Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Message from the Division Chief of Business Integration Division



Meeting expectations through management conscious of cost of capital and proactive shareholder returns

Kenichi Yamada
Division Chief of Business Integration Division

Review of the previous medium-term management plan and policy for the new medium-term management plan

During the period of the previous medium-term management plan "Sustainability V (Value)" (hereinafter the "previous medium-term management plan"), the Company achieved results such as growing its market capitalization by 3.5 times or more and reaching a level of PBR exceeding 1.0 through the proactive execution of strategic investments. On the other hand, an increase in invested capital and higher goodwill amortization expenses associated with proactive M&A and other initiatives put pressure on profits, with ROE constrained to 5.2% and ROIC to 4.0% in the final fiscal year, leaving challenges in improving profitability and capital efficiency.

Under the new Medium-Term Management Plan 2028 "Sustainable $^{+}$ Spiral (Sustainable Positive Spiral)" (hereinafter the "new medium-term management plan"), the Company positions these three years as a period to "put our growth on track," aiming to advance the strategic initiatives executed to date to contribute to profits and create a "sustainable positive cycle" where returns on investment fund further investment.

Management that takes the cost of capital and share prices into account and initiatives to improve corporate value

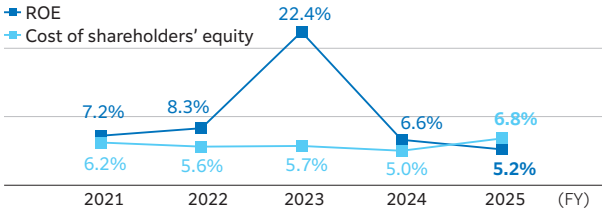
In FY2025, the final year of the previous medium-term management plan, the cost of shareholders' equity and WACC (weighted average cost of capital) increased to 6.8% and 5.0%, respectively, due to an increase in the risk-free rate and other factors. Consequently, ROE (5.2%) fell below the cost of shareholders' equity and ROIC (4.0%) below WACC, resulting in an equity spread of -1.6% and an EVA spread of -1.0%.

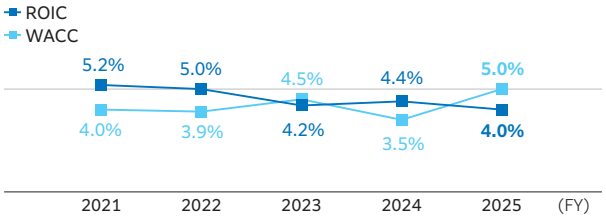
In response to these results, the new medium-term management plan sets forth "promote management conscious of cost of capital and corporate value" as its primary basic policy.

Specifically, we will advance the transformation of our business portfolio. By introducing a four-quadrant framework that evaluates each business on the two axes of growth (net sales CAGR) and profitability (ROIC), we will optimally and selectively focus our management resources, thereby enhancing the capital efficiency of the Group as a whole. In addition, through the reorganization of the Business Management Division into the "Business Integration Division," we will accelerate strategy formulation from a company-wide perspective as well as integrated value creation.

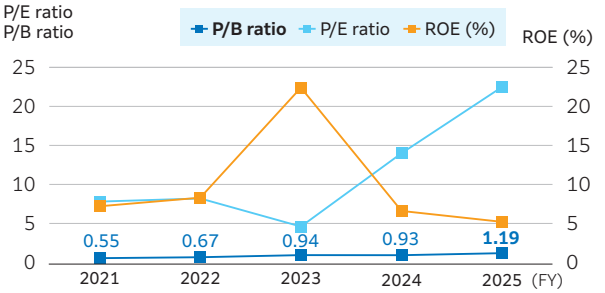
Moreover, by further deepening collaboration between the three business divisions and Group companies and integrating functions such as construction, processing, and mounting into the traditional trading company functions, we will maximize Group-wide synergies and reliably increase returns on M&A and capital investments. Through these initiatives, we will pursue the achievement of our consolidated performance target of an ROE of 8% or higher for FY2028.

Status of capital efficiency





P/B ratio P/B ratio = ROE × P/E ratio



Although we have achieved steady progress in reducing shares held as cross-shareholdings by lowering the ratio to 2.9% of net assets as of the end of FY2025 against our target of less than 10%, we will continue these reductions and utilize the proceeds generated to improve capital efficiency.

Regarding our share price, while our PBR has exceeded 1.0, we recognize that a gap still remains between our returns and the market's expected return. We will further strengthen our IR

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Message from the Division Chief of Business Integration Division

activities by expanding English disclosures of financial materials and creating dialogue opportunities with institutional, international, and individual investors, among other measures. Through these efforts, we will thoroughly explain the Company's growth strategy and the pathway to capital productivity improvement in an effort to earn an appropriate valuation from the market.

Cash allocation and investment strategy

To achieve sustainable improvement of corporate value, it is essential to have a solid financial foundation that simultaneously pursues appropriate growth investments and shareholder returns, as well as disciplined cash allocation. During the three-year period of the new medium-term management plan, we will secure growth capital by using approximately ¥8.5 billion in operating cash flow generated from core operations as a base, while flexibly utilizing external borrowings in accordance with financial discipline. In terms of financial soundness indicators, we will manage toward benchmarks of a debt-to-equity ratio of 1.0 or less and an interest coverage ratio of around ten times, pursuing an optimal balance between capital efficiency and financial stability.

Under this allocation policy, we have established a strategic investment framework on the scale of ¥10.0 billion over the three-year period of the new medium-term management plan. This is comparable to the actual results (¥11.3 billion) over the past three years under the previous medium-term management plan, reflecting a commitment to continue proactive investments without losing growth momentum.

The two pillars of the investment strategy are "acquiring and strengthening capabilities in existing businesses" and "expanding businesses in strategic domains/adjacent areas." Past examples include the M&A of Sanwa System Co., Ltd., through which construction functions for industrial solar power generation systems were acquired. Going forward, capital will be allocated to rigorously selected projects that align with the strategic themes of "labor-saving," "resource-saving," and "renewable-energy," and that are expected to generate strong synergies with the trading company functions of the Company. As Division Chief of the Business Integration Division, I will establish a positive cycle of investment that reliably contributes to profits by setting hurdle rates upon investment execution and ensuring strict return management based on ROIC post-investment.

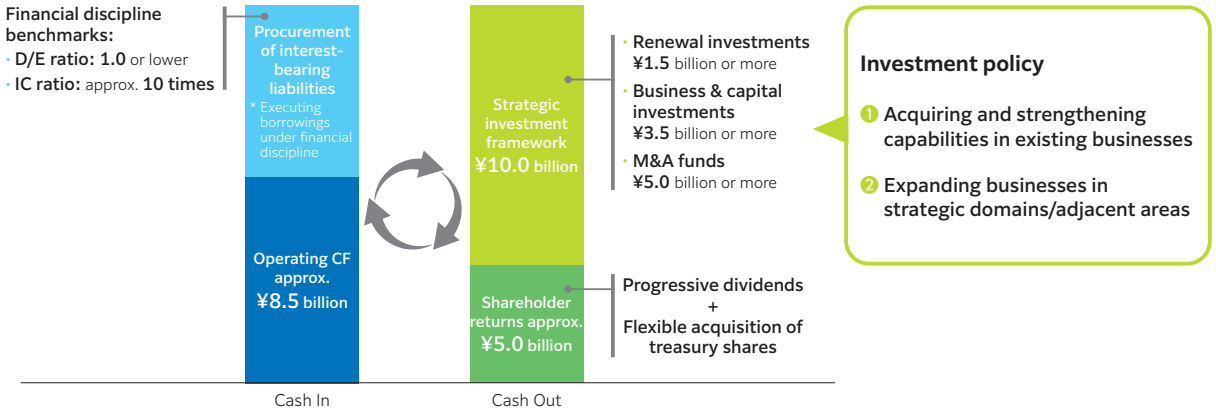
Shareholder returns policy

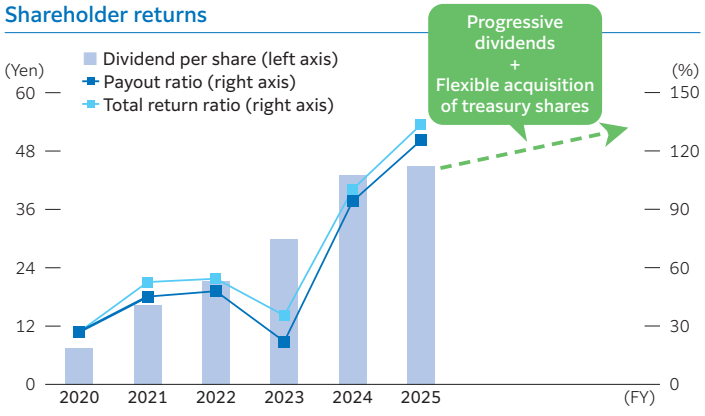
With respect to shareholder returns, the Company positions it as a key management objective to reward shareholders from a medium- to long-term perspective, being conscious of capital efficiency.

Under the previous medium-term management plan, as a limited-time measure to achieve an ROE of 8% or higher, the Company provided shareholder returns at remarkably high levels, including a payout ratio of 80% or higher and a total return ratio of 100%. With the new Medium-Term Management Plan, based on our track record to date, the Company will adopt a new shareholder returns policy of "progressive dividends + flexible acquisition of treasury shares."

This policy is to maintaining or increasing dividends in line with profit growth without reducing dividends, aiming to enable shareholders to hold the Company's shares with confidence over the medium to long term. Furthermore, by taking into account share price levels, cash flow conditions, and investment opportunities in a comprehensive manner, and by flexibly implementing the acquisition of treasury shares, the Company intends to continue proactive shareholder returns that are equal to or greater than those of the past.

By advancing both pillars of sustainable growth in earnings per share (EPS) through growth investments and substantial shareholder returns, the Company will strive to further improve corporate value.





Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Review of the Previous Medium-Term Management Plan

The market segment restructuring of the Tokyo Stock Exchange and positioning of Sustainability V

Following the market segment restructuring of the Tokyo Stock Exchange in April 2022, the Company selected the Prime Market. We made a significant shift in our management policy from our traditional approach of sound management to one focused on sustainable growth through strategic investment, and formulated and implemented our previous Medium-Term Management Plan "Sustainability V (Value)," as a concrete initiative to achieve this objective.

Under our previous Medium-Term Management Plan, we worked to improve corporate value by executing ¥14.7 billion in strategic investments over five years to drive M&A and business transformation, while also improving capital efficiency through initiatives such as reducing cross-shareholdings. We also pursued proactive shareholder returns through measures such as raising our payout ratio and acquisition of treasury shares, while establishing a sound foundation for the shift towards sustainable growth and enhancing corporate value.

Previous Medium-Term Management Plan targets and results

For FY2025, the final year of the previous Medium-Term Management Plan, consolidated net sales amounted to ¥90.6 billion, operating profit to ¥2.10 billion, profit attributable to owners of the parent to ¥1.22 billion, ROE was 5.2%, and ROIC was 4.0% leaving room for improvement in terms of the plan's quantitative targets.

The main reasons for not achieving the targets where changes in the customer environment in major markets, together with higher material costs and construction delays, which resulted in overall sales growth falling short of expectations.

In addition, the Company undertook strategic investments on the largest scale in its history, including multiple M&A transactions, as part of its efforts to achieve sustainable growth, which also had an impact on results. Although these initiatives helped strengthen the Company's business foundation, fixed costs such as depreciation and goodwill amortization were incurred ahead of the expected returns, placing downward pressure on short-term profits.

Despite the previous Medium-Term Management Plan falling short of its quantitative targets, it enabled the Company to establish a stronger business foundation for future growth and enhance its earning power. Through the new Medium-Term Management Plan 2028 "Sustainable $^{+}$ Spiral (Sustainable Positive Spiral)," the Company aims to convert the benefits from these prior investments into profit growth and continuously enhance corporate value.

	[Net sales]	[Operating profit]	[Profit]	[ROE]	[ROIC]
Sustainability V targets for FY2025	¥110.0 billion	¥2.6 billion	¥1.9 billion	8% or more	6% or more
▼	▼	▼	▼	▼	▼
FY2025 results	**¥90.6 billion**	**¥2.10 billion**	**¥1.22 billion**	**5.2%**	**4.0%**

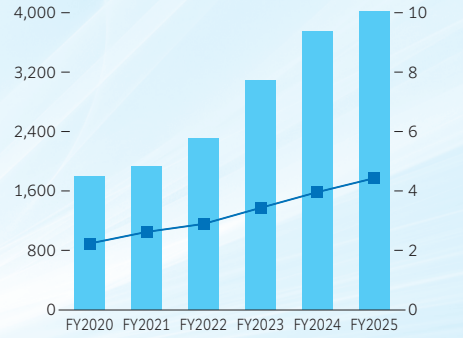
Results and challenges of the previous Medium-Term Management Plan

Through proactive strategic investment and M&A, we improved our gross profit margin to 14.9%, and EBITDA increased to ¥4.0 billion, demonstrating steady gains in the business value added and profitability, which are the key drivers of our earning power. On the other hand, higher depreciation and amortization expenses have constrained profit growth, making further earnings growth and improved capital efficiency through higher investment returns key priorities for the future.

Changes in gross profit and gross profit margin



Changes in EBITDA and EBITDA margin



Review of the previous Medium-Term Management Plan

Achievements

Business restructuring through strategic investment steadily improved the added value and profitability of the core business.

Improvements in capital efficiency through the sale of real estate and cross-shareholdings, together with a high level of shareholder returns, contributed to a more than 3.5 fold increase in market capitalization. As a result, the Company satisfied the continued-listing criteria for the Prime Market and achieved a PBR of more than 1.0X.

Issue

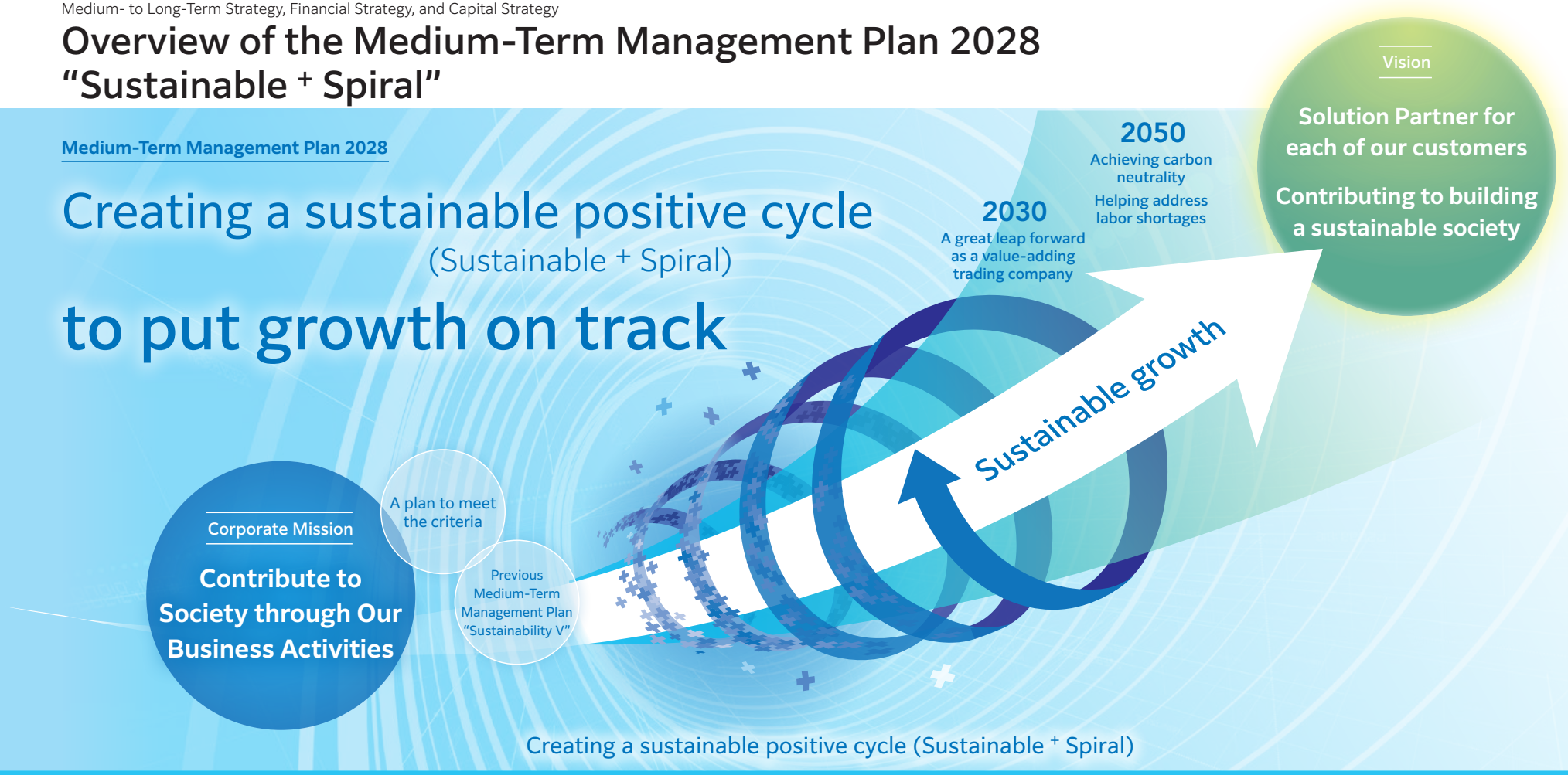
Accelerate the realization of synergies from investments and M&A already executed, while driving earnings growth and improving capital efficiency through higher investment returns.

Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Overview of the Medium-Term Management Plan 2028 “Sustainable + Spiral”

Medium-Term Management Plan 2028

Creating a sustainable positive cycle (Sustainable + Spiral) to put growth on track



Basic policies of Medium-Term Management Plan 2028

1 Promote management conscious of cost of capital and corporate value

- Transform the business portfolio by capturing social issues and growth potential P.18
- Continue proactive shareholder returns through progressive dividends P.13

2 Create a positive cycle of investment

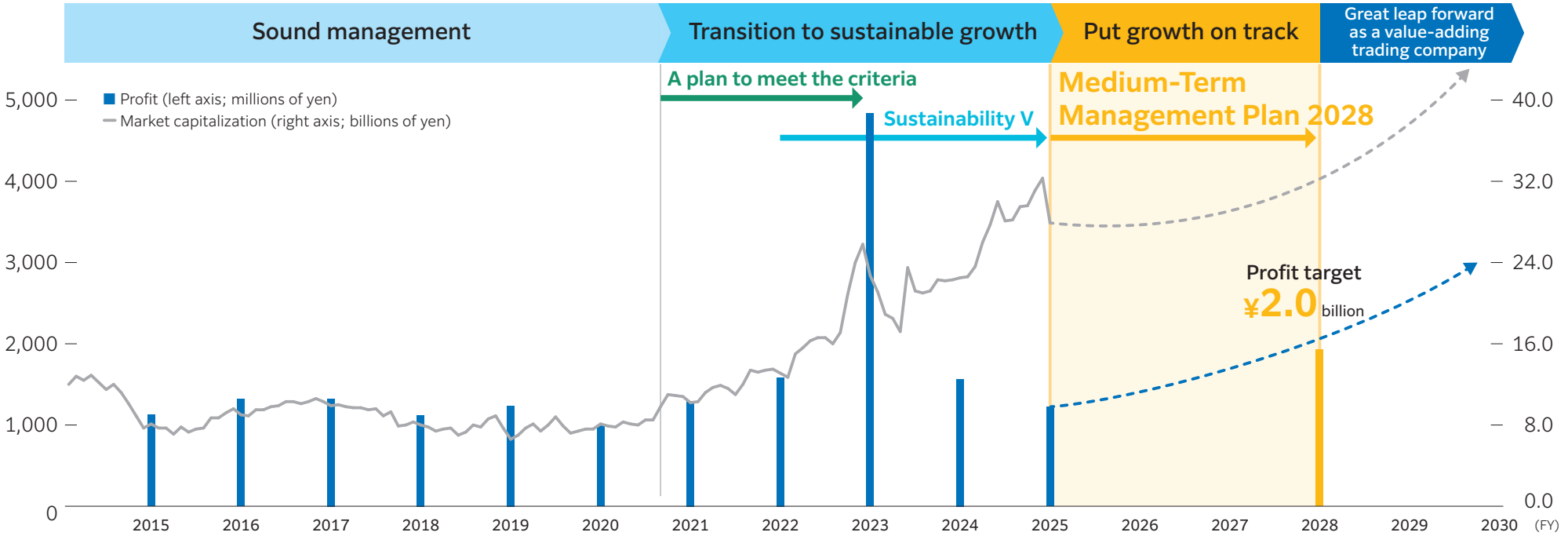
- Improve returns by expanding group synergies P.19
- Continue strategic investments on the scale of ¥10.0 billion P.13

3 Sustainable production of valuable human assets

- Establish a foundation for producing valuable human assets through diverse career-type human assets P.22
- Implement growth support systems and execute investments P.23

Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Positioning and Quantitative Targets of the New Medium-Term Management Plan



Quantitative targets

Financial targets (FY2028)

Net sales
¥110.0 billion

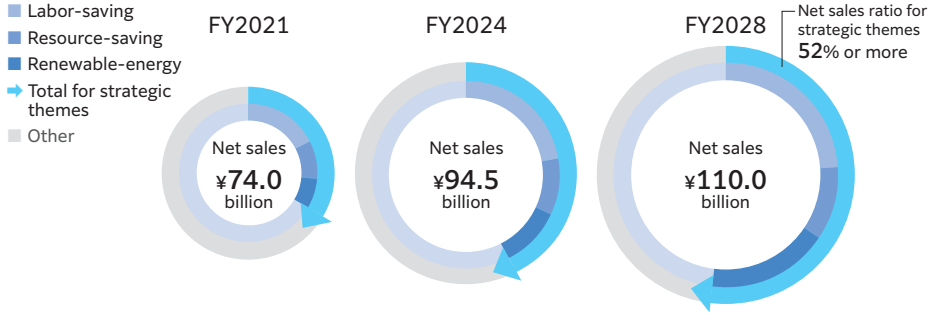
Operating profit
¥3.0 billion

Profit
¥2.0 billion

ROE
8% or more

Business portfolio

Contributing to solving social issues by expanding our businesses in line with our strategic themes



Selected non-financial targets

FY2030
Percentage increase in sales of "renewable-energy" and "labor-saving" products and services
130% increase
(Compared to FY2022)

FY2035
Rate of reduction of greenhouse gas (GHG) emissions (Scope 1+2)
46% reduction
(Compared to FY2024)

FY2030
Ratio of female officers
30% or more

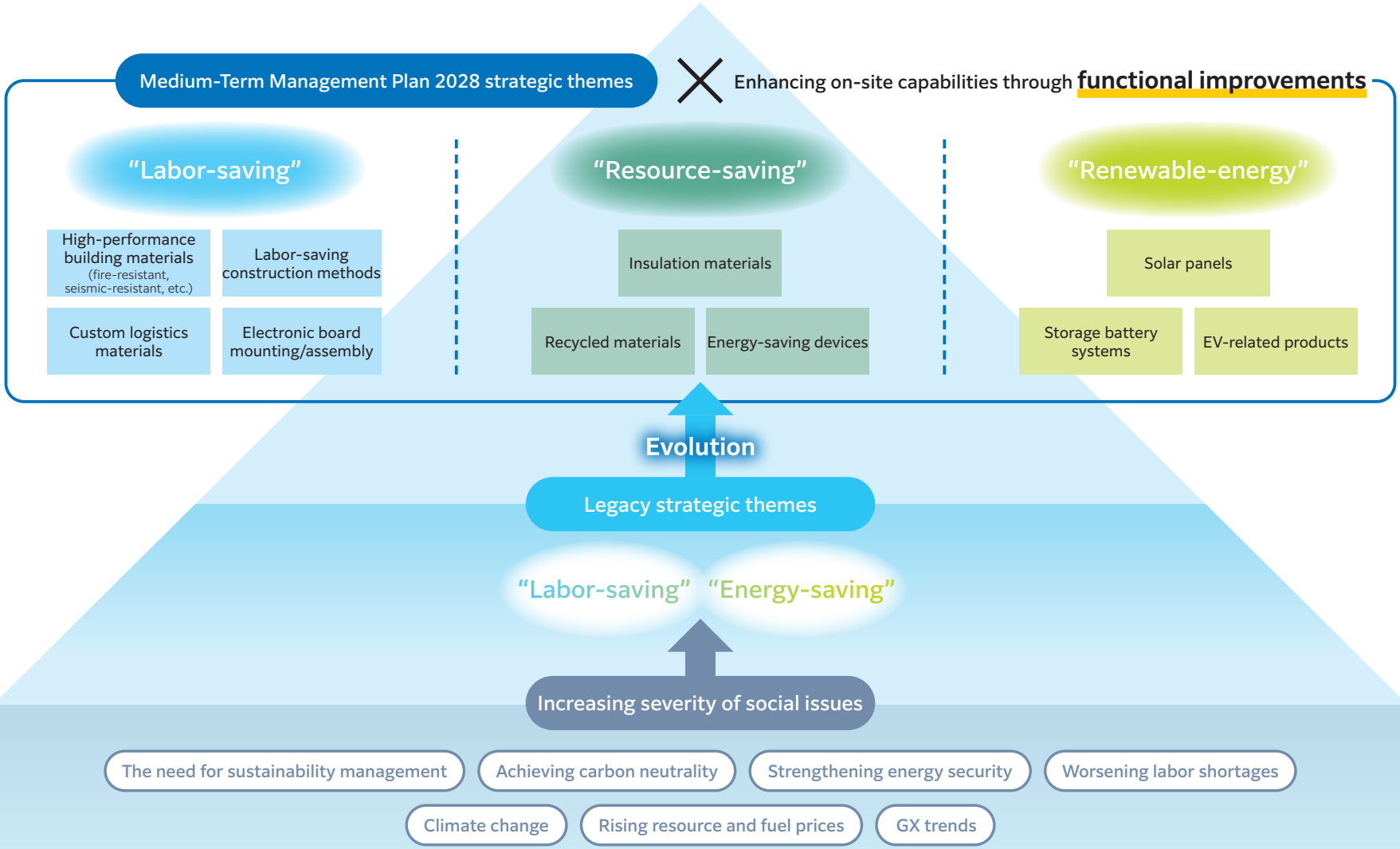
Please refer to "Materiality KPIs" (P.33) for details.

Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Perception of the External Environment

1 Promote management conscious of cost of capital and corporate value
2 Create a positive cycle of investment
3 Sustainable production of valuable human assets

Social issues such as worsening labor shortages, climate change, and soaring prices for resources and fuel are becoming increasingly severe. In response to these environmental changes, the Company has evolved its conventional strategic themes of labor-saving and energy-saving into three themes in the Medium-Term Management Plan 2028: labor-saving, resource-saving, and renewable-energy. By combining these themes with enhanced on-site capabilities through the improvement of functions, we will provide optimal solutions such as high-performance building materials, thermal insulation materials, and solar panels, thereby further accelerating our response to social issues and the creation of a sustainable society.



Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Transforming the Business Portfolio by Capturing Social Issues and Growth Potential

1 Promote management conscious of cost of capital and corporate value
2 Create a positive cycle of investment
3 Sustainable production of valuable human assets

To select strategic domains, we utilize a four-quadrant framework to properly evaluate the various businesses within the Group on the two axes of growth (net sales CAGR) and profitability (ROIC). In addition to businesses under the three strategic themes of labor-saving, resource-saving, and renewable-energy, we have clearly defined businesses in high-growth areas such as future-looking businesses and actively expanding businesses as "strategic domains." By further proactively and selectively focusing our management resources and optimally allocating resources toward business structure reforms and strategic domains, we aim to powerfully accelerate business portfolio transformation and further improve capital efficiency.

Initiatives to achieve our goals

Construction Supply Business

We will focus on the growing fields of solar power generation, insulation materials, and construction materials to drive net sales growth. We will also seek to improve capital efficiency by expanding the construction capabilities and service areas of Group companies through M&A and other means, and by enhancing synergies with the functions of a trading company of Takashima, which has a nationwide network.

Industrial Materials Business

We will selectively focus our management resources on growth businesses such as recycling and healthcare over businesses needing to be rebuilt. We will also seek to increase profit margins through proposals that leverage the production capabilities of Group companies, while improving capital efficiency by increasing the utilization rates at our plants.

Electronic Devices Business

We aim to build a more resilient business portfolio by opening offices and plants in the growing ASEAN region and focusing on new domains such as industrial equipment, healthcare, and automotive applications, as well as on expanding sales to non-Japanese companies. We will also seek to further enhance added value by strengthening our quality control departments.

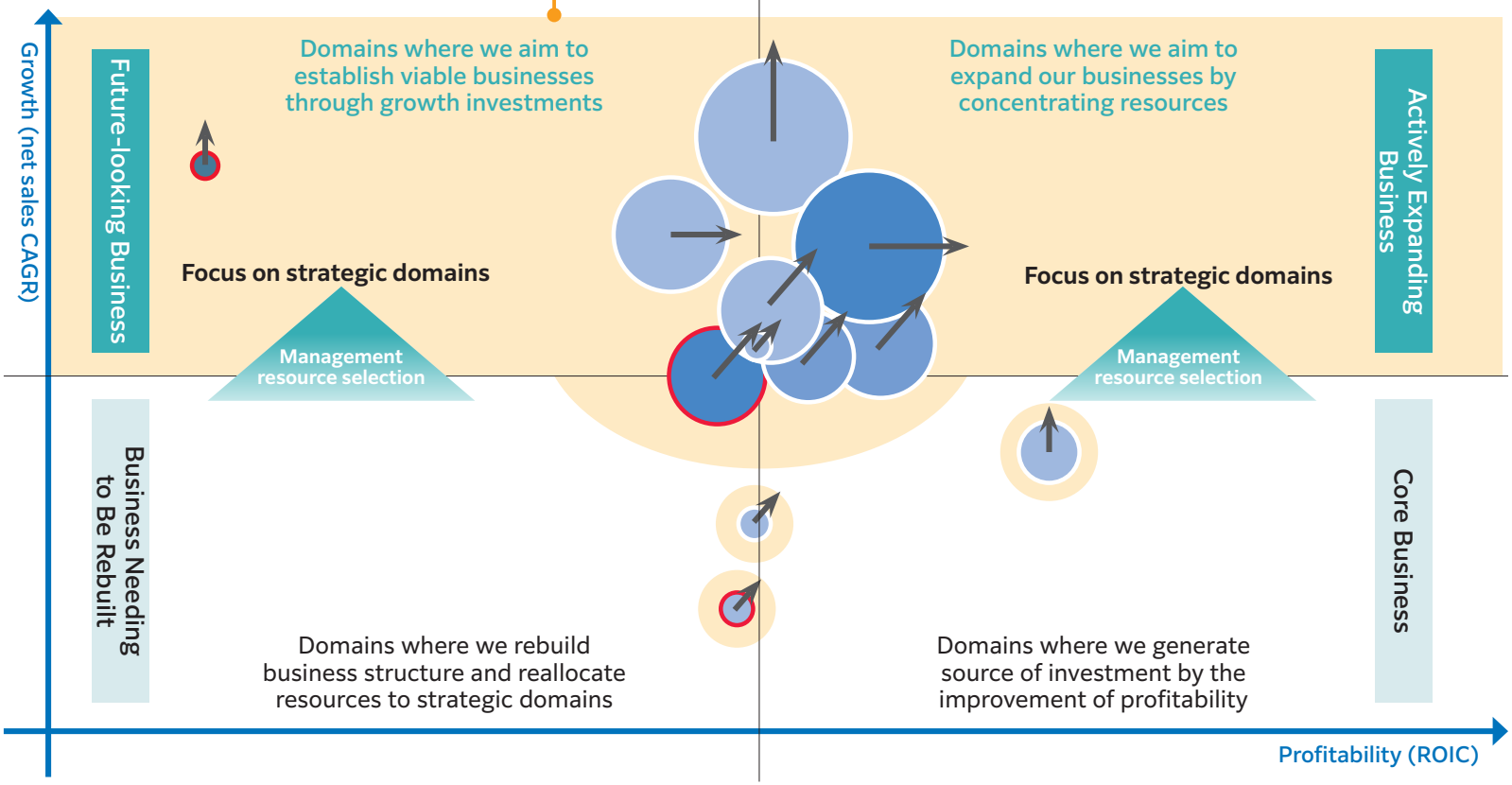
Four-Quadrant Framework (Illustration)

- Labor-saving business
- Resource-saving business
- Renewable-energy business

Strategic domain framework

1 Businesses within the strategic themes
- Labor-saving business
- Resource-saving business
- Renewable-energy business

2 Businesses in high-growth areas
- Future-looking business
- Actively expanding business



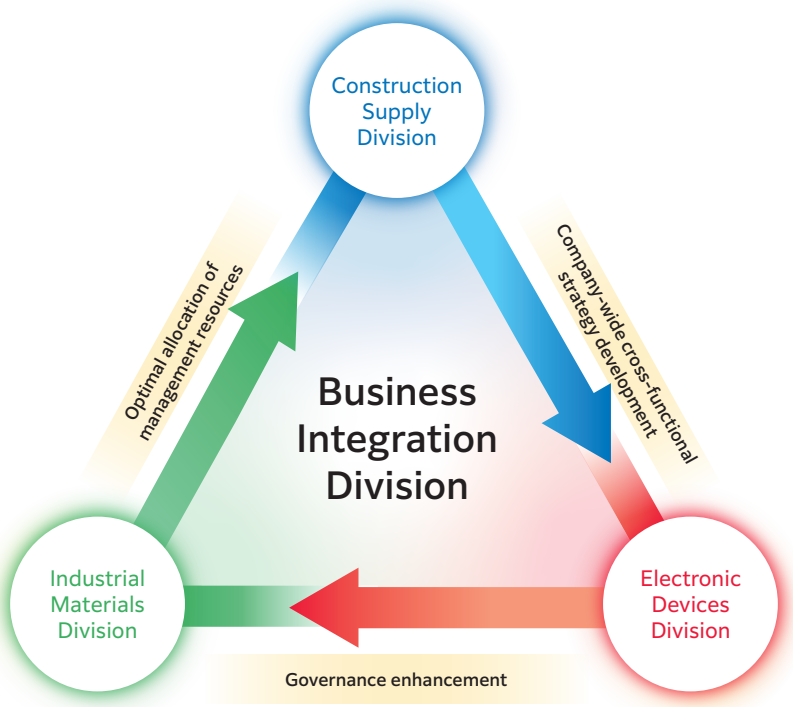
Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Improving Returns by Expanding Group Synergies

1 Promote management conscious of cost of capital and corporate value
2 Create a positive cycle of investment
3 Sustainable production of valuable human assets

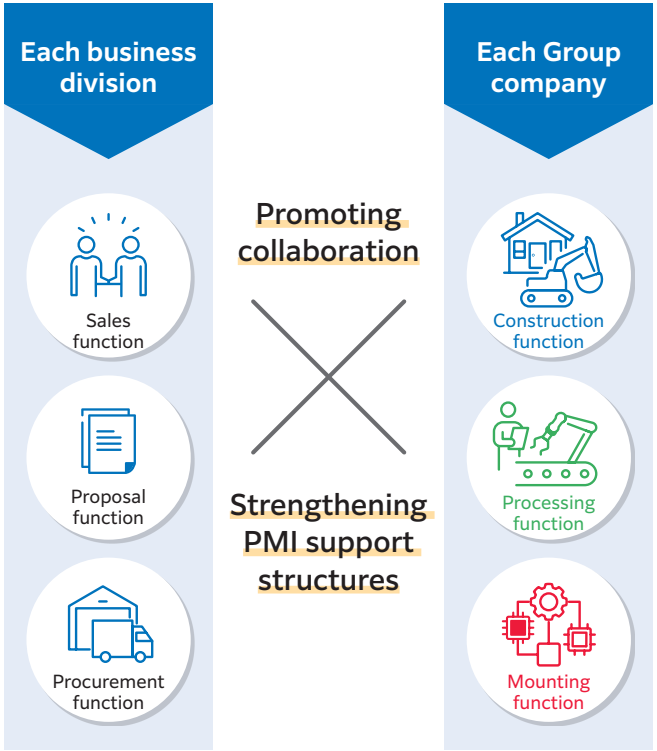
Promoting integrated management of the Group

We have realigned the former Business Management Division into the "Business Integration Division," and are accelerating strategy formulation from a company-wide perspective as well as integrated value creation. Through strengthening governance and optimally allocating management resources, we will powerfully promote integrated Group management and achieve sustainable corporate value improvement.



Promoting collaboration between each business division and Group companies

By combining the sales, proposal, and procurement functions of each business division with the construction, processing, mounting, and other functions of Group companies, we will powerfully promote collaboration. Furthermore, by strengthening PMI support structures, we will expand Group synergies and aim to improve returns on M&A and capital investments.



M&A positioning and policy

M&A plays a crucial role in our strategy to achieve sustainable growth and take a great leap forward as a value-adding trading company. The companies that have joined the Takashima Group through past M&As possess construction and processing functions in strategic domains and play an indispensable role in providing solutions to our customers through Takashima's unique means.
Going forward, we will continue to pursue M&A in line with our two-pronged investment policy of "acquiring and strengthening capabilities in existing businesses" and "expanding businesses in strategic domains/adjacent areas."

Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

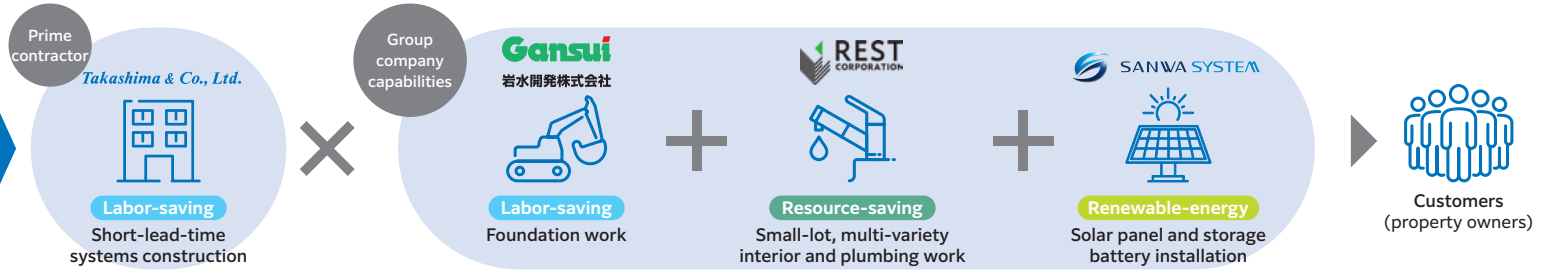
Improving Returns by Expanding Group Synergies (Business Strategy by Segment)

1 Promote management conscious of cost of capital and corporate value
2 Create a positive cycle of investment
3 Sustainable production of valuable human assets

Construction Supply Division

We are expanding our sales territory and strengthening our construction contracting capabilities to drive our prime-contractor business and ensure high profitability.
In addition to enhancing and strengthening our existing processing, logistics, and construction functions, we are promoting collaboration with Group companies to provide multi-functional solutions.

Future-looking Business
Providing integrated solutions by leveraging Group company capabilities



Industrial Materials Division

We aim to improve profit margins by strengthening the production capabilities of Group companies and promoting end-user business.
We aim to enhance our business portfolio by implementing structural reforms and focusing on growth areas such as recycling and healthcare, with the goal of improving capital efficiency.

Actively Expanding Business
Providing custom logistics materials made from recycled resources



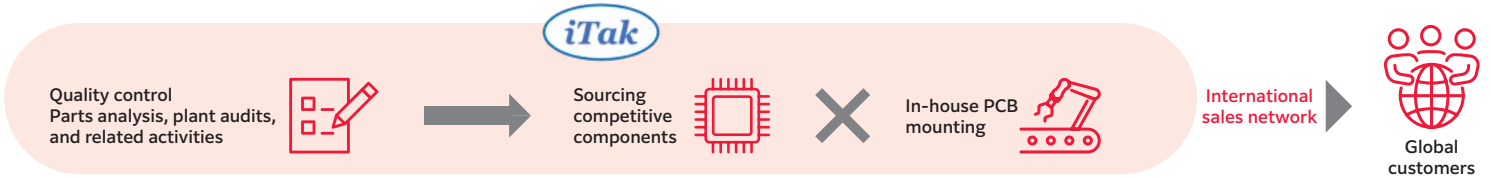
Future-looking Business
Healthcare field



Electronic Devices Division

Strengthening our quality control departments will enable reliable electronic component supply. Combined with PCB mounting, this will drive further added-value enhancement.
Through new office openings and capital investment in plants, we will strengthen sales expansion to foreign-owned companies in the growing ASEAN region.

Actively Expanding Business
In-house PCB mounting and expanded sales to foreign-owned companies



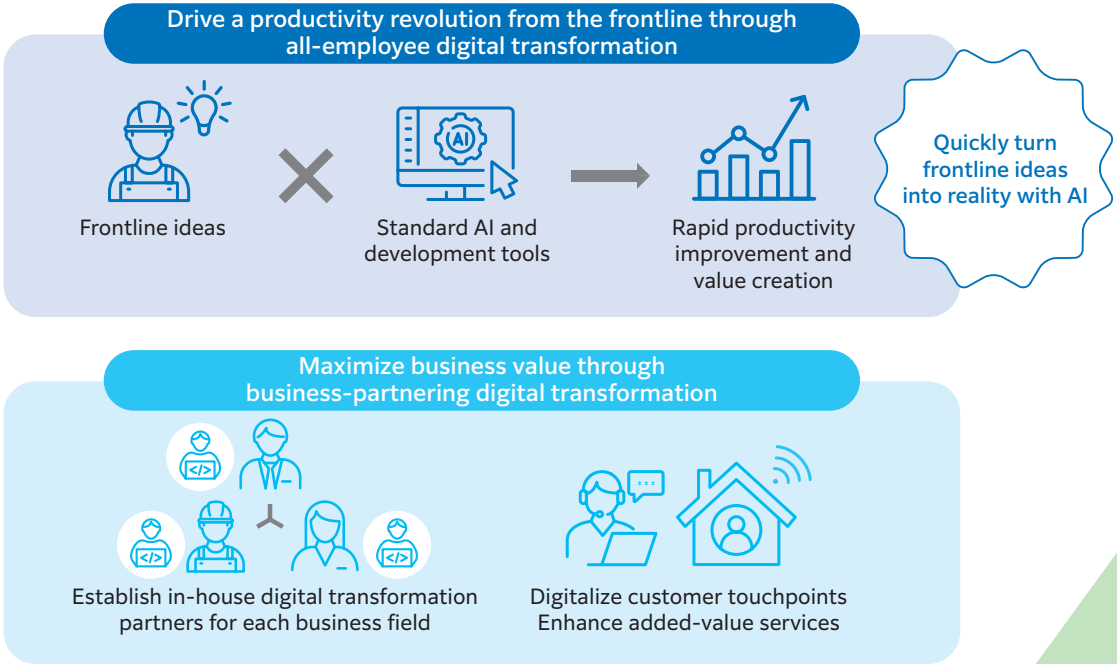
Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Digital Transformation Strategy

1 Promote management conscious of cost of capital and corporate value
2 Create a positive cycle of investment
3 Sustainable production of valuable human assets

Regarding the digital transformation strategy, we are promoting digital transformation involving all employees by encouraging the use of AI and offering extensive learning opportunities, such as level-specific workshops. By immediately realizing frontline ideas through standard-equipped AI and development execution tools, we will achieve swift productivity improvements and create new value. Along with this, by promoting business-partnering digital transformation through the assignment of in-house digital transformation partners for each business field, we aim to digitalize customer touchpoints and enhance added-value services. Furthermore, by developing outstanding digital transformation leaders through a nine-month specialized training program and an internal certification program, we will further reinforce our execution framework for company-wide IT measures.

Strategy execution



Digital human assets development



Framework and initiatives for executing IT strategy

With regard to leveraging AI, we provide learning opportunities such as workshops and study sessions tailored to different skill levels. We have also made development environments for AI agents and business apps available to everyone, thereby creating an environment where all employees can drive digital transformation.

In addition, employees selected from each business field who have completed a nine-month digital transformation promoter training program will be designated on-site digital transformation experts. These experts work alongside in-house digital transformation partners for each business field, independently of the IT departments' collaborative functions, thereby establishing a framework for the swift implementation of IT measures aligned with our business strategy.

Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Establishment of a Foundation for Producing Valuable Human Assets

1 Promote management conscious of cost of capital and corporate value
2 Create a positive cycle of investment
3 Sustainable production of valuable human assets

Regarding our human assets strategy, we aim to establish a foundation for producing "valuable human assets" by recruiting diverse human assets with varied backgrounds and supporting their growth toward the "career-type human assets" model sought by the Company. The "career-type human assets" model refers to a profile of employees characterized by career ownership that promotes autonomous career development, as well as work-life integration that harmonizes work with personal life to deliver unique and high value. By combining the promotion of diversity with the development of career-type human assets, we will strongly drive organizational revitalization and the creation of innovation through diverse perspectives.

Promotion of diversity

Recruitment of diverse human assets

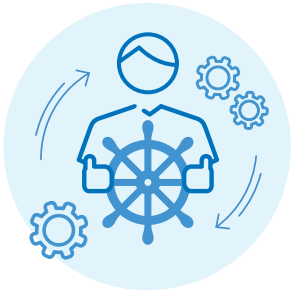


Human assets with diverse backgrounds (experience, gender, nationality)

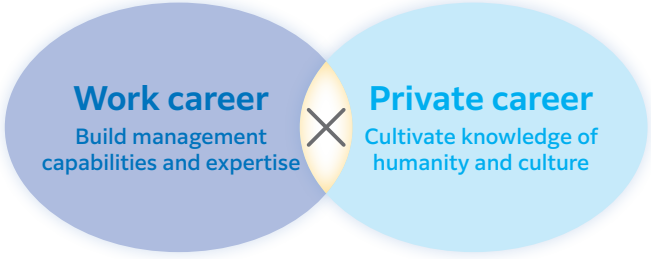


Career-type human assets

The talent profile we seek: individuals who contribute to increasing corporate value



Self-directed career development through career ownership*1



Deliver unique, high value through work-life integration*2

Establishment of a foundation for producing valuable human assets



Organizational revitalization



Cultivating a human assets pool with diverse career perspectives



Creating new value through diverse perspectives
Driving innovation

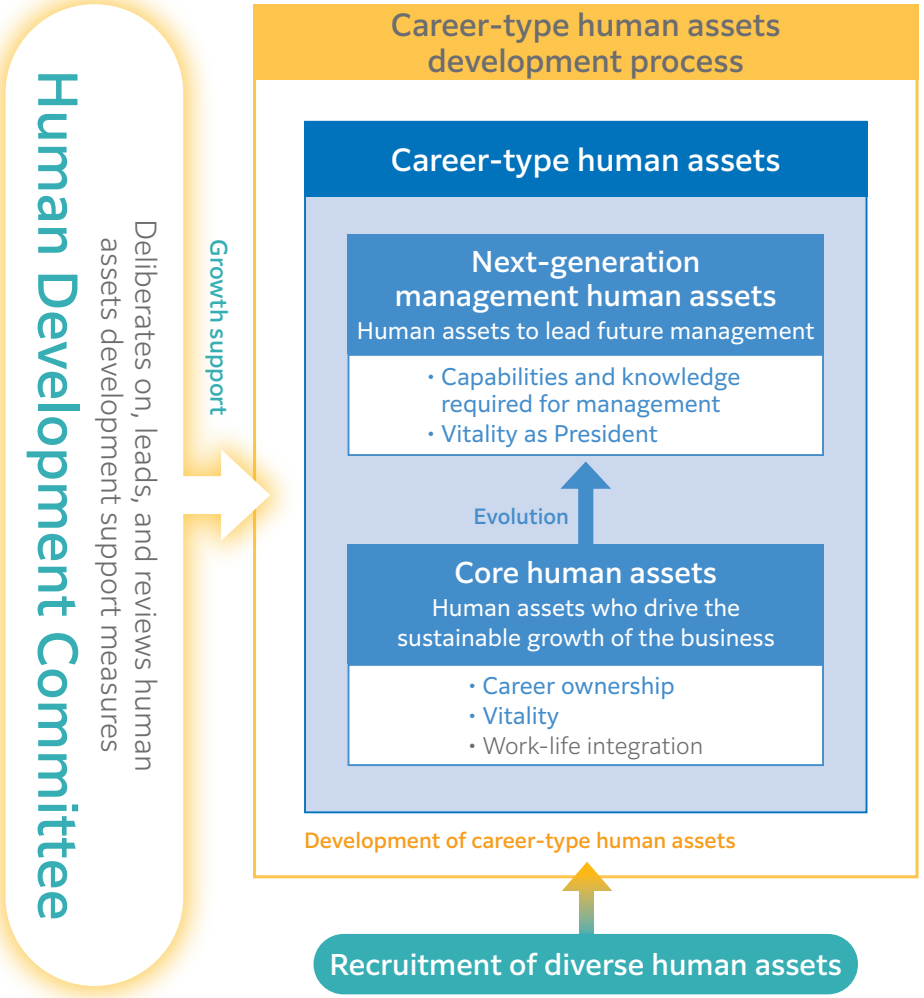
*1: The mindset for employees to take ownership of their career by being their own manager
*2: Integrating the work career developed through professional experience with the private career cultivated in personal life to enhance both

Medium- to Long-Term Strategy, Financial Strategy, and Capital Strategy

Establishment of a Foundation for Producing Valuable Human Assets

1 Promote management conscious of cost of capital and corporate value
2 Create a positive cycle of investment
3 Sustainable production of valuable human assets

We launched the "Human Development Committee" as the operational body responsible for implementing the framework to support employees' growth into career-type human assets and are vigorously promoting a development process that takes employees from recruitment through their development into foundational human assets and then into next-generation management human assets. Regarding investment in supporting employee growth, we will introduce indicators to evaluate both the "quantity" and "quality" of our investments and increase these investments while remaining mindful of efficiency. With FY2028 targets such as an investment unit cost of ¥50,000 and investment efficiency of 30 times or higher, we will establish a solid foundation for producing "valuable human assets" that support sustainable increases in corporate value by making effective human capital investments in these areas: human assets acquisition, skill and capability development, and the creation of a supportive environment.



Growth support investment*1: FY2028 targets

Investment unit cost*2	Investment time*3	Reinvestment rate*4	Investment efficiency*5
¥50,000	20 hours or more	1.0 % or more	30 times or more

*1: See the table below for the main components of growth support investment.
*2: Growth support investment amount / number of employees. *3: Training and development hours per employee.
*4: Growth support investment amount / operating profit. *5: Operating profit / growth support investment amount.

Human capital investment details

	Investment category	Aim	Investment details
Hiring	Human assets acquisition	Expansion of human capital ・Timely and appropriate staffing for growth areas ・Preventing hiring mismatches and accelerating time-to-productivity	・Recruitment advertising ・Recruitment branding ・Mid-career hiring, referral hiring ・Onboarding
Growth support	Skill and capability development	Accumulation of intellectual capital ・Productivity improvement ・Creation of high-value-added services ・New business creation	・Expansion of training content ・Management human assets development support (graduate school) ・Digital transformation promotion/AI utilization ・Reskilling
Retention	Environmental readiness & engagement	Maximizing organizational capability ・Reducing losses from employee turnover ・Building a foundation for innovation	・Promoting health-conscious management ・Transforming work environments (remote and office) ・Promoting diversity ・Engagement survey