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Fiscal Year Ending March 31, 2023(FY22) Full Year Financial Briefing

Takashima & Co., Ltd. Securities Code 8007

Mar. 31, 2023

Takashima & Co., Ltd.

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Mr. Takahiro Suzuki (hereafter, Suzuki) : Thank you very much for participating in Takashima Co., Ltd.'s financial results briefing for the fiscal year ending March 31, 2023. I'm Suzuki, Director, Managing Executive Officer, and Division Chief of the Business Administration Division.

First, I will explain the financial results for the fiscal year ending March 31, 2023, the consolidated earnings forecast for the fiscal year ending March 31, 2024, and shareholder return policies. After that, Mr. Takashima, President of our company, will explain our efforts to meet the continued-listing criteria for the Tokyo Stock Exchange’s new market classification.

Executive Summary

Executive Summary

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FY22 Financial Highlights

- ✓ Increase Net Sales and Profit
- ✓ Highest Net Profit Ever
- ✓ Annual dividend per share of ¥170
  (Year-end Dividend Increased by ¥30)
- ✓ Payout ratio 47.9%   Total Return Ratio 54.3%

FY23 Performance Forecast

Net Sales ¥89,000M, Operating Profit 1,800M, Ordinary Profit 1,900M, Profit attributable to owners of parent 1,600M

FY23 Dividends Forecast

Dividends Per Share
Interim (Before Share Split) ¥70
Year-end(After Share Split) ¥25
(We will execute 1 for 4 Share Split at October)
（Without Share Split ¥170）

I will explain the executive summary of the financial results for the fiscal year ending March 31, 2023. In the fiscal year ending March 31, 2023, both sales and profits increased, and net profit attributable to owners of parent reached a record high.

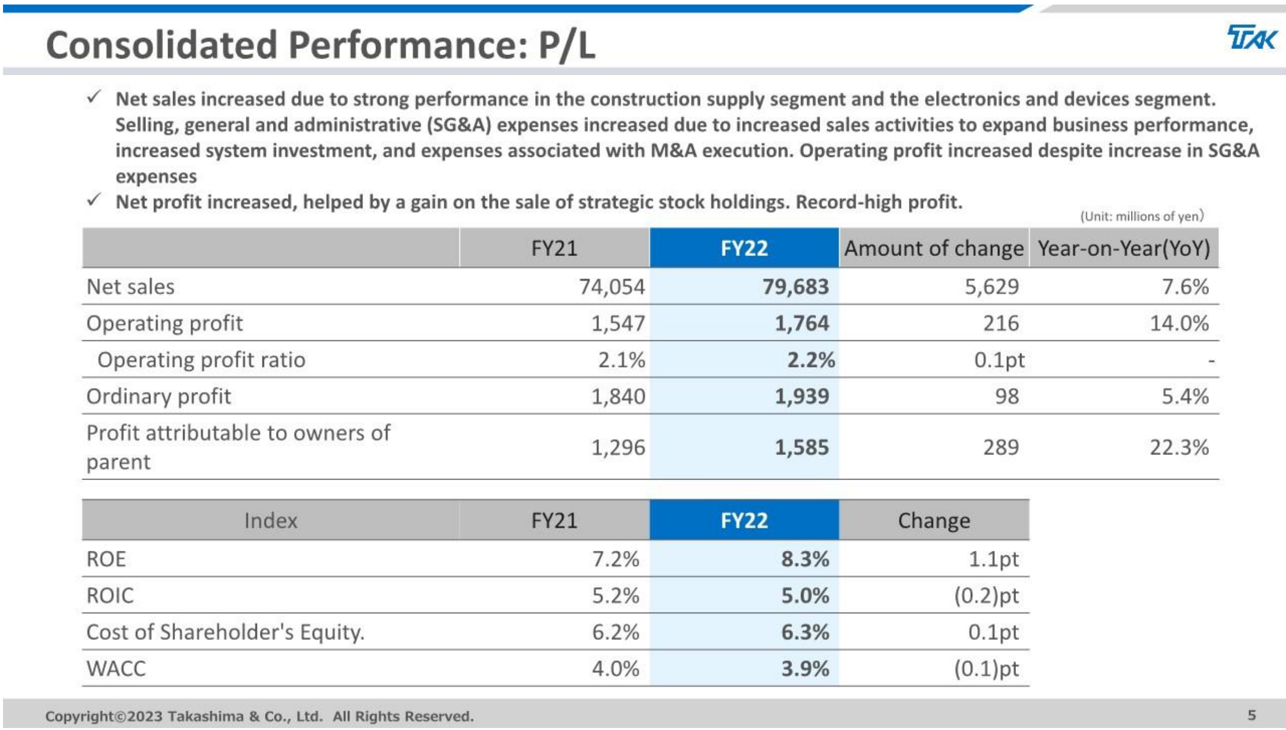
The annual dividend per share was ¥170, an increase of ¥30 from the year-end dividend, resulting in a dividend payout ratio of 47.9% and a total return ratio of 54.3%.

For the fiscal year ending March 31, 2024, we forecast net sales of 89 billion yen, operating profit of 1.8 billion yen, ordinary profit of 1.9 billion yen, and profit attributable to owners of parents of 1.6 billion yen.

As disclosed on May 11, we will plan to implement a share split with an effective date of October 1, 2023, allocating 4 shares to 1 share.

The interim dividend for the fiscal year ending March 31, 2024 is expected to be 70 yen, and the year-end dividend will be 25 yen, due to the stock split. It is equivalent to 100 yen before the split. If adjusted for the full year, it will be 170 yen, which is the same forecast as the previous fiscal year.

Consolidated Performance P/L



Consolidated Performance: P/L

- ✓ Net sales increased due to strong performance in the construction supply segment and the electronics and devices segment. Selling, general and administrative (SG&A) expenses increased due to increased sales activities to expand business performance, increased system investment, and expenses associated with M&A execution. Operating profit increased despite increase in SG&A expenses
- ✓ Net profit increased, helped by a gain on the sale of strategic stock holdings. Record-high profit.

(Unit: millions of yen)

	FY21	FY22	Amount of change	Year-on-Year(YoY)
Net sales	74,054	**79,683**	5,629	7.6%
Operating profit	1,547	**1,764**	216	14.0%
Operating profit ratio	2.1%	**2.2%**	0.1pt	-
Ordinary profit	1,840	**1,939**	98	5.4%
Profit attributable to owners of parent	1,296	**1,585**	289	22.3%

Index	FY21	FY22	Change
ROE	7.2%	**8.3%**	1.1pt
ROIC	5.2%	**5.0%**	(0.2)pt
Cost of Shareholder's Equity.	6.2%	**6.3%**	0.1pt
WACC	4.0%	**3.9%**	(0.1)pt

I will explain the consolidated income statement. Net sales increased by 7.6% year-on-year to 79,683 million yen due to strong sales in the construction supply segment and the electronics and devices segment.

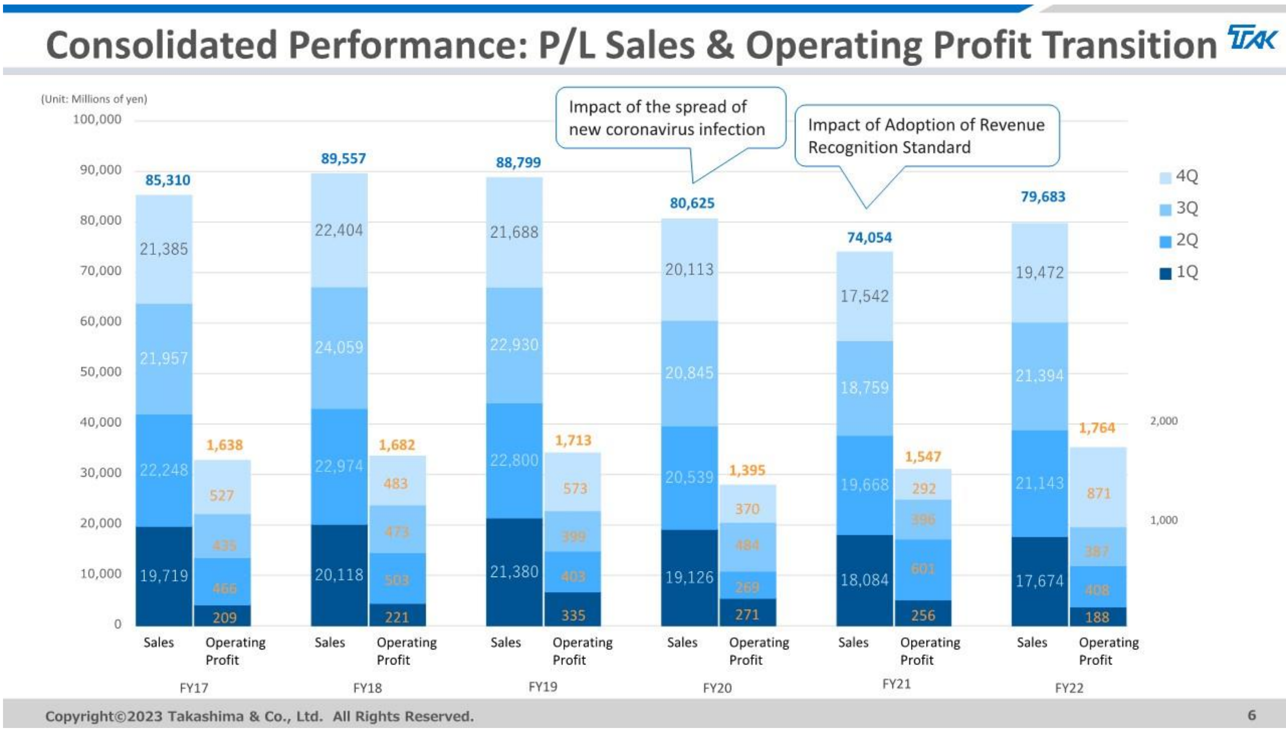
Selling, general and administrative expenses increased due to an increase in sales activities aimed at expanding business results, an increase in system investment, and expenses related to M&A. Operating profit increased 14.0% year-on-year to 1,764 million yen, despite the increase in SG&A expenses.

Ordinary profit increased by 5.4% year-on-year to 1,939 million yen. Profit attributable to owners of parent increased 22.3% year-on-year to 1,585 million yen, a record high, due to gains on the sale of cross-shareholdings.

We plan to reduce cross-shareholdings to less than 10% of net assets by the end of the fiscal year ending March 31, 2024.

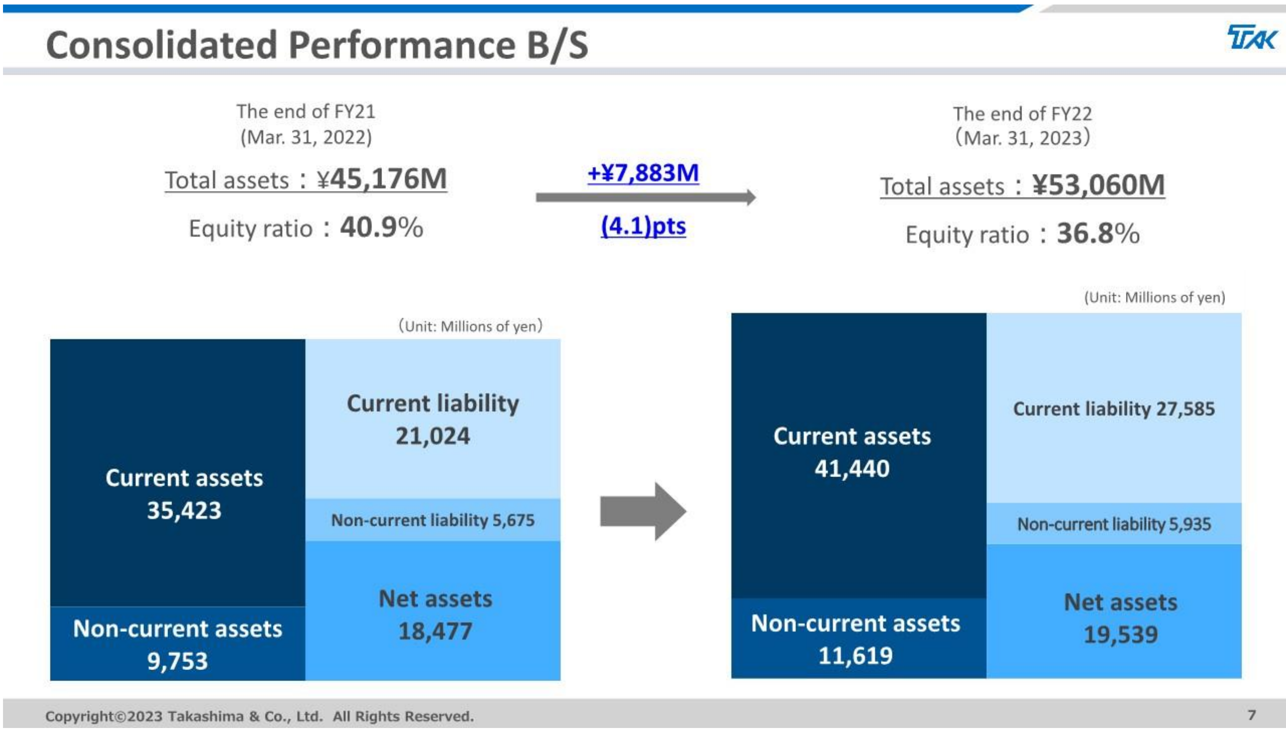
ROE and ROIC, which are set as management indicators, were 8.3 percent and 5.0 percent, respectively. Compared to the previous year, ROE increased 1.1 percentage points and ROIC decreased 0.2 percentage points, mainly due to an increase in interest-bearing debt.

Consolidated Performance: P/L Sales & Operating Profit Transition



The graph on the slide shows trends in net sales and operating profit.

Consolidated Performance B/S



I will explain the balance sheet. Compared to the end of the previous fiscal year, total assets increased by 7,883 million yen.

This was mainly due to an increase in accounts note receivables -trade and accounts receivable-trade accompanying an increase in sales and an increase in short-term borrowings. Equity ratio decreased by 4.1 percentage points to 36.8%.

Consolidated Performance: B/S(detailed)

Consolidated Performance: B/S(detailed)

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(Unit: millions of yen)

	FY21	FY22	Amount of change(YoY)	Ratio of change(YoY)	Main reasons of change
Total Assets	45,176	53,060	7,883	17.5%	
Total current assets	35,423	41,440	6,017	17.0%	Notes Receivables –trade and accounts receivable – trade +¥2,592M, Electronically recorded monetary claims- operating +¥1,127M Merchandise and finished goods +¥1,071M
Total non-current assets	9,753	11,619	1,866	19.1%	
Property, plant and equipment	4,252	4,707	454	10.7%	Machinery, equipment and vehicles +¥302M
Intangible assets	514	1,662	1,147	223.0%	Goodwill +¥1,069M
Total investments and other assets	4,986	5,249	263	5.3%	
Total liabilities and net assets	45,176	53,060	7,883	17.5%	
Total liabilities	26,699	33,520	6,821	25.5%	
Total current liabilities	21,024	27,585	6,561	31.2%	Short-term borrowings +¥2,524M, Notes and account payable – trade +¥1,153M, Electronically recorded obligation operating +¥1,870M
Total non-current liabilities	5,675	5,935	259	4.6%	Others +¥291M
Total net assets	18,477	19,539	1,062	5.7%	Retained earnings ¥(895)M Retained earnings(profit attributable to owners of parent) +¥1,585M

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The slide shows the main factors compared to the end of the previous fiscal year. Current assets increased 17.0% to ¥41,440 million. The main factors were increases accounts receivable -trade, electronically recorded monetary claims – operating, and merchandise and finished goods.

Fixed assets increased by 19.1% to 11,619 million yen. This was mainly due to an increase in machinery, equipment and vehicles, and goodwill arising from the implementation of M&A.

Current liabilities increased 31.2% to 27,585 million yen. This was mainly due to an increase in short-term borrowings, notes and accounts payable-trade, and electronically recorded obligations - operating.

Fixed liabilities increased by 4.6% to 5,935 million yen. Net assets increased by 5.7% to 19,539 million yen. This was mainly due to a decrease in retained earnings due to the payment of dividends and an increase in retained earnings due to the posting of net profit.

Consolidated Performance: C/F

Consolidated Performance: C/F

Cash flows from operating activities: Increase in trade payable +¥3,227M

Increase in trade receivables and contract assets ¥(3,850)M

Cash flows from investing activities : Acquisition of shares of a subsidiary resulting in a change in the scope of consolidation ¥(1,211)M

Cash flows from financing activities: Net increase in short-term borrowings ¥(2,418)M

(Unit: Millions of yen)

	FY21	FY22
Net cash provided by (used in) operating activities	(389)	**700**
Net cash provided by (used in) investing activities	(654)	**(1,448)**
Net cash provided by (used in) financing activities	2,305	**1,059**
Net increase (decrease) in cash and cash equivalent	1,421	**470**
Cash and cash equivalents at beginning of the period	5,880	**7,301**
Cash and cash equivalents at end of the period	7,301	**7,772**

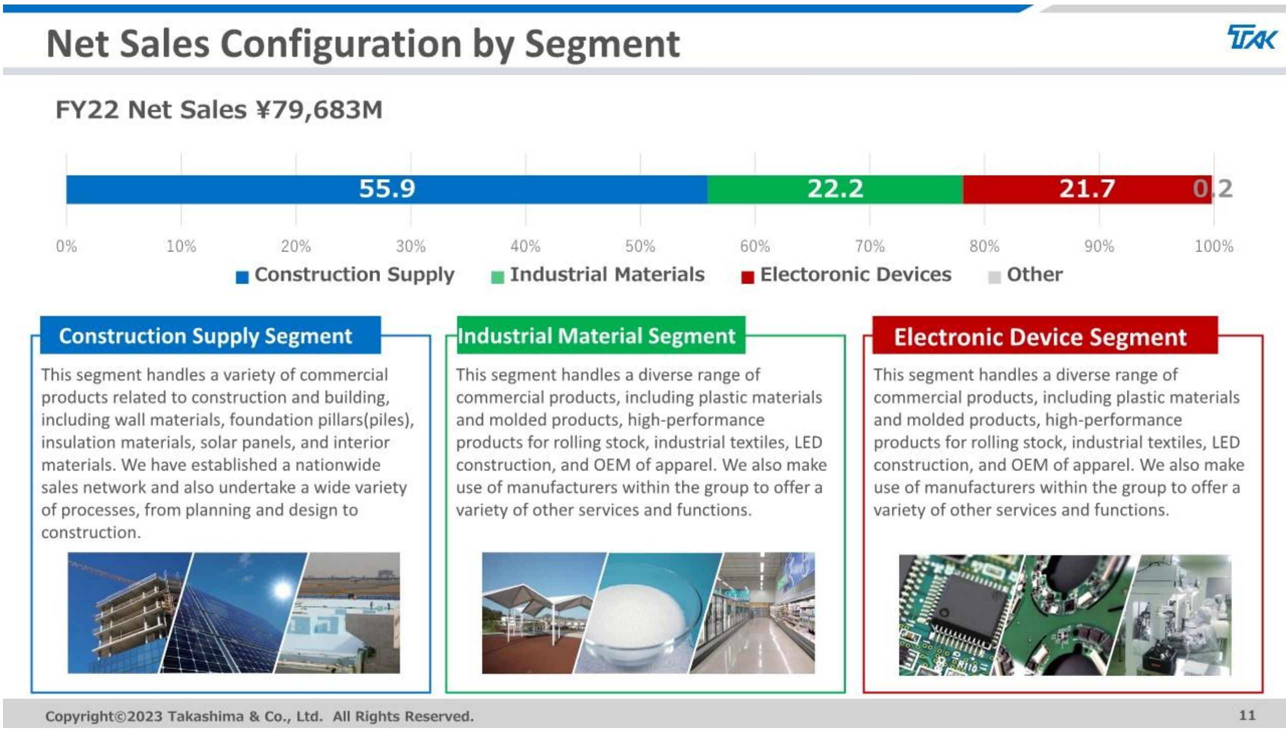
I would like to explain about cash flow. Cash and cash equivalents were 7,772 million yen, an increase of 470 million yen from the end of the previous fiscal year.

Cash flow from operating activities increased by 0.7 billion yen. The main factors were the recording of profit before income taxes and an increase in accounts payable-trade, while an increase in accounts receivable-trade resulted in a decrease.

Cash flow from investing activities decreased by 1,448 million yen. The main factor was the decrease due to the acquisition of shares of a subsidiary through M&A.

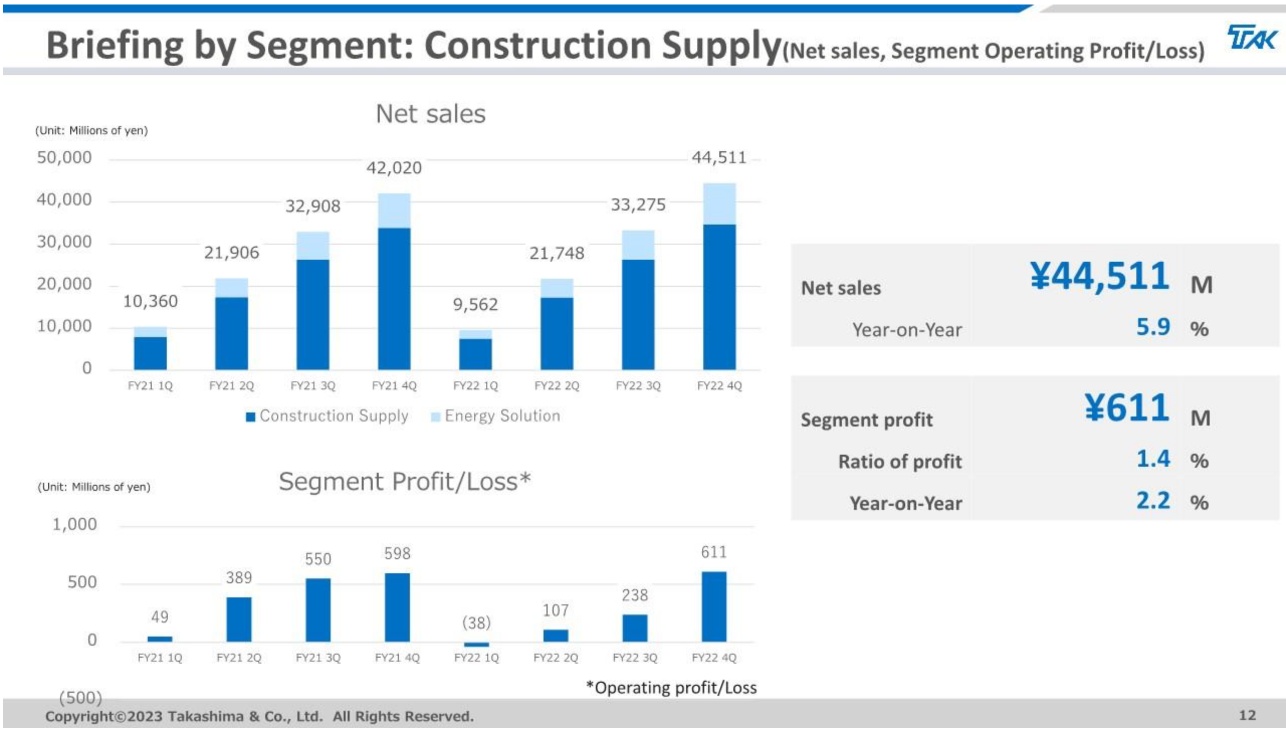
Cash flow from financing activities increased by 1,059 million yen. The main factor was an increase in short-term borrowings.

Net Sales Configuration by Segment



I will explain the performance by segment. The breakdown of net sales by segment for the fiscal year under review was 55.9% for the construction supply segment, 22.2% for the industrial materials segment, and 21.7% for the electronics and devices segment. The main business contents of each segment are as shown on the slide.

Briefing by Segment: Construction Supply (Net Sales, Segment Operating Profit/Loss)



I will move on to explain the overview by segment. This is an overview of the construction supply segment. Net sales for the construction supply segment increased 5.9% year-on-year to 44,511 million yen, and segment profit increased 2.2% year-on-year to 611 million yen.

Briefing by Segment: Construction Supply -Business Field-

Briefing by Segment: Construction Supply -Business Field-

- **In the construction supply field, sales of construction materials were firm, although sales of ground improvement work were sluggish.**
- **Sales in the solar energy-related sector increased year on year, despite the impact of supply delays for solar panels and peripheral equipment.**
- **Sales in the insulation materials-related and housing materials-related fields were generally firm.**
- **Sales and profit decreased due to an increase in selling, general and administrative expenses resulting from increased sales activities to expand business performance, increased system investment, and expenses associated with the implementation of M&A.**

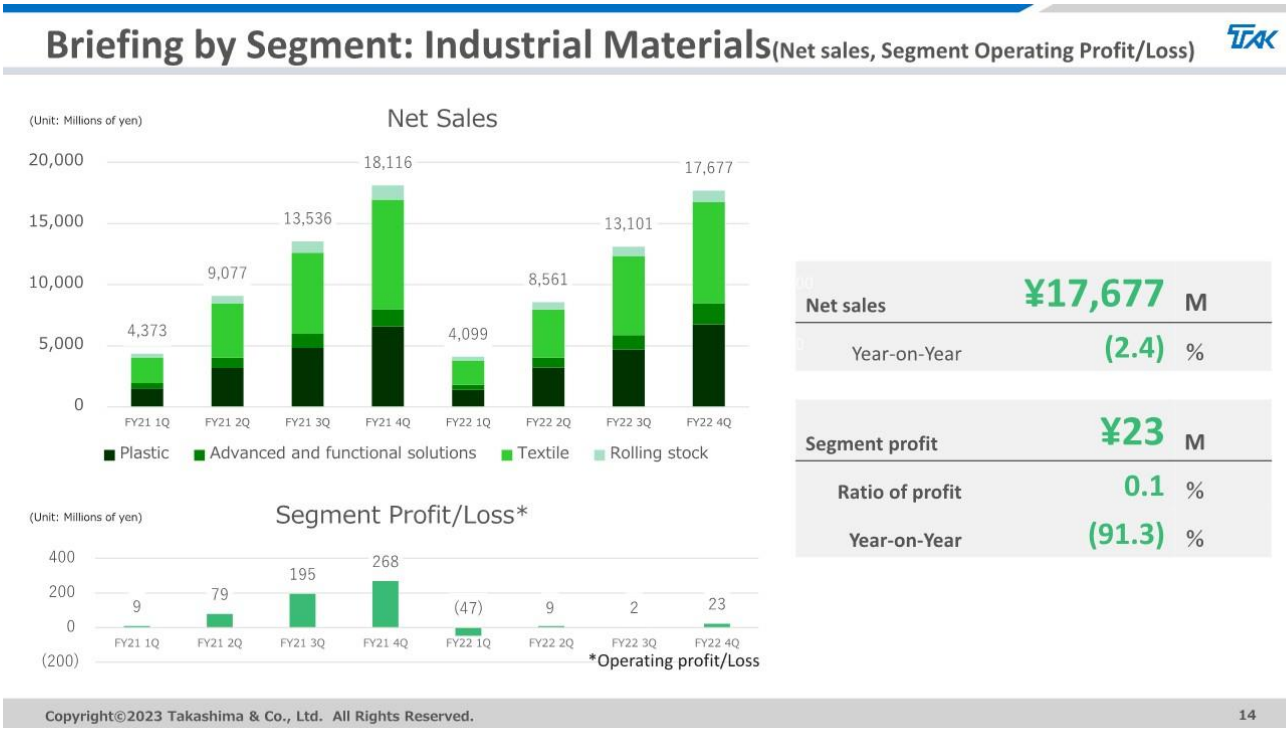
(Unit: Millions of yen)

Business Field	FY21	FY22	Amount of change	Year-on-Year
Construction Supply —Sales, design, and construction of materials related to housing and non-housing	33,865	34,700	834	2.5%
Energy solutions —Sales of solar power generation systems, energy products, and “all-electrification” products.	8,154	9,810	1,655	20.3%
Segment net sales	42,020	44,511	2,490	5.9%
Segment profit	598	611	13	2.2%
Ratio of profit	1.4%	1.4%	-	(0.1)pt

I would like to explain the main factors behind changes in the construction supply segment. In the construction supply field, sales of ground improvement work remained sluggish, but sales of building materials remained firm.

In the solar energy-related field, despite the impact of delays in the supply of solar panels and peripheral equipment, sales increased year on year due to enhanced sales. The heat insulation materials and housing materials fields generally performed well.

Briefing by Segment: Industrial Materials (Net Sales/Segment Operating Profit/Loss)



I will explain the overview of the industrial materials segment. Overall sales of the industrial materials segment decreased 2.4% year-on-year to 17,677 million yen, and segment profit decreased 91.3% year-on-year to 23 million yen.

Briefing by Segment: Industrial Materials -Business Field-

Briefing by Segment: Industrial Materials -Business Field-

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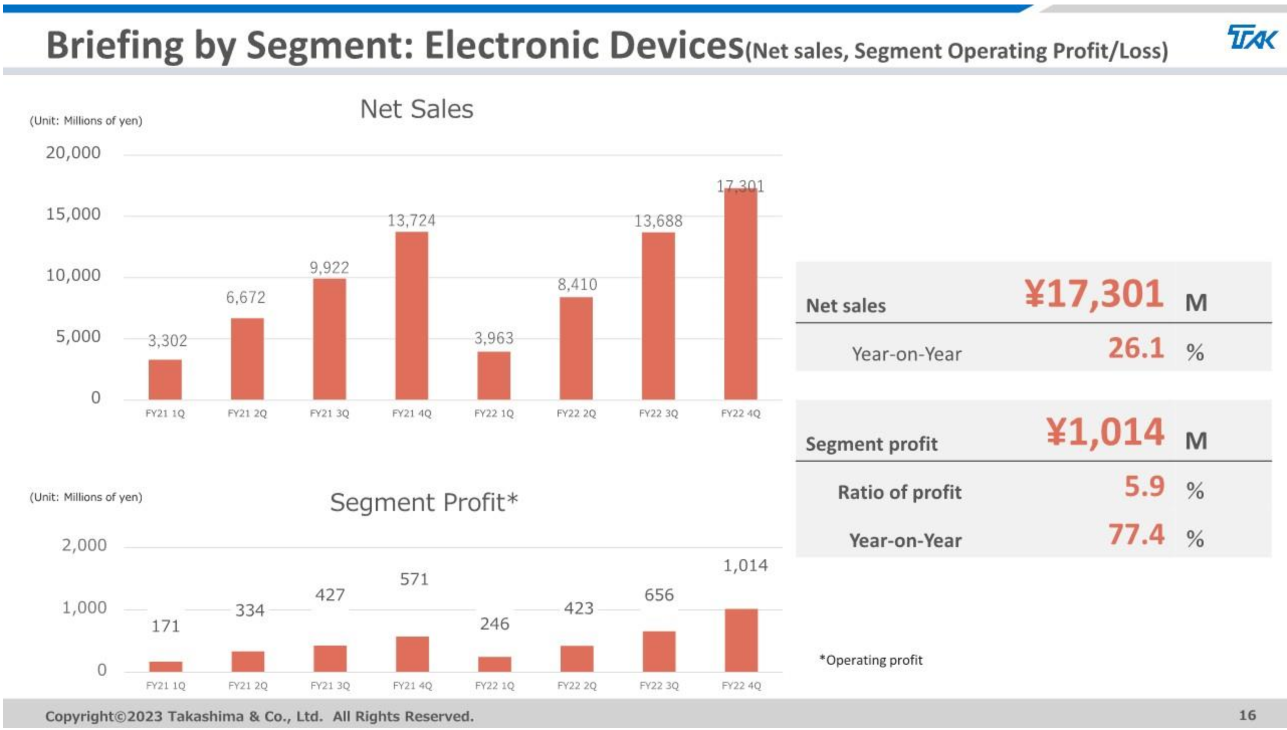
- In the plastic materials-related field, sales increased due to an increase in orders for molded products, despite a slow recovery in the automotive market due to the shortage of semiconductors.
- Textile materials-related sector remained sluggish due to stagnant market and lower demand caused by price hikes.
- Sales and income decreased due to an increase in selling, general and administrative expenses resulting from increased sales activities to expand business performance, increased system investment, and expenses associated with the implementation of M&A.

(Unit: Millions of yen)

Business field	FY21	FY22	Amount of change	Year-on-Year
Plastic —Design, processing, and sales of transport materials and molded plastic products	6,582	6,753	171	2.6%
Advanced and functional solutions —Sales of industrial materials, such as polishing film, and LED installation	1,414	1,738	323	22.9%
Textile —Sales and processing of industrial fabrics, apparel, synthetic leather, sewn products, and textile-related good.	8,949	8,246	(703)	(7.9)%
Rolling stock —Design, processing and sales of interior and exterior components for rolling stock	1,170	938	(231)	(19.8)%
Segment net sales	18,116	17,677	(439)	(2.4)%
Segment profit	268	23	(244)	(91.3)%
Ratio of profit	1.5%	0.1%	-	(1.3)pt

I would like to explain the main factors behind changes in the Industrial Materials segment. In the plastic materials field, the shortage of semiconductors delayed the recovery of the automobile market, and sales remained sluggish. The textile materials sector remained sluggish due to market stagnation due to price hikes and decreased demand.

Briefing by Segment: Electronic Devices (Net Sales/Segment Operating Profit/Loss)



I will explain the overview of the Electronics Devices segment. Overall sales of the Electronics and Devices segment increased 26.1% year-on-year to 17,301 million yen, and segment profit increased 77.4% year-on-year to 1,014 million yen.

Briefing by Segment: Electronics and Devices -Area-

Briefing by Segment: Electronic Devices -Area-

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- **In the electronic equipment-related field, the domestic consumer electronics market, the main market, was in a difficult situation with negative growth for the third consecutive year, while the domestic white goods market turned positive for the first time in two years and performed well.**
- **Despite continued fierce price competition in the market, sales and income increased due to an increase in new orders and the weaker yen, which also boosted earnings.**

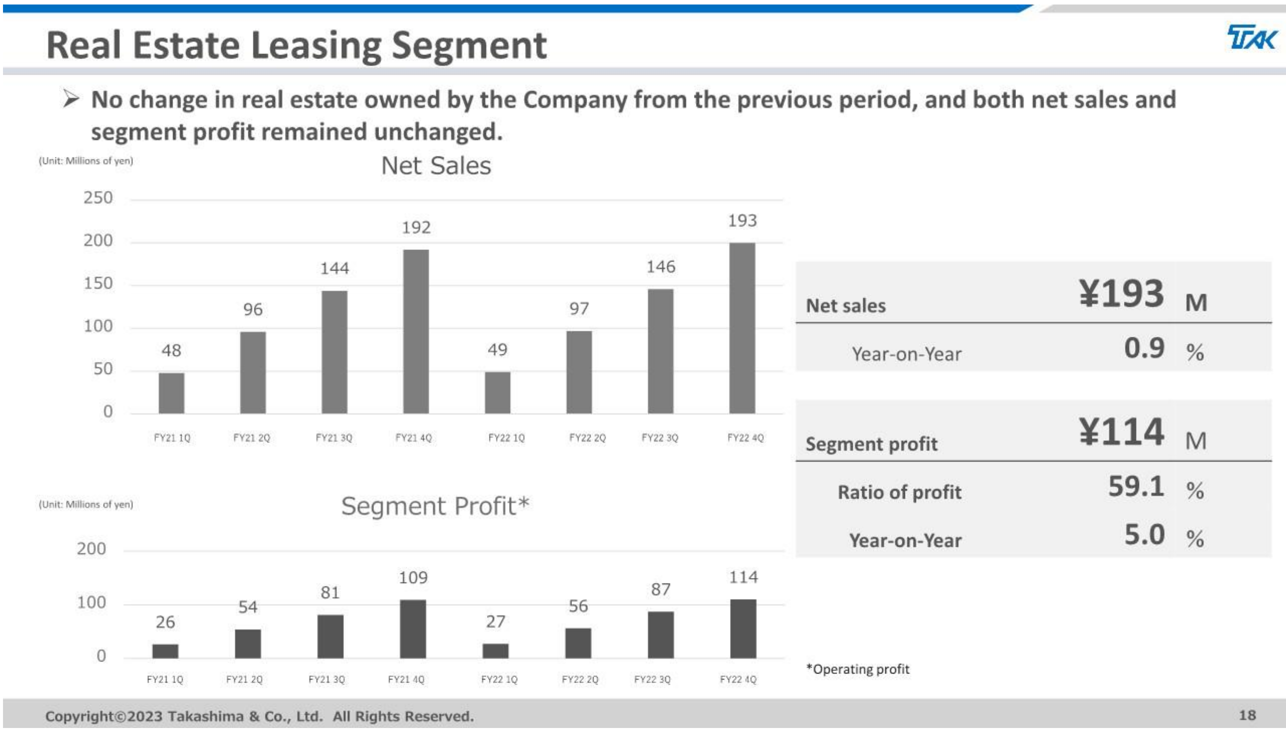
(Unit: Millions of yen)

Area.	FY21	FY22	Amount of change	Year-on-Year
Hongkong —Sales of electronic components and devices, production technologies, quality control support	4,601	4,880	279	6.1%
Thailand —Manufacturing and sales of electronic components and devices	4,860	7,021	2,160	44.5%
Japan —Sales of electronic components and devices, production technologies, quality control support.	1,567	2,164	597	38.1%
Others —Manufacturing and sales of electronic components and devices	2,696	3,234	538	20.0%
Segment Net Sales	13,724	17,301	3,576	26.1%
Segment profit	571	1,014	442	77.4%
Ratio of profit	4.2%	5.9%	-	1.7pt

I would like to explain the main factors behind changes in the Electronics & Devices segment. In the electronic equipment-related field, the domestic consumer electronic equipment market, which is the main market, was in a difficult situation, with year-on-year declines for the third consecutive year.

Although price competition continued to be severe, sales and profits increased due to the expansion of new orders and the impact of the weaker yen.

Real Estate Leasing Segment



I would like to explain the main factors behind changes in the Real Estate Leasing segment. There was no change in the real estate owned from the previous fiscal year, and both sales and segment profit remained flat. Sales increased by 0.9% year-on-year to 193 million yen, and segment profit increased by 5.0% to 114 million yen.

FY22 4Q Segment Performance Overview

FY22 4Q Segment Performance Overview

(Unit: Millions of yen)

	FY21	FY22	Amount of change	Year-on-Year
Net Sales	74,054	79,683	5,629	7.6%
Construction Supply	42,020	44,511	2,490	5.9%
Industrial materials	18,116	17,677	(439)	(2.4)%
Electronic Devices	13,724	17,301	3,576	26.1%
Real Estate Leasing	192	193	1	0.9%
Operating Profit	1,547	1,764	216	14.0%
Construction Supply	598	611	13	2.2%
Industrial materials	268	23	(244)	(91.3)%
Electronic Devices	571	1,014	442	77.4%
Real Estate Leasing	109	114	5	5.0%

An overview of performance by segment is shown in the table on the slide.

FY23 Consolidated Performance Forecast

FY23 Consolidated Performance Forecast

- ✓ **Sales increased 11.7% YoY to ¥89,000M.**
- ✓ **Net profit increased 0.9% from the previous year to ¥1,600M.**

（unit：Millions of yen）

	FY22	FY23 (Forecast)	Amount of Change	Year-on-Year
Net Sales	79,683	**89,000**	9,316	11.7%
Operating profit	1,764	**1,800**	35	2.0%
ratio of operating profit	2.2%	**2.0%**	-	(0.2)pt
Ordinary profit	1,939	**1,900**	(39)	(2.1)%
Profit attributable to owners of parent	1,585	**1,600**	14	0.9%

I would like to explain our consolidated earnings forecast for the fiscal year ending March 31, 2024. Based on currently available definitive information, the full-year consolidated earnings forecast is based on factors such as region, field, sales opportunities, and demand fluctuations. Operating profit is expected to increase 2.0% year-on-year to 1.8 billion yen, ordinary profit is expected to decrease 2.1% year-on-year to 1.9 billion yen, and net profit is expected to increase 0.9% year-on-year to 1.6 billion yen.

FY23 Consolidated Full-year Forecast by Segment

FY23 Consolidated Full-year Forecast by Segment

(unit：Millions of yen)

	FY22	FY23 (forecast)	Amount of change	Year-on-Year
Net sales	79,683	89,000	9,316	11.7%
Construction Supply	44,511	54,600	10,088	22.7%
Industrial Materials	17,677	18,750	1,072	6.1%
Electronic Devices	17,301	15,450	(1,851)	(10.7)%
Real Estate Leasing	193	200	6	3.1%
Operating profit	1,764	1,800	35	2.0%
Construction Supply	611	840	228	37.3%
Industrial Materials	23	400	376	1607.3%
Electronic Devices	1,014	450	(564)	(55.7)%
Real Estate Leasing	114	110	(4)	(4.0)%

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I will explain the consolidated earnings forecast by segment for the fiscal year ending March 31, 2024. In the construction supply segment, we will work to strengthen the functions of planning, logistics, construction, and processing. In addition, we will evolve the solar energy-related field into the energy solution field toward a carbon-neutral society.

In the industrial materials segment, we will work to improve and expand profitability by thoroughly marketing to end users by further strengthening manufacturing, processing, and design functions.

In the electronic devices segment, in addition to the impact of inventory adjustments on the customer side as semiconductor supply shortages were resolved, the consumer electronics market and white goods market were sluggish in the first half of the fiscal year. The outlook is grim. In addition, we cannot expect the effects of the weaker yen to push up our business performance as much as in the previous fiscal year, so we have a tough forecast for the rest of the year.

As a result of the above, the construction supply segment is expected to report net sales of 54.6 billion yen and segment profit of 840 million yen, the industrial materials segment 18.75 billion yen in net sales and segment profit of 400 million yen, and the electronic devices segment 15.45 billion yen in net sales and segment profit of 450 million yen.

Shareholder Return and Share Split

Share Split

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Purpose of the Stock Split

By reducing the amount per investment unit of our share, we aim to create an environment in which investors can invest more easily, to improve the liquidity of our share, and to further expand our investor base.

Overview of share split

Ratio of split	4-for-1 stock split
Record date	September 30, 2023 (Saturday)
Effective date	October 1, 2023(Sunday)

	Before share split	After share split
Total number of issued shares	4,466,273 shares	17,865,092 shares
Total number of shares authorized to be issued	14,000,000 shares	56,000,000 shares

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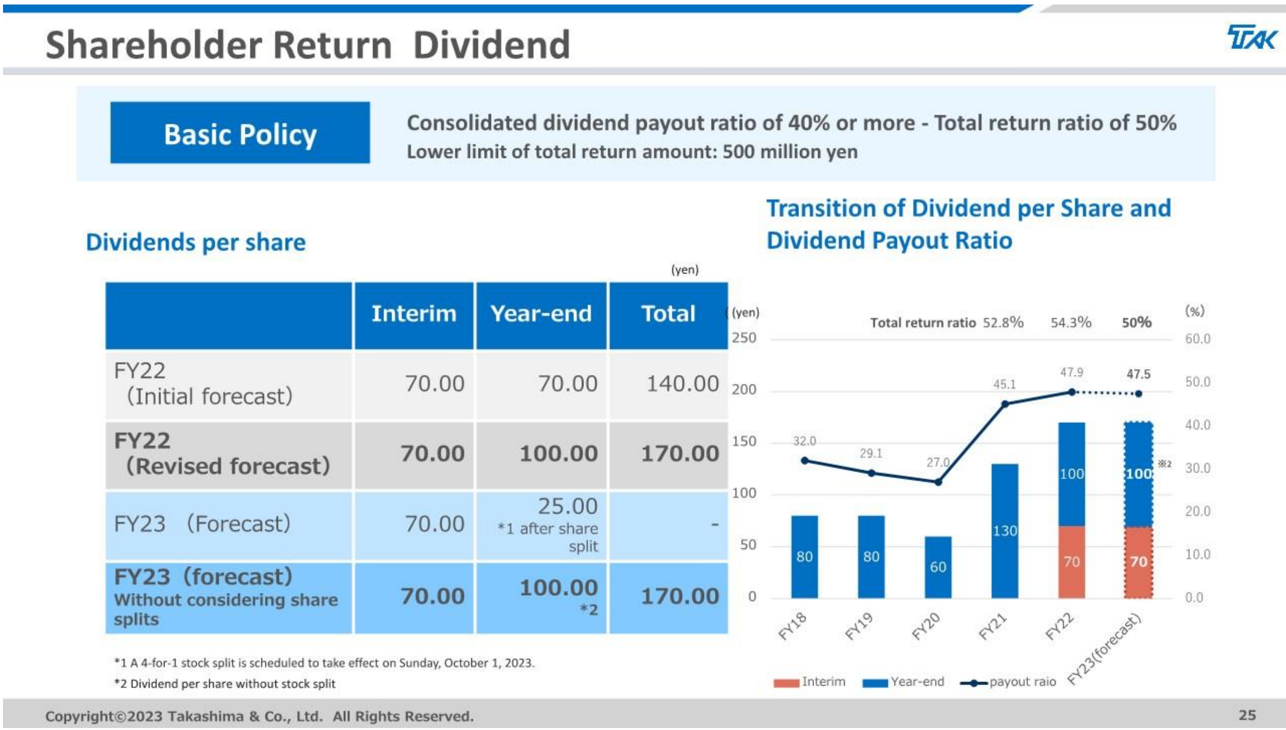
I will explain shareholder returns. Regarding the share split I mentioned earlier, the split method is as shown on the slide. By reducing the investment unit, we have decided to carry out a stock split in order to create an environment in which investors can invest more easily, to improve the liquidity of our stock, and to further expand our investor base.

The method of the split will be September 30, 2023 as the record date, and 1 share of common stock will be split into 4 shares. After the share split, the total number of issued shares will be 17,865,092 shares, and the total number of authorized shares will be 56 million shares.

Shareholder Return: Dividend



	Interim	Year-end	Total
FY22 (Initial forecast)	70.00	70.00	140.00
FY22 (Revised forecast)	**70.00**	**100.00**	**170.00**
FY23 (Forecast)	70.00	25.00 *1 after share split	-
FY23 (forecast) Without considering share splits	**70.00**	**100.00** *2	**170.00**

Our basic policy for shareholder returns is shown on the slide. Aiming to become a sustainable growth company with strategic investment, we will expand growth investment while implementing shareholder returns with an awareness of capital efficiency. We are targeting a consolidated dividend payout ratio of 40% or higher and a total return ratio of 50%. In addition, with the aim of providing stable returns to shareholders, we have set the minimum total return amount at 500 million yen.

This concludes the overview of the financial results for the fiscal year ending March 31, 2023, the consolidated earnings forecast for the fiscal year ending March 31, 2024, and the shareholder return policy.

Our efforts to meet the continued-listing criteria in the new market segment of Tokyo Stock Exchange

May 31, 2023

Takashima & Co., Ltd

Securities Code 8007

Takashima & Co., Ltd.

JPX
PRIME
TOKYO

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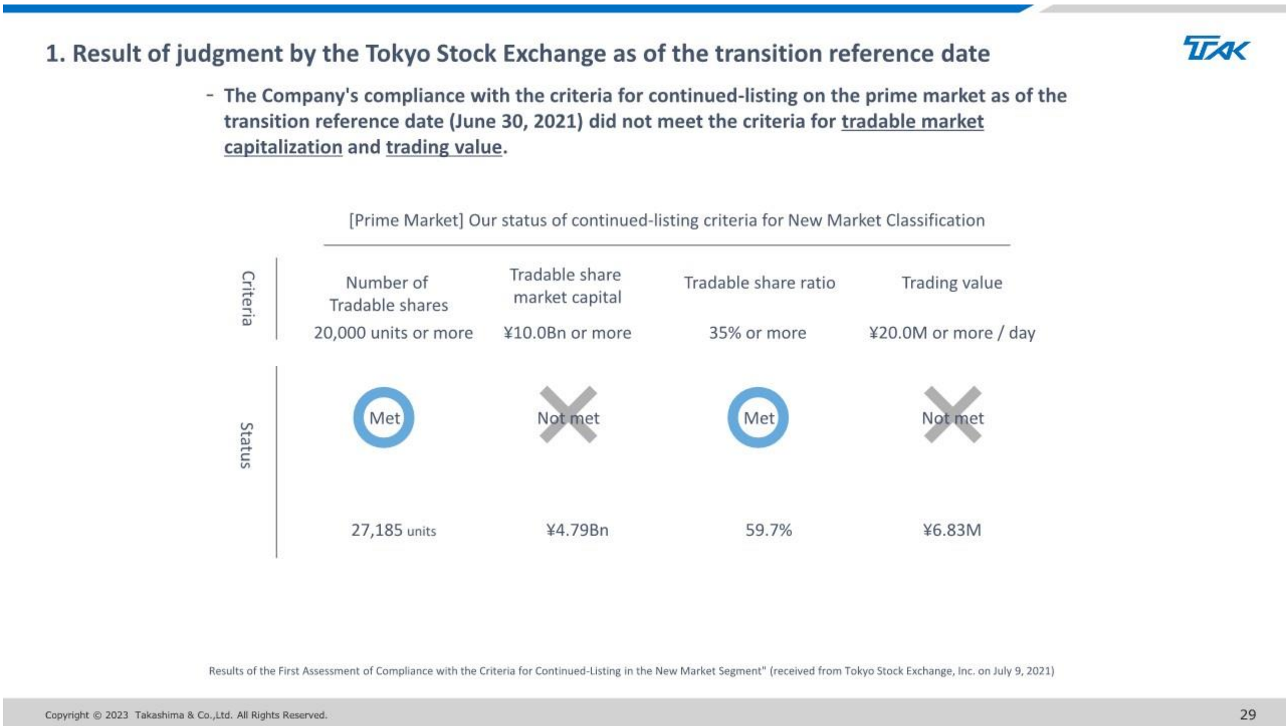
Mr. Koichi Takashima : I am Takashima, the president and representative director. From here, I will explain the status of our efforts to meet the continued-listing criteria for the new market segment.

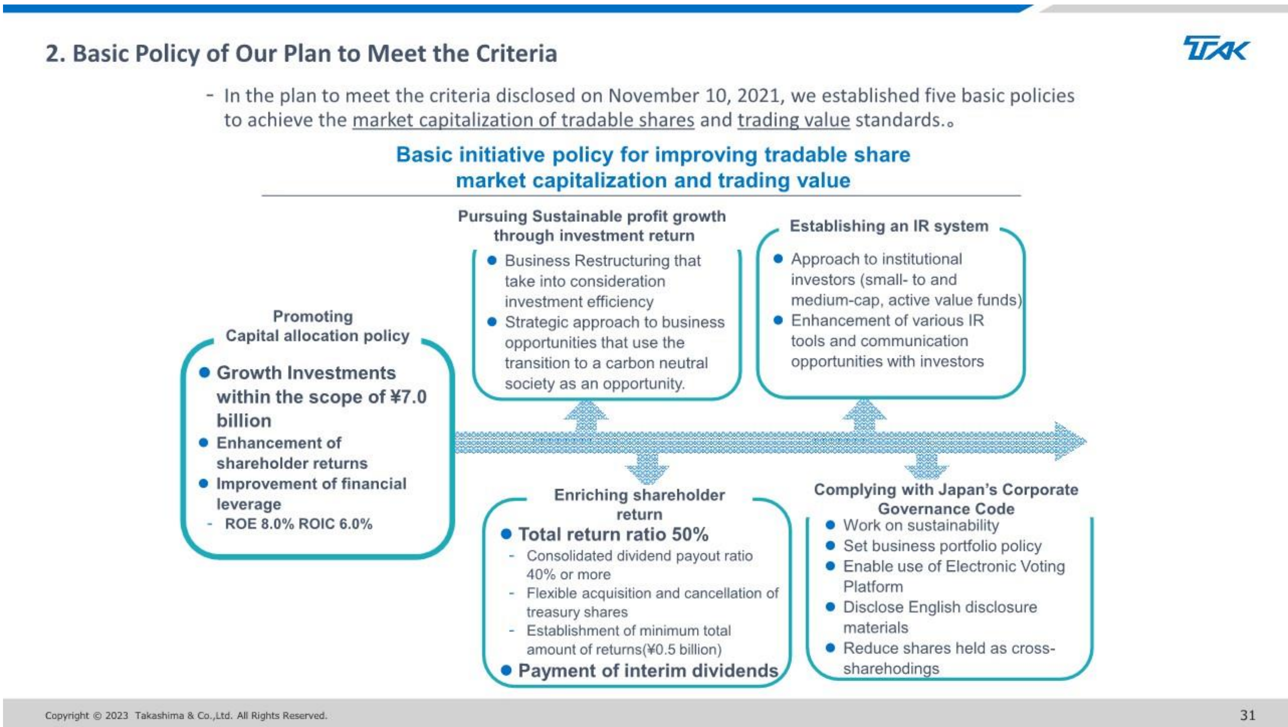
This is the table of contents. First, I would like to explain our status as of the base date of the transition, followed by the basic policy established in the plan to meet the criteria, and the current status. After that, I will talk about Sustainability V (Value), which was formulated with the aim to meet the continued-listing criteria of Prime Market of Tokyo Stock Exchange.

1. Result by judgement by Tokyo Stock Exchanges as of the transition reference date



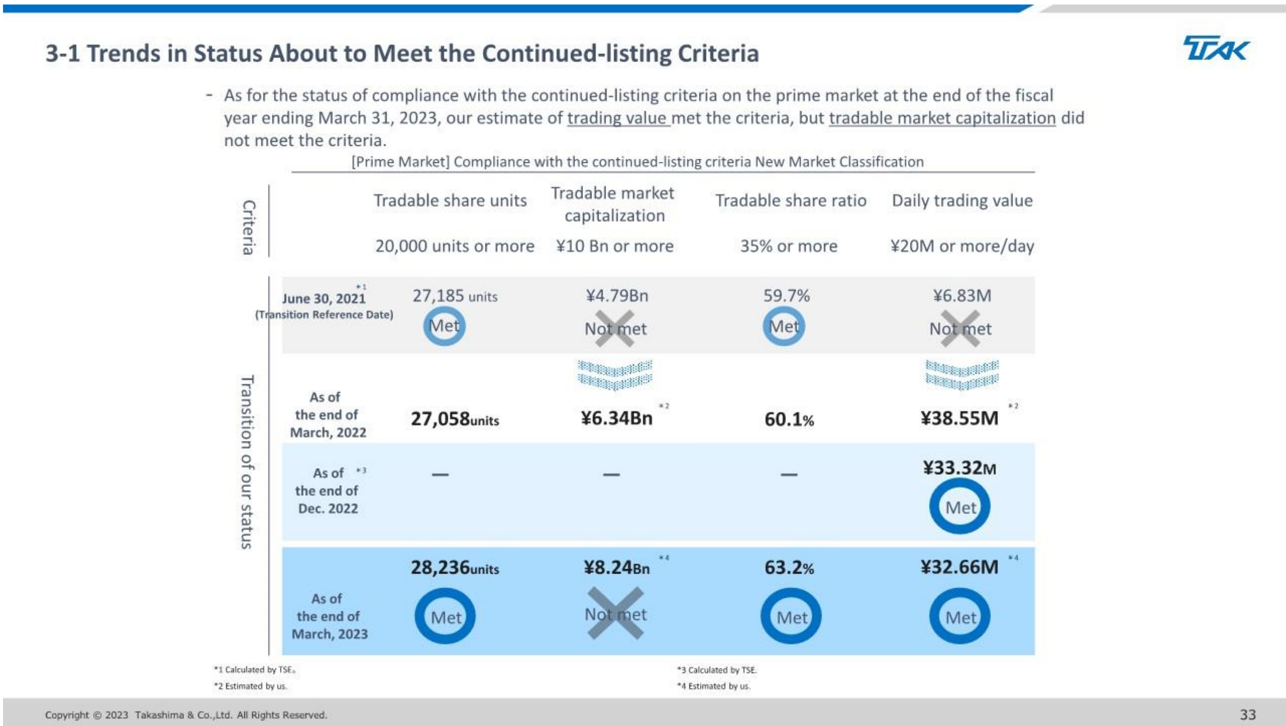
We will explain our compliance status as of June 30, 2021, the reference date for the transition to the new market segment. As of June 30, 2021, the reference date for the transition to the new market segment, the status of compliance with the listing maintenance criteria for the prime market of the Company did not meet the criteria for two items: tradable market capitalization and daily trading value. Therefore, we have decided to submit a plan to meet a continued-listing criteria.

2. Basic policy of Our Plan to Meet the Criteria



I would like to explain again the basic policy of the plan disclosed on November 10, 2021. In order to achieve the two criteria of tradable market capitalization and daily trading value, the plan will promote a capital allocation policy, pursuing sustainable profit growth through investment returns, establish an investor relations system, enhance shareholder return measures, and complying with Japan's corporate governance code.

3-1. Trends in Status About to Meet the Continued-listing Criteria



I will explain the progress of initiatives based on the five basic policies. As a result of steadily promoting initiatives based on the basic policy, the trading value met the continued-listing criteria but the tradable market capitalization increased but did not meet the criteria.

3-2. Planning period to meet the continued-listing criteria

3-2. Planning Period to Meet the Continued-listing Criteria

- The period of the plan to meet the continued-listing criteria of the prime market listing is until the end of the fiscal year ending March 31, 2026, which is the final year of the Medium-Term Management Plan Sustainability V (fiscal year ending March 31, 2024 - fiscal year ending March 31, 2026), and various initiatives are being promoted.

Management index

Management Index	FY20 (Sustainability X)	FY21 (Sustainability X)	FY22 (Sustainability X)	FY25 (The plan to meet the criteria)
Net profit	¥1Bn	¥1.296Bn	¥1.585Bn	¥1.7Bn*1 In the plan to meet the criteria, ¥1.5Bn
ROE	5.9%	7.2%	8.3%	8.0% or more
ROIC	5.1%	5.2%	5.0%	6.0% or more
Total return ratio	27.0%	52.8%	54.3%	50%

The continued listing criteria

Continued-listing criteria	As of the end of June 2021	As of the end of Dec. 2022	As of the end of Mar 2023	At the end of March, 2026
Tradable share units	27,185units		28,236units	20,000 units or more
Tradable market capitalization	¥4.79Bn		¥8.24Bn	¥10 Bn or more
Tradable share ratio	59.7%		63.2%	35% or more
Daily trading value	¥6.83M	¥33.32M	¥32.66M	¥20M or more/day

*1 Revised in the disclosure on November 14, 2022 ("Notice Regarding Update of "the Plan to Meet the continued-listing Criteria in the New Market Classification" and Progress Based on the Plan to Meet the continued-listing Criteria)

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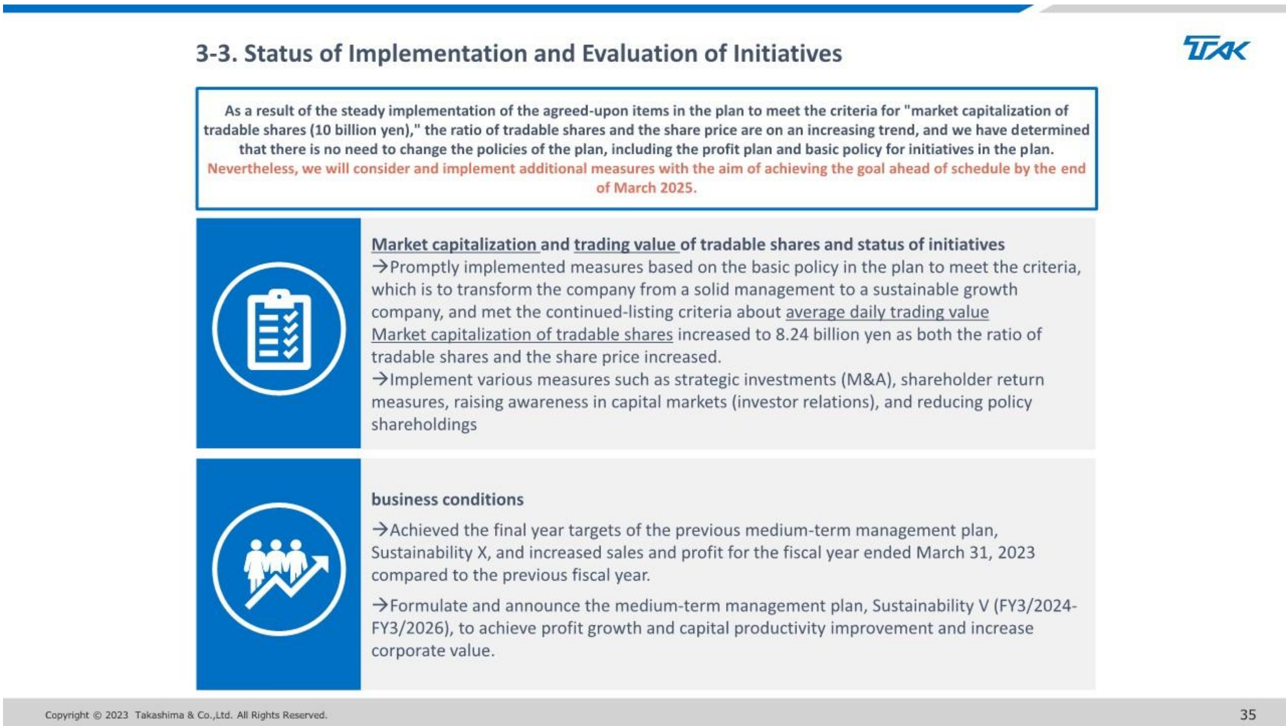
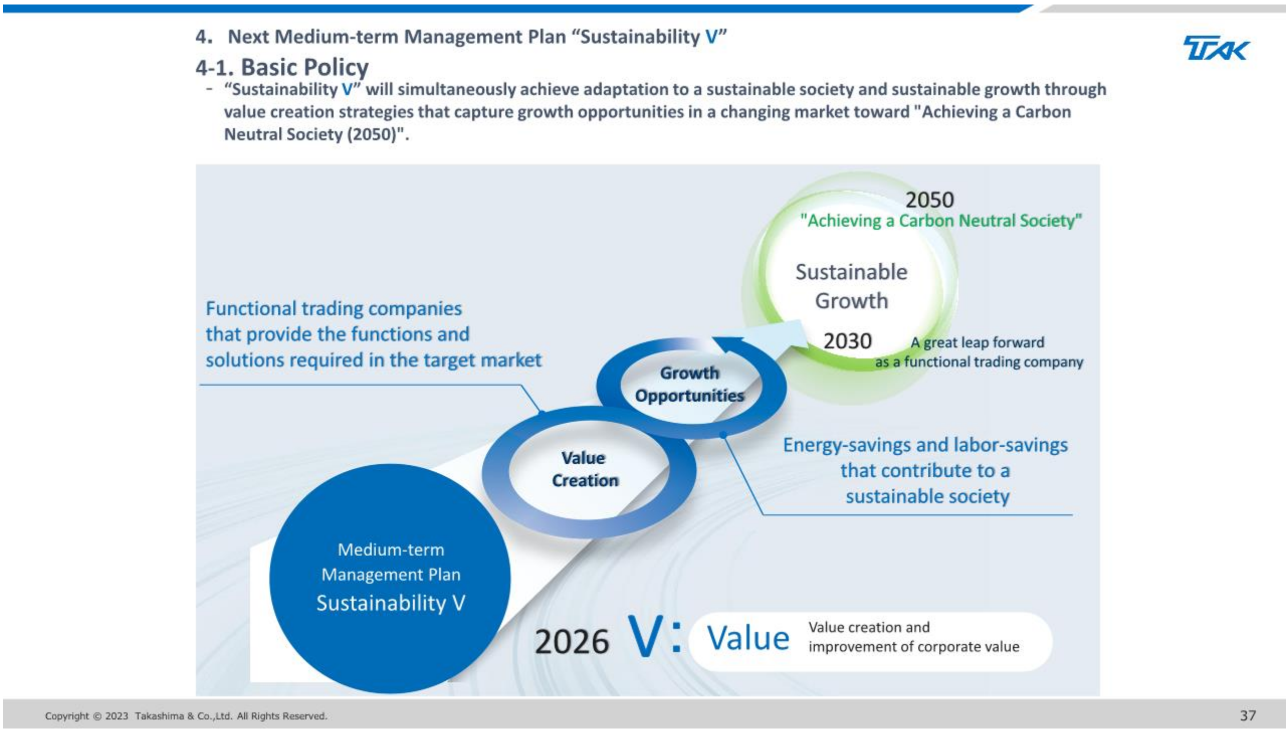
The plan period to meet the continued-listing criteria of the prime market is until the end of March 2026, which is the final year of the medium-term management plan Sustainability V (from the fiscal year ending March 2024 to the fiscal year ending March 2026).

Status of Implementation Status and Evaluation of Initiatives



As a result of the steady implementation of the agreed-upon items in the plan to the criteria for the market capitalization of tradable shares (10 billion yen), we have determined that there is no need to change the policies of the plan, including the profit plan and basic policy for initiatives in the conformance plan, given that the tradable share ratio and share price are on an increasing trend. However, we will consider and implement additional measures with the aim of achieving the goal ahead of schedule by the end of March 2025, when the transitional measures period set by the TSE ends.

4. Medium-Term Management Plan : Basic Policy

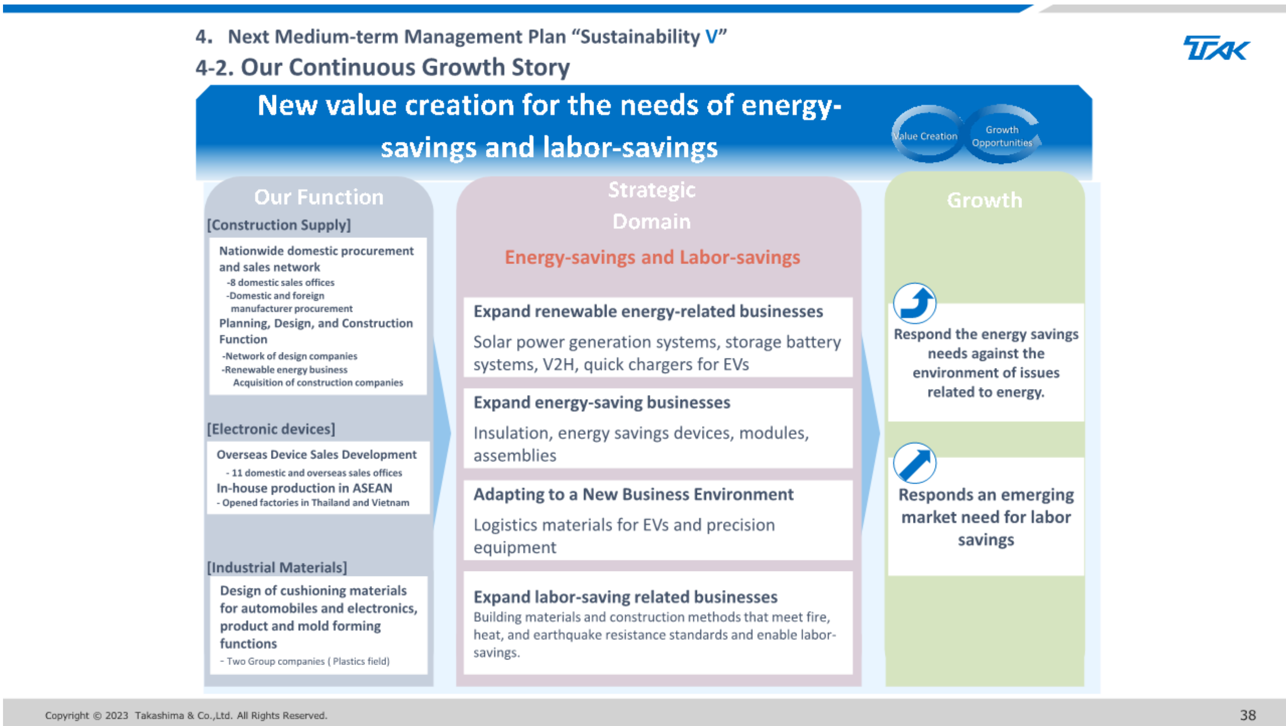


I would like to explain our mid-term management plan, "Sustainability V," which was formulated to meet the criteria for maintaining our listing on the prime market, and which encompasses the basic policies set forth in the plan to meet the criteria. The figure on the slide shows the vision of Sustainability V. Sustainability V" aims to simultaneously achieve adaptation to a sustainable society and sustainable growth by creating value through strategic assembly that seizes growth opportunities in a changing market toward the realization of a carbon-neutral society.

We will create and provide value as a functional trading company that offers functions and solutions necessary in our target markets to meet the needs for energy savings and labor savings that contribute to a sustainable society, which we see as a growth opportunity in the market. By seizing growth opportunities in the market and repeatedly creating value, we aim to make a giant leap forward as a functional trading company and achieve sustainable growth.

4. Medium-term management plan

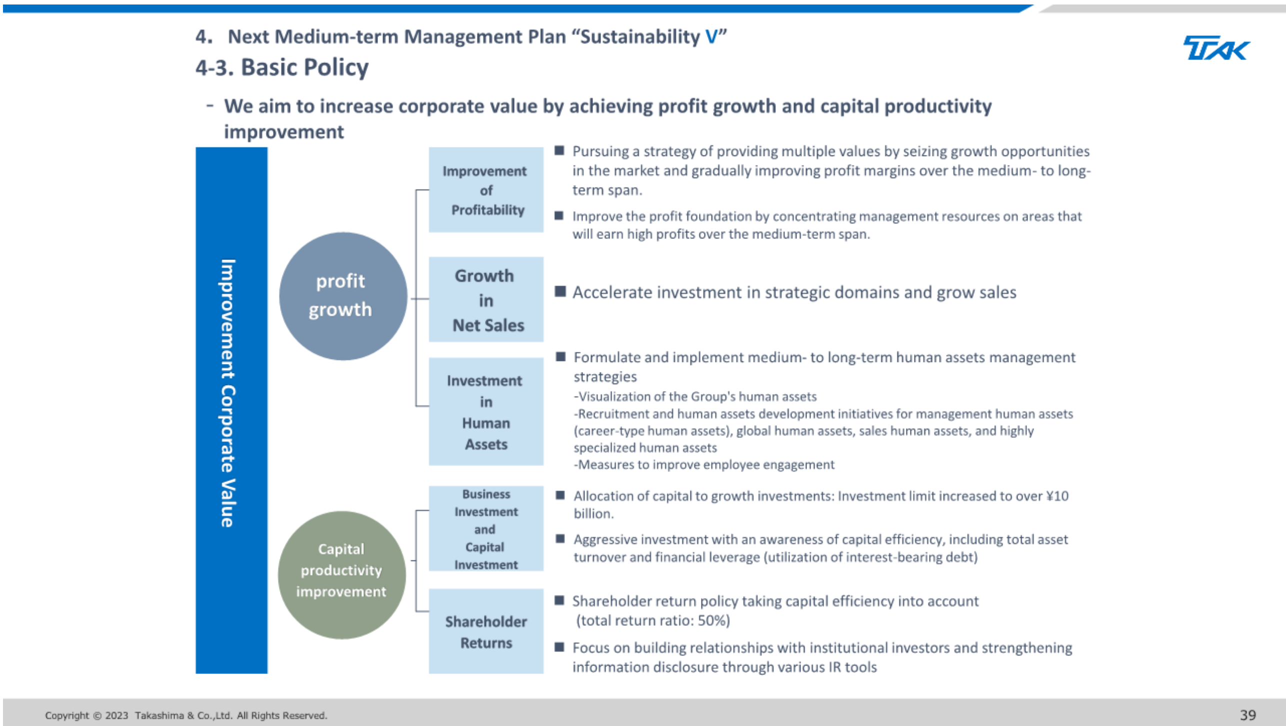
4-2. Our Continuous Growth Story



This is our sustainable growth story. Based on the various functions we have developed, our strategic areas are focused on energy savings needs, which are expected to grow significantly in the future, and labor-saving needs, which are emerging as a growing target market.

Specifically, we will expand renewable energy-related businesses such as energy storage systems and Vehicle to Home (V2H), energy savings-related businesses such as insulation materials and energy-saving devices, modules, and assemblies, environmentally friendly logistics materials for precision equipment, functional building materials such as fire-resistant, heat-resistant, and earthquake-resistant materials, and labor-saving construction methods. We will promote the expansion of businesses related to labor-saving contributions, such as fire-resistant, heat-insulating, and earthquake-resistant functional building materials and labor-saving construction methods.

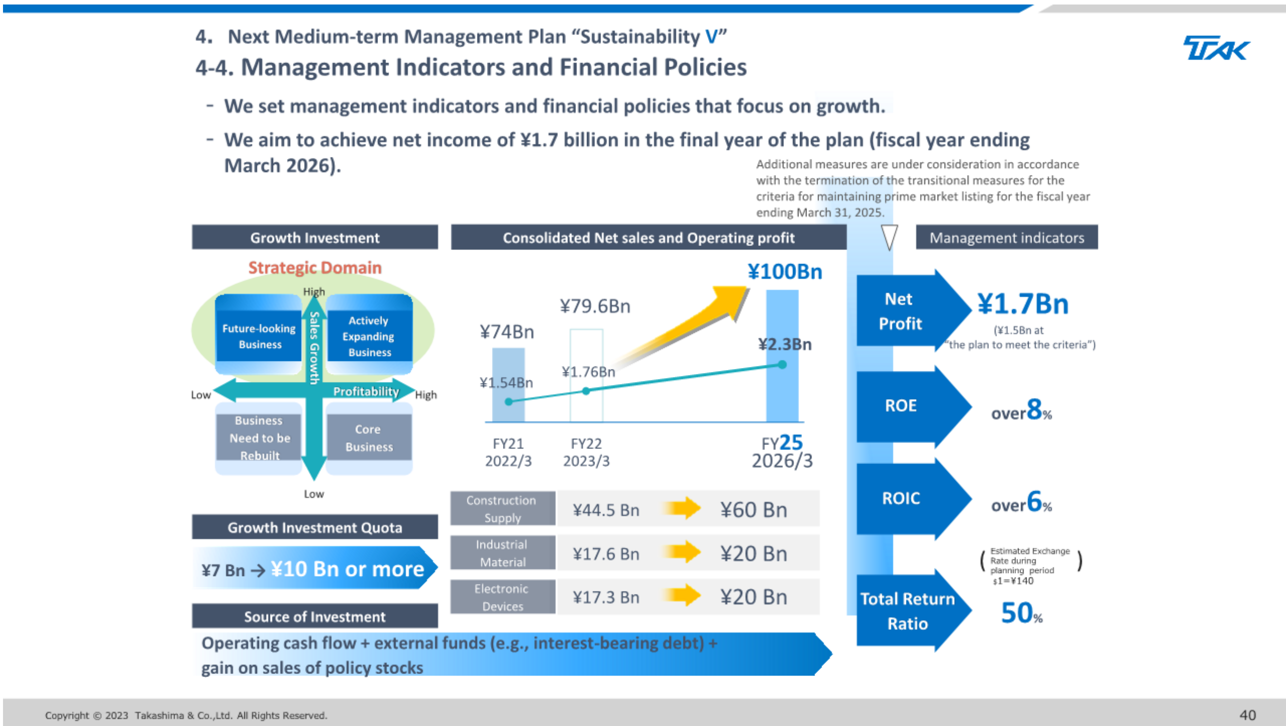
4. Medium-Term Management Plan 4-3. Basic Policy



This is the basic policy of Sustainability V. Our basic policy is to increase corporate value by achieving profit growth and improving capital productivity. For profit growth, we will implement measures to improve profitability and top-line growth, and actively invest in human assets. In capital productivity improvement, we will make business and capital investments with an investment quota of over 10 billion yen. In shareholder returns, we will maintain a dividend payout ratio of at least 40 percent and set our total return ratio at 50 percent, including share buybacks and other measures.

4. Medium-Term Management Plan

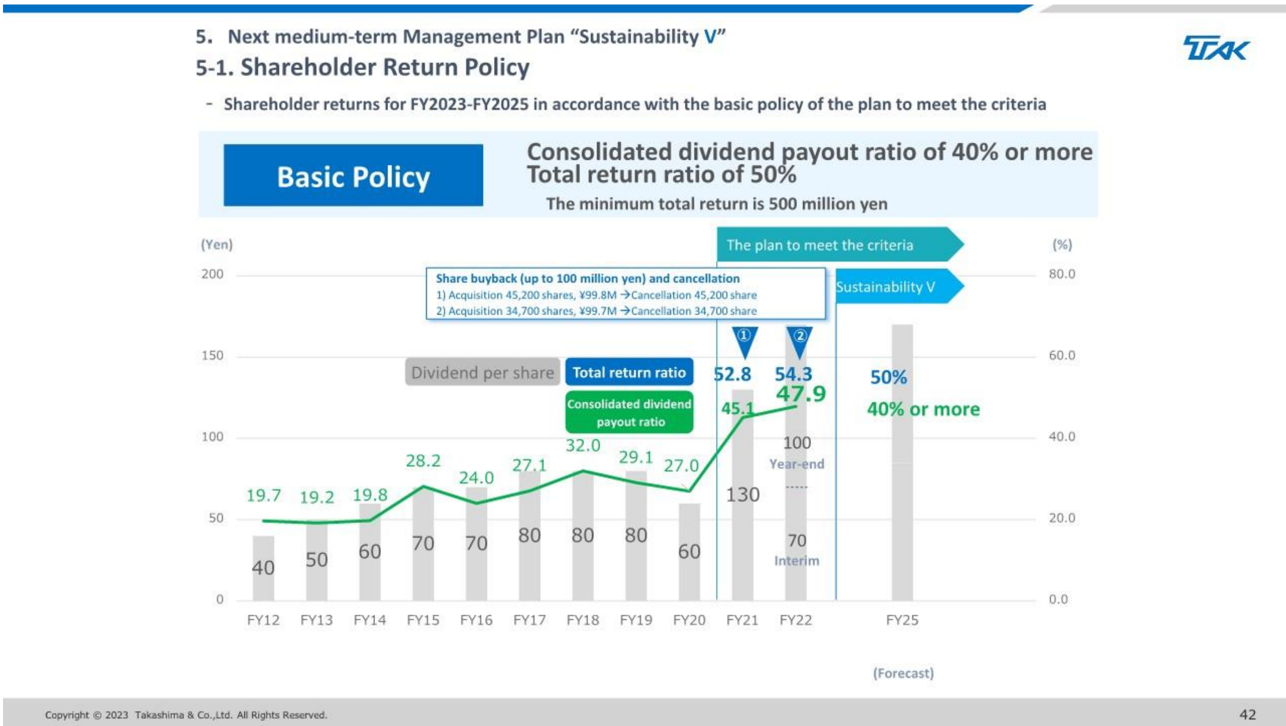
4-4. Management Indicators/Financial Policy



These are the management indicators and financial policies of Sustainability V. We have clarified strategic domains and decided on areas for growth investment. As for investment funds, we will utilize operating cash flow, external funds such as interest-bearing debt, and cash flow from sales of cross-shareholdings, and will increase the investment budget for growth from 7 billion yen set in the appropriate plan to over 10 billion yen. As a result, we aim to achieve consolidated net sales of 100 billion yen and operating profit of 2.3 billion yen in the fiscal year ending March 31, 2026.

Management indicators for the fiscal year ending March 31, 2026 are set as follows. Net profit has been revised upward from 1.5 billion yen, which was originally planned in the plan to meet the criteria, to 1.7 billion yen. ROE is 8% or higher and ROIC is 6% or higher. As a shareholder return policy, we have set a total return ratio of 50%.

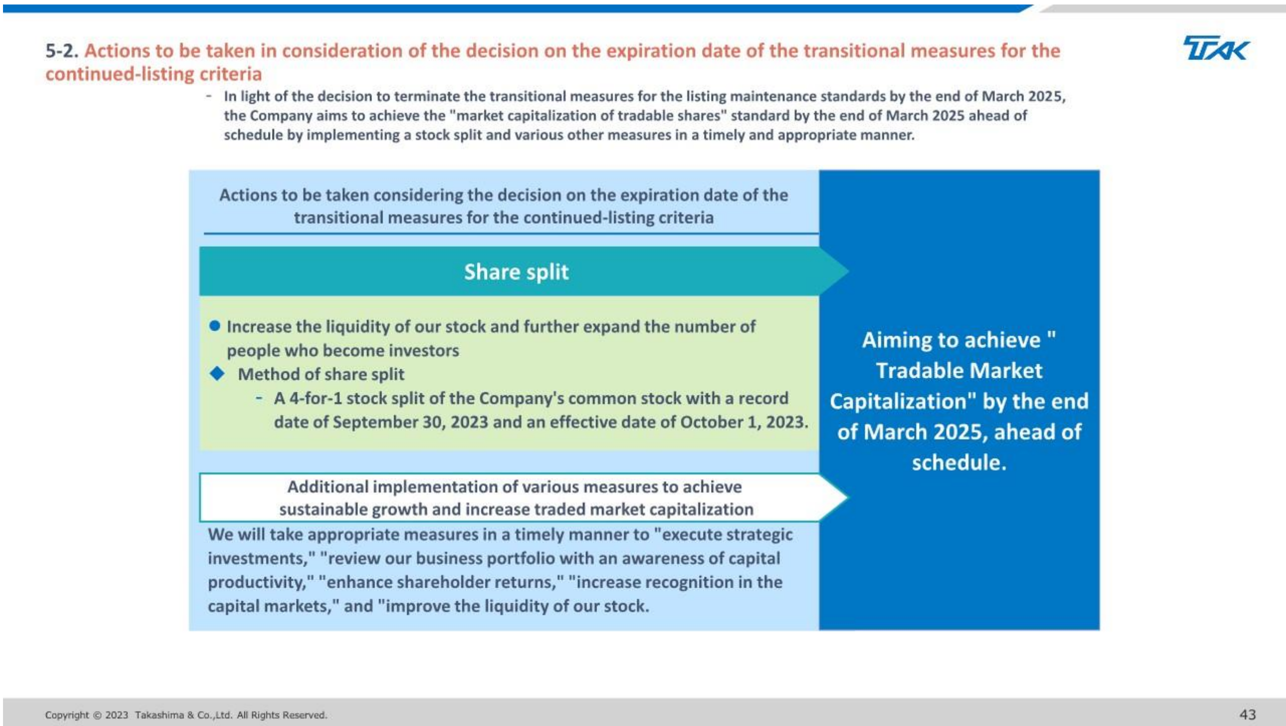
5-1. Shareholder Return Policy



We will explain our achievements to date and future plans for the items contracted in the plan to meet the criteria. As Suzuki explained earlier, our basic policy is to achieve a dividend payout ratio of 40% or higher and a total return ratio of 50%. In addition, the lower limit of the total return amount is set at 500 million yen.

In the fiscal year ending March 31, 2023, the dividend payout ratio will be 47.9%, and combined with the acquisition and cancellation of up to 100 million yen of treasury stock in November 2022, the total return ratio will be 54.3%.

5-2. Actions to be taken in consideration of the decision on the expiration date of the transitional measures for the continued-listing criteria.



In light of the fact that the end of transitional measures for the continued-listing criteria has been decided at the end of March 2025, the Company will implement a share split to reduce the investment unit, improve the liquidity of the share, and further expand the investor base. In addition, we aim to achieve the target tradable market capitalization by the end of March 2025 ahead of schedule by implementing various measures in a timely and appropriate manner.

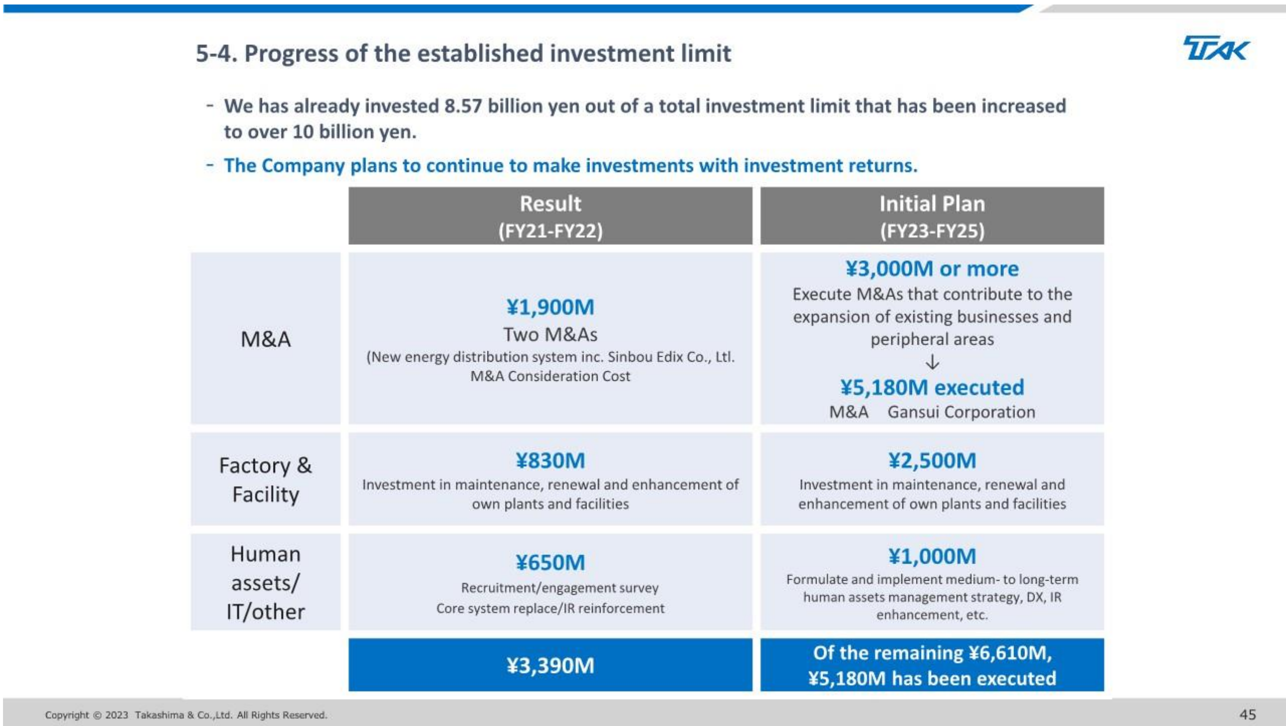
5-3. M&A announced in May 2023

In May 2023, we announced the acquisition of Gansui Corporation shares to make it a subsidiary. Gansui has a history of nearly 60 years since its founding, and has been providing high-level technology and services in the fields of foundation reinforcement and ground improvement in the residential and non-residential markets, which are expected to remain firm. We have established ourselves as a leading company mainly in Okayama Prefecture and the Chugoku and Shikoku regions.

Pursuing synergies between Gansui's advanced construction capabilities in ground improvement work and our construction supply business, we decided to make it a subsidiary in order to aim for further growth.

We did not anticipate the impact of this matter on our consolidated earnings forecasts for the fiscal year ending March 31, 2024, but we are currently reviewing the impact on our earnings for the current fiscal year.

5-4. Progress of the established investment limit



We have set an investment amount of over 10 billion yen for Sustainability V by the fiscal year ending March 31, 2026, and have invested 8.574 billion yen to date.

The breakdown is 7.08 billion yen from the M&A of New Energy Distribution System Inc. and Sinbou Edix Co., Ltd., and the latest M&A scheduled for June 2023, and 1.48 billion yen from the strengthening of factories, equipment, human assets and IT. We plan to continue making investments with returns.

6. Stock price trends after the announcement of the plan to meet the criteria

We will explain the results to date and future plans for the items agreed in the plan to meet the criteria. The graph on the slide shows our stock price trends. After announcing the plan, we have steadily implemented the contracted items in the basic policy, and as a result, the stock price is trending favorably. We will continue to take actions to improve corporate value in order to achieve tradable market capitalization of 10 billion yen.

Q&A: Consolidated earnings forecasts by segment for the fiscal year ending March 31, 2024

FY23 Consolidated Full-year Forecast by Segment

(unit：Millions of yen)

	FY22	FY23 (forecast)	Amount of change	Year-on-Year
Net sales	79,683	89,000	9,316	11.7%
Construction Supply	44,511	54,600	10,088	22.7%
Industrial Materials	17,677	18,750	1,072	6.1%
Electronic Devices	17,301	15,450	(1,851)	(10.7)%
Real Estate Leasing	193	200	6	3.1%
Operating profit	1,764	1,800	35	2.0%
Construction Supply	611	840	228	37.3%
Industrial Materials	23	400	376	1607.3%
Electronic Devices	1,014	450	(564)	(55.7)%
Real Estate Leasing	114	110	(4)	(4.0)%

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Moderator : “Could you please explain a little more about your consolidated forecasts by segment for the fiscal year ending March 31, 2024? In the Industrial Materials segment, sales and profits declined in the fiscal year ended March 31, 2023, but in the fiscal year ending March 31, 2024, sales and profits are expected to increase significantly more than the growth rate of overall sales and operating profit.

Also, in the Electronics and Devices segment, although sales and profits increased in the fiscal year ended March 2023, sales and profits are expected to decline significantly in the fiscal year ending March 2024. Please explain these factors."

Briefing by Segment: Industrial Material -Business Field-

- In the plastic materials-related field, sales increased due to an increase in orders for molded products, despite a slow recovery in the automotive market due to the shortage of semiconductors.
- Textile materials-related sector remained sluggish due to stagnant market and lower demand caused by price hikes.
- Sales and income decreased due to an increase in selling, general and administrative expenses resulting from increased sales activities to expand business performance, increased system investment, and expenses associated with the implementation of M&A.

（Unit: Millions of yen）

Business field	FY21	FY22	Amount of change	Year-on-Year
Plastic —Design, processing, and sales of transport materials and molded plastic products	6,582	6,753	171	2.6%
Advanced and functional solutions —Sales of industrial materials, such as polishing film, and LED installation	1,414	1,738	323	22.9%
Textile —Sales and processing of industrial fabrics, apparel, synthetic leather, sewn products, and textile-related good.	8,949	8,246	(703)	(7.9)%
Rolling stock —Design, processing and sales of interior and exterior components for rolling stock	1,170	938	(231)	(19.8)%
Segment net sales	18,116	17,677	(439)	(2.4)%
Segment profit	268	23	(244)	(91.3)%
Ratio of profit	1.5%	0.1%	-	(1.3)pt

Suzuki : First, regarding the details of the segments, as I mentioned earlier, the industrial materials segment saw a large decline in profit last year. This was due to the delayed recovery of the automobile market.

In this advanced stage, we are actively moving forward, especially with products with enhanced plastic molding functions as a source of increased sales. In addition, we would like to continue our efforts to shift existing textile material-related fields, such as textiles and apparel, to products with high added value.

I believe that the performance of the Electronics and Devices segment will have the greatest impact on consolidated earnings forecasts. Earlier, I mentioned that it made a significant contribution to the previous year's record high profit.

Briefing by Segment: Electronic Devices -Area-

- In the electronic equipment-related field, the domestic consumer electronics market, the main market, was in a difficult situation with negative growth for the third consecutive year, while the domestic white goods market turned positive for the first time in two years and performed well.
- Despite continued fierce price competition in the market, sales and income increased due to an increase in new orders and the weaker yen, which also boosted earnings.

(Unit: Millions of yen)

Area.	FY21	FY22	Amount of change	Year-on-Year
Hongkong —Sales of electronic components and devices, production technologies, quality control support	4,601	4,880	279	6.1%
Thailand —Manufacturing and sales of electronic components and devices	4,860	7,021	2,160	44.5%
Japan —Sales of electronic components and devices, production technologies, quality control support.	1,567	2,164	597	38.1%
Others —Manufacturing and sales of electronic components and devices	2,696	3,234	538	20.0%
Segment Net Sales	13,724	17,301	3,576	26.1%
Segment profit	571	1,014	442	77.4%
Ratio of profit	4.2%	5.9%	-	1.7pt

The slide shows Hong Kong, Thailand, Japan, and others by base, but the effect of the yen's depreciation was due to the yen's depreciation of about 17 yen.

This was due to the start of mass production of printed circuit boards for drum-type washing machines, microwave ovens, air conditioner indoor units and outdoor units, which are supplied to major Japanese electronics manufacturers, as well as the acquisition of new customers. It makes a big contribution to the numbers for the year.

However, in this advanced stage, we are entering a period of inventory adjustment in the electronics and device market. Home appliance sales have grown significantly due to stay-at-home demand during the COVID-19 pandemic. The production adjustments resulting from this had a major impact, and the electronics and devices segment grew significantly last fiscal year.

Q&A: Regarding the investment quota of “Sustainability V”

Moderator : "I would like to ask about the increase in the investment quota of the medium-term management plan Sustainability V to over 10 billion yen. With the acquisition of Gansui as a subsidiary disclosed on May 23, 5.18 billion yen. However, I think the remaining investment quota is getting smaller. Please tell us about your future investment and investment quota setting.

Suzuki : In current medium-term management plan "Sustainability V," we have set a strategic investment budget of over 10 billion yen. As Takashima explained earlier, the consumption ratio to 10 billion yen is over 85 percent, but if there is an investment project that contributes to sustainable growth, we would like to think positively and implement it without being bound by the 10 billion yen limit.