

Medium- to Long-Term Strategy

# Medium-Term Management Plan “Sustainability V (Value)”

## Goals

The aim of “Sustainability V (Value)” is for the Group to adapt to a sustainable society while simultaneously achieving sustainable growth, which it will accomplish by creating value through the formulation of a strategy to take advantage of growth opportunities in markets as they change in response to the Japanese government’s goal of realizing carbon neutrality by 2050.

## Positioning of “Sustainability V (Value)”

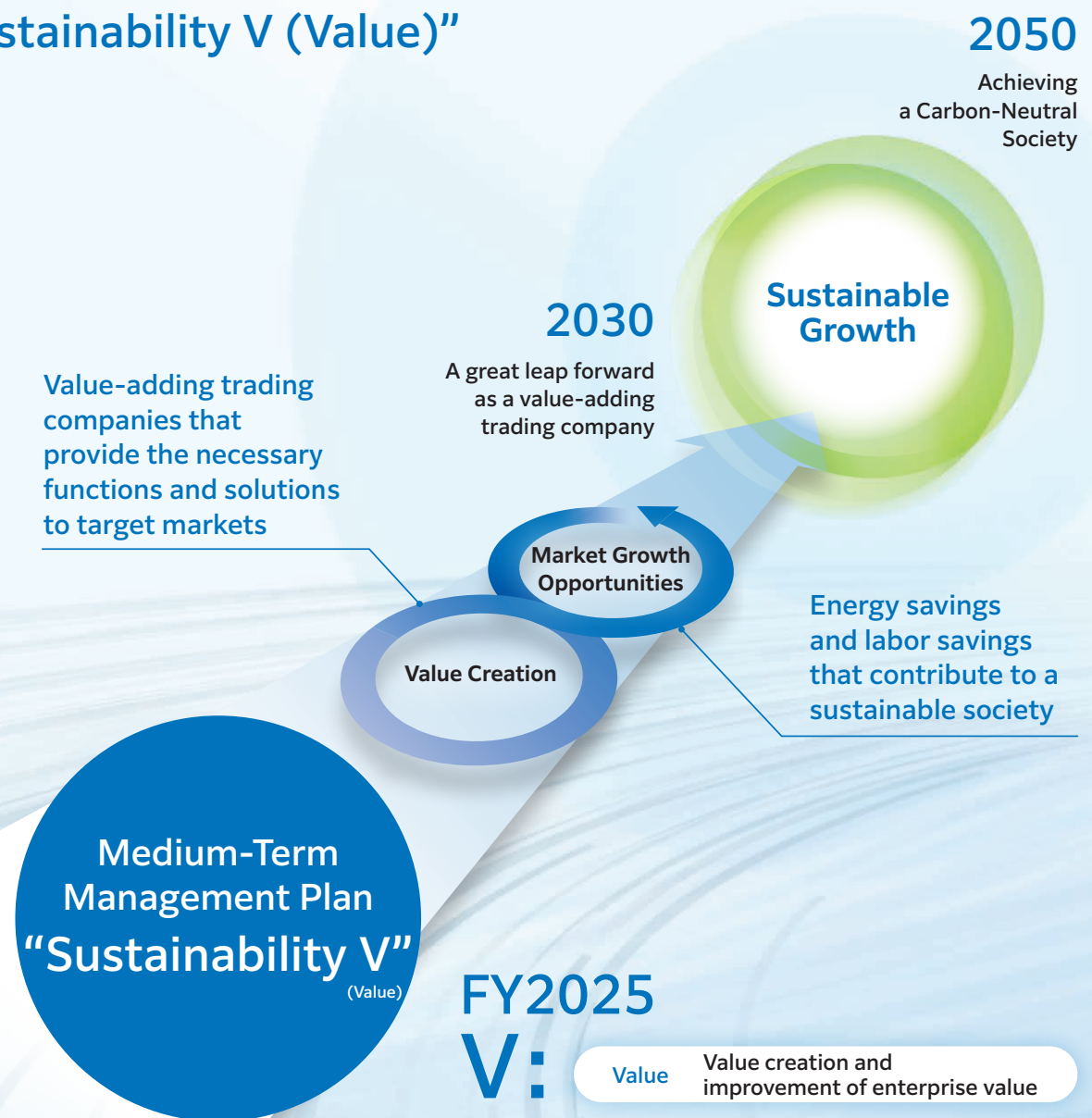
The medium-term management plan “Sustainability V” that began in April 2023 is based on the five basic policies to which we committed in the plan for meeting the continued-listing criteria, while also clarifying growth investment and other strategies.

“Sustainability V” further refines the strategic fields set out in “Sustainability X” for which we will provide functions, with the aim of creating new value for the shift to energy savings and labor savings.

Our goal is to achieve sustainable growth by formulating strategies that take advantage of the growth opportunities that arise from energy-saving needs against the background of issues associated with energy consumption and from emerging market needs for labor savings.

Under “Sustainability V,” we seek to enhance margins through business portfolio management that takes the growth potential and profitability of markets into account, and thus achieve profit growth. At the same time, we have increased the investment limit to ¥15.0 billion, and by taking an active approach to investments and implementing shareholder returns that take capital efficiency into consideration, we aim to improve capital productivity and enhance corporate value.

Plan (FY2025)	
■ Net sales: <b>¥110.0 billion</b>	(Construction supply: ¥70.0 billion; Industrial materials: ¥20.0 billion; Electronic devices: ¥20.0 billion)
■ Operating profit: <b>¥2.60 billion</b>	
■ Profit attributable to owners of parent: <b>¥1.9 billion</b>	
■ ROE: <b>8% or more</b>	
■ ROIC: <b>6% or more</b>	
■ Total return ratio: <b>100%</b>	
■ Reduction of shares held as cross-shareholdings: <b>Net asset ratio less than 10.0%</b>	
■ Strategic investment limit: <b>¥15.0 billion</b>	*Total amount for five years from FY2021 to FY2025



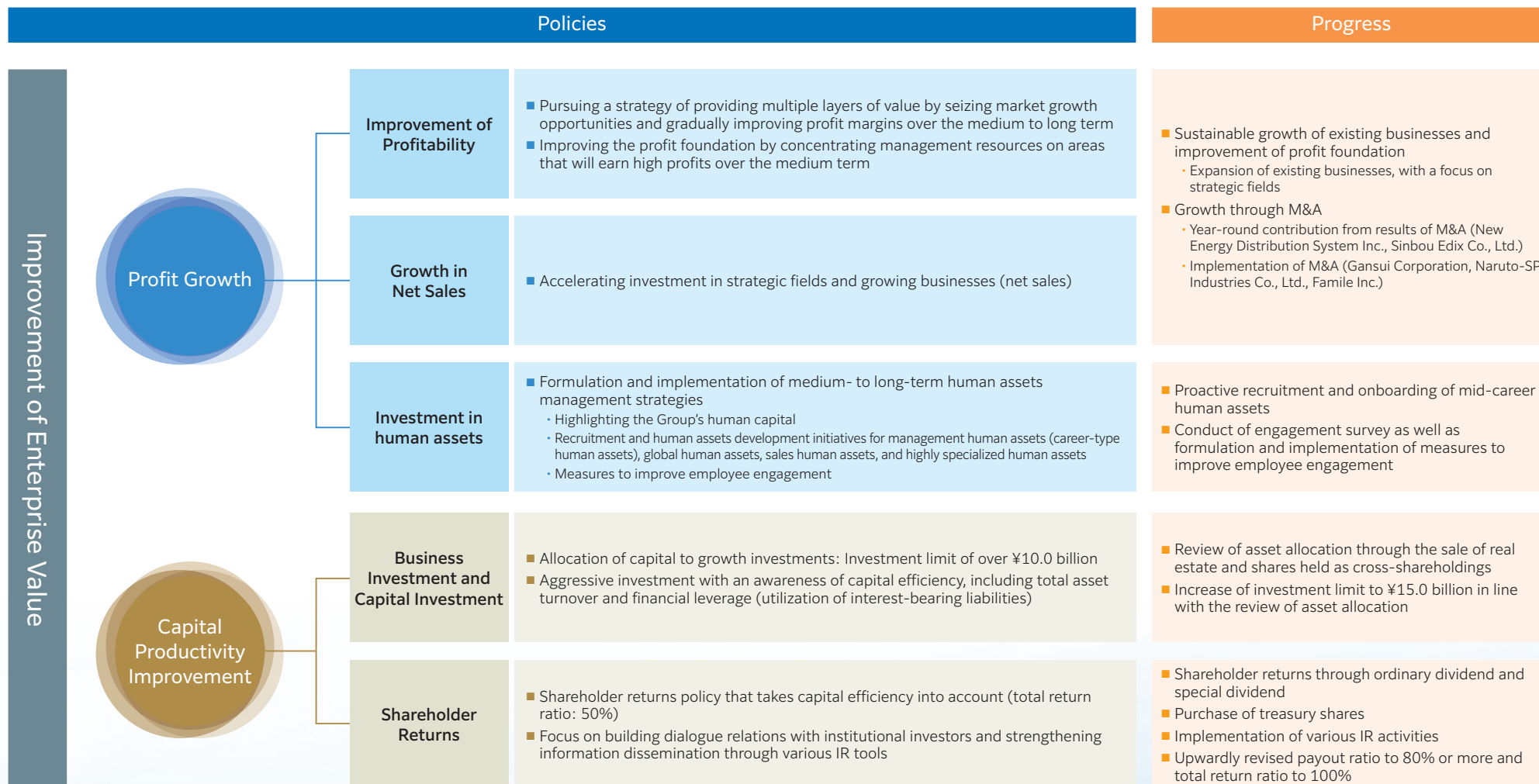
**FY2025**  
**V:** Value Value creation and improvement of enterprise value

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# Medium-Term Management Plan “Sustainability V (Value)”

## Progress

Steady progress was made in the first year of Sustainability V (Value) from FY2023 to FY2025. We carried out two M&A deals with Gansui Corporation and Famile Inc. with the goal of achieving sustainable growth. At the same time, we reviewed our asset allocation and carried out the sale of non-current assets with an eye on capital efficiency. In line with the review of our asset allocation, we have increased the limit for future growth investments to ¥15.0 billion.



## Medium- to Long-Term Strategy

# Message from the Division Chief of Business Management Division



We have made growth investments with the aim of achieving a P/B ratio of 1.0. We are currently working to improve capital productivity.

**Takahiro Suzuki** Director, Managing Executive Officer, and Division Chief of Business Management Division

## Review of FY2023 (fiscal year ended March 31, 2024)

The medium-term management plan "Sustainability V (Value)," which we will be promoting for three years starting from FY2023, was formulated in light of the plan for meeting the continued-listing criteria that we submitted in line with the revision of market segments of the Tokyo Stock Exchange, and it includes a major shift in management policy that will steer the Company away from the sound management we have practiced thus far to a sustainably growing company that actively makes strategic investments. The medium-term management plan "Sustainability V (Value)" represents our first step toward a new stage of growth for the Company, with FY2023 being the first year of the plan.

Profit attributable to owners of parent for FY2023 was ¥4,832 million, a record high. We reviewed our asset allocation and achieved an ROE of 22.4%, which exceeded the cost of shareholders' equity, due to the significant contribution from extraordinary income from the sale of non-current assets. On the other hand, there was a minor decline in operating profit due to the accelerated amortization of goodwill following the PPA\* for Gansui Corporation, which became a Group company through M&A, and the payment of special dividends to shareholders as well as special bonuses to employees. Both of these were one-off factors, and we will continue to work to

improve profitability.

\*Abbreviation for Purchase Price Allocation (also called "allocation of acquisition costs").

## Management that takes the cost of capital and share prices into account

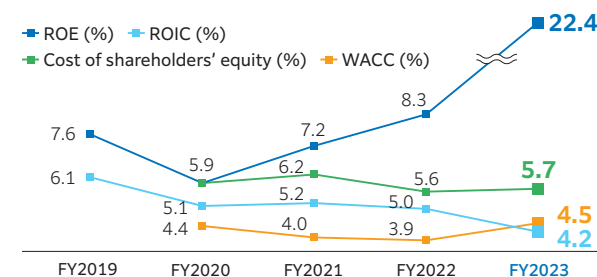
The management targets in the medium-term management plan "Sustainability V (Value)" include profit attributable to owners of parent of ¥1.9 billion, ROE of 8% or more, and ROIC of 6% or more, as part of our aim to strive for management that takes the cost of capital into account. We review the cost of shareholders' equity and WACC each fiscal year, and we aim to improve enterprise value by increasing both the equity spread, which is the spread between ROE and cost of shareholders' equity, as well as the EVA spread, which is the spread between ROIC and WACC. We expect the cost of shareholders' equity to continue increasing going forward as a result of soaring costs of resources and raw materials and rising interest rates. We are working to achieve ROE of 8% or more, ROIC of 6% or more, and to increase both spreads by the final year of the medium-term management plan "Sustainability V (Value)."

In FY2023, ROE exceeded the cost of capital, but ROIC was 4.2%, which was lower than WACC of 4.5%. The calculation of WACC takes into account the ratio of interest-bearing liabilities

and enterprise value (market capitalization) as components of the breakdown of invested capital, and WACC has increased as a result of the relative increase in market capitalization due to the rise in the share price, as well as the fact that the cost of shareholders' equity is currently much higher than the cost of interest-bearing liabilities. ROIC was also affected by the expansion of invested capital due to the significant increase in profit attributable to owners of parent. We will continue to improve ROE and ROIC by making strategic investments that contribute to sustainable growth, ensuring shareholder returns, and increasing financing efficiency, while striving to increase revenue going forward.

In the medium-term management plan "Sustainability V (Value)," we set the improvement of capital productivity as a basic policy, and we intend to actively ensure shareholder returns in conjunction with strategic investments (business investment and capital investment) that contribute to sustainable growth. With regard to strategic investments, we plan to review our business portfolio and promote the business selection and concentration, which will lead to future profit growth mainly through M&As. As we have steadily consumed our initial investment limit of over ¥10.0 billion and have had cash inflows from the review of our asset allocation, including the sale of shares held as cross-shareholdings and non-core non-current assets, we have increased our investment limit by ¥5.0 billion to ¥15.0 billion.

## ROE/ROIC/Cost of shareholders' equity/WACC



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## Message from the Division Chief of Business Management Division

The strategic investments we have made to date largely involved New Energy Distribution System Inc. and Gansui Corporation, which became Group companies through M&A. We will continue striving to maximize our return on investment, execute post-merger integrations (PMIs), and maximize synergies within the Group. We will make the appropriate investment decisions for future investment projects by taking into account factors such as risk/return ratio and synergistic effects within the Group.

In order to improve capital productivity, the Board of Directors continuously engages in discussions on management that takes the cost of capital and share prices into account as required by the Tokyo Stock Exchange. The Company's price-to-book (P/B) ratio has been on an upward trend, rising from 0.46 on March 31, 2021, to 0.94 on March 31, 2024, but it has yet to reach 1.0. We believe that achieving a P/B ratio of 1.0 is our minimum obligation to all shareholders, a goal that we will strive to achieve as soon as possible.

In order to improve our P/B ratio, it is important not only to achieve sustainable growth but also to strengthen IR activities to appropriately communicate the Group's business characteristics, growth strategies, etc., to shareholders and investors. We believe that it is imperative for shareholders and investors to further deepen their understanding of the Group by providing them with timely and appropriate information on topics of interest. Besides enhancing our website, which is an important disclosure tool for the Company, and the Integrated Report, we will provide information on various topics in a timely manner to increase interest in the Group. We also

## P/B ratio

	FY2020	FY2021	FY2022	FY2023
P/B ratio	0.46	0.55	0.67	0.94
ROE	5.9%	7.2%	8.3%	22.4%
P/E ratio	8.0	7.8	8.2	4.6

believe that enhancing communication with shareholders and investors, as well as reflecting the various feedback we receive, including honest opinions, in our management, will lead to an improvement of enterprise value, and we will continue to actively promote IR activities to this end.

## Shareholder returns

In addition to improving capital productivity, we also consider shareholder returns to be of paramount importance. In the plan for meeting the continued-listing criteria that we submitted to the Tokyo Stock Exchange in November 2021 in line with the revision of market segments of the exchange, we set a shareholder returns policy of a dividend payout ratio of 40% or more, total return ratio of 50%, and a minimum dividend amount of ¥500 million, in order to further enhance shareholder returns while being conscious of capital efficiency.

For FY2023, we paid a special dividend of ¥15 per share from the recording of extraordinary income from the sale of non-current assets, in addition to the regular dividend of ¥45 per share. In addition, we have carried out share buybacks of up to ¥100 million in November 2023 and up to ¥800 million from February 2024. (The share buybacks of ¥100 million and ¥800 million were completed in December 2023 and May 2024, respectively.) For FY2023, the dividend payout ratio was 22.0% and the total return ratio was 40.4%, both of which were lower than our basic shareholder returns policy. This was because we decided to use the proceeds from the sale of non-current assets to repay short-term borrowings that we had procured for the acquisition of the shares of Gansui Corporation, which became a Group company through M&A in June 2023, as well as for future strategic investments, in line with our goal of further improving enterprise value by making strategic investments aimed at achieving sustainable growth.

During the period of "Sustainability V (Value)," the minimum dividend amount remained at ¥500 million, the payout ratio was lifted to 80% or more and the total return ratio was lifted to 100% for the purpose of improving capital productivity from FY2024. Under this shareholder return policy, we are forecasting annual dividends per share of ¥80 and a payout ratio of 85.8%. We believe that one of our corporate missions is to provide long-term, stable returns to our shareholders without being swayed by business performance, and we intend to continue to actively ensure shareholder returns going forward.

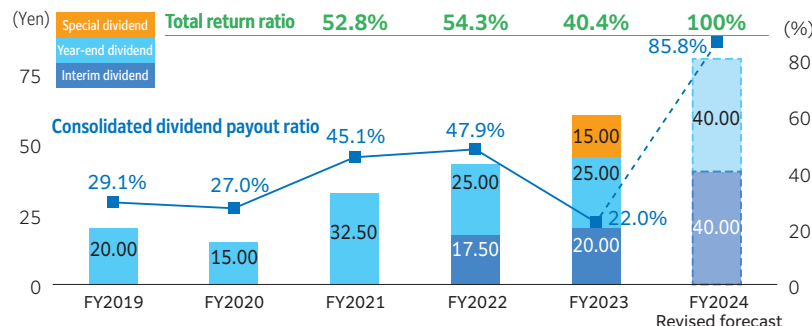
The Group will create value and achieve sustainable growth by continuing to adapt to and evolve with the market, which is expected to change at an even faster pace in the future. Going forward, we will continue to share our various initiatives with all of you through our IR activities. Please look forward to the future growth of the Group.

## Status of shareholder returns

For the period from FY2024 to FY2025, we will implement shareholder returns, with a more proactive approach than ever before.

**Basic policy** Consolidated dividend payout ratio of 80% or more, total return ratio of 100%  
Minimum total returns of ¥500 million

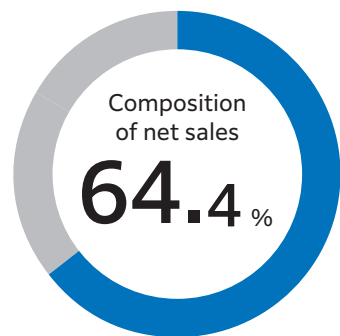
## Changes in dividend per share, consolidated dividend payout ratio, and total return ratio



The Company conducted a four-for-one share split of common shares, effective October 1, 2023. Dividend per share before the share split assumes that the share split in question had taken place during FY2019.

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# Construction Supply Division



## Description of business

The Construction Supply Division, which comprises the Company and seven Group companies\*, handles a variety of products related to construction and building. These include wall materials, piles, thermal insulation materials, solar panel related products, and interior materials for residential and large/non-residential buildings. For these products we have established a nationwide sales and construction network, and offer a wide range of solutions to customers, from planning and design to construction.

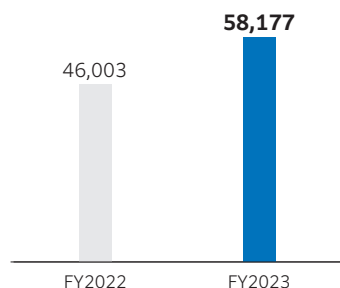
\*Rest Corporation, New Energy Distribution System Inc., Gansui Corporation, Naruto-SP Industries Co., Ltd., Famile Inc., Doryoku Co., Ltd., and HIT Engineering Co., Ltd.

Amid the tightening of regulations on the construction industry with the revised Building Standards Act established in 2006 and a contraction in construction services across the board among construction supply trading companies affiliated with major trading companies handling construction supplies, the Company has prepared a construction management system and strengthened its construction functions as a construction supply trading company. Since then, we have strengthened our functions such as processing, distribution, and system provision, and enhanced functions that assist customers as a “value-adding trading company.”

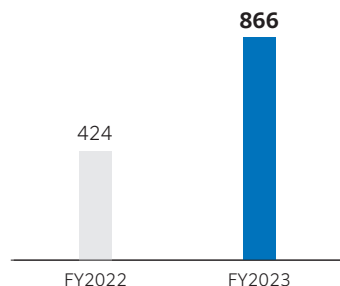
## Strategy going forward

One of the cornerstones of the business strategy for the Construction Supply Division is strengthening capabilities in the areas of processing, distribution, and construction. New Energy Distribution System Inc., which joined the Takashima Group in December 2022, is a company that provides construction services to the renewable energy industry, and its addition to the Group has without doubt strengthened our capabilities in this area. Gansui Corporation, which joined the Group in June 2023, is based in Okayama Prefecture and boasts a large market share for ground improvement work in the Chugoku and Shikoku regions. Providing a one-stop service for proposals, processing, distribution, construction, and other capabilities not only adds significant value for the customer but also leads to an enhanced presence in the industry. Looking ahead to the advent of an environmentally friendly, carbon-neutral society, we will further enhance services tailored to customer needs, and strive to expand existing business areas, such as the renewable energy-related market, and advance into closely related to our existing business. In the energy solutions field, we have entered into a capital alliance with DG Capital Group Co., Ltd., a digital grid router technology company. Digital grid router technology is capable of integrating electric power with the Internet and leads to effective utilization of renewable energy sources. We are collaborating with DG Capital Group in a comprehensive manner, with the person responsible for our renewable energy business serving on its Board of Directors. We will continue to strengthen our involvement in the renewable energy sector to realize a carbon-neutral society in the future.

Net sales (Millions of yen)



Operating profit (Millions of yen)



### Construction materials

For high-performance non-residential construction materials (wall materials, fire-resistant coverings, etc.) used primarily in large logistics facilities and plants, as well as pile-related and civil engineering materials (piles, foundation improvement methods, EDO-EPS methods, and transparent plastic underground retaining blocks, etc.), we are involved in everything from design considerations to construction, and provide goods and services to customers via a nationwide sales and construction network.



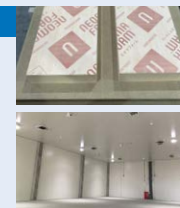
### Housing materials

As well as addressing the increasing diversification of residential buildings, including ZEH, by providing materials that are essential for enhancing the safety, comfort, and energy-saving characteristics of the living environment (exterior wall materials, roofing materials, “all electrification” materials, and thermal insulation materials), we process and install a variety of counters (synthetic marble for kitchen counters and bathroom vanity units) and provide various other interior materials.



### Insulation materials

We will contribute to the energy savings by providing insulation panels used to create refrigerated spaces in non-residential facilities, such as food factories and distribution warehouses, as well as offering a wide range of high-performance insulation materials and techniques for residential buildings. For residential buildings, by offering fully pre-cut thermal insulation materials to housebuilders and taking responsibility for layout, processing, and distribution functions, we help to save labor associated with measuring, cutting, and disposal work at construction sites.



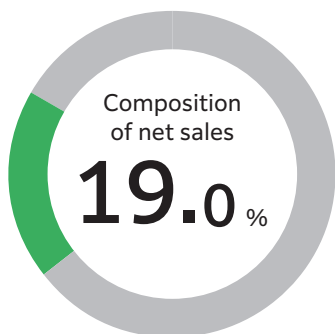
### Renewable energy materials

We have an industry-leading track record in the market for residential solar power generation systems and offer a lineup of products for use in industrial/residential solar power generation systems and storage batteries, as well as internally developed support structures. In terms of new initiatives aimed at the coming era of the electric vehicle (EV), we are focused on sales of our V2H and solar carport products, and can provide solutions on a national scale.

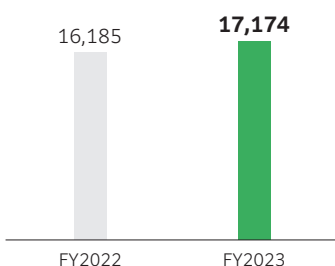


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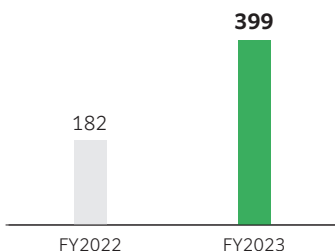
# Industrial Materials Division



Net sales (Millions of yen)



Operating profit (Millions of yen)



## Description of business

The Industrial Materials Division comprises five Group companies\*, with TAKASHIMA INDUSTRIES CO., LTD., at its core. The Division handles a diverse range of products, including the textile materials that were the founding business of the Group, plastic parts, and functional materials. We also have factories with Hi-Land Inc. and TAKCEL Co., Ltd., and we aim to become the manufacturing and sales partner of choice for our business partners by leveraging our network of processing partner companies. The Industrial Materials Division organically collaborates in design, manufacturing, processing, and sales to provide multiple layers of value to customers.

\*TAKASHIMA INDUSTRIES CO., LTD., HI-Land Inc., TAKCEL Co., Ltd., CLS Corporation, and Sinbou Edix Co., Ltd.

The capabilities offered to customers by the Industrial Materials Division vary widely according to the field in question, and in addition to providing logistics materials (plastic trays for transportation of parts, etc.) designed by the Group for their shock absorption characteristics to automotive and electrical manufacturers, it provides textile products to public agencies, and conducts OEM production of apparel and functional textiles for clothing.

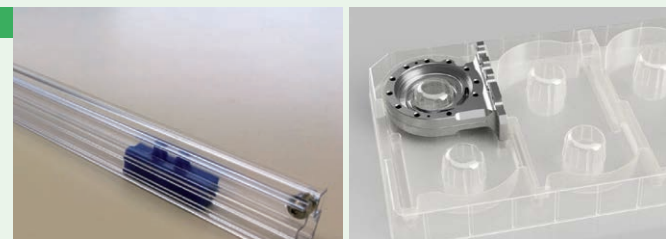
## Strategy going forward

With TAKASHIMA INDUSTRIES CO., LTD., at its core, the Division engages in business selection and concentration to provide products and services of value to our customers while combining the functions of a trading company with those of a manufacturer alongside Group companies in the fields of plastic products, rolling stock, textile materials, and environmental materials. We will continue to provide value by strengthening collaboration among Group companies with diverse functions, with TAKASHIMA INDUSTRIES CO., LTD., at the core, and by proactively taking on challenges in the areas of industrial materials for automobiles, electric machines, logistics, medical care, public agencies, etc., based on over 100 years of history and experience and without being bound by conventional approaches.

### Plastics-related materials

We handle a broad range of materials and products from synthetic resin to environmentally friendly resin, provide manufacturers with molded plastic trays for packaging of manufactured parts (for transportation between processes and when shipping, etc.), and design, assemble, and offer compound processing functions for internal and external materials (based on the keywords of energy savings and labor savings) used in rolling stock. In addition, we help tailor manufacturing to the needs of customers by procuring and processing materials and products from Japan and overseas with high-performance characteristics, such as heat resistance and superior strength.

Moreover, Group company TAKCEL Co., Ltd. manufactures and sells plastic molded products, focusing on general industrial products such as automobile and electronics, while also investing in the medical products field in recent years.



### Textiles-related materials

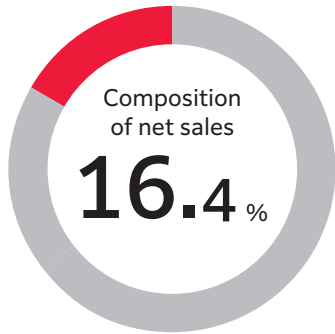
We sell textile materials including heavy fabrics (industrial textiles such as synthetic canvas, ornamental tents, truck canopies, etc.) that were the founding business of the Company, as well as container bags and textile products for the Ministry of Defense, and propose OEM production of apparel products to major retailers in Japan.

Furthermore, the Group company Hi-Land Inc. develops, manufactures and sells sewn products, and CLS Corporation handles domestic sales, exports and imports of various materials for bags, satchels, shoes, gloves and other items using artificial leather, synthetic leather, etc.

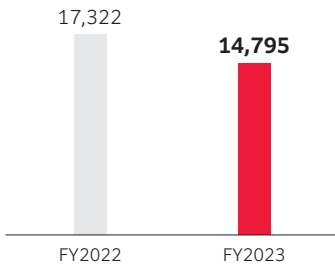


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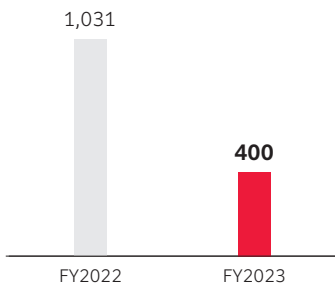
# Electronic Devices Division



Net sales (Millions of yen)



Operating profit (Millions of yen)



## Description of business

The Electronic Devices Division is a multinational corporate group headquartered in Hong Kong and conducts business mainly overseas as the iTak Group. The iTak Group has 11 locations in total, including seven business sites in Japan and overseas\* and two plants located in Thailand and Vietnam.

\* iTak (International) Limited, iTak International (Thailand) Limited, iTak International (Vietnam) Co., Ltd., iTak International (Shanghai) Limited, iTak International (Shenzhen) Limited, iTak International (Malaysia) Sdn. Bhd., and iTak International (Japan) Co., Ltd.

The iTak Group works proactively as a single business unit through strong cooperation between each site to cover all of the main countries in Asia. The ability to offer global manufacturing support for customers' development, production, and purchasing from an office near to their site is one of the characteristics of the iTak Group.

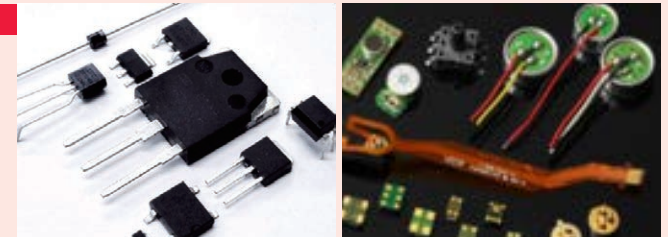
## Strategy going forward

The iTak Group provides comprehensive support in the areas of procurement, technology, and quality to carefully selected local Asian manufacturers of electronic components that are competitive on price while expanding its lineup. The iTak Group will focus on expanding sales in the global market while further deepening its relationships with Japanese manufacturers through its business of PCB mounting and custom component manufacturing centered on its own plants, as well as through component sales and international procurement, and strengthen its proposal capabilities that meet both cost and quality requirements.

Going forward, the iTak Group will further expand its sales by working on the keywords of "technology" and "quality" and by assigning engineers who were previously under the Technical Division to sales departments as well.

### Devices

We provide LCD displays for a broad range of applications, from consumer products to automotive and industrial equipment, as well as audio products (microphones, speakers, receivers, etc.), and power electronics-related parts such as semiconductors, capacitors, and relays. We operate a business that leverages our customer support capabilities by capturing their needs, undertaking procurement primarily from Asian manufacturers, and systematically implementing delivery control, inventory management, and quality management for parts. We have also established our own plant in Vietnam for production of LCDs, and are strengthening our in-house manufacturing capabilities.



### Assembly

Utilizing our own plant in Thailand, our electronics manufacturing services (EMS) business provides total support for PCB mounting in white goods and a wide range of other products, from design stages to mass production. With its background as an electronic components trading company and its capabilities as a manufacturer, the iTak Group has created a structure that enables it to supply competitive products as a "trading company + manufacturer." Its assembly services contribute to energy savings and the shift to inverter usage by white goods and other products through production at its Thai plant.

