

Introduction

President's Message



Our responsibility as management is the improvement of enterprise value by delivering the Takashima Group's unique value to our customers by meeting their growing energy-saving and labor-saving needs.

The business environment may change, but global long-term trends will not

We will make a great leap forward as a value-adding trading company by 2030 with a focus on long-term social trends.

FY2023 (the fiscal year ended March 31, 2024) was a year of continued uncertainty about the future. Geopolitical risks around the world have remained elevated for a long time, and in the case of Japan, the normalization of the weak yen and soaring raw material and energy costs, as well as labor shortages, have become more serious than ever. It has become increasingly critical that we respond to these changes in the business environment in a fundamental way.

It is a fact that the COVID-19 pandemic of the last few years has had a tremendous impact on the activities of the Group and other companies, as well as on economic and social activities. While there has been some regression in terms of economic growth, it is our understanding as we stand on the cusp of the post-COVID era that the long-term trends we have been focused on for some time remain unchanged. The world has been looking ahead to addressing the serious social challenges posed by the exacerbation of climate change and global warming and has been working to minimize their impact. The Group has also been working to become carbon neutral and has developed its business with energy and labor savings as

Koichi Takashima

President and
Representative Director

important business themes. As we enter the post-COVID era, I am convinced that these social trends, as well as the direction of the Group's business in response to them, will remain unchanged in economic zones throughout the world.

We are currently living in an era when society's need for and consciousness of energy and labor savings are on the rise. The Group's long-term vision is to make a great leap forward as a value-adding trading company by 2030 with a focus on long-term social trends. Specifically, we will develop strategies that capture evolving market opportunities for achieving a carbon-neutral society, achieve sustainable growth through value creation, and contribute to society through these efforts.

Sustainability management based on our unwavering philosophy

We will strive to spread our corporate philosophy throughout the Group through dialogue with employees in order to create a sense of unity within the rapidly expanding Group.

From the standpoint of the Group, whose corporate mission is to contribute to society through its business activities, doing just that can be said to be an absolute necessity. What is important is the kind of business activities through which we contribute to society. In this regard, we believe in the need to always have original ideas and approach society in a manner that is unique to the Takashima Group while leveraging these ideas. Our corporate value of "Integrity" is also of utmost

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importance. It is crucial that we fulfill our corporate mission by building up trust and credibility without compromising the value of integrity.

Looking ahead to the next 50 to 100 years, the keyword that the Group should focus on is "sustainability." However, just because we conduct business that contributes to the realization of a sustainable society does not necessarily mean that we are sustainable ourselves. The important thing is to have original ideas and to provide original value to society. If we fail to do so, we may lose our price competitiveness and become irrelevant. To avoid this outcome, we believe that contributing to society with integrity by demonstrating the value that is unique to the Group will help us fulfill our corporate mission.

The Group's business will continue to expand in scale. Over the past two years, the Group has carried out multiple M&As. As a result, the number of employees in the Group has grown to over 1,000. This means that just under one-third of the Group's employees are relatively new and have joined us in the past two years. Under such circumstances, it is indeed important to foster a deep understanding of and appreciation for our corporate mission and other underlying principles. As the Company's President, I will take the lead in promoting our corporate philosophy within the Group, and through dialogue with employees in the Group, work together with everyone to explore how we can provide products and services that offer

original value to society going forward and what we should do to achieve this goal. In addition, when selecting companies for future M&As, we are committed to robustly evaluating whether the company is a good fit with the Group's corporate philosophy and culture of integrity.

Enhancing earning power and increasing value as a value-adding trading company

We will refine our value-adding trading company business model through ongoing growth investments, including M&As.

In order to demonstrate our original value, we are strongly committed to leveraging and strengthening the functions of the value-adding trading company business model that the Group has established. We pursue a business model in which we are not merely a player in the intermediate distribution market but where we are also focused on providing value to customers in target markets, which ultimately allows us to gain earning power and secure high profitability by providing functions and solutions. Accordingly, by continuing to make strategic investments to enhance the functions and solutions we provide to customers, the Group's value will also continue to grow.

We have carried out multiple M&As over the past two years. In FY2022, we implemented two M&A deals: the acquisitions of Sinbou Edix Co., Ltd., which is a wholesaler of environmental hygiene materials, disaster mitigation goods, and other products, and of New Energy Distribution System Inc., which performs electrical design and installation work. The third M&A deal was the acquisition of Gansui Corporation in June 2023. Gansui Corporation is a company with high technological capabilities in the field of foundation reinforcement and ground improvement in both the residential and nonresidential markets, and it boasts a large market share in the Chugoku and Shikoku regions, including in Okayama Prefecture. In particular, Gansui Corporation's advanced construction capabilities in

ground improvement work are expected to generate significant synergies with the Group's construction supply business. We also recognize that the Group, which has been refining its functions as a trading company, has much to learn from the business style of Gansui Corporation in terms of its ability to progressively expand its market with its technological, construction, and data capabilities. Although our operating profit has declined slightly due to the cost burden of M&A and an increase in the amortization of goodwill, EBITDA has increased, and we believe that we are steadily gaining earning power that will lead to sustainable growth for the Company.

Going forward, we will further enhance the functions of our business model by continuing to aggressively pursue M&As with an acute awareness of the fact that the Group is a company with a value-adding trading company business model.

Overview of business and progress of the medium-term management plan: Increasing earning power through continued investments

We have made a very good start in the first year of the medium-term management plan, especially with regard to meeting the continued-listing criteria ahead of schedule.

The Group is trying to take advantage of market opportunities to contribute to a sustainable society with energy and labor savings through its value-adding trading company business model, and we intend to make a great leap forward as a value-adding trading company by 2030. The medium-term management plan "Sustainability V (Value)" (hereinafter "medium-term management plan"), which started in FY2023, is a management plan that outlines the process through which we can make such a great leap forward. It seeks to achieve profit growth through an improvement of profitability, growth in net sales, and investment in human assets, as well as improve capital productivity through business investment and capital investment, shareholder returns,

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etc., thereby improving our enterprise value.

In FY2023, the first year of the medium-term management plan, extraordinary income from the sale of non-current assets and other items contributed to year-on-year growth in both sales and profits, despite a minor decline in operating profit. In our construction supply business, construction orders for logistics facilities and factories made a significant contribution and drove growth throughout the Company. Although the market environment for construction supplies has not always been smooth sailing, with the housing market in particular facing continued stagnation, the solid performance of the non-housing market, such as logistics facilities and factories, has contributed to the good performance of the business. In the industrial materials business, our efforts to promote business selection and concentration through structural reform have begun to show results, and we have been able to achieve growth in both sales and profits. In addition, we established TAKASHIMA INDUSTRIES CO., LTD., as part of our industrial materials business in January 2024. From April 2024 onward, this company will play a command center-like role, through which it will control the entire industrial materials business.

On the other hand, the electronic devices business experienced a decline in both sales and profits. This was mainly attributable to the global slowdown in the consumer electronics market. While the market as a whole saw a buildup of product inventories, the buildup of parts inventories at our major customers in response to the prolonged supply shortage of electronic components during FY2022 has cast a shadow on our performance.

During the first year of the medium-term management plan, we reviewed our asset allocation in order to promote investments that strengthen our functions. Specifically, we sold real estate as well as shares held as cross-shareholdings and carried out the securitization of receivables to secure funds for growth investments. In line with our review, we have increased the investment limit for business investment and capital investment to ¥15.0 billion. We are now well-prepared to perform the

Group's unique functions. Given the results we have achieved, I believe we have made a good start in the first year of the medium-term management plan.

Although we are making progress in sowing seeds for the future by expediting our growth investments, we must also be sufficiently prepared for short-term declines in profitability. We are entering a challenging phase for operating profit for the time being as a result of the cost burden of M&A and amortization of goodwill. It is imperative that we work to rapidly generate earning power and improve profit levels to compensate for such short-term negative effects as quickly as possible.

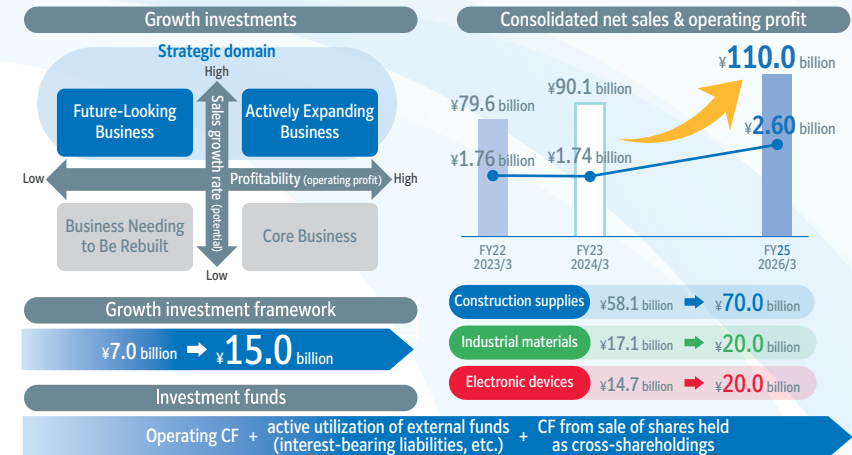
In addition, due in part to the progress of the medium-term management plan as described above, we have received a "Notice of Determination of Compliance" with the continued-listing criteria for the Prime Market from the Tokyo Stock Exchange. This confirms that we were able to meet the criterion for tradable share market capitalization, which had been an issue in the past, and that the Company has met all items of the criteria. It is a highly encouraging sign that we were able to meet the continued-listing criteria ahead of our initial plan, and that we have achieved steady results throughout the year.

The next steps for achieving sustainable growth

We will look ahead to the future and take action on our own initiative even amid an uncertain business environment.

We expect the medium- to long-term business environment to remain challenging going forward. With regard to the domestic

Management indicators and financial policy



market, the situation is hardly optimistic given the expected population decline due to the decreasing birthrate. In the case of the global market as well, the emergence of geopolitical risks and the complex balance of power are expected to affect the market as a whole, making it difficult to envision a straightforward growth scenario as in the past. Given such a business environment, we believe that we have no choice but to take the initiative in taking on the future while looking ahead, instead of leaving our business to market forces.

Under these circumstances, we believe that our top priority for the Group's medium-term initiatives is to achieve the targets set forth in the medium-term management plan. We have successfully met the continued-listing criteria for the Prime Market, and going forward, we will continue to manage the Company while taking the cost of capital and share prices into account, with the goal of simultaneously adapting to a sustainable society and achieving sustainable growth.

In the construction supply business, we will continue to leverage our strengths in labor-saving construction methods

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that contribute to shortening processes in the construction industry, where labor shortages are becoming increasingly apparent, and in the area of energy-saving solutions that are essential for meeting the standards of zero-energy houses (ZEH) and zero-energy buildings (ZEB), which are vital for achieving a carbon-neutral society. One of our strengths is our ability to provide construction functions as a value-adding trading company, such as in the case of Gansui Corporation that I have touched on earlier, and going forward, we intend to expand our construction business, which serves as the last mile of our supply chain.

In the industrial materials business, we will work to further strengthen our business foundation by positioning TAKASHIMA INDUSTRIES CO., LTD., which commenced operations in April 2024, at the heart of the business, while engaging in further selection and concentration, such as in the case of the sale of Takashima Robot Marketing Co., Ltd., which has already taken place.

In the field of electronic devices, challenges continue to abound due to overstocking that was partly attributable to the response to the COVID-19 pandemic as well as the prolonged slump in the consumer electronics market, and while conditions are expected to remain challenging going forward, we will focus on the acquisition of new customers and the development of new components and assembly services as part of efforts aimed at eventual recovery.

Furthermore, we are able to manufacture and process our products as we have our own factories in both the industrial materials business and the field of electronic devices. Going forward, we plan to improve our enterprise value by providing functions that compensate for the mutual inadequacies of business partners that are part of our supply chain.

In addition, as human assets are the driving force behind the Group's sustainable growth, we will also work to strengthen our human capital. We will strive to further develop our human capital so that employees working on the front line are able

to make more proposals for the optimization of the supply chain. At the same time, we will conduct engagement surveys among the Group's employees to improve their understanding of the Company, including their appreciation and embrace of our corporate philosophy, while strengthening our personnel system to actively recruit and develop human assets. With respect to the development of human assets, we have also defined the type of human resources we seek as "career-type human assets." In order to become career-type human assets, everyone from employees to candidates for management executives must hone their management capabilities and expertise relevant to their respective positions and build their own careers autonomously. I believe that the development of our human assets, who are our most important resource, is what creates business that contributes to the realization of a sustainable society, and that this is what will lead to ongoing improvements in the corporate value of the Group.

Our corporate value of "Integrity" (i.e., the embodiment of integrity) is a vital element of the Company's personnel system, and we are working to ensure that it is embodied by all employees.

Staying the course with investments and sustainability management

We will deliver the Takashima Group's unique value to our customers by meeting their growing energy-saving and labor-saving needs.

We will continue to make growth investments to improve capital efficiency and to expand our business, without easing our efforts going forward. Growth investments include investments in human assets. The purpose of these growth investments is to strengthen our capabilities as a value-adding trading company and to deliver the Takashima Group's unique value to our customers. This is not just an initiative for the

medium-term management plan period, but a goal that we will pursue endlessly.

The Group's social mission is to create a virtuous cycle of value creation and improve enterprise value by assembling strategies that take advantage of growth opportunities in markets. We believe it is imperative to respond to the growing energy-saving and labor-saving needs in order to ensure that all our businesses remain on a trajectory of sustainable growth. I also see it as my responsibility as the Company's President to increase the number of employees who are capable of identifying and responding to these needs, thereby further improving our enterprise value.

Going forward, we will continue to meet the expectations of our shareholders, business partners, employees, and other stakeholders by remaining keenly aware of their support, and by contributing to society through our business while embracing our corporate mission.

Please look forward to the future endeavors of the Takashima Group as we continue to make growth investments and promote management that meets the needs of a sustainable society.

