

Takashima & Co., Ltd.

8007

Tokyo Stock Exchange Prime Market

31-Aug.-2022

FISCO Ltd. Analyst

Yoichiro Shimizu



FISCO Ltd.

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

■ Index

■ Summary	01
1. FY21 consolidated results review	01
2. FY22 consolidated results outlook	02
3. Summary of the Medium-term Management Plan	02
4. Measures to meet the continued-listing criteria	02
■ Company overview	03
1. Company profile	03
2. Business description	04
■ Results trends	11
1. Overview of the FY21 consolidated results	11
2. Financial condition	12
■ Outlook	13
■ The medium- to long-term growth strategy	16
1. Becoming a sustainable-growth company through strategic investment	16
2. Progress made in the initiatives to meet the continued-listing criteria	17
■ Shareholder return policy	20

■ Summary

An advanced trading company that is contributing to realizing a sustainable society.

Is currently converting to become a sustainable-growth company through conducting strategic investment.

Under Sustainability X (Cross), the current Medium-term Management Plan, achieved a significant increase in profits in FY21

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

1. FY21 consolidated results review

In the FY21 consolidated results, net sales decreased 8.1% year-on-year (YoY) to ¥74,054mn, operating profit increased 10.9% to ¥1,547mn, ordinary profit rose 21.6% to ¥1,840mn, and profit attributable to owners of parent grew 29.6% to ¥1,296mn. Since FY21, the Company has adopted the Accounting Standard for Recognizing Revenue and therefore net sales alone were lower than in the previous period. But profits grew significantly YoY, mainly because in the Industrial Materials Business, results were strong in the textile materials-related and plastics-related fields, while the impact of the novel coronavirus pandemic (hereafter, “COVID-19”) eased so results also grew in the Electronic Devices Business. Moreover, the Company basically achieved the target for the final fiscal year (FY22) of the Medium-term Management Plan, of “profit attributable to owners of parent of ¥1,300mn,” one year ahead of schedule. Based on this, it upwardly revised the forecast for profit attributable to owners of parent in FY22 from the previous ¥1,300mn to ¥1,400mn. Also, ROE (Return on Equity) and ROIC, which the Company has set as management indicators in the plan to meet the continued-listing criteria, increased by 1.3 percentage points (pp) YoY to 7.2% and by 0.1pp to 5.2%, respectively. So, it can be said to have made an excellent start toward FY25, which is the final fiscal year of this planning document.

Summary

2. FY22 consolidated results outlook

For the FY22 consolidated results, the Company is forecasting higher sales and profits, with net sales to increase 10.7% YoY to ¥82,000mn, operating profit to rise 16.3% to ¥1,800mn, ordinary profit to grow 3.2% to ¥1,900mn, and profit attributable to owners of parent to increase 8.0% to ¥1,400mn. Based on the excellent result for profit attributable to owners of parent in the previous period, it has upwardly revised the forecast by ¥100mn compared to the previous forecast to ¥1,400mn. By further strengthening all the functions in each segment, including design, proposal, construction, sales, and support, it is increasing the value it provides to customers and thereby expanding results and growing profits.

3. Summary of the Medium-term Management Plan

In December 2020, the Company announced Sustainability X (Cross), its Medium-term Management Plan with FY22 as its final fiscal year. Under this plan, while continuing to be based on the basic strategies in Sustainability 2020, the previous Medium-term Management Plan, of “DANTOTSU Strategy (Becoming our customers’ best of the best),” “Improve productivity,” and “Strengthen corporate governance,” it is strengthening even more its formation and expansion of the various functions in the value chain, from design through to construction and support, by “Further evolution of Dantotsu Strategy,” “Acquiring strong cost competitiveness by improving productivity,” and “Strengthening corporate governance.” Toward establishing the foundation for growth in the long term, it has set the targets of converting its business structure and portfolio.

Specifically, the Company intends to contribute to the development of a sustainable society through providing energy-saving solutions, weight-saving solutions, and labor-saving solutions (further evolution of Dantotsu Strategy). While maintaining its internal controls and compliance system, it intends to actively improve productivity and reduce costs by reviewing work as a whole and creating systems (acquire strong cost competitiveness by improving productivity), and based on the principles of the Corporate Governance Code, it will continuously work to build a more enhanced “offensive governance” structure (strengthen corporate governance). Through these various measures, it plans to increase profit attributable to owners of parent to ¥1,400mn in FY22, the plan’s final fiscal year. In FY21, profit attributable to owners of parent was ¥1,296mn, which basically achieved the target for FY22, the Medium-term Management Plan’s final fiscal year, one year ahead of schedule. Therefore, it has upwardly revised the forecast for profit attributable to owners of parent for FY22 from the previous forecast, and based on this, at FISCO we think that it is highly likely to achieve the target in the current Medium-term Management Plan.

4. Measures to meet the continued-listing criteria

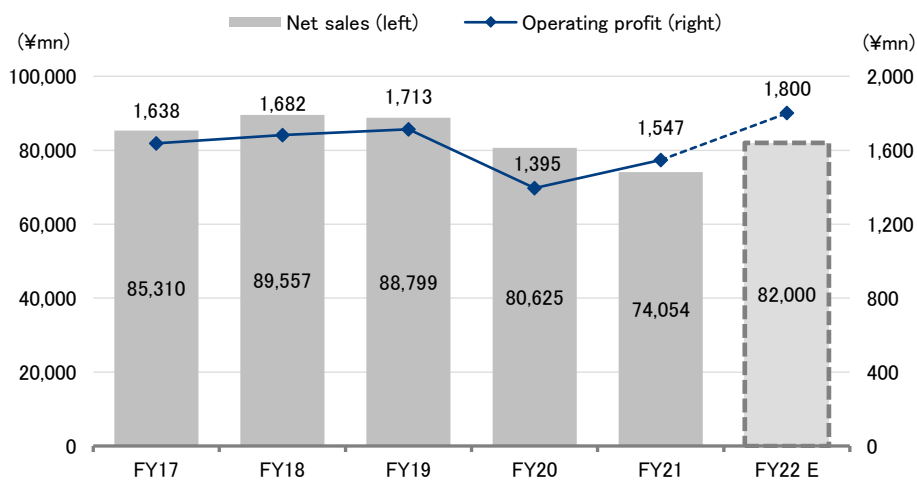
In addition to the Medium-term Management Plan, in November 2021 the Company submitted a plan to meet the continued-listing criteria in response to the Tokyo Stock Exchange’s (TSE) revision of its market categories. In order to meet the continued-listing criteria for the TSE Prime Market by the end FY25, it is targeting converting from implementing solid management as it had done up to the present time to becoming a sustainable-growth company by conducting strategic investment. Under this planning document, the Company has set the numerical targets to achieve by FY25 of profit attributable to owners of parent of ¥1.5bn, ROE of 8.0%, ROIC of 6.0%, a tradable shares market capitalization of at least ¥10bn, and a daily average trading value of at least ¥20mn. To achieve these targets, it intends to improve enterprise value and shareholder value from the perspectives of a “Promoting capital allocation policy,” “Pursuing sustainable profit growth through investment returns,” “enriching shareholder returns,” “establishing IR system,” and “complying with the Japan’s Corporate Governance Code.”

Summary

Key Points

- Is currently converting to become a sustainable-growth company through strategic investment with an awareness of capital cost
- Is an advanced trading company that is contributing to the realization of a sustainable society
- In FY21, profit attributable to owners of parent increased greatly by 29.6% YoY
- Is forecasting higher sales and profits in FY22 and has upwardly revised the forecast for profit attributable to owners of parent from the previous ¥1,300mn to ¥1,400mn

Results trends



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

Company overview

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

1. Company profile

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

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. It has a total of 13 consolidated subsidiaries, 6 in Japan and 7 overseas. It also has many equity-method affiliates, partner factories, and partner companies in Japan and Asia, and it supports the businesses of its customers globally.

At the end of FY21 on a consolidated basis, the Group had 891 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) Limited (manufacture of electronic components, etc.)
February 2010	Acquired the Construction Supply business from Marubeni Plax Corporation
March 2015	Acquired all the shares of CLS Corporation (currently a consolidated subsidiary) from Marubeni Corporation (processing and sales of artificial leather materials)
October 2015	Acquired all of the shares of Ono Sangyo Co., Ltd. (currently TAKCEL Co., Ltd, a consolidated subsidiary) (manufacture and sales of plastic molded products)
May 2017	Established iTak International (Vietnam) Co., Ltd. (currently a consolidated subsidiary) (sales of electronic components, etc.)
July 2018	Established Takashima Robot Marketing Co., Ltd. (currently a consolidated subsidiary) (rentals and sales of collaborative robots)
October 2019	Acquired all of the shares of Rest Corporation (currently a consolidated subsidiary) (toilet booth manufacture and construction)
April 2022	Following the TSE's reorganization of market categories, listing was transferred from the 1st section to the TSE Prime Market

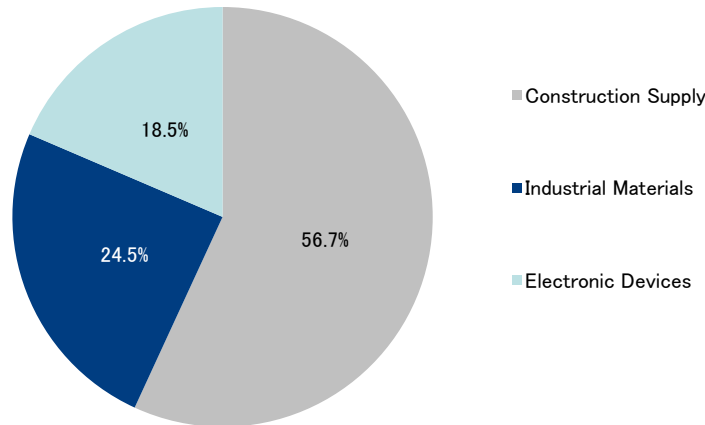
Source: prepared by FISCO from the Company's securities report

2. Business description

The Company has three business segments; the Construction Supply Business, the Industrial Materials Business, and the Electronic Devices Business. The percentage of total net sales by segment in FY21 were that the Construction Supply Business provided 56.7%, the Industrial Materials Business 24.5%, and the Electronic Devices Business 18.5%. The Company designs distribution channels in accordance with customer needs starting from zero and covering a wide range of areas, from planning and design in the value chain processes in the upstream through to support and construction in the downstream, contributing to customers' energy saving, weight saving, and labor saving, and thereby also contributing to the realization of a sustainable society.

Company overview

Composition of net sales by segment (FY21)



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

(1) Construction Supply Business

This is the Company's core business that provided 56.7% of total net sales in FY21. It is comprised of 6 segments: Construction Supply Solutions, Civil Engineering Pile Solutions, Housing Materials Solutions, Housing Interior Solutions, Thermal Insulation Solutions, and Energy Solutions. It targets customers conducting businesses in the non-housing and housing market and its lineup includes a wide range of products and solutions relating to wall materials, the basic pile construction method, thermal-insulation materials, solar panel-related materials, and construction-related, including interiors. Utilizing its sales network that covers the entire country, it supports customers' businesses over the entire value chain, from planning and design through to construction. An example of designing distribution channels and creating customer value is the full pre-cut of thermal-insulation materials for house builders. In conducting this business, materials are allocated to each property (a detailed drawing is created that determines the installation position and measurements of the thermal-insulation materials), processing is performed based on this drawing, and after the processing, the thermal-insulation materials are distributed individually to the construction sites. The Company is responsible for functions from processing through to distribution and is contributing to labor saving and reducing construction periods at construction sites.

a) Construction Supply Solutions

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

The main products handled

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

Source: prepared by FISCO from the Company's website

Company overview

b) Civil Engineering Pile Solutions

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

The main products handled

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

Source: prepared by FISCO from the Company's website

c) Housing Materials Solutions

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

The main products handled

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

Source: prepared by FISCO from the Company's website

d) Housing Interior Solutions

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

The main products handled

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

Source: prepared by FISCO from the Company's website

Company overview

e) Thermal Insulation Solutions

Utilizing the wealth of knowledge and experience it has cultivated over many years in the field of thermal insulation, it proposes a wide range of advanced thermal insulation materials and construction methods to create comfortable living spaces. At the same time, it is helping to conserve the global environment through energy saving.

The main products handled

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

Source: prepared by FISCO from the Company's website

f) Energy Solutions

The Company began working in the renewable energy field in advance of others in 1994 and is proud of its industry-leading track record. Going forward, in addition to sales of photovoltaic power systems and other products, it is aiming to providing comprehensive energy solutions by combining products, including V2H (the concept of effectively utilizing the electricity stored in electric vehicles for home use), storage batteries, and so on.

The main products handled

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

Source: prepared by FISCO from the Company's website

(2) Industrial Materials Business

This business provided 24.5% of total net sales in FY21, the second highest percentage after the Construction Supply Business. It is comprised of four segments: Plastic Solutions, Rolling Stock Solutions, Textiles Solutions, and Advanced and Functional Solutions. Its customers are diverse, including that in the apparel field it proposes OEM products to major retail companies in Japan. In the plastic components field, it provides the Group's distribution materials with buffer designs to vehicle manufacturers and electronics manufacturers, while in the rolling stock components field, it provides railway rolling stock materials manufactured at the Company's partner factories to railway rolling stock manufacturers. This business provides a wide range of value to customers, from the planning and design of the value chain through to construction and support. The "sheet house" (large storage tents) handled in this business are an excellent example of a Group collaboration. For the tent warehouses that combine a steel frame and membrane materials, the Company undertakes work from design through to the construction, while the Group companies provide processing functions. This collaboration between Group companies enhances value functions and also contributes to customers' energy saving through providing sheet houses.

Company overview

a) Plastic Solutions

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

The main products handled

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

Source: prepared by FISCO from the Company's website

b) Rolling Stock Solutions

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

The main products handled

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

Source: prepared by FISCO from the Company's website

c) Textiles Solutions

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

The main products handled

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

Source: prepared by FISCO from the Company's website

Company overview

d) Advanced and Functional Solutions

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

The main products handled

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

Source: prepared by FISCO from the Company's website

(3) Electronic Devices Business

In FY21, this business provided 18.5% of total net sales. It is conducted by the iTak Group centered on iTak (International) Limited that has its headquarters in Hong Kong, and it is composed of the electronic components sales business, which procures and sells electronic components according to customer needs from manufacturers developing businesses mainly in Asia, and the contracted manufacturing business, in which the iTak Group functions as the manufacturer, providing electronic manufacturing services (EMS) by mounting components on printed circuit boards. The iTak Group has seven business sites in Japan and overseas (excluding representative offices) and two factories (in Thailand and Vietnam), and it is supporting its customers' businesses globally.

a) Electronic Components Division

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

The main products handled

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

Source: prepared by FISCO from the Company's website

Company overview

b) Distributing Components

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

The main products handled

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

Source: prepared by FISCO from the Company's website

c) Home Appliance Division

Utilizing its own factory established in Chon Buri, Thailand, in 2017 and local cooperation factories in Thailand and China, it is developing an EMS business mainly for white-goods manufacturers. In addition to cost-competitive board mounting, it cost-effectively and stably supplies products including transformers, choke coils and LCDs by designing customized components manufactured by iTak and good cost performance components manufactured in Asia.

d) Digital Products Division

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

e) International Procurement Division

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

f) Technical Division and Quality Management Project Team

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

■ Results trends

In FY21, profits increased significantly under Sustainability X (Cross), the current Medium-term Management Plan

1. Overview of the FY21 consolidated results

In the FY21 consolidated results, net sales decreased 8.1% YoY to ¥74,054mn, operating profit increased 10.9% to ¥1,547mn, ordinary profit rose 21.6% to ¥1,840mn, and profit attributable to owners of parent grew 29.6% to ¥1,296mn. Since FY21, the Company has adopted the Accounting Standard for Recognizing Revenue and therefore net sales alone were lower than in the previous period. But profits grew significantly YoY mainly because in the Industrial Materials Business, results were strong in the textile materials-related and plastics-related fields, while the impact of COVID-19 eased so results grew in the Electronic Devices Business. Moreover, the Company basically achieved the target for the final fiscal year (FY22) of the Medium-term Management Plan, of “profit attributable to owners of parent of ¥1,300mn,” one year ahead of schedule. Based on this, it upwardly revised the forecast for profit attributable to owners of parent in FY22 from the previous ¥1,300mn to ¥1,400mn. Also, ROE and ROIC, which the Company has set as management indicators in a plan to meet the continued-listing criteria, increased by 1.3pp YoY to 7.2% and by 0.1pp to 5.2%, respectively. So, it can be said to have made an excellent start toward FY25, which is the final fiscal year of this planning document.

In the results by segment, in the Construction Supply Business, net sales decreased 12.0% YoY to ¥42,020mn and segment profit declined 13.9% to ¥598mn; in the Industrial Materials Business, net sales decreased 10.5% to ¥18,116mn and segment profit increased 105.1% to ¥268mn; and in the Electronic Devices Business, net sales increased 10.9% to ¥13,724mn and segment profit rose 25.1% to ¥571mn. The Company has adopted the Accounting Standard for Recognizing Revenue and SG&A expenses increased because it conducted upfront investment, including in sales activities to grow results and systems investment. Due to these factors, both sales and profits were lower than in the previous period only in the Construction Supply Business, but profits were higher than in the previous period in the Industrial Materials Business, in which results grew in the textile materials-related and the plastics-related fields, and in the Electronic Devices Business, in which the global impact of COVID-19 eased. In particular, profits increased greatly in the Industrial Materials Business by around 2.1 times YoY. At FISCO, we think that this is a result of the Company providing high-value solutions that meet customer needs based on the basic policies it set out in Sustainability X (Cross), of “Further evolution of Dantotsu Strategy,” and “Acquire strong cost competitiveness by improving productivity.” As a result of the above, the percentages of total net sales by segment were that the Construction Supply Business provided 56.7%, the Industrial Materials Business 24.5%, and the Electronic Devices Business 18.5%.

Results trends

The Company adopted the Accounting Standard for Recognizing Revenue in FY21.

FY21 consolidated results

	FY20		FY21		YoY	
	Result	% of sales	Result	% of sales	Change	Change rate
Net sales	80,625	-	74,054	-	-6,570	-8.1%
Construction Supply	47,747	59.2%	42,020	56.7%	-5,726	-12.0%
Industrial Materials	20,233	25.1%	18,116	24.5%	-2,117	-10.5%
Electronic Devices	12,374	15.3%	13,724	18.5%	1,350	10.9%
Gross profit	7,838	9.7%	8,328	11.2%	490	6.3%
Operating profit	1,395	1.7%	1,547	2.1%	152	10.9%
Construction Supply	695	-	598	-	-96	-13.9%
Industrial Materials	130	-	268	-	137	105.1%
Electronic Devices	457	-	571	-	114	25.1%
Ordinary profit	1,513	1.9%	1,840	2.5%	327	21.6%
Profit attributable to owners of parent	1,000	1.2%	1,296	1.8%	296	29.6%

Notes: Adopted the Accounting Standard for Recognizing Revenue in FY21.

Also conducts the Rental Real Estate Business, which is omitted in this report due to its small scale

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

2. Financial condition

In FY21, retained earnings increased ¥1,107mn on the end of the previous period to ¥11,792mn due to the recording of profit attributable to owners of parent of ¥1,296mn. The accumulation of retained earnings indicates that the Company has been able to steadily generate profits up to the present time. Cash and deposits also increased by ¥1,423mn to ¥7,305mn. Current assets rose ¥3,008mn to ¥35,423mn, while non-current assets increased ¥47mn to ¥9,753mn, mainly because intangible assets grew ¥374mn due to systems investment. Current liabilities decreased ¥571mn to ¥21,024mn mainly because notes and accounts payable-trade declined ¥442mn, while non-current liabilities increased ¥2,603mn to ¥5,675mn, primarily as long-term borrowing rose ¥2,760mn.

Looking at cash flows in FY21, cash flow used in operating activities was ¥389mn (a negative amount). This was mainly due to the accumulation of inventory because of the impact of the global semiconductor shortage, which at FISCO we think is a temporary phenomenon. The impacts of the distribution conditions and COVID-19 are easing, and in this situation, at FISCO we expect cash flow from operating activities to recover to a positive amount. Cash flow from financing activities was ¥2,305mn under the Company's policy of "making strategic investments using interest-bearing liabilities as a lever." But at the end of FY21, the current ratio and the non-current ratio were 168.5% and 52.8% respectively, which are sound values, and at FISCO we think there the Company will have no problems with liquidity on hand in either the short or long term.

Results trends

Consolidated balance sheet and management indicators

	(¥mn)		
	FY20	FY21	Change
Current assets	32,415	35,423	3,008
Cash and deposits	5,882	7,305	1,423
Non-current assets	9,706	9,753	47
Property, plant and equipment	4,326	4,252	-74
Intangible assets	140	514	374
Investments and other assets	5,238	4,986	-252
Total assets	42,121	45,176	3,055
Total liabilities	24,667	26,699	2,032
Current liabilities	21,595	21,024	-571
Non-current liabilities	3,072	5,675	2,603
Total net assets	17,454	18,477	1,023
Retained earnings	10,685	11,792	1,107
Total liabilities and net assets	42,121	45,176	3,055
Stability			
Equity ratio	41.4%	40.9%	-0.5pp
Current ratio	150.1%	168.5%	18.4pp
Non-current ratio	55.6%	52.8%	-2.8pp
Profitability			
ROA (Return on Assets)	3.5%	4.2%	0.7pp
ROE (Return on Equity)	5.9%	7.2%	1.3pp

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

Cash flow statement

	(¥mn)	
	FY20	FY21
Cash flow from operating activities	3,563	-389
Cash flow from investing activities	-98	-654
Cash flow from financing activities	-1,947	2,305
Cash and cash equivalents' increase/decrease amount	1,464	1,421
Balance of cash and cash equivalents at end of period	5,880	7,301

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

■ Outlook

Is forecasting higher sales and profits in FY22 Will further improve customer value by strengthening every function

For the FY22 consolidated results, the Company is forecasting higher sales and profits, with net sales to increase 10.7% YoY to ¥82,000mn, operating profit to rise 16.3% to ¥1,800mn, ordinary profit to grow 3.2% to ¥1,900mn, and profit attributable to owners of parent to increase 8.0% to ¥1,400mn. Based on the excellent result for profit attributable to owners of parent in the previous period, it has upwardly revised the forecast by ¥100mn compared to the previous forecast to ¥1,400mn.

Outlook

In the Construction Supply Business, the Company intends to strengthen the functions that provide value at every stage in the value chain, of proposal, distribution, construction, and processing, and provide solutions that meet customer needs. In the Energy Solutions Business, in addition to sales of solar panels and other products, it is aiming to progress the construction of a structure that can provide comprehensive solutions in the energy field by flexibly combining products and services such as storage batteries, IoT, and V2H. In the Industrial Materials Business as well, it will strengthen the functions that provide value in every stage of the value chain, of product manufacturing, proposal, design, processing, and construction. Moreover, it intends to further strengthen the Electronic Devices Business through support and functions that realize the quality and costs required by customers. Through these measures, it will expand results and realize profit growth.

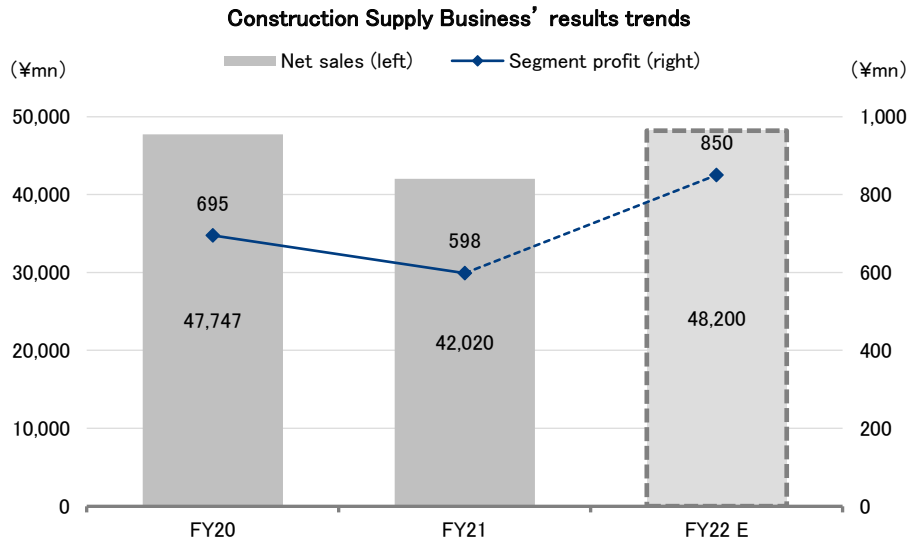
For the results by segment, in the Construction Supply Business, net sales are forecast to increase 14.7% YoY to ¥48,200mn and segment profit to grow 42.1% to ¥850mn; in the Industrial Materials Business, net sales are forecast to increase 7.1% to ¥19,400mn and segment profit to rise 49.3% to ¥400mn; and in the Electronic Devices Business, net sales are forecast to increase 3.5% to ¥14,200mn and segment profit to decrease 21.2% to ¥450mn. In the Electronic Devices Business, profits are expected to decline mainly because of the upfront investment in overseas factories to grow results, but the forecasts are for sales and profits to increase in every other segment. This includes because the effect of transitioning to the Accounting Standard for Recognizing Revenue will end, and that under Sustainability X (Cross), the current Medium-term Management Plan, the Company will provide high-added value for customers from the entry points of energy saving, weight saving, and labor saving. In addition, technologies such as IoT and 5G are spreading across society, and in this situation demand for semiconductors is expected to be strong. Under the 6th Basic Energy Plan, the Japanese government is focusing on spreading the use of renewable energy, and globally also, there is a societal trend of prioritizing SDGs and ESG. In this sort of environment, needs are expected to increase for the Company's solutions that realize energy saving, weight saving, and labor saving. It can be said to be highly likely that these changes in the external environment will be beneficial for the Company's Construction Supply Business, Industrial Materials Business, and Electronic Devices Business, and at FISCO, we think that this excellent external environment will contribute positively to its results.

FY22 consolidated results outlook

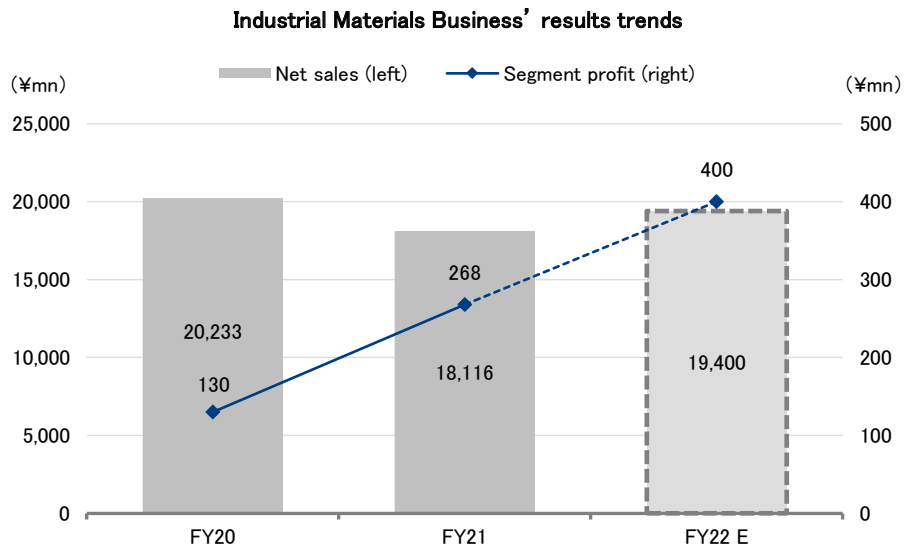
	(¥mn)					
	FY21		FY22		YoY	
	Result	% of sales	Forecast	% of sales	Change	Change rate
Net sales	74,054	-	82,000	-	7,946	10.7%
Construction Supply	42,020	56.7%	48,200	58.8%	6,180	14.7%
Industrial Materials	18,116	24.5%	19,400	23.7%	1,284	7.1%
Electronic Devices	13,724	18.5%	14,200	17.3%	476	3.5%
Operating profit	1,547	2.1%	1,800	2.2%	253	16.3%
Construction Supply	598	-	850	-	252	42.1%
Industrial Materials	268	-	400	-	132	49.3%
Electronic Devices	571	-	450	-	-121	-21.2%
Ordinary profit	1,840	2.5%	1,900	2.3%	60	3.2%
Profit attributable to owners of parent	1,296	1.8%	1,400	1.7%	104	8.0%

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

Outlook

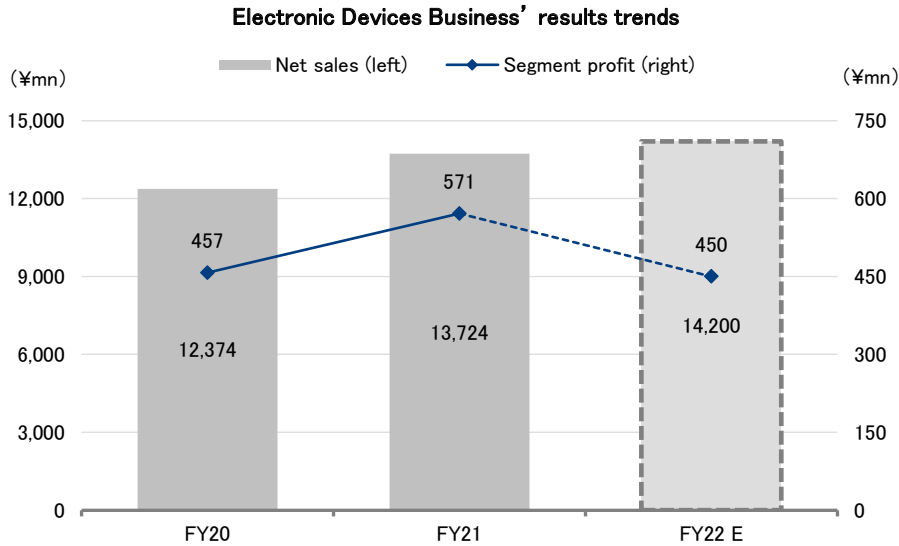


Source: prepared by FISCO from the Company's results briefing materials



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

Outlook



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

The medium- to long-term growth strategy

Is targeting profit attributable to owners of parent of ¥1,400mn in FY22.

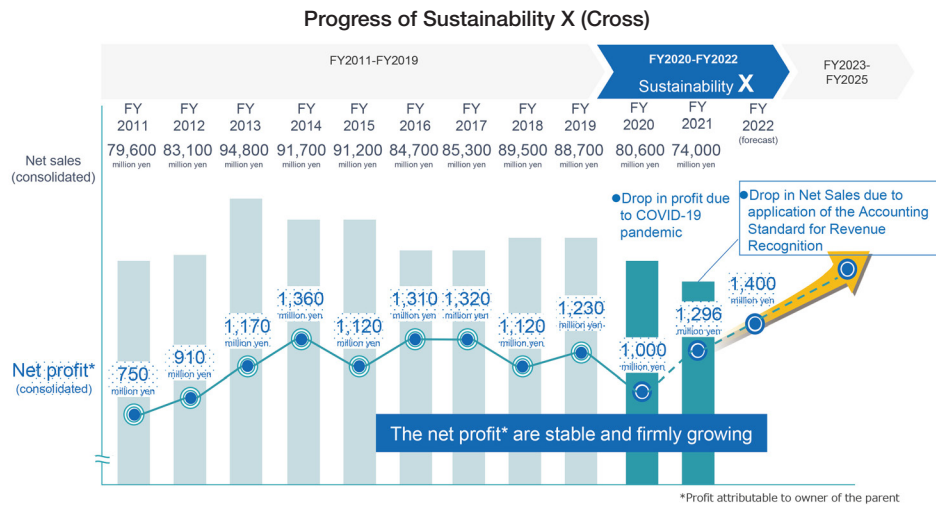
Becoming a sustainable-growth company through strategic investment

1. Becoming a sustainable-growth company through strategic investment

In December 2020, the Company announced Sustainability X (Cross), its Medium-term Management Plan with FY22 as its final fiscal year. Under this plan, while continuing to be based on the basic strategies in Sustainability 2020, the previous Medium-term Management Plan, of “DANTOTSU Strategy (Becoming our customers’ best of the best),” “Improve productivity,” and “Strengthen corporate governance,” it is strengthening even more its formation and expansion of the various functions in the value chain, from design through to construction and support, by “Further evolution of Dantotsu Strategy,” “Acquiring strong cost competitiveness by improving productivity,” and “Strengthening corporate governance.” Toward establishing the foundation for growth in the long term, it has set the targets of converting its business structure and portfolio.

The medium- to long-term growth strategy

Specifically, the Company intends to contribute to the development of a sustainable society through providing energy-saving solutions, weight-saving solutions, and labor-saving solutions (further evolution of Dantotsu Strategy). While firmly maintaining its internal controls and compliance system, it intends to actively improve productivity and reduce costs by reviewing work as a whole and creating systems (acquire strong cost competitiveness by improving productivity), and based on the principles of the Corporate Governance Code, it will continuously work to build a more enhanced “offensive governance” structure (strengthen corporate governance). Through these various measures, it plans to increase profit attributable to owners of parent to ¥1,400mn in FY22, the plan’s final fiscal year.



Source: reprinted from the Company's results briefing materials

In November 2021, the Company submitted a plan to meet the continued-listing criteria in response to the TSE's revision of its market categories. In this planning document, it announced its management policies of aiming for sustainable growth by conducting strategic investment with an awareness of capital cost and further enhancing returns to shareholders, and clarified its goals for FY25, of profit attributable to owners of parent of ¥1.5bn, ROE of 8.0%, and ROIC of 6.0%. It plans to announce the next Medium-term Management Plan by the end of March 2023, and it is considered that these policies will create the framework that will serve as the foundation for the next plan.

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

In order to meet the continued-listing criteria for the TSE Prime Market by the end of FY25, the Company is targeting converting from implementing solid management as it had done up to the present time to becoming a sustainable-growth company by conducting strategic investment. Under this planning document, it has set the numerical targets to achieve by FY25 of profit attributable to owners of parent of ¥1.5bn, ROE of 8.0%, ROIC of 6.0%, a tradable shares market capitalization of at least ¥10bn, and a daily average trading value of at least ¥20mn. To achieve these targets, it intends to improve enterprise value and shareholder value from the perspectives of a “Promoting capital allocation policy,” “Pursuing sustainable profit growth through investment returns,” “enriching shareholder returns,” “establishing IR system,” and “complying with the Japan’s Corporate Governance Code.”

Takashima & Co., Ltd. | 31-Aug.-2022
 8007 Tokyo Stock Exchange Prime Market | <https://www.tak.co.jp/en/ir.html>

The medium- to long-term growth strategy

Planned period to meet the continued-listing criteria

	FY2020 to FY2022 Sustainability X	FY2023 to FY2025 Next Medium-Term Management Plan
	FY 2020 (initial year)	FY 2025 (final year)
Profit attributable to owners of parent	1,000 million yen	1,500 million yen
ROE	5.9%	8.0%
ROIC	5.1%	6.0%
Tradable share market capitalization	4,790 million yen*	10,000 million yen or more
Trading value	6.83 million yen*	20 million yen or more

*As of June 30, 2021

Basic initiative policy for increasing tradable share market capitalization and trading value



- Promoting capital allocation policy
- Pursuing sustainable profit growth through investment returns
- Enriching shareholder returns
- Establishing IR system
- Complying with Japan's Corporate Governance Code

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

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

As a result of its business activities up to the present time, the Company's financial base is currently stable, so it plans to generate profits and enhance returns to shareholders through investments that utilize external funds, including interest-bearing debt. Specifically, it will secure an investment framework of ¥7bn. While remaining aware of ROIC, its policy is to conduct investments including in equipment mainly in the areas it is focusing on, human resources and IT systems; to allocate funds to M&A for areas peripheral to each business and to new areas; 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 announced a collaboration with Nissan Used Car Center Co., Ltd. for sales of used EV and V2H. Also, for returns to shareholders, from FY22 it will pay an interim dividend, while it is also targeting a total payout ratio of 50.0% by raising the consolidated dividend payout ratio to at least 40.0%, flexibly acquiring and extinguishing treasury shares, and setting a total payout ratio lower limit of ¥500mn.

(2) Establishing IR system

To establish an IR structure, targeting institutional investors (particularly active funds for small- and medium-cap shares and for value investments), the Company plans to enhance both the quality and quantity of its communication with the goals of "raising name awareness in the capital market," "promoting understanding among investors," "forming an appropriate share price," and "forming an appropriate shareholder configuration." Specifically, in January 2022 it newly established the IR and PR Unit, which is conducting activities including holding meetings for investors and participating in investor events. Also, since FY21 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.

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

The medium- to long-term growth strategy

(3) Complying with Japan's corporate governance code

Following the revision of the Corporate Governance Code by the Japan Exchange Group in November 2021, the Company is working actively to comply with it. As an advanced sustainability-focused trading company, it is conducting business based on the keywords of energy saving, weight saving, and labor saving, while it also established the Sustainability Committee (in January 2022) in order to further evolve its management to respond to the Sustainable Development Goals (SDGs). In addition, it plans disclosure in a form that complies with the Task Force on Climate-Related Financial Disclosures (TCFD) on linking each of the targets in the SDGs to the Company's own businesses and on risks and earnings opportunities for the Company's businesses in relation to climate change, and it disclosed content relating to these items in the integrated report published in June 2022. It has also introduced a platform for the electronic exercise of voting rights and has started to publish all of its disclosure materials in English. Moreover, its basic shareholdings policy is not to hold strategic holding shares if there is no rational reason to do so and also to quickly sell issues for which the meaning of holding them has diminished, and it is working to improve its ratio of tradable shares.

Through these activities, the Company is progressing on a plan to meet the continued-listing criteria for the TSE Prime Market. On the stock markets as well, interest in the Company is rising and at FISCO, we think that we can expect its enterprise value to improve even more through business activities with an awareness of capital efficiency. In fact, compared to June 30, 2021, by March 31, 2022, its tradable shares market capitalization had increased from ¥4.79bn to ¥6.34bn, the ratio of tradable shares from 59.7% to 60.1%, and the daily average trading value from ¥6.83mn to ¥38.55mn, while only the number of tradable shares had fallen slightly, from 27,185 units to 27,058 units. Particularly noteworthy is the significant growth of both the tradable shares market capitalization and the daily average trading value.

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

	No. of tradable shares	Market capitalization	Ratio of tradable shares	Daily average trading value	
The Company's compliance status and related trends	As of June 30, 2021 ^{*1}	27,185 units	¥4.79bn	59.7%	¥6.83mn
	As of December 31, 2021	-	-	-	¥12.06mn ^{*2}
	As of March 31, 2022	27,058 units	¥6.34bn ^{*3}	60.1%	¥38.55mn ^{*2}
Continued-listing criteria for the TSE Prime Market	20,000 units	¥10bn	35%	¥20mn	
Compliance status as of March 31, 2022 (the Company's estimates)	Met	Not met	Met	Met	
Plan period described in the initial plan		End of March 2026		End of March 2026	

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

^{*2} Estimated by the Company based on the distribution status of the Company's shares, etc., from January to December 2021 as of December 31, 2021, and from January to March 2022 as of March 31, 2022.

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

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

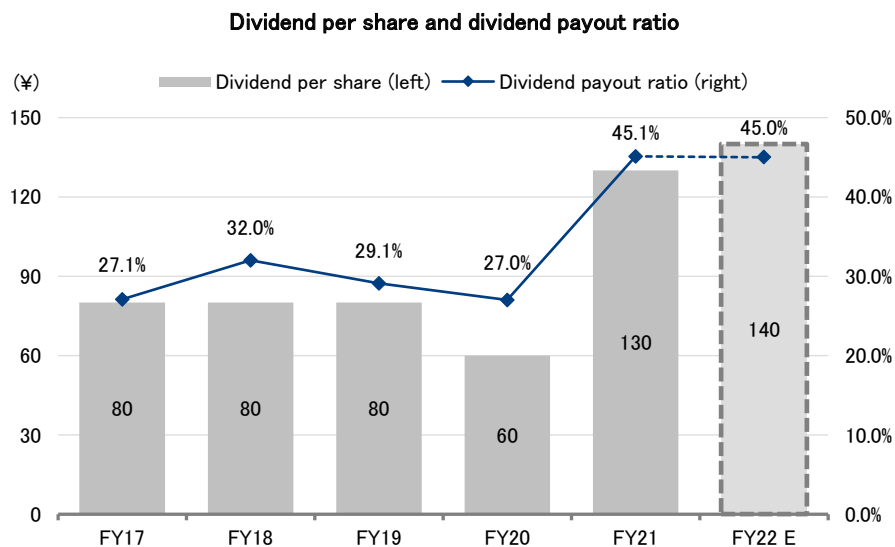
Shareholder return policy

Upwardly revised the dividend twice because of the excellent results.

In FY22, plans to increase the dividend ¥10 YoY

The Company considers returning profits to shareholders to be one of its most important management issues. In FY21 based on its excellent results, it increased the dividend per share by ¥70 YoY to ¥130, and the dividend payout ratio rapidly grew by 18.1pp to 45.1%.

At FISCO, we think that the Company will continue its approach of prioritizing returns to shareholders in the future as well. For FY22, it is forecasting that the full-fiscal-year dividend will increase by ¥10 to ¥140 (is forecasting an interim dividend of ¥70 and a period-end dividend of ¥70). It is conducting initiatives to meet the continued-listing criteria by FY25, and in this situation, its policy is to target a total payout ratio of 50.0% (through a consolidated dividend payout ratio of at least 40.0%, flexibly acquiring and extinguishing treasury shares, and setting a total payout ratio lower limit of ¥500mn).



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



Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■

FISCO Ltd.

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

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

Email: support@fisco.co.jp