059	-4,128	-5,187
<b>Net increase/decrease in cash and cash equivalents</b>	470	4,552	4,082
<b>Cash and cash equivalents at end of period</b>	7,772	12,324	4,552

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



## ■ Outlook

### For FY3/25, expecting higher sales and higher profit. Completed compliance with standards to continue listing a year in advance and will continue to focus on raising corporate value

For the FY3/25 consolidated results, the Company is forecasting net sales to increase 4.3% YoY to ¥94,000mn, operating profit to increase 14.4% to ¥2,000mn, ordinary profit to decrease 0.2% to ¥2,000mn and profit attributable to owners of parent to decline 66.9% to ¥1,600mn. The Company is forecasting higher sales and profits in all segments, the Construction Supply Segment, the Industrial Materials Segment, and the Electronic Devices Segment. In particular, the Construction Supply Segment and the Industrial Materials Segment will pursue synergies with companies that have been made consolidated subsidiaries, and by focusing on strengthening and enhancing the solution functions provided by the Company, it intends to expand results. In the Electronic Devices Segment, the business environment is difficult to predict, but the Company will continue strengthening sales activities and thereby significantly increase performance. Regarding operating profit on a consolidated basis, along with increased revenue, M&A-related expense for Gansui Corporation will drop off and the effects of making the company a consolidated subsidiary will be on display for the full year, which is expected to help boost profit. Profit attributable to owners of parent is projected to drop significantly, by 66.9% YoY, but this is in reaction to the lack of extraordinary income, which was recorded in FY3/24 on the sale of non-current assets, and business itself is expected to proceed smoothly.

FY3/25 will be the second year of the Medium-term Management Plan, Sustainable V(Value). The Company has already met all the criteria for continued listing on the Prime Market as of March 31, 2024 ahead of schedule, but it will continue to focus on raising corporate value by actively making strategic investments while being aware of capital costs. Starting in FY3/25, the Company will review its asset allocation and reorganize business in the Industrial Materials Segment, and in conjunction with this it plans to change its segments by eliminating the Real Estate Leasing Segment. Also, alongside this, it plans to make corporate costs that had been allocated by segment independently as Company-wide expenses. This will further clarify the status of profit in each segment and the profit levels directly borne by each division.

#### FY3/25 consolidated results outlook

	(¥mn)					
	FY3/24		FY3/25		YoY	
	Result*	% of sales	Forecast	% of sales	Change	Change rate
Net sales	90,120	-	94,000	-	3,879	4.3%
Construction Supply	58,180	64.4%	59,700	63.5%	1,519	2.6%
Industrial Materials	17,195	19.0%	17,600	18.7%	404	2.4%
Electronic Devices	14,795	16.4%	16,700	17.8%	1,904	12.9%
Operating profit	1,748	1.9%	2,000	2.1%	251	14.4%
Construction Supply	1,987	3.4%	2,050	3.4%	62	3.2%
Industrial Materials	716	4.2%	750	4.3%	33	4.7%
Electronic Devices	434	2.9%	500	3.0%	65	15.0%
Ordinary profit	2,004	2.2%	2,000	2.1%	-4	-0.2%
Profit attributable to owners of parent	4,832	5.4%	1,600	1.7%	-3,232	-66.9%

\* FY3/24 results are figures after recombination into the new segments.  
 Source: Prepared by FISCO from the Company's results briefing materials

Outlook

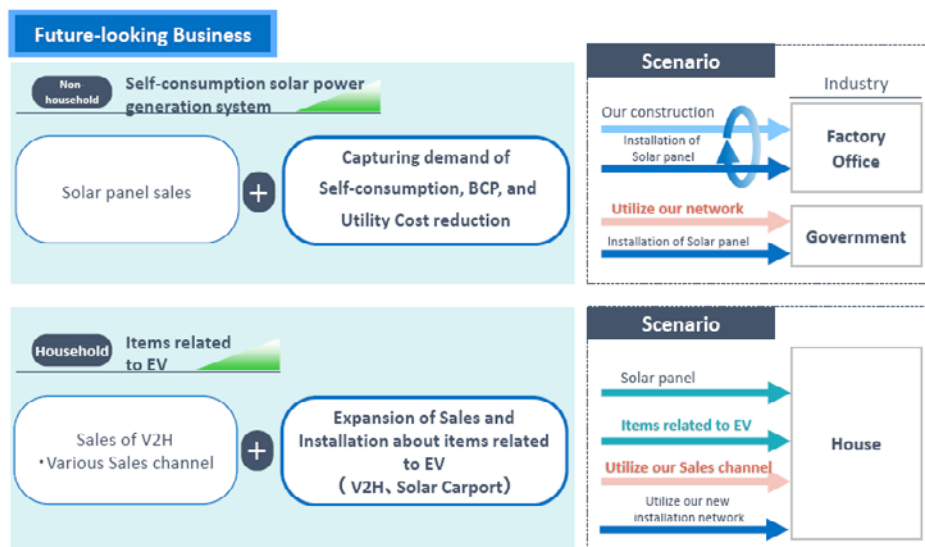
The Company’s forecasts for each segment are as follows.

**(1) Construction Supply Segment**

Net sales are forecast to increase 2.6% YoY to ¥59,700mn and segment profit to grow 3.2% to ¥2,050mn. In each field, the Company plans to raise profit while further strengthening and enhancing provided functions. In the construction materials field, which mainly handles non-residential structures like large-scale distribution facilities and factories, solid market trends are expected. Amid this, the Company will steadily accumulate orders by combining the construction functions of Gansui Corporation with the sales functions of Takashima. Regarding the insulation materials field as well, market needs are expected to be stable. In this field, with increasing need for energy savings, future market expansion is anticipated. Amid this, the Company intends to expand results by faithfully providing functions in line with customer needs. In the renewable energy materials field, against a backdrop of rising costs for fuels like crude oil, there is expected to be a strong need for renewable energy. By combining the construction functions of New Energy Distribution System with the sales function of Takashima, the Company will focus on expanding results while strengthening and enhancing provided functions. In the housing materials field, housing starts are expected to decline as the market environment is projected to be challenging. Even among such conditions, the Company will closely meet customer needs and expand results.

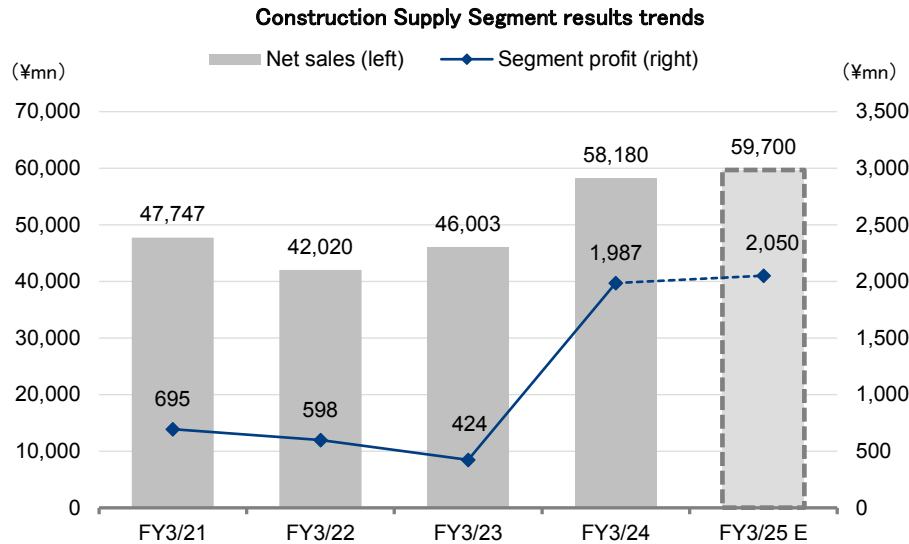
Under the Company’s Medium-term Management Plan, Sustainability V(Value), this segment will work to translate growing demand into business results, specifically in the following areas: functional construction materials and labor-saving construction methods for large distribution warehouses, etc., an area that is expanding against the backdrop of growth in the e-commerce market; disaster prevention measures and improvements to housing functionality; photovoltaic power generation for captive consumption by factories and local governments, etc.; and EV-related materials. Recently, with New Energy Distribution System and Gansui Corporation becoming consolidated subsidiaries, the Company is strengthening and enhancing the functions it provides. In FY 3/25 and beyond as well, the Company will focus on expanding results while clarifying domains where strategic investment will be executed.

**Future-looking business in the Construction Supply Segment**



Source: Reprinted from the Company’s Medium-term Management Policy Sustainability V(Value) Updated Version

Outlook



Note: The Company changed its organization as of April 1, 2023, so results figures for FY3/23 are based on categories after the change.

Also, figures for FY3/24 and FY3/25 are after the recombination into new segments.

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

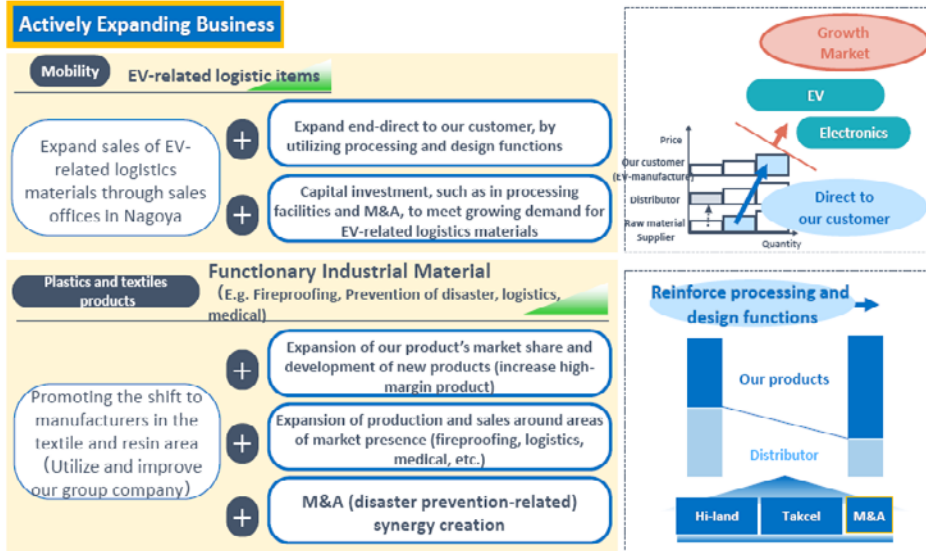
**(2) Industrial Materials Segment**

Net sales are forecast to increase 2.4% YoY to ¥17,600mn and segment profit to grow 4.7% to ¥750mn. The Company plans to expand results by strengthening sales in target domains like automobiles, medical and construction and by strengthening manufacturing functions. In particular, in plastic-related materials, with the auto industry, the Company's customer, transitioning to the electric vehicle market, the Company will aim to expand results by providing products that precisely capture changes in the market, starting with logistics materials for EVs. In addition, in textile-related materials, demand in the apparel industry is expected to continue to stagnate due to the weak yen, so a tough market environment is predicted. Amid such conditions, the Company will maintain and expand results by providing customers with high value-added solutions, such as OEM.

Under the Company's Medium-term Management Plan, Sustainability V(Value), this segment will work to grow business results by accurately identifying the needs of diverse customers, specifically in the areas of EV-related logistics materials and functional industrial materials (fireproof, disaster prevention, logistics, and medical related). Takashima Industries Co., Ltd. was established as a new subsidiary in April 2024 and it will take control of the Company's Industrial Materials Segment. This is aimed at increasing competitiveness by building a new governance system to accommodate the frequently changing business environment, enhance organic ties with Group companies affiliated with the Industrial Materials Segment, and, further, to work to speed up decision making and flexibly invest human resources in mainstay businesses. With establishment of the new company, the quality and speed of strategic investment in the segment is expected to further increase.

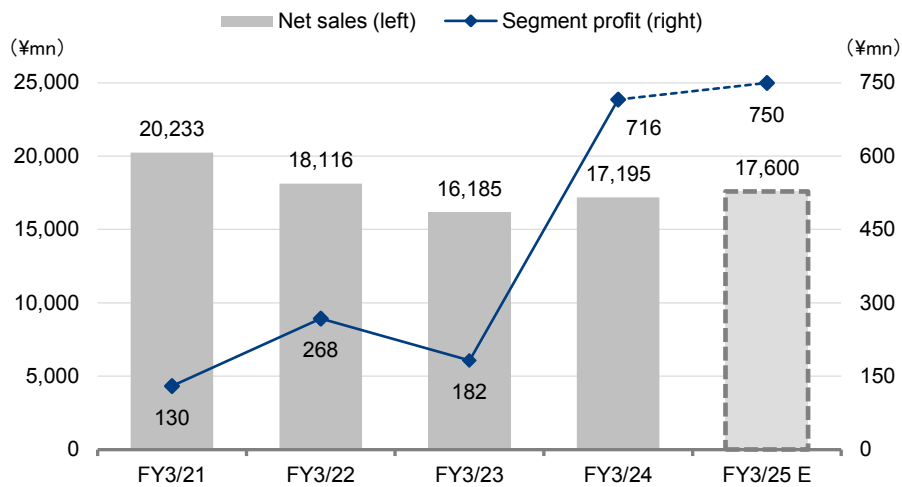
Outlook

Actively expanding business in the Industrial Materials Segment



Source: Reprinted from the Company's Medium-term Management Policy Sustainability V(Value) Updated Version

Industrial Materials Segment results trends



Note: The Company changed its organization as of April 1, 2023, so results figures for FY3/23 are based on categories after the change.

Also, figures for FY3/24 and FY3/25 are after the recombination into new segments.

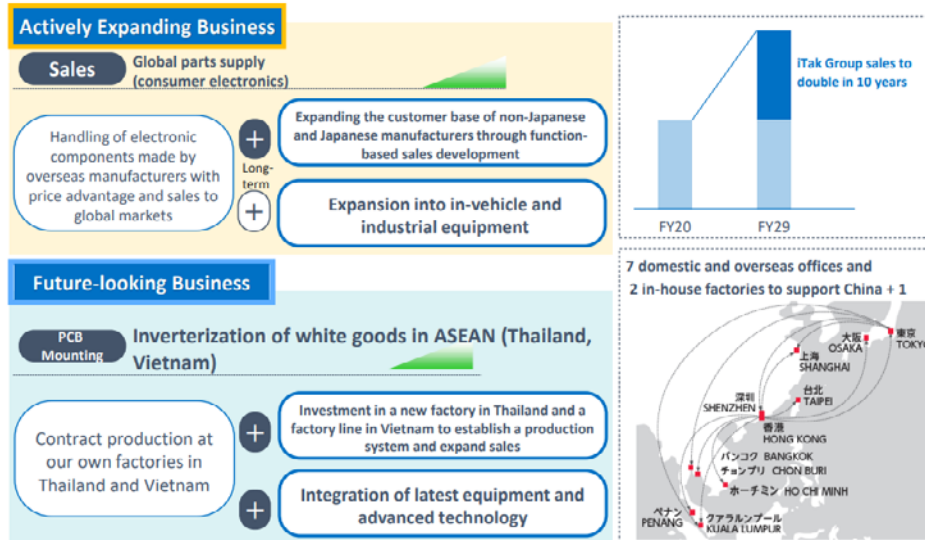
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Outlook

**(3) Electronic Devices Segment**

Net sales are forecast to increase 12.9% to ¥16,700mn and segment profit to rise 15.0% to ¥500mn. The semiconductor shortage problem was eliminated, but the long-term slump in the consumer electronics market has meant an increase in product inventories, and lengthening lead times has made it impossible to clear out surplus parts inventory, so difficult market conditions are expected to continue. Even amid such conditions, the Company will reinforce the basics, which are to deliver the high-quality electronic devices demanded by customers by their predetermined delivery dates. With the market stagnating, some competitors are entering the market armed with a low-price strategy. With the keywords of technology and quality, the Company plans to further burnish its traditional strengths and secure an appropriate profit level. In addition, under the new Medium-term Management Plan, Sustainability V(Value), the Company will provide devices for energy savings to customers at the global level and thereby contribute to the realization of a sustainable society. In addition, it will appropriately strengthen its production system through investment in factories in Thailand and Vietnam.

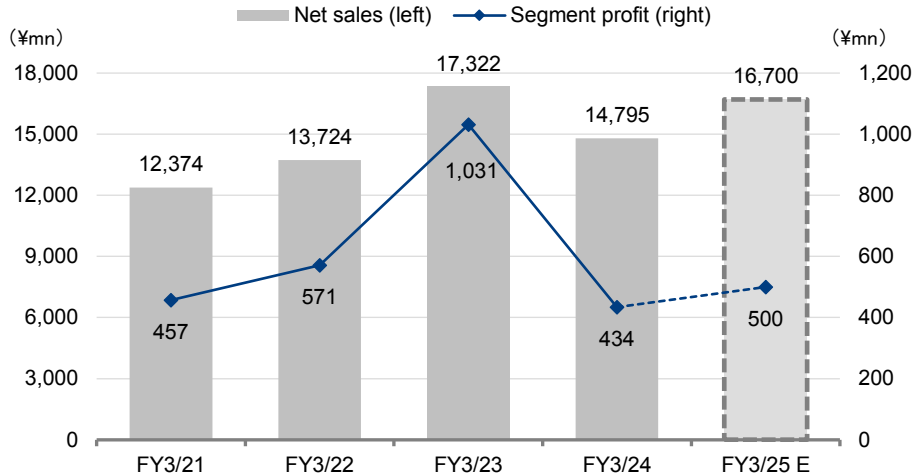
**Areas of focus in the Electronics Devices Segment**



Source: Reprinted from the Company's Medium-term Management Policy Sustainability V(Value) Updated Version

Outlook

Electronic Device Segment results trends



Note: Figures for FY3/24 and FY3/25 are after the recombination into new segments.  
 Source: Prepared by FISCO from the Company's financial results and results briefing materials

## The medium- to long-term growth strategy

**Met all continued-listing criteria for the Prime Market one year in advance. Will continue to focus on management that is aware of capital costs and the share price and will aim for final profit of ¥1.9bn and ROE of at least 8% in FY3/26**

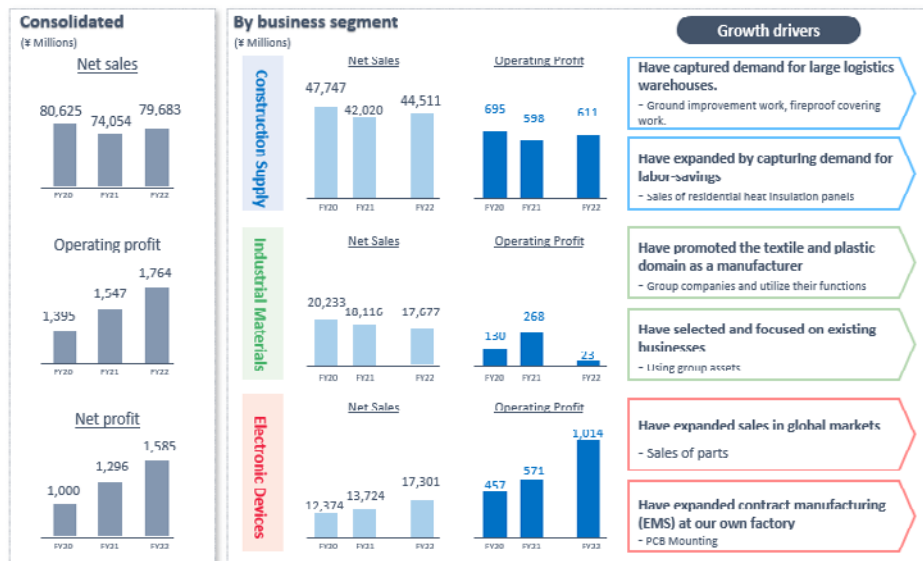
### 1. Medium-term Management Plan

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,” “Secure strong cost competitiveness through increased productivity,” and “Strengthening corporate governance.” At the same time, it has also focused on converting its business structure and portfolio in order to establish a foundation for growth in the long term.

The medium- to long-term growth strategy

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

Progress of Sustainability X (Cross)



Source: Reprinted from the Company's Medium-term Management Policy Sustainability V(Value) Updated Version

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(Value), which extends from FY3/24 to FY3/26. In the very long-term, the Company's goal is to achieve a carbon neutral society by 2050, and it aims to simultaneously adapt to a sustainable society and achieve sustainable growth through value creation by capturing market growth opportunities.

The medium- to long-term growth strategy

Growth image of Sustainability V (Value)



Source: Reprinted from the Company's Medium-term Management Policy Sustainability V(Value) Updated Version

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

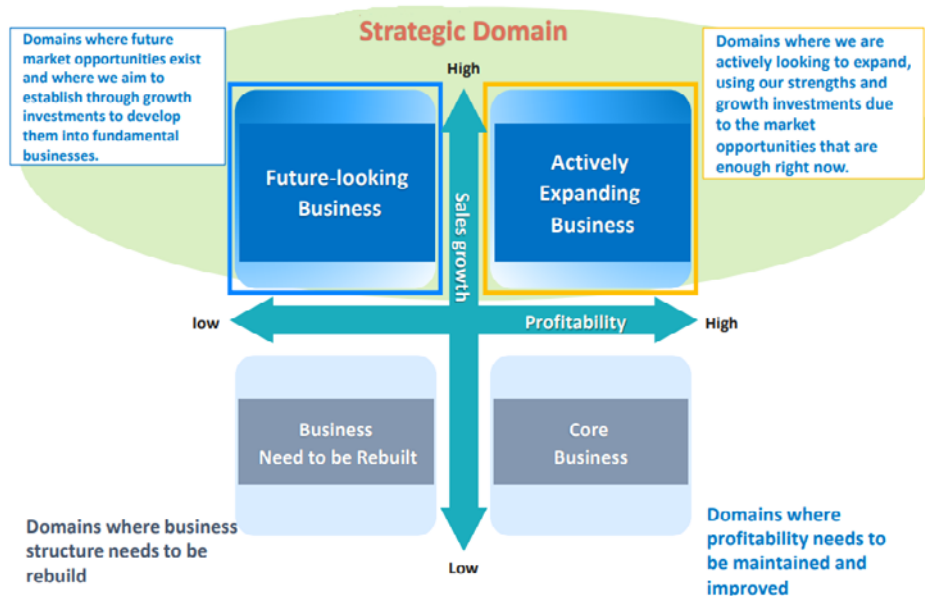
In addition, the Company has established a growth investment quota of ¥15.0bn. The Company has determined strategic investment areas by classifying each business on the two axes of sales growth rate (potential) and profitability (operating profit). Specifically, the Company will focus its investments on the domains of Actively Expanding Business, where it is actively looking to expand, using its strengths and growth investments, and Future-looking Business, where medium- to long-term market opportunities exist and where it aims to establish them through growth investments to develop them into future fundamental businesses. In addition to M&A aimed at strengthening and diversifying its business portfolio, the Company will invest in plants and facilities, human resources, and IT. The Company has also upwardly revised its growth investment quota. In its initial plan, this quota was set at over ¥10.0bn, but as of the end of 1H FY3/24, it had already invested ¥8.95bn and it is seeing smooth progress, so it has further raised its growth investment target. Going forward, it will actively invest in the investment areas it has determined while maintaining an awareness of the cost of capital.

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



The medium- to long-term growth strategy

Business portfolio management and strategic investment approach



Source: Reprinted from the Company's Medium-term Management Policy Sustainability V(Value) Updated Version

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

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

In order to meet the continued-listing criteria for the TSE Prime Market by the end of FY3/26, the Company has oriented itself to target converting from implementing solid management as it had done up to the present time to becoming a sustainable-growth company by conducting strategic investment. In November 2022 and again in December 2023, the Company upwardly revised its numerical targets in this planning document to aim for profit attributable to owners of parent of ¥1.9bn (up ¥400mn from the initial forecast), ROE of at least 8.0%, ROIC of at least 6.0%, a tradable shares market capitalization of at least ¥10.0bn, and a daily average trading value of at least ¥20mn by FY3/26. In addition, it was decided that transitional measures for continued listing criteria will end on March 31, 2025, so in May 2023 the Company decided to move forward the date by which it plans to meet the criteria for tradeable shares market capitalization to March 31, 2025. As discussed previously, with the Medium-term Management Plan as the foundation, the Company was able to steadily promote a growth strategy with an awareness of capital costs, which led it to complete all criteria for continued listing one year ahead of time. Going forward, the Company will continue to focus on raising return on capital and increasing corporate value from the perspectives of capital allocation policy, pursuing sustainable profit growth through investment returns, enriching shareholder returns, establishing an IR system, and complying with Japan's Corporate Governance Code.

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

As a result of its business activities up to the present time, the Company's financial base is currently stable, so it plans to generate profits and enhance returns to shareholders through investments that utilize external funds, including interest-bearing debt. Specifically, it will secure an investment framework of ¥15.0bn. While remaining aware of ROIC, its policy is to conduct investments including in equipment, human resources, and IT systems, mainly in its strategic domains (Future-looking Business and Actively Expanding Business); to allocate funds to M&A in peripheral areas and function enhancement of each business; and to adopt a strategic approach to business opportunities with an eye to business structural reforms and the arrival of the carbon neutral society in the future. Under this policy, in April 2022 the Company began a collaboration with Nissan Used Car Center Co., Ltd. for sales of used EV and V2H. In December 2022, the Company made New Energy Distribution System and Sinbou Edix into subsidiaries. In addition, most recently, Gansui Corporation was made a subsidiary in June 2023. With a history of nearly 60 years, Gansui has established a position as a leading company in the Chugoku and Shikoku regions, Okayama Prefecture in particular, pivoting on high-level technologies and services based on advanced specialization in foundation reinforcement and ground improvements in the housing market, where the market is expected to continue to be solid, and the non-housing market, where stable growth is expected. By acquiring Gansui, the Company is planning to generate synergies through cooperation in various fields, specifically ground improvement work for large distribution warehouses, which the Company has positioned as an Actively Expanding Business in Construction Supply Segment under its Medium-term Management Plan, Sustainability V(Value). Even for the full year of FY3/24, these acquired companies contributed to expanding results, and executing M&A in strategic areas likely led to topline growth and higher profitability.

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). Under this policy, regarding shareholder returns in FY3/24, the total payout ratio was 40.4% and the consolidated payout ratio was 22.0%. The total payout ratio and consolidated payout ratio were below target levels, but this was partially due to recording extraordinary income from the transfer of fixed assets in January 2024, and there has been no change in the Company's stance toward emphasizing shareholder returns. Actually, in December 2023, the Company made the decision to acquire treasury stock up to ¥800mn and completed the acquisition as of May 8, 2024.

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.” In January 2022 it newly established the IR and PR Unit, which is conducting activities including holding meetings for investors and participating in investor events. Also, since FY3/22 it has been disclosing the financial results summary report, the financial results briefing materials, shareholder newsletters, and the integrated report in both Japanese and English. In addition, in June 2022 the Company updated its website. It is also working to enhance activities by, for instance, participating in various online seminars to give briefings about the Company to bolster communication with 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 and labor saving, while it also established the Sustainability Committee (in January 2022) in order to further evolve its management to respond to the Sustainable Development Goals (SDGs). In addition, it plans disclosure in a form that complies with the Task Force on Climate- Related Financial Disclosures (TCFD) on linking each of the targets in the SDGs to the Company’s own businesses and on risks and earnings opportunities for the Company’s businesses in relation to climate change, and it disclosed content relating to these items in the integrated report published in June 2022. It has also introduced a platform for the electronic exercise of voting rights and has started to publish all of its disclosure materials in English. It has upheld a basic shareholdings policy to not hold strategic holding shares if there is no rational reason to do so, and the Company is actively selling these shares. It has established a target for the reduction of strategic holding shares to a level of less than 10.0%. In addition, in December 2023, the Company updated the Medium-term Management Plan to further strongly promote management with an awareness of capital cost and share price. Regarding the ratio of cross-shareholdings to net assets, as of the end FY3/24, it was less than 10.0%, a level that is generally in line with the target. This was partially caused by the prices of shares held by the Company going up as the stock market overall has been increasing. There is no change in the Company’s policy of reducing cross-shareholdings and raising capital productivity, and going forward it intends to reduce cross-shareholdings.

As a result of firmly conducting these activities, as of March 31, 2024, the number of tradeable shares was 109,247 units, the tradeable shares market capitalization was ¥14.37bn, the ratio of tradeable shares was 61.5%, and the daily average trading value was ¥7,180mn (as of December 31, 2023). All of these figures meet the standards.

The medium- to long-term growth strategy

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

	No. of tradable shares	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 <sup>*1</sup>	27,185 units	¥4.79bn	59.7%	¥6.83mn
	As of March 31, 2022 <sup>*2</sup>	27,058 units	¥6.34bn	60.1%	¥12.06mn (As of December 31, 2021)
	As of March 31, 2023 <sup>*1</sup>	28,236 units	¥8.24bn	63.2%	¥33.32mn (As of December 31, 2022)
	As of March 31, 2024 <sup>*1</sup>	109,247 units	¥14.37bn	61.5%	¥71.80mn (As of December 31, 2023)
Continued-listing criteria for the TSE Prime Market	20,000 units or higher	¥10.0bn or more	35% or higher	¥20mn or more	
Compliance status as of March 31, 2024	Met	Met	Met	Met	
Plan period described in the initial plan		End of March 2026		End of March 2026	

<sup>\*1</sup> The Company's conformance status is calculated based on the distribution of the Company's shares, etc. ascertained by the Tokyo Stock Exchange as of the date of record.

Daily average trading value is based on the daily average trading value listed in the Details of Continued Listing Criteria (Trading Value) received from the Tokyo Stock Exchange.

<sup>\*2</sup> Calculated by the Company

Source: Prepared by FISCO from the Company's press releases

## Shareholder return policy

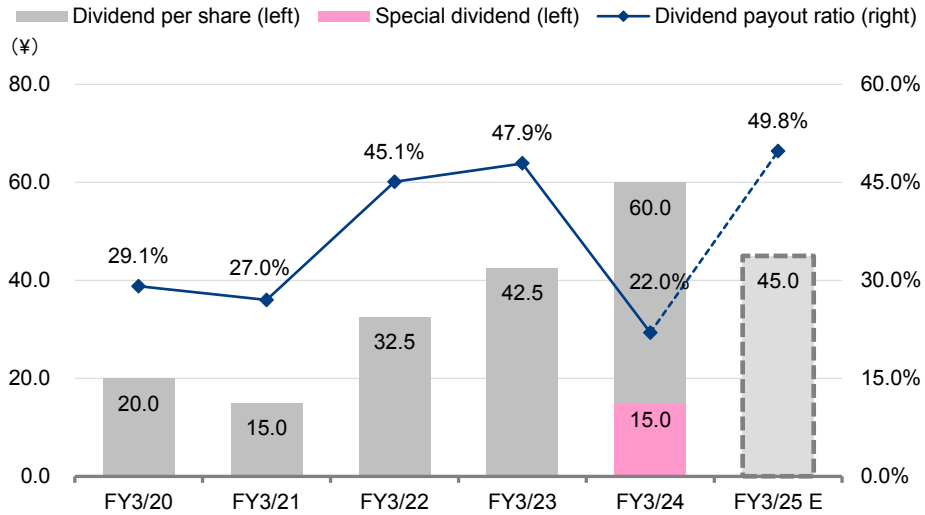
### In FY3/24, large dividend increase from a special dividend, etc. For FY3/25, planning an annual dividend of ¥45.0 per share

The Company recognizes that returning profits to shareholders is an important duty of management. In FY3/24, the Company paid a dividend of ¥60.0 (¥20.0 interim, ¥25.0 year-end, ¥15.0 special dividend). The interim dividend was ¥2.5 higher than the initial dividend forecast because of the favorable performance of the Company in 1H FY3/24. Regarding the year-end dividend as well, a special dividend was paid as a result of recording the sale of non-current assets, so the dividend was ¥15.0 higher than initially forecast. The Company executed a 4-for-1 stock split of the Company's common stock, with October 1, 2023 as the effective date. For FY3/25, the Company is planning an annual dividend of ¥45.0 per share (¥20.0 interim, ¥25.0 year-end).

The Company 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). Shareholder returns in FY3/24 had a total payout ratio of 40.4% and consolidated payout ratio of 22.0%. These results were below the targets, but extraordinary income was recorded related to the transfer of non-current assets in January 2024, which was a factor. When the impact of extraordinary income from this transfer of non-current assets is excluded from profit attributable to owners of parent, then the consolidated dividend payout ratio is around 52.3% and the total payout ratio is around 58.5%, so the Company's policy of enhancing shareholder return remains unchanged.

Shareholder return policy

**Dividend per share and dividend payout ratio**



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



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