

Aiming to build a platform and establish a recurring business model fueled by the widespread use of next-generation scaffolding Iq System

Summary

Accelerating de facto standardization of the Iq System

The Iq System, a next-generation scaffolding system used at construction sites, is a revolutionary product in the already mature scaffolding equipment market, offering superior work space coverage, ease of assembly, and transportation efficiency. In addition, Takamiya offers a highly economical and convenient service for customers by providing them with the storage, management, and operation of the Iq System purchased by the customer in one package. The company is highly strategic in its efforts to develop and provide groundbreaking services that disrupts the long-established supply chain of buying or renting temporary construction equipment.

Guiding for double-digit growth in sales and profit in FY23/3

After bottoming out in FY2021/3, when sales and profits dropped following the COVID-19 pandemic, the company's performance has been steadily recovering. In FY2022/3, sales rose 2.5% YoY to ¥39,800 mn and operating profit rose 6.0% YoY to ¥1,682 mn, driven by strong performance in the sales business despite the continued impact of the pandemic. For FY2023/3, the company projects double-digit growth in both sales and profit, with sales rising 13.1% YoY to ¥45,000 mn and operating profit rising 36.7% YoY to ¥2,300 mn. Utilization rates for the Iq System remained high, with maintenance and repair projects in the metropolitan area and other projects underway. In addition, as some civil engineering projects that had been suspended or postponed have begun to resume and start, related equipment rental volume picked up, which boosted utilization rates of rental assets as well. Accordingly, higher sales and profits in the rental business will likely fuel earnings growth.

Roadmap for sustainable growth

Takamiya is currently implementing its medium-term management plan ending in FY2024/3. The company set aggressive key performance targets for the final year of the plan, aiming for sales of ¥60 bn, operating profit of ¥5 bn, and an ROE of 12.0%. The medium-term management plan is positioned as a roadmap for sustainable growth that will lead to further long-term growth, and consists of the following four basic strategies to (1) develop services that blend hardware and software, with a focus on the Iq System (i.e., establishing the Takamiya Platform); (2) strengthen products for maintenance/repairs and infrastructure redevelopment; (3) nurture businesses beyond the temporary equipment sector; and (4) redevelop overseas business bases. The company's management vision is to shift from a non-recurring business model characterized by the conventional scaffolding rental business to a recurring business model with high growth potential.

FY	Net Sales (¥mn)	YoY (%)	Oper. Profit (¥mn)	YoY (%)	Recur. Profit (¥mn)	YoY (%)	Profit ATOP (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
2018/3	36,114	(1.8)	1,690	(30.4)	1,610	-31.1	1,252	(17.4)	29.26	11.0
2019/3	42,182	16.8	2,713	60.5	2,662	65.4	1,637	30.8	38.22	11.0
2020/3	46,065	9.2	3,703	36.4	3,541	33.0	2,370	44.8	52.74	14.0
2021/3	38,812	(15.7)	1,586	(57.2)	1,569	-55.7	857	(63.8)	18.41	14.0
2022/3	39,800	2.5	1,682	6.1	1,954	24.5	965	12.5	20.73	14.0
2023/3CE	45,000	13.1	2,300	36.7	2,150	10.0	1,450	50.2	31.30	14.0

Source: compiled by SIR from the company IR material.

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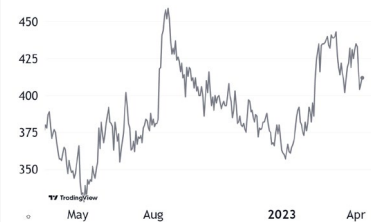
Focus Points:

Vertically integrated provider of construction and related equipment with potentially disruptive business model that lets users share equipment, reducing labor, transportation, storage, and maintenance costs.

Key Indicators

Share price (4/7)	408
YH (2/28)	445
YL (1/10)	357
10YH (15/1/5)	1,197
10YL (16/2/12)	306
Shrs out. (mn shrs)	46.586
Mkt cap (¥ bn)	19.01
Shr equity ratio (3/31)	32.43%
23.3 P/E (CE)	13.1x
23.3 EV/EBITDA (CE)	40.80
22.3 P/B (act)	0.9x
22.3 ROE (act)	5.11%
22.3 DY (act)	3.8%

1Y Chart



Source: TRADING VIEW

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Table of contents	Summary		1
	<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> ■ Company description Takamiya, a major manufacturer of temporary construction equipment 3 History 3 Management policy and management structure 5 Domestic and overseas consolidated group companies 5 <ul style="list-style-type: none"> ■ Business model <ul style="list-style-type: none"> Business strategy and business model 7 Market size and business domains 7 Recurring and non-recurring business model 8 Business portfolio 9 Next-generation scaffolding Iq System 12 Production facilities, equipment base 14 <ul style="list-style-type: none"> ■ Financial analysis <ul style="list-style-type: none"> Key financial indicators 15 Cash flow 16 Capital expenditures and rental asset investments 16 Employee count and sales per employee 17 <ul style="list-style-type: none"> ■ Earnings Trends <ul style="list-style-type: none"> 3Q FY2023/3 earnings summary 18 FY2023/3 full-year earnings forecast 19 <ul style="list-style-type: none"> ■ Medium-term Management Plan <ul style="list-style-type: none"> Outline of medium-term management plan 20 1. Develop services that blend hardware and software, with a focus on the Iq System 20 2. Strengthen products for maintenance/repairs and infrastructure redevelopment 21 3. Nurture businesses beyond the temporary equipment sector 23 4. Redevelop overseas business bases 24 <ul style="list-style-type: none"> ■ Shareholders and dividends <ul style="list-style-type: none"> Major shareholders 25 Dividend policy 26 <ul style="list-style-type: none"> ■ Share price insights <ul style="list-style-type: none"> Share price 27 Valuation 27 Share price catalysts 28 <ul style="list-style-type: none"> ■ Supplemental information <ul style="list-style-type: none"> Income statement 29 Balance sheet 30 Cash flow statement 31 Other supplemental materials 32 		

Company description

Takamiya, a major manufacturer of temporary construction equipment

Takamiya is a leading provider of temporary construction equipment, offering a one-stop comprehensive service that includes development, manufacturing, sales, rental, design, construction, management, and logistics for scaffoldings, which is essential for construction and civil engineering work. The company offers a wide range of temporary scaffolding equipment for private-sector construction and civil engineering work as well as for new construction and maintenance/repair of public infrastructure. In FY2022/3, the sales business accounted for 31.5% of total sales, the rental business 53.7%, and the overseas business 14.8%. The core of Takamiya's business model is the Iq System, a next-generation scaffolding system launched by the company in 2014, as well as its associated services. Compared to conventional scaffolds, the Iq System is superior in terms of work space coverage, ease of assembly, and transportation efficiency, and has been designated by the Ministry of Land, Infrastructure, Transport, and Tourism as a new technology promotion product under its New Technology Information System (NETIS). Customers who purchase the product can enjoy storage and management services from Takamiya for a fee, allowing them to use the same type of Iq System at any of the 29 equipment sites operated by the company, regardless of where they purchased the equipment, without the need to maintain their own storage space. Customer's idle products may be rented by the company, but any shortfalls can be made up on the spot with additional purchases or rentals, so customers can achieve a 100% of utilization rate for their equipment by purchasing only what they need. The economic benefits to customers are substantial, and the company has established a new supply chain system for the temporary construction equipment industry. Takamiya promotes the development of a "platform" business that can introduce new business model and provide services that break with conventional temporary construction industry practice.

History

Shin Kansai Co., Ltd., the predecessor of Takamiya, was established in 1969 primarily to sell scaffolding for use in construction. 1970 saw a construction boom as Japan's first World Expo was held in Osaka, but after the Expo was over, construction companies were not able to manage the scaffolding and faced with the need to sell the scaffolding they had purchased. Seeing this as a business opportunity, Kansai-based Takamiya entered the rental business by purchasing scaffoldings in bulk. After enjoying the economic bubble of the 1990s, general contractors sold off their surplus inventory of temporary construction equipment as the bubble collapsed. Takamiya once again saw this as a business opportunity and built business bases across Japan by not only purchasing the surplus equipment, but also by leasing equipment centers owned by general contractors. This led to the company's current nationwide business base. In the construction industry, where there are many conventional practices, Takamiya's key strategy is to develop innovative products and services. In 1979, the company was one of the first to establish a computing center for computerized inventory control, and in 1998, it established a subsidiary for scaffolding design. In 2010, the company made temporary construction equipment manufacturer Hory Corporation its wholly owned subsidiary, creating a vertically integrated model that encompasses everything from the manufacture of temporary construction equipment to sales and rentals. This structure has led to the development and deployment of the Iq System, the company's current mainstay product, as described later in this report.

Date	Event
1969 Jun.	Founded as Shin Kansai Co.,Ltd., existing SRG TAKAMIYA Co.,Ltd. in Osaka City.
1973 Jun.	Moved head office registration to Settsu City, Osaka.
1974 Apr.	Changed purpose to rental of temporary materials.
1983 Jun.	SRG TILESTONE TRADING PTE.LTD. (consolidated subsidiary, trade name changed to SRG TAKAMIYA ENGINEERING(S) PTE.LTD.) established in Singapore to expand overseas in the temporary construction equipment rental business.
1984 Nov.	SRG TAKAMIYA Co., Ltd., a subsidiary then, was established in Chuou-ku, Tokyo.
1985 May	A used PC retailer(subsidiary company, renamed SRG Standby Co., Ltd.), established in Naniwa-ku, Osaka City.

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Date	Event
1987 Dec.	Merged the subsidiary, reestablished as SRG TAKAMIYA Co., Ltd. The former SRG Takamiya Co., Ltd. is renamed the Tokyo Branch.
1988 Apr.	Head office moved to Kita-ku, Osaka.
1988 Sep.	The Tohoku Sendai Branch is established in Aoba-ku, Sendai City.
1990 Mar.	Iwata Ltd., existing IWATA Co., Ltd., a consolidated subsidiary, was established in Wakayama Prefecture.
1990 Jun.	Nagoya Branch opened in Nakagawa-ku, Nagoya.
1994 Jul.	Rental Nagakita Ltd., existing SHINKEN NAGAKITA Co., Ltd., a consolidated subsidiary, was established in Niigata Prefecture.
1994 Aug.	Tatsumi Ltd., existing TATSUMI Co., Ltd., a consolidated subsidiary, was established in Ibaraki Prefecture.
1994 Dec.	Fully acquired SRG Stanbai Ltd. (a group company) and began PC retail business.
1996 Jan.	Osaka Branch opened in Kita-ku, Osaka.
1998 Feb.	Exited the computer retail business.
1998 Mar.	Established Techno Kobo Ltd. (currently a consolidated subsidiary, Cadian Co., Ltd., Chuo-ku, Tokyo) in Kita-ku, Osaka City, to design temporary construction drawings.
1998 Sep.	Kyushu Branch (currently Kyushu-Fukuoka Branch) was established in Hakata-ku, Fukuoka City.
2000 May.	Non-consolidated subsidiary, currently Tsukubamirai City, Ibaraki Prefecture) was established in Settsu City, Osaka Prefecture.
2002 Dec.	Head office was relocated to Shibata-cho, Kita-ku, Osaka.
2004 Oct.	Established HIRAMATSU Co., Ltd. currently a consolidated subsidiary in Haibara-cho, Shizuoka Pref.
2005 Feb.	Established SN Biltec Co., Ltd. in Kita-ku, Osaka (currently a consolidated subsidiary, Total Toshiseibi Co., Ltd.)
2005 Mar.	Liquidated SRG TAKAMIYA ENGINEERING(S) PTE.LTD. (a consolidated subsidiary)
2005 Jun.	Listed by JASDAQ Securities Exchange. (Ticker Symbol: 2445)
2006 Apr.	Acquired 100% of the outstanding shares of Cadian Co., Ltd.
2006 Aug.	Head office and Osaka branch relocated to Chayamachi, Kita-ku, Osaka.
2007 Dec.	Listed by Tokyo Stock Exchange the second part.
2008 Jan.	JASDAQ Securities Exchange delisting.
2008 Oct.	AOMORI ATOM Co.,Ltd., a consolidated subsidiary, was established in Aomori Prefecture.
2009 Aug.	Ishijima Kizai Seisakusho Co.,Ltd., existing TOTAL TOSHISEIBI Co., Ltd., became a consolidated subsidiary.
2010 Sep.	Acquired all shares of Hory Corporation and makes Hory and its wholly owned subsidiary, Hory Korea Corporation, consolidated subsidiaries.
2011 Apr.	Nagakita Corp. takes over the business of Shinken Kizai Corp. and changes its name to Shinken Nagakita Corp.
2013 Aug.	Established HORY VIETNAM Co., Ltd. (currently a consolidated subsidiary) in Vietnam.
2014 Apr.	Acquired all shares of ASAHI INDUSTRIES CO., LTD. In Osaka (currently a consolidated subsidiary, Nextec Co., in Kita-ku, Osaka)
2014 Aug.	Head office and Osaka branch relocated to Ohfuka-cho, Kita-ku, Osaka.
2014 Dec.	Assigned on Tokyo Stock Exchange First Section.
2015 Apr.	Integrated the sales department of Hory Corporation.
2015 Jul.	DIMENSION-ALL Inc. (Philippines), sales and rental of Aluminum formwork, a consolidated subsidiary.
2016 Apr.	Integrated the sales division (building materials and environmental sales division) of Hory Co.
2016 Oct.	Niigata Branch opened in Chuo-ku, Niigata City.
2017 Jan.	Merged SHINKEN NAGAKITA Co., Ltd., a consolidated subsidiary, and then Niigata branch office was established.
2017 Apr.	Merged TATSUMI Co., Ltd., a consolidated subsidiary, and then Ibaraki branch office was established.
2018 Jan.	Merged HORY corporation. a consolidated subsidiary.
2018 Feb.	Merged Nakaya Kizai Co., Ltd. (in Shimane Prefecture) a consolidated subsidiary.
2018 Apr.	With SN Biltec Co., Ltd., a consolidated subsidiary, as the surviving company, and Total Toshiseibi Co., Ltd., a consolidated subsidiary, as the extinct company, it will be merged to form a company name, Total Toshiseibi Co., Ltd.
2019 Apr.	Changed company name to "Takamiya Co., Ltd." and redesigned the logo as well.
2022 Apr.	Due to the revision of the market classification of the Tokyo Stock Exchange, the company moves from the First Section of the Tokyo Stock Exchange to the Prime Market.
2022 Jun.	Transition to a company with an audit and supervisory committee.

Representative Director
President and Chairman
Mr. Kazumasa Takamiya



Management policy and management structure

The management team consists of Kazumasa Takamiya, Chairman and President, one executive vice president, five directors, two outside directors, four audit and supervisory board members (one full-time and three outside), and eleven executive officers.

Kazumasa Takamiya, Chairman and President, joined the company in March 1992, became Director and General Manager of the Build Techno Rental Division in November 1995, Managing Director and General Manager of the Build Techno Rental Division in June 1997, and was promoted to Vice President and Representative Director in January 2001. In June 2002, he became the second generation of the founding family to serve as President and Representative Director. Since June 2017, he has also served as Chairman.

The company mission statement is "love," and the three management principles of "love yourself," "love others," and "love the company" are the foundation of the company's management philosophy. This management philosophy is based on the idea that modern society is constantly on the move, driven by the complex intertwining of national economies and the business activities of countless companies, and that individual companies are made up of the untiring endeavors of their members. Moreover, the company believes that people's own ambitions and consideration for their families are the driving force that motivates them, and this is what the company aims to use as the driving force for its growth

Takamiya's basic approach to corporate governance is to maximize corporate value by ensuring thorough compliance, management transparency, and efficiency for shareholders and other stakeholders. The company also aims to achieve sustainable development in a highly transparent business environment by contributing to the development of users and the industry as a whole through the stable supply of safe, high value-added products, and by building an industry that is clearly recognized as excellent by society and investors.

Domestic and overseas consolidated group companies

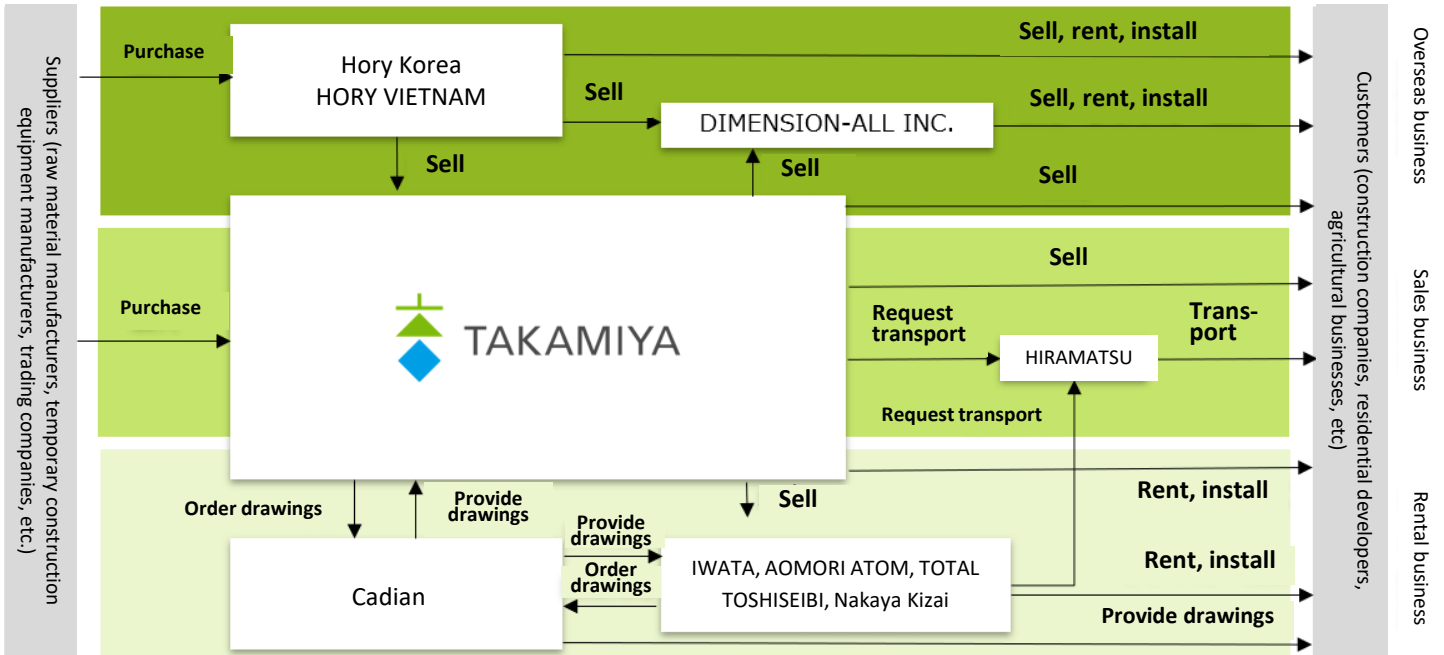
Takamiya has nine consolidated subsidiaries: six in Japan and three overseas in Asia. The company's two domestic plants (in Gunma and Gifu prefectures) and its overseas subsidiaries, Hory Korea and HORY VIETNAM, manufacture temporary construction equipment and other products, which are sold to customers in Japan and overseas, and also to group companies engaged in the rental business. In addition, the company has 8 branches, 12 sales offices, and 29 equipment centers in Japan. Takamiya provides products, purchased items, rental and installation services to its domestic customers and group companies through those subsidiaries. The company's domestic subsidiaries play an important role. While general temporary construction equipment such as scaffolding and shoring materials are available through the parent company, the domestic subsidiaries provide temporary construction equipment and services required for highly specialized construction projects. Taking advantage of the synergy of the group, including the domestic subsidiaries, the company provides temporary construction equipment not only for general construction and civil engineering work sites, but also for sites that require specialized technology, such as high-rise buildings, underground, plant, and shield construction.

Domestic and overseas consolidated subsidiaries

Company	Address	Paid-in capital	Main business	% of voting rights held	Description
IWATA Co., Ltd.	Wakayama Pref.	10 mn	Rental	60.0%	Rents and sells temporary construction equipment from the company
Cadian Co., Ltd.	Tokyo	30 mn	Rental	100.0%	The company requests drawings for temporary construction
HIRAMATSU Co., Ltd.	Shizuoka Pref.	10 mn	Rental	100.0%	Requests the company to deliver temporary construction equipment
TOTAL TOSHISEIBI Co., Ltd.	Tokyo	30 mn	Rental	100.0%	Rents and sells temporary construction equipment from the company
AOMORI ATOM Co., Ltd.	Aomori Pref.	10 mn	Rental	100.0%	Rents and sells temporary construction equipment from the company
Nakaya Kizai Co., Ltd.	Shimane Pref.	10 mn	Rental	100.0%	Rents and sells temporary construction equipment from the company
Hory Korea Co., Ltd.	South Korea	KRW4,400 mn	Overseas	100.0%	Sells temporary construction equipment to the company
HORY VIETNAM Co., Ltd.	Vietnam	USD9.6 mn	Overseas	100.0%	Sells temporary construction equipment to the company
DIMENSION-ALL INC.	Philippines	PHP247 mn	Overseas	100.0%	Sells temporary construction equipment from the company

Source: compiled by Sessa Partners from YUHO (Annual Securities Report) financial statements

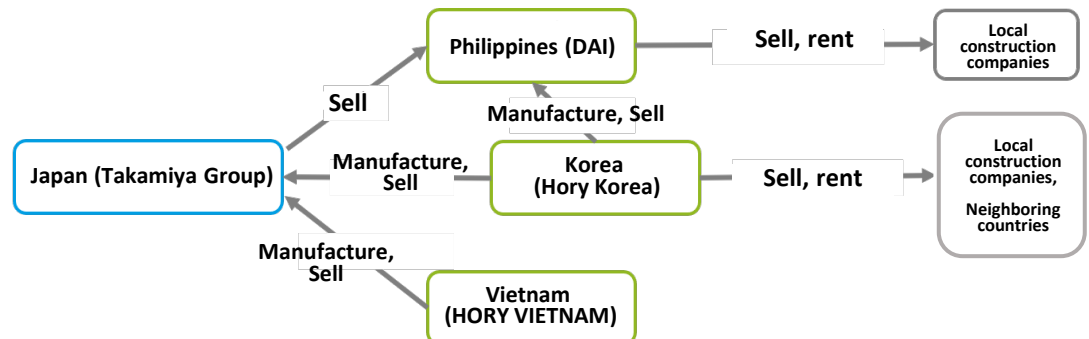
Consolidated group business chart



Source: compiled by SIR from Company presentation materials

The three overseas subsidiaries play an important role for the company in expanding its business in the Asian market. South Korea-based Hory Korea manufactures, sells, and rents temporary construction equipment and solar panel mounts. HORY VIETNAM manufactures and sells highly versatile clamps (tools for fastening and securing temporary construction equipment with screws, etc.) and other temporary construction equipment to parent company Takamiya. DIMENSION-ALL INC. in the Philippines is engaged in the sale and rental of construction forms and shoring equipment. Demand for temporary construction equipment is expected to be extremely high owing to strong construction demand in the Philippines and the lifting of COVID-19 travel restrictions by the Philippine government.

Business chart of three overseas subsidiaries



Source: compiled by SIR from Company presentation materials

Business model

Business strategy and business model

Takamiya is a manufacturer of scaffolding and other temporary construction equipment essential for a wide variety of private and public construction projects. Originally, the company started out in the business of renting out temporary construction equipment, but transformed itself into a one-stop temporary construction equipment manufacturer capable of providing services in the five areas of development and manufacturing, sales, rental, design and installation, and management and logistics to improve customer service.

Currently, Takamiya is working to further advance its business model. The cornerstone of this advancement is the Iq System, a next-generation scaffold launched in 2014 that is superior to conventional scaffolds in terms of work space coverage, ease of assembly, transportation efficiency, and other features. The company aims to establish a new supply chain system never before seen in the temporary construction equipment industry, not only selling and renting the Iq System, but also managing and operating the Iq System purchased by customers and promptly delivering it to customers when needed. The company calls this business foundation that enables it to continue to evolve into a highly profitable business model by providing products and services that challenge the industry norms its "platform business," and aims to further boost its corporate value.

In addition to sales from its three business segments (sales, rental, and overseas business), the company also tracks platform sales, which are sales from services created by combining hardware such as the superior Iq System product with software such as management, operation, and consulting services. In other words, the progress of the "platform business" that the company is aiming to build can be monitored by looking at platform sales. Platform sales in 1H FY2023/3 amounted to ¥758 mn, coming in 18% higher than full-year FY2022/3 sales of ¥641 mn.

Market size and business domains

In addition to excavators, cranes, bulldozers, and other construction equipment, temporary scaffolding equipment is essential for construction and civil engineering projects. Temporary construction equipment is classified into three categories according to the field of construction: heavy temporary construction equipment, light temporary construction equipment, and residential temporary construction equipment.

Heavy temporary construction equipment refers to steel materials that are installed before the main construction work and removed when the foundation work is completed, and mainly consists of large, heavy equipment such as steel sheet piles, H-shaped steel, steel pile retaining materials, steel covering plates, etc. Residential temporary construction equipment includes scaffolding for low-rise apartment buildings and detached houses. Takamiya provides a one-stop comprehensive service covering everything from the development and manufacture of light temporary construction equipment to sales, rentals, design, installation, management, and logistics. The company's business domain is extensive, with its light temporary construction equipment scaffolding used in general construction civil engineering work, bridge construction, underground construction, slope disaster prevention work, harbor construction, and repair work, among other areas.

Of the three types of leases listed in the Ministry of Land, Infrastructure, Transport, and Tourism's "Survey Report on Construction-Related Industries," sales from the company's rental business are included in the statistics for the light temporary construction equipment leasing industry. According to the next page chart, the market size in FY2021 is ¥225.1 bn, and the market size in April-December, FY2022 has already exceeded figures for the same period FY2021. Since general construction and civil engineering work is seasonally more concentrated in 2H, the market size for FY2022 will most likely exceed that of FY2021. In addition, the Research Institute

of Construction and Economy (RICE) projects that domestic construction investment in FY2022 will rise 1.5% YoY to ¥67.62 tn. According to RICE, corporate capital investment sentiment is expected to recover in FY2022 following the slump stemming from the COVID-19 pandemic, and private-sector non-housing construction investment is currently expected to climb steadily, not only for warehouse and distribution facilities, which saw higher demand spurred by the pandemic, but also for factory construction and other non-residential construction projects.

Survey of Construction-Related Industries (112 companies in construction machinery and equipment leasing industry):By industry

Fiscal year	Construction machinery and equipment leasing	Heavy temporary construction equipment leasing	Light temporary construction equipment leasing	Total (¥ mn)	Fiscal year	Domestic construction investment (¥ 100 mn)
2016	497,182	67,752	220,540	785,474	2016	587,399
2017	521,062	68,258	229,772	819,092	2017	613,251
2018	540,428	73,122	247,118	860,668	2018	618,271
2019	568,927	73,942	230,958	873,827	2019	624,900
2020	541,564	70,268	210,208	822,040	2020	653,600
2021	529,912	67,941	225,161	823,014	2021	666,000
2022(Apr. 2022–Oct. 2022)	414,412	51,018	180,063	645,493	2022 estimate	676,200

Source: Ministry of Land, Infrastructure, Transport, and Tourism

Light Temporary Construction Equipment Leasing vs. Domestic Construction Investment



Source: Compiled by SIR based on Ministry of Land, Infrastructure, Transport and Tourism statistics and Research Institute of Construction and Economy data

Recurring and non-recurring business model

Takamiya’s basic strategy is to integrate its recurring business model with its non-recurring business model. Specifically, the company aims to establish a recurring business by growing its platform's user base and enabling it to generate stable earnings.

Business portfolio

Takamiya's business portfolio consists of three segments: sales, rental, and overseas businesses.

① Sales business

In FY2022/3, the sales business accounted for 31.5% of total sales and 52.1% of total operating profit, with a segment operating profit margin of 12.0%. The sales business includes the following four business fields.

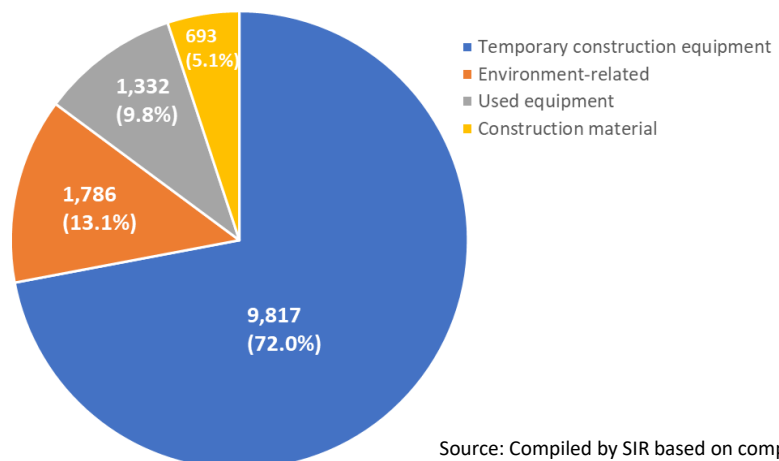
Temporary construction equipment accounted for the largest share of sales in this segment, at 72.0%. The company sells temporary construction equipment covering a wide variety of construction sites, and its core products include the Iq System, a next-generation scaffold launched in 2014 that offers superior work space coverage, ease of assembly, and transportation efficiency; the Spider Panel and VMAX suspended rack scaffold systems used in transportation infrastructure maintenance and repair work; and the YT Lock System, a scaffold used for non-vertical jobsites such as on bridges, piers, and mountainside projects.

The environment-related business accounts for 13.1% of the sales business, and includes two businesses: the photovoltaic (PV) business, which sells solar panel mounts and solar carports, and the agricultural business, which manufactures, sells, and installs high-performance greenhouses for agriculture by leveraging the company's metalworking technology developed in the temporary construction business.

Used equipment sales represents 9.8% of the sales business, and primarily consists of buying equipment to fulfill customer Iq System replacement demand and selling the equipment to customers who need it.

Construction material sales accounts for 5.1% of the sales business, and includes sales of vibration control devices that greatly reduces the shaking of houses caused by earthquakes and other disasters.

Sales Business (FY2022/3, Unit: ¥mn, Figures in parentheses are sales mix percentages)



Source: Compiled by SIR based on company data

Sales business (Unit: ¥mn)

	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Segment sales	13,475	17,178	20,326	15,865	16,489	12,449	13,513	15,299	11,990	13,629
Segment operating profit	1,577	2,046	2,655	1,531	2,537	1,192	1,670	1,934	1,404	1,633
Segment sales % of total	45.5%	49.7%	52.1%	38.5%	38.4%	31.4%	30.3%	31.4%	29.0%	31.5%
Segment operating profit % of total	61.2%	50.3%	57.2%	34.6%	57.2%	39.1%	40.2%	36.0%	45.3%	52.1%

Source: Compiled by SIR based on company data

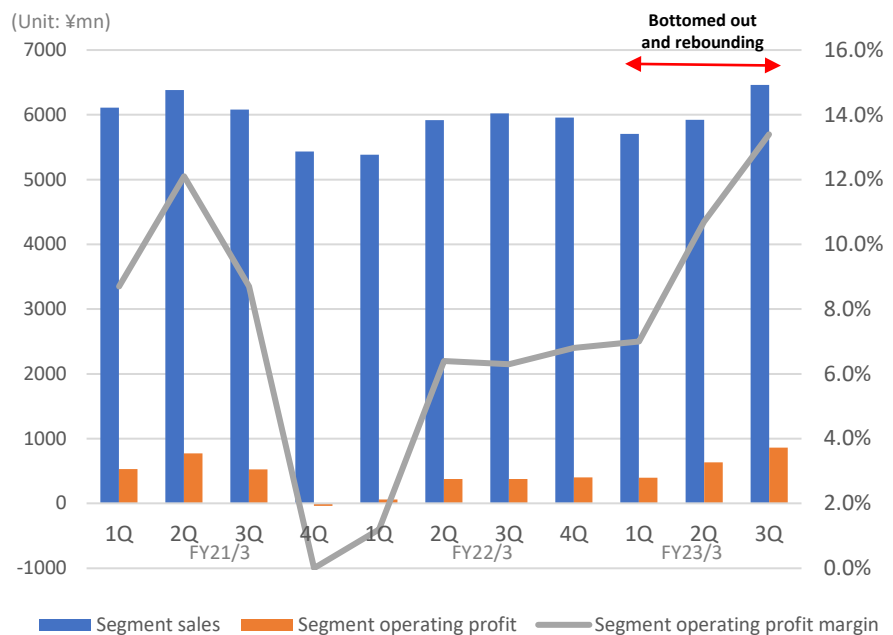
② Rental business

In FY2022/3, the rental business accounted for 53.7% of total sales and 39.0% of total operating profit, with a segment operating profit margin of 5.2%. Most of the scaffolding equipment that the company manufactures and sells is also available for rental. In addition, the company owns temporary construction equipment equivalent to approximately ¥70 bn in new equipment, which can be used for a wide range of projects, from underground to high-rise construction sites.

Quarterly segment operating profit margin plunged in 3Q and 4Q FY2021/3, and has remained low after bottoming out through FY2022/3. This was mainly attributed to the completion of the Hokuriku Shinkansen extension and the pandemic, which led to sluggish sales growth, as well as higher costs, including an increase in equipment maintenance costs stemming from the return of temporary equipment used for the Hokuriku Shinkansen extension and an increase in transportation costs for temporary equipment following the relocation of the equipment center, which pressured profits. In FY2023/3, the segment operating profit margin began rebounding sharply in 1Q-3Q FY2023/3 as customers who were reluctant to purchase temporary construction equipment shifted toward renting it while maintenance and transportation costs came down.

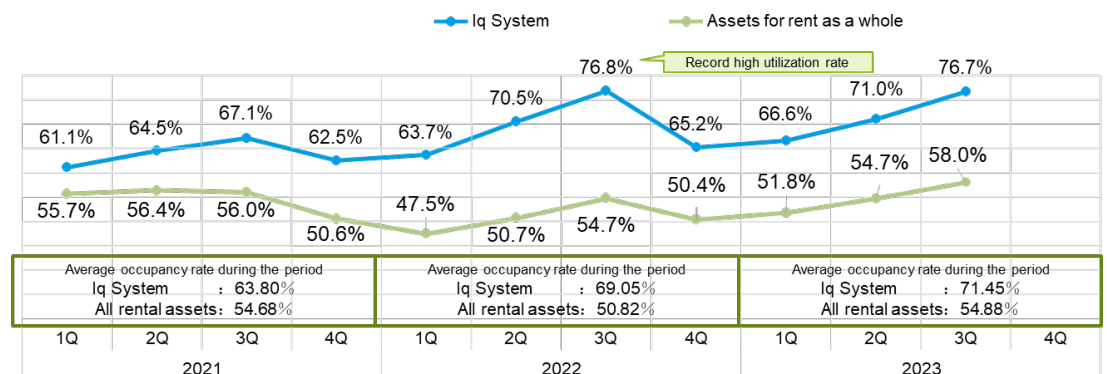
In addition, utilization rates for all of the company's rental assets continued to rise in Q1 and Q2 of FY2023/3, with utilization for the Iq System rising to 76.7% in Q3 of FY2023/3, roughly on par with the record high of 76.8% posted in Q3 of FY2022/3.

Quarterly sales in Rental Business



Source: Compiled by SIR based on company data

Utilization rates of rental assets



Source: excerpt from IR results briefing materials.

Rental business (Unit: ¥mn)

	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Segment sales	16,115	17,375	18,687	20,513	22,213	21,382	23,519	26,118	24,009	23,283
Segment operating profit	998	2,019	1,984	2,697	2,267	1,705	2,464	3,025	1,793	1,221
<% of total>										
Segment sales % of total	54.5%	50.3%	47.9%	49.8%	51.8%	53.9%	52.8%	53.6%	58.1%	53.7%
Segment operating profit % of total	38.8%	49.7%	42.8%	61.2%	51.1%	55.9%	59.2%	56.3%	57.9%	39.0%

Source: Compiled by SIR based on company data

③ Overseas business

The company began disclosing segment information for its overseas business in FY2017/3. In FY2022/3, the overseas business accounted for 14.8% of total sales and 8.8% of total operating profit, with a segment operating profit margin of 4.3%. There are no direct exports from Takamiya (parent) to overseas customers, and sales and profits from overseas operations reflect the performance of three overseas consolidated subsidiaries: Hory Korea (Korea), HORY VIETNAM (Vietnam), and DIMENSION-ALL INC. (Philippines).

Hory Korea is engaged in the manufacture, sale, and rental of temporary construction equipment and solar panel mounts, while HORY VIETNAM manufactures and sells versatile clamps (tools for fastening and securing temporary construction equipment with screws, etc.) to the parent company Takamiya. DIMENSION-ALL INC. in the Philippines is engaged in the sale and rental of construction forms and shoring equipment. Demand for temporary construction equipment is expected to be extremely high owing to strong construction demand in the Philippines and the lifting of COVID-19 travel restrictions by the Philippine government.

The segment reported an operating loss in FY2021/3 owing to restrictions on the business activities of overseas subsidiaries stemming from the COVID-19 pandemic, but bounced back and posted an operating profit of ¥277mn in FY2022/3 thanks to higher production utilization rates and lower SG&A expenses.

Overseas business (Unit: ¥mn)

	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Segment sales	4,806	4,198	5,832	7,535	7,306	5,300	6,410
Segment operating profit	179	(189)	149	24	410	(99)	277
<% of total>							
Segment sales % of total	11.7%	9.8%	14.7%	16.9%	15.0%	12.8%	14.8%
Segment operating profit % of total	4.1%	-	4.9%	0.6%	7.6%	-	8.8%

Source: Compiled by SIR based on company data

(1) The overseas business became a reporting segment in FY2017/3

Next Generation Scaffolding Iq System

Takamiya's most important strategic product is the Iq System, a next-generation scaffold launched in 2014. Compared to conventional scaffolds, the Iq System is superior in terms of work space coverage, ease of assembly, and transportation efficiency, and has been designated by the Ministry of Land, Infrastructure, Transport, and Tourism as a new technology promotion product under its New Technology Information System (NETIS). Customers can purchase or rent the Iq System.

The company has set a goal of making the Iq System the de facto standard in the scaffolding market, and has completed its strategic investment in establishing its rental assets by replacing all of its existing scaffolding with the next-generation Iq System by FY2017/3. The company now has a full-fledged promotion system in place to fulfill its aggressive performance targets set in its medium-term management plan, which will be discussed later in this report.

► Characteristics

• Safety and workability

The standard advance handrails are installed at a height of 1,010mm, which is higher than the standard required by the Occupational Safety and Health Regulations. The height from the floor to the ceiling is 1,900 mm, 200 mm higher than the conventional floor height, enabling workers wearing safety shoes and helmets to pass through without bending over. This provides a spacious work space, with enhanced safety and workability.

• Ease of assembly

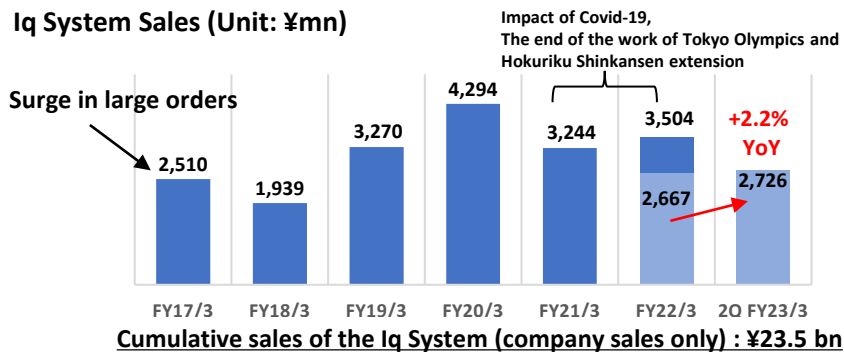
Lightweight high-tensile steel pipe is used. Compared to the conventional wedge-tensioned scaffold support columns (standard length of 3,800mm), the support column for Iq System weighs 2kg less, making it much easier to work with. In addition, it can be assembled and disassembled by using a crane.

• Ease of operation

The components can be divided into separate parts, which significantly reduces the volume. The Iq System requires only 21.06 m² of storage space, compared to 52.62 m² for conventional framed scaffolding (1,000 set equivalent). Transportation efficiency is greatly improved, with the Iq System only requiring two trucks for every 2,000 m² of installed area, instead of three truck for conventional scaffolds. In addition, while conventional scaffolds come in fixed sizes and were selected for construction projects based on their size, customers can adjust the size of the Iq system to suit project requirements by picking each component except for the support columns. This makes the Iq System highly versatile, which boosts its utilization rate.

► Sales trends

Sales of the Iq System over the past six years are shown in the chart on the next page. FY2017/3 sales reached ¥2.51 bn, nearly doubling from ¥1.344 bn in FY2016/3. In FY2018/3, sales fell below ¥2 bn owing to a reactionary drop from the large orders received in the previous year, but sales grew substantially until April 2020, when the Japanese government declared a state of emergency as a result of the COVID-19 pandemic. Since then, Iq System sales have fallen below FY2020/3 highs owing to delays and interruptions in construction and civil engineering projects stemming from the pandemic, as well as the completion of the Tokyo Olympics-related construction projects. In 2Q FY2023/3, sales rose 2.2% YoY to ¥2,726 mn. The company noted that since the beginning of FY23/3, there have been some construction delays since the beginning of FY2023/3 caused by a shortage of foreign workers due to the pandemic, but the impact has not been as severe as before. Instead, the sharp depreciation of the yen has pushed up the price of construction materials, which has caused delays and interruptions in construction projects.



Source: compiled by SIR from Company presentation materials

► **Penetration and medium-term market size**

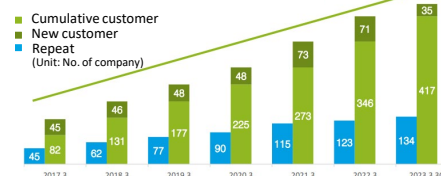
Takamiya’s cumulative Iq System customer base and usage floor area at the parent level have continued to grow markedly, with a total of 452 customers as of 3Q FY2023/3. According to the company's own research, the ratio of conventional scaffolding to next-generation scaffolding is approximately 7:3, and the share of next-generation scaffolding has not yet reached a majority. Its Iq System accounts for 37% of the next-generation scaffold market. The growth potential of the Iq System is tremendous as companies continue to replace conventional scaffolds with next-generation scaffolds.

Conventional scaffolds have been a mainstay of temporary construction equipment for a long time and are highly versatile, with a certain degree of compatibility, even among products made by different manufacturers. On the other hand, next-generation scaffolds, including the company’s Iq System, are not compatible with other companies’ products.

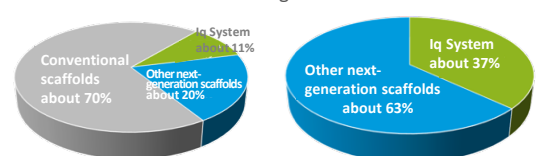
One of the catalysts driving the replacement of conventional scaffolding with next-generation scaffolding is the need to prevent work-related accidents, including back and neck pain among construction workers caused by the low 170-cm height of conventional scaffolding. Workers are required to wear safety helmets and safety shoes. Since the average height of men, who make up the majority of workers, is 172 cm, less than 10% of workers can work without bending over when the floor height is 170 cm. However, more than 90% of workers can work without bending over when the floor height is 190 cm. Growing concern over the need to create a comfortable and safe work environment as a measure to address the shortage of construction workers is likely to have a substantial impact on the pace of replacement. In addition, stricter work safety regulations will likely drive replacement. Another factor that will further accelerate replacement is the upcoming deadline in April 2024 for establishing a cap on working hours, which has been a problem stemming from labor shortages in the construction industry.

Takamiya’s next generation Iq System provides a highly competitive offering, designed with a floor height of 190 cm that provides a safe and comfortable working environment even when workers are wearing thick work shoes and helmets, compared to the average 180cm height of other companies’ next generation scaffolds. In addition, the company’s service of centrally managing and operating the Iq System regardless of where purchased, purchased

Iq System new customer count & cumulative customer count



Scaffold market share **Next-generation scaffold market share**



Source: compiled by SIR from Company presentation materials

by its customers and quickly delivering them to customers when needed will also bring great economic benefits to customers, and is expected to boost uptake of the Iq System. The company estimates that the medium-term market for next-generation scaffolding including the Iq System, will grow the market size to ¥150 bn. If the Iq System becomes the de facto standard, the impact on earnings will be extremely significant.

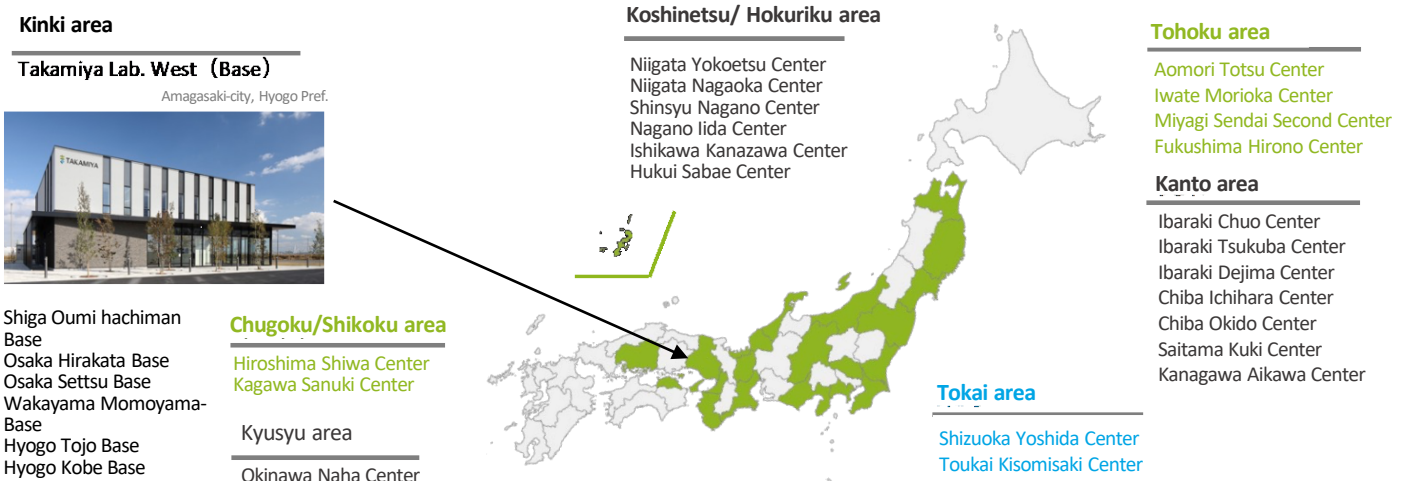
Production facilities, Equipment base, and Equipment center

Takamiya has two production facilities for temporary construction equipment in Japan, one in Kiryu City, Gunma Prefecture, and the other in Anpachi-gun, Gifu Prefecture. Its overseas bases include two factories for manufacturing temporary construction equipment at consolidated subsidiaries, Hory Korea and HORY VIETNAM.

The company maintains 29 equipment bases and equipment centers around Japan, including Takamiya Lab. West, which also serves as a base. The equipment bases and centers play two major roles. One is to arrange for the shipment of temporary equipment to be rented out to customers, and the other is to maintain and service the temporary equipment returned by customers. The company has been opening equipment centers near urban areas, making it convenient for customers to borrow and return temporary scaffolding equipment. The reason the company is able to keep its equipment centers near urban areas is that most of its temporary scaffolding equipment has already been replaced with next-generation scaffolding, which requires only about 50% of the storage space of conventional scaffolding.

(*The name was changed from "Equipment center" to "Equipment base" as of April 1, 2023.)

Equipment base



Source: compiled by SIR from Company IR materials

Financial analysis

Key financial indicators

Takamiya's key financial indicators for the past five years are shown in the chart below. Sales, operating profit, and net profit reached record highs in FY2020/3. On the other hand, ROE and ROA reached record highs of 21.5% and 8.4%, respectively, in FY2014/3.

Over the past five years, the company's P/L-related financial indicators reached a turning point in FY2020/3, as large-scale public works projects, including construction of facilities related to the Tokyo Olympics and the Hokuriku Shinkansen Kanazawa-Tsuruga line extension, drove growth in demand for temporary construction equipment and materials in the three years leading up to FY2020/3. At about the same time that these major public works projects were completed, the COVID-19 pandemic broke out globally, causing many delays and interruptions in private and public works projects, which has affected the company's business performance since then. For example, operating profit margin and net profit margin in FY2022/3 came in at about half of what they were in FY2020/3, when the company posted record highs. Moreover, the average rental asset utilization rate fell to 54.7% in FY2021/3 and 50.8% in FY2022/3, compared to 60.4% in FY2020/3, when the company posted record highs. As a result, the company's total asset turnover ratio dropped from 0.8 in FY2020/3 to 0.7 in FY2022/3. While its equity ratio was higher than FY2020/3, coming in at 31.8% in FY2022/3, its leverage ratio, which is the inverse of the equity ratio, was 3.1 in FY2022/3. Additionally, return on sales came in at was 2.5% in FY2022/3, down from 5.1% in FY2020/3, resulting in a ROE of 5.2% in FY2022/3, well below the 14.7% recorded in FY2020/3. Net debt-to-equity ratio improved to 1.0 in FY2022/3 thanks to a decrease in net interest-bearing debt.

As of 3Q FY2023/3, the average rental asset utilization rate recovered to 54.8% from 50.8% in FY2022/3, with utilization for Iq System coming in at 71.4%. In its FY2023/3 forecast, the company expects return on sales to expand to 3.2%, which would likely boost its ROE in FY2023/3.

Key financial indicators for the past 5 years

Year	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Net sales (¥mn)	36,114	42,182	46,055	38,812	39,800
Operating profit(¥mn)	1,690	2,713	3,703	1,586	1,682
Net profit(¥mn)	1,252	1,637	2,370	857	965
EBITDA (¥mn)	6,353	7,491	8,508	6,402	6,466
Operating profit margin	4.7	6.4	8.0	4.1	4.2
Net profit margin	3.5	3.9	5.1	2.2	2.4
Total asset turnover	0.7	0.8	0.8	0.7	0.7
Financial leverage	4.0	3.8	3.5	3.2	3.1
ROE (%)	9.8	12.0	14.7	4.7	5.2
ROA (%)	3.1	5.0	6.2	2.7	3.4
Equity Ratio(%)	25.0	26.0	30.5	32.3	31.8
Interest-bearing debt (¥mn) ⁽¹⁾	29,497	29,124	29,633	27,620	28,209
Net interest-bearing debt (¥mn)	24,347	23,390	22,390	19,588	19,373
D/E ratio (X)	2.2	2.1	1.6	1.5	1.5
Net D/E ratio (X)	1.8	1.7	1.2	1.1	1.0
Interest Bearing Debt / EBITDA	4.6	3.9	3.5	4.3	4.4

Source: compiled by Sessa Partners from YUHO (Annual Securities Report) financial statements

(1) Interest-bearing debt is the sum of short-term borrowings, current portion of bonds, current portion of long-term borrowings, short-term and long-term lease obligations, bonds, long-term borrowings, and accrued installments

Cash flow

In terms of cash flow, Takamiya generated positive free cash flow for two consecutive periods in FY2021/3 and FY2022/3. The negative free cash flow in FY2020/3 was largely attributable to the purchase of property, plant, and equipment for the planned opening of a new equipment center (Takamiya Lab. West) in the Osaka Bay area. In addition, FY2020/3 was the only period in the last five years when the company generated a positive financial cash flow. This was mainly due to proceeds from new long-term borrowings of ¥4,320 mn, proceeds from bond issuance of ¥1,285 mn, proceeds from stock issuance of ¥619 mn, and proceeds from sale of treasury stock of ¥1,594 mn, which offset repayment of long-term borrowings of ¥5,949 mn.

Key financial indicators for the past 5 years

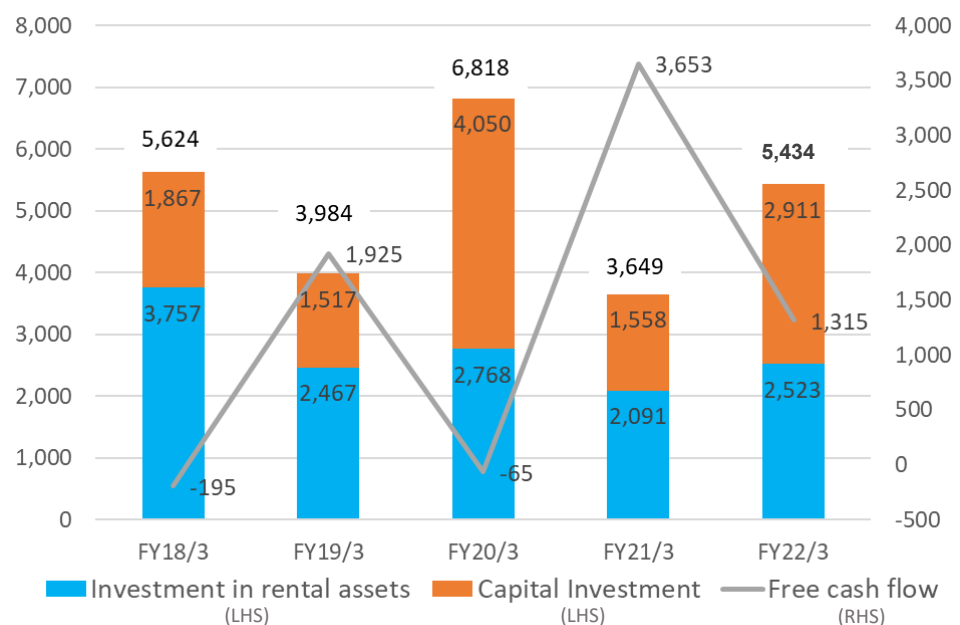
Fiscal year	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Cash flows from operating activities (1)	1,714	3,653	3,771	5,035	4,294
Cash flows from investing activities (2)	(1,909)	(1,728)	(3,836)	(1,382)	(2,979)
Cash flows from financing activities	(222)	(1,243)	1,590	(2,873)	(588)
FCF (1)+(2)	(195)	1,925	(65)	3,653	1,315
Cash and deposits	4,750	5,414	6,922	7,712	8,516

Source: compiled by SIR from YUHO (Annual Securities Report) financial statements.

Capital expenditures and rental asset investments

Takamiya strategically invests in rental assets, mainly the Iq System with monitoring market conditions, in order to accelerate its penetration and make it the de facto standard in next-generation scaffolding. The company has covered its cash shortage arising from investments that exceed free cash flow through bank financing.

Capital Investment and Rental Estimated Investment



Source: compiled by SIR from YUHO (Annual Securities Report) financial statements.

Employee count and sales per employee

In FY2022/3, Takamiya had 1,222 employees, and sales per employee amounted to ¥33 mn. There has been no major change compared to the ¥35 mn posted in FY2020/3, when the company booked record-high sales. The drop in sales per employee has been roughly the same as the percentage drop in employee count. On the other hand, a 10-year historical comparison shows that sales per employee were generally higher in the first five years than in the second five years. This is due to the company's aggressive hiring of young employees who can flexibly respond to new technologies and science amid the ongoing digital transformation movement. This is also preparation for business expansion period, as hiring is expected to become more challenging going forward.

Employee count and sales per employee

Year	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3(est.) ⁽¹⁾
Employee count	1,144	1,204	1,298	1,221	1,222	1,284
Sales (¥mn)	36,114	42,182	46,065	38,812	39,800	45,000
Sales per employee (¥mn)	32	35	35	32	33	35

Year	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3
Employee count	710	693	903	979	1,010
Sales (¥mn)	28,113	32,443	34,261	34,350	36,763
Sales per employee (¥mn)	40	47	38	35	36

Source: compiled by SIR from YUHO (Annual Securities Report) financial statements

Earnings trends

3Q FY2023/3 earnings summary

In its 3Q consolidated earnings released on February 10, 2023, Takamiya reported sales of ¥30,686 mn (+2.9% YoY), operating profit of ¥1,606 mn (+62.8% YoY), recurring profit of ¥1,724 mn (+54.9% YoY), and net profit of ¥1,176 mn (+229.4% YoY). Sales in the sales business fell owing to construction delays and postponements in the timing of temporary equipment purchases, but overall sales rose 2.9% YoY on the back of higher sales in the rental business and overseas business. Operating profit jumped 62.8% YoY thanks to the continued strong performance of the rental business as well as efforts to curb SG&A expenses. The following is a summary by business segment.

The sales business reported lower sales and profits, with sales of ¥9,509 mn (-5.4% YoY) and operating profit of ¥830 mn (-21.5% YoY). In the temporary equipment sector, some customers postponed their purchases owing to construction delays caused by soaring material prices and a shortage of foreign workers, as well as fears over economic uncertainty stemming from the rapid depreciation of the yen. In addition, some customers shifted toward renting equipment under these circumstances, which led to a double-digit drop in segment sales. Despite this environment, interest in the company's business platform centered on the Iq System remained strong, and inquiries for new purchases, replacement, and additional purchases remained steady. However, sales of the Iq System fell 2.2% YoY to ¥2,726 mn as a result of price hikes implemented in April and October 2022 in response to soaring raw material prices, as well as delays and postponements in construction and civil engineering projects, which led to customers becoming increasingly dependent on renting the product. Outside of temporary construction equipment, sales in the environment-related business were down 12.0% YoY to ¥1,211 mn as a major agricultural high-performance glass house construction project came to a close in 1H FY2022/3. Meanwhile, sales of construction materials rose 17.8% YoY to ¥641 mn and sales of used equipment slipped 21.1% YoY to ¥768 mn.

The rental business posted sales of ¥18,090 mn (+4.4% YoY) and operating profit of ¥1,894 million (+131.5% YoY). In private construction projects, rental volume of Iq System remained strong, mainly for maintenance and repair work in the Tokyo metropolitan area, despite the continuing challenging business environment, with construction suspensions, delays, and postponements of construction starts since the previous fiscal year. In public works, although some construction starts were postponed, Iq System rental volume rose YoY. For the three-month period of 3Q (October–December), Iq System utilization was at 76.7%, compared to the record high of 76.8% seen in 3Q FY2022/3.

The overseas business posted sales of ¥6,772 mn (+42.8% YoY) and operating profit of ¥327 mn (+53.0% YoY). There were no major disruptions in raw material and parts procurement at HORY VIETNAM and Hory Korea, and shipments of temporary construction equipment to Japan remained strong. At Hory Korea, sales and rental business in Korea also expanded steadily. At DIMENSION-ALL INC. (Philippines), inquiries for temporary construction equipment for infrastructure projects increased as the Philippine government lifted COVID-19 related travel restrictions.

Takamiya's operating profit margin was 5.2%, up substantially from 3.3% in 3Q FY2022/3. This was mainly driven by a favorable change in sales mix, with growth in sales from the high-margin rental business. The significant 229.4% YoY jump in net profit was largely due to the absence of a ¥284 mn loss on valuation of investment securities recorded in 3Q FY2022/3.

Segment sales and operating profit (Unit: ¥mn)

	Segment sales			Segment operating profit		
	FY22/3 Q3	FY23/3 Q3	YoY	FY22/3 Q3	FY23/3 Q3	YoY
Sales business	10,054	9,509	-5.4%	1057	830	-21.5%
Segment operating profit margin				10.5%	8.7%	
Rental business	17,327	18,090	4.4%	818	1,894	131.5%
Segment operating profit margin				4.7%	10.5%	
Overseas business	4,743	6,772	42.8%	214	327	52.8%
Segment operating profit margin				4.5%	4.8%	
TOTAL	32,126	34,372	7.0%	2,090	3,052	46.0%
Segment operating profit margin	-	-	-	6.5%	8.9%	-
Adj.	(2,301)	(3,686)	-	(1,103)	(1,445)	-
quarterly consolidated profit/loss	29,824	30,686	2.9%	986	1606	62.9%

Source: Compiled by SIR based on company data

FY2023/3 full-year earnings forecast

Takamiya's full-year FY2023/3 earnings forecast calls for sales of ¥45.0 bn (+13.1% YoY), operating profit of ¥2.3 bn (+36.7% YoY), recurring profit of ¥2.1 bn (+10.0% YoY), and net profit of ¥1,450 mn (+50.2% YoY). The company's earnings is seasonally more concentrated in 2H as temporary construction equipment demand for public infrastructure is high. Looking at quarterly results at the parent company level, sales rose steadily going into 2H, starting from ¥9,017 mn in 1Q to ¥10,782 mn in 2Q and then to ¥10,887 mn in 3Q. Similarly, operating profit expanded substantially from ¥181 mn in 1Q to ¥582 mn in 2Q, and then to ¥843 mn in 3Q. Sales in the sales business came in below initial plan owing to price hikes stemming from higher raw material prices as well as construction delays and postponed purchases, with the company continuing to rely more on rentals. At the same time, equipment utilization rates for the Iq System and other equipment have surpassed projections, and sales in the rental business have continued to rise.

Quarterly business performance and progress (Unit: ¥mn)

	FY23/3 (CE)			Progress (vs. FY forecast)	
	1Q	2Q	3Q	FY (CE)	(As of 3Q)
Net Sales	9,017	19,799	30,686	45,000	68.2%
Operating profit	181	763	1,606	2,300	69.8%
Operating profit margin	2.0%	3.9%	5.2%	5.1%	-
Ordinary profit	436	1,137	1,724	2,150	80.2%
Net profit	313	746	1,176	1,450	81.1%
(Growth rate vs.)					
Net Sales	-2.4%	-1.1%	2.9%	13.1%	-
Operating profit	133.2%	0.5%	62.8%	36.7%	-
Ordinary profit	198.0%	26.9%	54.9%	10.0%	-
Net profit	14.2X	176.0%	229.4%	50.2%	-

Source: Compiled by SIR based on company data

Medium-term management plan

Outline of medium-term management plan

In May 2021, Takamiya formulated a medium-term management plan ending in FY2024/3. Its quantitative targets for the final year of the plan calls for sales of ¥60 bn, operating profit of ¥5 bn, and operating profit margin of at least 8.0%, while other financial targets include ROE of 12%, ROA of 6%, and equity ratio of 35%. The company has identified the four key measures listed below to promote the medium-term management plan. Its shareholder return policy involves enhancing corporate value through business growth and paying dividends in line with earnings while maintaining the current dividend payout ratio.

1. Develop services that blend hardware and software, with a focus on the Iq System
2. Strengthen products for maintenance/repairs and infrastructure redevelopment
3. Nurture businesses beyond the temporary equipment sector
4. Redevelop overseas business bases

Key Indicators of the Medium-Term Management Plan

Item	FY22/3	FY23/3 (CE)	FY24/3 (Final year of mid-term plan)
Net sales (¥mn)	39,800	45,000	60,000
Operating profit (¥mn)	1,682	2,300	5,000
Operating profit margin	4.2%	5.1%	8.3%
EBITDA (¥mn)	6,466	7,250	¥10 bn or more
Investment in equipment and rental assets(¥mn)	5,434	6,954	7,850
Depreciation	4,784	4,950	5,170
Equity Ratio (%)	31.8%	-	35% or more
ROA	3.4%	-	6% or more
ROE	5.2%	-	12% or more
Net profit margin (%)	2.4%	3.2%	4.8%
Total Assets Turnover	0.7	-	0.9
Financial Leverage	3.1	-	2.8

Source: Compiled by SIR from the company's Integrated Report and other materials

1. Develop services that blend hardware and software, with a focus on the Iq System

The first basic strategy is to roll out a platform business by developing services that integrate hardware such as the Iq System and other high value-added temporary construction equipment with software consisting of five functions including development and manufacturing, sales, rental, design and construction, and management and logistics.

Takamiya will manage, operate, and provide consulting services for temporary equipment through its platform, enabling customers to use the company's temporary construction business infrastructure as their own business foundation. Furthermore, customers will be able to expand their business by leveraging the company's functions such as its diverse product development capabilities in temporary construction, construction materials, and agricultural products; manufacturing system with four domestic and overseas plants; domestic and overseas sales network and used equipment market; temporary construction equipment that can be used across a variety of job sites from high-rise to underground construction; design technology, BIM/CIM, and domestic construction network; and 29 equipment supply bases across Japan.

In addition, as part of the services provided on the platform, the company will manage (maintain, ship and receive, preserve quality, etc.) its customers' Iq System products, which enables them to ship and receive their own equipment from the company's equipment supply centers located throughout Japan. Any missing or peripheral parts or materials can be rented on the spot.

Moreover, the company offers its OPERA online ordering system, which enables customers to order rental equipment and schedule delivery. In addition to the current features, the company plans to expand the functionality of the platform to enable integrated digital management of highly convenient services to be added to the platform in the future. The platform will be accessible via the OPERA system, which will play a central role as a portal for the platform.

Takamiya Lab. West, the core of the platform, will take on the roles of both an R&D facility and an urban equipment supply base, providing a wide variety of services that go beyond conventional equipment supply base, including the fastest equipment shipping and receiving in the industry, accurate equipment inspections and counts, product exhibits and joint development, and various educational training programs.

2. Strengthen products for maintenance/repairs and infrastructure redevelopment

The second basic strategy of the medium-term management plan is to boost earnings in the maintenance and repair business, including public infrastructure. The mix of maintenance and repair (renovation and renewal) work as a percentage of domestic construction work completed by prime contractors is on the rise, as it has been about 50 years since the construction of public infrastructure such as Shinkansen bullet trains, expressways, and railroads, making maintenance and repair work necessary. In addition, condominiums and other private-sector building structures built in the late 1990s and early 2000s are also entering a repair work cycle, with high demand for maintenance and repair-related products expected from the construction and civil engineering industries over the medium term. Core maintenance and repair products are as follows:

➤ Lift climber

Lift climbers are an innovative electric-powered mobile scaffold elevator system for all types of construction and civil engineering work, including building construction, condominium repairs, warehouse construction, plant construction, etc. Lift climbers are the first of their kind in the world. Compared to conventional scaffolding, lift climbers offer overwhelming advantages in terms of work safety, efficiency, and labor savings, and can address the shortage of workers in the construction and civil engineering industry. Especially recently, condominiums built around 2000 are coming due for repairs, creating strong demand for repair work. Unlike conventional methods, there is no need to cover the entire building with a sheet, which helps maintain the condominium's appearance, ensures daylight for each unit, and provides a high level of security during repair works. Because of these outstanding features, the company's mast climber was registered with the Ministry of Land, Infrastructure, Transport, and Tourism's New Technology Information System (NETIS) for construction and civil engineering technology in 2012, and is widely used in the construction and civil engineering industry. Furthermore, the use of new technologies registered with NETIS is mandatory for construction and civil engineering work as of 2020, and this is one of the reasons why the company continues to hold the top share of the mobile scaffold elevator market. Currently, the company has over 200 lift climbers, which are used at approximately 1,000 construction sites throughout Japan.



← **Lift climber** registered with the Ministry of Land, Infrastructure, Transport and Tourism's NETIS and maintains good appearance during construction

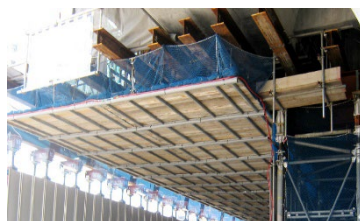
Source: compiled by SIR from Company materials

➤ **Suspended scaffold systems (Spider Panel, VMAX)**

Suspended scaffolds are scaffolds that incorporate suspension chains, suspension girders, joists, scaffold boards, safety nets, etc., and are widely used for new construction, repair work, painting, and inspection of highways and bridges. Compared to conventional suspended scaffolds, the company's suspended scaffold systems offer substantial improvements in labor savings, work efficiency, and cost savings. In addition, they can be configured systematically and easily to create a gap-free floor space, enabling a visibly safer work environment. There are two types of systems: the panel type spider panel system and the unit type VMAX system. The spider panel system is an advanced suspended panel scaffold system offering a gap and step-free safe work space thanks to its built-in latches at the edges of the panel. The VMAX system can handle all types of construction from heavy to light loads and can be built using a wide range of construction methods, including bulk, modular, and panel assembly methods.



The Spider Panel system features a flat suspended scaffold with no uneven surfaces compared to conventional products.



The VMAX system (unit type) improves safety and workability while maintaining appearance during construction.

Source: Compiled by SIR based on company data

➤ **YT Lock System**

The YT Lock System is a scaffolding product for non-vertical job sites such as bridges, piers, and mountainside projects. Like the Iq System, the YT Lock System reduces labor and improves safety, but it operates on a wider variety of construction sites and can be used regardless of the skill level of the worker. The improved safety is achieved through a one-touch snap-in connection system that requires no tools and produces no hammering sound during assembly. Since no tools are required, workers can use both hands when working. With reduced labor and logistics costs, total scaffold costs can be saved by up to 30%, depending on the scale of the project.



YT Lock System enables assembly of platforms for cranes and other heavy equipment without any tools

Source: Compiled by SIR based on company data

3. Nurture businesses beyond the temporary equipment sector

The third basic strategy of the medium-term management plan is to focus on business expansion outside of the core temporary equipment sector and to strengthen the earnings base by improving the business portfolio mix. Currently, the agriculture business described below plays a central role in this strategy.

➤ Agriculture business

Takamiya newly entered the agriculture business in 2014. Currently, its main focus is on the manufacture, sale, and installation of agricultural greenhouses. The company's entry into this business was driven by its advanced metalworking technologies cultivated over many years of experience in the manufacture of temporary construction equipment, as well as by its structural calculation expertise enabling it to achieve both high strength and low cost. In addition, the company's factory is equipped with facilities for testing the strength of temporary scaffolding products, which enables it to conduct weather resistance tests for agricultural greenhouse products in consideration of the actual operating environment in the event of wind damage, snow damage, or other weather-related disasters. Furthermore, the company's network of existing scaffolding installation partner companies enables it to quickly install agricultural greenhouses throughout Japan.

With this highly competitive production system, the company offers two proprietary products: the G-Castle Series, which offers two grades of weather resistance, and the Pipe House, which is resistant to natural disasters. In addition, the company is also carrying out demonstration fruit and vegetable cultivation under the Hanyu Aisai Project in Hanyu City, Saitama Prefecture, which it established with the aim of developing and manufacturing agricultural greenhouses that meet the needs of farmers in the field. This demonstration farm not only evaluates the performance of the company's agricultural greenhouses, but also plays an important role in hosting customer tours of the facility, verifying the environmental control equipment inside the greenhouses and optimal cultivation methods, and using the verification results to promote the sale of agricultural greenhouses. The company is also focusing on expanding its agriculture business by introducing sensor technology to collect various types of data related to cultivation and providing this data to its customers for secondary use.



G-Castle series with two grades of weather resistance



Natural disaster-resistant **Pipe House**

Source: Compiled by SIR based on company data

4. Redevelop overseas business bases

The fourth basic strategy in the medium-term management plan is to redevelop overseas operations, particularly in the ASEAN region, including operations in the Philippines, which have been severely affected by the COVID-19 pandemic. Currently, the company has consolidated subsidiaries in Korea, Vietnam, and the Philippines. Through its three subsidiaries the company is working to expand its temporary equipment business in the ASEAN region. In South Korea, the company manufactures, sells, and rents temporary construction equipment and solar panel mounts; in Vietnam, it manufactures products bound for Japan; and in the Philippines, it mainly engages in sales and rental operations. In FY2022/3, the overseas business reported ¥6,410 mn in sales and ¥277 mn in operating profit. As a result of the pandemic, the company has not been able to reach its previous highs of ¥7,535 mn in sales (FY2019/3) and ¥410 mn in operating profit (FY2020/3). As part of the current medium-term management plan formulated in FY2021/3, the company aims to achieve ¥9 bn of sales from its overseas business in the final year of FY2024/3, compared to its target of ¥60 bn in total sales. However, as mentioned earlier in the report, sales in the overseas business already surpassed the ¥6 bn mark ahead of plan. In addition, the company plans to accelerate business development in the ASEAN region outside of the areas where it operates by building an alliance network with other companies in the same industry.

Shareholders and dividends

Major shareholders

President and Chairman, Kazumasa Takamiya owns 2.89% of outstanding shares, and Executive Vice President Akiyoshi Takamiya owns 2.76%. Tojitsu Takamiya, the founder and father of Kazumasa Takamiya and Akiyoshi Takamiya, holds 11.50% of outstanding shares. Although Tojitsu Takamiya and other family members own 18.49% of the company, are not involved in the management of the company. In addition, Takamiya Y.K. (an asset management company owned by Kazumasa Takamiya) holds 16.38% of outstanding shares.

Major Shareholders and Shareholdings

Major shareholders	Shares held (1,000s)	Shareholding ratio (%)
Takamiya Ltd.	7,629	16.38%
Tojitsu Takamiya	5,356	11.50%
The Master Trust Bank of Japan, Ltd. (Trust account)	3,393	7.28%
Custody Bank of Japan, Ltd. (Trust account)	2,992	6.42%
Takamiya Employee Stock Ownership Plan	1,774	3.81%
Toyoji Takamiya	1,678	3.60%
Chikako Takamiya	1,579	3.39%
Kazumasa Takamiya	1,350	2.89%
Akiyoshi Takamiya	1,288	2.76%
Quattro Co., Ltd.	1,000	2.14%
Total	28,039	60.17%
Issued shares	46,585	100.00%
Treasury shares	7	0.02%

Source: Compiled by SIR based on the company's 2Q FY2023/3 Semi-annual Securities Report

Dividend policy

Takamiya pays an annual dividend of ¥14.00 per share, consisting of an interim dividend of ¥6.00 per share and a year-end dividend of ¥8.00 per share. The company has not announced a specific dividend payout ratio or other shareholder return policy, but it has stated that its policy is to maintain the current dividend level and to pay out dividends in line with earnings.

Dividends paid

	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3 (CE)
Dividends (¥)	11	11	14	14	14	14
Breakdown: 1Q	—	—	—	—	—	—
2Q	4.0	4.0	6.0	6.0	6.0	6.0
3Q	—	—	—	—	—	—
4Q	7.0	7.0	8.0	8.0	8.0	8.0
Total amount of dividends (¥mn)	471	471	651	651	652	—
Payout Ratio	37.60%	28.80%	26.50%	76.00%	67.40%	—
stock buy-back (¥mn)	0	0	0	0	0	—
Total return	37.60%	28.80%	26.50%	76.00%	67.40%	—
Dividends on equity ratio (Payout Ratio × ROE)	3.70%	3.50%	3.90%	3.60%	3.50%	—

Source: Compiled by SIR based on company IR material

Share price insights

Share price

The highs and lows of Takamiya's share price from the beginning of FY2018/3 to April 7, 2023 in FY2023/3 are shown in the chart below. From FY2020/3 onward, the lows have remained around the ¥300 level. This is roughly in line with the time when the World Health Organization (WHO) declared the COVID-19 pandemic on March 11, 2020. The company achieved record profits in FY2020/3, fueled by demand from major projects such as the Tokyo Olympics and the Hokuriku Shinkansen Kanazawa-Tsuruga line extension. However, the subsequent two fiscal years saw delays and interruptions in private and public works projects stemming from the pandemic, resulting in weak earnings from FY2020/3 onward, with the company's share price remaining within the ¥360-¥400 range for the past three months. On the other hand, the company's full-year FY2023/3 earnings forecast calls for a 13.1% YoY jump in sales to ¥45.0 bn, the first double-digit growth in four years, and a 35.7% YoY rise in operating profit to ¥2.3 bn, suggesting that stock market investors may have not fully factored in this year's earnings growth yet.

Takamiya's share price from the beginning of FY2018/3 to April 7, 2023 in FY2023/3

	Share price (¥)		EPS (¥)	Annual dividend per share (¥)	BPS (¥)	PER (X)		Div yield	
	High	Low				High	Low	High	Low
FY18/3	735	510	29.3	11.0	307.9	25.1	17.4	1.5%	2.2%
FY19/3	777	600	38.2	11.0	330.6	20.3	15.7	1.4%	1.8%
FY20/3	828	372	52.7	14.0	387.7	15.7	7.1	1.7%	3.8%
FY21/3	634	379	18.4	14.0	392.0	34.5	20.6	2.2%	3.7%
FY22/3	618	348	20.7	14.0	403.0	29.9	16.8	2.3%	4.0%
FY23/3(CE)	467	328	31.1	14.0	-	15.0	10.5	3.0%	4.3%

Source: Compiled by SIR based on company IR material and SPEEDA data

Valuation

Stock market investors often compare valuations with similar companies when evaluating stock prices. However, it is difficult to select similar companies with exactly the same profitability, business portfolio, capital structure, and other characteristics. In addition, it is challenging to convert non-financial indicators, such as scarcity, into an evaluation metric. Taking these factors into account, SIR looked at the three categories of construction equipment leasing, heavy temporary construction equipment leasing, and light temporary construction equipment leasing listed in the Ministry of Land, Infrastructure, Transport and Tourism's "Survey Report on Construction-Related Industries," and selected 11 similar companies engaged in the sale, rental, and leasing of light temporary construction equipment as a broad reference for valuation. Although some of these 11 companies are also involved in heavy temporary construction equipment, there is no valuation method in the stock market that clearly reflects the difference in business models between heavy temporary construction equipment and light temporary construction equipment, so we have included the averages of key valuation metrics of the 11 companies as a reference.

Comparison of Valuations of Similar Companies

	CE PER(X) ⁽¹⁾	EV/EVITDA (X)	PBR(X)	ROE(%)	DY(%)	OPM(%)	CAR(%)	Change in next FY performance ⁽²⁾			
								+50% > growth rate	+10%~+15% of growth rate	Single-digit growth rate	0%-decrease in profits
Takamiya	11.6	5.7	0.9	5.1	3.9	4.2	31.8	+50.2%			
Average of 11 peers ⁽³⁾	14.2	6.3	0.7	6.4	3.5	5.5	50.7	1 firm	1 firm	5 firms	4 firms

Source: Compiled by SIR from company IR material and SPEEDA data

(1) Calculated based on each company's FY22 EPS forecast

(2) The percentage change from FY21 actual EPS to FY22 company forecast EPS

(3) The 11 peers: Chuo-build, Shinwa, Daisan, ALINCO, Okabe, KONDOTEC, ASNOVA, Kanamoto, Nishio Holdings, Marubeni Construction Material Lease, and GECOSS.

There are no clear valuation differences between the company and the 11-company average in terms of EV/EBITDA multiple or P/B ratio. Notably, with the exception of ASNOVA, the P/B ratios of all companies are below 1x. Despite its outstanding YoY performance change, Takamiya's forward P/E ratio is 13.8x, slightly lower than the 11-company average of 14.2x. Takamiya's share price may see a re-rating as the consensus becomes more positive about the the company's strong YoY performance changes compared to the other companies.

Share price catalysts

As previously mentioned, Takamiya posted record-high sales and profits in FY2020/3, largely on the back of higher demand for scaffolding arising from construction of facilities related to the Tokyo Olympics and a major Hokuriku Shinkansen Kanazawa-Tsuruga line extension project. The company's share price ranged from ¥600 to ¥800 per share, reflecting strong FY2020/3 performance projections until the WHO declared a pandemic on March 11, 2020.

Looking ahead, semi-macro factors such as major private and public construction projects that substantially affect earnings will continue to be a key catalyst for a rating, as seen in FY2020/3. Investors should keep a close eye on the progress of these major projects, as well as newly announced projects, as they will have a direct impact on the company's performance.

The chart below shows the current timetable for major public projects related to the construction and civil engineering industry and the temporary construction equipment industry. While it is impossible to predict at this time whether all of these projects will result in sales and rental orders for the company's temporary construction equipment, the fact that the company's temporary construction equipment has been used in the construction of the Hokuriku Shinkansen bullet train extension and other major projects suggests that at least some of these projects will likely result in higher demand for the company's temporary construction equipment.

In addition, Takamiya's progress on its medium-term management plan is likely to increasingly affect its share price going forward. The key performance targets announced in its medium-term management plan are ambitious, and the company's earnings growth will be substantial if it is able to achieve these targets. Accordingly, SIR believes that the progress of the medium-term management plan and the pace of Iq System adoption, which will drive earnings, are also important catalysts.

Major public projects related to the construction and civil engineering industry and the temporary construction equipment industry

Hokuriku-Shinkansen between Kanazawa and Tsuruga (Plan to open)	Shin-Meishin Expressway between Otsu and Joyo (Plan to open)	Expo in Osaka/Kansai	TOKAI-KANJO EXPRESSWAY (Plan to open)	Integrated Resort in Osaka Shin-Meishin Expressway between Yawata Kyotanabe and Takatsuki (Plan to open) Linear Chuo Shinkansen between Shinagawa and Nagoya (Plan to open)	Osaka Monorail extension between Kadoma-shi and Uryudou	Linear Chuo Shinkansen between Nagoya and Shin-Osaka (Plan to open) Full-scale construction of Hokuriku-Shinkansen between Tsuruga and Shin-Osaka (2031~)
2022	2024	2025	2026	2027	2029	2037

- Infrastructure renovation projects
- ◆ Tokaido-Shinkansen: large renovation (~2023)
 - ◆ Hokuriku-Shinkansen: fully in operation (~2031)
 - ◆ Metropolitan Expressway: large renewal (~2028)
 - ◆ Hanshin Expressway: large renewal (~2029)
 - ◆ Honshu-Shikoku Expressway large renewal (~2029)

Excerpts from the company's financial results

Supplemental information

➤ Income Statement

FY (¥mn)	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Net Sales	32,443	34,261	34,350	36,763	36,115	42,182	46,065	38,812	39,800
Cost of Sales	22,610	23,405	23,059	25,772	25,683	30,050	32,051	27,815	28,619
Gross Profit	9,833	10,856	11,291	10,992	10,431	12,132	14,014	10,997	11,181
<i>Gross Margin</i>	30.3	31.7	32.9	29.9	28.9	28.8	30.4	28.3	28.1
SG&A Expenses	6,781	7,758	8,308	8,562	8,740	9,418	10,311	9,410	9,499
Operating Profit	3,052	3,098	2,983	2,430	1,691	2,714	3,703	1,586	1,682
<i>Operating Profit Margin</i>	9.4	9	8.7	6.6	4.7	6.4	8	4.1	4.2
Non-Operating Profit	389	547	412	330	434	340	329	386	618
Interest and Dividends Income	33	56	47	25	37	32	26	21	14
Non-Operating Expenses	434	319	664	422	515	391	491	403	346
Interest Expenses	235	212	226	209	218	262	275	239	206
Equity Method Income	13	46	71	60	110				
Ordinary Profit	3,006	3,326	2,731	2,337	1,610	2,663	3,541	1,570	1,954
<i>Ordinary Profit Margin</i>	9.3	9.7	8	6.4	4.5	6.3	7.7	4	4.9
Extraordinary Gains/Losses	(3)	(3)	481	(13)	172	(81)	100	(111)	(288)
Extraordinary Gain	44	10	589	10	202	8	157	12	90
Extraordinary Loss	47	13	108	23	30	89	57	123	378
Pretax Profit	3,003	3,323	3,212	2,324	1,782	2,581	3,641	1,459	1,666
<i>Pretax Profit Margin</i>	9.3	9.7	9.4	6.3	4.9	6.1	7.9	3.8	4.2
Income Taxes	1,217	1,243	1,085	806	526	929	1,241	580	678
Net Profit (ATOP)	1,768	2,071	2,153	1,516	1,252	1,637	2,370	857	965
<i>Net Profit Margin (ATOP)</i>	5.4	6	6.3	4.1	3.5	3.9	5.1	2.2	2.4

Source: compiled by SIR from SPEEDA and Company data

➤ Balance sheet

FY (¥mn)	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Total Assets	37,245	43,521	50,092	52,760	52,814	54,414	59,283	56,455	59,081
Current Assets	15,892	18,214	19,770	20,557	20,136	22,782	26,409	24,908	26,681
Cash Equivalents	4,420	4,680	4,643	5,588	5,150	5,734	7,243	8,032	8,836
Accounts Receivables	7,862	8,259	9,372	10,189	9,548	11,401	14,101	11,675	10,834
Finished Goods	1,523	2,823	2,825	2,745	3,051	3,170	2,933	3,184	3,748
Merchandise and finished goods	799	851	1,098	624	805	966	782	893	1,193
Raw materials and supplies	746	1,027	981	832	848	1,001	1,002	1,023	1,638
Deferred Tax Assets – Current	212	206	181	149	165				
Other	442	464	834	588	747	783	695	525	725
Allowance for Doubtful Accounts	(112)	(95)	(164)	(158)	(178)	(274)	(348)	(427)	(295)
Non-Current Assets	21,353	25,307	30,322	32,203	32,677	31,633	32,874	31,547	32,399
Property, Plant & Equipment (PPE)	17,214	21,307	27,051	28,722	28,967	27,628	28,799	27,480	28,329
Assets for rent, net	10,761	13,132	17,373	18,723	18,263	16,426	14,907	13,212	12,179
Land	3,922	4,265	4,938	5,278	5,680	5,764	7,839	7,850	7,851
Other tangible fixed assets	2,531	3,910	4,740	4,721	5,024	5,438	6,053	6,418	8,299
Intangible Assets	731	725	741	640	854	820	940	826	787
Leasehold right	392	392	328	328	328	328	328	327	327
Goodwill	27	26	157	111	345	213	159	-	-
Lease assets	118	122	89	51	22	11	7	-	-
Other	193	184	168	150	159	268	445	498	459
Investments, Others	3,408	3,276	2,529	2,841	2,857	3,184	3,135	3,240	3,282
Investment Securities	1,310	1,317	296	421	490	454	445	504	432
Guarantee deposits	497	579	624	583	589	578	691	710	749
Net defined benefit asset		117	87	84	86	74	43	84	74
Deferred tax assets	138	327	520	799	755	899	800	774	766
Other	1,563	1,017	1,079	1,015	981	1,223	1,190	1,199	1,292
Doubtful Accounts	(100)	(82)	(78)	(62)	(45)	(44)	(34)	(33)	(33)
Total Liabilities	27,487	31,758	37,994	40,061	39,261	39,839	40,785	37,686	39,744
Current Liabilities	15,356	18,071	21,365	20,606	20,992	20,303	21,730	19,554	20,035
Trade Payables	5,975	5,935	6,110	5,972	5,350	5,711	6,427	5,668	6,940
Trade Payables	1,201	3,169	4,959	5,163	6,645	4,621	5,400	3,478	2,612
Bonds	340	302	632	62	62	160	421	871	1,047
Current portion of long term loans payable	4,878	5,132	5,639	5,762	5,652	5,858	5,811	6,308	6,001
Lease obligations	210	238	235	202	171	248	359	368	374
Income taxes payable	892	812	797	776	355	764	766	353	440
Provision for bonuses	201	234	227	230	189	223	292	296	337
Notes payable - facilities	112	244	504	241	246	234	136	344	147
Other	1,546	2,004	2,261	2,197	2,322	2,483	2,117	1,864	2,132
Non-Current Liabilities	12,130	13,688	16,628	19,455	18,270	19,536	19,054	18,132	19,708
Straight Bonds	810	758	175	613	1,450	2,710	3,599	3,278	4,230
Long-Term Debt	9,377	10,913	13,304	15,404	13,653	13,496	11,823	11,354	11,942
Lease obligations	472	374	326	355	337	968	1,377	1,145	905
Net defined benefit liabilities	579	642	744	853	883	900	946	1,001	1,023
Asset retirement obligations	13	13	12	12	16	16	13	13	19
Other	878	987	2,066	2,217	1,930	1,446	1,296	1,339	1,585
Total Net Assets	9,759	11,763	12,098	12,700	13,552	14,576	18,498	18,768	19,337
Shareholders' Equity	8,869	10,648	11,565	12,116	12,952	14,121	18,142	18,347	18,665
Capital Stock	680	704	715	715	731	732	1,050	1,050	1,052
Capital Surplus	1,165	1,190	1,209	1,209	1,225	1,226	1,909	1,908	1,910
Retained Earnings	7,025	8,755	10,345	11,426	12,229	13,395	15,187	15,392	15,705
Treasury Stock	(1)	(1)	(703)	(1,233)	(1,233)	(1,233)	(3)	(3)	(3)
Accumulated Comprehensive Income	645	805	201	222	238	50	-88	-94	108
Valuation Difference, ST Securities	512	528	19	47	81	49	16	55	55
Net Unrealized Gains on Derivatives	(10)	(33)	(79)	(48)	(38)	(31)	(15)	(6)	(6)
Foreign Currency Translation Adj	137	282	292	241	209	55	-23	-104	98
Accumulated adjustment for retirement benefits	6	28	(31)	(18)	(13)	(23)	(66)	(38)	(39)
Share Warrants	125	182	243	271	268	296	306	357	384
Non-controlling interest	118	127	88	90	94	109	137	157	179
Total liabilities and Net assets	37,245	43,521	50,092	52,760	52,814	54,414	59,283	56,454	59,081

Source: compiled by SIR from Company data

➤ Cash Flow Statement

¥mn	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Cash Flows from Operating Activities	2,840	-1,620	-1,081	1,163	1,714	3,654	3,772	5,035	4,294
Depreciation - CF	3,369	3,650	4,137	4,503	4,663	4,777	4,805	4,816	4,784
Amortization of Goodwill - CF	23	28	30	33	33	127	54	54	
Gain/Loss on Valuation of Securities and Investment Securities									329
Gain/Loss on Sale of Investment Securities			(501)	(2)	(27)				(53)
Gain/Loss on Sale of PPE	(36)	(2)	(2)	(6)	11	(5)	(153)	2	(32)
Interest and Dividends Received - Operating CF	32	56	43	25	10	40	14	26	7
Interest Paid - Operating CF	(240)	(204)	(220)	(213)	(209)	(261)	(275)	(241)	(203)
Cash Flows from Investing Activities	(1,240)	(1,563)	(1,737)	(1,093)	(1,910)	(1,728)	(3,837)	(1,383)	(2,979)
Payments for Purchases of Investment Securities	(4)	(20)	(3)	(103)	(3)	(18)	(40)	(3)	(275)
Proceeds from Sales of Securities and Investment Securities	48	14	859	20	0		2		86
Payments for Purchases of PPE	(431)	(1,660)	(1,453)	(1,169)	(1,382)	(1,259)	(4,075)	(1,209)	(2,955)
Proceeds from Sales of PPE	66	29	38	19	20	9	596	13	149
Purchases/Sales of Intangible Assets	(22)	(53)	(102)	(29)	(38)	(180)	(227)	(188)	(69)
Proceeds from Sales of Intangible Assets			1		2				
Cash Flows from Financial Activities	(716)	2,927	2,844	879	(222)	(1,244)	1,591	(2,874)	(588)
Repayments of Short-Term Borrowings	759	1,894	1,868	22	1,530	(1,174)	806	(1,992)	(910)
Proceeds from Long-Term Borrowings	4,800	6,776	8,102	7,891	3,873	5,270	4,320	5,820	6,610
Proceeds from Issuance of Bonds		248	49	482	882	1,428	1,285	540	1,957
Repayments of Long-Term Borrowings	(5,775)	(5,133)	(5,356)	(5,676)	(5,782)	(6,004)	(5,949)	(5,831)	(6,333)
Redemption of Bonds	(612)	(340)	(303)	(633)	(63)	(93)	(160)	(421)	(871)
Proceeds from Issuance of Stock	630	49	21		4	2	2,214		
Redemption/Retirement of Stock	0	0	(702)	(530)	0	0	0		
Cash Dividends Paid	(327)	(337)	(563)	(434)	(448)	(471)	(579)	(652)	(652)
Foreign exchange adjustment	18	97	(17)	(4)	(20)	(17)	(18)	11	77
Changes in Cash Flow	903	254	9	945	(438)	664	1,508	790	804
Cash & Cash Equivalent - Beginning	3,077	3,979	4,233	4,243	5,188	4,750	5,414	6,923	7,712
Cash & Cash Equivalent - Ending	3,979	4,233	4,243	5,188	4,750	5,414	6,923	7,712	8,516
Free Cash Flow (FCF)	1,600	(3,183)	(2,818)	70	(196)	1,926	(65)	3,652	1,315

Source: compiled by SIR from Company data

➤ Other Supplementary Data

	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3
Employee Information									
Headcount - Year End	693	903	979	1,010	1,144	1,204	1,298	1,221	1,222
Numbers of Affiliated Companies									
Number of Consolidated Subsidiaries	11	12	13	12	11	10	10	10	10
Number of Equity-Method Affiliates	4	5	3	3	0	0	0	0	0
Shares Outstanding (¥mn)									
Number of Shares Year End - Ordinary	22.312	45.104	45.304	45.304	45.448	45.468	46.577	46.577	46.586
Treasury Stock	0.002	0.004	1.578	2.607	2.607	2.607	0.007	0.007	0.007
Number of Shares Year End - Common Stock, exc. Treasury Stock	22.310	45.100	43.726	42.697	42.841	42.861	46.570	46.570	46.579
Number of Shares Year End - Common and Subordinated Stock, exc. Treasury Stock	22.310	45.100	43.726	42.697	42.841	42.861	46.570	46.570	46.579
Average Shares Outstanding	22.015	44.856	44.750	43.147	42.794	42.841	44.953	46.570	46.577
Share Holding									
Number of Unit-Shareholders	1,997	3,471	4,421	3,395	3,058	2,923	4,092	3,463	4,052
Held by Financial Institutions (mn)	3.551	7.285	6.217	6.939	8.644	9.045	10.608	10.913	10.306
Held by Other Institutions (mn)	5.448	10.954	9.152	9.178	9.352	9.319	9.678	10.890	11.126
Held by Foreigners (mn)	1.780	2.913	2.141	1.884	1.744	2.070	3.190	3.573	3.156
Other Individuals (mn)	11.426	23.630	27.258	26.854	25.437	24.883	22.780	20.994	21.699
<i>Financial Institutions (%)</i>	<i>15.92</i>	<i>16.15</i>	<i>13.72</i>	<i>15.32</i>	<i>19.02</i>	<i>19.89</i>	<i>22.77</i>	<i>23.43</i>	<i>22.12</i>
<i>Other Institutions (%)</i>	<i>24.42</i>	<i>24.29</i>	<i>20.20</i>	<i>20.26</i>	<i>20.58</i>	<i>20.50</i>	<i>20.78</i>	<i>23.38</i>	<i>23.88</i>
<i>Foreigners (%)</i>	<i>7.98</i>	<i>6.46</i>	<i>4.73</i>	<i>4.16</i>	<i>3.84</i>	<i>4.55</i>	<i>6.85</i>	<i>7.67</i>	<i>6.77</i>
<i>Other Individuals (%)</i>	<i>51.21</i>	<i>52.39</i>	<i>60.17</i>	<i>59.28</i>	<i>55.97</i>	<i>54.73</i>	<i>48.91</i>	<i>45.07</i>	<i>46.58</i>
Dividends									
Dividends per Share	13.00	16.00	10.00	10.00	11.00	11.00	14.00	14.00	14.00
Interim Dividends per Share	5.00	7.00	3.50	3.50	4.00	4.00	6.00	6.00	6.00
Year-End Dividends per Share	8.00	9.00	6.50	6.50	7.00	7.00	8.00	8.00	8.00
Dividends per Share (Special Dividend)		2.50					2.00		
Interim Dividends /Share (Special Dividend)							2.00		
Year-End Dividends per Share (Special Dividend)		2.50							
Per Share Information									
EPS	80.33	46.17	48.12	35.14	29.26	38.22	52.74	18.41	20.73
EPS - Historical Adjusted	39.63	46.17	47.73	33.47	27.58	36.03	51.44	18.41	20.73
Diluted EPS	77.61	44.63	46.66	34.08	28.38	37.06	51.28	17.89	20.10
BPS	426.48	253.95	269.09	288.97	307.89	330.62	387.68	391.96	403.04
BPS - Historical Adjusted	213.22	253.93	259.72	272.34	290.23	311.80	387.62	391.90	402.98

* To enable financial comparison between companies from different countries with different accounting standards, the financial items in this section are standardized. Additionally, certain financial items such as Operating Profit, EBIT, EBITDA are derived figures.

Source: compiled by SIR from Company data and SPEEDA data.

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