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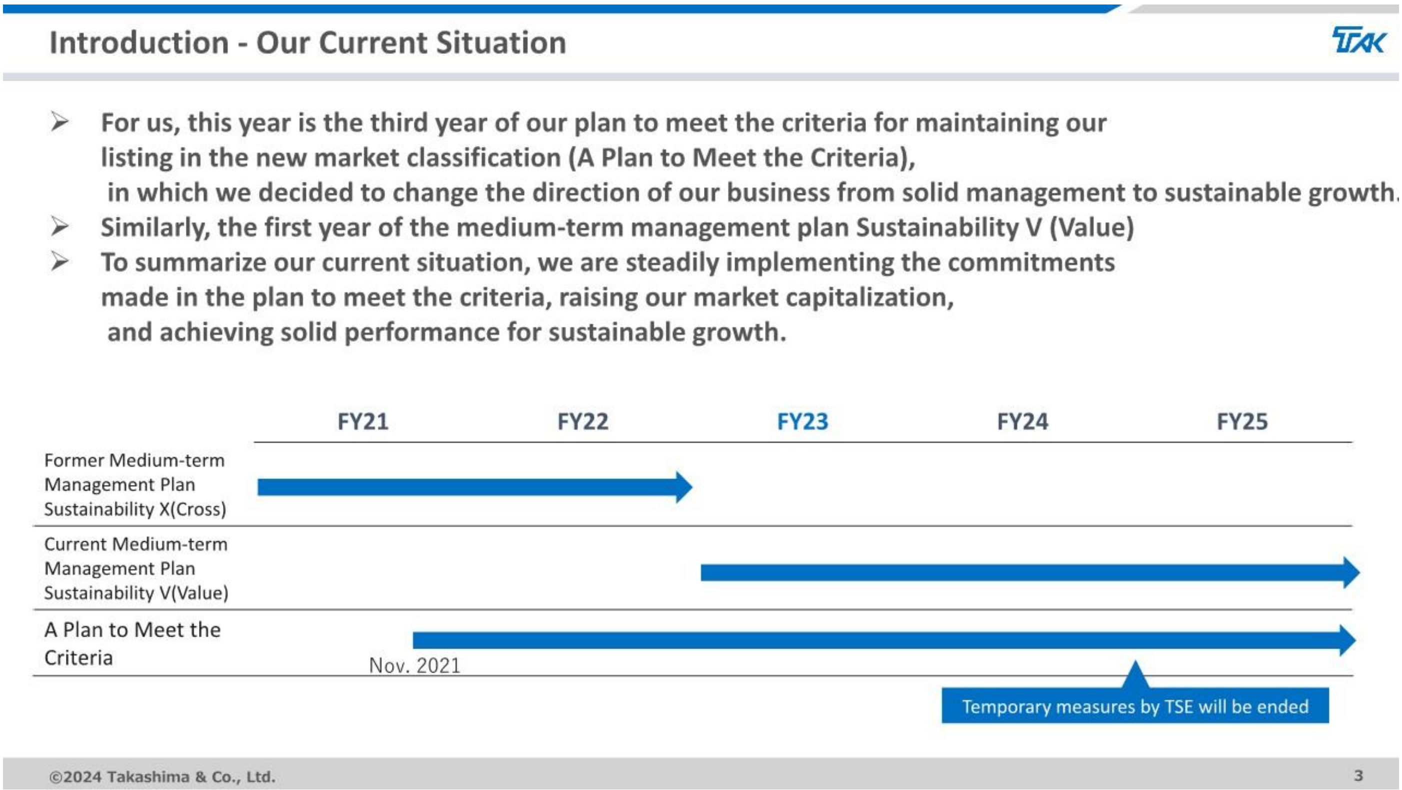
Takahiro Suzuki: My name is Suzuki, Director and Managing Executive Officer. I will now present Takashima's financial results for the third quarter of the fiscal year ending March 31, 2024.

The presentation will include an overview of financial results for the third quarter of the fiscal year ending March 31, 2024, consolidated earnings forecast for the fiscal year ending March 31, 2024, shareholder returns, progress on the plan to meet continued-listing criteria for prime market of TSE (a plan to meet the criteria), and actions to achieve management with an awareness of cost of capital and stock price.

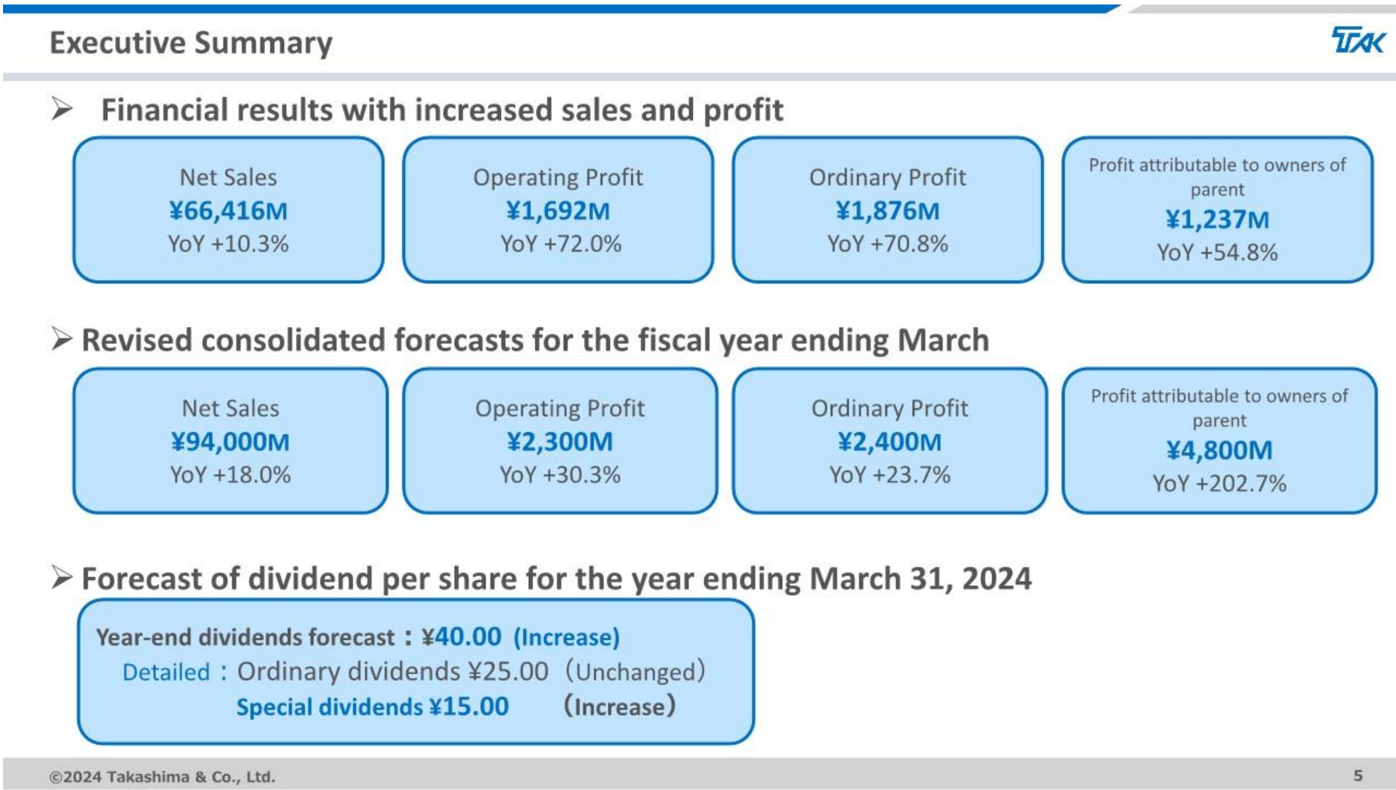
Introduction – Our Current Situation



At the beginning of this presentation, I would like to explain our current situation: the fiscal year ending March 31, 2024 is the third year of the plan to meet the criteria that we submitted in accordance with the TSE market reorganization. This is the first year of our medium-term management plan, Sustainability V (Value), which was formulated to realize the various initiatives committed to in the plan to meet the criteria.

To summarize the current situation, market capitalization has increased, and performance has been strong as a result of steady progress in various initiatives.

Executive Summary



This is an executive summary of the financial results for the third quarter of the fiscal year ending March 31, 2024.

In the third quarter, the Electronics & Devices segment recorded declines in both sales and profit, while the Construction Supply and Industrial Materials segments recorded increases in both sales and profit, resulting in a consolidated financial result of higher sales and profit.

The full-year forecasts have not been revised from those announced on December 14, as shown.

The year-end dividend forecast has been increased to 40 yen, consisting of an ordinary dividend of 25 yen and a special dividend of 15 yen. The special dividend is due to the gain on sales of fixed assets resulting from the transfer of fixed assets.

Consolidated Performance P/L

Consolidated Performance P/L

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- ✓ Net sales increased 10.3% YoY to ¥66,416M due to strong performance in the construction supply segment and industrial materials segments, despite lower sales and profits in the electronics and devices segment
- ✓ Operating profit increased 72.0% YoY to ¥1,692M
- ✓ Ordinary profit increased 70.8% YoY to ¥1,876M
- ✓ Profit attributable to owners of the parent increased 54.8% YoY to ¥1,237M.

(Unit: Millions of Yen)

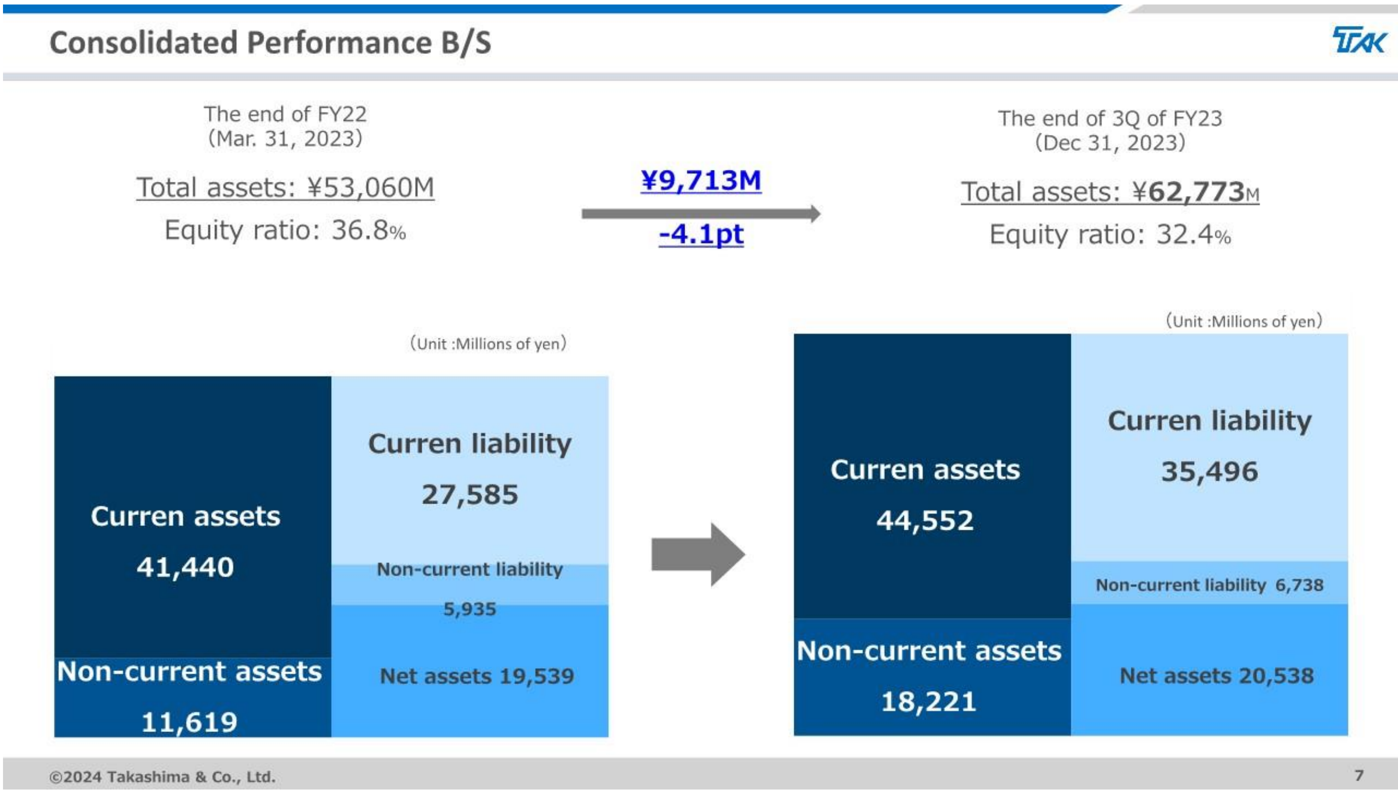
	FY22 3Q	FY23 3Q	Amount of change	YoY
Net Sales	60,211	66,416	6,204	10.3%
Cost of Sales	53,454	57,151	3,696	6.9%
Gross Profit	6,757	9,264	2,507	37.1%
SG & A	5,773	7,572	1,799	31.2%
Operating Profit	983	1,692	708	72.0%
Operating Profit Ratio	1.6%	2.5%	0,9pt	-
Ordinary Profit	1,098	1,876	777	70.8%
Profit attributable to owners of Parent	799	1,237	437	54.8%

I will explain the consolidated statement of profit. Net sales increased 10.3% year on year to 66,416 million yen, as the Electronics & Devices segment recorded lower sales and profits, but the Construction Supply and Industrial Materials segments performed well.

Operating profit increased 72.0% to 1,692 million yen and ordinary profit increased 70.8% to 1,876 million yen.

Net profit attributable to owners of the parent company increased 54.8% to 1,237 million yen.

Consolidated Performance B/S



This is the balance sheet. Compared to the end of the previous period, total assets increased by 9,713 million yen. The main reason for this increase was the acquisition of Gansui Corporation. The equity ratio decreased by 4.1 percentage points to 32.4%.

Consolidated Performance B/S

Consolidated Performance B/S

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(Unit: Million of yen)

Main factors of change

	FY22	FY23 3Q	Amount of change	Ratio of change
Assets				
Current assets				
Cash and deposits	7,791	7,013	-778	-10.0%
Notes and accounts receivable - trade, and contract assets	26,260	29,481	3,221	12.3%
Total current assets	41,440	44,552	3,111	7.5%
Non-current Assets				
Property, plant and equipment	4,707	6,557	1,850	39.3%
Intangible assets				
Goodwill	1,069	6,091	5,021	469.5%
Total intangible assets	1,662	6,702	5,039	303.1%
Investment and other assets				
Investment securities	3,050	2,804	-245	-8.0%
Total investments and other assets	5,249	4,961	-288	-5.5%
Non-current assets	11,619	18,221	6,602	56.8%
Total assets	53,060	62,773	9,713	18.3%

First, in terms of assets, the main factors compared to the end of the previous period are as shown below.

Current assets increased 7.5% to 44,552 million yen at the end of the third quarter. This was mainly due to an increase in notes and accounts receivable-trade and contract assets, while cash and deposits decreased.

Fixed assets increased 56.8% to 18,221 million yen. This was mainly due to increases in property, plant and equipment and goodwill associated with the acquisition of Gansui Corporation, respectively.

Consolidated Performance B/S

Consolidated Performance B/S

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(Unit: Millions of yen)

Main factors of change

	FY22	FY23 3Q	Amount of change	Ratio of change
Liabilities				
Current liabilities				
Notes and accounts payable trade	15,277	18,162	2,885	18.9%
Electronically recorded obligations – operating	5,735	4,944	-790	-13.8%
Short-term borrowings	3,548	8,485	4,937	139.1%
Total current liabilities	27,585	**35,496**	**7,910**	**28.7%**
Non-current liabilities				
Long-term borrowings	3,347	4,015	668	20.0%
Total non-current liabilities	5,935	**6,738**	**803**	**13.5%**
Total liabilities	33,520	**42,235**	**8,714**	**26.0%**
Net assets				
Shareholders' equity				
Share capital	3,801	3,801	–	0.0%
Retained earnings	12,482	12,918	436	3.5%
Total shareholders' equity	17,874	**18,227**	**353**	**2.0%**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	704	773	68	9.7%
Foreign currency translation adjustment	555	1,125	570	102.7%
Total accumulated other comprehensive income	1,665	**2,310**	**645**	**38.8%**
Total net assets	19,539	**20,538**	**999**	**5.1%**
Total liabilities and net assets	53,060	**62,773**	**9,713**	**18.3%**

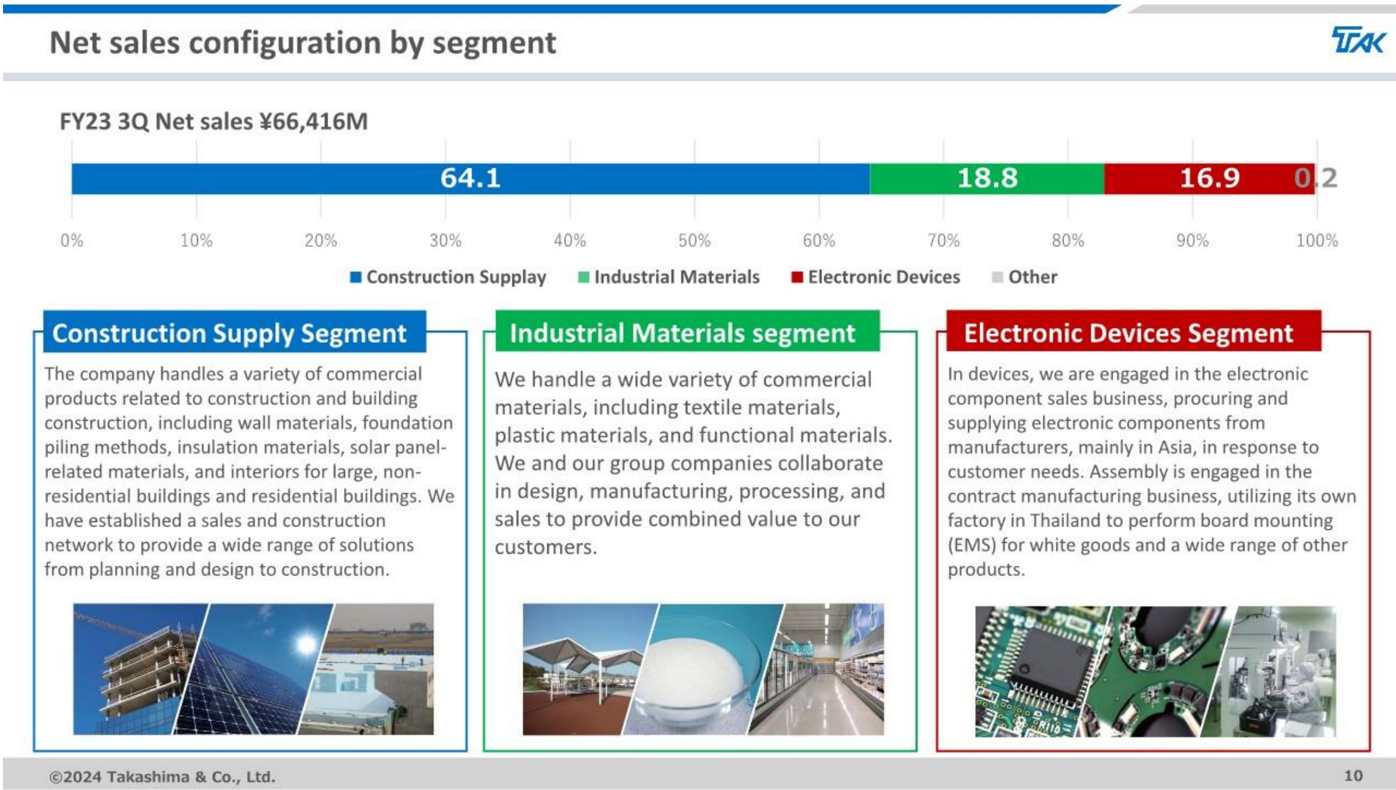
The following table shows the main factors of liabilities and net assets compared to the end of the previous fiscal year.

Current liabilities increased 28.7 % to 35,496 million yen. The main factors were increases in short-term loans payable and notes and accounts payable-trade.

Non-current liabilities increased 13.5 % to 6,738 million yen. The main factor was an increase in long-term debt.

Net assets increased 5.1 % to 20,538 million yen. The main factors were increases in retained earnings and foreign currency translation adjustments, respectively.

Net sales configuration by segment



The following is an explanation of results by segment. In the third quarter, the Construction Supply segment accounted for 64.1 % of net sales, the Industrial Materials segment for 18.8 %, and the Electronics Devices segment for 16.9 %.

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

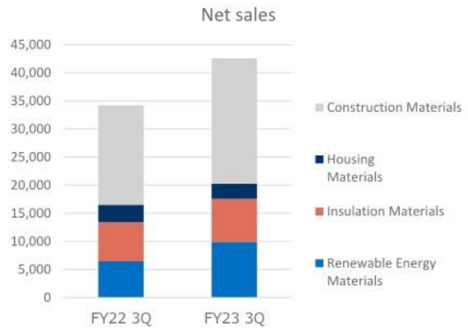
Briefing by Segment: Construction Supply

Briefing by Segment: Construction Supply

- **Overall sales in the Construction Supply segment increased 24.4% to ¥42,589M**
- **Segment profit increased 1253.9% to 985 million yen**

(Unit: Millions of yen)

	FY22 3Q	FY23 3Q	Amount of change	YoY
Construction Materials	17,703	22,320	4,617	26.1%
Housing Materials	3,122	2,701	-421	-13.5%
Insulation Materials	6,936	7,691	754	10.9%
Renewable Energy Materials	6,460	9,875	3,415	52.9%
Segment net sales	34,222	42,589	8,366	24.4%
Segment operating profit	72	985	913	1253.9%
Ratio of profit	0.2%	2.3%	2.1pt	-



The main factors in the Construction Supply segment. In the construction materials field, sales increased due to the steady completion of construction orders for logistics facilities and factories.

In the renewable energy materials field, sales increased due to growing demand for both industrial and residential applications toward a zero-carbon society 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 contributed to increased sales.

In the housing materials field, sales declined due to a decline in detached housing starts, but the segment was able to contribute to earnings in terms of profit.

In addition, both sales and profit increased due to the consolidation of New Energy Distribution System Corporation and Gansui Corporation.

As a result, overall sales in the Construction Supply segment increased 24.4 % to 42,589 million yen, and segment income rose 1,253.9 % to 985 million yen.

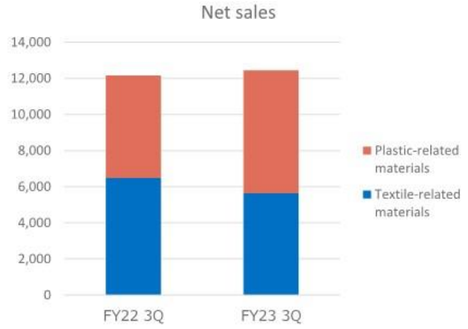
Briefing by Segment: Industrial Materials

Briefing by Segment: Industrial Materials

- **Overall sales in the Industrial Materials segment increased 2.5% to ¥12,454M**
- **Segment profit increased 105.0% to ¥343M**

(Unit: Millions of yen)

	FY22 3Q	FY23 3Q	Amount of change	YoY
Plastic-related materials	5,676	6,828	1,152	20.3%
Textile-related materials	6,477	5,626	-851	-13.1%
Segment net sales	12,153	12,454	300	2.5%
Segment operating	167	343	176	105.0%
Ratio of profit	1.4%	2.8%	1.4pt	-



The following is an explanation of the main factors behind the Industrial Materials segment. In the plastic-related field, sales and profits increased due to a recovery in logistics materials and other products, as well as an increase in orders for molded and processed products for medical-related products, a target area for the company.

In the textile-related sector, sales of sewn and processed products for industrial textiles remained steady, but sales of apparel-related products declined due to sluggish demand. Meanwhile, both sales and profit increased as a result of the consolidation of Shinbo Edix Co.

As a result, overall net sales in the Industrial Materials segment increased 2.5 % year on year to 12,454 million yen, with segment profit up 105.0 % to 343 million yen.

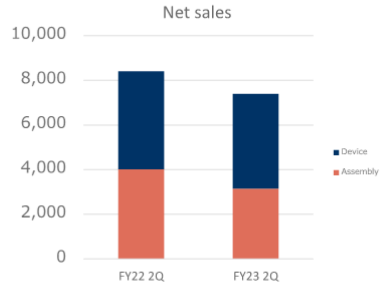
Briefing by Segment: Electronic Devices

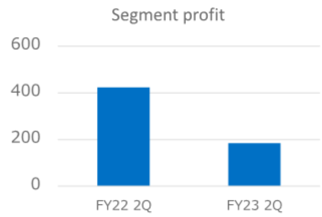
Briefing by Segment: Electronic Devices

- 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	-





This is the main reason for the change in the Electronics Devices segment.

In the third quarter of 2023, the Electronic Devices segment sales and profit decreased due to the global slowdown in the electronics-related market following the post-Corona consumption trend, as well as the significant impact of the accumulation of product and component inventories in the overall market.

As a result, overall net sales in the Electronics Devices segment declined 18.0% year on year to 11,227 million yen, with segment profit decreasing 58.0% to 275 million yen.

Real Estate Leasing Segment

Briefing by segment: Real Estate Leasing

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- **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 3Q	FY23 3Q	Amount of change	YoY
Segment net sales	146	145	-1	-1.2%
Segment operating profit	87	87	0	-0.3%
Ratio of profit	59.4%	59.9%	0.5pt	-

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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 1.2 % year on year to ¥145 million, with segment income down 0.3 % to ¥87 million.

As stated in the "Notice Concerning Transfer of Fixed Assets and Recording of Extraordinary Income" dated December 14, 2023, the Company transferred its real estate holdings in the fourth quarter of the fiscal year, and as a result, net sales and segment profit in the real estate leasing segment are expected to decrease in the consolidated financial results for the full fiscal year ending March 31, 2024.

Revision of consolidated earnings forecast for the fiscal year ending March 31, 2024

FY23 Consolidated Performance Forecast –Revised-

- November 9, 2023: Revised earnings forecast upward, taking into account the acquisition of Gansui Corporation in June 2023 and the performance in the second quarter of the fiscal year ending March 31, 2024.
- Dec. 14, 2023: Revised upward the forecast for profit attributable to the parent company due to an expected extraordinary gain on sales of fixed assets resulting from the transfer of fixed assets.

(Unit: Millions of yen)

	FY23 initial Forecast (A)	FY 23 revised forecast (B)	Amount of change (B-A)	Ratio of change (%)	Result 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	**4,800**	**3,200**	**200.0**	1,585	3,214	202.7%

Note: net sales, operating profit, operating profit ratio, and ordinary profit are based on the figure disclosed on Nov. 9, and net profit attributable to owners of parent is based on the figure disclosed on Dec. 14.

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As for the consolidated performance forecast, profit attributable to owners of parent was revised upward on December 14.

This revision is due to the fact that the Company now expects to record a gain on sales of fixed assets as a result of the transfer of fixed assets as an extraordinary gain. Compared to the previous year, net profit attributable to owners of parent for the period was up 202.7%.

Revision of Consolidated Forecasts by Segment for FY23

Revision of Consolidated Forecasts by Segment for FY23

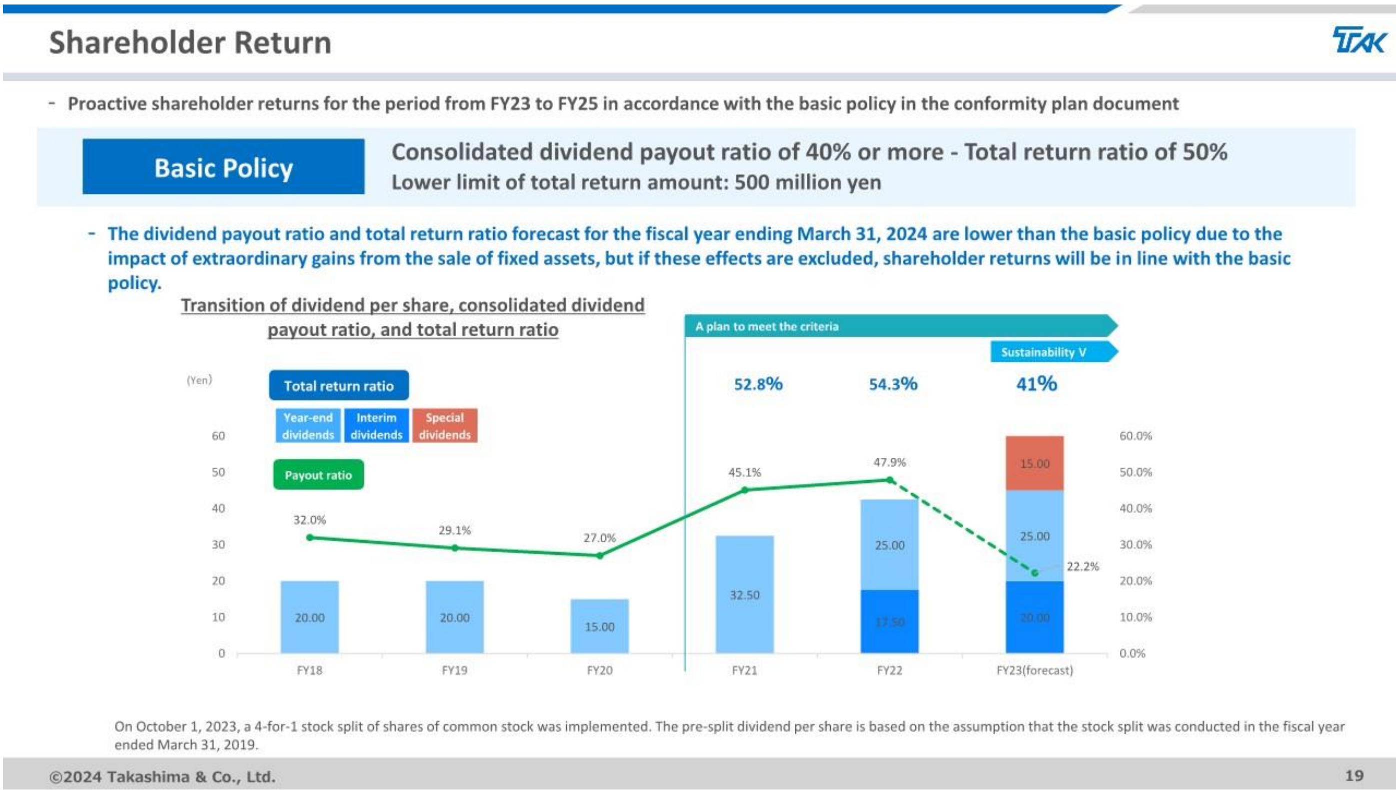
➢ We revised forecasts for construction supply and industrial materials segments at the end of 2nd quarter.

(Unit: Millions of yen)

	FY23 Initial forecast(A)	FY23 Revised Forecast (B)	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%

There are no revisions to the consolidated forecasts by segment from the revisions made in the second quarter.

Shareholder Return



I would like to explain our shareholder returns.

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%.

The projected dividend payout ratio and total return ratio for the fiscal year ending March 31, 2024 will be lower than the basic policy due to the impact of extraordinary gains from the sale of fixed assets. However, if the impact of the sale of fixed assets is excluded, the Company plans to return profits to shareholders in line with the basic policy.

Share price transition after the announcement of the plan to meet the criteria

This is the Company's stock price history since the submission of the plan to meet the criteria. The plan document sets forth five basic policies: promoting capital allocation policy, pursuing sustainable profit growth through investment returns, enriching shareholder returns, establishing IR system, and complying with Japan's corporate governance code.

Consequently, the stock price has been steadily rising since the announcement of the conformity plan.

Status of Meeting the Criteria for Continued-listing

Status of Meeting the Criteria for Continued Listing

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➢ **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 January 31, 2024 (in-house calculation)**

Average closing price from November 2023 to the end of January 2024	Tradable market capitalization
¥1,079 (considering after 4-division conversion)	**¥12.47Bn**

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%

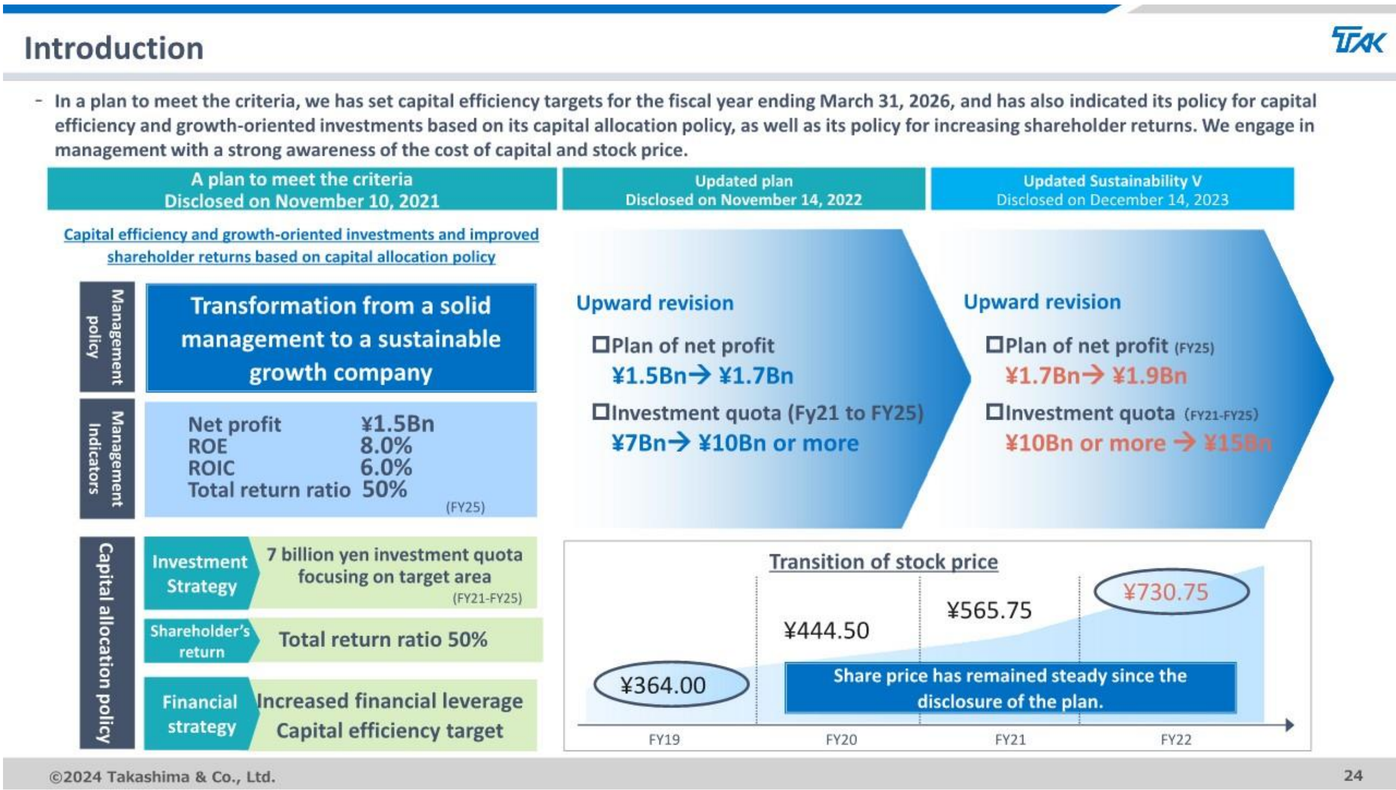
We will explain the status of meeting the criteria for continued-listing. The criteria for continued-listing for the market capitalization of tradable shares in the TSE’s prime market is at least 10 billion yen, but the Company did not meet this criteria as of March 31, 2023.

However, our own calculation using the average closing stock price for the three-month period from November 2023 to January 2024 resulted in a value of 12.47 billion yen.

Next time, the TSE will determine the situation as of March 31, 2024.

Although the plan to meet the criteria calls for achieving this goal by the end of March 2026, we will continue to implement measures to enhance corporate value, with a view to achieving the criteria for maintaining listing ahead of schedule.

Introduction



In the plan to meet the criteria, we sets capital efficiency targets for the fiscal year ending March 31, 2026, and also indicates its policies for capital efficiency and growth-oriented investments based on its capital allocation policy, as well as its policy for improving shareholder returns.

Current Assessment

Current assessment

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- Although the company has achieved return on capital in excess of cost of capital, P/B ratio is below the 1x level. Therefore, not only sustainable improvement of ROE, but also future earnings growth, i.e., improvement of P/E ratio, is an issue.

(Status of capital efficiency)

	FY20	FY21	FY22
Profit attributable to owners of parent	¥1,000M	¥1,296M	¥1,585M
ROE	5.9%	7.2%	8.3%
ROIC	5.1%	5.2%	5.0%
Cost of equity	5.9%	6.2%	6.3%
WACC	4.4%	4.0%	3.9%

- ROE at the end of the fiscal year ended March 31, 2023 is 8.3%, 2.0 percentage points above the cost of equity, which is assumed to be 6.3%.
- ROIC at the end of fiscal year ended March, 2023 is 5.0%, 1.1 percentage points higher than the WACC, which is assumed to be 3.9%, indicating that the company has achieved a return on capital that exceeds its cost of capital.

(Status of P/B ratio)

	FY20	FY21	FY22
P/B ratio	0.46	0.55	0.67
ROE	5.9%	7.2%	8.3%
P/E ratio	8.0	7.8	8.2

- P/B ratio is 0.67. P/B ratio is on the rise, but this is due to higher ROE and limited increase in P/E ratio
- The challenge is not only to continue to achieve return on capital in excess of cost of capital, but also to improve ROE on a sustainable basis and to improve expectations of future earnings growth through sustainable growth, i.e., P/E ratio, in order to reach a P/B ratio of 1x.

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The Company's valuation is through March 31, 2023. Although the company had achieved a return on capital that exceeded its cost of capital, its P/B ratio was below the 1x level, and the company believed that not only sustainable improvement of ROE, but also future earnings growth, or P/E ratio, was an issue to be addressed.

Current Assessment

Current assessment

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◆ **Major achievements based on the policies of the medium-term management plan**

Achievement	Purpose	Implementation period
New Energy Distribution System and Sinbou Edix become consolidated subsidiaries	Investment in strategic area	FY22
Gansui Corporation become consolidated subsidiaries	Investment in strategic area	FY23
Transfer of fixed assets	Concentration of management resources in strategic areas	FY23
Shareholder returns based on a policy of 50% total return ratio (including repurchase and cancellation of treasury stock)	Achieving both growth and shareholder returns	FY21 ~

	FY20	FY21	FY22
Total return ratio	27.0%	52.8%	54.3%
Payout ratio	27.0%	45.1%	47.9%

Achievement	Purpose	Implementation period
Special shareholder returns resulting from profit on sales of fixed assets	Achieving both growth and shareholder returns	FY23
Enhancement of various IR tools /Strengthen information disclosure to foreign investors and individual investors, and dialogue with shareholders	Achieving both growth and shareholder returns	FY21 ~
Reduction of policy shareholdings	Concentration of management resources in strategic areas Compliance with Corporate Governance Code	FY21 ~

In order to resolve the issues in the current assessment, we have taken various initiatives based on the policies of our medium-term management plan.

The company has been working to increase corporate value through three mergers and acquisitions, a total shareholder return ratio of 50 %, and a reduction in policy shareholdings.

Policies and Goals for Improvement (2) Specific Measures for Improvement

These are policies and initiatives to address future cost of capital and stock price conscious management. The goals for the final year of the mid-term management plan (fiscal year ending March 31, 2026) are to achieve a ROE of 8.0 % or higher and a target ROIC of 6.0 % or higher.

In order to improve P/B ratio, we will steadily implement initiatives based on the basic policies of the medium-term management plan to achieve profit growth and improve capital productivity, thereby enhancing corporate value.

Specifically, we will implement PMI, make new investments in strategic areas, balance growth with shareholder returns, and reduce policy shareholdings.