COMPANY RESEARCH AND ANALYSIS REPORT

Takashima & Co., Ltd.

8007

Tokyo Stock Exchange Prime Market

31-Jan.-2025

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Contents

Summary

1H FY3/25 net sales up, operating profit down; further strengthening shareholder returns with large increases to dividend payout ratio and total payout ratio targets; forecasts higher net sales and operating profit in FY3/25

Takashima & Co., Ltd. <8007> (hereafter, also “the Company”) operates three business segments*; Construction Supply Segment, Industrial Materials Segment and 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 11 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. Under its Medium-term Management Plan, Sustainability V (Value), Takashima is focusing on transforming itself into a company that generates sustainable growth, driven by strategic investments. The plan calls for return on equity (ROE) of at least 8.0% and return on invested capital (ROIC) of at least 6.0%. Given these targets, we expect the Company to further increase the Group’s corporate value through business and investment activities with an awareness of the cost of capital.

* 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 was eliminated from FY3/25.

1. Results trends

Takashima reported 1H FY3/25 consolidated net sales of ¥46,392mn, up 10.4% year on year (YoY), and operating profit of ¥908mn, down 8.9%. Amid the steady execution of strategies in the Sustainability V Medium-term Management Plan, all three business segments—Construction Supply, Industrial Materials, and Electronic Devices—reported higher sales YoY, lifting consolidated net sales. The Industrial Materials Segment and the Electronic Devices Segment reported higher profits, but the Construction Supply Segment saw a drop in profits. Also, an increase in the number of consolidated subsidiaries due to M&A activity as part of the Company’s strategic investment in earnings growth, led to higher goodwill amortization and other SG&A expenses. Operating profit declined YoY, but each business segment made steady progress overall. The Company is reorganizing its business portfolio in order to improve the Group’s growth rate and profitability. We expect the SG&A ratio to also return to an optimal level as it accelerates the process of allocating management resources to strategic businesses.

The Company’s initial forecast for FY3/25 are unchanged. It forecasts consolidated net sales of ¥94,000mn, up 4.3% YoY, and operating profit of ¥2,000mn, up 14.4%. It sees higher sales and profits in all three business segments—Construction Supply, Industrial Materials, and Electronic Devices. In the Construction Supply Segment, profits were lower YoY at the end of 1H, but heading into the end of FY3/25, the Company intends to build up profits by focusing on securing orders for high-margin projects. In other segments, the Company also aims to achieve its forecasts by increasing sales and profits while rolling out the strategies in the Medium-term Management Plan. Additionally, the Company raised its targets for the dividend payout ratio to at least 80% and the total payout ratio to 100%. This measure, which is for a two-year period only, is designed to sustainably lift corporate value by improving capital efficiency and increasing shareholder returns. It aims to enhance corporate value by simultaneously pursuing sustainable earnings growth through increased investment and improving shareholder returns.

2. Medium-term Management Plan

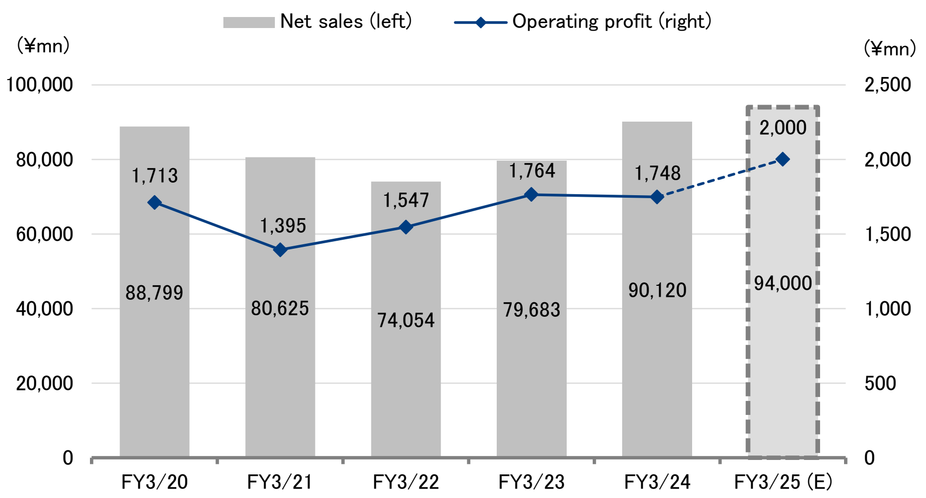
In December 2020, the Company announced Sustainability X (Cross), its Medium-term Management Plan with FY3/23 as its final fiscal year. Under this plan, while continuing to be based on the basic strategies in Sustainability 2020, the previous Medium-term Management Plan, of "DANTOTSU Strategy (Becoming 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 (achieved 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.

Key Points

- 1H FY3/25 net sales up YoY, but profits decline on rise in SG&A expenses due to M&A activity
- Forecasts higher net sales and profits in FY3/25; large hikes to dividend payout ratio and total payout ratio targets
- 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, Industrial Materials Segment, and 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.

Also, the fact that the Company has many business bases both in Japan and globally is an important point for it to provide value to customers. As of September 30, 2024, it has a total of 20 consolidated subsidiaries, 14 in Japan and 6 overseas. It also has many partner factories and partner companies in Japan and Asia, and it supports the businesses of its customers globally. As of March 31, 2024 on a consolidated basis, the Group has 1,162 employees and paid-in capital of ¥3,801mn.

History

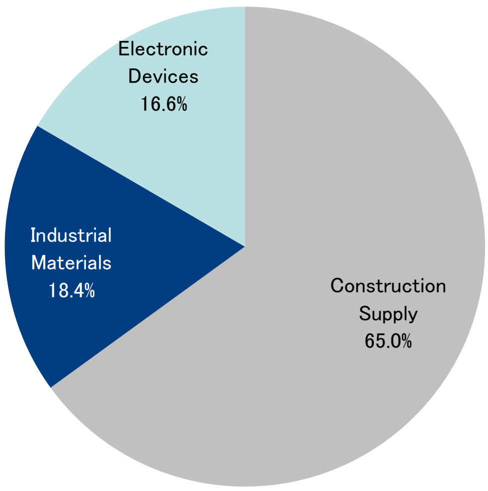
Date	Event
October 1915	Mr. Kotakichi Takashima founded Takashimaya Shoten Unlimited Partnership with paid-in capital of 10,000 yen. It mainly sold textile materials
December 1931	Reorganized as Takashimaya Shoten Co., Ltd. with paid-in capital of 500,000 yen
May 1949	Listed on the Tokyo Stock Exchange
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 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 the shares of New Energy Distribution System Inc. (currently a consolidated subsidiary) Acquired all the shares of Sinbou Edix Co., Ltd. (currently a consolidated subsidiary)
June 2023	Acquired all the shares of Gansui Corporation (currently a consolidated subsidiary)
January 2024	Takashima Industries Co., Ltd. established
March 2024	Met all criteria for continued listing on TSE Prime Market

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

2. Business description

The Company has three business segments; the Construction Supply Segment, the Industrial Materials Segment, and the Electronic Devices Segment. The percentage of total net sales by segment in 1H FY3/25 was that the Construction Supply Segment provided 65.0%, the Industrial Materials Segment 18.4%, and the Electronic Devices Segment 16.6%. The Company designs distribution channels in accordance with customer needs and covering a wide range of areas, from planning and design in the value chain processes in the upstream through to support and construction in the downstream, contributing to customers' energy saving and labor saving, and thereby also contributing to the realization of a sustainable society. As for the Real Estate Leasing Segment, with the sale of leased real estate in January 2024, the segment has been eliminated from FY3/25.

Composition of net sales by segment (1H FY3/25)



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

(1) Construction Supply Segment

This is the Company's core business that provides 65.0% of total net sales (as of 1H FY3/25). 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 expected to expand in the future. 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.

a) Construction materials

This business provides customers with various products in line with their needs, including high-performance construction materials (wall materials, fire-resistant coverings, etc.) used primarily in non-residential buildings such as 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	• ALC, extrusion molded cement board • Metal sandwich panels and fire-resistant insulated partitions
Fire-resistant covering materials	• Winding fire-resistant covering materials (Makibee) and fire-resistant calcium silicate boards • Dry fire-resistant materials, ceramic fire-resistant covering materials
Other materials	• TAK systems construction • Tile and stone detachment and fall prevention hardware (HI-TAK bonding method)
Construction method	• Foundation piles (rotary penetration steel pipe piles, various types of ready-made piles) • Ground improvements (columnar and shallow layer methods) • Exposed column base method, and EDO-EPS construction method (lightweight embankment construction method)
Materials	• Decorative formwork for civil engineering and construction • Plastic underground storage/infiltration blocks • Comb-shaped parts for railway platforms
Membranes	• Tent storehouses (Sheet houses, rental tents, telescopic tents, rooftops, mobile tents)
Energy-saving equipment	• LED lighting

Source: Prepared by FISCO from the Company's website

b) Housing materials

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

Main products handled

Exterior wall materials	• Autoclaved lightweight aerated concrete (ALC) • Siding boards
Roofing materials	• Various roofing materials
Disaster prevention-related products	• Anti-seismic and seismic control construction methods for housing
Photovoltaic power systems	• Residential photovoltaic power systems
Energy products	• Storage batteries
All electrification products	• EcoCute devices • Induction cookers • HEMS-related products
Thermal insulation materials	• Various thermal insulation materials
Countertop materials (processing and construction)	• Acrylic artificial marble • Quartz stone • Ceramic stone • Stainless steel • Natural stone
Interior materials	• Wallpaper • Flooring materials • Deck materials • Underlay sheeting
Equipment	• Gas stoves • Range hoods • Dishwashers

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	• Extruded polystyrene foams • High-performance phenolic foams • Rigid polyurethane foams • Glass wool, rock wool, and non-combustible insulating materials
Thermal insulation systems	• Residential thermal panel systems • 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

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 Inc. 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. Also, in August 2024, it established DG Takashima Co., Ltd. as a joint venture with DG Power System Co., Ltd., an operating company of the DG Capital Group Co., Ltd., to promote digital grid technology. The Company has already formed a capital alliance with DG Capital Group to drive uptake of digital grid technology. To further accelerate uptake, Takashima agreed to establish a joint venture with DG Power System, which develops and manufactures digital grid routers. The market for digital grid technology, which will enable the “internet of electricity,” is still in its infancy. Takashima aims to expand earnings by making, supplying, and selling digital grid routers—inverters with grid-forming functions that are expected to see increased demand—aiming to take the market from infancy into the uptake and growth phases.

Main products handled

Photovoltaic power systems	• Industrial photovoltaic power systems • Residential photovoltaic power systems • Solar carport systems
Energy products	• Storage batteries • IoT • V2H
Developed products	• Smart Rack developed by Takashima (photovoltaic power systems rack)
All electrification products	• EcoCute devices • Induction cookers

Source: Prepared by FISCO from the Company’s website

(2) Industrial Materials Segment

This business provided 18.4% of total net sales, 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	• SFC-AS (antistatic) • SFC-FR (non-HBCD flame retardant)
ARCEL Resin series	• ARCEL-ULV • ARCEL-730 • ARCEL-640 (vehicle interior materials)
General-purpose plastics	• Distribution materials overall
High-performance compound resin processed products	• Injection molded trays • Extrusion molded trays • Vacuum formed trays • Foam molded cushioning materials
Motor vehicle-related parts and materials	• Glass, insulation materials • Sound absorbing materials, floor coverings • Structural components (ceilings, luggage racks, air conditioning outlets) • Room fixtures (sleeve partitions, gable table, washroom lighting)

Source: Prepared by FISCO from the Company's website

b) Textile-related materials

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

Main products handled

Textile materials	• Synthetic canvas and non-inflammable membrane materials • Decorative tents and functional fibers for apparel
Textile products	• Container bags and products for the Ministry of Defense • Sign-related, infrastructure-related and road clearing pro
Sales promotion materials	• Wooden racks
Apparel products	• Clothing, shoes, and bags
Motor vehicle-related parts and materials	• Metal processed products and rubber processed products
Products for DIY stores	• Wood products and rubber goods
Environmentally friendly products	• EV chargers, antibacterial and anti-fungal paints • Air conditioning-related products (filters) • Lightweight hanging smoke barriers and membrane ceilings • Interiors and signs
Industrial materials	• Polishing films, polishing cloths, and non-woven fabrics • Road materials, special paints, nonflammable membrane materials, and high-performance fibers
Other products	• Refrigerant gas for air conditioners, freezers, refrigeration equipment, and various other items

Source: Prepared by FISCO from the Company's website

(3) Electronic Devices Segment

This business provides 16.6% of total net sales. It is conducted by the iTak Group centered on iTak (International) Limited that has its headquarters in Hong Kong, and it is composed of the device business, which procures and sells electronic components according to customer needs from manufacturers developing businesses mainly in Asia, and the assembly business, in which the iTak Group functions as the manufacturer, providing electronic manufacturing services (EMS) by mounting components on printed circuit boards. With seven domestic and overseas offices (excluding representative offices) and two in-house factories (in Thailand and Vietnam), 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.

Main products handled

Liquid crystal components	• Mono LCD (TN, STN, FSTN, VA, etc.) • COG modules, backlight modules • TFT displays, OLED displays, touch panels, etc.
Sound components	• ECM microphones, MEMS microphones • MIC board modules, modules with cables • Speakers, receivers, etc.
Electronic components and semiconductors	• Diodes in general, TVS, FET, transistors and analog IC • Electrolytic capacitors and film capacitors • Power relays, latching relays, and communication relays • Transformers, choke coils and LEDs • Infrared light emitting diodes, photodetectors and UV LEDs • Photo-interrupters, terminal blocks, microswitches, connectors, etc.

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

1H FY3/25 net sales up YoY, operating profit down; sales rise in all segments, but profits impacted by higher SG&A expenses; steady progress with measures in Sustainability V (Value) Medium-term Management Plan

1. Overview of the 1H FY3/25 consolidated results

The Company reported 1H FY3/25 net sales of ¥46,392mn, up 10.4% YoY, operating profit of ¥908mn, down 8.9%, ordinary profit of ¥833mn, down 27.6%, and profit attributable to owners of parent of ¥482mn, down 32.0%. Amid the steady rollout of strategies in the Sustainability V Medium-term Management Plan, all three business segments—Construction Supply, Industrial Materials, and Electronic Devices—reported higher sales YoY, lifting consolidated net sales. The Industrial Materials Segment and the Electronic Devices Segment reported higher profits, but the Construction Supply Segment saw a drop in profits. Profits were also impacted by a rise in the number of consolidated subsidiaries due to M&A activity, which led to an increase goodwill amortization and other SG&A expenses. The drop in operating profit largely reflected the impact of M&A, which the Company is implementing under its Medium-term Management Plan, but underlying business performance was broadly firm. The Company is reorganizing its business portfolio in order to improve the Group's growth rate and profitability. Against this backdrop, we expect the SG&A ratio to also return to an optimal level over the medium to long term. Ordinary profit was impacted by an increase in foreign exchange losses due to weaker local currencies in countries where overseas subsidiaries are located, while the decline in profit attributable to owners of parent reflected the absence of the gain on sales of investment securities booked as extraordinary income in 1H FY3/24.

As of end-1H FY3/25, progress rates versus full-year forecasts were 49.4% for net sales, 45.4% for operating profit, 41.7% for ordinary profit, and 30.2% for profit attributable to owners of parent. While the progress rate for profit attributable to owners of parent is slightly lower than expected, this mainly reflects the absence of sales of strategic holding shares. The progress rate for operating profit is largely on track. Takashima aims to achieve its full-year forecasts by ensuring each business works to build up profits heading into the end of the fiscal year. The Company also has a policy of reducing strategic holding shares to less than 10.0% of net assets. Given this policy, we see a high likelihood that it will dispose some of these shares before the end of the fiscal year.

1H FY3/25 consolidated results

(¥mn)

	1H FY3/24		1H FY3/25		YoY	
	Result	% of sales	Result	% of sales	Change	Change rate
Net sales	42,010	-	46,392	-	4,381	10.4%
Construction Supply	26,315	62.6%	30,178	65.1%	3,863	14.7%
Industrial Materials	8,205	19.5%	8,547	18.4%	341	4.2%
Electronic Devices	7,412	17.6%	7,682	16.6%	270	3.6%
Adjustment	-11		-15		-4	-
Gross profit	5,869	14.0%	6,291	13.6%	422	7.2%
Operating profit	998	2.4%	908	2.0%	-89	-8.9%
Construction Supply	972	3.7%	670	2.2%	-302	-31.1%
Industrial Materials	341	4.2%	441	5.2%	99	29.3%
Electronic Devices	205	2.8%	363	4.7%	157	76.8%
Adjustment	-573		-566		7	-
Ordinary profit	1,151	2.7%	833	1.8%	-317	27.6%
Profit attributable to owners of parent	709	1.7%	482	1.0%	-226	-32.0%

Note: Also conducts the Real Estate Leasing Segment, which is omitted in this report due to its small scale
Note: Adjustments to net sales are intersegment transactions, while adjustments to segment operating profit are intersegment transactions and corporate expenses unallocated to reportable segments.
Note: "% of sales by segment" for operating profit is the operating margin.
Source: Prepared by FISCO from the Company's financial results

Results by segment were as follows.

(1) Construction Supply Segment

Net sales increased 14.7% YoY to ¥30,178mn and segment profit declined 31.1% to ¥670mn. Within this, net sales in the construction materials field surged 37.2% to ¥17,708mn. In this field, the top line was boosted by the acquisition of a large property and by six months of results from Gansui, compared with only two months in 1H FY3/24 after it became a consolidated subsidiary in June 2023.

However, in the insulation materials field, net sales contracted 12.8% YoY to ¥4,309mn, reflecting the sluggish housing market in Japan. Sales have fallen temporarily due to market conditions, but demand for insulation materials is likely to remain strong on the back of government measures to promote the uptake of energy-efficient housing. The Company plans to continue focusing on increasing sales of insulation materials, which are key to the promotion of energy-efficient housing.

In the renewable energy materials field, which has been positioned as a Future-looking Business in the Medium-term Management Plan, net sales dropped 3.9% to ¥6,535mn. This drop in sales mainly reflected a review of target customers in order to improve the efficiency of sales activities. Specifically, to improve efficiency, sales to major customers will be handled by the Takashima parent company, while sales to small- and medium-sized (SME) customers will be conducted by Group companies. This change has resulted in a temporary decline in sales, but the Company now has a business structure to efficiently grow the top line and build up profits. Amid growing need in society for renewable energy, we believe the conditions are now in place for the business to expand efficiently.

Profits were impacted by the sluggish housing market, which affected newly consolidated subsidiary Gansui, and by some low-margin projects. While Gansui is making steady progress with post-merger integration (PMI) in areas such as joint sales activities with Takashima, it was hit hard by the weak operating environment.

(2) Industrial Materials Segment

Net sales increased 4.2% YoY to ¥8,547mn and segment profit rose 29.3% to ¥441mn. Within this, net sales in the textile-related materials field increased 11.2% to ¥4,049mn. A recovery in heavy-duty cloth products, particularly materials for trucks, and increased demand for supplies to the Ministry of Defense contributed to sales growth. However, net sales in the plastics-related materials field declined 1.5% YoY to ¥4,497mn. In the EV-related logistics materials and medical-related fields—two areas positioned in the Actively Expanding Business in the Medium-term Management Plan—the Company steadily developed new customers by using its ability to identify and meet customer specifications in sales activities. However, the sale of Takashima Robot Marketing Co., Ltd. in April 2024 weighed on sales. In April 2024, amid a rapidly changing operating environment, the Company established Takashima Industries to accelerate decision-making and efficiently allocate management resources in this business segment. This move, along with the sale of Takashima Robot Marketing, was part of a wider realignment of the Group's business portfolio. While the sale of Group companies had a temporary impact on net sales, the Company is making steady progress in channeling management resources into strategic areas of the business portfolio. Using this approach, it aims to more efficiently increase net sales and grow profits over the medium and long term.

Profits in the Industrial Materials Segment increased overall, supported by the textile-related materials field, which posted higher profits on the back of sales growth.

(3) Electronic Devices Segment

Net sales increased 3.6% YoY to ¥7,682mn and segment profit rose 76.8% to ¥363mn. Within this, sales in the devices field rose 5.0% to ¥3,305mn and sales in the assembly field increased 2.8% to ¥4,373mn. Although conditions remained challenging in Japan's consumer electronics equipment and white goods markets, the industry as a whole made progress in destocking inventories of products that built up after the pandemic, which reduced inventory levels and contributed to higher sales and profits in this business. Segment profit jumped 76.8% YoY, mainly driven by parts destocking.

2. Financial condition

Total assets as of end-1H FY3/25 were ¥56,288mn, down ¥4,120mn from the end of the previous fiscal year. Of this amount, current assets declined ¥4,834mn to ¥39,043mn. This was mainly attributable to decreases of ¥3,312mn for cash and deposits and ¥1,470mn for notes and accounts receivable - trade, and contract. Non-current assets increased ¥713mn to ¥17,245mn, mainly reflecting increases of ¥445mn for investment securities and ¥482mn for other non-current assets, outweighing a decline of ¥304mn for goodwill.

Total liabilities decreased ¥4,626mn from the end of the previous fiscal year to ¥32,204mn. Of this amount, current liabilities decreased ¥4,607mn to ¥27,741mn. This largely reflected declines of ¥2,152mn for notes and accounts payable - trade and ¥2,077mn for income taxes payable. Non-current liabilities fell ¥18mn to ¥4,462mn, mainly due to a decrease of ¥188mn for long-term borrowings, outweighing an increase of ¥178mn for other non-current liabilities. Total net assets increased ¥505mn to ¥24,084mn. The main factors were a decrease of ¥692mn in retained earnings due to dividends paid, an increase of ¥482mn in retained earnings from profit attributable to owners of parent, an increase of ¥638mn for foreign currency translation adjustment, and an increase of ¥301mn for valuation difference on available-for-sale securities.

Regarding stability, the equity ratio was 42.8% (39.0% at the end of the previous period), the current ratio was 140.7% (135.6%), and the non-current ratio was 71.6% (70.1%). The non-current ratio deteriorated slightly from the end of the previous fiscal year, but remains at a healthy level. The current ratio improved from the end of the previous fiscal year. Both the non-current and current ratios are at a healthy level, in our view, with no issues with short- and long-term liquidity. The slight deterioration in the non-current ratio reflects the Company's steady implementation of its basic strategy, which includes active strategic investment designed to increase corporate value. Based on this, we believe the Company is maintaining financial health while actively investing in future growth. The equity ratio improved from the end of the previous fiscal year and is not at a problematic level, in our view.

Consolidated balance sheet and management indicators

(¥mn)

	FY3/24	1H FY3/25	Change
Current assets	43,877	39,043	-4,834
Cash and deposits	12,371	9,058	-3,312
Non-current assets	16,531	17,245	713
Property, plant and equipment	4,762	4,824	61
Intangible assets	6,609	6,280	-329
Investments and other assets	5,159	6,140	981
Total assets	60,409	56,288	-4,120
Total liabilities	36,830	32,204	-4,626
Current liabilities	32,349	27,741	-4,607
Non-current liabilities	4,481	4,462	-18
Total net assets	23,578	24,084	505
Retained earnings	16,898	16,645	-253
Total liabilities and net assets	60,409	56,288	-4,120
[Stability]			
Equity ratio	39.0%	42.8%	3.8pp
Current ratio	135.6%	140.7%	5.1pp
Non-current ratio	70.1%	71.6%	1.5pp

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

In 1H FY3/25, net cash used in operating activities was ¥1,243mn. The main factors were cash provided from profit before income taxes, and cash used for income taxes paid and for decrease in trade payables. Net cash used in investing activities was ¥728mn, largely attributable to cash used for loan advances. Net cash used in financing activities was ¥1,632mn, mainly due to dividends paid and repayments of long-term borrowings.

Consolidated cash flow statement

(¥mn)

	1H FY3/24	1H FY3/25	Change
Cash flow from operating activities	-124	-1,243	-1,118
Cash flow from investing activities	-4,167	-728	3,439
Cash flow from financing activities	2,052	-1,632	-3,685
Net increase/decrease in cash and cash equivalents	-2,083	-3,291	-1,208
Cash and cash equivalents at end of period	5,688	9,033	3,345

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

Outlook

For FY3/25, expecting higher sales and higher profit; further strengthening shareholder returns with large increases to dividend payout ratio and total payout ratio targets

The Company's initial forecast for FY3/25 is unchanged. It forecasts consolidated net sales of ¥94,000mn, up 4.3% YoY, operating profit of ¥2,000mn, up 14.4%, ordinary profit of ¥2,000mn, down 0.2%, and profit attributable to owners of parent of ¥1,600mn, down 66.9%. It sees higher sales and profits in all three business segments—Construction Supply, Industrial Materials, and Electronic Devices. In the Construction Supply Segment, profits were lower YoY as of end-1H, but heading into the end of FY3/25, the Company intends to build up profits by focusing on securing orders for high-margin projects. Net sales are tracking well against the full-year forecast, supported by orders for large-scale projects and a full six months of earnings from acquired company Gansui. In other segments, the Company also aims to achieve its forecasts by increasing sales and profits while rolling out the strategies in the Medium-term Management Plan. The forecast for a steep 66.9% YoY decline in profit attributable to owners of parent reflects the absence of extraordinary income on the sale of non-current assets booked in FY3/24, but the Company expects underlying business to remain firm. As of the end of 1H, progress rates against full-year net sales and profit forecasts were 50.6% and 32.7%, respectively, for the Construction Supply Segment, 48.6% and 58.9% for the Industrial Materials Segment, and 46.0% and 72.7% for the Electronic Devices Segment. The progress rate for segment profit in the Construction Supply Segment was lower than expected due to the reasons noted earlier, but performance was broadly firm in other businesses.

Although profit attributable to owners of parent is expected to decline sharply due to the absence of extraordinary income, under the Sustainability V (Value) Medium-term Management Plan, the Company is making steady progress with various measures aimed at expanding earnings and increasing corporate value. Specifically, Takashima has been taking a number of steps to grow the top line and improve profitability: implementing M&A (New Energy Distribution System, Sinbou Edix, Gansui); expanding earnings in existing businesses, particularly in strategic fields; reorganizing the industrial materials business with the establishment of Takashima Industries; and setting up joint venture DG Takashima as part of its Future-looking Business. In addition, to improve capital efficiency, the Company has reviewed asset allocation, including selling strategic holding shares and non-core real estate assets, and increased its budget for growth investment from ¥7.0bn to ¥15.0bn. It is also actively working to boost shareholder returns. In August 2024, it raised its targets for the dividend payout ratio and total payout ratio to at least 80% and 100%, respectively, for a limited two-year period (previous targets were at least 40% and 50%, respectively). Along with improved capital efficiency due to the steady rollout of these measures, we also see increased potential for earnings growth.

FY3/25 consolidated results outlook

(¥mn)

	FY3/24		FY3/25		YoY	
	Result	% of sales	Result	% of sales	Change	Change rate
Net sales	90,120	-	94,000	-	3,879	4.3%
Construction Supply	58,180	64.6%	59,700	63.5%	1,519	2.6%
Industrial Materials	17,195	19.1%	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%
Adjustment	-1,472	-	-1,300	-	-172	-11.7%
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%

Note: FY3/24 results are figures after recombination into the new segments.
Note: Also conducts the Real Estate Leasing Segment, which is omitted in this report due to its small scale
Note: "% of sales by segment" for operating profit is the operating margin.
Source: Prepared by FISCO from the Company's results briefing materials

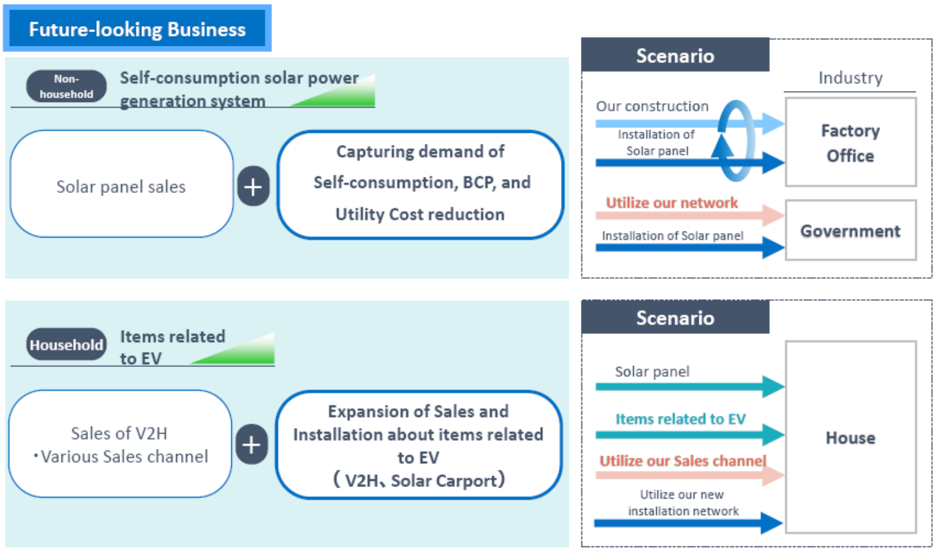
The Company's forecasts for each segment are as follows.

(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. Although the progress rate for segment profit was slightly lower than expected as of end-1H, the Company aims to build up profits heading into the end of the fiscal year by focusing on winning orders for high-margin properties. It expects the residential-related market to remain sluggish for the remainder of the fiscal year. Despite this backdrop, the Company aims to grow earnings by further leveraging its ability to identify and meet customer specifications in sales activities, particularly in the non-residential market, to offset weakness in the residential market. It also plans to drive earnings by actively seeking synergies with Gansui. In the renewable energy materials field, there is currently considerable uncertainty around the outlook for the EV market, but the Company will focus on expanding sales of solar power generation systems and storage batteries, which have been positioned in the Future-looking Business. Solar power generation systems and storage batteries account for a higher share of sales in renewable energy materials than EV-related products. Due to this sales mix, we do not expect the uncertain outlook for the EV market to have a major impact on segment earnings.

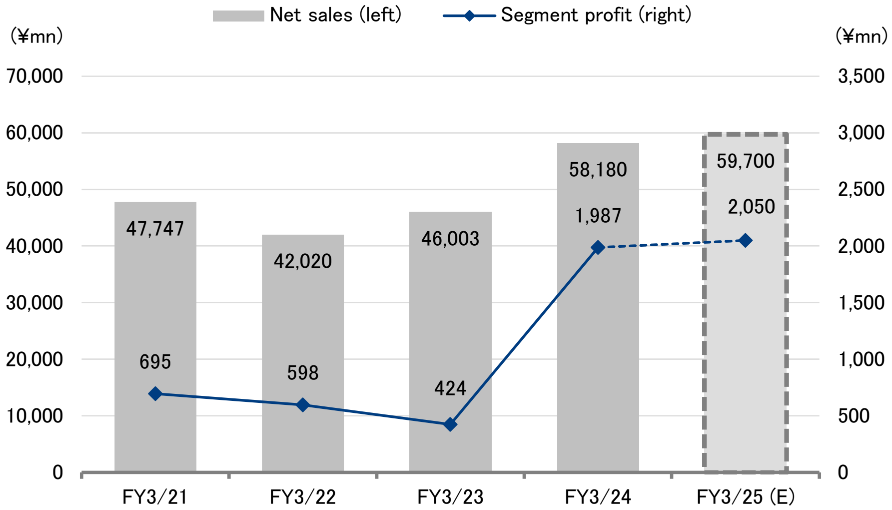
Under the Company's Medium-term Management Plan, Sustainability V (Value), this segment will work to translate growing demand into business results, specifically in the following areas: functional construction materials and labor-saving construction methods for large distribution warehouses, etc., an 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 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

Construction Supply Segment results trends



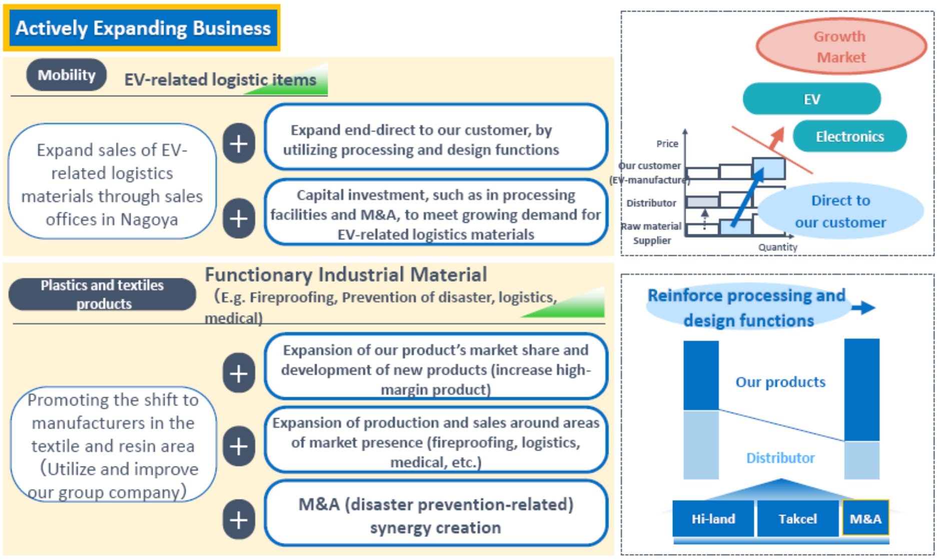
Note: The Company changed its organization as of April 1, 2023, so results figures for FY3/23 are based on categories after the change.
Also, figures for FY3/24 and FY3/25 are after the recombination into new segments.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

(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. As of end-1H, progress versus full-year forecasts was 48.6% for net sales and 58.9% for segment profit. The Company expects earnings to remain firm through to end-FY3/25. Heading into the end of the fiscal year, the Company aims to continue growing earnings by reinforcing sales activities and improving manufacturing functions in target areas such as autos, medical care, and construction. A recovery in truck materials and strong demand for defense equipment-related products are also likely to help the segment achieve its forecasts. In particular, Japan's defense spending has been rising in recent years amid heightened geopolitical risk worldwide. Against this backdrop, we expect solid sales of textile products to the Ministry of Defense.

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. As noted above, under the new company, the segment is accelerating efforts to channel management resources into strategic areas of the business portfolio. We expect this to further increase the quality and speed of strategic investments in this segment heading into the end of the fiscal year.

Actively expanding business in the Industrial Materials Segment



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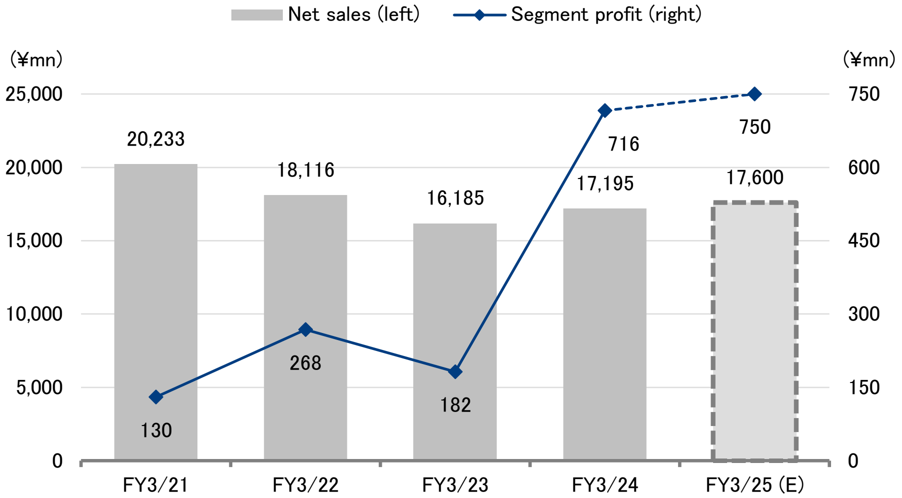
Industrial Materials Segment results trends

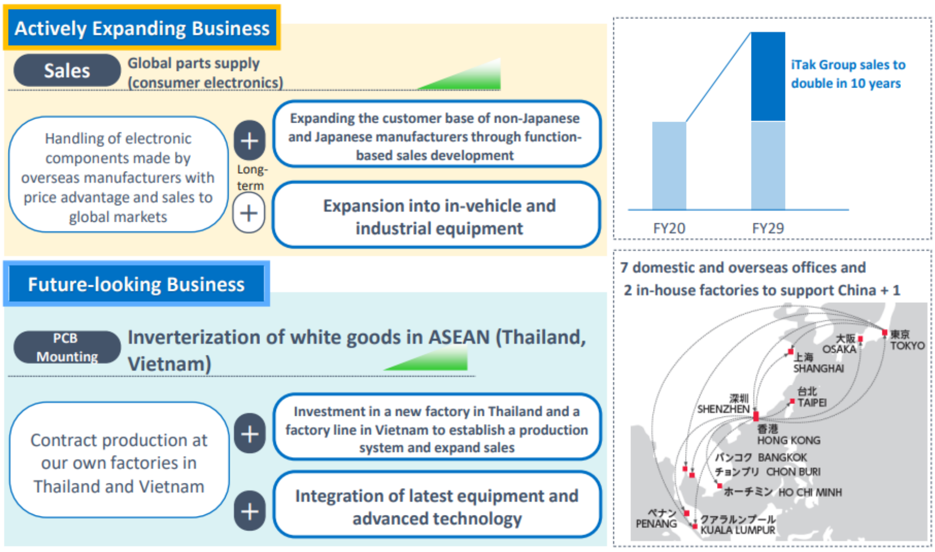


Note: The Company changed its organization as of April 1, 2023, so results figures for FY3/23 are based on categories after the change.
Also, figures for FY3/24 and FY3/25 are after the recombination into new segments.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

(3) Electronic Devices Segment

Net sales are forecast to increase 12.9% to ¥16,700mn and segment profit to rise 15.0% to ¥500mn. While conditions in Japan's consumer electronics and white goods markets remain challenging, there are some positive signs for the market outlook, including progress with destocking product inventories that built up due to the prolonged slump in the consumer electronics market. Against this backdrop, the Company will continue to rigorously adhere to its basic principle of delivering the high-quality electronic devices demanded by customers by their predetermined delivery dates. In particular, ahead of the inauguration of the new US President, the Company is likely to see an increase in business inquiries about its plants in Thailand and Vietnam, which are part of its China plus one strategy. One of the Company's basic policies under Sustainability V (Value) is to strengthen its manufacturing system and expand sales by increasing investment in its plants in Thailand and Vietnam. With needs expected to expand going forward, the Company aims to increase earnings by making appropriate investments in plants and strengthening sales and marketing, while also closely monitoring the changing needs of its customers. New competitors are also entering the market using a low-cost strategy. The Company intends to generate appropriate profits by further refining its existing strengths, with technology and quality being the key focus.

Areas of focus in the Electronics Devices Segment



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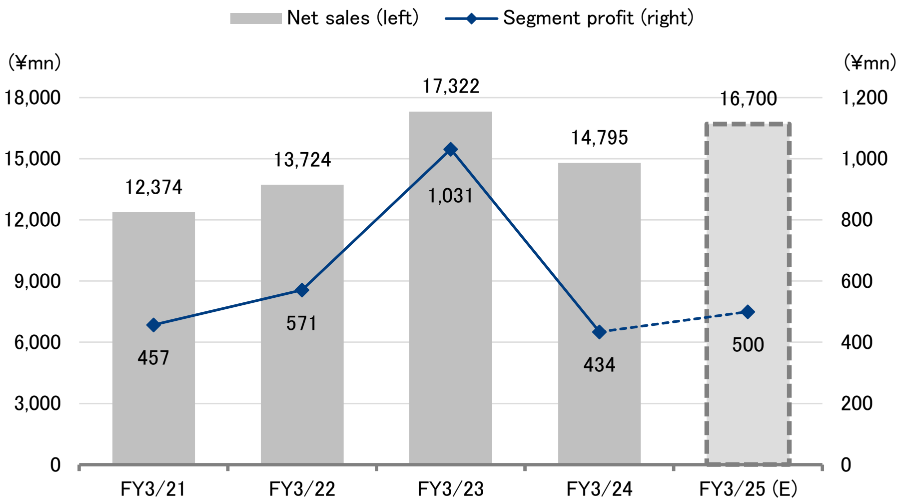
Electronic Device Segment results trends



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

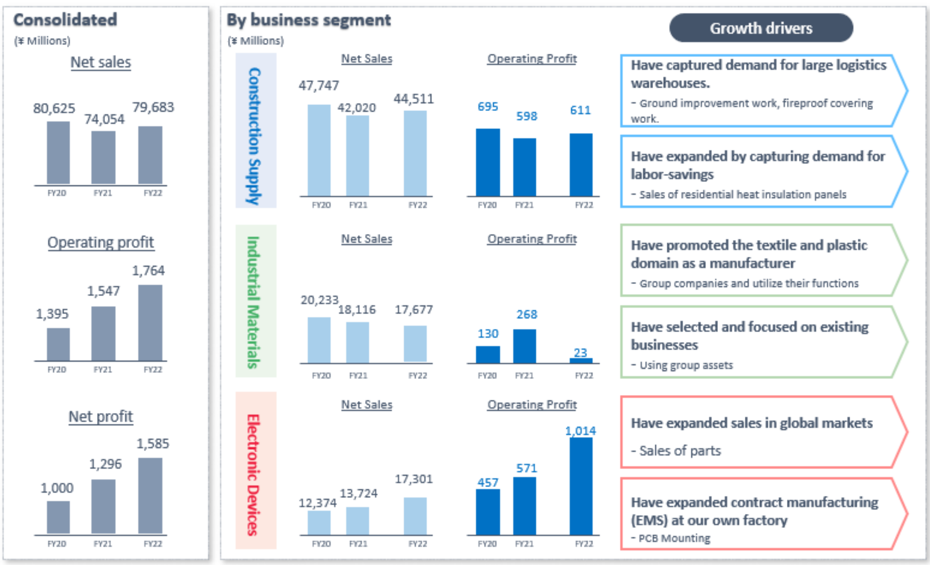
Met all continued-listing criteria for the Prime Market one year in advance. Will continue to focus on management that is aware of capital costs and the share price and will aim for final profit of ¥1.9bn and ROE of at least 8% in FY3/26

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.

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.

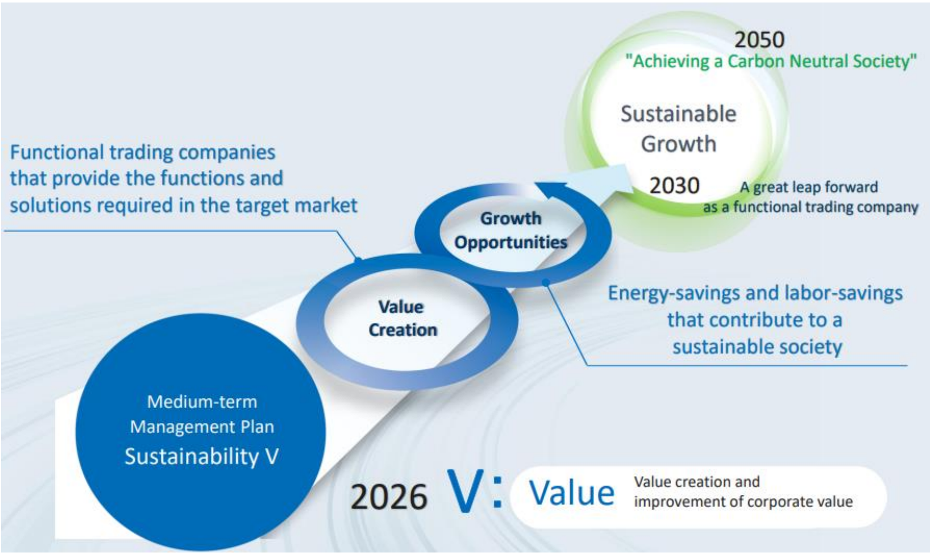
Progress of Sustainability X (Cross)



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.

Growth image of Sustainability V (Value)

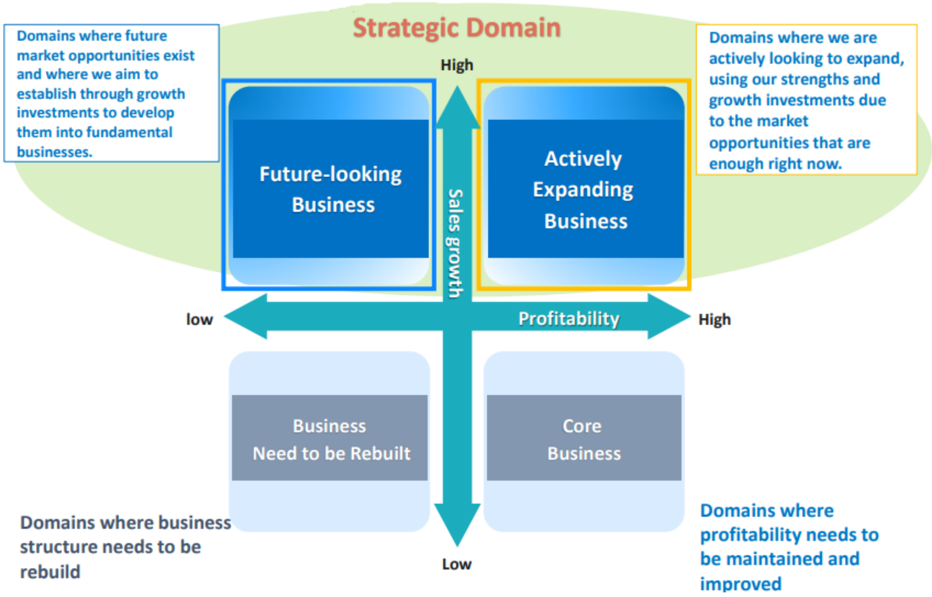


Source: Reprinted from the Company's Medium-term Management Policy Sustainability V (Value) Updated Version

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 100%. 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 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.

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. As noted earlier, under these policies, it is steadily implementing various measures to lift profit growth and capital efficiency.

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, 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.

In terms of shareholder returns, the Company has paid an interim dividend since FY3/23 and has been actively returning profits to shareholders to achieve its total payout ratio target of 50%. Specifically, it has been flexibly acquiring and retiring treasury shares and has set a consolidated dividend payout ratio of at least 40% a total payout lower limit of ¥500mn. Building on this, the Company announced measures to further improve shareholder returns. It has raised targets for the dividend payout ratio to at least 80% and for the total payout ratio to 100% as a time-limited measure through FY3/26, the final year of the current Medium-term Management Plan. Takashima has always focused on returning profits from its business activities to shareholders, but it has now made a clear commitment to further increasing shareholder returns to improve capital efficiency and return on capital. However, raising its targets for the dividend payout ratio and total payout ratio does not mean it has given up on growth. Going forward, it will pursue top-line growth and improve return on capital by allocating cash from external funding sources and from the sale of strategic holding shares to growth investments, while returning most of the profits generated by its business to shareholders.

The Company also plans to buy back shares as needed. In December 2023, it approved a resolution to repurchase up to ¥800mn worth of shares, which was completed on May 8, 2024.

(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, 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 has been disclosing content relating to these items from the integrated report published in June 2022. It has also introduced a platform for the electronic exercise of voting rights and is publishing 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.

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 ¥71.80mn (as of December 31, 2023). All of these figures meet the standards.

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*1	27,185 units	¥4.79bn	59.7%	¥6.83mn
	As of March 31, 2022*2	27,058 units	¥6.34bn	60.1%	¥12.06mn (As of December 31, 2021)
	As of March 31, 2023*1	28,236 units	¥8.24bn	63.2%	¥33.32mn (As of December 31, 2022)
	As of March 31, 2024*1	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

*1 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.
*2 Calculated by the Company
Source: Prepared by FISCO from the Company's press releases

Shareholder return policy

Further improving shareholder returns with higher targets for dividend payout ratio and total payout ratio; full-year dividend forecast raised sharply to ¥80.0 per share

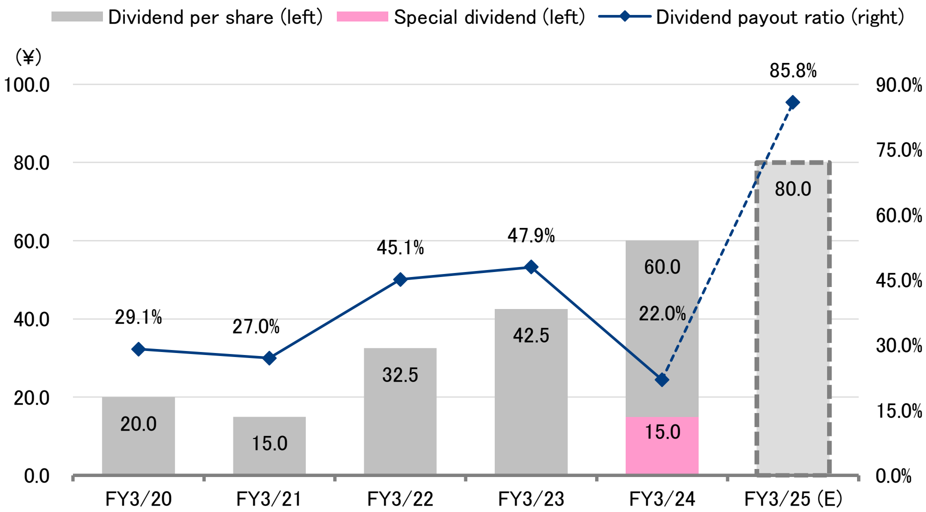
The Company recognizes that returning profits to shareholders is an important duty of management. In FY3/24, the Company paid a dividend of ¥60.0 (¥20.0 interim, ¥25.0 year-end, ¥15.0 special dividend). The interim dividend was ¥2.5 higher than the initial dividend forecast because of the favorable performance 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.

Takashima aims to further improve shareholder returns in FY3/25. As noted above, it has sharply raised its dividend payout ratio and total payout ratio targets for a limited two-year period. The Company has accordingly made large upward revisions to the interim dividend and the year-end dividend forecast for FY3/25. It plans to pay an interim dividend of ¥40.0 per share, up ¥20.0 from the initial forecast, and a year-end dividend of ¥40.0, up ¥15.0. As a result, the annual dividend is projected to be ¥80.0 per share, up ¥35.0 from the initial forecast (it has already finalized the interim dividend of ¥40.0, effective December 11).

In FY3/24 the total payout ratio was 40.4% and the consolidated dividend payout ratio was 22.0%, but this reflected the booking of extraordinary income related to the sale of non-current assets in January 2024. Excluding this gain on the sale of non-current assets from profit attributable to owners of parent, the consolidated dividend payout ratio was roughly 52.3% and the total payout ratio was around 58.5%.

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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