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Fiscal Year Ending March 31, 2024(FY23) Third Quarter Financial Briefing

Takashima & Co., Ltd. Securities Code 8007

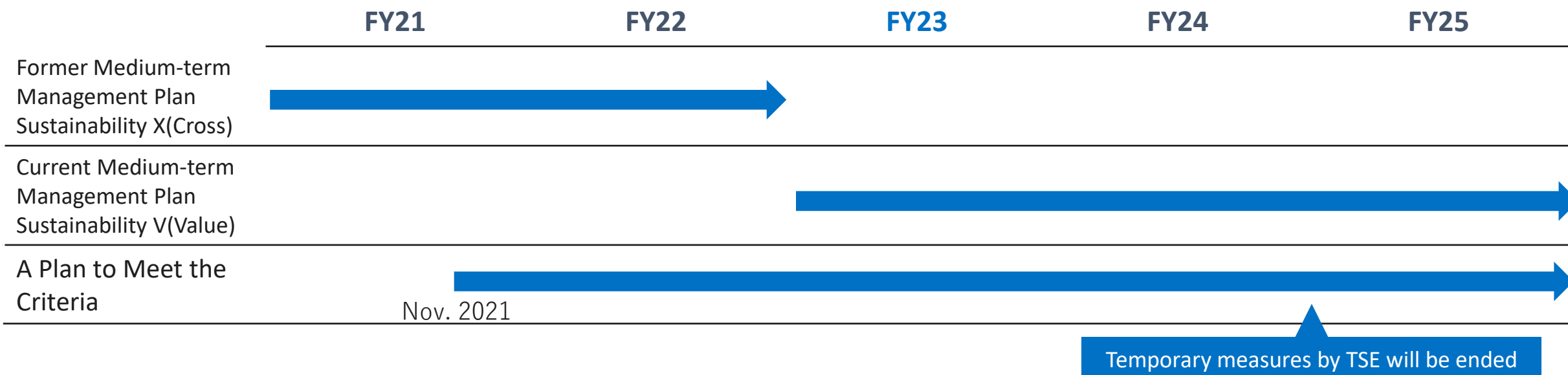
February 22, 2024



Takashima & Co., Ltd.

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- For us, this year is the third year of our plan to meet the criteria for maintaining our listing in the new market classification (A Plan to Meet the Criteria), in which we decided to change the direction of our business from solid management to sustainable growth.
- Similarly, the first year of the medium-term management plan Sustainability V (Value)
- To summarize our current situation, we are steadily implementing the commitments made in the plan to meet the criteria, raising our market capitalization, and achieving solid performance for sustainable growth.



1. FY23 3Q Financial Highlights

➤ Financial results with increased sales and profit

Net Sales
¥66,416M
YoY +10.3%

Operating Profit
¥1,692M
YoY +72.0%

Ordinary Profit
¥1,876M
YoY +70.8%

Profit attributable to owners of parent
¥1,237M
YoY +54.8%

➤ Revised consolidated forecasts for the fiscal year ending March

Net Sales
¥94,000M
YoY +18.0%

Operating Profit
¥2,300M
YoY +30.3%

Ordinary Profit
¥2,400M
YoY +23.7%

Profit attributable to owners of parent
¥4,800M
YoY +202.7%

➤ Forecast of dividend per share for the year ending March 31, 2024

Year-end dividends forecast : **¥40.00 (Increase)**
Detailed : Ordinary dividends ¥25.00 (Unchanged)
Special dividends **¥15.00 (Increase)**

Consolidated Performance P/L



- ✓ Net sales increased 10.3% YoY to ¥66,416M due to strong performance in the construction supply segment and industrial materials segments, despite lower sales and profits in the electronics and devices segment
- ✓ Operating profit increased 72.0% YoY to ¥1,692M
- ✓ Ordinary profit increased 70.8% YoY to ¥1,876M
- ✓ Profit attributable to owners of the parent increased 54.8% YoY to ¥1,237M.

(Unit: Millions of Yen)

	FY22 3Q	FY23 3Q	Amount of change	YoY
Net Sales	60,211	66,416	6,204	10.3%
Cost of Sales	53,454	57,151	3,696	6.9%
Gross Profit	6,757	9,264	2,507	37.1%
SG & A	5,773	7,572	1,799	31.2%
Operating Profit	983	1,692	708	72.0%
Operating Profit Ratio	1.6%	2.5%	0,9pt	-
Ordinary Profit	1,098	1,876	777	70.8%
Profit attributable to owners of Parent	799	1,237	437	54.8%

The end of FY22
(Mar. 31, 2023)

Total assets: ¥53,060M

Equity ratio: 36.8%

The end of 3Q of FY23
(Dec 31, 2023)

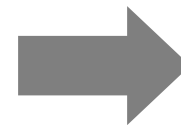
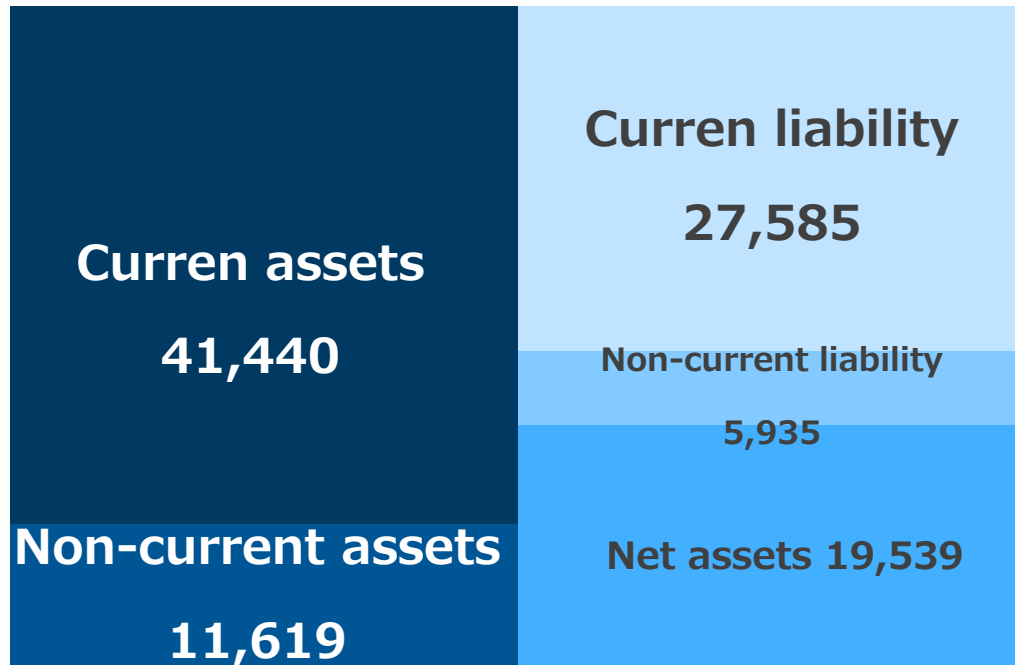
Total assets: ¥62,773M

Equity ratio: 32.4%

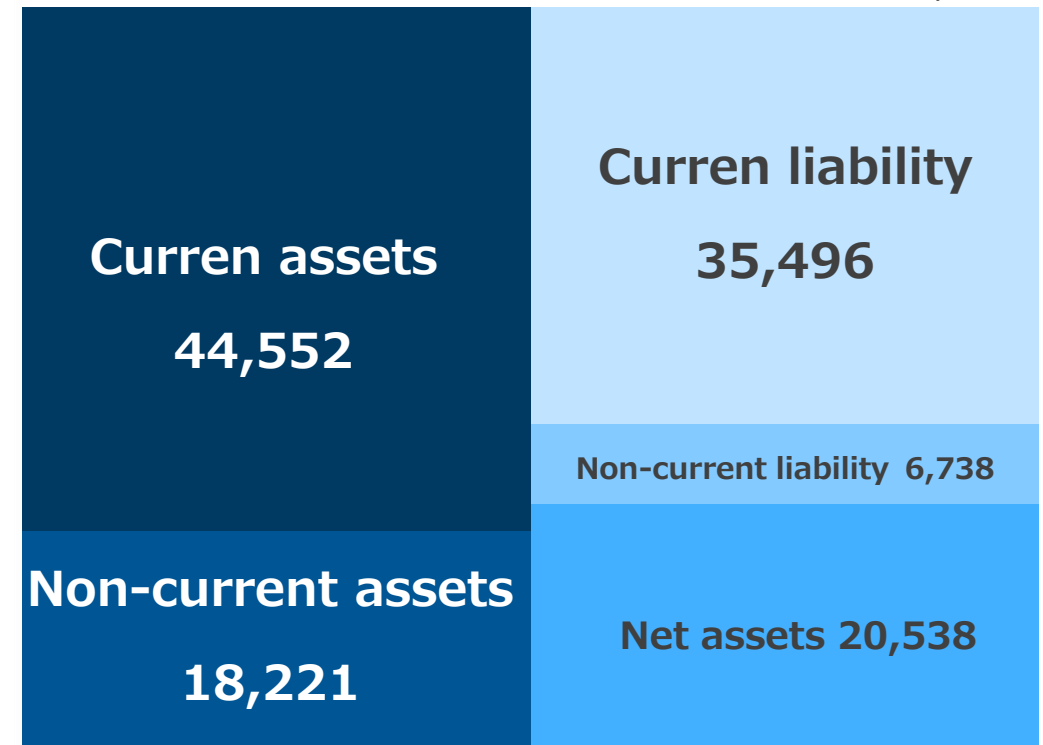
¥9,713M

-4.1pt

(Unit :Millions of yen)



(Unit :Millions of yen)



Consolidated Performance B/S



(Unit: Million of yen)

	FY22	FY23 3Q	Amount of change	Ratio of change
Assets				
Current assets				
Cash and deposits	7,791	7,013	-778	-10.0%
Notes and accounts receivable - trade, and contract assets	26,260	29,481	3,221	12.3%
Total current assets	41,440	44,552	3,111	7.5%
Non-current Assets				
Property, plant and equipment	4,707	6,557	1,850	39.3%
Intangible assets				
Goodwill	1,069	6,091	5,021	469.5%
Total intangible assets	1,662	6,702	5,039	303.1%
Investment and other assets				
Investment securities	3,050	2,804	-245	-8.0%
Total investments and other assets	5,249	4,961	-288	-5.5%
Non-current assets	11,619	18,221	6,602	56.8%
Total assets	53,060	62,773	9,713	18.3%

Main factors of change

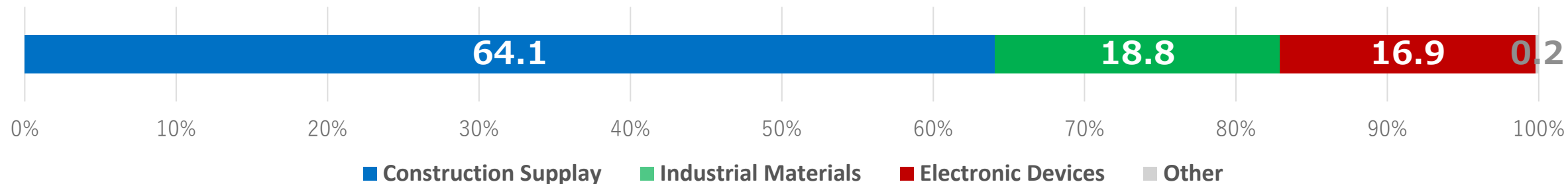
Consolidated Performance B/S

(Unit: Millions of yen)

	FY22	FY23 3Q	Amount of change	Ratio of change
Liabilities				
Current liabilities				
Notes and accounts payable trade	15,277	18,162	2,885	18.9%
Electronically recorded obligations – operating	5,735	4,944	-790	-13.8%
Short-term borrowings	3,548	8,485	4,937	139.1%
Total current liabilities	27,585	35,496	7,910	28.7%
Non-current liabilities				
Long-term borrowings	3,347	4,015	668	20.0%
Total non-current liabilities	5,935	6,738	803	13.5%
Total liabilities	33,520	42,235	8,714	26.0%
Net assets				
Shareholders' equity				
Share capital	3,801	3,801	–	0.0%
Retained earnings	12,482	12,918	436	3.5%
Total shareholders' equity	17,874	18,227	353	2.0%
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	704	773	68	9.7%
Foreign currency translation adjustment	555	1,125	570	102.7%
Total accumulated other comprehensive income	1,665	2,310	645	38.8%
Total net assets	19,539	20,538	999	5.1%
Total liabilities and net assets	53,060	62,773	9,713	18.3%

Main factors of change

FY23 3Q Net sales ¥66,416M



Construction Supply Segment

The company handles a variety of commercial products related to construction and building construction, including wall materials, foundation piling methods, insulation materials, solar panel-related materials, and interiors for large, non-residential buildings and residential buildings. We have established a sales and construction network to provide a wide range of solutions from planning and design to construction.



Industrial Materials segment

We handle a wide variety of commercial materials, including textile materials, plastic materials, and functional materials. We and our group companies collaborate in design, manufacturing, processing, and sales to provide combined value to our customers.



Electronic Devices Segment

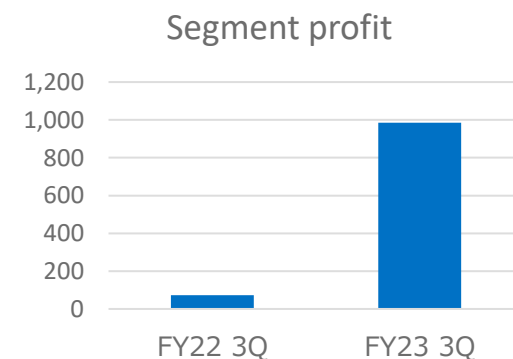
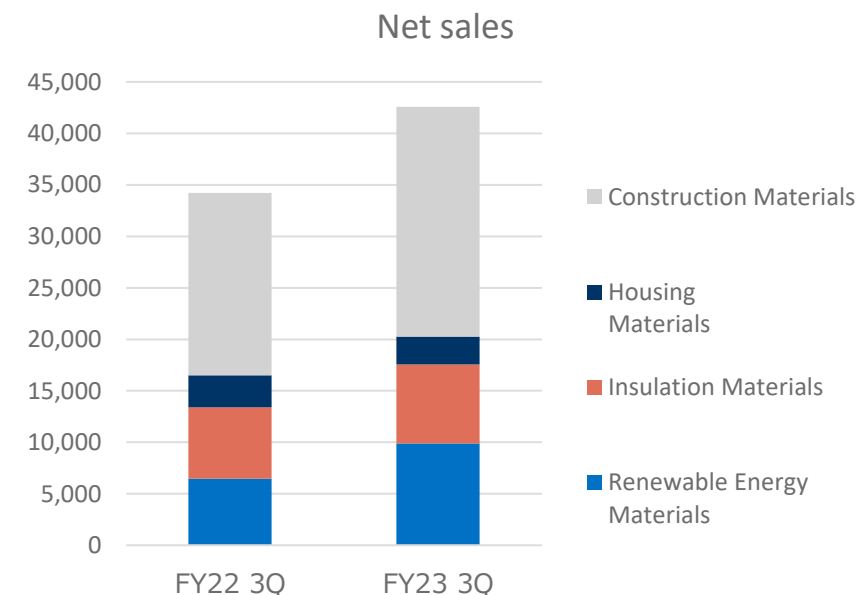
In devices, we are engaged in the electronic component sales business, procuring and supplying electronic components from manufacturers, mainly in Asia, in response to customer needs. Assembly is engaged in the contract manufacturing business, utilizing its own factory in Thailand to perform board mounting (EMS) for white goods and a wide range of other products.



- Overall sales in the Construction Supply segment increased 24.4% to ¥42,589M
- Segment profit increased 1253.9% to 985 million yen

(Unit: Millions of yen)

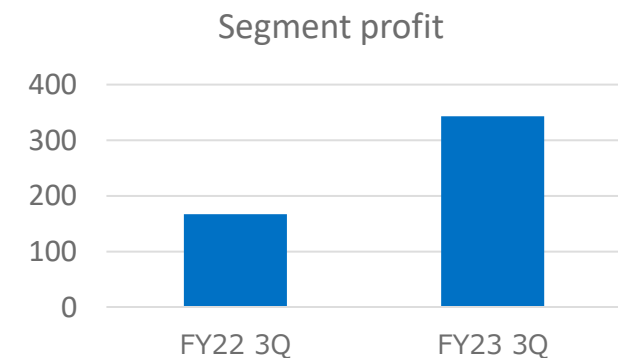
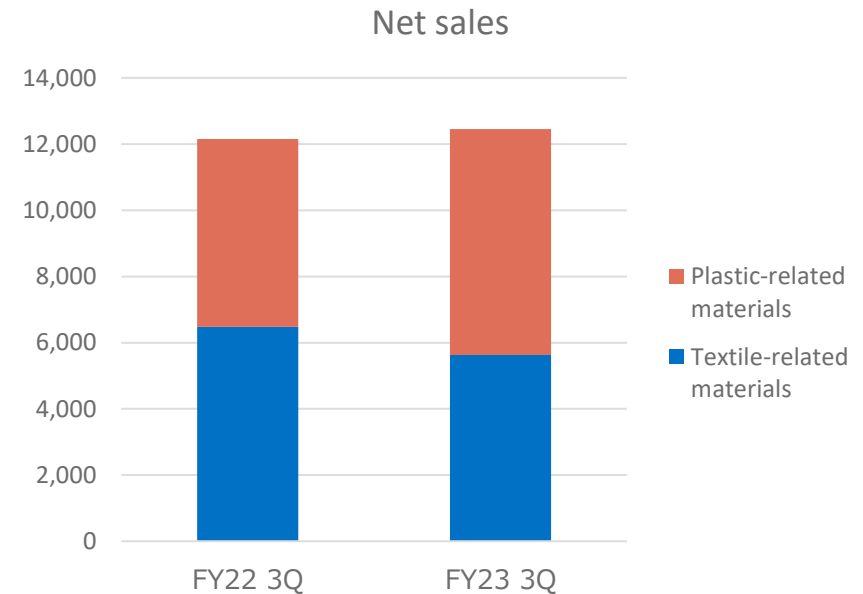
	FY22 3Q	FY23 3Q	Amount of change	YoY
Construction Materials	17,703	22,320	4,617	26.1%
Housing Materials	3,122	2,701	-421	-13.5%
Insulation Materials	6,936	7,691	754	10.9%
Renewable Energy Materials	6,460	9,875	3,415	52.9%
Segment net sales	34,222	42,589	8,366	24.4%
Segment operating profit	72	985	913	1253.9%
Ratio of profit	0.2%	2.3%	2.1pt	-



- Overall sales in the Industrial Materials segment increased 2.5% to ¥12,454M
- Segment profit increased 105.0% to ¥343M

(Unit: Millions of yen)

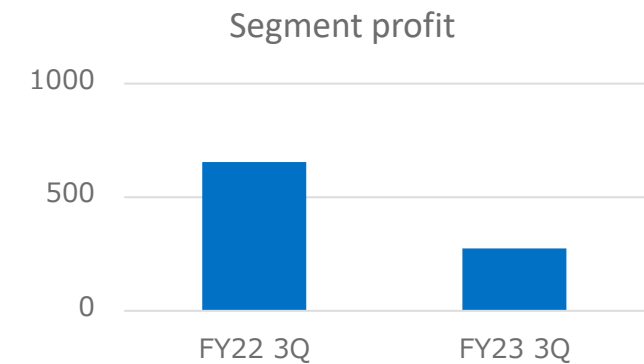
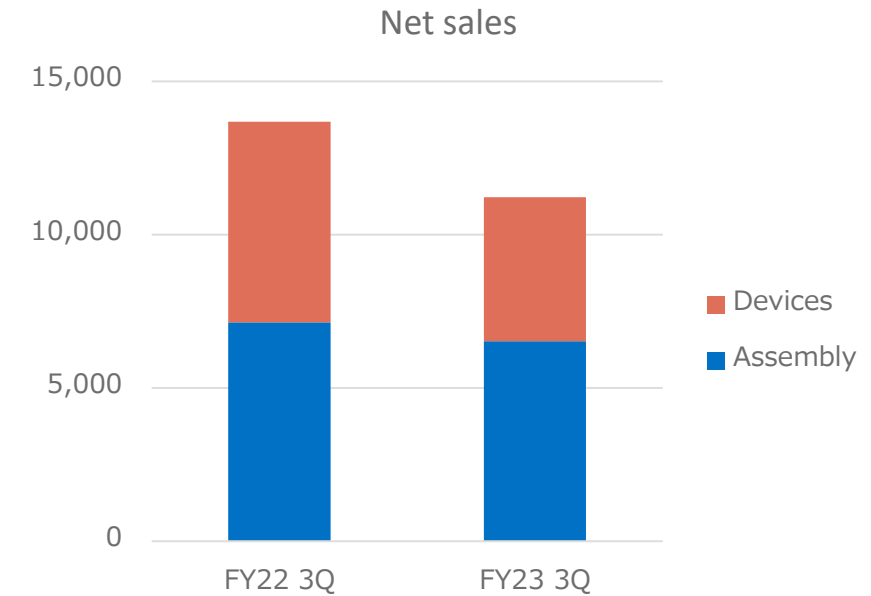
	FY22 3Q	FY23 3Q	Amount of change	YoY
Plastic-related materials	5,676	6,828	1,152	20.3%
Textile-related materials	6,477	5,626	-851	-13.1%
Segment net sales	12,153	12,454	300	2.5%
Segment operating	167	343	176	105.0%
Ratio of profit	1.4%	2.8%	1.4pt	-



- Overall sales in the Electronic Devices and Components segment declined 18.0% to ¥11,227M
- Segment profit decreased 58.0% to 275 million yen

(Unit: Millions of yen)

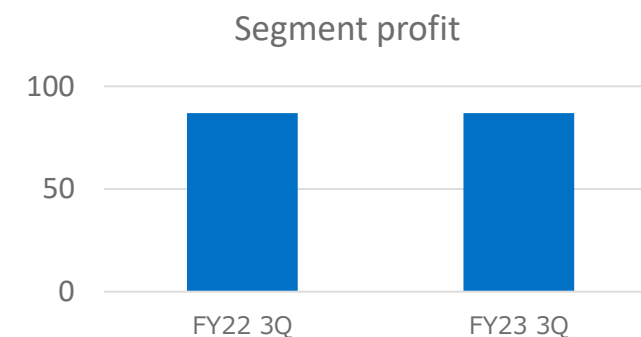
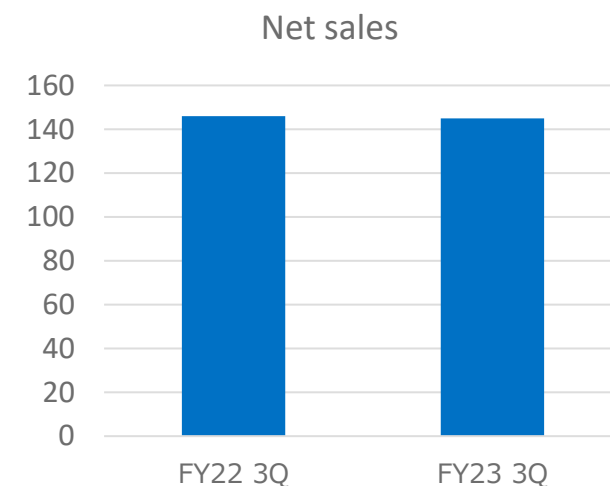
	FY22 3Q	FY23 3Q	Amount of change	YoY
Device	6,539	4,702	-1,837	-28.1%
Assembly	7,149	6,525	-624	-8.7%
Segment net sales	13,688	11,227	-2,461	-18.0%
Segment operating profit	656	275	-380	-58.0%
Ratio of profit	4.8%	2.5%	-2.3pt	-



- No change in real estate owned by the Company from the previous period, and both net sales and segment profit remained unchanged.

(Unit: Millions of yen)

	FY22 3Q	FY23 3Q	Amount of change	YoY
Segment net sales	146	145	-1	-1.2%
Segment operating profit	87	87	0	-0.3%
Ratio of profit	59.4%	59.9%	0.5pt	-



2. FY23 Full-year Consolidated Performance Forecast

FY23 Consolidated Performance Forecast –Revised-



- November 9, 2023: Revised earnings forecast upward, taking into account the acquisition of Gansui Corporation in June 2023 and the performance in the second quarter of the fiscal year ending March 31, 2024.
- Dec. 14, 2023: Revised upward the forecast for profit attributable to the parent company due to an expected extraordinary gain on sales of fixed assets resulting from the transfer of fixed assets. (Unit: Millions of yen)

	FY23 initial Forecast (A)	FY 23 revised forecast (B)	Amount of change (B-A)	Ratio of change (%)	Result for the previous period(C)	Amount of change (B-C)	Ratio of change (%)
Net sales	89,000	94,000	5,000	5.6	79,683	14,316	18.0%
Operating profit	1,800	2,300	500	27.8	1,764	535	30.3%
Operating profit ratio	2.0%	2.4%	0.4pt	-	2.2%	0.2pt	-
Ordinary profit	1,900	2,400	500	26.3	1,939	460	23.7%
Profit attributable to owners of parent	1,600	4,800	3,200	200.0	1,585	3,214	202.7%

Note: net sales, operating profit, operating profit ratio, and ordinary profit are based on the figure disclosed on Nov. 9, and net profit attributable to owners of parent is based on the figure disclosed on Dec. 14.

Revision of Consolidated Forecasts by Segment for FY23

- We revised forecasts for construction supply and industrial materials segments at the end of 2nd quarter.

(Unit: Millions of yen)

	FY23 Initial forecast(A)	FY23 Revised Forecast (B)	Amount of change (B-A)	Ratio of change (%)	Result for FY22(C)	Amount of change (B-C)	Ratio of change (%)
Net sales	89,000	94,000	5,000	5.6%	79,683	14,316	18.0%
Construction Supply	54,600	59,350	4,750	8.7%	44,511	14,838	33.3%
Industrial Materials	18,750	19,000	250	1.3%	17,677	1,322	7.5%
Electronic Devices	15,450	15,450	—	0.0%	17,301	-1,851	-10.7%
Real Estate Leasing	200	200	—	0.0%	193	6	3.1%
Operating profit	1,800	2,300	500	27.8%	1,764	535	30.3%
Construction Supply	840	1,320	480	57.1%	611	708	115.8%
Industrial Materials	400	420	20	5.0%	23	396	1,692.7%
Electronic Devices	450	450	—	0.0%	1,014	-564	-55.7%
Real Estate Leasing	110	110	—	0.0%	114	-4	-4.0%

3. Shareholder Return

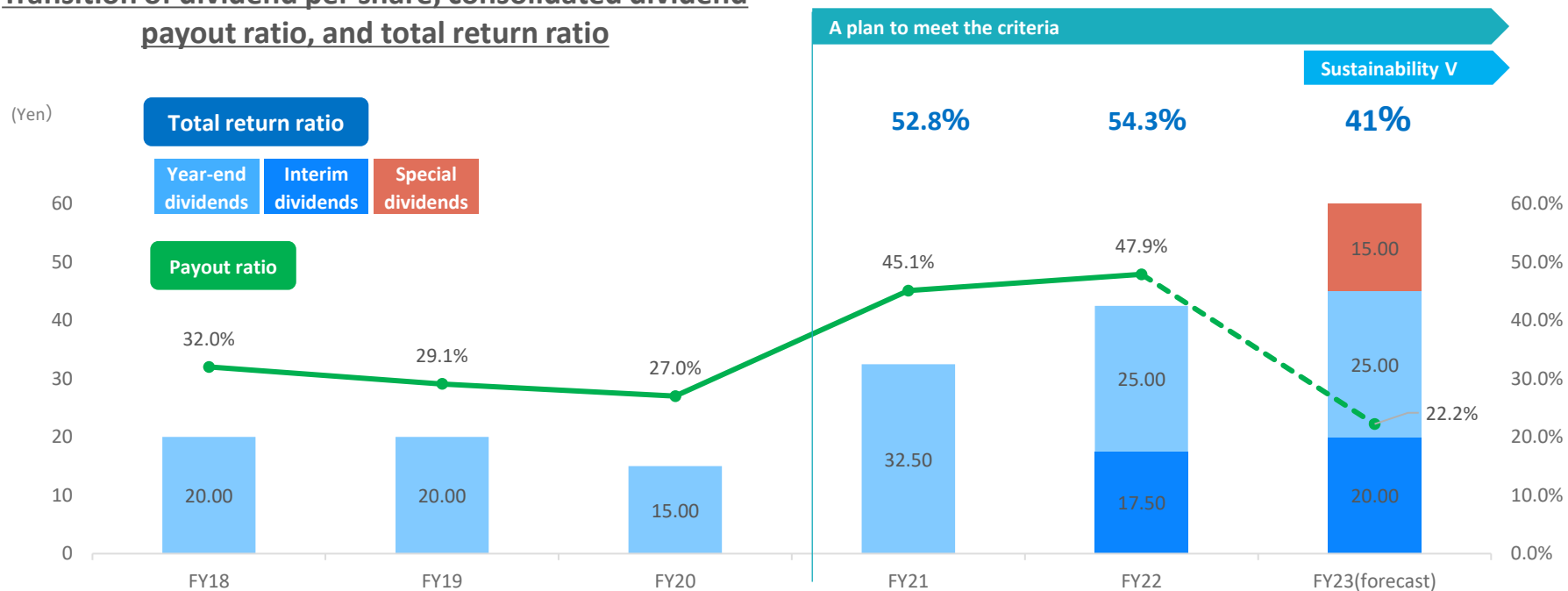
- Proactive shareholder returns for the period from FY23 to FY25 in accordance with the basic policy in the conformity plan document

Basic Policy

Consolidated dividend payout ratio of 40% or more - Total return ratio of 50%
Lower limit of total return amount: 500 million yen

- The dividend payout ratio and total return ratio forecast for the fiscal year ending March 31, 2024 are lower than the basic policy due to the impact of extraordinary gains from the sale of fixed assets, but if these effects are excluded, shareholder returns will be in line with the basic policy.

Transition of dividend per share, consolidated dividend payout ratio, and total return ratio

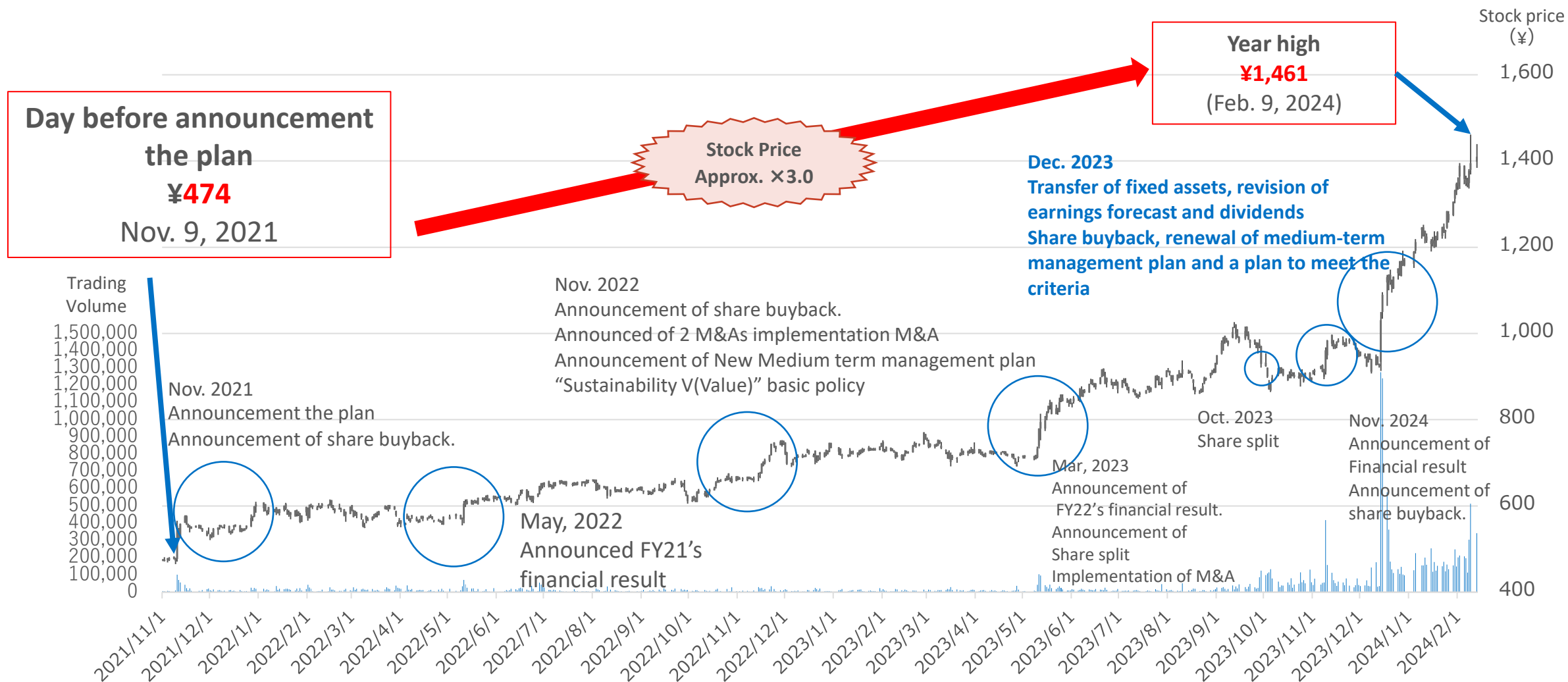


On October 1, 2023, a 4-for-1 stock split of shares of common stock was implemented. The pre-split dividend per share is based on the assumption that the stock split was conducted in the fiscal year ended March 31, 2019.

4. Our Current Status to Meet the Continuous-listing Criteria of Tokyo Stock Exchange Prime Market

Transition of Stock Price After the Announcement of Our Plan to Meet the Criteria

- Steady implementation of the commitment items in the basic policy of a plan to meet the criteria resulted in a steady increase in the stock price.
- We will continue to take actions to enhance corporate value in order to achieve a tradable market capitalization of 10 billion yen.



➤ **Status of meeting the criteria for maintaining prime market listing as of March 31, 2023**

Average closing price from January to the end of March 2023	Tradable market capitalization
¥2,919 (Before share split) ¥729 (Considering After 4-division conversion)	¥8.24Bn

➤ **Status of meeting the criteria for continued-listing prime market as of January 31, 2024 (in-house calculation)**

Average closing price from November 2023 to the end of January 2024	Tradable market capitalization
¥1,079 (considering after 4-division conversion)	¥12.47Bn

Note: Tradable market capitalization = Number of listed share* Ratio of tradable share* share price
 The number of listed shares is calculated based on the number of shares after the stock split.
 Share prices are calculated using the adjusted average closed share price after the October 1 stock split.

Number of listed share (Number of shares after implementation of the October 1, 2023 stock split)	17,865,092
Tradable share	64.74%

5. Measures to Achieve Management Conscious of Cost of Capital and Stock Price

Introduction

- In a plan to meet the criteria, we has set capital efficiency targets for the fiscal year ending March 31, 2026, and has also indicated its policy for capital efficiency and growth-oriented investments based on its capital allocation policy, as well as its policy for increasing shareholder returns. We engage in management with a strong awareness of the cost of capital and stock price.

A plan to meet the criteria
Disclosed on November 10, 2021

Updated plan
Disclosed on November 14, 2022

Updated Sustainability V
Disclosed on December 14, 2023

Capital efficiency and growth-oriented investments and improved shareholder returns based on capital allocation policy

Management policy	Transformation from a solid management to a sustainable growth company								
Management Indicators	<table border="0"> <tr> <td>Net profit</td> <td>¥1.5Bn</td> </tr> <tr> <td>ROE</td> <td>8.0%</td> </tr> <tr> <td>ROIC</td> <td>6.0%</td> </tr> <tr> <td>Total return ratio</td> <td>50%</td> </tr> </table> <p style="text-align: right;">(FY25)</p>	Net profit	¥1.5Bn	ROE	8.0%	ROIC	6.0%	Total return ratio	50%
Net profit	¥1.5Bn								
ROE	8.0%								
ROIC	6.0%								
Total return ratio	50%								

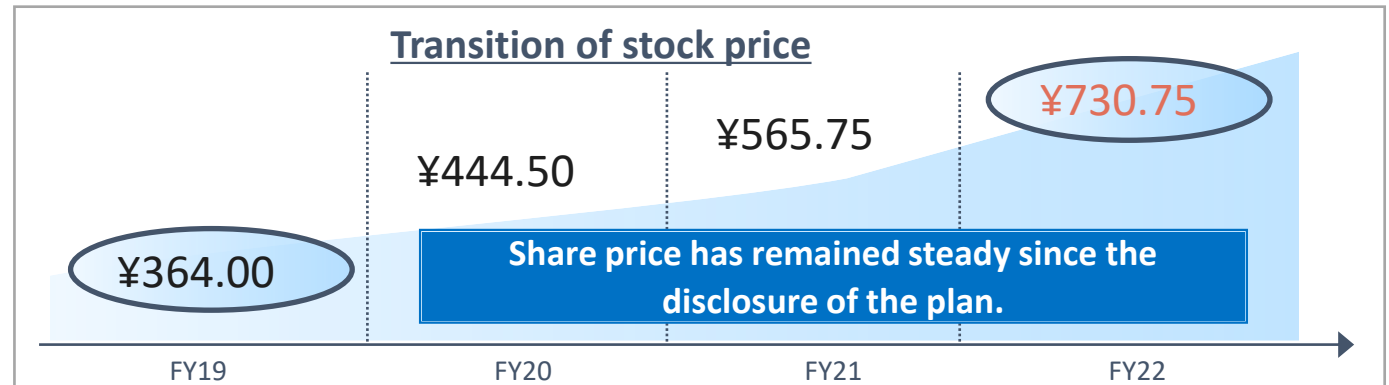
Capital allocation policy	<p>Investment Strategy 7 billion yen investment quota focusing on target area (FY21-FY25)</p> <p>Shareholder's return Total return ratio 50%</p> <p>Financial strategy Increased financial leverage Capital efficiency target</p>
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Upward revision

- Plan of net profit
¥1.5Bn → ¥1.7Bn
- Investment quota (Fy21 to FY25)
¥7Bn → ¥10Bn or more

Upward revision

- Plan of net profit (FY25)
¥1.7Bn → ¥1.9Bn
- Investment quota (FY21-FY25)
¥10Bn or more → ¥15Bn



- Although the company has achieved return on capital in excess of cost of capital, P/B ratio is below the 1x level. Therefore, not only sustainable improvement of ROE, but also future earnings growth, i.e., improvement of P/E ratio, is an issue.

(Status of capital efficiency)

	FY20	FY21	FY22
Profit attributable to owners of parent	¥1,000M	¥1,296M	¥1,585M
ROE	5.9%	7.2%	8.3%
ROIC	5.1%	5.2%	5.0%
Cost of equity	5.9%	6.2%	6.3%
WACC	4.4%	4.0%	3.9%

- ROE at the end of the fiscal year ended March 31, 2023 is 8.3%, 2.0 percentage points above the cost of equity, which is assumed to be 6.3%.
- ROIC at the end of fiscal year ended March, 2023 is 5.0%, 1.1 percentage points higher than the WACC, which is assumed to be 3.9%, indicating that the company has achieved a return on capital that exceeds its cost of capital.

(Status of P/B ratio)

	FY20	FY21	FY22
P/B ratio	0.46	0.55	0.67
ROE	5.9%	7.2%	8.3%
P/E ratio	8.0	7.8	8.2

- P/B ratio is 0.67. P/B ratio is on the rise, but this is due to higher ROE and limited increase in P/E ratio
- The challenge is not only to continue to achieve return on capital in excess of cost of capital, but also to improve ROE on a sustainable basis and to improve expectations of future earnings growth through sustainable growth, i.e., P/E ratio, in order to reach a P/B ratio of 1x.

◆ Major achievements based on the policies of the medium-term management plan

Achievement	Purpose	Implementation period												
New Energy Distribution System and Sinbou Edix become consolidated subsidiaries	Investment in strategic area	FY22												
Gansui Corporation become consolidated subsidiaries	Investment in strategic area	FY23												
Transfer of fixed assets	Concentration of management resources in strategic areas	FY23												
Shareholder returns based on a policy of 50% total return ratio (including repurchase and cancellation of treasury stock)	Achieving both growth and shareholder returns	FY21 ~												
<table border="1"> <thead> <tr> <th></th> <th>FY20</th> <th>FY21</th> <th>FY22</th> </tr> </thead> <tbody> <tr> <td>Total return ratio</td> <td>27.0%</td> <td>52.8%</td> <td>54.3%</td> </tr> <tr> <td>Payout ratio</td> <td>27.0%</td> <td>45.1%</td> <td>47.9%</td> </tr> </tbody> </table>				FY20	FY21	FY22	Total return ratio	27.0%	52.8%	54.3%	Payout ratio	27.0%	45.1%	47.9%
	FY20	FY21	FY22											
Total return ratio	27.0%	52.8%	54.3%											
Payout ratio	27.0%	45.1%	47.9%											
Special shareholder returns resulting from profit on sales of fixed assets	Achieving both growth and shareholder returns	FY23												
Enhancement of various IR tools /Strengthen information disclosure to foreign investors and individual investors, and dialogue with shareholders	Achieving both growth and shareholder returns	FY21 ~												
Reduction of policy shareholdings	Concentration of management resources in strategic areas Compliance with Corporate Governance Code	FY21 ~												

(1) Policies and goals for improvement (2) Specific measures for improvement

(1) Policies and goals for improvement

- Achieve ROE target of 8.0% or more and ROIC target of 6.0% or more in the final year of the medium-term management plan (fiscal year ending March 31, 2026)
- Steadily implement initiatives based on the basic policies of the medium-term management plan to improve P/B ratio, and strive to increase corporate value through profit growth and capital productivity improvement

(2) Specific measures for improvement

PMI execution and monitoring

-Accelerate the return on investment and raise Group profits through early implementation and appropriate monitoring of PMI measures for the three M&As implemented.

New investment in strategic areas (M&A, new businesses, plant and equipment investment, etc.)

-Expand investment quota and make new investments emphasizing capital efficiency and growth potential based on capital allocation policy

Restructuring of Industrial Materials Segment

-Improve the growth potential and capital profitability of the Industrial Materials business through consolidation of the Industrial Materials business as a subsidiary and reorganization of group companies.

Achieving both growth and shareholder returns

Shareholder returns based on a policy of 50% total return ratio (including repurchase and cancellation of treasury stock)

Enhancement of various IR tools /Strengthen information disclosure to foreign investors and individual investors, and dialogue with shareholders

-Expand opportunities for investor communication through participation in investor events and efforts to increase awareness through the use of mass media for investors

Reduction of policy shareholdings

-Reduction toward a net asset ratio of less than 10.0% as of the fiscal year ending March 31, 2024

Inquiries on this document

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■ Handling of this document

[Precautions regarding forecasts]

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