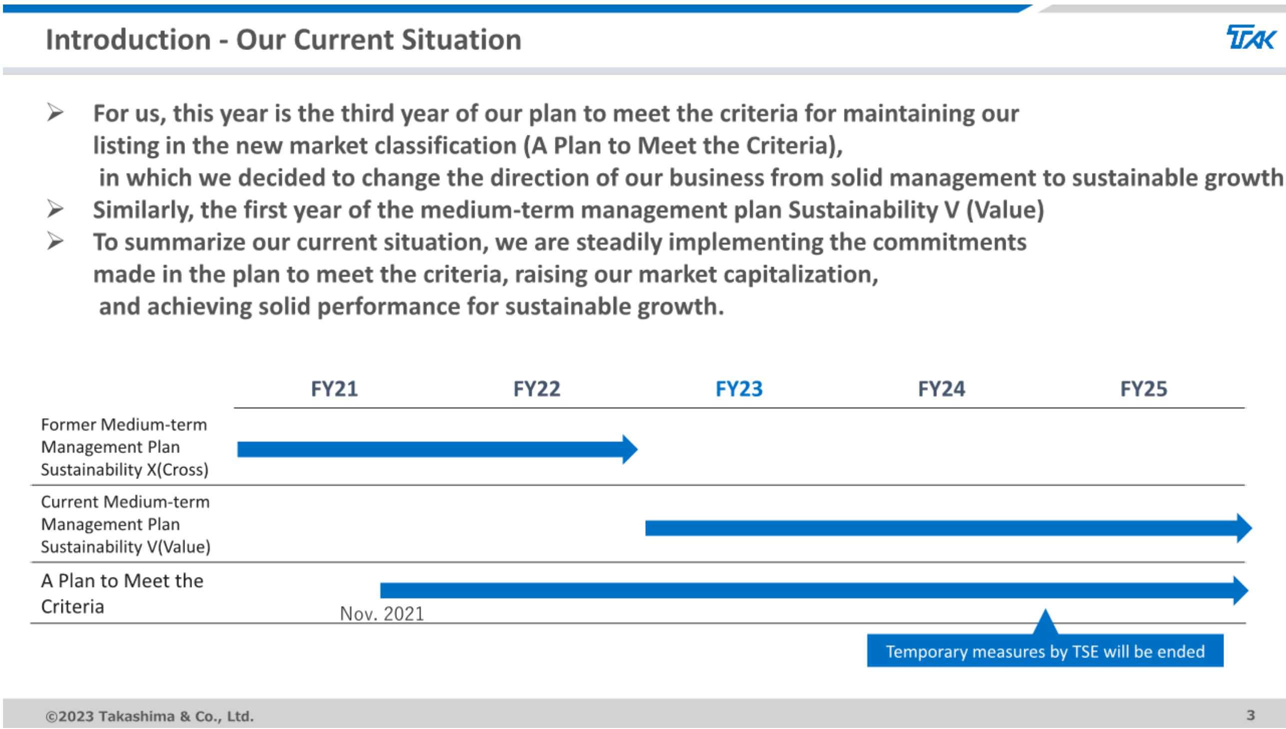
Contents

Contents

Mr. Takahiro Suzuki (hereafter Suzuki): My name is Suzuki, division chief of business management division of the Company. I will now explain the financial results for the second quarter of the fiscal year ending March 31, 2024 of us.

I will provide an overview of the first half of the fiscal year ending March 31, 2024, the consolidated earnings forecast for the fiscal year ending March 31, 2024, and shareholder returns. Next, President Takashima will explain the progress of a plan to meet the continued-listing criteria for TSE's prime market (the plan to meet the criteria)**.**

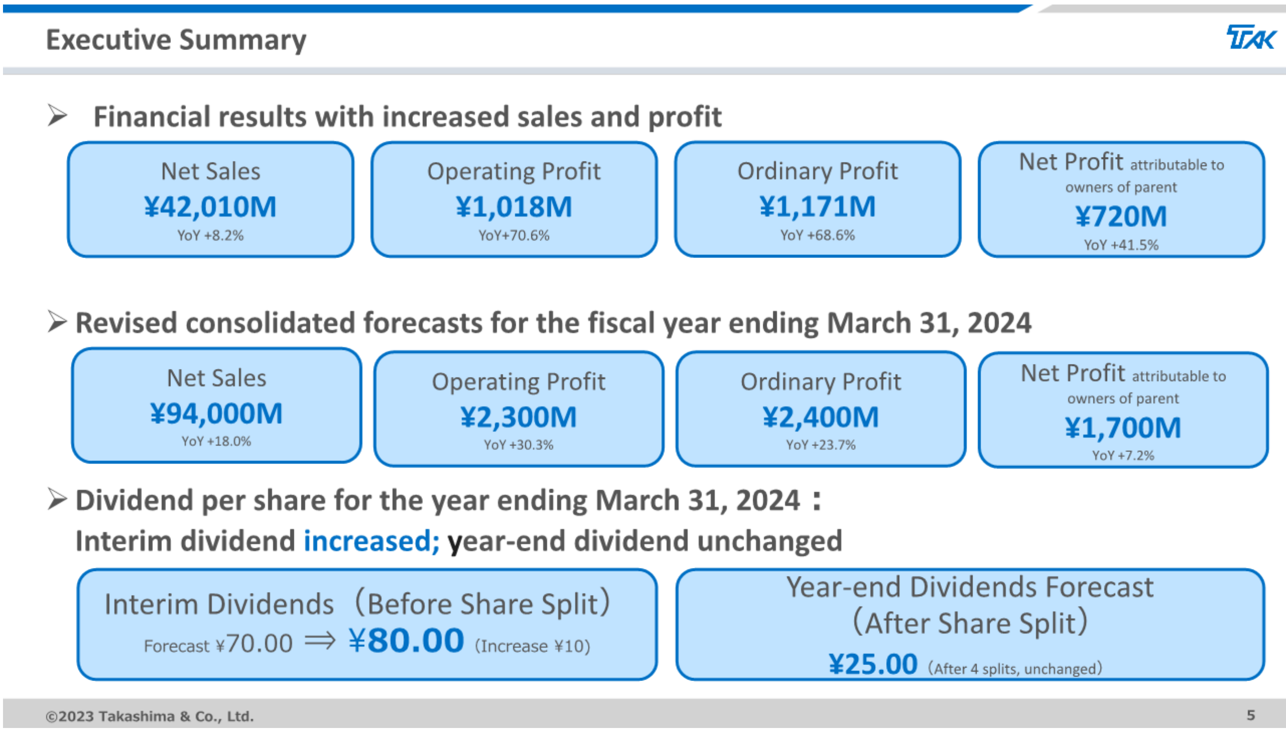
Introduction – Our Current Situation



This is our current situation: the fiscal year ending March 31, 2024, is the third year in the plan to meet the criteria submitted in accordance with the TSE's market reorganization.

The current fiscal year is the first year of our medium-term management plan, Sustainability V (Value), which is designed to realize the various initiatives committed to in the plan to meet the criteria. Reviewing the current situation, as a result of steady progress in various initiatives, market capitalization has increased and performance has been positive.

Executive Summary



This is a summary of the financial results for the second quarter of the fiscal year ending March 31, 2024. First, an executive summary. In the second quarter, the Electronics & Devices segment reported lower sales and profits, while the Construction Supply and Industrial Materials segments posted higher sales and profits, resulting in an increase in both sales and profits on a consolidated basis.

The full-year forecast has been revised upward, considering the acquisition of Gansui Corporation in June 2023, as well as the performance in the first half of the current fiscal year.

The interim dividend was increased by 10 yen to 80 yen per share based on the September 30 base date (before quartered). There is no revision to the year-end dividend forecast of 25 yen per share after the 4-for-1 split. For the pre-split period, the full-year dividend forecast has been revised from ¥170 to ¥180, an increase of ¥10.

Consolidated Performance P/L

Consolidated Performance P/L

- ✓ **Net sales increased 8.2% year on year to 42,010 million yen due to strong sales in the construction supply and industrial materials segments, despite lower sales in the electronics and devices segment.**
- ✓ **Operating profit increased 70.6% YoY to 1,018 million yen.**
- ✓ **Ordinary profit increased 68.6% YoY to 1,171 million yen.**
- ✓ **Net profit attributable to owners of the parent increased 41.5% YoY to 720 million yen.**

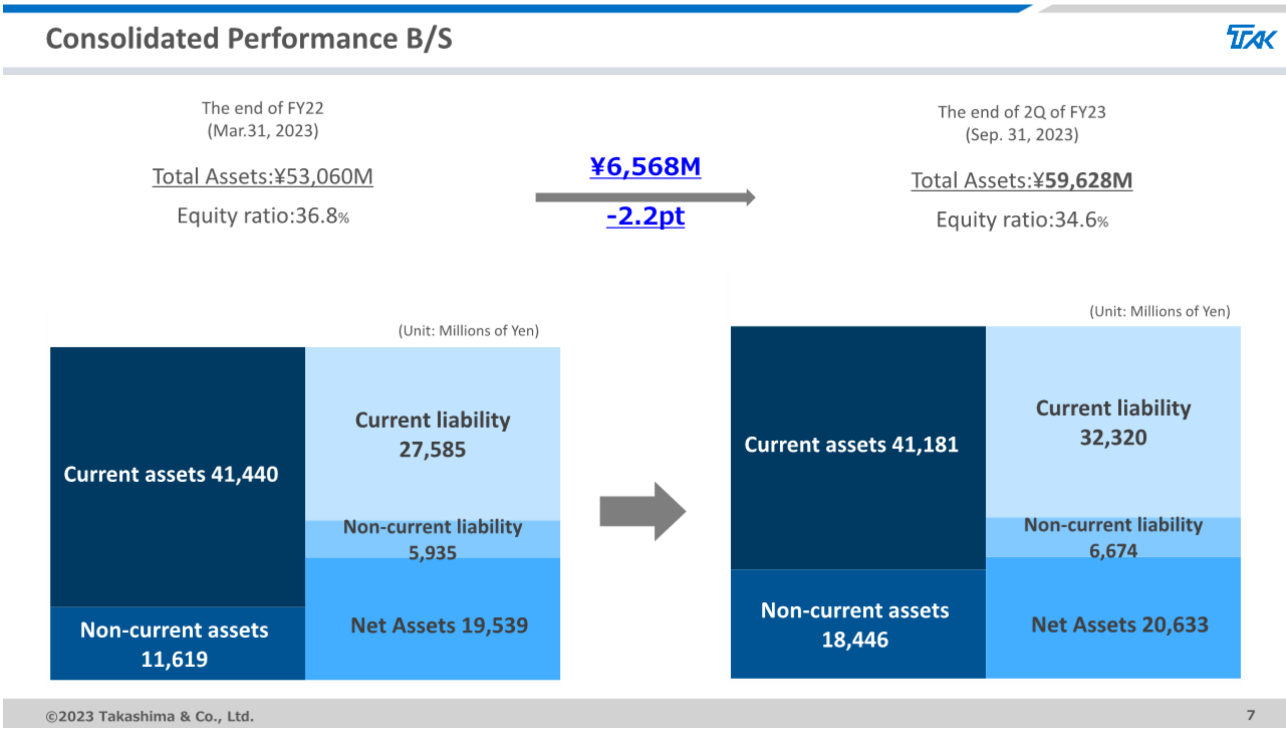
（Unit: Millions of Yen）

	FY22 2Q	FY23 2Q	Amount of change	YoY
Net Sales	38,817	**42,010**	3,193	8.2%
Cost of Sales	34,449	**36,141**	1,691	4.9%
Gross Profit	4,368	**5,869**	1,501	34.4%
SG&A	3,771	**4,851**	1,079	28.6%
Operating Profit	596	**1,018**	421	70.6%
Operating Profit Ratio	1.5%	**2.4%**	0.9pt	-
Ordinary Profit	694	**1,171**	476	68.6%
Net Profit Attributable to Owners of Parent	509	**720**	211	41.5%

This is the consolidated statement of profit and loss. Net sales increased 8.2 percent year on year to 42,010 million yen, as the Electronics & Devices segment recorded lower sales, but the Construction Supply and Industrial Materials segments performed well.

Operating profit increased 70.6 percent to 1,018 million yen and ordinary profit increased 68.6 percent to 1,171 million yen. Net profit attributable to owners of parent increased 41.5 percent to 720 million yen.

Consolidated Performance B/S



This is the balance sheet. Compared to the end of the previous period, total assets increased by 6,568 million yen. The main factor was the acquisition of Gansui Corporation. The equity ratio decreased 2.2 percentage points from the end of the previous period to 34.6 percent.

Consolidated Performance B/S

Consolidated Performance B/S

(Unit: Millions of yen)

Main Factors of Change

	FY22	FY 23 2Q	Amount of change	Ratio of change
Assets				
Current assets				
Cash and deposits	7,791	5,709	-2,082	-26.7%
Notes and accounts receivable - trade, and contract assets	26,260	27,823	1,563	6.0%
Total current assets	41,440	**41,181**	-258	-0.6%
Non-current Assets				
Property, plant and equipment	4,707	6,204	1,497	31.8%
Intangible assets				
Goodwill	1,069	6,252	5,182	484.5%
Total intangible assets	1,662	6,843	5,180	311.6%
Investment and other assets				
Investment securities	3,050	3,262	212	7.0%
Total investments and other assets	5,249	5,398	149	2.8%
Non-current assets	11,619	**18,446**	6,827	58.8%
Total assets	53,060	59,628	6,568	12.4%

The main factors behind the comparison of assets with the end of the previous period are shown in the slide. Current assets at the end of the second quarter decreased 0.6 percent from the end of the previous period to 41,181 million yen. The main factors were an increase in notes and accounts receivable-trade and contract assets, while cash and deposits decreased.

Fixed assets increased 58.8 percent from the end of the previous fiscal year to 18,446 million yen. This was due to increases in property, plant, and equipment and goodwill associated with the acquisition of Gansui Corporation.

Consolidated Performance B/S

Consolidated Performance B/S

(Unit: Millions of yen)

	FY22	FY23 2Q	Amount of change	Ratio of change
Liabilities				
Current liabilities				
Notes and accounts payable trade	15,277	16,238	960	6.3%
Electronically recorded obligations – operating	5,735	5,487	-248	-4.3%
Short-term borrowings	3,548	7,875	4,326	121.9%
Total current liabilities	27,585	**32,320**	4,734	17.2%
Non-current liabilities				
Long-term borrowings	3,347	3,947	599	17.9%
Total non-current liabilities	5,935	**6,674**	739	12.5%
Total liabilities	33,520	38,995	5,474	16.3%
Net assets				
Shareholders' equity				
Share capital	3,801	3,801	–	0.0%
Retained earnings	12,482	12,758	275	2.2%
Total shareholders' equity	17,874	18,167	293	1.6%
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	704	1,065	360	51.1%
Foreign currency translation adjustment	555	990	435	78.5%
Total accumulated other comprehensive income	1,665	2,465	800	48.1%
Total net assets	19,539	**20,633**	1,093	5.6%
Total liabilities and net assets	53,060	59,628	6,568	12.4%

Liabilities and Net Assets. Current liabilities increased 17.2 percent from the end of the previous fiscal year to 32,320 million yen, mainly due to an increase in short-term borrowings.

Non-current liabilities increased 12.5% from the end of the previous period to 6,674 million yen, mainly due to an increase in long-term borrowings. Net assets increased 5.6% from the end of the previous period to 20,633 million yen, mainly due to increases in retained earnings, foreign currency translation adjustment, and valuation difference on available-for-sale securities, respectively.

Consolidated Performance C/F

Consolidated Performance C/F

TAK

Main Factors of Change

(Unit: millions of yen)

	FY22 2Q	FY23 2Q	Amount of change
Cash flows from operating activities			
Profit before income taxes	775	1,359	584
Depreciation	261	346	85
Amortization of goodwill	–	187	187
Loss (gain) on sale of investment securities	-110	-301	-190
Decrease (increase) in trade receivable	-3,887	-172	3,714
Decrease (increase) in inventories	-1,344	-195	1,149
Increase (decrease) in trade payables	3,841	-145	-3,986
Net cash provided by (used in) operating activities	-487	**-124**	362
Cash flows from investing activities			
Purchase of property, plant and equipment	-316	-256	60
Purchase of intangible assets	-152	-73	79
Proceeds from sale of investment securities	190	685	495
Net cash provided by (used in) investing activities	-300	**-4,167**	-3,866
Net cash provided by (used in) investing activities			
Net increase (decrease) in short-term borrowings	241	2,392	2,151
Repayments of long-term borrowings	-120	-197	-77
Purchase of treasury shares	-1	-2	0
Dividends paid	-581	-444	137
Net cash provided by (used in) financing activities	-556	**2,052**	2,608
Net increase (decrease) in cash and cash equivalents	-1,157	-2,083	-925
Cash and cash equivalents at beginning of period	7,301	7,772	470
Cash and cash equivalents at end of period	6,144	**5,688**	-455

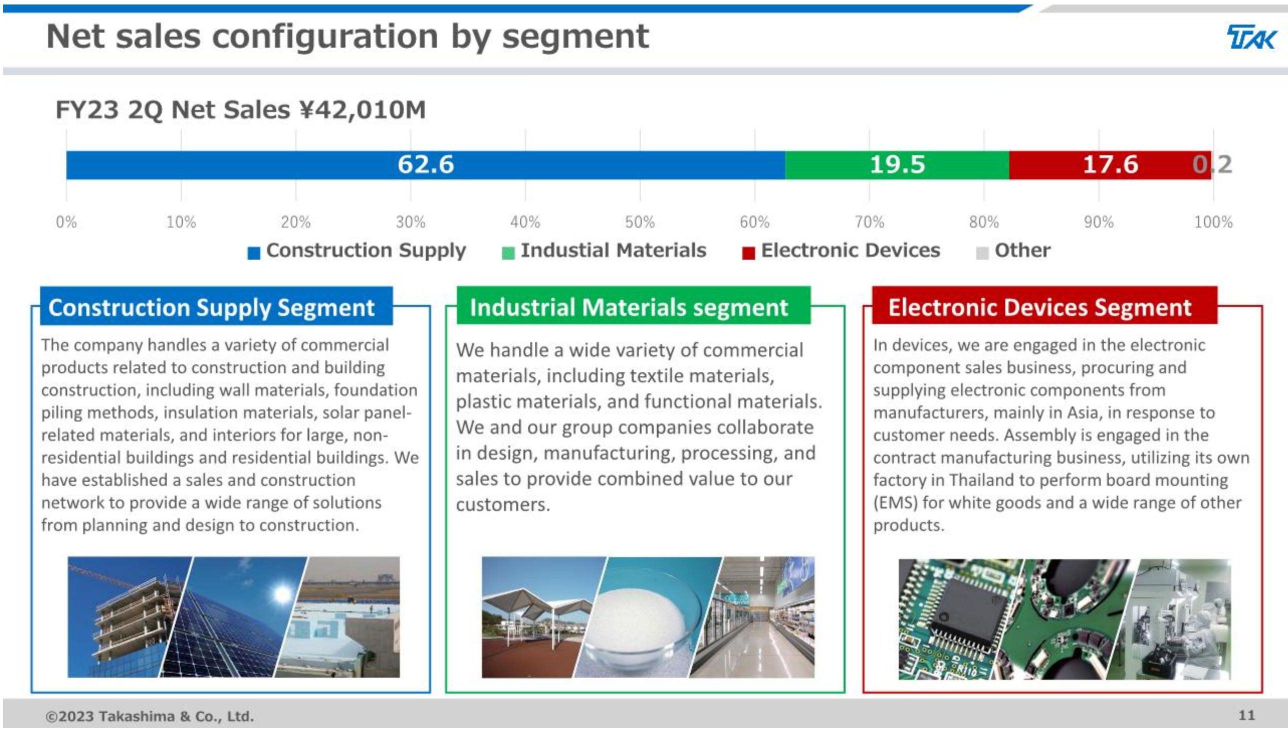
I will now explain cash flows. Cash and cash equivalents totaled 5,688 million yen, a decrease of 2,083 million yen from the end of the previous period and a decrease of 455 million yen from the same period last year.

Net cash used in operating activities decreased by 124 million yen. This was due to profit before income taxes and minority interests, while income taxes paid and accrued, and unpaid expenses decreased.

Net cash used in investing activities decreased by 4,167 million yen. The main factor was the purchase of investments in subsidiaries resulting from changes in the scope of consolidation.

Net cash provided by financing activities increased by 2,052 million yen. The main factor was an increase in short-term borrowings.

Net sales configuration by segment



This is the results by segment. The Construction Supply segment accounted for 62.6% of net sales in the second quarter, the Industrial Materials segment accounted for 19.5%, and the Electronics and Devices segment accounted for 17.6%.

The main business activities of each segment are shown on the slide.

Briefing by Segment: Construction Supply

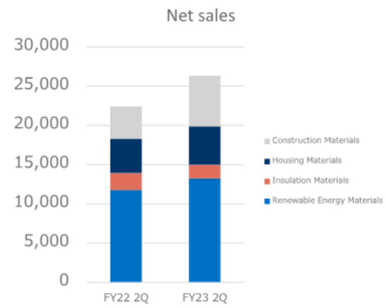
Briefing by Segment: Construction Supply

➢ **Overall construction supply segment sales increased 17.4% to 26,313 million yen.**

➢ **Segment profit increased 966.4% to 544 million yen**

(Unit: Millions of yen)

	FY22 2Q	**FY23 2Q**	Amount of change	YoY
Construction Materials	11,793	**13,265**	1,472	12.5%
Housing Materials	2,145	**1,748**	-397	-18.5%
Insulation Materials	4,386	**4,857**	470	10.7%
Renewable Energy Materials	4,087	**6,441**	2,354	57.6%
Segment net sales	22,413	**26,313**	3,900	17.4%
Segment operating profit	51	**544**	493	966.4%
Ratio of profit	0.2%	**2.1%**	1.8pt	-



The main factors in the Construction Supply segment. In the construction materials field, sales increased due to an increase in construction orders targeting logistics facilities and factory projects.

In the renewable energy materials field, sales increased on the background of growing demand toward a zero-carbon society for both industrial and residential use and the expansion of equipment installation for self-consumption.

In the insulation materials field, in addition to sales of materials, the acquisition of construction projects also contributed to the Company's performance. In the housing materials field, while sales declined, profits contributed to the business performance.

Moreover, the acquisitions of New Energy Distribution Systems and Gansui Corporation resulted in increases in both sales and income. As a result, overall sales in the building materials segment increased 17.4 percent to 26,313 million yen and segment income increased 966.4 percent to 544 million yen.

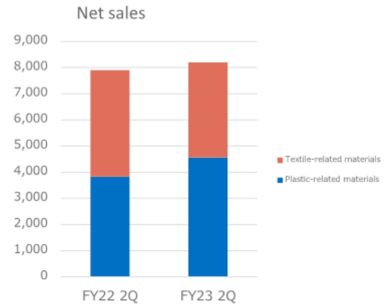
Briefing by Segment: Industrial Materials

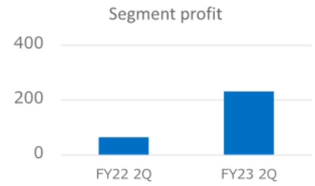
Briefing by Segment: Industrial Materials

- **Overall sales in the industrial materials segment increased 3.8% to 8,198 million yen.**
- **Segment profit increased 252.8% to 232 million yen.**

(Unit: Millions of yen)

	FY22 2Q	FY23 2Q	Amount of change	YoY
Plastic-related materials	3,833	**4,557**	724	18.9%
Textile-related materials	4,062	**3,640**	-422	-10.4%
Segment net sales	7,896	**8,198**	302	3.8%
Segment operating profit	65	**232**	166	252.8%
Ratio of profit	0.8%	**2.8%**	2.0pt	-





The following is an explanation of the main factors behind the Industrial Materials segment. In the plastic related materials field, sales increased due to a recovery mainly in the automotive field and an increase in orders for molded and processed products.

In the textile-related materials field, sales decreased due to sluggish domestic demand caused by soaring import prices in response to the weak yen for apparel-related products. Overall, the acquisition of Shinbo Edix contributed to higher revenues and earnings.

As a result, sales for the Industrial Materials segment as a whole increased 3.8 percent year-on-year to 8,198 million yen, and segment profit increased 252.8 percent year-on-year to 232 million yen.

Briefing by Segment: Electronic Devices

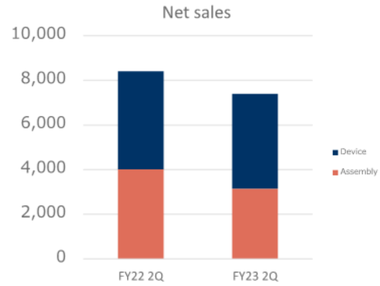
Briefing by Segment: Electronic Devices

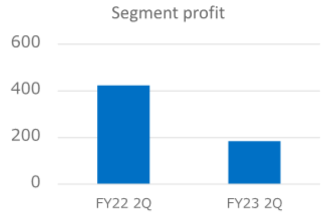
TAK

- Overall sales in the Electronic Devices and Components segment declined 12.0% to 7,401 million yen.
- Segment profit declined 56.3% to 184 million yen.

(Unit: Millions of yen)

	FY22 2Q	FY23 2Q	Amount of change	YoY
Device	4,009	**3,147**	-862	-21.5%
Assembly	4,400	**4,254**	-146	-3.3%
Segment net sales	8,410	7,401	-1,008	-12.0%
Segment operating profit	423	**184**	-238	-56.3%
Ratio of profit	5.0%	**2.5%**	-2.5pt	-





This is the main reason for the change in the Electronics & Devices segment. The consumer electronics-related market, which had been strong until the previous fiscal year, including white goods and video equipment, supported by demand in the Corona disaster and other factors, is slowing rapidly worldwide due to rapid changes in consumption trends in the after Corona. Both sales and profits were down due largely to the impact of increasing inventories throughout the market.

As a result, overall net sales in the Electronics & Devices segment declined 12 percent from the same period last year to 7,401 million yen, with segment income down 56.3 percent to 184 million yen.

Real Estate Leasing Segment

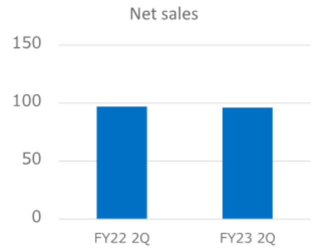
Real Estate Leasing Segment

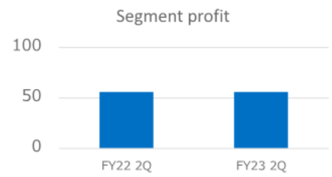
TAK

➢ **No change in real estate owned by the Company from the previous period, and both net sales and segment profit remained unchanged.**

(Unit: Millions of yen)

	FY22 2Q	FY23 2Q	Amount of change	YoY
Segment net sales	97	**96**	-0	-0.9%
Segment operating profit	56	**56**	-0	-0.3%
Ratio of profit	58.4%	**58.8%**	0.3pt	-





The following is an explanation of the main contents of the rental real estate segment. There is no change in properties held since the end of the previous period, and both sales and segment income have remained almost unchanged. As a result, overall net sales in the rental real estate segment declined 0.9 percent year on year to 96 million yen, and segment income fell 0.3 percent to 56 million yen.

FY23 Consolidated Performance Forecast

FY23 Consolidated Performance Forecast

- We revised our forecasts upward, taking into account the acquisition of Gansu Corporation in June 2023 and our performance in the second quarter of the fiscal year ending March 31, 2024.

(Unit: Millions of yen)

	FY23 Former forecast (A)	FY23 Revised forecast (B)	Amount of change (B-A)	Ratio of change (%)	Results for the previous period (C)	Amount of change (B-C)	Ratio of change (%)
Net sales	89,000	**94,000**	**5,000**	**5.6**	79,683	14,316	18.0%
Operating profit	1,800	**2,300**	**500**	**27.8**	1,764	535	30.3%
Operating profit ratio	2.0%	**2.4%**	**0.4pt**	**-**	2.2%	0.2pt	-
Ordinary profit	1,900	**2,400**	**500**	**26.3**	1,939	460	23.7%
Profit attributable to owners of parent	1,600	**1,700**	**100**	**6.3**	1,585	114	7.2%

I would like to explain our consolidated earnings forecast for the fiscal year ending March 31, 2024. We have revised upward our full-year consolidated earnings forecast, considering the acquisition of Gansui Corporation executed in June 2023 and our performance in the first half of the current fiscal year.

Compared to the previous forecast announced in May 2023, we now forecast a 5.6 percent increase in net sales to 94 billion yen, a 27.8 percent increase in operating profit to 2.3 billion yen, and a 6.3 percent increase in profit attributable to shareholders of the parent company to 1.7 billion yen.

Compared to the previous year, net sales were up 18 percent, operating profit was up 30.3 percent, and net profit was up 7.2 percent.

Revision of Consolidated Forecasts by Segment for FY23

Revision of consolidated forecasts by segment for FY23

TAK

➢ We revised forecasts for construction supply and industrial materials segments.

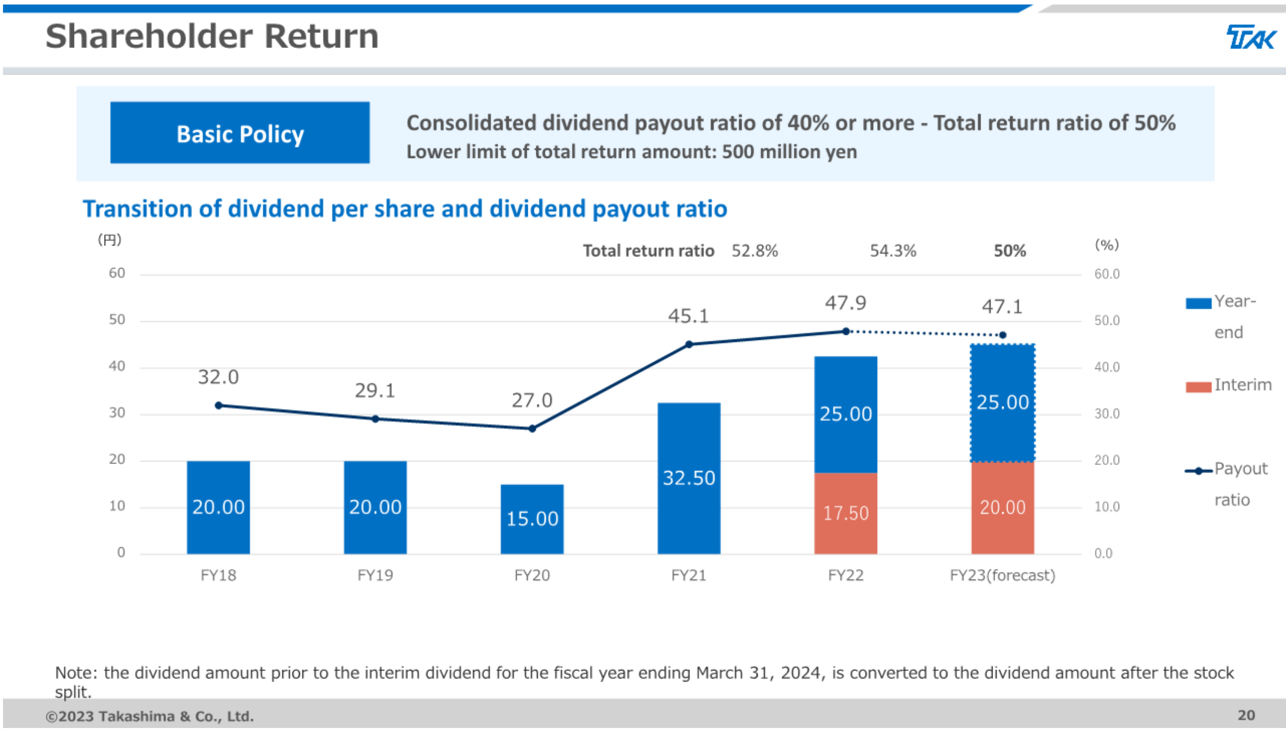
(Unit: Millions of yen)

	FY23 Former forecast (A)	FY23 (B) Revised forecast	Amount of change (B-A)	Ratio of change (%)	Result for FY22 (C)	Amount of change (B-C)	Ratio of change (%)
Net sales	89,000	**94,000**	**5,000**	**5.6%**	79,683	14,316	18.0%
Construction Supply	54,600	**59,350**	**4,750**	**8.7%**	44,511	14,838	33.3%
Industrial Materials	18,750	**19,000**	**250**	**1.3%**	17,677	1,322	7.5%
Electronic Devices	15,450	**15,450**	**－**	**0.0%**	17,301	-1,851	-10.7%
Real Estate Leasing	200	**200**	**－**	**0.0%**	193	6	3.1%
Operating profit	1,800	**2,300**	**500**	**27.8%**	1,764	535	30.3%
Construction Supply	840	**1,320**	**480**	**57.1%**	611	708	115.8%
Industrial Materials	400	**420**	**20**	**5.0%**	23	396	1,692.7%
Electronic Devices	450	**450**	**－**	**0.0%**	1,014	-564	-55.7%
Real Estate Leasing	110	**110**	**－**	**0.0%**	114	-4	-4.0%

Regarding the consolidated performance forecast by segment, we revised the performance forecast for the Construction Supply and Industrial Materials segment.

In the Construction Supply segment, as mentioned earlier, both net sales and operating profit are expected to increase from the previous forecast, mainly due to the contribution of the acquired Gansui Corporation. The Industrial Materials segment is expected to slightly increase. There is no change in the forecast for the Electronics & Devices segment.

Shareholder Return



I would like to explain our shareholder returns.
Since a 4-for-1 stock split of common stock was implemented on October 1, 2023, the slide shows the change in dividends after the stock split.

Our basic policy on shareholder returns is to expand growth investments with the aim of achieving sustainable growth with strategic investments, while at the same time, we will return profits to shareholders with an awareness of capital efficiency. The consolidated dividend payout ratio is targeted at 40% or more, and the total return ratio, including share buybacks, is targeted at 50%.

We have also set the minimum amount of total return to shareholders at 500 million yen, with a view to providing a stable return to shareholders, and have continued to return profits to shareholders in accordance with this basic policy since the fiscal year ended March 31, 2022.

Progress on the Investment Limits Set in the Plan to Meet the Criteria

Progress on the Investment Limits Set in a Plan to Meet the Criteria

- The company has already invested 8.95 billion yen through the second quarter of the fiscal year ending March 31, 2024, out of a total investment limit that has been increased to over 10 billion yen.
- Investments with investment returns will continue to be made.

	Results (FY21 – FY23 2Q)
M&A	¥7.09Bn Three M&As (New Energy Distribution System Inc. Sinbou Edix Co., Ltd. , Gansui Corporation M&A Consideration Costs
Plant & Equipment	¥1.09Bn Investment in maintenance, renewal and enhancement of own plants and facilities
Human assets, IT, others	¥0.77Bn Recruit/Engagement Survey Core system renewal Enhancement of IR
Invested amount	¥8.95Bn

Koichi Takashima (hereinafter "Takashima"): My name is Koichi Takashima, President. I will explain the progress of a plan to meet the criteria.

In the plan to meet the criteria, we set our investment limit at over 10 billion yen and have invested a total of 8.95 billion yen in three M&As, plants and facilities, human assets, IT, etc. through the second quarter of this fiscal year. We plan to continue to make investments with investment returns, depending on the details of the projects.

Results of M&As (Consolidation of a Subsidiary)

Our M&A results so far. We acquired New Energy Distribution System and Sinbou Edix as subsidiaries in December 2022 and Gansui Corporation in June 2023. These acquisitions are based on the basic policy of the M&A strategy of the Medium-Term Management Plan Sustainability V(Value), which is to strengthen the functions of existing businesses and develop the periphery of existing businesses.

Overview of Gansui Corporation, which became a subsidiary through M&A

Overview of Gansui Corporation, which became a subsidiary through M&A

Name	Acquisition data	Segment	Acquisition cost	Goodwill
Gansui 岩水開発株式会社 Gansui Corporation	June 2, 2023	Construction Supply	¥5 Bn	¥5.37Bn (provisional figure)

Financial Result of Fiscal year ended July 2022	
Net sales	¥6,292M
Operating profit	¥294M
Ordinary profit	¥605M
Net profit	¥474M
Net assets	¥1,098M
Total assets	¥6,078M

I would like to explain Gansui Corporation, which became our subsidiary on June 2, 2023. The segment belongs to the Construction Supply segment, and for the fiscal year ended June 30, 2022, the company reported net sales of over 6 billion yen and net income of just under 500 million yen.

The photo on the lower right of the slide shows the head office building in Okayama Prefecture. This company building received the "Okayama Cityscape Town Development Award”.

Overview of Gansui Corporation

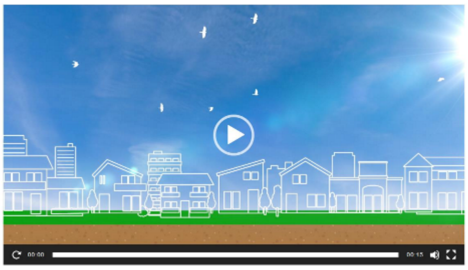
Overview of Gansui Corporation

https://www.gansui.co.jp/

Name	Gansui Corporation
Founded	August 5, 1965
Incorporation	July 28, 2021
Share Capital	¥110,000,000
Representative	Masahiro Oshikawa
Number of Employee	174 （Included related company）
Located	18-18, Fukuyoshityou, Minami, Okayama-city, Okayama
Business	-Ground Survey Business -Building Ground Improvement Business -Civil Engineering Site Improvement Business -N-Plus FC (Headquarters) Ground remediation business for construction
Related company	Naruto-SP Industries Co., Ltd.

Gansui Corporation TVCM

https://www.youtube.com/watch?v=Uns-NRbot7M

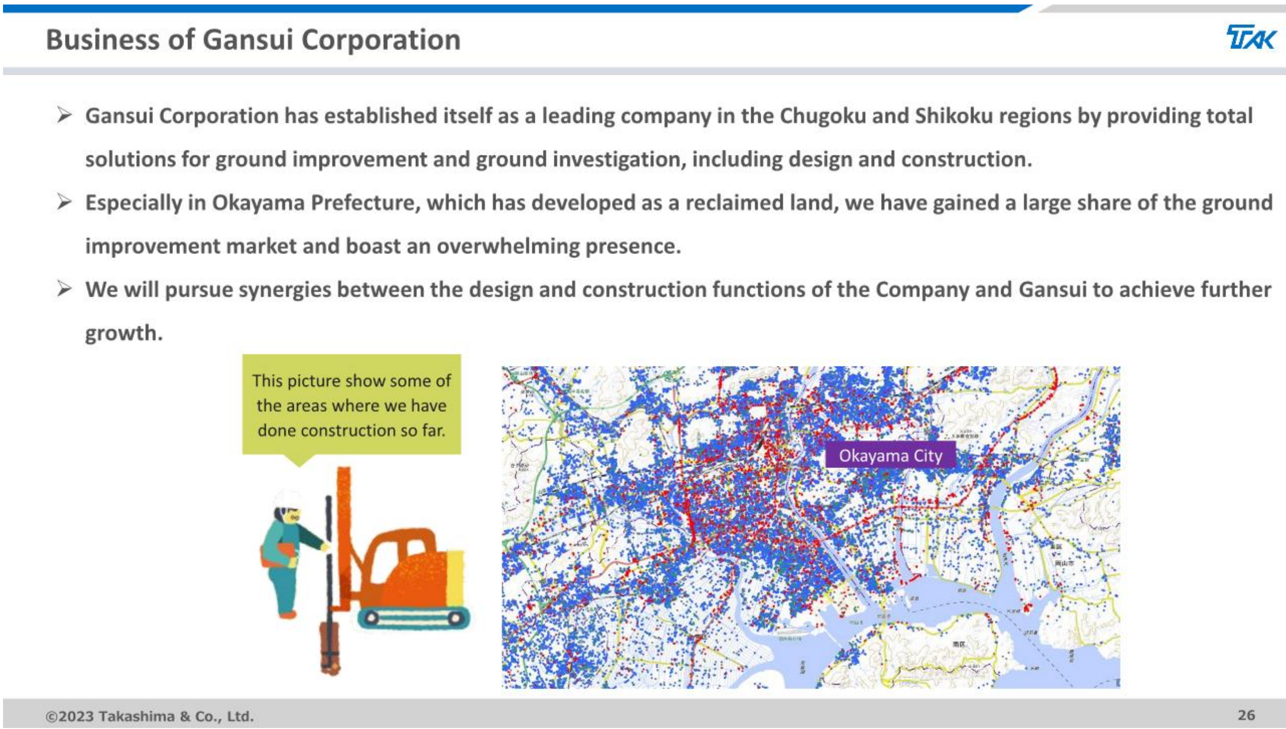


25

Gansui Corporation was established in 1965 and has a 58-year history. Businesses include geotechnical investigation, construction ground improvement, and civil engineering ground improvement. On the right side of the slide is the URL for the TV commercial that aired this year. It is a compact video overview of Gansui Corporation. I hope you will watch it from the URL later.

https://youtu.be/Uns-NRbot7M

Business of Gansui Corporation



Gansui Corporation has established itself as a leading company in the Chugoku and Shikoku regions by providing total solutions for ground improvement and ground investigation, including design and construction. Especially in Okayama Prefecture, where the land has developed as reclaimed land, the company boasts an overwhelming presence with a high share of the ground improvement market.

We aim to achieve further growth by pursuing synergies between the design and construction functions of the Company and Gansui Corporation.

Transition of stock price after the announcement of our plan to meet the criteria

The graph on the slide shows the Company's stock price since the submission of the plan to meet the criteria. In the plan to meet the criteria, we set five basic policies: capital allocation policy including investment for growth and improvement of financial leverage, sustainable profit growth with investment returns, enhancement of shareholder returns, compliance with the Corporate Governance Code, and enhancement of IR system, and we have been steadily implementing these policies. As a result, the share price has been steadily rising since the announcement of the plan.

Status of Meeting the Criteria for Continued Listing

Status of Meeting the Criteria for Continued Listing

TAK

➢ **Status of meeting the criteria for maintaining prime market listing as of March 31, 2023**

Average closing price from January to the end of March 2023	Tradable market capitalization
¥2,919（Before share split） ¥729（Considering After 4-division conversion)	¥8.24Bn

➢ **Status of meeting the criteria for continued-listing prime market as of October 31, 2023 (in-house calculation)**

Average closing price from August 2023 to the end of October 2023	Tradable market capitalization
¥926（Considering After 4-division conversion)	**¥10.71Bn**

Note: Tradable market capitalization = Number of listed share* Ratio of tradable share* share price
The number of listed shares is calculated based on the number of shares after the stock split.
Share prices are calculated using the adjusted average closed share price after the October 1 stock split.

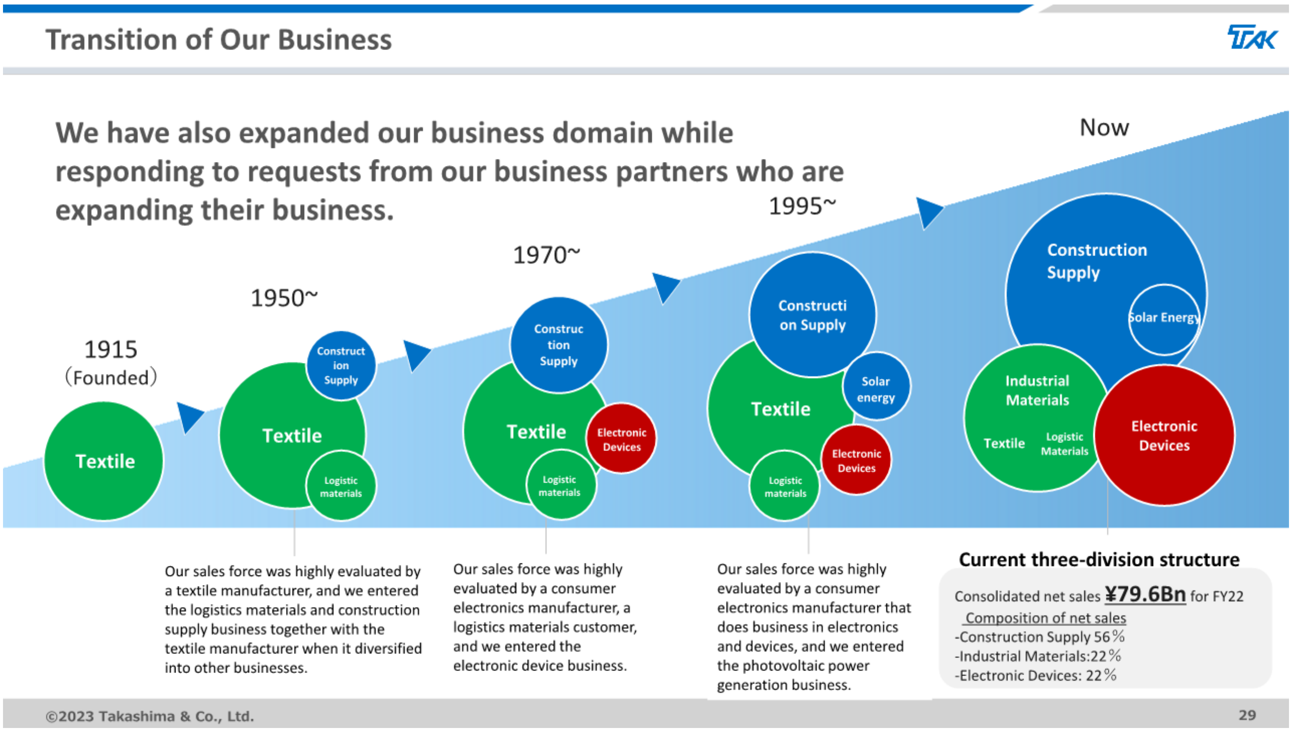
Number of listed share (Number of shares after implementation of the October 1, 2023 stock split)	17,865,092
Tradable share	64.74%

The following is an explanation of the current status of compliance with the listing maintenance criteria.

The listing maintenance criteria for the market capitalization of tradable shares in the prime market is at least 10 billion yen, but the Company did not meet this standard as of March 31, 2023. However, the average closing price for the three-month period from August to October 2023 was 10.71 billion yen when calculated by us. The TSE will judge the situation as of March 31, 2024 in the next issue.

Although the plan aims to achieve the goal by the end of March 2026, we will continue to implement measures to enhance corporate value, with a view to achieving the criteria ahead of schedule.

Transition of Our Business



I would like to explain the transition of our group. Our company was founded in 1915 as a trading company specializing in textiles, handling fabrics for industrial use. Around 1950, when chemical fiber manufacturers diversified, they requested our sales capabilities, and we entered the logistics materials and building materials business. Around 1970, we entered the electronics device business, having received high praise for our sales capabilities from consumer electronics manufacturers, who were our customers for logistics materials.

TAK (Hong Kong) Limited, the predecessor of iTak (International) Limited, was established in 1993. iTak (International) Limited is celebrating its 30th anniversary this year.

Around 1995, we entered the photovoltaic power generation business at the request of a consumer electronics manufacturer with whom we did business in electronics and devices.

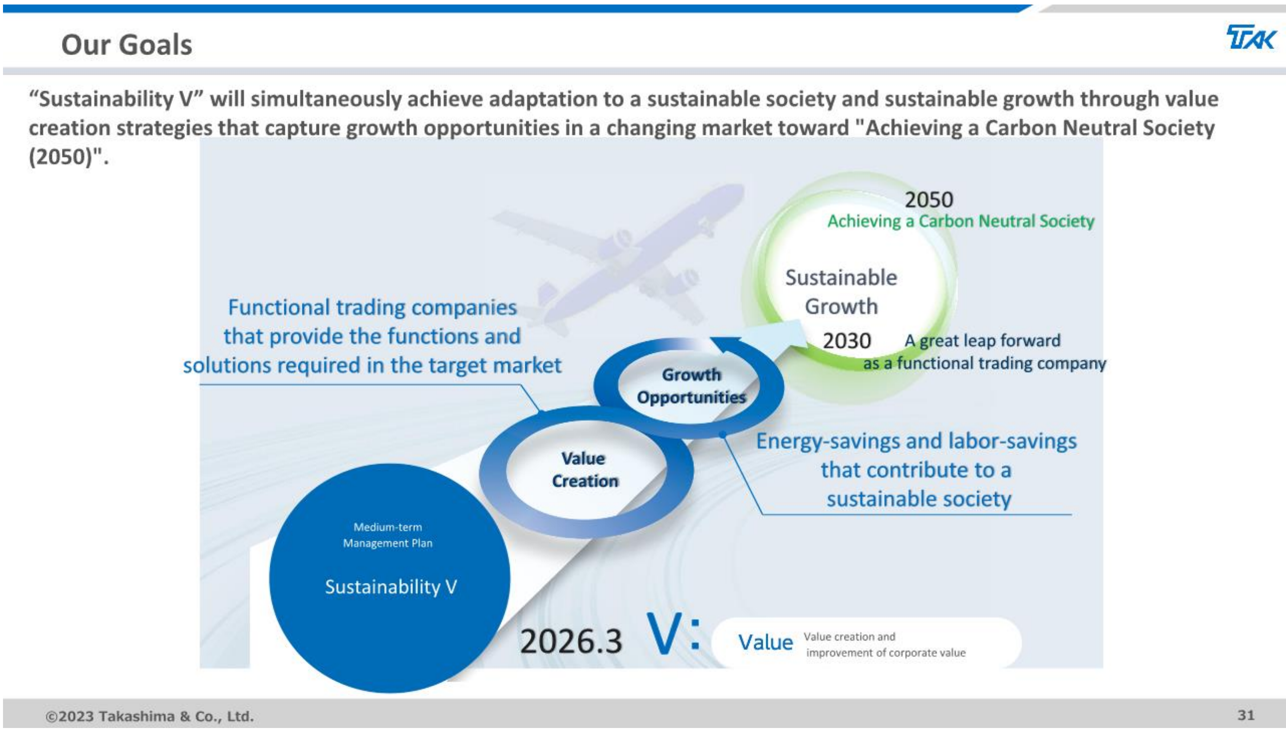
Thus, in Japan, the Takashima Group has expanded from textile materials to industrial materials and construction materials businesses. Overseas, the Takashima Group has expanded its electronics and devices business, which has evolved into the current three-division structure.

Takashima Group continues to make great leap forward

After submitting the plan to meet the criteria, the Takashima Group acquired three companies as subsidiaries through M&A. As a result, the Takashima Group now has a total of 19 group companies: 13 domestic and 6 overseas. The number of employees reached 1,175 as of the end of September 2023, promoting steady group expansion.

We will continue to pursue further sustainable growth through integrated management of our subsidiaries, centered on our three business divisions. Please look forward to our future enhancement of corporate value.

Our Goals



The slide shows the vision of the current medium-term management plan, Sustainability V(Value). The Group will continue to aim to simultaneously achieve adaptation to a sustainable society and sustainable growth by creating value through the assembly of strategies that capture growth opportunities in the market.

Toward the sustainable growth we are striving for, the medium-term management plan is off to a good start, and we believe it is progressing on-track.

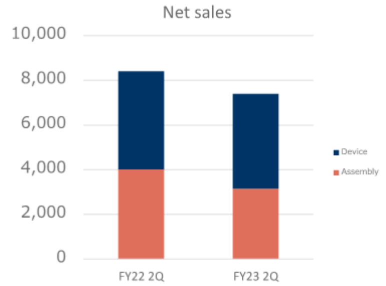
Q&A: Outlook for the Electronics & Devices Segment

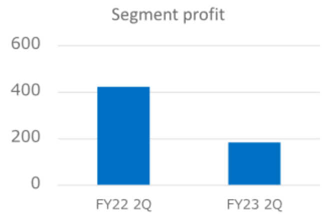
Briefing by Segment: Electronic Devices

- Overall sales in the Electronic Devices and Components segment declined 12.0% to 7,401 million yen.
- Segment profit declined 56.3% to 184 million yen.

(Unit: Millions of yen)

	FY22 2Q	**FY23 2Q**	Amount of change	YoY
Device	4,009	**3,147**	-862	-21.5%
Assembly	4,400	**4,254**	-146	-3.3%
Segment net sales	8,410	**7,401**	-1,008	-12.0%
Segment operating profit	423	**184**	-238	-56.3%
Ratio of profit	5.0%	**2.5%**	-2.5pt	-





QUESTION: In the electronics and devices segment, you explained that inventories are building up in the market. How do you see it after that? I would like to ask if the inventory adjustment has been completed and is heading toward improvement, and if there is any prospect of improvement in the segment.

Takashima: There has been a global market slowdown in electronics. Although there are signs of considerable improvement in some areas, such as semiconductors, the future is still unclear about the consumer electronics-related area, which is currently our main area of business. Due to the buildup of market inventories, we expect gradual improvement if the market turns around, but our view is that the market will continue to struggle for some time.

However, as a follow-up measure, we are strengthening sales and promoting spec-in even now so that we can recover strongly after the market recovers. Since we partly have a manufacturer function, we are currently preparing for the coming time by promoting value assessment and value engineering proposals as a trading company.

Q&A: M&A in the future

Progress on the Investment Limits Set in a Plan to Meet the Criteria

TAK

- The company has already invested 8.95 billion yen through the second quarter of the fiscal year ending March 31, 2024, out of a total investment limit that has been increased to over 10 billion yen.
- Investments with investment returns will continue to be made.

	Results (FY21 – FY23 2Q)
M&A	**¥7.09Bn** Three M&As （New Energy Distribution System Inc. Sinbou Edix Co., Ltd. , Gansui Corporation M&A Consideration Costs
Plant & Equipment	**¥1.09Bn** Investment in maintenance, renewal and enhancement of own plants and facilities
Human assets, IT, others	**¥0.77Bn** Recruit/Engagement Survey Core system renewal Enhancement of IR
Invested amount	**¥8.95Bn**

 22

QUESTION: You have been aggressively pursuing M&A with three consecutive companies so far, and are approaching the 10 billion yen quota. Will you continue to pursue M&A at this pace in the future? I would like to know your thoughts on the framework for the future and areas in which you would like to conduct further M&A in the future.

Takashima: We initially set our M&A target at 7 billion yen and later changed it to over 10 billion yen, which we have almost reached. As indicated on the slide, we will continue to expand our investment limit to the extent appropriate for our size and aggressively pursue M&A in areas where we see opportunities.

In M&A, PMI is very important. Therefore, as for the pace of M&A, we would like to ensure that PMI is carried out and that in the process we are able to secure a form in which we can definitely obtain a return on our investment. At this point, it is still too early to conclude PMI for the three companies, but we are off to a good start.

We are considering M&A in areas that are highly related to our existing businesses, and where we can expand our business areas and enhance our functions.

For this year, we will be stepping into the construction area in the building materials related field. This is an area where we can strengthen our capabilities in the area where the last mile is required and where we are working on the market. We believe that the synergistic effect of combining our business with this area will be very large, and we believe that seizing this area, which will be in short supply in the future, will further enhance our competitiveness.

We remain interested in these areas and are actively considering future investments. Obviously, we will proceed on the premise that we can steadily conduct PMI. In that sense, the three M&As in the past year were fast paced. From now on, I believe that the pace of progress will be based on a careful assessment of timing and investment projects. However, I believe that we may make decisions on M&A together with our portfolio.

Q&A: Short-Term Borrowings

Consolidated Performance B/S

TAK

Main Factors of Change

(Unit: Millions of yen)

	FY22	FY23 2Q	Amount of change	Ratio of change
Liabilities				
Current liabilities				
Notes and accounts payable trade	15,277	16,238	960	6.3%
Electronically recorded obligations – operating	5,735	5,487	-248	-4.3%
Short-term borrowings	3,548	7,875	4,326	121.9%
Total current liabilities	27,585	**32,320**	4,734	17.2%
Non-current liabilities				
Long-term borrowings	3,347	3,947	599	17.9%
Total non-current liabilities	5,935	**6,674**	739	12.5%
Total liabilities	33,520	38,995	5,474	16.3%
Net assets				
Shareholders' equity				
Share capital	3,801	3,801	–	0.0%
Retained earnings	12,482	12,758	275	2.2%
Total shareholders' equity	17,874	18,167	293	1.6%
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	704	1,065	360	51.1%
Foreign currency translation adjustment	555	990	435	78.5%
Total accumulated other comprehensive income	1,665	2,465	800	48.1%
Total net assets	19,539	**20,633**	1,093	5.6%
Total liabilities and net assets	53,060	59,628	6,568	12.4%

 9

QUESTION: On a detailed point, short-term borrowings are increasing. This is probably due to M&A. How do you plan to handle this in the future? Are there any replacements?

Suzuki: As you mentioned, short-term borrowings have temporarily increased because of the acquisition of Gansui Corporation. We are considering measures from various perspectives to address this issue, such as reducing policy shareholdings, promoting asset allocation, or refinancing to an appropriate procurement method as the original procurement method.

Q&A: Disclosure of initiatives related to cost of capital conscious management

Question: It seems that your company has not disclosed any initiatives regarding cost of capital conscious management as required by the TSE. Please tell us how you intend to address this issue in the future.

Takashima: It is somewhat unfortunate that this is perceived as a lack of disclosure. The various initiatives we are currently implementing based on the plan to meet the criteria, or the Medium-term Management Plan were prepared with capital efficiency in mind, and I believe that the concept is well encompassed. The Board of Directors is currently discussing the disclosure required by the TSE. We intend to disclose the information as soon as the system is in place.