

## GCC Management™ Analysis Report: SACOS CORPORATION

TSE JASDAQ Code: 9641

Jul 16, 2021

## The DX Platform Concept for Construction and Equipment Management in Architecture and Civil Engineering Is Going into Full Swing

### Growth Potential from the Perspective of a Winning Mechanism <sup>\*a</sup>

This report analyzes corporate value based on the GCC Management™ perspective, which emphasizes three elements: **G**rowth (sales growth), **C**onnection (of all stakeholders, leading to improved readability), and **C**onfidence (enhanced trust and lowered business risks).

#### Record-high EBITDA due to increased productivity by utilizing ICT

Sacos Corporation (hereinafter "Sacos") is a mid-sized construction equipment rental company focused on the three major metropolitan areas under the Nishio Rent-All Co., Ltd. umbrella (TSE 1st Section, Securities Code: 9699, hereinafter "Nishio Rent-All"), which is a major construction equipment rental company. Under the current president's leadership, Mr. Seo, who assumed office in FY09/2010, the company has been working to increase productivity per worker by improving operational efficiency by utilizing ICT, including the introduction of a rental construction equipment management system using IC tags for the past 10 years. For the past 4 years, the company has been working on "human resource development" (manpower management) based on the ICT system it developed and "corporate culture innovation" to pursue efficiency using the Toyota Production System. Therefore, assuming a 100 for the period ending September 2011, in the period ending September 2020, sales increased to 159, operating margin increased to 652, and EBITDA increased to 491. Particularly, EBITDA reached a record high of 2.5 billion in the period ending September 2021.

#### DX Platform for Construction and Equipment Management in Architecture and Civil Engineering

In addition to utilizing IC tags, Sacos has developed systems for labor management at architecture and civil engineering sites, construction progress management, and applications for diagnosing problems with construction equipment. Additionally, it advances external sales of in-house systems and support for system development by construction-related companies. In the construction field, ICT utilization is advancing in individual elemental technologies and processes through the productivity revolution project "i-Construction" promoted by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). However, the complicated construction system has become an obstacle, and it is hard to say whether the development and utilization of ICT systems optimizing the entire construction, the efforts for cooperation with subcontractors, building material/construction equipment manufacturers, and construction equipment rental are sufficient and also whether the efforts to realize a productivity improvement system wherein each business operator is united are in full swing or not. In such a situation, in the "DX (Digital Transformation) Platform for Construction and Equipment Management in Architecture and Civil Engineering" described in Sacos's financial results for the second quarter of the fiscal year ending September 2021, "considering alliances with the most suitable external IT vendors and joint development with major general contractors, envisioning the optimal seating for the architecture and civil engineering industry and the company" was given adequate attention.

#### Winning mechanism and assessment of the GCC management™: The possibility of a 2.8 times upside

At JPR, we analyzed the success factors of Sacos's DX platform concept from two perspectives and attempted to evaluate shareholder value. The first point is the perspective of a mechanism that continues to win. Sacos's efforts can be evaluated as the ability to design a mechanism that continues to win. The second is the perspective of the GCC management™. Growth: Sufficient to capture the 17%<sup>c</sup> annual growth expected in the real estate- and construction-related DX market by 2030. Connection: DX-related sales with high gross margins are expected to increase, improving profit margin. Confidence: DX support is expected to increase profit stability by strengthening stock revenue. Based on the above, assuming that the DX business goes into full swing and that growth of 10% or more per year in consolidated sales will continue until the fiscal year ending September 2027, shareholder value is estimated to be 43.7 billion yen. This is more than 2.7 times the current total value and 1,019 yen per share considering stock price. High growth potential can be expected if DX's efforts go into full swing.

### Basic report

Written and Edited by  
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#### Corporate Profile

Headquarters	Shinagawa-ku, Tokyo
President & CEO	Shinichi Seo
Established	September 1967
Capital	1,167 million yen
Listed	November 1993
URL	<a href="https://www.sacos.co.jp/">https://www.sacos.co.jp/</a>
Industry	Service Industry

#### Key Indicators (as of July 15, 2021)

Stock price	376 yen
Highest in 52 weeks	406 yen
Lowest in 52 weeks	233 yen
Outstanding Shares	42,866,681 stocks
Trading Units	100 stocks
Market Capitalization	16,117 million yen
Prospective Dividend	7 yen
Established Profit Base EPS	24.00 yen
Estimated PER	15.66 times
Actual BPS (December 2019)	256.41
Actual PBR	1.46 times

Performance Transition	Sales (million yen)	YoY (%)	Operating income (million yen)	YoY (%)	Ordinary income (million yen)	YoY (%)	Net income (million yen)	YoY (%)	EPS (yen)	Stock price	
										High price(yen)	Low price(yen)
FY9/2018	17,683	13.7%	1,546	8.7%	1,546	7.2%	990	1.1%	23.0	398	319
FY9/2019	18,819	6.4%	1,550	0.3%	1,447	-6.4%	908	-8.2%	21.5	335	225
FY9/2020	18,178	-3.4%	1,498	-3.4%	1,448	0.1%	943	3.8%	22.6	406	233
FY9/2021	18,910	4.0%	1,617	7.9%	1,534	5.9%	1,000	6.0%	24.00	-	-
FY9/2020 2Q	10,155	4.2%	1,322	37.6%	1,295	42.6%	865	47.1%	20.7	384	300
FY9/2021 2Q	9,055	-10.8%	838	-36.6%	771	-40.5%	488	-43.6%	11.7	382	345

<sup>\*a</sup>: As for the mechanism to keep on winning, refer to the concept proposed as the mechanism for strategic design in the AI age, "Double Harvest: Strategic Design in the AI Age to Create a Mechanism to Keep on Winning, published on April 14, 2021," by Hajime Hotta (author) and Kazuhiro Obara (author).

<sup>\*b</sup>: J-Phoenix Research ("JPR") has systematized the concept of corporate value in easy-to-understand terms. See "What is the GCC Management™ Analysis Framework?" at the end of this document.

<sup>\*c</sup>: Fuji Chimera Research Institute, Inc. <https://www.fcr.co.jp/pr/20112.htm>

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# 1. Corporate Profile

## Characteristics of the Business

Growth occurs mainly in the three major metropolitan areas, with major general contractors and other customers

In addition to construction machinery, the company offers a wide range of industrial and special equipment and machinery for railroad construction



Construction equipment rental



Rental of machinery for railway construction

Introduction of IC tag-based construction equipment management system over 10 years ago

Launching a system solution-promotion business by utilizing the know-how



System Solutions

## Corporate Profile

Established in 1967 as Sanko Machinery Leasing Co., Ltd., Sacos provided construction companies with construction machinery rental. It grew with major general contractors as its primary customers, mainly in the three major metropolitan areas. In 1993, it registered its stocks with the Japan Securities Dealers Association as over-the-counter stocks. In 1999, it became a subsidiary of Nishio Rent-All, which was strong in rural areas, to compensate for the loss of shareholders' equity after withdrawal from the diversified business.

The company expands its business not only to construction sites but also to other industries such as plants and railroads. More than 10 years ago, the company introduced a rental construction equipment management system utilizing general IC tags. Based on its ICT development capabilities, the company has developed in-house on-site labor management systems and material and equipment management systems as ICT solutions in the form of on-site requests and is providing them as a system solution promotion business.

As future pillars, the company has entered the electric power generation equipment and substation equipment rental business and the parking business. Additionally, as a BtoC business, the company is also working on a rental car franchise business in collaboration with a rental machine center and parking business near Haneda Airport.

### Corporate Profile

Company name	SACOS CORPORATION
Date of incorporation	September 8, 1967
Representative director	Shinichi Seo (Representative Director and President)
Head office	4-5-3 Higashigotanda, Shinagawa-ku, Tokyo
Paid-in capital	1,167,551,500 yen
Employees	403 people
Fiscal term	September
Main businesses	Rental of machinery and equipment, leasing, export, and import and sale of machinery and equipment
Listing date	November, 1993
Listed stock exchange	Tokyo Stock Exchange JASDAQ Market [Securities Code: 9641]
URL	<a href="https://www.sacos.co.jp/company/about/">https://www.sacos.co.jp/company/about/</a>

Source: Created by JPR based on disclosed information

### History

Year	Description
1967	Sanko Machinery Leasing Co., Ltd. was established in Shibuya-ku, Tokyo, with a capital of 1 million yen to rent construction machinery.
1973	Head office moved to Takanawa, Minato-ku, Tokyo.
1986	Company name was changed to Sacos Corporation.
1993	Registered stocks as over-the-counter stocks with the Japan Securities Dealers Association.
1999	Entered into a capital and business alliance with construction equipment rental company Nishio Rent-All Co., Ltd. New shares were issued through third-party allotment. Nishio Rent-All Co., Ltd. acquires 54.1% of the shares of Sacos and becomes its parent company.
2004	Cancelled its over-the-counter registration with the Japan Securities Dealers Association and listed shares on the JASDAQ Securities Exchange.
2009	Established Shin-Kodensha Co., Ltd. (consolidated subsidiary) through 70.0% investment and took over construction of the electrical equipment construction division from Kodensha Co., Ltd.
2010	Listed shares on the Osaka Securities Exchange JASDAQ Exchange.
2011	Listed shares on the Osaka Securities Exchange JASDAQ Exchange (Standard).
2013	Listed shares on the Tokyo Stock Exchange JASDAQ Exchange (Standard).
2014	Started the rental of railway construction machinery to the Kyushu area.
2017	Acquired all shares of Keihin Construction Co., Ltd. (unconsolidated subsidiary), which operates a parking service (now Tsubasa Parking Co., Ltd.). Acquired additional shares of Futaba Electric Co., Ltd., which supervises and contracts the design of electrical facilities for construction work and made it a consolidated subsidiary. Acquired all shares of Kato Car Sales Co., Ltd. (unconsolidated subsidiary), which operates an automobile maintenance business.
2021	Announced the acquisition of all shares of Shinwa Electric Co., Ltd., which operates an electrical equipment installation business.

Source: Company's website

Sacos is responsible for the three major metropolitan areas of the Nishio Rent-All Group's nationwide business network

In a peripheral businesses, the company operates electrical equipment for construction work and automobile maintenance and parking lot services as unconsolidated businesses

Architecture and civil engineering account for 20–24% of total sales

Customers in a wide range of infrastructure industries other than railways, plants, facilities, and architecture and civil engineering

Used construction equipment sales contribute to profit stability

## Group structure

### Consolidated subsidiary of Nishio Rent-All, a major construction equipment rental business

The structure of the corporate group is as follows. Nishio Rent-All operates regional construction equipment rental companies and other companies through acquisitions and other means. Among these, Sacos focuses on three major metropolitan areas. In its peripheral businesses, the company operates electrical facilities for construction and unconsolidated operations, including automotive maintenance and parking services. In construction electrical equipment installation, its consolidated subsidiary Shin-kodensha Co., Ltd. covers the Tokyo metropolitan area, while Futaba Electric Co., Ltd., an equity-method affiliate, covers the Kansai area.

#### Structure of the Nishio Rent-All Group and the Sacos Group



Source: Created by JPR from the Company's disclosed materials

## Sales Breakdown By Type

As a characteristic of the sales structure, architecture and civil engineering each account for 20–24% of the total, and these two account for less than half of the sales. Additionally, the company's customers include a wide range of infrastructure industries other than architecture and civil engineering, such as railroads, plants, and equipment. Sales of used construction equipment have a very high profit margin if the equipment is well depreciated. This contributes to strengthening the stability of profits.

#### Sales by Category

Category	53rd term FY09 / 2019		Category	54rd term FY09 / 2020	
	Sales (million yen)	Sale composition ratio		Sales (million yen)	Sale composition ratio
Construction	4,569	24.3%	Construction	4,398	24.2%
Civil engineering	4,066	21.6%	Civil engineering	4,250	23.4%
Railroad	3,738	19.9%	Railroad	3,587	19.7%
Plant	2,368	12.6%	Plant	2,357	13.0%
Facility	968	5.2%	Facility	1,030	5.7%
Sale of used construction equipment	815	4.3%	Sale of used construction equipment	603	3.3%
Event	555	2.9%	Event	519	2.8%
General industry	58	0.3%	General industry	66	0.4%
Road	41	0.2%	Road	31	0.2%
Other	1,636	8.7%	Other	1,331	7.3%
Total	18,819	100.0%	Total	18,177	100.0%

Source: Excerpt from Sacos Financial Results Briefing Materials for FY09/2020

Collaboration with other rental businesses is extremely important

Sales of in-house developed equipment and products are estimated to account for 12.9% of the total

Examples of in-house developed equipment

Noise saver to prevent noise at the work site



Battery-powered generator



Entry and exit management system



## Sales breakdown By business activity

Rental revenue from other companies' machines accounts for one-fourth

The following chart shows sales composition by business activity. In the sales section below, in addition to the sales of used equipment as described on the previous page, sales of in-house developed construction equipment are also included. Estimating based on figures such as differences from previous fiscal year by business activity, which were disclosed in the fiscal year ending September 2020, rental income was 34.2% for the company's own machines and 25.8% for other companies' machines. Rental revenues account for 60%, but over 40% of rental revenues originate from the rental of other companies' machines, which is a large percentage. Collaboration with other rental companies is extremely important. In addition to transactions within the Nishio Rent-All Group, it also has very active interactions with other rental business companies.

Incidental revenue such as repairs of rental machines accounted for 15.6%, and sales of used machines, equipment developed in-house, and merchandise accounted for 16.2% in total. According to data on the previous page, the sales of used machines were 3.3% of the sales in September 2020. Thus, approximately 12.9% can be estimated to be sales of used machines, products associated with rentals, and devices developed in-house.

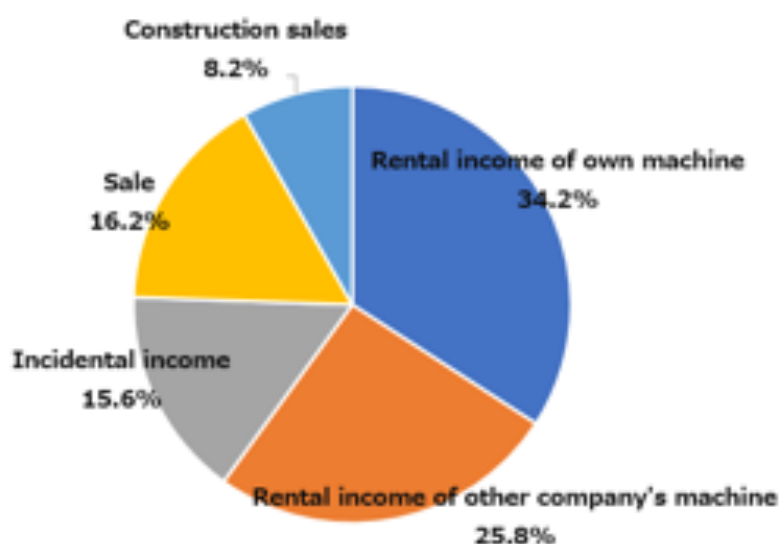
In-house developed equipment and products include sales of various systems related to people, products, and services (operations) at architecture and civil engineering sites, which are sold by the System Solutions Promotion Business described below. Additionally, sales of electrical work and other services are estimated to be approximately 8.2% of total sales.

### Sales breakdown by business activity and previous fiscal year

[Unit: millions of yen]

Business activities	Percentage of sales for the fiscal year ending September 2020	Difference from the previous term	YoY
Rental income of own machine	34.2%	-138	97.8%
Rental income of other company's machine	25.8%	-119	97.5%
Incidental income	15.6%	-57	98.0%
Sale	16.2%	26	100.9%
Construction sales	8.2%	-353	80.7%
Total	100.0%	-642	96.6%

Sales breakdown by business activity for FY09/2020



Source: Created by JPR from the briefing materials for FY09/2020. Percentage of net sales was estimated by JPR based on the disclosed figures.



## Corporate Philosophy


Realizing the concept of a “DX Platform for Construction and Equipment Management in Architecture and Civil Engineering” will further accelerate the vision of the corporate philosophy

### Mission (corporate philosophy) and vision

#### Always look to the future and respond to the times

The corporate philosophy stipulates that, for the “good” of all stakeholders, “we will contribute to society through equipment and machine rental with a flexible corporate stance that constantly looks to the future and responds to the times.” The realization of the “DX Platform for Construction and Equipment Management in Architecture and Civil Engineering” will further accelerate social contribution through rental based on management philosophy. The company name, “Sacos,” is derived from the initial letters of the words in the sentence: “Systematic and Active Challenge is Our Spirit.” The company name can be considered suitable for the full-fledged promotion of DX.

#### Mission (corporate philosophy) and vision

<b>Corporate Philosophy</b>	We will contribute to society through equipment and machine rental with a flexible corporate stance that constantly looks to the future and responds to the times.
<b>Management Policy</b>	<ol style="list-style-type: none"> <li>1. We aim for a corporate management that can earn the trust and confidence of our customers.</li> <li>2. Employees are assets. Based on this idea, we value people and manage our business by making the most of them.</li> <li>3. To reward all of our stakeholders, we will constantly strive for stable management and improved business performance.</li> </ol>
<b>Origin of the company name</b>	<p>Systematic and Active Challenge is Our Spirit</p>  <p>The name of SACOS is derived from the phrase “Systematic and Active Challenge is Our Spirit.”</p>

Source: Created by JPR based on the Sacos website

## M&A

Developing the power generation system business as a new business pillar

### M&A for new business expansion

Sacos has been conducting M&A as shown below to expand new businesses. In synergy with rental construction machinery, the company acquires construction-related electrical equipment, car maintenance, and parking-related businesses. In the business of construction electrical equipment installation, the company is working to develop the power generation system business as a new business pillar. It has also expanded into the car rental business, a BtoC business, centered on the automobile maintenance and parking lot-related businesses.

#### M&A results

June 2009	The company invested 70.0% in the Shin-kodensha Corporation, making it a consolidated subsidiary.
April 2017	Acquired all shares of Keihin Construction Co., Ltd., which operates a parking service. Unconsolidated subsidiary company.
September 2017	Acquired additional shares of Futaba Electric Co., Ltd. which is engaged in the design, supervision, and contracting of electrical equipment for construction work. Becoming a consolidated subsidiary.
December 2017	Acquired all shares of Kato Car Sales Co., Ltd., which is engaged in the automobile maintenance business. Unconsolidated subsidiary company.
January 2021	The company announced that it would acquire all shares of Shinwa Electric Co., Ltd., which operates an electrical equipment construction business.

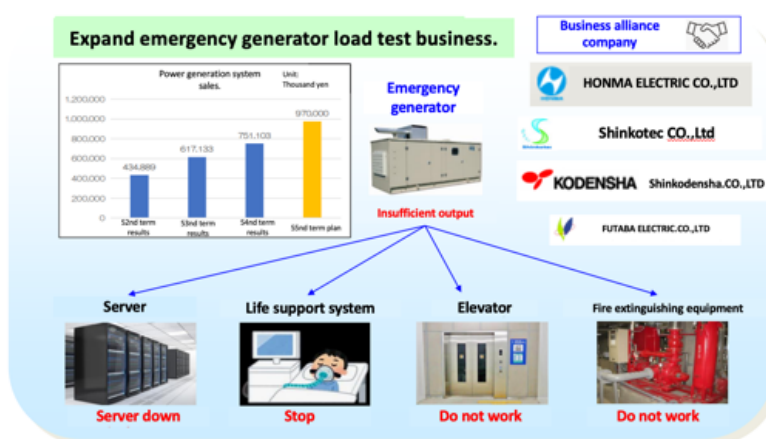
Source: Created by JPR from Sacos's disclosure materials, among others.

Efforts are being made to enter the emergency generator load test business, where demand for maintenance is expected to increase

### Entry into the rental business of power generation equipment and power receiving/transforming equipment

In 2009, Sacos established a consolidated subsidiary and entered the power generation equipment business by taking over the construction electrical equipment installation business of Kodensha Co., Ltd., which is engaged in the wholesale business of mainly handling electric wires for Sumitomo Electric Industries. Furthermore, in 2017 and 2021, the company acquired Futaba Electric Co., Ltd. and Shinwa Electric Co., Ltd., respectively, which operate electric facilities construction businesses. The objective is accelerating the medium-term growth strategy of the Sacos Group by integrating the company's generator rental business with its electrical equipment installation company. Particular emphasis is placed on the emergency generator load testing business, for which maintenance demand is expected to increase in the future. The company expects sales of about 970 million yen in September 2021 (55th term).

#### Pillar-building: Power generation system business



Source: JPR excerpt from Sacos materials for FY09/2020

Expanding into BtoC businesses where strengths can be leveraged

### Expansion into the parking and car rental business

In 2017, the company acquired all Keihin Construction Co., Ltd. (now Tsubasa Parking Co., Ltd.) shares, which operates parking services, and acquired all the shares of Kato Car Sales Co., Ltd., which operates an automobile maintenance business (unconsolidated subsidiary). The company opened a rent-a-car near Haneda Airport in July 2020 as a BtoC business with the city's rental machine center and in collaboration with a parking business. Annual sales are projected to reach 300 million yen by 2024.

#### Pillar-building: BtoC business



**They plan to own 200 vehicles per store and annual sales to be 300 million yen.**

Source: JPR excerpt from Sacos materials for FY09/2020

## 2. Positioning of construction equipment rental market and Sacos

### Overview of the construction equipment rental market

Civil engineering and construction equipment rental revenue will average 1.16 trillion yen from 2018 to 2020

More than doubled from the 2000–2010 with an average of 0.5 trillion yen

### Trends in the domestic architecture and civil engineering markets and construction equipment rental market

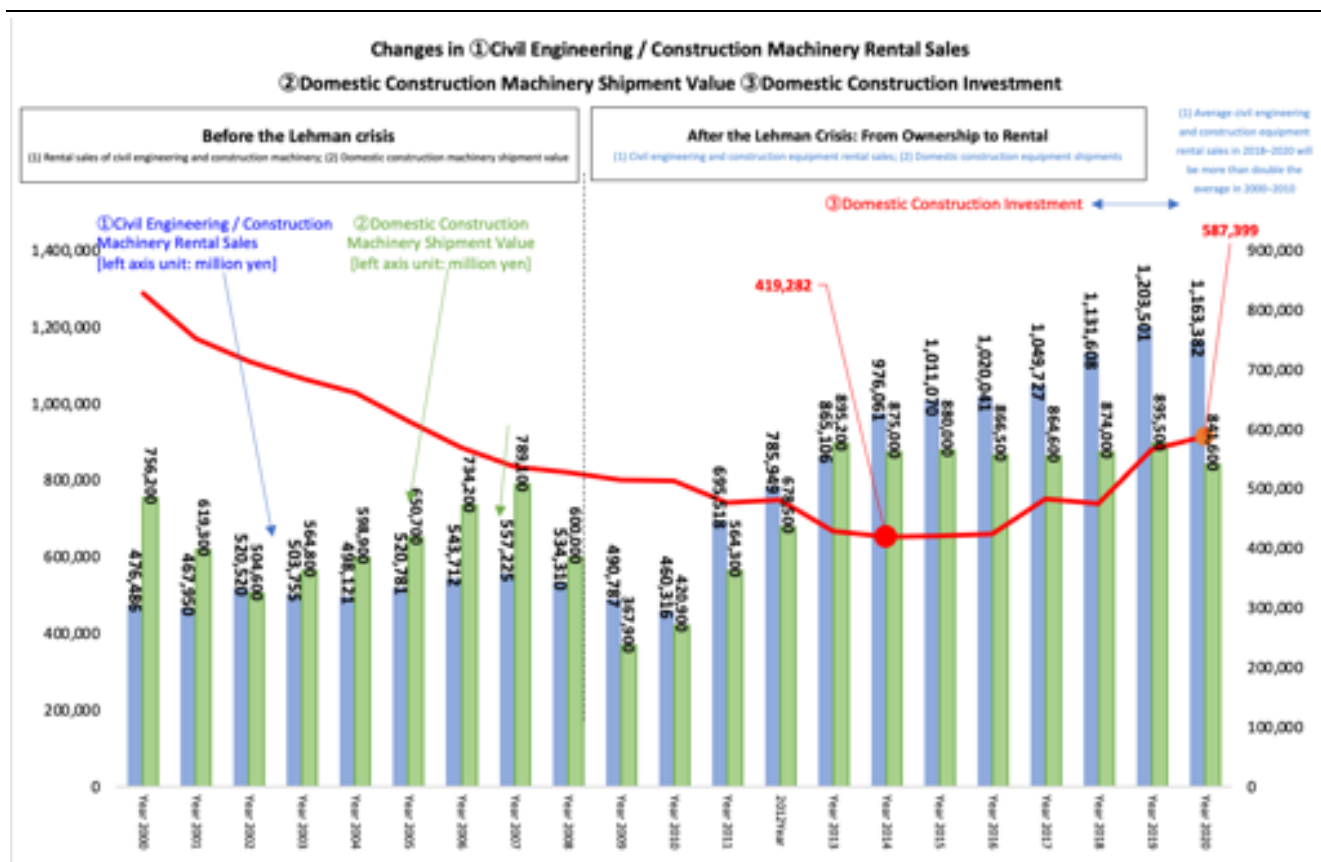
After the collapse of Lehman Brothers, the move from “ownership to rental” has been progressing

The domestic architecture and civil engineering market (domestic construction investment (3) in the graph below) has been recovering since bottoming out at 41.9 trillion yen in 2014. It was worth 58.7 trillion yen in 2020. Prior to the Lehman shock in 2008, domestic construction equipment shipments exceeded sales of civil engineering and construction equipment rentals; however, after the Lehman shock, sales of civil engineering and construction equipment rentals have been higher than domestic construction equipment shipments. This shows that the trend of usage patterns of construction machinery is changing from “ownership to rental.”

Sales of civil engineering and construction equipment rentals more than doubled compared to the 2000–2010 average

According to statistics from the Ministry of Economy, Trade and Industry, sales of civil engineering and construction equipment rentals averaged 1.16 trillion yen between 2018 and 2020, which is more than double the average of 0.5 trillion yen between 2000 and 2010.

### From Ownership to Rental: Changes in construction machinery usage



Source: “Construction Machinery Shipment Value Statistics” by the Japan Construction Equipment Manufacturers; “Statistical Survey of Specific Service Industries” by the Ministry of Economy, Trade and Industry

## 3 types of players

Three of the five major rental companies are independent, and two are trading companies

Manufacturer-related rental sales are lower than those of the big five

The combined sales of the nation's five largest companies account for about half of the total sales of civil engineering and construction equipment rentals

The three major companies are active in M&A

## The construction equipment rental industry has a three-layered structure

### Three-layered structure of major Japanese manufacturers and SMEs

As of the end of September 2020, 774 companies are members of the Japan Construction Machinery Rental Association, and they can be broadly divided into three types: (1) major nationwide sales companies, (2) manufacturers, and (3) other local companies. (1) can be further divided into independent and trading companies.

### Nishio Rent-All is one of the three major independent companies

Independent companies include AKTIO HOLDINGS Corporation, Kanamoto Co., Ltd., and Nishio Rent-All Co., Ltd. Trading companies include Nikken Rental Co., Ltd. and Taiyo Construction Machinery Rental Co., Ltd. However, Taiyo Construction Machinery Rental Co., Ltd. is not strictly a nationwide company as it does not operate in the Hokkaido and Tohoku regions. The five major companies have, for example, construction companies under their umbrellas. Thus, their sales are not purely rental as the total is 800 billion yen, which is about half of the civil engineering and construction equipment rental sales seen on the previous page.

### Scale

Company Name	Listing	Head Office	Consolidated net sales (Millions of yen)	Fiscal term	Series
AKTIO GROUP CORPORATION Holdings	Unlisted	Tokyo	281,179	2020/12	Independent-system
Kanamoto Co., Ltd.	Listing	Hokkaido	179,053	2020/10	Independent-system
Nishio Rent-All Co., Ltd.	Listing	Osaka	151,231	2020/12	Independent-system
Nikken Corporation	Unlisted	Tokyo	118,000	2020/3	Trading company system <sup>a</sup>
TAIYOKENKI RENTAL Co., Ltd.	Unlisted	Shizuoka	89,800	2020/5	Trading company system <sup>b</sup>

Note: \* a: 100% owned by Mitsubishi Corporation; \* b: Investment from Mitsui & Co., Ltd. and Sumitomo Corporation

Source: "Construction Machinery Shipment Value Statistics" by the Japan Construction Equipment Manufacturers; "Statistical Survey of Specific Service Industries" by the Ministry of Economy, Trade and Industry

### Major manufacturers are Komatsu-affiliated companies and Hitachi Construction Machinery-affiliated companies

Major manufacturers are (1) Hitachi Construction Machinery Japan Co., Ltd. (affiliated with Hitachi Construction Machinery Co., Ltd.), (2) Komatsu Customer Support Co., Ltd. (affiliated with Komatsu Manufacturing Co., Ltd.). Komatsu Customer Support Co., Ltd. was established by integrating the three companies in 2018. As of 2018, rental sales were around 25 billion yen, and rental sales are smaller than those of the five major companies.

### Three major independent companies are active in M&A

As shown on the next page, the three major companies are actively expanding their businesses through M&A not only by acquiring construction equipment rental companies but also by acquiring nearby construction companies among others.



### M&A of AKTIO HOLDINGS Corporation

Date of disclosure	Name of acquired company	Description of Businesses	Sales at the time of acquisition (Millions of yen)	Purchase price (Millions of yen)
2012/7	SRS Corporation (formerly Sumisho Rental Support Co., Ltd.)	Rental and sales of aerial vehicles, temporary construction equipment, excavators, temporary houses, toilets, and supplies	Non-Disclosure	Non-Disclosure
2015/1	Sokuto Co., Ltd.	Rental, leasing, sales, and repair of construction machinery mainly in Saga prefecture. 40% share of rental in Saga Prefecture	Non-Disclosure	Non-Disclosure
2016/5	Kyosei Rentemu Co., Ltd. (Tender offer of common shares)	Developing construction machinery and agricultural machinery rentals, events, and mobile phone businesses mainly in Hokkaido (79 locations)	20,290	Approx. 9,300 million yen
2015/12	GK Holdings Co., Ltd.	Under the umbrella of Gifu Kogyo Co., Ltd., the largest manufacturer of secondary tunnel lining formwork in Gifu Prefecture	7,990	Non-Disclosure
2018/6	SANSHIN CORPORATION (Tender offer of common shares)	Special foundation civil engineering business	10,894	Approx. 6.4 billion yen
2020/9	Acquired shares of Link Co., Ltd.	Surveying instrument service maintenance, second-hand sales, and rental; OA equipment, non-destructive testing machine sales, rental	Non-Disclosure	Non-Disclosure
2020/9	World Kaihatsu Kogyo Co., Ltd.	Road construction business in more than 20 countries around the world, including Japan, Asia, Africa, and the Pacific	11,750	Non-Disclosure

Source: Created by JPR based on disclosed information

### M&A of Kanamoto (9678)

Month of disclosure	Name of acquired company	Description of Businesses	Sales at the time of acquisition (Millions of yen)	Purchase price (Millions of yen)
2004/5	Kanaya Leasing Co., Ltd.	Leasing, rental, and maintenance of an aerial vehicle	Non-Disclosure	Non-Disclosure
2004/9	Kanki Co., Ltd.	Rental, sales, and repair of construction machinery, design and construction, and contracting of civil engineering construction work	5,224	8,790
2007/2	Kyushu Kensan Co., Ltd.	Construction equipment rental, deployed in northern Kyushu	2,950	Non-Disclosure
2007/5	Ashisuto Co., Ltd.	Rental and sales of construction machinery security products and development in Hokkaido	1.205	Non-Disclosure
2008/4	SJ RENTAL INC.	Rental and sales of construction equipment (Guam)	Non-Disclosure	Non-Disclosure
2008/6	Toyo Kogyo Co., Ltd.	The largest company in the equipment rental industry for various equipment associated with the shield tunneling method	1,112	Non-Disclosure
2008/6	Kyokuto Leasing Co., Ltd.	Construction machinery rental and leasing	Non-Disclosure	Non-Disclosure
2009/3	Narasaki Lease Co., Ltd.	Rental of construction equipment with strength in tunnel construction and turbid water treatment fields	2,739	Non-Disclosure
2012/4	UNITE CO., LTD.	Development of road construction equipment rental and road construction work nationwide	12,556	Non-Disclosure
2016/1	Nishiken Co., Ltd.	Rental of construction equipment, and welfare and nursing care equipment, centered in Fukuoka and operating in Kyushu, Chugoku, and Kinki regions	16,857	Non-Disclosure
2018/8	SANWA KIKAI LEASE Co., Ltd.	Rental and leasing of construction machinery and vehicles	Non-Disclosure	Non-Disclosure
2019/9	Komatsu Civil Engineering Trading Co., Ltd.	Rental and repair of construction machinery at the Hokuriku site	Non-Disclosure	Non-Disclosure
2019/10	Kyushu Road Co., Ltd.	Subsidiary UNITE becomes a subsidiary, road construction work	Non-Disclosure	Non-Disclosure
2019/12	COM SUPPLY CO., LTD.	Rental and sale of furniture and fixtures, waiter server rental, and natural water sales	Non-Disclosure	Non-Disclosure
2020/4	Yamamoto Manufacturing Co., Ltd. Construction machinery business division	Rental equipment for tunnel construction in the Kyushu area as a special machinery engineering center based in Kumamoto	Non-Disclosure	Non-Disclosure
2020/9	Porter Plant Group: 3 major operating companies and 2 equity companies	Construction equipment rental, civil engineering public works, dispatch of specialized operators, gas construction work in Australia	61.08 million AUD Approx. 4,700 million yen	4 million AUD Approx. 5,700 million yen
2020/9	Soke Holdings Co., Ltd.	Rental and commissioned repair of surveying and measuring instruments; development, rental, and introduction support of automatic measurement system	4,653	Non-Disclosure

Source: Created by JPR based on disclosed information

### M&A of Nishio Rent-All (9699)

Date of disclosure	Name of acquired company	Description of businesses	Net sales at the time of acquisition	Purchase price
1999/4	Kenki Singapore Pte Ltd.	Rental and sales of civil engineering and road construction machinery, construction and plant machinery	Non-Disclosure	Non-Disclosure
2009/8	Yamazaki Machinery Co., Ltd.	High technological capabilities for repair and modification of construction machinery. Possesses know-how on machine maintenance in overseas construction	1,156,458,000 yen	68,156,000 yen
2010/6	Shin-Tomoe Electric Manufacturing Co., Ltd.	Manufacturer of special transport vehicles for construction, railways, and factories powered by batteries	Non-Disclosure	Non-Disclosure
2017/9	North Fork Pty Ltd.	Forklift truck sales and rental in Australia	33,901,000 AUD	32,577,156,540 AUD
2018/7	RATHORN PTY Ltd.	North Fork Pty Ltd became a subsidiary. Forklift truck sales and rental in Australia	20,454,000 AUD	8,263,000 AUD
2019/4	UNITED POWER & RESOURCES Pte. Ltd.	Headquartered in Singapore, with subsidiaries in China, the Philippines, and Indonesia, a rental company of large generators and ancillary equipment	41,107,000 SGD	56,000,000 SGD

Source: Created by JPR based on disclosed information

## Growth trends of major rental companies

Sacos is slightly below the trend of sales growth of the four major companies and the industry average

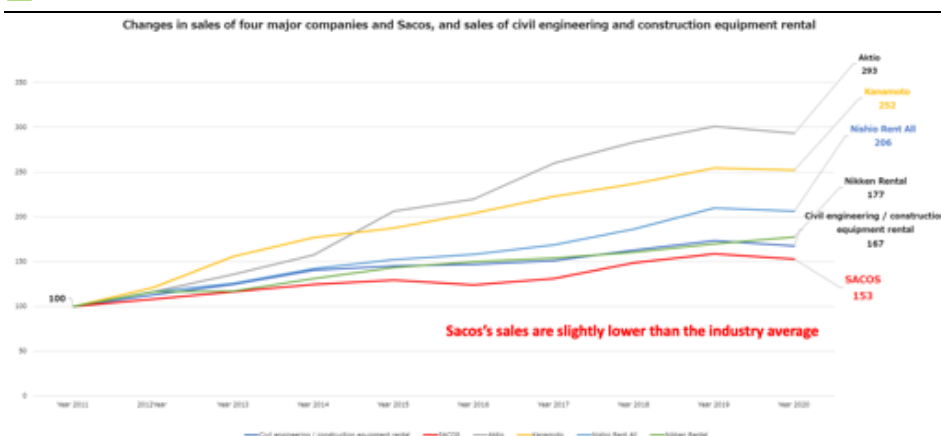
However, the growing trends for operating income and EBITDA are higher than the two major listed companies

## Growth trend of major construction equipment rental companies nationwide

### Growth potential of the three major independent companies far exceeds industry trends

The graph below shows the sales of four of the five major companies, excluding Taiyo Construction Machinery Rental, which does not cover the Hokkaido and Tohoku regions, sales of civil engineering and construction machinery rental, and sales of Sacos, indexed with 2011 sales set at 100. In 2020, AKTIO Group, Kanamoto, and Nishio Rent-All were at 293, 252, and 206, respectively. This far exceeded the overall 167 of the civil engineering and construction equipment rental industry because of their aggressive M&A activities. Sacos is slightly below the industry average of 153.

### Growth trend in the construction equipment rental industry with 2011 as 100

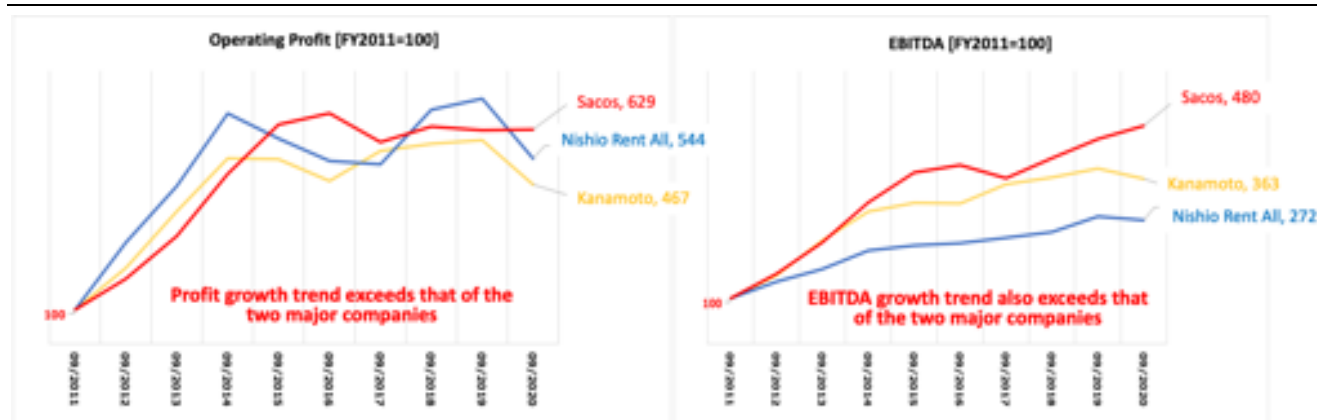


Source: Created by JPR based on "Current Survey of Selected Service Industries," conducted by the Ministry of Economy, Trade and Industry, and disclosed information.

### Sacos's operating income and EBITDA growth trends are relatively strong

In contrast, Sacos's operating profit and EBITDA (operating profit before depreciation) have a relatively strong growth trend. Compared to the two listed companies among the major companies, as shown in the graph below, Sacos will have an operating profit of 629 and EBITDA of 480, assuming that 2011 is 100. Nishio Rent-All exceeds the Kanamoto index.

### Trends in operating income and EBITDA for Sacos and two other major listed companies (Kanamoto and Nishio Rent-All)



Source: Created by JPR based on information disclosed by each company

## The relatively high ROIC of Sacos

Looking at trends since 2015, Sacos's ROIC have generally exceeded the two major listed companies

It can be inferred that efficient management of rental assets through the utilization of IC tags is behind the high level of ROIC

## Regarding ROIC, Sacos outperforms the two major listed companies

### Operating margins and EBITDA margins are lower than those of the two major companies

The following graph compares the operating profit and EBITDA margins of Sacos with those of two major listed construction equipment rental companies, Kanamoto and Nishio Rent-All, from 2011. Operating profit has been slightly lower than the two companies. Additionally, the EBITDA margin has been less than half that of the two companies. The difference in EBITDA margin is the difference in the depreciation cost of the rental assets.

### The percentage of capital invested to generate sales is low

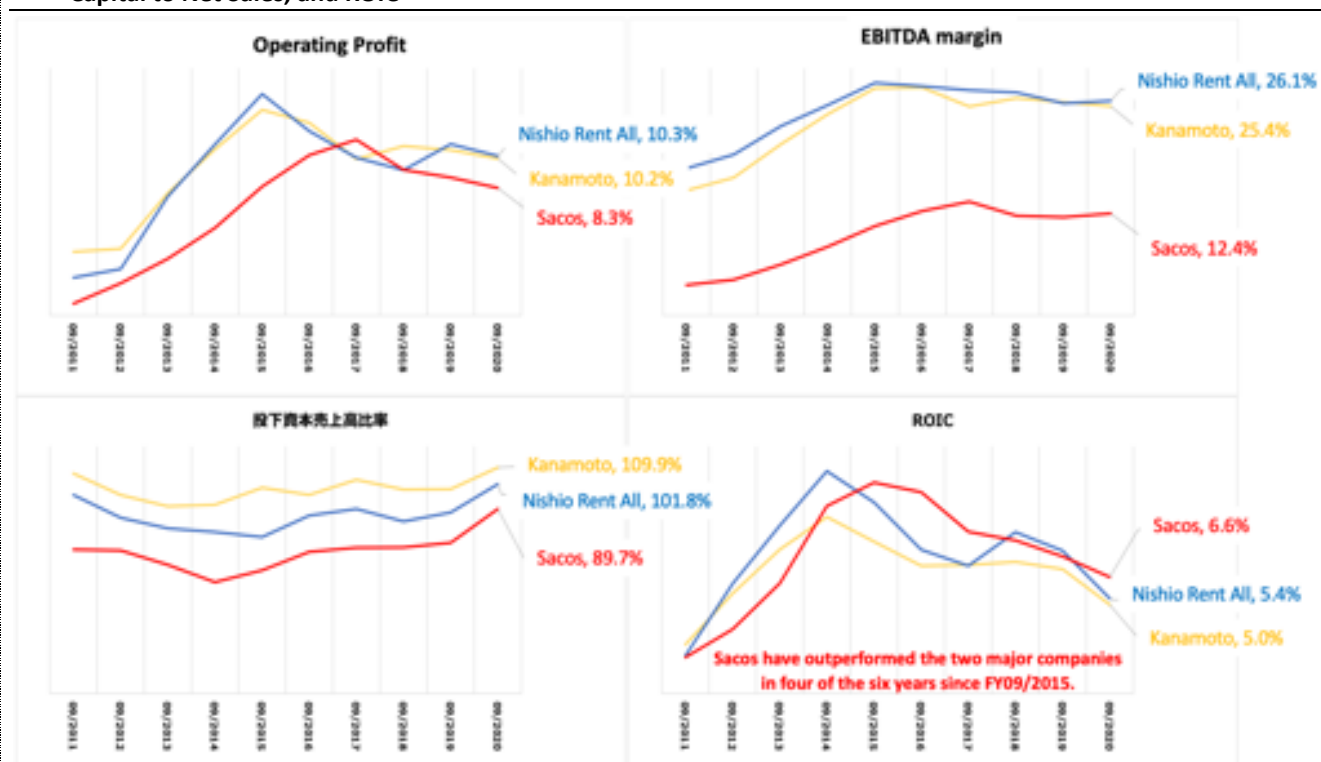
Over the same period, the ratio of sales to invested capital, an indicator of how much capital is invested to increase sales, is consistently lower for Sacos than for the two major companies. The two major companies exceed 100%. Basically, they have invested more than 100 million yen to raise sales of 100 million yen. In contrast, for Sacos it is less than 100%, which means that it has invested less than 100 million yen in capital to generate 100 million yen in sales. The reason why the ratio of invested capital to sales has been kept low is the efficient management of rental assets through the utilization of IC tags.

### The Return on Invested Capital, ROIC, is higher than the two major companies

Return on Invested Capital (ROIC<sup>a</sup>), which is an important indicator of shareholder value, has been above the level of Sacos and the two major companies in four of the six years since Compared with that of the previous fiscal year, Sacos accounted for 6.6%; Nishio Rent-All, 5.4%; and Kanamoto 5.0%.

<sup>a</sup> Return on Invested Capital:  $\frac{\text{Percentage of borrowings and stockholders' equity invested in businesses, excluding surplus cash and deposits, that earn after-tax operating income (operating income} \times (1 - \text{effective tax rate))}{\text{Invested Capital}}$

## Comparison of Sacos and the Two Major Companies: Operating Income Margin, EBITDA Margin, Ratio of Invested Capital to Net Sales, and ROIC



Source: Created by JPR based on information disclosed by each company

## Outline of shareholder value indicators

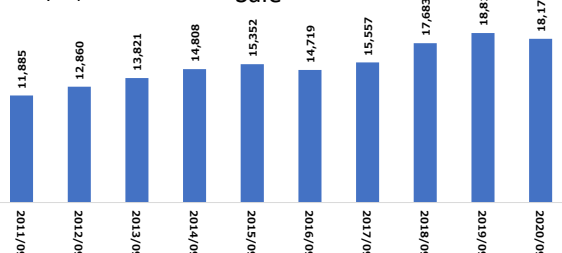
### Reversal of ROIC is expected with DX

The source of the strength of the rental business is the accumulation of attractive construction equipment assets. To strengthen its long-term competitiveness, Sacos has been accumulating its assets since September 2014 while allowing its operating margin to decline. Thus, the ratio of invested capital to net sales rose from 54.2% in FY09/2014 to 89.7% in FY09/2020. Therefore, ROIC has declined from a peak of 12.0% in FY09/2015 to 6.6% in FY09/2020. DX-related initiatives based on accumulated assets are expected to greatly improve ROIC.

#### Key indicators of shareholder value

[million yen]

#### Sale



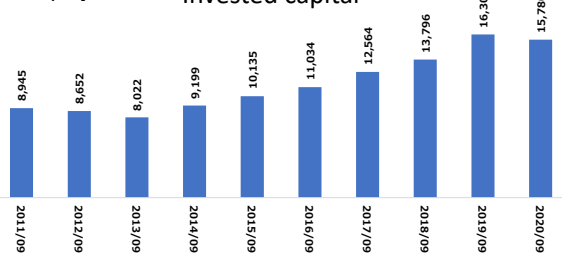
#### Capital Investment Ratio to Sales



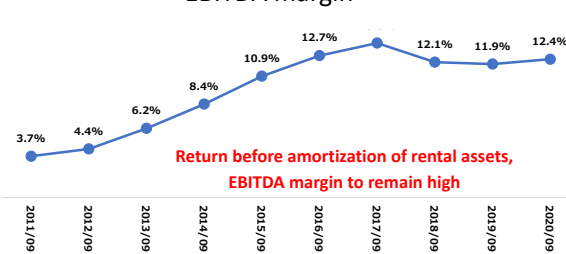
Since FY09/2014, the ratio of sales to invested capital has been on an upward trend as a result of prioritizing the accumulation of rental construction equipment assets, which will become a source of long-term competitiveness.

[million yen]

#### Invested capital



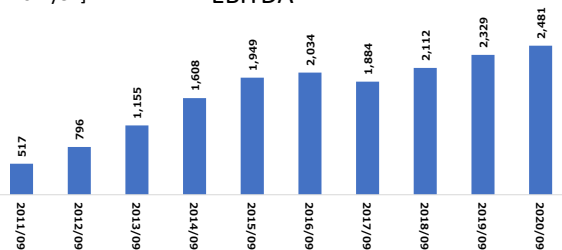
#### EBITDA margin



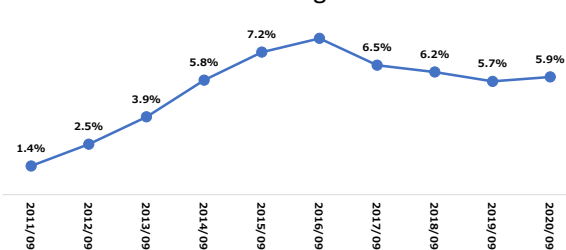
Return before amortization of rental assets, EBITDA margin to remain high

[million yen]

#### EBITDA

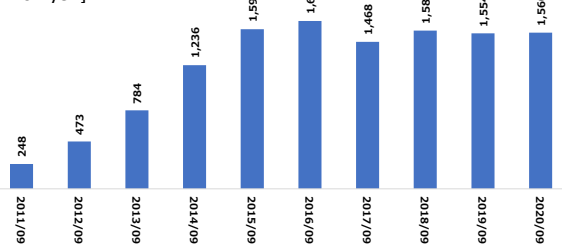


#### NOPAT margin



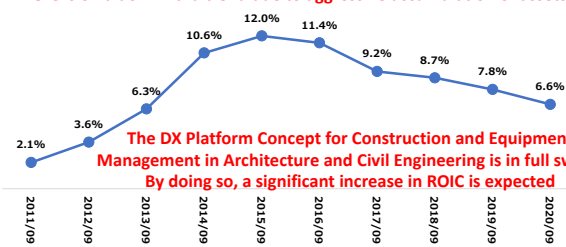
#### Operating profit

[million yen]



#### ROIC

ROIC is on a downward trend due to aggressive accumulation of assets



The DX Platform Concept for Construction and Equipment Management in Architecture and Civil Engineering is in full swing. By doing so, a significant increase in ROIC is expected

Definition of invested capital: Total assets; Surplus cash and deposits (cash and deposits in excess of monthly sales exceeding 1.5 months); Short-term marketable securities; Investment securities; Current liabilities other than interest-bearing debt; Deferred gains (losses) on hedges; Land revaluation difference, foreign exchange translation adjustment account

Source: Created by JPR based on information disclosed by Sacos.

### 3. Business Characteristics and Future Strategies

#### Characteristics of the construction equipment rental business

The simultaneous provision of IT solutions is the biggest feature of Sacos

The synergy between the expansion of the system solution promotion business and the expansion of the rental business is extremely important

#### Comprehensive Construction with Diverse Solutions

##### Supporting Construction with Five Rental Businesses and Two Service Businesses

With its five rental businesses and two service businesses (online auctions, purchase, and sales of used construction equipment, and system solution promotion), Sacos provides comprehensive support for the architecture and civil engineering markets related to infrastructure within the metropolitan area, including railroads, in a wide range of areas, including people, products, and services (operations). Sacos also focuses on selecting products and developing and providing original products with the themes of "environment," "safety," and "labor saving."

##### Major features: Management of products, people, services, and provision of DX promotion services

The most important feature of Sacos is the active provision of system solutions cultivated through 50 years of experience in on-site construction equipment rental. It provides customers in the rental business with (1) systems for managing people, products, and services (operations), and (2) DX promotion services for construction-related companies. The company has established a specialized department, the System Solution Promotion Business, which provides these two services, and it will significantly strengthen this department in the future. The expansion of the System Solution Promotion Business and the synergy effect of the expansion of the rental business will be extremely important in increasing the shareholder value for Sacos in the future.

#### Five rental businesses and two service businesses

##### (1) Construction equipment rental business

Renting construction machinery



##### (2) Industrial machinery and special equipment rental business

A wide range of rare products, such as special equipment, used for factory equipment maintenance and specialized construction



##### (3) Railroad construction machinery rental business

Various types of vehicle-type machinery used in railway construction



##### (4) Office equipment rental

Rental of furniture and fixtures for on-site offices



##### (5) Power generation equipment and substation equipment rental business

Proposal/rental/temporary work for temporary power receiving/transforming equipment such as emergency generators



##### (1) Online auction and used construction machinery purchase and sales business

Online auctions centered on construction machinery and vehicles  
Purchase and sale of construction machinery and vehicles



##### (2) System Solution Promotion Business

Collaboration with materials and equipment management systems, entry and exit systems, and construction career advancement systems  
DX promotion services for customers



**The most important feature of Sacos and a source of future shareholder value growth**

Source: Created by JPR based on the Sacos website (<https://www.sacos.co.jp/business/>).



## Overview and current status of the system Solutions promotion business

IC tags to be installed in all rental assets under the leadership of current President Seo

Completed in 3 years because the number of assets was small compared to the major companies

Being the first in the industry to implement an IC tag management system for all rental assets

Characteristic effects on improving shareholder value and business development

Full-scale implementation of “DX Platform for Construction and Equipment Management in Architecture and Civil Engineering”

## Background and Effects of the Establishment of the System Solution Promotion Business

### The installation of IC tags on rental assets to enhance competitiveness was a good start

The current president, Mr. Seo, who assumed office in the fiscal year ended September 2010, set out to install IC tags on rental assets for improving per capita productivity and the utilization rate of rental assets, considering the differentiation from major companies. Installing IC tags on all rental assets was completed over a period of 3 years. The company then developed its own equipment management system to be used for IC tag asset management and strengthened the system to manage with fewer people and more efficient operation of assets. Since the number of rental items is small compared to major companies, the installations could be completed in 3 years. However, if the major companies attempt to do the same, it would take them longer.

### At the same time, the company works on human resource development and corporate culture innovation for improving productivity.

To promote productivity improvement per capita, President Seo contributed to promoting more effective system solution capabilities with a small number of people under the slogans of “steel manpower management” and “manpower management” in human resource development and corporate culture innovation through productivity improvement and improvement activities by using the Toyota Production System and so on.

### Effects on enhancing shareholder value and business development

The effects of these efforts have contributed to (1) improvement of profit margin, relatively low investment capital sales ratio, (2) development and external sales of systems managing people, products, and services, and strengthening of DX promotion service solution capabilities.

### Full-scale implementation of “DX Platform for Construction and Equipment Management in Architecture and Civil Engineering”

Against this backdrop, a specialized department was established in FY09/2019 to oversee the system solution promotion business. Initiatives for the “DX Platform for Construction and Equipment Management in Architecture and Civil Engineering” will become full-fledged as clearly stated in the summary of financial results for the second quarter of FY09/2021.

### Corporate reforms promoted by the current president, Mr. Seo

President Seo was appointed in FY09/2010

Installing IC tags for all rental assets over a period of 3 years, and developed equipment management systems in-house

#### Effects on enhancing shareholder value

- Profit growth exceeding that of major companies
- More restrained than the major companies Ratio of invested capital to sales
- Higher ROIC than major companies

#### System Solution Promotion Business Effects on development

- Successful in-house IC tag management is now being developed for use at customer sites
- In addition to the operating status of machinery, the management of human resources has been developed, such as entrance/exit management, temperature inspection, and cooperation with the carrier system
- Providing customers with DX promotion services

Full-scale efforts for “DX Platform for Construction and Equipment Management in Architecture and Civil Engineering” in FY09/2021

Source: JPR

Expertise in the architecture and civil engineering sites

The web and cloud system covers all people, products, and services (operations)

Speed, flexibility, and field perspective in solution development philosophy

## Contents of the solutions provided

### Two services are provided: (1) web cloud systems and (2) DX promotion services

Sacos provides web cloud systems and DX promotion services based on expertise in architecture and civil engineering sites. The web and cloud system covers all people, products, and services (operations). Additionally, DX promotion requires three abilities: the ability to identify the true issues of customers, the ability to match management resources, and the ability to make the most effective use of management resources necessary to resolve issues. The company promotes support combining all of these abilities.

#### The solutions of Sacos

WEB Cloud System	People	• Entrance and Exit System & Construction Career Advancement System
	Products	• Materials and equipment management system
	Services (operations)	• Inquiry System for Work Content (Sacos App)
DX promotion Service	Sacos product-based DX implementation support	<b>Offering the ability to discover the true challenges of customers in DX</b> <ul style="list-style-type: none"> <li>• Support for on-site reform using a system developed by Sacos (Support for introduction and continuous improvement)</li> <li>• Support for on-site DX from a professional perspective of machine management</li> <li>• Selecting and customizing functions that suit your application</li> </ul>
	IT/DX vendor matching	<b>Providing the ability to match management resources to promote DX</b> <ul style="list-style-type: none"> <li>• Selection of Sler and development companies and the facilitation of development by intervening between the Sler and customers who lack on-site knowledge</li> </ul>
	Joint DX Promotion	<b>Offering the ability to maximize the effective use of management resources necessary to resolve issues related to DX promotion</b> <ul style="list-style-type: none"> <li>• Analyzing issues with aborted IT and DX development systems, supporting brush-up, and supporting external sales of systems developed by customers</li> </ul>

Source: Created by JPR from company interviews

Sacos's philosophy of solution development is summarized as follows. The three features are "speed," "responsible flexibility," and "on-site perspective." In promoting DX, speed of implementation and fine-tuning based on management changes and the on-site perspective are important, and Sacos's philosophy aligns with this.

#### Sacos's Solution Development Philosophy: Speed, responsible flexibility, on-site perspective

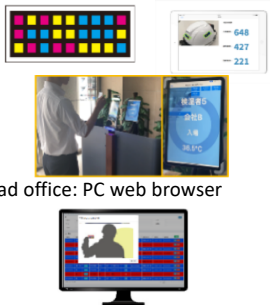


Issues	Sacos's policy	Advantages
Customer Interface	<ul style="list-style-type: none"> <li>• Input: Constructed based on mobile communication terminals such as iPhone and iPad</li> <li>• Output: Mobile communication terminal/web</li> </ul>	<ul style="list-style-type: none"> <li>• No need to build a Wi-Fi environment or have specialized equipment, and a quick introduction</li> </ul>
Data input/output Controller	<ul style="list-style-type: none"> <li>• Define requirements in-house and outsource to system companies</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible and flexible response is possible</li> </ul>
Data Processing Model	<ul style="list-style-type: none"> <li>• Define requirements in-house and outsource to system companies</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible and flexible response is possible</li> </ul>
Database	<ul style="list-style-type: none"> <li>• Using the Cloud</li> </ul>	<ul style="list-style-type: none"> <li>• Low initial cost of introduction</li> <li>• Flexibly expandable</li> </ul>
Cooperation with other systems	<ul style="list-style-type: none"> <li>• Sacos also established a system in cooperation with other systems</li> </ul>	<ul style="list-style-type: none"> <li>• Easy cooperation</li> <li>• All IT services related to architecture and civil engineering can be centralized</li> </ul>
Introductory service	<ul style="list-style-type: none"> <li>• Training and implementation support by Sacos's own employees who know the field well and are stationed at the site</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing the burden of on-site installation</li> <li>• Rapid response in case of problems at the site</li> </ul>
Learning loop	<ul style="list-style-type: none"> <li>• Toward an overall design for a built-in learning loop for customers, employees, IT development partners, DX, and AI</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous improvement scenarios are feasible</li> <li>• Agile development is easy</li> </ul>

Source: Created by JPR from company interviews

## Details of the web cloud system

The following table summarizes the details of the web and cloud systems provided by Sacos. It provides solutions spanning the entire spectrum of people, products, and services (operations).

### Providing the system solution promotion business: (1) web and cloud systems

System that manages people, products and services in real time			
	People	Products	Services (operations)
<b>Solution content</b>	Entry-exit control systems & Construction Career Upgrading System	Materials and equipment management system	Work details inquiry system (Sacos App)
<b>Overview</b>	Simply holding the Chameleon Code over the iPad's camera to recognize the image and record the entry/exit history. Countermeasures against infection with a high-speed, non-contact AI thermometer tablet. Collaboration with the construction career upgrading system (CCUS <sup>b</sup> ) operated by the Foundation for Construction Industry Promotion	The operation status of the machines within the site is managed by managing the "when," "where," and "who" of the machines used on-site. By attaching an IC tag or QR code recognition tag to the machine to be managed and reading the recognition tag with the super reader jacket attached to the iPhone, the user, and the machine can be linked and managed. This makes it possible to visualize "people X things" in the field	A service that uses video calls and chat functions to solve problems such as "machine failure" or "operation method unknown" during work. Sacos rental products can be used safely even during nighttime work
<b>Customer Interface</b>	Field: iPad entry by chameleon code <sup>a</sup>  Head office: PC web browser	Field: If you use Sacos products, the IC tags, barcodes, QR codes, chameleon codes and so on have already been installed, so you can enter them on your iPhone or iPad  Head office: PC web browser	Field: Installed Sacos App on your iPhone for immediate availability 
<b>Controller</b>	Input and output are processed via mobile phone lines and the Internet. In-house development by Sacos	Same as above	Same as above
<b>Model</b>	In-house development by Sacos	Same as above	Same as above
<b>Database</b>	Cloud Server	Same as above	Same as above
<b>Cooperation with other systems</b>	It can be linked with all core systems. Currently cooperating with CCUS	Basically, it can be linked with all core systems	Call center of Sacos
<b>Introductory service</b>	Sacos system engineers with extensive knowledge of the field provide on-site implementation support to field technicians and others	Same as above	Same as above
<b>Learning loop</b>	Continuous improvement based on a direct understanding of needs and responses from the field by Sacos	Same as above	Same as above

<sup>a</sup>a: Chameleon Code: Next-generation color barcode capable of high-speed, high-accuracy multiple recognition using cyan, magenta, yellow, and black (CMYK).

<sup>b</sup>b: A system that promotes improvement of treatment from proper evaluation of abilities by registering the employment performance, qualifications, and insurance coverage status of each worker. <https://www.ccus.jp/>

Source: Created by JPR based on the web system and company interviews

## Background of the platform concept

### (1) Unresolved serious labor shortage

The problem of shortage of human resources becomes apparent because of the reconstruction of disasters and the increase in demand for construction work in conjunction with the Olympic and Paralympic Games

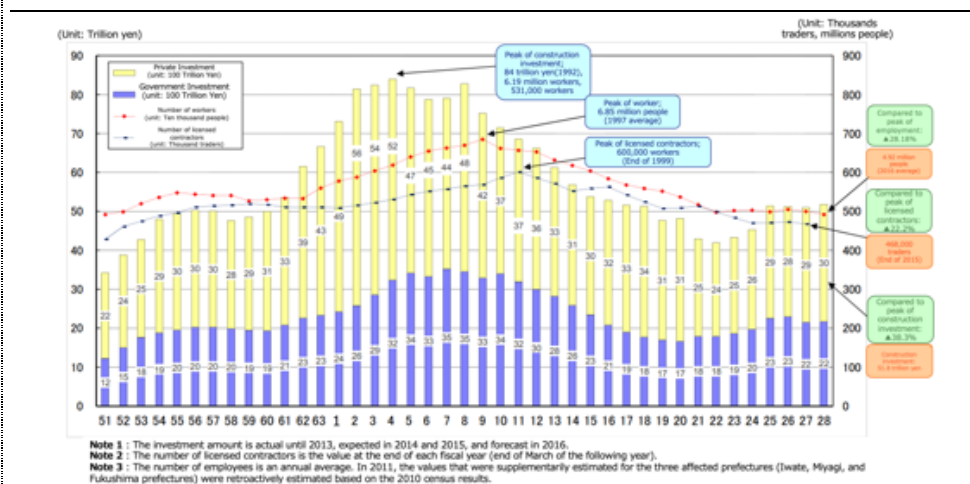
The problem of mass retirement of elderly skilled workers will become more serious in the next decade

## Serious human resource problem in the construction industry

### Decreasing number of workers in the construction industry: Growing demand for construction

According to data from the Ministry of Land, Infrastructure, Transport and Tourism, the number of construction workers has been on a downward trend since 1997.

#### Increase/decrease in construction investment and number of construction workers



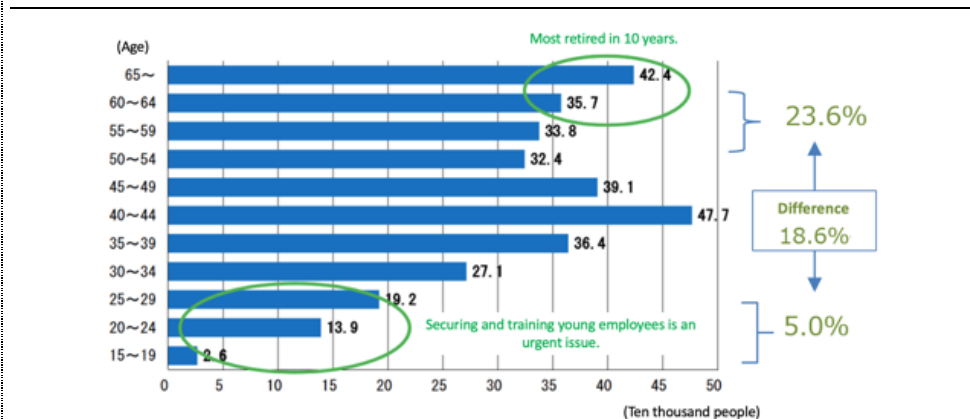
Source: Ministry of Land, Infrastructure, Transport and Tourism, Construction Workers Safety and Health Ensuring Promotion Council, Excerpt from Handout 3 on March 28, 2017  
<https://www.mlit.go.jp/common/001177695.pdf>, <https://www.mlit.go.jp/common/001179603.pdf>

However, the shortage of workers was not a serious problem because the number of construction workers and construction investment also decreased. However, the construction industry is suffering from a shortage of workers due to increased demand for construction due to the reconstruction from disasters and the starting of constructions associated with the Olympic and Paralympic Games. Additionally, renovating deteriorated infrastructure in the future will be necessary.

### Aging of skilled workers is also a problem

Looking at the working-age composition in construction, a difference of 18.6 percentage points between 23.6% for those aged 60 or older and 5.0% for those aged 24 or younger as of 2017 exists. According to the Labor Force Survey conducted by the Ministry of Health, Labor and Welfare in the same year, the difference between the two age groups is 12.1 percentage points in the overall composition of employment in Japan, so the severity of the labor shortage due to the retirement of older workers will become more serious at a relatively accelerated pace than in other industries. To cope with the growing shortage of labor due to the age composition of the workforce, there is a greater need than in other industries to make workplaces more attractive to young people and secure and train a greater number of young people to enter the workforce.

#### Age composition of construction workers



Source: Ministry of Land, Infrastructure, Transport and Tourism, Construction Workers Safety and Health Ensuring Promotion Council, Excerpt from Handout 3 on March 28, 2017  
<https://www.mlit.go.jp/common/001177695.pdf>, <https://www.mlit.go.jp/common/001179603.pdf>

Efforts by the Ministry of Land, Infrastructure, Transport and Tourism for improving productivity to solve labor shortages i-Construction

Industry associations also boost productivity

It seems that certain results have been obtained

## Trends in ICT countermeasures against labor shortages

### “i-Construction” announced by the Ministry of Land, Infrastructure and Transport

In response to these problems, the Ministry of Land, Infrastructure, Transport and Tourism introduced the concept of “i-Construction” as a new initiative for improving productivity at construction sites and make construction sites more attractive as part of the Productivity Revolution Project launched in 2016. The three pillars of the project are (1) full use of ICT technology, (2) standardization of specifications, and (3) leveling of construction time <sup>\*b</sup>.

<sup>\*a</sup>: MLIT “i-Construction - Productivity Revolution at Construction Sites” <https://www.mlit.go.jp/common/001137123.pdf>

### Industry efforts for improving productivity

In February 2017, the Japan Federation of Construction Contractors (“JFCC”) announced an action plan to reform the working styles of the construction industry. Under the constraint of not reducing the gross income of daily wage/monthly wage technicians, the organization aims to establish a system of two days off per week by the end of 2021. Significant labor savings and streamlining are essential to achieving this goal, and as a consequence, member companies are encouraged to achieve strategic goals in line with the policies outlined in i-Construction.

<sup>\*b</sup>: <https://www.nikkenren.com/publication/pdf/267/shukyufutsukakoudoukeikaku.pdf>

### Results of i-Construction

The main results of i-Construction are summarized as follows based on data published on April 1, 2021, by the Ministry of Land, Infrastructure, Transport and Tourism. In response to the above-mentioned efforts by the public and private sectors for improving productivity, i-Construction is proceeding in a variety of fields. It can be said that certain results have been produced.

#### Results of i-Construction initiatives

Expansion of ICT utilization	<ul style="list-style-type: none"> <li>Implementation of “Simplified ICT” to further expand its use, as well as introducing it into soil engineering, pavement, dredging and i-Bridge (trial), construction field (government building), river dredging, and so on; ground improvement work, construction for installation of ancillary structures, maintenance and control fields, and so on</li> </ul>
Collection and utilization of 3D data	<ul style="list-style-type: none"> <li>Designation of i-Construction model agency</li> <li>Strengthening collaboration with construction sites, research institutes, companies, and universities to apply the principle of 3D data in all public works, except for small-scale projects, by 2023</li> <li>Disclosure of the Land, Infrastructure and Transport Data Platform and expansion of linked data</li> </ul>
Development and introduction of new technology	<ul style="list-style-type: none"> <li>In principle, utilizing new technologies will be mandatory for construction projects under direct control from 2020</li> <li>Real-time acquisition and utilization of data at construction sites.</li> </ul>
Enhancement of measures for dissemination and promotion	<ul style="list-style-type: none"> <li>The i-Construction Grand Prize (Minister’s Award System) recognizes outstanding efforts in the local government sector and venture businesses</li> <li>Enhancement of support systems, such as advisory systems, to expand the use of ICT in construction projects ordered by local governments</li> <li>Implementation of productivity challenge construction projects, wherein construction projects that have implemented initiatives for improving productivity are evaluated more favorably in the evaluation of construction performance</li> </ul>
Leveling of construction period	<ul style="list-style-type: none"> <li>Expansion of national treasury debt burden</li> <li>Visualization of “Regional Leveling Rate”</li> </ul>
Introduction of overall optimization	<ul style="list-style-type: none"> <li>Adopting the precast method in principle for standards that can be transported by special vehicles.</li> </ul>

Source: “Toward further productivity improvement at construction sites” by Ministry of Land, Infrastructure, Transport and Tourism on April 1, 2021. <https://www.mlit.go.jp/common/001397717.pdf>



Shortage of labor in the construction industry is the second highest after healthcare and welfare, which are under pressure due to COVID-19

Particularly serious problem of labor shortages in the construction industry involving specialized skills and skilled workers

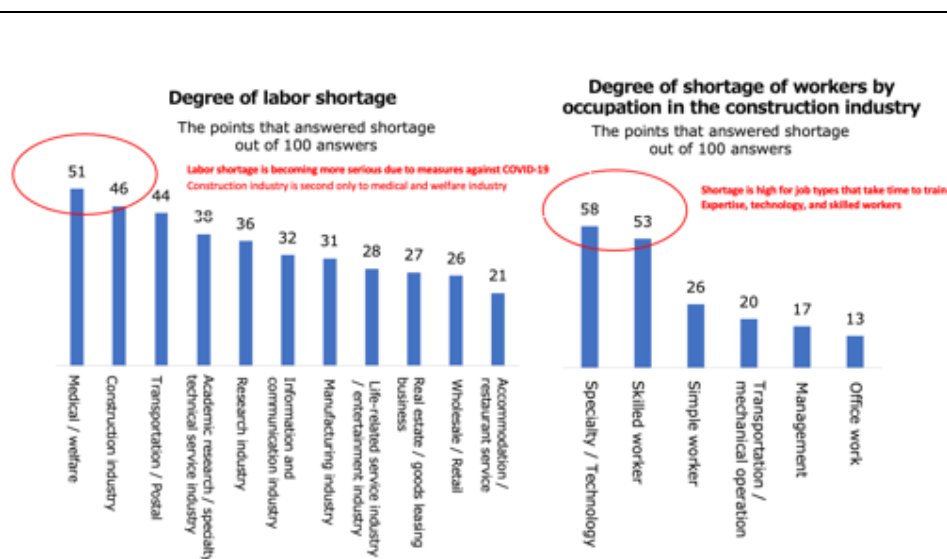
Aggravated by the problem of large-scale retirement of the elderly

## The state of the construction industry in 2021: A labor shortage that will not go away

By industry, the shortage of workers is the second most serious after healthcare and welfare

Although there have been some results in improving productivity by utilizing ICT through i-Construction and other initiatives, currently, the shortage of personnel may not be solved at all. According to the latest data from the Ministry of Health, Labor and Welfare released in February 2021, the percentage of respondents who said there is a shortage of workers for permanent employment is 46 points when the overall figure is 100, second only to the medical and welfare sector, which is under pressure owing to COVID-19. Looking at the degree of shortage of workers by job category, it is 58 points for specialists/technicians and 53 points for skilled workers. Generally, in architecture and civil engineering, training specialists, engineers, and technicians takes time. Thus, it is likely that there are many elderly people in these positions in particular. Assuming that mass retirement will occur in the next decade, the problem of worker shortages will accelerate further.

### Degree of labor shortage by industry



Source: Created JPR from the overview of the Labor Economic Trend Survey (February 2021) by Ministry of Health, Labor and Welfare  
<https://www.mhlw.go.jp/toukei/itiran/roudou/koyou/keizai/2102/>  
<https://www.mhlw.go.jp/toukei/itiran/roudou/koyou/keizai/2102/dl/9zuhyo.xlsx>

## Tightening regulations that urge a fundamental solution to labor shortages

Under the Law Concerning the Improvement of Related Laws to Promote Working Style Reform, which came into effect on April 1, 2019, the “Restriction on the Maximum Hours of Overtime Work” will be applied in the construction industry from April 2024. Therefore, overtime work of up to 45 hours per month and 360 hours per year (in principle, the maximum hours) shall be the upper limit. Long working hours have become the norm at construction sites, with overtime and holiday work being used to cope with the shortage of labor. However, tighter regulations from April 2024 will make coping with the shortage of labor by working long hours difficult.

## Individual initiatives need to be further linked to overall optimization efforts

Although i-Construction is beginning to produce results in specific areas and on a case-by-case basis, more effective efforts are needed to solve the labor shortage through industry-wide and overall optimization. Another important issue is to create workplaces that are attractive to young people.

## Background of the platform concept

### (2) Possibility of solving problems with Sacos

Cross-sectional efforts across complex construction systems involving on-site technicians are not easy

Sacos may be able to tackle the challenge

## Why the labor shortage is not going away and how Sacos can solve the problem

### Why is the overall optimization not going forward?

To drastically improve productivity through the i-Construction initiative, further progress in total optimization will be required. One obstacle to total optimization is the difficulty of coordination due to the “complex construction system.” The following table summarizes the other issues based on the interviews with Sacos. It is presumed that the major general contractors, tech ventures, and major ICT companies all face difficulties in (1) efforts involving on-site technicians and (2) efforts across business categories in complex construction systems.

### Reasons for the lack of progress in the overall optimization

Major players	Current Situation and Challenges
Major general contractors	<ul style="list-style-type: none"> <li>Although major general contractors have made some progress in introducing on-site management systems, there are still issues in ease of use for various contractors due to the complex construction system, and no progress has been made in the full utilization of data linking all contractors at construction sites</li> </ul>
Tech venture	<ul style="list-style-type: none"> <li>Technology is great, but there is a hurdle to getting the values of on-site engineers and technicians to accept</li> <li>It is difficult to get into the field and proceed with the establishment</li> <li>Therefore, it is limited to an individual optimal product, and there is no full-scale movement leading to an overall optimum</li> </ul>
Major ICT companies	<ul style="list-style-type: none"> <li>For various contractors, it is difficult to understand the ease of use due to the complicated construction system</li> <li>Moreover, another issue is the establishment of activities in the workplace</li> </ul>



### Issues for the following two initiatives for all three players

#### (1) Initiatives involving on-site technicians

#### (2) Efforts to cross business formats across complex construction systems

Source: Created by JPR based on interviews with Sacos

### Sacos can take two initiatives

Sacos provides a wide range of rental construction equipment to be used by all technicians and contractors at construction sites and has a proven track record in establishing the use of ICT solutions for on-site technicians. Because of its high name recognition in the field of construction equipment rental, it is relatively more acceptable to on-site technicians than tech-related ventures. If Sacos can collaborate with major general contractors, tech-related ventures, and major ICT companies to build on the results of i-Construction and Sacos’s “cross-industrial initiatives that involve on-site engineers and span complex construction systems,” Sacos will likely play an important role in the “DX Platform Concept for Construction and Equipment Management in Architecture and Civil Engineering.”

### Possibility of Sacos’s two initiatives

Initiatives	Possibility of Sacos
(1) Initiatives involving on-site engineers	<ul style="list-style-type: none"> <li>Large-scale architecture and civil engineering sites require the management of tens of thousands of pieces of equipment. Sacos has built a human network with on-site technicians who use them and has a wealth of experience in introducing ICT equipment to on-site technicians</li> <li>It has an affinity with the values of sites and is easily accepted at sites</li> </ul>
(2) Efforts to cross business categories across complex construction systems	<ul style="list-style-type: none"> <li>In the construction equipment rental business, initially, efforts are being made to cross business categories across complex construction systems</li> </ul>

Source: Created by JPR based on interviews with Sacos

## Details of the platform concept

The Growth loops consists of five loops: (1) site observation, (2) overall optimal concept, (3) development and implementation plan, (4) implementation and operation, and (5) establishment and evaluation.

## Contents of the Second Quarter Report for FY09/2021

### What are the key elements of cross-industry and overall optimization DX for architecture and civil engineering?

To achieve overall optimization across the architecture and civil engineering industry, developing solutions wherein all the various stakeholders perceive the value and convenience (benefits) is important, especially the technicians and managers at the site who will receive the benefits, the prime contractors such as major general contractors, and the experience of the subcontractors (Customer Experience, hereafter "CX" and Partner Experience, hereafter "PX", Employee Experience, hereafter "EX"), and to have an improvement cycle based on feedback. Based on the two pillars, building a sustainable corporate value growth and innovation loop that will bring happiness to all stakeholders will be possible.

### Growth loop for growth and innovation based on a site-based approach

Sacos describes its efforts in the "DX Platform for Construction and Equipment Management in Architecture and Civil Engineering" in the summary of financial results for the second quarter of FY09/2021 (for details, see the next page). Based on this content, we attempted to systematize a sustainable growth loop of growth and innovation in the long-term corporate value generated by the platform, as shown in the following figure. The growth loop consists of five loops: (1) site observation, (2) overall optimal concept, (3) development and implementation plan, (4) implementation and operation, and (5) establishment and evaluation. Sacos has a thorough knowledge of architecture and civil engineering sites, manages tens of thousands of construction equipment rentals with IC tags, has built relationships with all of the contractors that make up the complex construction system, and has developed, introduced, and established IC tag-based management and labor management systems. Through the experience of Sacos and the maximum utilization of its human network, building a growth and innovation loop through co-creation with prime contractors, ICT vendors, and a variety of construction-related companies is completely possible.

## The Future Vision of the Architectural and Civil Engineering DX Platform Concept of Sacos

### Identifying growth loops



Source: Created by JPR based on the contents of the Summary of Financial Results for the Second Quarter of FY09/2021 of Sacos

## Current Situation, Recognition of Challenges, Future Efforts, and Relationship with the Growth Innovation Loop in the Architecture and Civil Engineering DX of Sacos

●=Positive relationship, ×=Negative relationship

Excerpt from the Summary of Financial Results for the Second Quarter of FY09/2021			(1) Site Observation	(2) Overall Optimal Concept	(3) Development Implementatio n Plan	(4) Implementa tion Operation	(5) Establishm ent Evaluation
1. Our initiatives for architecture and civil engineering DX so far							
Initiatives so far	<ul style="list-style-type: none"><li>Introduction of a rental construction equipment management system using IC tags over a period of more than 10 years</li><li>Subsequently, the company has continued to develop systems for labor management (attendance and career development) at architecture and civil engineering sites, construction progress management, and applications for diagnosing problems with construction equipment by defining its own requirements.</li><li>System development support for outside sales and architecture and civil engineering related companies</li></ul>		●	●	●	●	●
Emphasis on development attitudes Four principles of close contact with on-site technicians	(1) Grasping the field	Collecting the opinions of on-site technicians	●				
	(2) Benefits of on-site technicians	Developing a system that is easy for on-site technicians to use	●				
	(3) Established in the field	Promoting retention of on-site technicians					●
	(4) On-site improvement cycle	Promoting improvement cycles according to changes in the field					●
Source of customer evaluation	<ul style="list-style-type: none"><li>Focusing on customizing each site's needs by engaging in all development under its own initiative</li><li>To further strengthen these attitudes, the System Solution Promotion Office was established in 2018 to systematize the “four principles of close contact with on-site technicians”</li><li>Strengthening system development capabilities that are accepted by the sites and appreciated by the headquarters of major general contractors</li></ul>		●	●	●	●	●
2. DX trends and issues in the architecture and civil engineering industry, and the company's stance							
Issues of DX initiatives in the current architecture and civil engineering industry	Issue (1) Weak on-site perspective		×			×	×
	A large number of DX-related products for architecture and civil engineering have been developed; however, only a few of the major DX development companies support a development process that is closely tied to the on-site technicians.						
	Issue (2) Existing DX solutions with individual optimization			×	×		
The company's stance	Existing products tend to respond to specific contexts rather than from the perspective of optimal value creation in the overall architectural and civil engineering value chain, and there are large differences in development philosophy among products.						
	<ul style="list-style-type: none"><li>By simply extending existing DX initiatives, building an optimal DX Platform for Construction and Equipment Management in Architecture and Civil Engineering that connects all the people, products, and services (operations) in the site and providing an overall real-time understanding of the daily changing progress in the site will be difficult.</li><li>A quick way to promote the creation of optimal value in the overall architectural and civil engineering value chain is to develop products afresh, rather than linking existing DX products.</li><li>The so-called “i-Construction” initiative, which has been the focus of much attention in the DX of architecture and civil engineering, emphasizes labor savings, and while there are many efforts to achieve unmanned or fully automated operations, there is not much activity in efforts to achieve the optimal integration of people and systems to address problems at the worksite.</li><li>There is a wealth of new business opportunities that will arise from the strengthening of efforts to develop architectural and civil engineering DX systems that optimally integrate people and systems by leveraging the company's expertise in the “four principles of close contact with on-site technicians.”</li></ul>		●	●	●	●	●
3. The company's future approach to DX in the architecture and civil engineering industries							
Management policy	<ul style="list-style-type: none"><li>Plans to further support the development of systems that utilize the know-how closely related to the sites, which is highly valued by both the main general contractor's headquarters and the architecture and civil engineering sites.</li><li>Strengthening R&amp;D on the “DX Platform for Construction and Equipment Management in Architecture and Civil Engineering” that links all information on people, products, and services (operations) at the site, optimizes on-site resources and solves industry-wide problems.</li><li>Plans to make a full-fledged effort to specifically explore future business opportunities that will contribute to the establishment of the “DX Platform for Construction and Equipment Management in Architecture and Civil Engineering.”</li></ul>		●	●	●	●	●
Specific strategies	<ul style="list-style-type: none"><li>Based on the development know-how cultivated so far, the company will consider the most suitable alliances with external IT vendors and joint development with major general contractors.</li><li>Plans to build strategies for long-term business growth while conceiving the architecture and civil engineering industries and the ideal structure for the company.</li></ul>		●	●	●	●	●

Source: Table prepared by JPR based on excerpts from Sacos's financial results for the second quarter of the fiscal year ending September 30, 2021

## Evaluation based on a winning mechanism

It is sufficiently  
possible to build a  
“design of a winning  
mechanism”

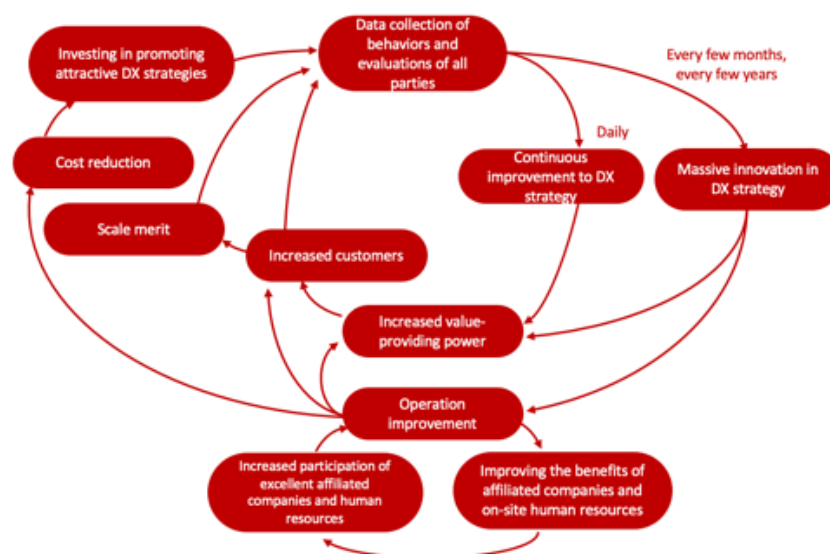
Expectations for  
increased sales in the  
System Solution  
Promotion Business in  
line with significant  
synergies with the  
Construction  
Machinery Rental  
Business

## What is a winning mechanism in DX?

All information can be converted into data and analyzed for improving benefits and experience

In the DX era, all kinds of information are converted into data, enabling analysis for value enhancement. For the DX strategy to succeed in a long-term and sustained manner, designing a system that continues to win is important. Specifically, this means collecting daily data on the behavior of all stakeholders and their evaluation of the DX strategy, continuously improving the DX strategy for improving the benefits and experience of all stakeholders, and designing a mechanism to decisively implement a large-scale fundamental innovation every few years. Through these measures, the company can continuously improve its ability to provide value, increase the number of customers, expand the scale of unit prices, and achieve economies of scale and reduce costs by improving operations. The basic elements of the design of a winning mechanism in the DX strategy, including other perspectives, are summarized in the figure below.

### Basic elements of the design of a winning mechanism in the DX strategy



It is sufficiently possible to construct a design of a winning mechanism through Sacos's initiative

Source: Created by JPR

Sacos's initiative covers all the elements of the “design of a winning mechanism”

Once Sacos's concept of a DX Platform for Architecture and Civil Engineering is realized, the collection of data on the behavior and evaluation of all parties involved in the analysis for improving benefits and experiences is possible for a wide range of related companies, people on the sites (human resource behavioral data), products (equipment management data), and services (operating procedures) by utilizing ICT in collaboration with the main contractors. Using this information as a starting point, building the “design of a winning mechanism” shown in the above figure is quite possible.

Significant synergies with the construction equipment rental business are expected

If this concept is realized, significant synergies with the construction equipment rental business can be expected. In this concept, equipment with all IC tags installed is indispensable. Inquiries for construction machinery demand will greatly expand to Sacos, which has a wealth of experience in operating capacity, through the installation of all of these tags. Furthermore, in the future, by expanding this system to its parent company Nishio Rent-All Co., Ltd., and other companies, net sales in the System Solution Promotion Business will be expected to greatly expand.



## 4. Most recent financial reviews up to the second quarter of FY/092021

## Financial Review

Significantly recovered from the worst-case period due to the effects of COVID-19

However, achievement of the full-year company forecast is unpredictable

## Full-year financial results for the fiscal year ending September 2020

## Sales and profits declined due to the impact of COVID-19

Sales were down 3.4% year-on-year at 18.177 million yen, and operating profit was also down 3.4% at 1.498 million yen. The business environment has been severely impacted by a significant downturn in the economy because of the global COVID-19 pandemic.

Looking at the quarterly trends, sales peaked at 5,112 million yen in the first quarter of FY09/2020 and fell to 3,948 million yen in the third quarter of FY09/2020. Operating profit peaked at 698 million yen in the second quarter of FY09/2020 and fell into the red in the fourth quarter of FY09/2020 on a nonconsolidated basis.

## Financial Results for the Second Quarter of FY09/2021 and Corporate Plan

## Sales and profits declined because of COVID-19

Cumulatively, sales were down 10.8% year-on-year at 9,055 million yen, and operating profit was down 36.6% year-over-year at 838 million yen. The difficult situation persists. Looking at individual trends by quarter, sales recovered to 4,561 million yen in the first quarter and 4,494 million yen in the second quarter, and operating income recovered to 410 million yen in the first quarter and 428 million yen in the second quarter. Individual operating profit margins also recovered to nearly 10%, at 9.0% in the first quarter and 9.5% in the second quarter. Generally, the situation remains severe, but it can be said that the worst period has been overcome.

Sales increased 4.0% year-on-year to 18.91 billion yen, and operating profit rose 7.9% to 1,617 million yen. To achieve the full-year plan, the company will need sales of 4,977 million yen and an operating profit of 390 million yen on average for each quarter in the second half of the year. Looking at the trends in the second quarter of the year in FY09/2018, the highest operating profit was 330 million yen, so a significant recovery is a prerequisite to achieving this. The achievement of the full-year company forecasts can be considered unpredictable.

## Trends in Financial Performance

[Unit: million yen, yen]																
Fiscal year	Sales	Net sales	SG & A expenses	Operating income	Net income	EPS	DPS	Net sales / sales ratio	SG & A / Sales ratio	Operating income / sales ratio	Net income / sales ratio	Cumulative sales	Cumulative operating income	Cumulative net income	Cumulative EPS	Sales YOY
Performance 1Q 17/12	4,397	1,686	1,340	446	302	7.0	0.0	38.3%	28.2%	10.1%	6.9%	4,397	446	302	7.0	5.3%
Performance 2Q 18/03	4,301	1,645	1,172	473	306	7.1	0.0	38.2%	27.2%	11.0%	7.1%	8,698	919	608	7.1	5.4%
Performance 3Q 18/06	4,304	1,558	1,238	320	187	4.4	0.0	36.2%	28.8%	7.4%	4.3%	13,002	1,239	795	4.4	22.3%
Performance 4Q 18/09	4,681	1,616	1,309	307	195	4.5	7.0	34.5%	28.0%	6.6%	4.2%	17,683	1,546	990	4.5	23.7%
Performance 1Q 18/12	4,932	1,750	1,295	455	282	6.6	0.0	35.5%	26.3%	9.2%	5.7%	4,932	455	282	6.6	12.2%
Performance 2Q 19/03	4,809	1,785	1,279	506	306	7.3	0.0	37.1%	26.6%	10.5%	6.4%	9,741	961	588	7.3	11.8%
Performance 3Q 19/06	4,449	1,519	1,260	259	140	3.3	0.0	34.1%	28.3%	5.8%	3.2%	14,190	1,220	729	3.3	-19.1%
Performance 4Q 19/09	4,630	1,660	1,330	330	180	4.3	7.0	35.9%	28.7%	7.1%	3.9%	18,819	1,550	908	4.3	-1.3%
Performance 1Q 19/12	5,112	1,914	1,290	624	418	10.0	0.0	37.4%	25.2%	12.2%	8.2%	5,112	624	418	10.0	3.7%
Performance 2Q 20/03	5,043	1,986	1,288	698	447	10.6	0.0	39.4%	25.5%	13.8%	8.9%	10,155	1,322	865	10.6	4.9%
Performance 3Q 20/06	3,948	1,436	1,237	199	105	2.5	0.0	36.4%	31.3%	5.0%	2.6%	14,102	1,521	970	2.5	-11.3%
Performance 4Q 20/09	4,076	1,246	1,269	-23	-26	-0.6	7.0	30.6%	31.1%	-0.6%	-0.6%	18,178	1,498	943	-0.6	-12.0%
Performance 1Q 20/12	4,561	1,679	1,269	410	240	5.8	0.0	36.8%	27.8%	9.0%	5.3%	4,561	410	240	5.8	-10.8%
Performance 2Q 21/03	4,494	1,692	1,264	428	248	6.0	0.0	37.7%	28.1%	9.5%	5.5%	9,055	838	488	6.0	-10.9%
Company plan 1Q 21/06	4,927	-	-	390	256	6.1	-	-	-	7.9%	5.2%	-	-	-	6.1	24.8%
Company plan 2Q 21/09	4,927	-	-	390	256	6.1	-	-	-	7.9%	5.2%	-	-	-	6.1	95.7%
Performance FY 17/09	15,558	6,127	4,705	1,422	979	22.7	7.0	39.4%	30.2%	9.1%	6.3%	-	-	-	-	5.7%
Performance FY 18/09	17,683	6,505	4,959	1,546	990	23.0	7.0	36.8%	28.0%	8.7%	5.6%	-	-	-	-	13.7%
Performance FY 19/09	18,819	6,714	5,164	1,550	908	21.5	7.0	35.7%	27.4%	8.2%	4.8%	-	-	-	-	6.4%
Performance FY 20/09	18,178	6,582	5,084	1,498	943	22.6	7.0	36.2%	28.0%	8.2%	5.2%	-	-	-	-	-3.4%
Company plan FY 21/09	18,910	-	-	1,617	1,000	24.0	7.0	-	-	8.6%	5.7%	18,910	1,617	1,000	24.0	4.0%

Source: Created by JPR from disclosed materials

## 5. ESG and Shareholder Return Policy

### ESG

Expectations for improvement in the supply-demand balance due to increased investment by global institutional investors that focus on the SDGs perspective







Due to the focus of industry-related people, the perspective of diversity is scarce. However, a mix of managers with a long history of the company and those from the parent company can be expected to have the ability to grasp the company as a whole and to collaborate closely with the parent company Nishio Rent-All

### Possibility of attracting attention from the perspective of ESG-focused investors

The greatest contribution is the realization of the DX Platform for Construction and Equipment Management in Architecture and Civil Engineering

The positive effects of the concept of DX Platform for Construction and Equipment Management in Architecture and Civil Engineering on the goals of the SDGs are wide-ranging, as shown in the table below, focusing on the perspectives of human happiness and urban development. The realization of the concept can be considered to contribute greatly to SDGs. As the realization of the concept progresses, there is a good chance that the stock price will reflect a higher valuation because of an improvement in the supply-demand balance caused by increased investment by global institutional investors who acknowledge the SDGs perspective.

### SDGs impact of the DX Platform for Construction and Equipment Management in Architecture and Civil Engineering

Goal	Effect of realizing the Sacos concept	Goal	Effect of realizing the Sacos concept
 <b>3 GOOD HEALTH AND WELL-BEING</b>	<ul style="list-style-type: none"> <li>Working environment of technicians and managers in the architecture and civil engineering sites is greatly improved, and the effect of improving physical and mental health is expected.</li> </ul>	 <b>11 SUSTAINABLE CITIES AND COMMUNITIES</b>	<ul style="list-style-type: none"> <li>Improvement of productivity in the architecture and civil engineering industry reduces various costs associated with urban development and promotes the development of good residential communities.</li> </ul>
 <b>8 DECENT WORK AND ECONOMIC GROWTH</b>	<ul style="list-style-type: none"> <li>As the attractiveness of the architecture and civil engineering industry increases, productivity improvements will facilitate infrastructure renewal and promote economic growth.</li> </ul>	 <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	<ul style="list-style-type: none"> <li>Data accumulation will make tracing factors such as manufacturing responsibility and fulfilling the responsibility of making and using products more effectively possible.</li> </ul>
 <b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>	<ul style="list-style-type: none"> <li>As the i-Construction efforts move from individual initiatives to an overall optimization initiative, data analysis is expected to lead to continuous innovation in DX strategies.</li> </ul>	 <b>17 PARTNERSHIPS FOR THE GOALS</b>	<ul style="list-style-type: none"> <li>It will strengthen the partnerships of the various companies involved in the complex construction system and strengthen the system to pursue overall optimization.</li> </ul>

Source: Created by JPR

### Corporate Governance

#### Board of Directors

The Board of Directors consists of eight directors. Mr. Koji Nishio, Chairman of the Board of Directors, is from the parent company Nishio Rent-All. President Shinichi Seo, who joined the company in 1982, has been with Sacos for nearly 40 years and is considered to have thorough knowledge of the company's operations. Two of the remaining directors, excluding outside directors, are from Nishio Rent-All. The first is Mr. Tadashi Ishikawa, Managing Director and person in charge of the head office division. The second is Mr. Keihiro Tonomura, who also serves as Senior Managing Director of Nishio Rent-All. Finally, the third is Mr. Masaharu Natsume, who joined Sacos (9641) in 1988 and is mainly responsible for sales. Considering the fact that the company is listed on the stock exchange as a parent company, the company has appointed three outside directors, who account for more than 1/3 of the total number of directors. One director is from the railroad industry, which is an important client, another is from a major general contractor, and another is from the ICT industry. For directors, the company has also adopted a compensation system that utilizes stock acquisition rights.

### Shareholder Return Policy

The dividend payout ratio was 32.5% by September 2020. Regarding the dividend policy, the company's basic policy is "to accumulate internal reserves for business expansion and to return profits to shareholders in line with the business results of the period to increase shareholder value over the long term and in an integrated manner." However, no numerical targets such as the target payout ratio are presented.

## 6. Value creation analysis by GCC™ and estimation of shareholder value

### Value Design

#### Realization of Value Design is essential

We attempted to systematize how the values are designed in the form of A (what the company is aiming for), B (the way it has been), C (the future), and D (the transition strategy). The realization of the contents shown below is indispensable for the realization of the DX Platform for Construction and Equipment Management in Architecture and Civil Engineering.

#### Visualization of "Value Design"\*

#### A. What the company is aiming for

<b>■ Management Philosophy</b> Always look to the future and respond to the times Contributing to society through equipment and machine rentals with a flexible corporate stance of always looking to the future and responding to the times to be "good" for all stakeholders	<b>■ Management Policy</b> Pursuing the happiness of all stakeholders involved in architecture and civil engineering Promoting the DX Platform for Construction and Equipment Management in Architecture and Civil Engineering, focusing on system solutions. Increasing synergies with the main business and sales related to system solutions
<b>■ Characteristics of the strategy</b> Targeting a wide range of infrastructure industries, including railways, plants, and equipment, in addition to architecture and civil engineering Improving per capita productivity centered on ICT	

#### B. The way it has been (Until the fiscal year ending September 2020)

#### Manpower Management Focused on Productivity Per Capita Centered on ICT

<b>■ Resources</b> Trust and human network based on nearly 50 years of experience in the construction equipment rental market ICT solutions capabilities that encompass people, products, and services (operations) centered on equipment management systems that use IC tags, which we have cultivated for over a decade  <b>Intellectual property</b> Equipment management know-how in using IC tags System solution capabilities and on-site implementation know-how that are relevant to architecture and civil engineering sites	
<b>■ Business Model</b> Increasing sales of construction equipment rental business and system solutions by differentiating system solutions and expanding customer contacts  <b>Role played by intellectual property</b> Ability to provide solutions centered on ICT Branding of "Sacos" identity	
<b>■ Value</b> <b>Customer segments</b> Construction, civil engineering, railways, plants, facilities, roads, and other construction-related equipment user companies <b>Value that has been provided</b> Ease of equipment management based on ICT/Improvement of field operations through labor management system <b>Items that have been obtained from suppliers</b> Cycle of improvement through evaluation of ICT systems	

#### C. In the future (From FY09/2021)

#### DX Platform for Construction and Equipment Management in Architecture and Civil Engineering

<b>■ Resources</b> In addition to the resources cultivated "so far," the company will build a DX Platform for Construction and Equipment Management in Architecture and Civil Engineering in collaboration with prime contractors and ICT vendors.  <b>Intellectual property</b> ICT system for optimal allocation and management of people, products, and services (operations) to link complex construction systems across the board Big data stored in the above system and know-how to analyze and improve it	
<b>■ Business Model</b> Expanding system solution-related sales based on platforms and expanding construction equipment rental business through synergies with core business  <b>Role of intellectual property</b> Ability to provide solutions centered on ICT Branding of "Sacos" identity	
<b>■ Value</b> <b>Customer segments</b> In addition to the same customers that have existed "so far," the same industry can become a customer through external sales of the system <b>Value that will be provided</b> In addition to the value provided "so far," the company has taken a deeper look at its ability to provide value to customers through its platforms by offering "people, products, and services" <b>Items obtained from suppliers</b> Data including actions that lead to the enhancement of proposal capabilities, in addition to what has been obtained "so far"	

<b>■ Previous external environment</b> + Labor shortage From ownership to rental Aging infrastructure - COVID-19 pandemic
---

<b>■ Current issues</b> Downward trend in ROIC due to accumulation of construction equipment rental assets
---

<b>■ Future external environment</b> Accelerating labor shortage problems Thorough implementation of a five-day workweek system + From ownership to rental Aging infrastructure After-corona effect - Competition for ICT personnel
---

<b>■ Issues for transition</b> Optimal seating arrangements with major prime contractors and ICT vendors
---

#### D. Transition strategy

<b>■ Necessary management resources to move to C.</b> Ability to conceptualize and disseminate overall optimal solutions across industries through collaboration with major prime contractors. Strengthening system solution capabilities through collaboration with ICT vendors and building a system for expanding sales
--

<b>■ Solution to acquire the necessary management resources to move to C.</b> Optimal seating arrangements with prominent large prime contractors and independent ICT vendors
--

Source: Created by JPR from various disclosure materials of Sacos f. Some JPR have their subjective perspectives.

\*Created by applying the framework of the "Management Design Sheet," which is "a tool for designing management by accurately assessing the role that intellectual property plays in a company's value creation mechanism" created by the Intellectual Property Strategy Promotion Office of the Cabinet Office. This sheet is useful for visualizing the story of creating shareholder value. See the following URL for details. [https://www.kantei.go.jp/jp/singi/titeki2/keiei\\_design/index.html](https://www.kantei.go.jp/jp/singi/titeki2/keiei_design/index.html), [https://www.kantei.go.jp/jp/singi/titeki2/keiei\\_design/siryou01.pdf](https://www.kantei.go.jp/jp/singi/titeki2/keiei_design/siryou01.pdf)

## GCC™ analytics

The three loops are expected to result in a significant reduction in the ability to create shareholder value

### A. What the company is aiming for, C. Shareholder value creation system to be realized in the future

Value design has been organized into three elements: Growth (sales growth), Connection (improvement of connections between people and businesses = improvement of capital profit margin), and Confidence (improvement of confidence = reduction of business risk, reduction of cost of capital). The non-financial information was organized in the framework of "GCC Management™" (see the appendix materials for details)" to organize the linkage with the quantitative model and develop it into a shareholder value analysis model.

#### Growth: Growth/Innovation Loop

By (1) building and improving the growth and innovation loop of DX Platform for Construction and Equipment Management, (2) expanding the construction equipment rental business through synergies with the core business, and (3) expanding solution capabilities by accumulating data and analyzing it through customer expansion, the company expects to achieve a 17% annual growth rate by 2030, which is expected in the real estate and construction-related DX market.

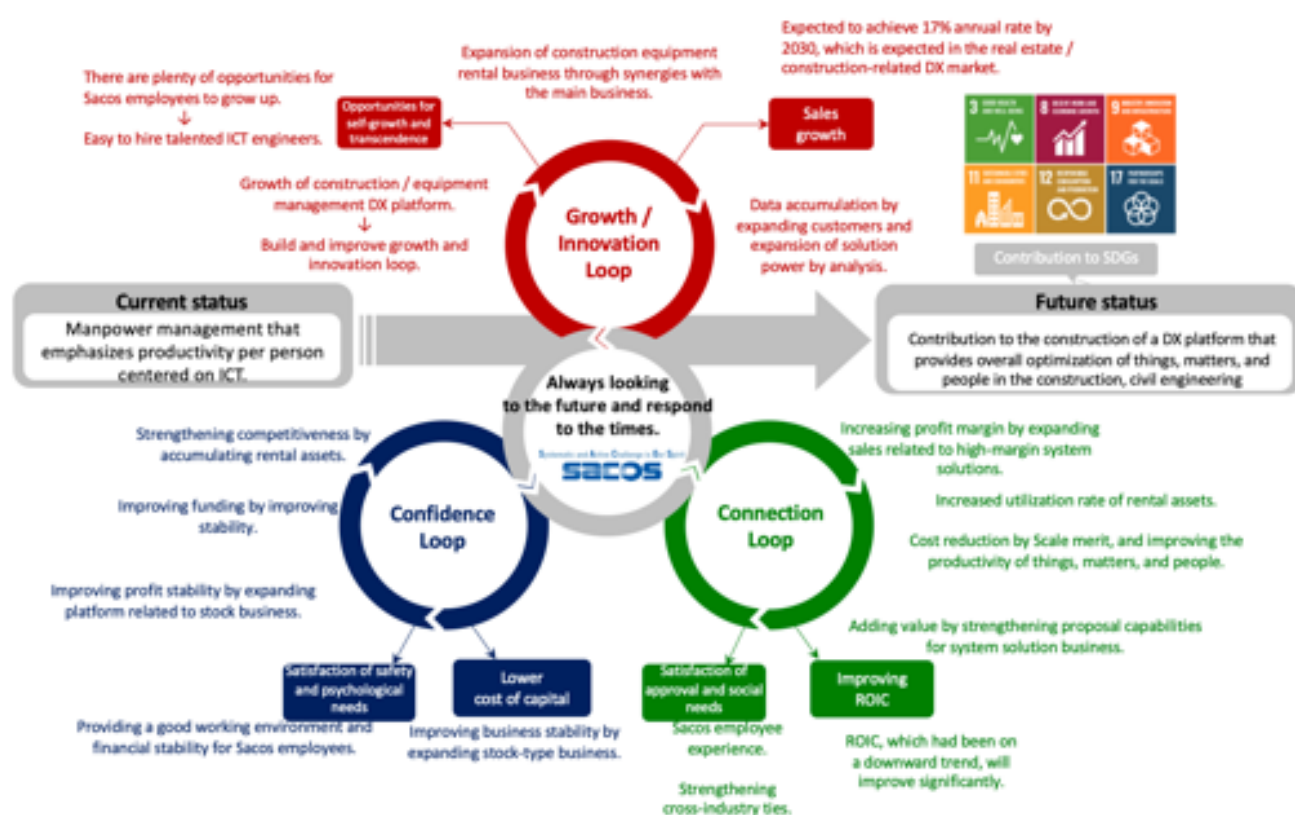
#### Connection: Looping Connections

ROIC is expected to be significantly improved by (1) improving profit margin by expanding sales related to system solutions with a high profit margin, (2) increased utilization rate of rental assets, economies of scale, cost reduction by improving the productivity of people, products, and services (operations), and (3) increasing the added value by strengthening the ability to make proposals of the system solution promotion business.

#### Confidence: Looping Trust

The cost of capital is expected to be maintained and lowered by (1) improving profit stability by expanding platform-related stock business, (2) improving financing capabilities by improving stability, and (3) strengthening competitiveness by accumulating rental assets by raising funds.

### Three loops organized in GCC™



Source: Created by JPR



**Estimated results  
of shareholder  
value:**  
**43.7 billion yen**  
**Stock price**  
**1,019 yen**

## Development to financial model and estimation of shareholder value

The following table summarizes the logic for developing the Value Design and GCC framework into a financial model. Based on this table, we create a financial model to estimate the shareholder value of Sacos.

The details are shown on the next page, and the estimated value was 43,670 million yen (approximately 43.7 billion yen). The results show that if the DX platform concept is realized, the upside is expected to be 2.7 times the 16,117 million yen market capitalization of Sacos on June 13, 2021. Based on the number of shares outstanding (42,866,681 shares) as of July 15, the share price will be 1,019 yen.

### Developing Value Design and GCC Management™ for Financial Analysis

What the company is aiming for	GCC Management™ Framework	Logic for enhancing corporate value Business strategy and earnings structure for profitable products and services				Shareholder Value Outlook
Mission	Growth	Sales growth	Customer segments	Relationships with Customers	Revenue Flow	Sustainable Growth
Always looking at the future, Responding to the times	DX platform as a starting point for growth		Construction, civil engineering, railways, roads, and buildings Power generation facilities Plant	Building a strong relationship with rental equipment and solution proposals	Increase in percentage related to solution systems	Sales almost doubled in 10 years
				Sales channel	Synergies to accelerate growth of the rental business	
Vision	Connection	Improvement of returns on investment	Key resource	Key Activity	Cost and capital structure	Expansion of excess profits
			Rental assets	Cross-sectional collaboration among the architecture and civil engineering industries, including prime contractors and ICT vendors	Consolidated operating profit margin to increase to 15% in 10 years	ROIC to exceed WACC by more than 2 times
System development capabilities that are well known in the workplace	Ratio of invested capital to sales declined to less than 70%					
		Key partner	Construction machinery manufacturers Rental business ICT vendors Prime contractor Construction-related companies	High gross margin Expanding ICT sales by about 60%.  Improved asset efficiency through economies of scale	ROIC improved to 15% in 10 years	
			Confidence	Business risk	ESG	Cost of capital
Expansion of stock-type business	Mitigate business fluctuation risk by expanding the stock-type business of system solutions	Significant contribution to the six goals of the SDGs			Currently, JPR estimates the weighted average cost of capital (WACC) at 5.5%.	WACC maintained at 5.5%.
		Labor by providing an excellent work environment	Financial risk	A maintained decline is expected		
				Decrease in financial risk Increase in fundraising capacity		

Source: Created by JPR



## Estimated value of the firm

Based on the contents of the previous page, we prepared a financial model and estimated shareholder value. The income statement and balance sheet assumptions are as follows. Conservatively, zero growth has been assumed from FY09/2030 onward. The results of estimates of shareholder value are shown on the following page.

### Forecasts of income statement and balance sheet

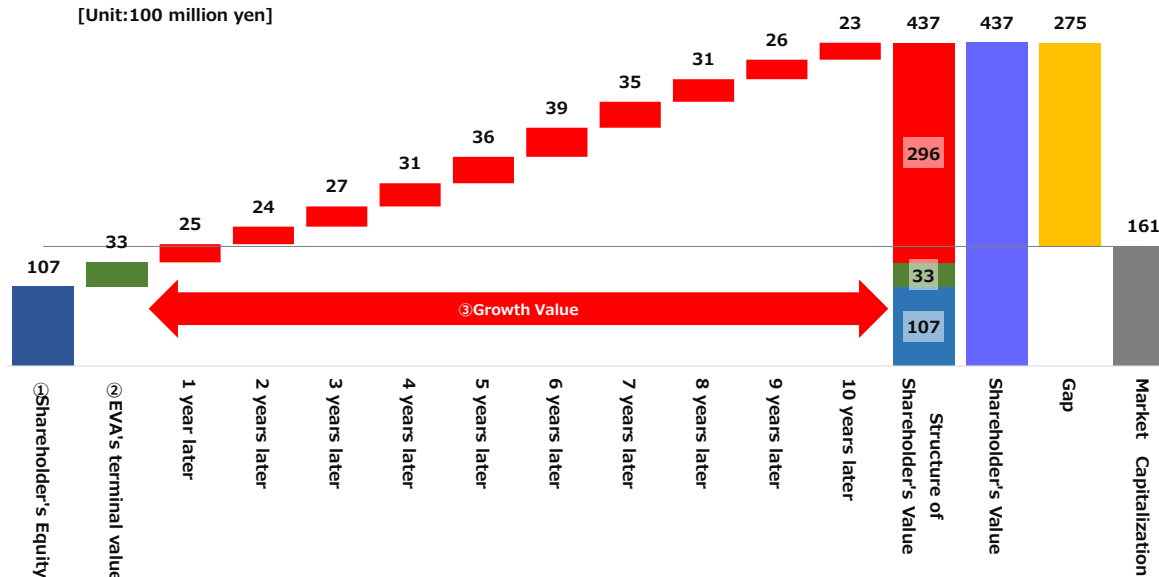
	2021.9	2022.9	2023.9	2024.9	2025.9	2026.9	2027.9	2028.9	2029.9	2030.9
Sales in ICF	1,892	1,968	2,383	2,879	3,411	4,117	4,941	5,832	6,184	6,604
Growth rate		5%	20%	20%	20%	20%	20%	19%	10%	7%
Gross Profit in ICF	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
ICF gross profit	1,135	1,190	1,430	1,718	2,059	2,470	2,964	3,579	3,711	3,965
Other sales	17,019	17,870	18,657	21,823	23,785	26,163	27,945	29,267	30,374	31,183
Growth rate		5%	10%	10%	10%	10%	7%	5%	3%	2%
Other gross profit margin	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%
Sales	18,910	19,838	22,040	24,682	27,216	30,281	32,936	34,999	36,558	37,712
Operating margin	4.0%	5.0%	10.0%	11.0%	11.2%	11.3%	8.8%	6.3%	4.5%	3.2%
Gross profit	6,867	7,218	8,051	8,999	10,079	11,283	12,344	13,271	13,941	14,441
Gross profit margin	36.3%	36.3%	36.5%	36.8%	37.0%	37.3%	37.6%	37.9%	38.1%	38.3%
SG & A	5,250	5,413	5,898	6,430	7,012	7,650	8,156	8,492	8,687	8,773
SG & A ratio	27.8%	27.3%	26.8%	26.3%	25.8%	25.3%	24.8%	24.3%	23.8%	23.3%
Operating income	1,617	1,797	2,152	2,569	3,068	3,633	4,238	4,779	5,254	5,669
Operating profit margin	8.5%	9.1%	9.8%	10.5%	11.2%	12.0%	12.9%	13.7%	14.6%	15.0%
Interest expense	111	108	112	115	117	117	108	90	83	83
Interest expense rate	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Non-operating profit and loss	37	37	37	37	37	37	37	37	37	37
Ordinary income	1,534	1,727	2,078	2,490	2,979	3,553	4,167	4,727	5,208	5,623
Extraordinary gain or loss										
Pre-tax profit	1,534	1,727	2,078	2,490	2,979	3,553	4,167	4,727	5,208	5,623
Income Taxes	534	601	723	867	1,037	1,217	1,451	1,645	1,813	1,957
Effective tax rate	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%
Net income	1,000	1,126	1,354	1,624	1,942	2,316	2,717	3,081	3,395	3,665
Other comprehensive income	0	0	0	0	0	0	0	0	0	0
Net income attributable to owners of the parent	1,000	1,126	1,354	1,624	1,942	2,316	2,717	3,081	3,395	3,665
Dividend of surplus	-305	-323	-364	-438	-525	-628	-749	-878	-996	-1,087
Share buyback	0	0	0	0	0	0	0	0	0	0
Variable amount other than shareholders' equity	0	0	0	0	0	0	0	0	0	0
Retained earnings	695	803	990	1,186	1,417	1,689	1,968	2,203	2,399	2,568
Dividend payout ratio	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%
Liquidity on hand	3,471	4,407	4,896	5,442	6,055	6,586	6,999	7,311	7,541	7,709
Adjusted cash	0	0	0	0	0	0	0	1,172	3,077	5,287
Surplus cash	-146	-146	-146	-146	-146	-146	-146	-146	-146	-146
Trade receivables	4,935	5,478	6,085	6,764	7,528	8,186	8,699	9,086	9,373	9,582
Inventory	438	486	540	600	668	736	772	806	832	850
Other current assets	624	692	769	855	951	1,035	1,099	1,148	1,185	1,211
Property, plant and equipment subject to deprecie	4,895	5,385	5,923	6,516	7,167	7,869	8,045	8,321	8,521	8,664
Land	6,927	6,927	6,927	6,927	6,927	6,927	6,927	6,927	6,927	6,927
Investment securities	54	54	54	54	54	54	54	54	54	54
Other assets	873	873	873	873	873	873	873	873	873	873
Total assets	22,570	24,156	25,920	27,885	30,075	31,909	33,321	35,551	36,235	41,010
Debt to pay	3,070	3,408	3,785	4,208	4,682	5,090	5,411	5,653	5,831	5,961
Short-term interest-bearing debt	1,396	1,641	1,812	1,916	1,933	1,423	358	0	0	0
Other current liabilities	1,674	1,767	1,973	2,292	2,749	3,667	5,048	5,653	5,831	5,961
Long-term interest-bearing debt	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789
Other fixed liabilities	173	173	173	173	173	173	173	173	173	173
Minority Shareholders	126	126	126	126	126	126	126	126	126	126
Deferred hedge gain or loss	0	0	0	0	0	0	0	0	0	0
Exchange translation adjustment account	0	0	0	0	0	0	0	0	0	0
Land revaluation difference	0	0	0	0	0	0	0	0	0	0
Shareholders' equity	11,187	11,990	12,980	14,167	15,584	17,272	19,240	21,444	23,643	26,431
Other net assets	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Net worth	11,112	12,115	13,105	14,292	15,709	17,397	19,365	21,599	23,968	26,536
Liability / net assets	22.570	24.156	25.920	27.885	30.075	31.909	33.321	35.551	36.235	41.010
Capital invested at the beginning of the period	17,142	17,818	18,663	18,825	21,115	22,549	23,729	24,631	25,305	25,799
Invested capital to sales ratio	90.7%	89.7%	84.7%	81.0%	77.8%	74.5%	72.0%	70.4%	69.2%	68.4%

Source: Created by JPR from materials disclosed by Sacos and company interviews

## Estimating Shareholder Value in GCC™ Analytics

	Current Year 2021.9	1 year later 2022.9	2 years later 2023.9	3 years later 2024.9	4 years later 2025.9	5 years later 2026.9	6 years later 2027.9	7 years later 2028.9	8 years later 2029.9	9 years later 2030.9	10 years later 2031.9
Sales	189	199	220	245	272	303	329	350	366	377	386
Operating income	16.2	18.0	21.5	25.7	30.6	36.3	42.4	47.8	52.5	56.7	60.3
Operating margin	8.6%	9.1%	9.8%	10.5%	11.2%	12.0%	12.9%	13.7%	14.4%	15.0%	15.6%
Sales growth rate	4.0%	5.0%	11.0%	11.1%	11.2%	11.3%	8.8%	6.3%	4.5%	3.2%	2.2%
NOPAT margin	5.9%	6.2%	6.7%	7.2%	7.8%	8.3%	8.9%	9.4%	9.9%	10.4%	10.8%
Invested capital turnover ratio	90.7%	88.7%	84.7%	81.0%	77.6%	74.5%	72.0%	70.4%	69.2%	68.4%	67.8%
WACC	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
ROIC = NOPAT margin ÷ invested capital net sales ratio	6.5%	7.0%	8.0%	8.9%	10.0%	11.1%	12.3%	13.4%	14.3%	15.2%	15.9%
ROIC / WACC (value created with the original hand of 1 yen)	¥1.2	¥1.3	¥1.5	¥1.6	¥1.8	¥2.0	¥2.3	¥2.4	¥2.6	¥2.8	¥2.9
NOPAT	11	12	15	18	21	25	29	33	36	39	42
Invested capital × WACC	9	9	10	11	13	14	15	16	17	17	18
EVA	2	3	5	6	8	11	14	17	19	22	24
EVA = NOPAT - invested capital × WACC	2	3	5	6	8	11	14	17	19	22	24
Value created in each year	33	26	26	32	39	47	54	51	47	43	39
Discount Rate	100%	95%	90%	85%	81%	77%	73%	69%	65%	62%	59%
Present value of EVA	33	25	24	27	31	36	39	35	31	26	23
Invested capital ① Origin	171										
Over profit value (Permanent value of EVA of this term) ②	33										
Growth value (Present value of increase in EVA) ③	296										
Non-business asset value ④	4										
Corporate value = ① + ② + ③ + ④	505										
Interest-bearing debt, etc.	-68										
Shareholder value	437										

[Unit:100 million yen]



Source: Estimated by JPR based on FactSet, Nikkei Needs, and so on; market capitalization is based on the closing price of July 15, 2021

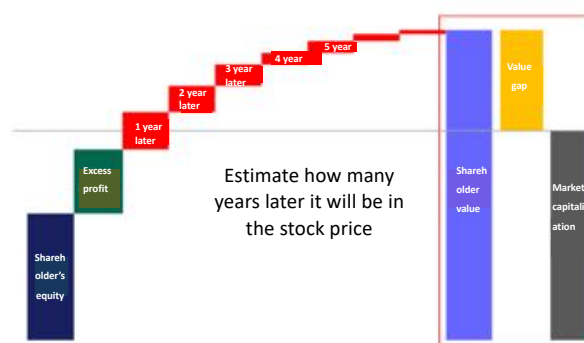
## Appendix 1 Framework for valuation based on excess profit

Corporate value  
estimated by use  
of ROIC and  
excess return

### Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each year's corporate value can be visualized in the following figure, wherein shareholders' equity is simply represented as a sum of invested capital and non-business asset, subtracting interest-bearing debts. The figure below allows us to estimate how many years of growth might be incorporated into the stock price.

### Breakdown of corporate value using excess return



Source: JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF) model. This report calculates excess return by using the following figures in a simplified manner.

- Excess return = NOPAT – Invested capital X WACC
  - Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)
  - Invested capital = Total assets – Non-business assets – Current liabilities excluding Interest-bearing debt
  - Non-business assets = Cash and deposits exceeding 10% of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments
  - Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X (D / (E+D)) + Cost of shareholders' equity X (E / (D+E))
  - Cost of shareholders' equity = 0.5% + 5% X β
  - β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company
  - E = Market cap at the time of calculation
- D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest financial statements at the time of calculation

## Appendix 2 What are the elements of shareholder value?

### Four elements of shareholder value

Shareholder value is best organized into the following four factors:

1. **Achieving high sales growth**
2. **Achieving high profit margins**
3. **Earning more sales with less capital**
4. **Lowering business risk**

Additionally, when (2) and (3) are combined, it can be rephrased as obtaining higher profits with less capital. Each measurement method is as follows:

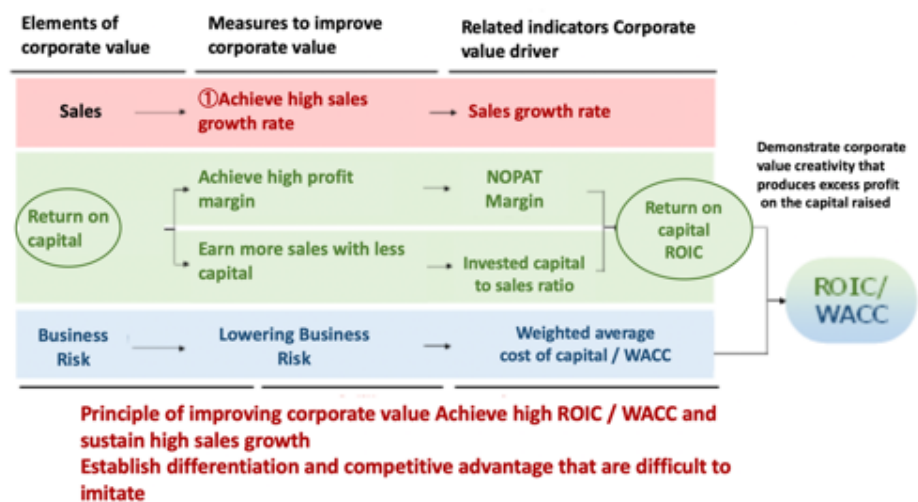
- (1) = Sales growth rate
- (2) = NOPAT margin (operating margin after tax)
- (3) = Invested capital sales ratio
- (4) = Weighted average cost of capital (WACC)

Return on invested capital (ROIC) is calculated as (2)/(3), which allows the profitability of invested capital to be determined. ROIC/WACC also shows the creativity of corporate value that generates excess profit for the capital raised.

To improve corporate value, achieving higher ROIC/WACC and establishing a difficult-to-mimic differentiation and competitive advantage that sustains higher sales growth is necessary.

Elements of corporate value and the basic principles for improving corporate value

### Elements of corporate value and major principles for improving corporate value



Source: JPR

## Appendix3 Overview of GCC management™

## GCC Management™ Framework

Connecting the five elements of Maslow's desire with the three elements of corporate value

### What is an analytical framework of the GCC management™?

Integrating financial and nonfinancial information that captures the hearts and minds of all stakeholders

The GCC management® is an analytical framework developed by J-Phoenix Research to evaluate the sustainability of shareholder value by integrating both nonfinancial and financial information with a focus on the happiness of all stakeholders. The happiness of investors is measured by a framework of three elements of corporate value, while the happiness of employees is measured by the five-tier model of human needs, based on that created by prominent American psychologist Abraham Maslow. People typically feel happy when their five needs are satisfied. A company with a built-in framework to raise its employees' happiness can be considered more sustainable than a company with the same shareholder value but without such a framework.

The concepts that associate the five levels of needs with the three factors of corporate value are **Growth** (in sales), **Connection** (of people and businesses, leading to improved Return on Invested Capital), and **Confidence**. JPR has defined "Excess return generated from a strategy that incorporates the enhancement of happiness of all employees under the GCC concept" as Happiness Value Added®.

The enhancement of happiness is "why such a company exists," the raison d'être of the company, while the viewpoint of corporate value is "how the enhancement of happiness is associated with its value." Utilizing this framework makes explaining the concept of creating corporate value to its employees easy. Moreover, this facilitates the disclosure of non-financial information, which is required for complying with the Stewardship Code. It also facilitates (1) the integration of financial and non-financial information, (2) management in consideration of ROIC and capital costs (addressing corporate governance), and (3) systemization and visualization in coping with ESG and SDGs.

\* ESG is an acronym for Environment, Social, and Governance. The idea that ESG's three perspectives are necessary for the long-term growth of a company is spreading worldwide. The SDGs were adopted at the United Nations Summit in September 2015 and are the goals set by 193 UN member states to achieve in the 15 years from 2016 to 2030. Since both are emphasized by long-term investors, long-term investors' equity investment is expected to increase for listed companies that are highly evaluated from these two perspectives.

### Analysis of corporate value creation by GCC Management™ that attracts stakeholders.



Source: JPR



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