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A Plan to Meet the Continued Listing Criteria of Tokyo Stock Exchange (TSE) Prime Market

Nov. 10,2021

Takashima & Co., Ltd.
(securities code:8007)

Takashima & Co., Ltd.

- As announced in the "Announcement of Intention to Meet the Continued Listing Criteria of Prime Market Maintenance Criteria" [Japanese text only] dated September 16, 2021, we announced that we intend to select the Prime Market for the selection of the new market segment that is scheduled to be transferred on April 4, 2022. In that announcement, we disclosed that we would prepare, submit and disclose a "plan to meet the continued listing criteria" between September and December 2021, in order to apply for the transitional measures and satisfy all continued listing criteria for the Prime Market. This slide is the plan.
- **The period of this plan, fulfilling the criteria of continued listing of prime market, will be until "end of March, 2026" the final year of the next medium-term management plan (FY2023-FY2025), and we will proceed with the various initiatives described in this plan .**
- We hope to announce our next medium-term management plan (FY2023-FY2025) during the fiscal year ending March 31, 2023, when the current medium-term management plan, Sustainability X (Cross) (FY2020-FY2022), comes to an end.
- Since this plan includes matters that we are considering taking action on, we will make appropriate announcements in a timely manner if there are any changes to the policies described in this plan.

1. Status to meet the continued listed criteria of new market segment
2. Our 106 years history and Progress **X** Fit
3. Our performance and our issues in the stock market
4. Initiatives to Meet the Continued Listing Criteria
 - 4-1. Achievement schedule and basic policies
 - 4-2. Promoting capital allocation policy
 - 4-3. Pursuing sustainable profit growth through investment return
 - 4-4. Enriching shareholder return
 - 4-5. Establishing an IR system
 - 4-6. Complying with Japan's corporate governance code

1. Status of Meet the Continued Listing Criteria for Prime Market

1-1. Primary Judgment Result by Tokyo Stock Exchange



- As of the transition reference date (June 30, 2021), the Company's status of continued-listing criteria of prime market does not meet the criteria for "tradable share market capitalization" and "trading value"

[Prime market] Status of meeting each of the continued-listing criteria for new market segment.

Requirement	Number of tradable shares 20,000 units or more	Tradable share market capitalization ¥10.0 billion or more	Tradable share ratio 35% or more	Trading Value ¥20.0 million or more / day
Status	Met	Not met	Met	Not met
	27,185(unit)	¥4.79 billion	59.7%	¥6.83 million

※ "Primary Judgment Result by Tokyo Stock Exchange for Continued listing Criteria" (received from Tokyo Stock Exchange, Inc. on July 9, 2021)

2. Our 106 Years History and Progress X Fit



2-1. Our Corporate Mission and Corporate Value

- We are a multifaceted specialized trading company founded in October 1915, listed on the Tokyo Stock Exchange in May 1949, shortly after the end of World War II, and celebrating our 100th anniversary in 2015.
- Our founder, Kotakichi Takashima, has advocated corporate philosophy "Contribute to society through our business" since the foundation of the company. Based on that corporate philosophy, we are working to shift to a sustainable society,.

Corporate Philosophy

Corporate Philosophy

[Contribute to society through our business activities]

We, the Takashima Group of Companies, contribute to society's well-being by actively providing unique value-added solutions to our customers based on our original ideas and means. In doing so, we intend to grow and prosper together.

Corporate value **[Integrity]**

Corporate Vision

We will contribute to building a sustainable society through a deep understanding of the market environment and businesses as the "Solution Partner" for each of our customers. We continuously provide X(cross)-function and one-stop coordination unique to Takashima.

Code of Conduct

[Autonomous, Innovative and Responsible X Collaborative]

2-2. Progress X Fit

- We aim to achieve further growth by leveraging our business foundation and the diversity of our human resources, which is the result of our long history.
- We have continued to progress ourselves, being capable to fit new environment caused by external and internal change. (Progress X Fit)

Sales

¥10 billion



¥100 billion

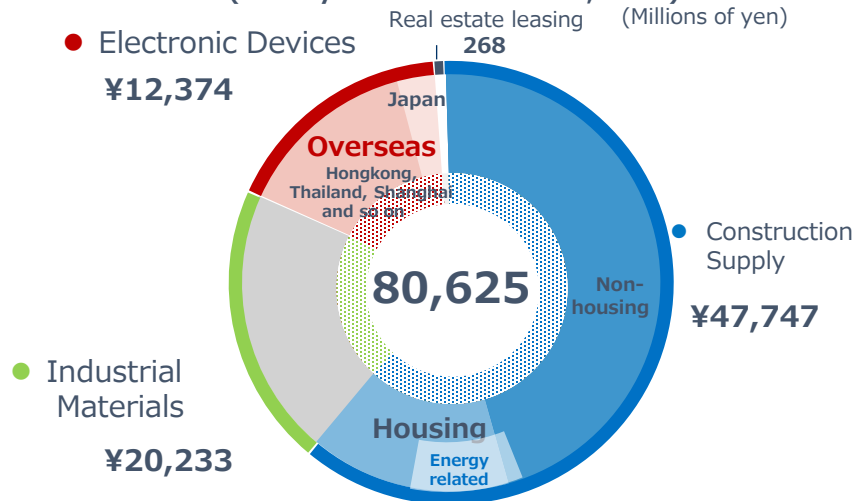


¥80 billion

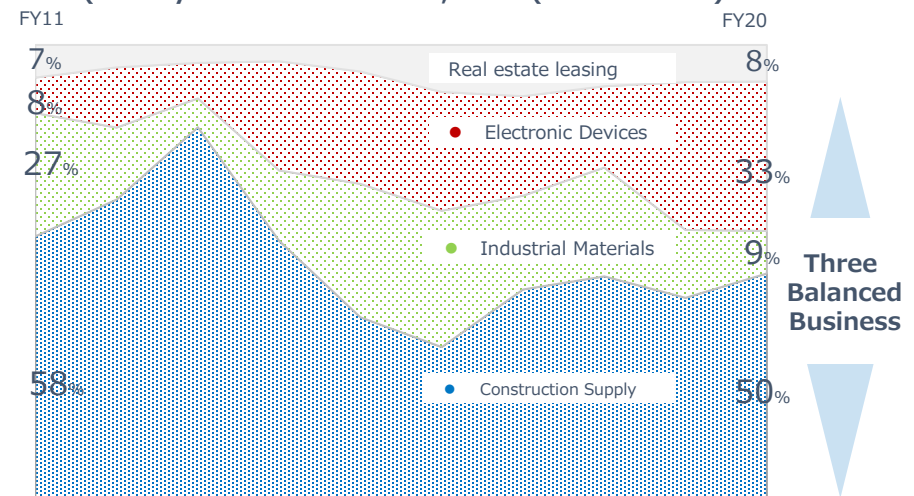
Business Field

1915[Foundation]	1950 ~	1970 ~	1999	2005	2009	Present
Trading company specializing in textiles		Multifaceted specialized trading company			Advanced sustainability-focused trading company	
<ul style="list-style-type: none"> • Heavy fabrics (Industrial textiles) 	<ul style="list-style-type: none"> • Industrial materials (plastic products, etc.) • Construction Supply • Insulation 	<ul style="list-style-type: none"> • Electronic Components • Solar energy 	<ul style="list-style-type: none"> • Construction supply • Construction equipment • ICS • Solar energy • Industrial materials • Heavy fabrics • Special procurement • Facilities • Electronics and devices • Lifestyle goods 	<ul style="list-style-type: none"> • Sustainable system construction supply • Customization • i-Solutions • Brands & fashion 	<ul style="list-style-type: none"> • Construction Supply • Industrial materials • Innovation goods 	<ul style="list-style-type: none"> • Construction Supply • Industrial Materials • Electronic Devices

Composition of net sales by division
(Fiscal year ended March 31, 2021)



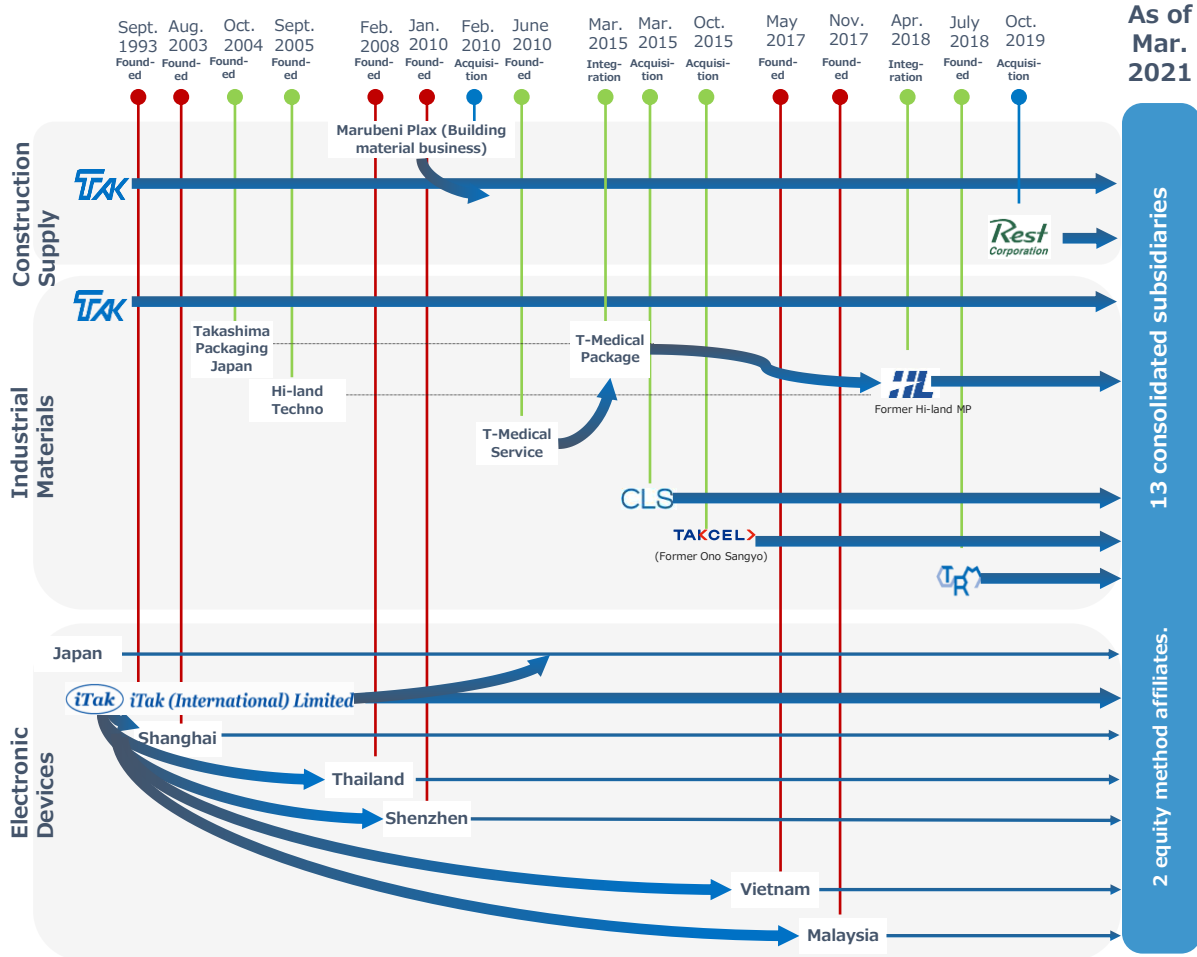
Changes in operating income composition by segment
(Fiscal year ended March 31, 2012 (FY11 to FY20))



2-3. Transition of Takashima Group



- As of March 31, 2021, Takashima Group consists of 13 consolidated subsidiaries and 2 equity method affiliates.
- Unlike trading companies that pursue transaction scale or invest in businesses, our group is characterized as a trading company that focuses on customer value in target markets and provides a variety of useful functions from a front-line perspective.



Our basic strategy [Concept of Group Strategy]

Large	Pursuit of Transaction Scale	
Small	Pursuit of Customer Value	
	Low	High
	Profitability	

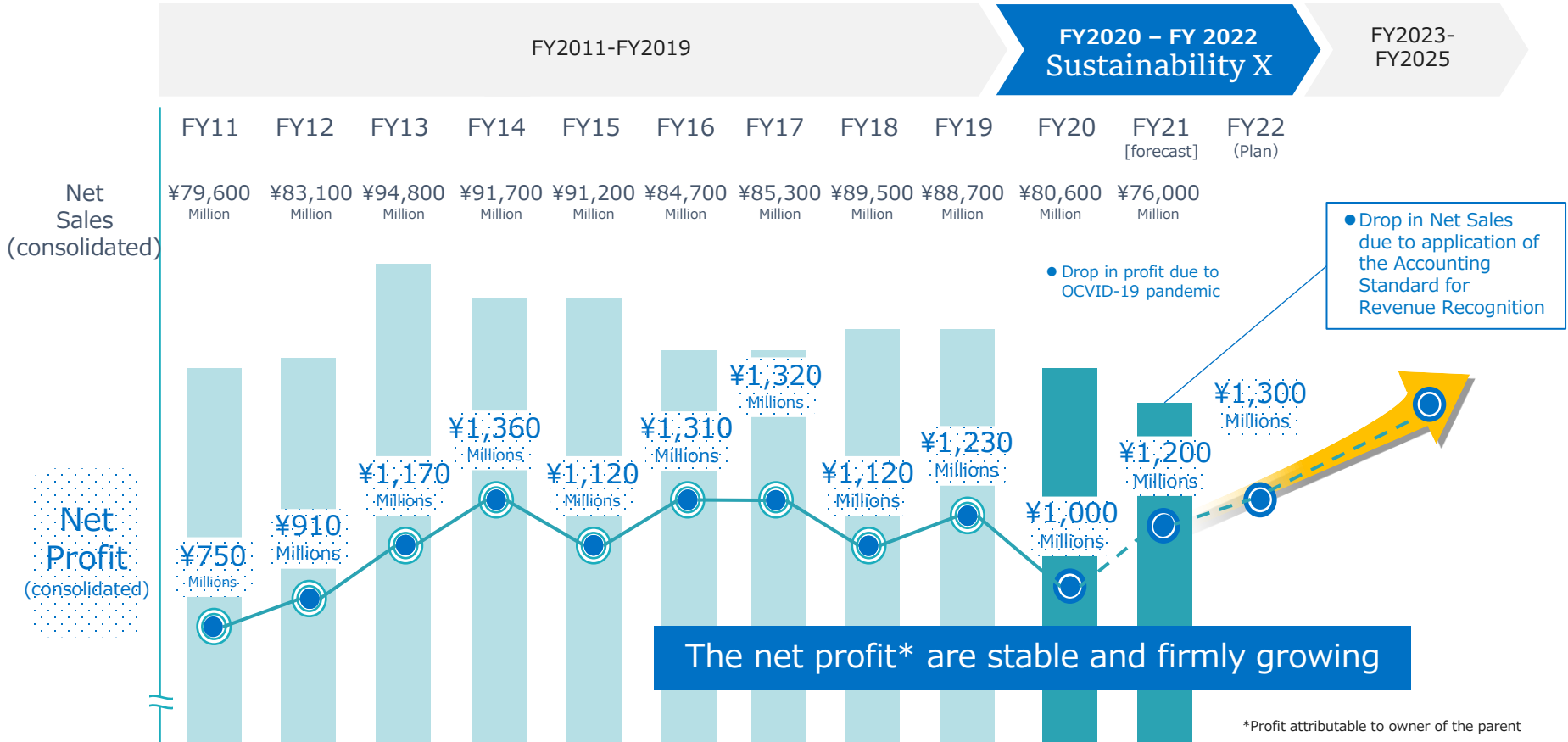
Rather than pursuing wide market expansion, focus on customer value in target markets and provide diverse functions and networks to solve customers' problems.

Formalized Groups that lead to improved functionality.

3. Our Performance and Our Issues in the Stock Market

3-1. Consolidated Net Sales/Net Profit

- Steady growth in net profit over the past 10 years
- Consolidated net profit is expected to be ¥1,200 million in the second year of the current medium-term management plan, Sustainability X (cross). We target net profit ¥1,300 million for the next fiscal year, the final year of the medium-term management plan.



3-2. DAN-TOTSU Strategy

- We provide unique value-added solutions to our customers based on our original ideas and means.
- As an “advanced sustainability-focused trading company,” Takashima will specialize and concentrate on providing solutions in the areas of energy-saving, weight-saving, and labor-saving, and will enhance those specialized functions.

《Strategic field》

Energy-saving Solution

We offer total solutions that support the effective use of energy in homes and buildings by linking together energy creation, energy saving and energy storage.



Weight-saving Solution

We offer lightweight components and materials to help reduce environmental impacts to respond to changing social environments and needs, making use of a wide range of processes, from design to manufacturing, processing and delivery.

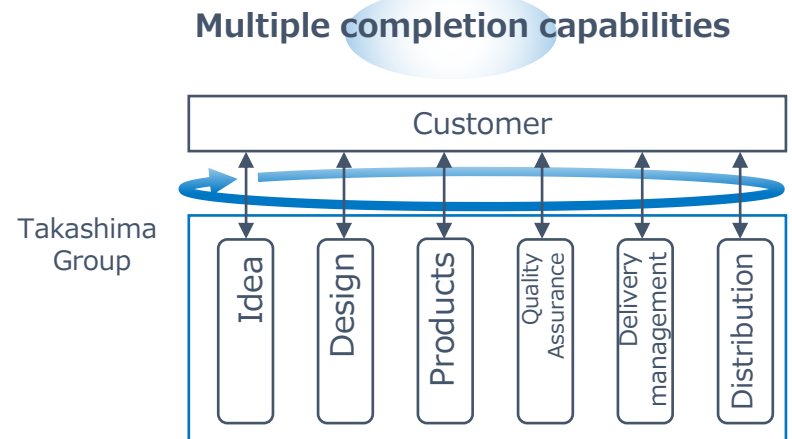
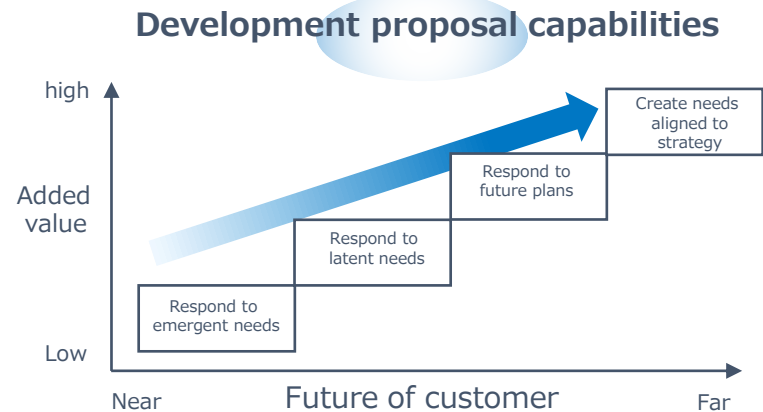


Labor-saving Solution

We offer solutions to meet the needs of a declining population and the demands for increased efficiency through adding the concept of “labor-saving” to construction methods and applying unitization to manufacturing and processing.



《Expertise》



3-3. Current Themes

- We focus on forming core competencies for sustainable growth.
- Based on the DAN-TOTSU strategy (energy-saving, weight-saving, and labor-saving), we envision future economic, social, and environmental changes.

Current Initiatives

DAN-TOTSU Strategy

Energy-saving, weight-saving, and labor-saving

[Themes for each business]

- Enhancement of processing, construction, and distribution.
 - Shift from quantity to quality.
- Developing the next renewable energy-related business
- Enhancement of manufacture, proposal, design, processing, and installation.
- Broad area coverage for electronics manufacturers in Asia and Europe
- Expand business into new fields such as industrial equipment and in-vehicle equipment

Demands from Society

Contributing to the shift to a sustainable society as a “advanced sustainability-focused trading company in providing useful functions for sustainability (based on DAN-TOTSU strategy; energy-saving, weight-saving, and labor-saving)”

- Adaptation to an aging domestic market and declining working-age population environment
- Adaptation to global population growth, urbanization, and aging society.
- Adaptation to climate change (decarbonization)
 - Environmentally sustainable construction and the use of renewable energy
 - Promote recycling and use environmental-friendly materials.
- Adaptation to the super-smart society (Society 5.0)
Utilize ultra high-speed communication technology, semiconductors, IoT, AI, big data, robots (including self-driving cars and drones), and sensors

Construction Supply

Industrial Material

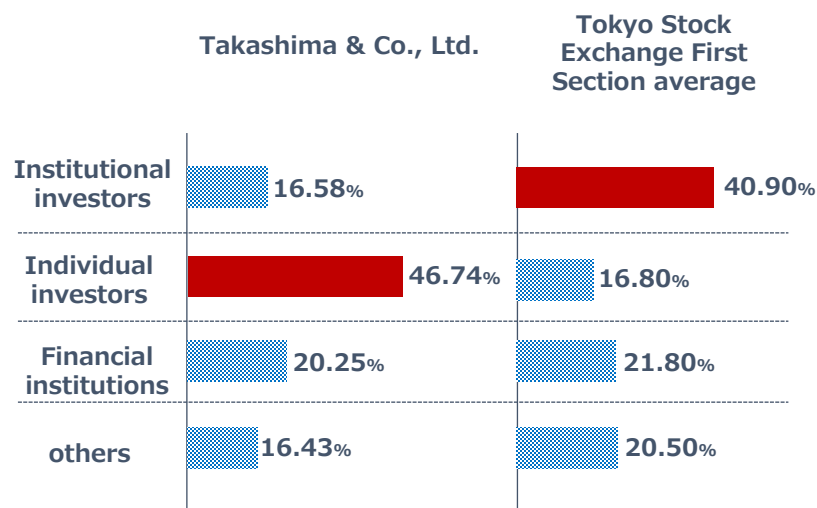
Electronic Devices

3-4. Our Perception of Valuation in the Stock Market

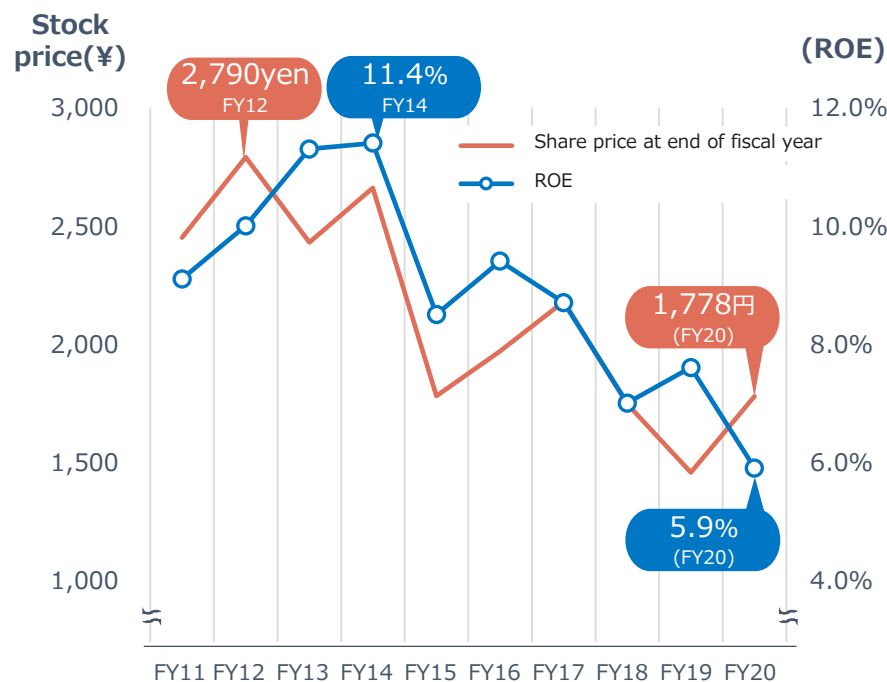


- Over the past 10 years, Company's stock price has been on a downtrend along with a decline in ROE.
- We believe that we need to focus on improving asset productivity and raising awareness in the capital markets, as well as promoting understanding among institutional investors in order to formulate an appropriate share price.

Shareholder Composition *



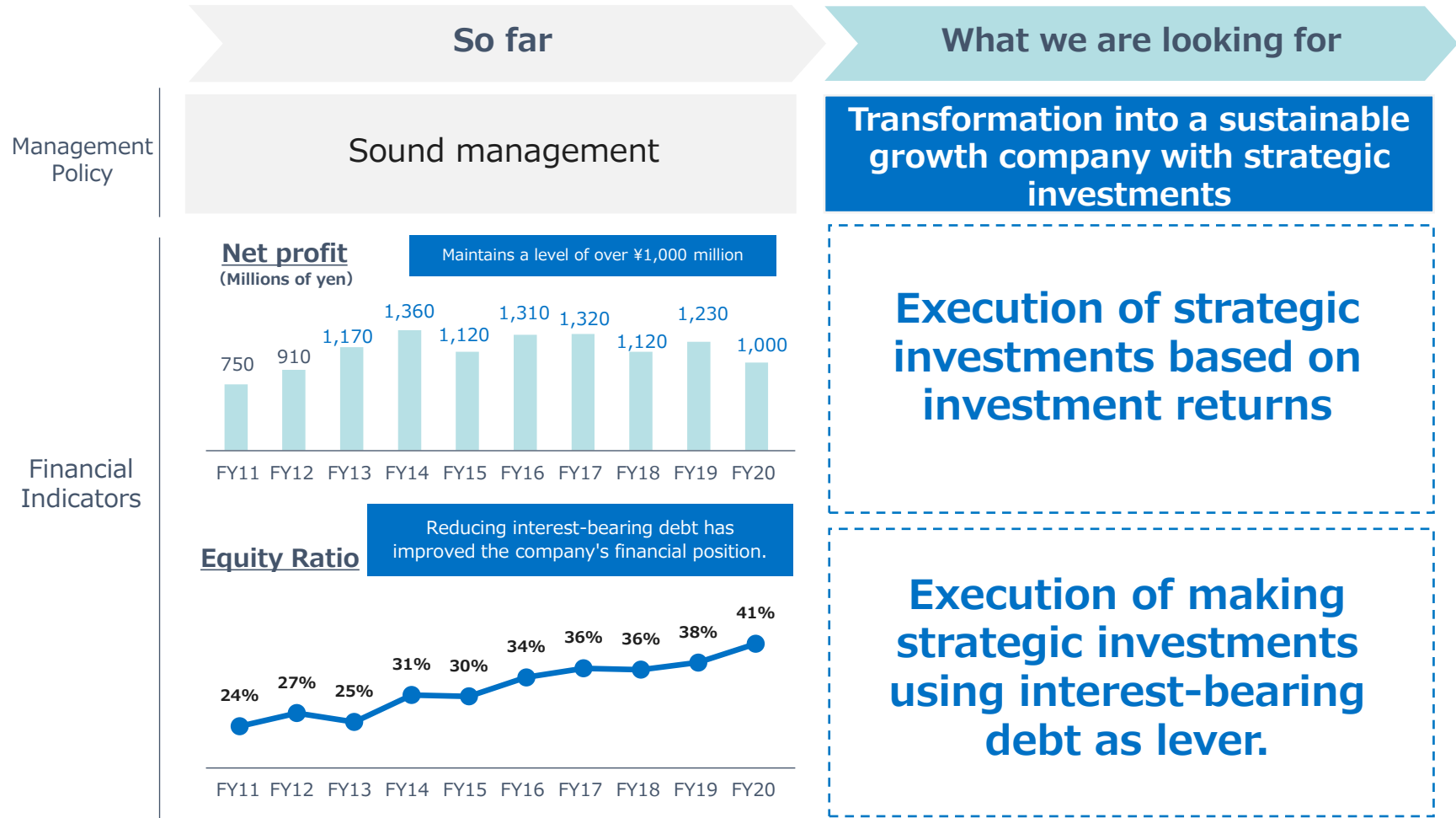
Stock Price and ROE Transition



- Takashima : As of March, 2021
- Tokyo Stock Exchange First Section average : As of the end of the last fiscal year falling between April 1, 2020 and March 31, 2021

3-5. Conversion of Management Policy

- As a result of stable and solid growth, our current financial situation is sound.
- We will transform ourselves from a company with solid management to one with sustainable growth. We will work to improve capital productivity under the current medium-term management plan sustainability X (cross) and the next medium-term management plan.



4. Initiatives to Meet the Continued Listing Criteria of Prime Market

4-1. Achievement Schedule and Basic Policy

- The period of the plan, fulfilling criteria of continued-listing of prime market is until **the end of March 2026**, the final year of the next medium-term management plan (FY2023-FY2025).
- We will promote the various initiatives described in this plan.

		FY2020-FY2022 Sustainability X	FY2023 to FY2025 Next Medium-Term Management Plan
		FY2020(initial year)	FY2025 (final year)
Numerical plan	Profit attributable to owners of parent	¥1.000 billion	¥1.5 billion
	ROE	5.9%	8.0%
	ROIC	5.1%	6.0%
Result	Tradable share market capitalization	¥4.79billion*	¥10.0billion or more
	Trading value	¥6.83millions*	¥20.00million or more

*(as of Jun.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

4-2. Promoting Capital Allocation Policy

- We believe that our current financial position is sound. Going forward, we will execute investments for sustainable profit growth while utilizing external funds and improving shareholder returns.

Capital Allocation Policy

FY21 to last year of next medium-term management plan(FY25)

Source of Funds

Operating Cash Flow

Five-year cumulative cash flow

Cash

¥5.8 billion
(as of March 31, 2021)

External Funding

Actively use external funds (interest-bearing debt, and others) as a source of funds for investment

Investment Strategies

- Establishment of a ¥7.0 billion investment for areas that we plan to focus on in the future
 - (M&A, investment in plant and equipment, investment in people, IT investment, etc.)
 - 2.5 times the size of investments made in the past 5 years (FY16-FY20)

See "4-3. Pursuing Sustainable Profit Growth through Investment Returns" on p. 19 for details.

Enriching Shareholder Returns

- Total return ratio 50%
 - Consolidated dividend payout ratio 40% or more
 - Flexible acquisition and cancellation of treasury shares
 - Establishment of minimum total amount of returns(¥0.5billion)
- Payment of interim dividends

See "4-4. Enriching of Shareholder Returns" on page 20 for details.

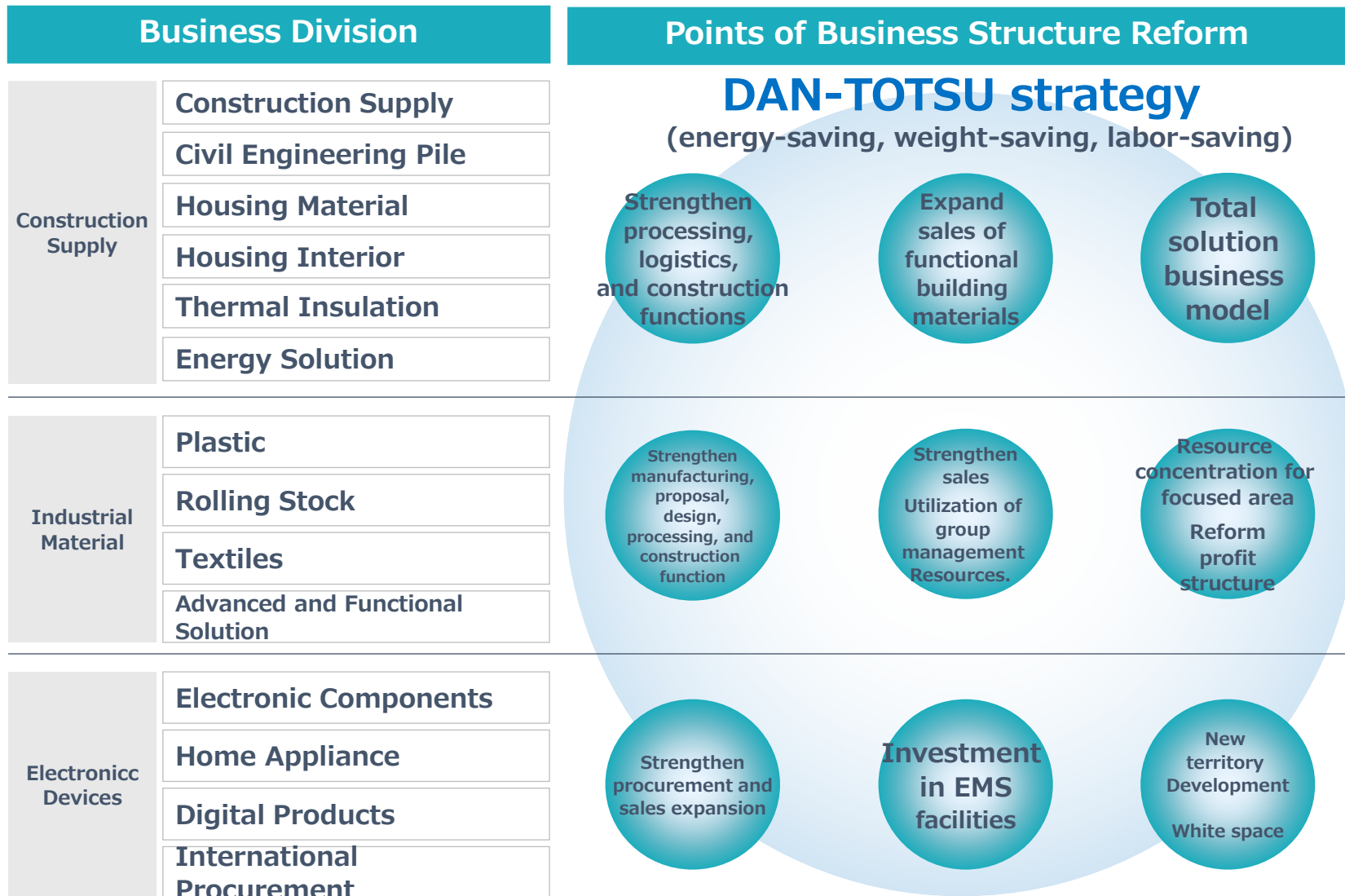
Financial Strategy

- Improvement of financial leverage* / capital efficiency index plan ROE 8.0%, ROIC 6.0

*Financial leverage = Total assets / Shareholders' equity

4-3. Pursuing Sustainable Profit Growth Through Investment Return

- Business restructuring that takes investment efficiency into consideration
- Strategic approach to business opportunities triggered by the transition to a carbon neutral society



4-4. Enriching Shareholder Return

- Starting this year (FY21), the company will increase shareholder returns, including an increase in the consolidated dividend payout ratio.
- We will start to pay interim dividends from the FY22.

We have made a shift from "sound management" to "sustainable growth company with strategic investments". While expanding investment for growth, we will be conscious of capital efficiency and provide greater returns to shareholders than ever before.

Shareholder Return Policy

FY21 to FY25 (final year of next medium-term management plan)

Total Return ratio 50%

We aim to achieve a total return ratio of 50% through "dividends" and "acquisition and cancellation of treasury shares"

Consolidated dividend payout ratio 40% or more

We will pay a consolidated dividend payout ratio of at least 40%.

Flexible acquisition and cancellation of treasury shares

We will do acquisition and cancellation of treasury shares to meet the target of a total return ratio of 50%, while meeting the dividend criteria of a consolidated payout ratio of at least 40%.

Establishment of minimum total amount of returns

We set the minimum total return to shareholders at 500 million yen, with a view to providing a stable return to shareholders.

Payment of interim dividends

Although we have only paid a year-end dividend, we will now pay an interim dividend in order to improve opportunities for shareholder returns and to stimulate trading in the stock market.

4-5. Establishing an IR System



- Approach to institutional investors (small- to and medium-cap, active value funds)
- Enhancement of various IR tools and communication opportunities with investors

Purpose of IR	<ul style="list-style-type: none"> □ Raising name awareness in the capital market □ Promoting understanding among investors □ Forming an appropriate share price □ Forming an appropriate shareholder configuration
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Main IR target	<ul style="list-style-type: none"> □ Institutional investors and analysts, especially small- and medium-cap and value-oriented active funds
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		<u>Initiatives</u>		FY21	FY22	FY23 to FY25
		Item	Content			
Tools	● Financial Statements	● JP/EN			● Start from end of FY21	
	● Financial Briefing	● JP/EN			● Start from end of FY21	
	● Shareholder letter	● JP/EN			● Start from end of FY21	
	● Integrated report	● JP/EN			● Start from end of FY21	
	● Re-launch website	<ul style="list-style-type: none"> ● Reconstructed from the investor's perspective ● JP/EN 			● Scheduled around June 2022	
Communication	● Organization in charge of IR	● Establishment organization		● Scheduled at Jun. 2022		
	● Financial briefing	● For institutional investor and analyst		● Held twice a year (as in the past)		
	● 1 on 1 meeting	● For institutional investors and analyst			● Scheduled around June 2022	
	● Participant external event	● Participation in External Events			● Scheduled around June 2022	

Sustainability Initiatives / Policy on TCFD

Since the early 2000s, we have been advocating the concept of "Advanced Sustainability-focused Trading Company" (sustainability management), and have been promoting business development based on the themes of "weight-saving" and "labor-saving" in the products we handle. In addition, with the theme of "energy-saving," we are actively dealing in renewable energy-related products such as solar panels and storage batteries.

Accordingly, in order to further promote sustainability management in order to proactively address the "Sustainable Development Goals" (SDGs) adopted at the UN Summit, we plan to establish a new "Sustainability Committee" chaired by the executive officer in charge of sustainability.

As a specific initiative, we have already selected the SDGs that we should set as targets, and are currently examining their relevance to each business and the status of adaptation. We are also analyzing the impact of climate change-related risks and profit opportunities on our business activities, and are preparing to disclose them in accordance with the TCFD, and have begun preparing an Integrated Report as the medium for such disclosure.

Business Portfolio Policy

With regard to our business portfolio, we are aiming for appropriate allocation of management resources by dividing them into growth and foundation businesses under a business division system.

In relation to this, we are preparing to introduce investment criteria, aiming to establish a system that enables flexible investment by clarifying investment decision-making criteria and withdrawal criteria. In addition, we are preparing to disclose management indices and plan to adopt investment decision criteria based on ROIC, and are currently examining whether this can be reflected not only at the management level but also in individual performance and performance evaluations.

As for the management system and frequency of investment decision-making, a business strategy meeting called the "TOP Strategy Meeting" is held once a year in early fall, where senior management discusses business strategy, including a review of the business portfolio from a medium- to long-term perspective, and makes recommendations to the Board of Directors.

At the "TOP Strategy Meeting," discussions including organizational reorganization (reorganization of business divisions) are held and reviewed as necessary.

Enable use of electronic voting platform

We are preparing to introduce an electronic voting platform. (Scheduled to be introduced at the General Meeting of Shareholders in June 2022)

Disclose English disclosure materials

We have a system in place to disclose required disclosure documents in English.

Reduce shares held as cross-shareholdings

As already mentioned in the "Corporate Governance Report," our basic policy is to promptly sell any shares that are no longer reasonable to hold or that have diluted the significance of our holdings.

In accordance with the basic policy, we believe that promptly reducing policy shareholdings will eventually contribute to improving the ratio of tradable shares.

■ Handling of this document

[Precautions regarding forecasts]

The data and predictions for the future disclosed in this document are based on judgments as of the release date of the document and obtainable information, and may change due to various reasons such as the economic situation, changes in market trends, etc. Therefore, there are no guarantees that the targets and predictions noted in this document will be reached, nor on future business performance.