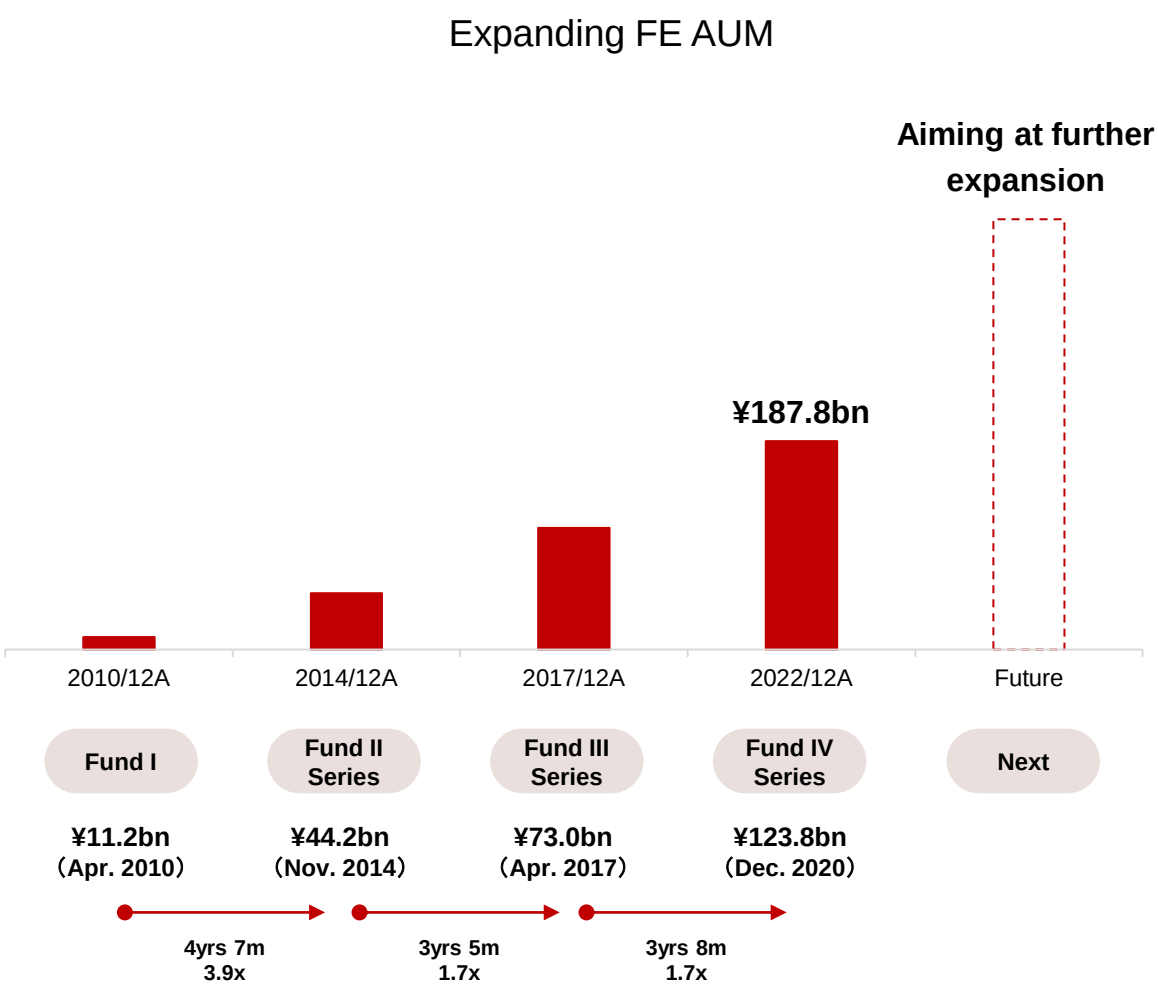
FY2023Q3 Management Presentation

Integral Corporation

Nov 2023

At a glance:
Integral is a leading Japan-focused private equity



Area 100% Japan	Focus Middle market
Gross MOIC 2.5x	Gross IRR 29.5%
Investment professionals 46 / 80	Full on-site support 100%

1. Average of gross MOIC and gross IRR for Fund 1, Fund 2 Series, and Fund 3 series, excluding Fund 4 series, which are still in the investment period. Fund 1 as of fund liquidation, Fund 2 and Fund 3 series as of September 30, 2023

Invested in EV of more than ¥660bn

Fund I

- BPS — Manufacturer of Customized inserters
- Yohji Yamamoto — Prominent brand in Paris Fashion week
- SHICATA CO. — Design & production of Women's bags
- TYO — Planning & production of TV commercials
- Dramatic Communication アパマンショップ NETWORK — Residential real estate service
- FiBest — Design and sales of optical components

Fund II Series

- TBI Group "partner in every steps" — Japanese-style izakaya bar chin
- 信和株式会社 — Wedge-type system scaffolding manufacturer
- 株式会社コンヴァノ Convano — Low price nail salon chain
- QB HOUSE — Low price hair cut salon chains
- SKY — 3rd largest airline
- J-trading inc. — Import/export and wholesale of tuna and salmon
- ITOKIN Styling the Next — Women's apparel manufacturer
- Aderans — Production of Custom-made & ready-made wigs
- センサで世界を測る、未来を拓く。 OHIZUMI — Production of temperature sensors and related electronic devices

Fund III Series

- DmMix — Telemarketing Service provider
- BTC — Professionals of IT & RPA
- TOYO ENGINEERING — Fertilizer/ammonia chemical plant EPC
- 日東エフシー株式会社 — Independent fertilizer manufacturer
- SANDEN サンデン・リテールシステム株式会社 — Vending machine and refrigerated showcase manufacturer
- JRC JAPAN ROLLER CORPORATION — Conveyor belt component manufacturer & Robot SIer
- 豆蔵 MAMEZOU HOLDINGS — Professionals of DX/IoT
- T-Garden — Planning and sales for color contact
- PRIMO GHD — Bridal ring manufacturer

Fund IV Series

- KITAMURA HOLDINGS — Photo-related service provider
- oliver — Wooden furniture manufacturer
- TOPPAN PHOTOMASK CO., LTD. — photomask manufacturer for semiconductors
- Shinoken GROUP — Production and sale for apartments for investment
- Daiohs — Office coffee service provider
- UPT Think ahead, Make differently — Precision products manufacturer
- TCS HOLDINGS — IT Staffing Agencies

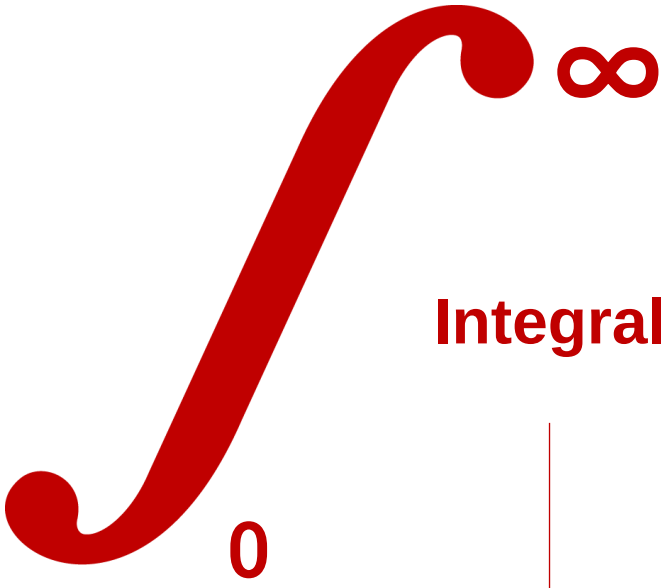
Agenda Today

1. Our mission
2. Ample opportunities
3. Our business model
4. Our moat and growth strategy
5. Recent update
6. Outlook for FY 2023
7. For the next year and beyond

1

Our mission

Our Mission



Integral > **Trusted Investor** > **Unique “Japanese Private Equity” model**

Deepest trust
and highest wisdom

Seeing “eye-to-eye”
with management

2

Ample opportunities

Huge upside in Japan...

PE Deal Value as % of GDP

Japan	0.3%
United States	1.3%
United Kingdom	1.8%
Germany	0.7%

Japan is unique as both demand and supply to grow

Uses of Fund side

Sources of Fund side

Asset Allocation in Alternative Assets

GPIF(Japan)	1.4%
PFA for Local Govt. (Japan)	0.9%
Federation of municipalities(Japan)	1.0%
GPF(Norway)	2.8%
NPS(South Korea)	16.4%
CalPERS(US)	27.4%
CPPIB(Canada)	64.0%
NSSF(China)	14.0%
CalSTRS(US)	49.6%

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...then Why Now?

Business Succession

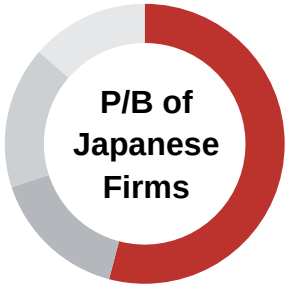
% of small to mid-cap owners aged 70+

26.8%

Increase in succession M&A in the past 5 yrs

c.2.3x

Undervalued

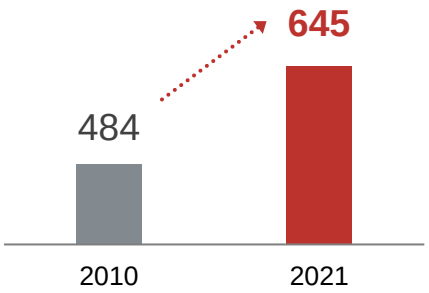


Less than 1.0x

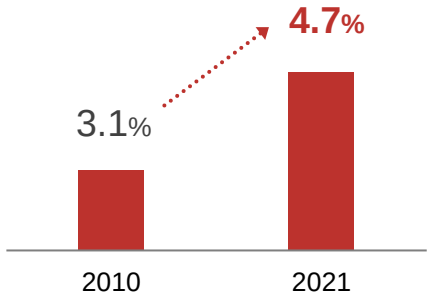
54.1%

Carve-out

# of transactions



% of PE involved in carve-out



Shareholder Activism

Activist / financial investor proposals

2017 → 2022

46cases → 293cases

Hostile takeover

2017 → 2021

1case → 8cases

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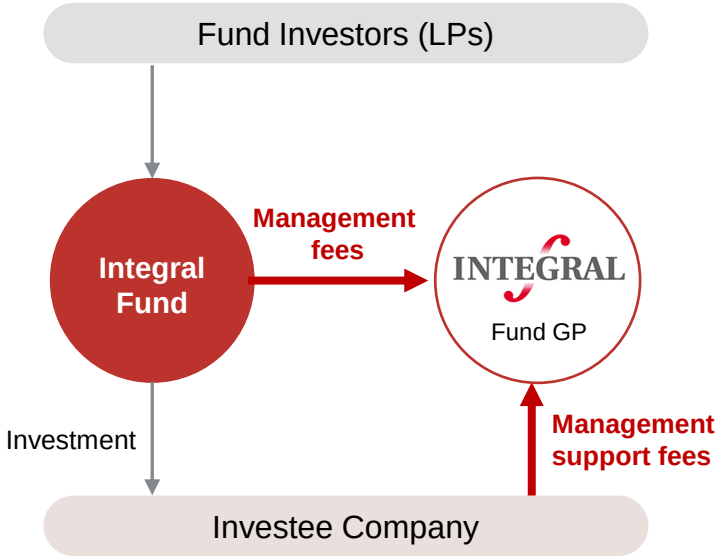
3

Our business model

We have 3 pillars

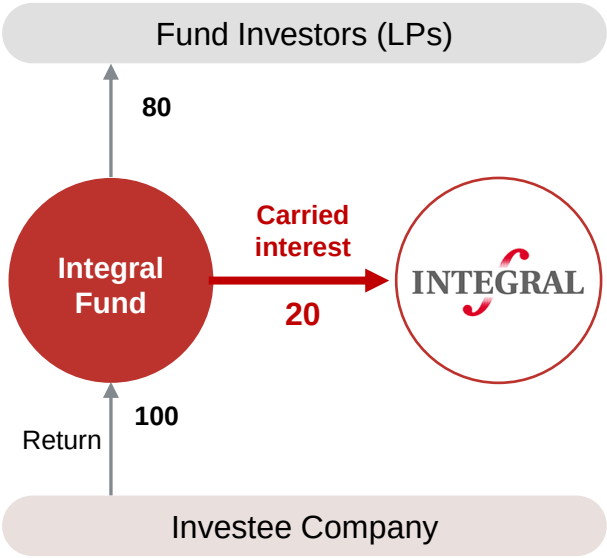
1

Integral receives quarterly fees based on FE AUM as recurring revenue



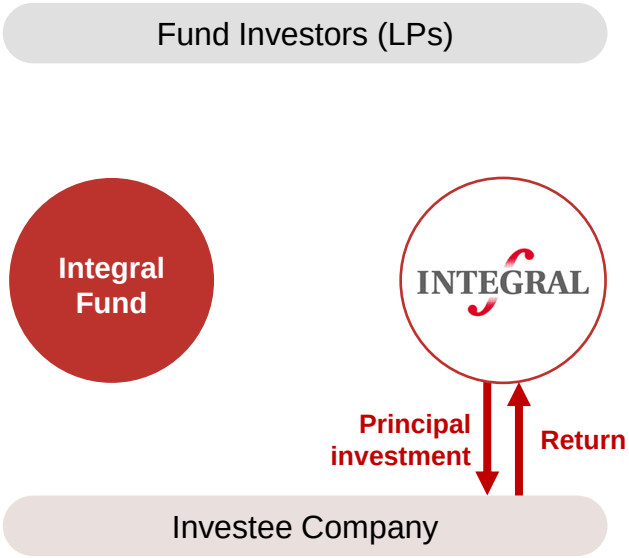
2

Upon investment exit, Integral receives certain % of return



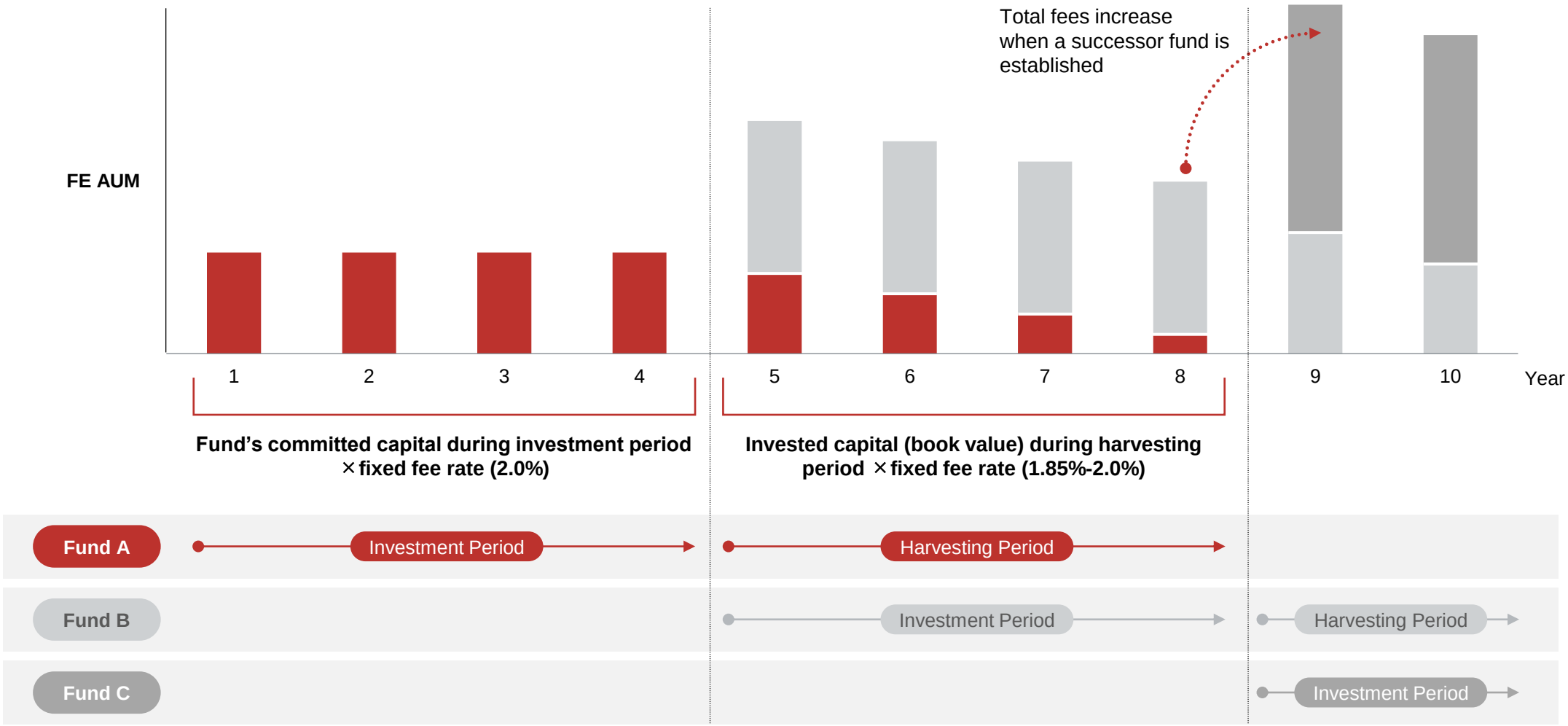
3

Integral makes a principal investment in parallel with a fund investment, leading to its competitive advantage



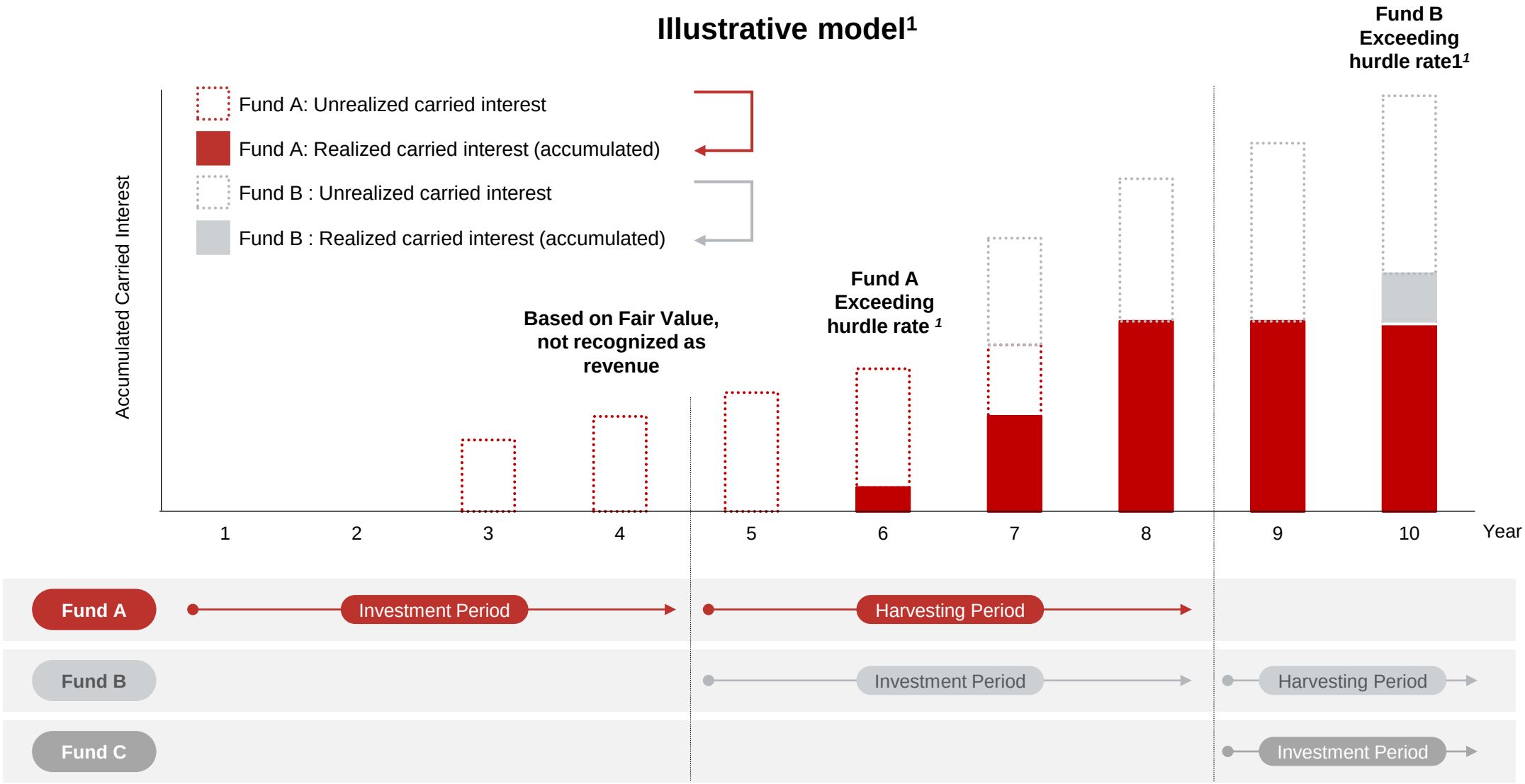
Management fees are the foundation for our value expansion

Illustrative model[1]



1. Assuming that the next fund is established every 5 years and the fund size increases by 1.5 times for each subsequent fund

Carried interest is realized when the cumulative gains exceed the hurdle rate



1. Timing at which the hurdle rate is exceeded by an amount that is likely not to cause significant clawbacks.

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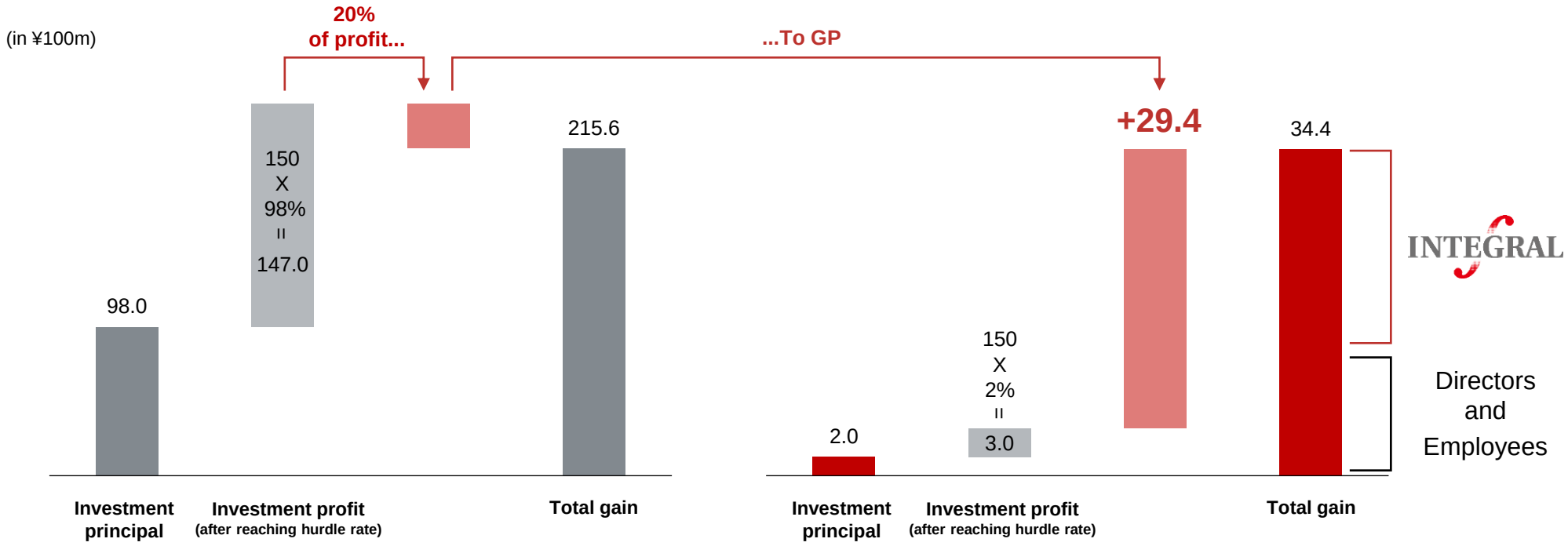
Carried interest brings higher return

Illustrative return model[1]

Assumption	Invested amount (LP+GP)	¥10bn	GP commitment	2%
	Investment period	4yrs	Hurdle rate	8%
	Investment proceeds	¥25bn	Hurdle return amount	¥3.6bn

LP Return **MOIC[1] 2.2x: IRR[1] 21.8%**

GP Return **MOIC[1] 17.2x: IRR[1] 103.6%**



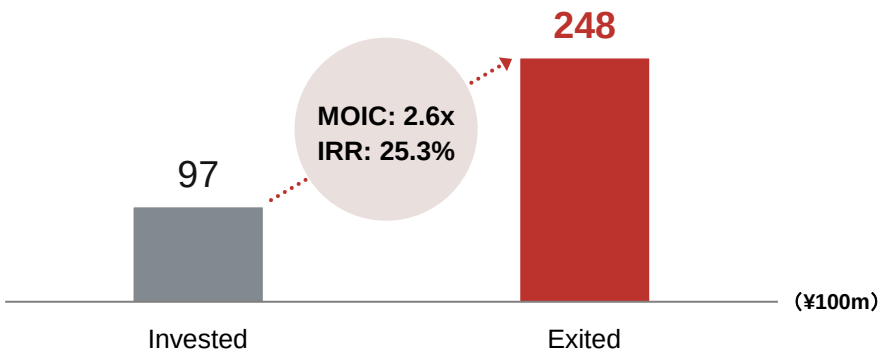
1. Net MOIC / IRR calculated based on assumptions. Net MOIC / IRR refer to the investment ratio and internal rate of return, respectively, based on the investment proceeds received in the project after deducting various expenses (excluding unrealized carried interest)

4

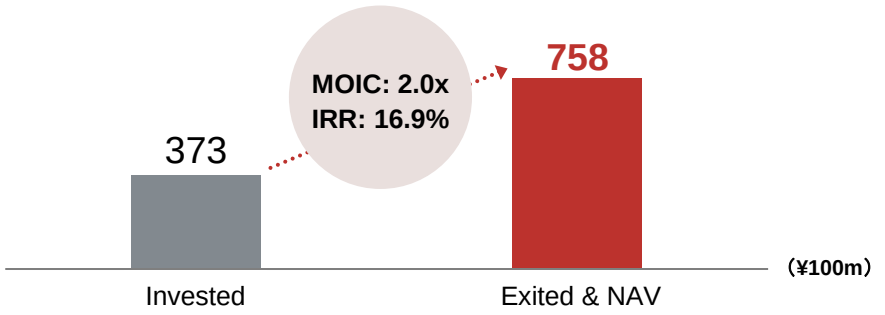
Our moat and growth strategy

Proven track record of high return

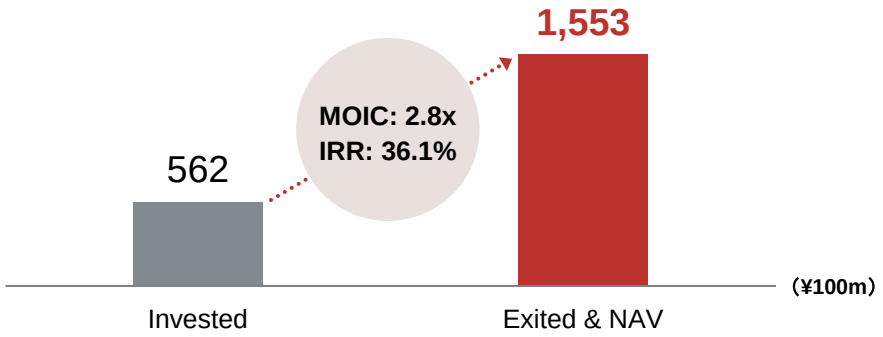
Fund I



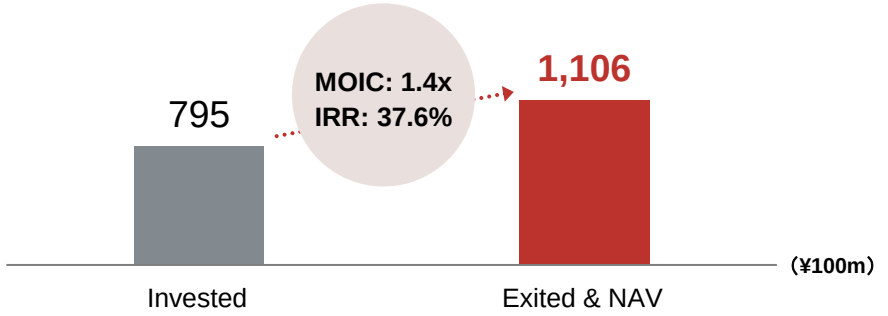
Fund II Series



Fund III Series

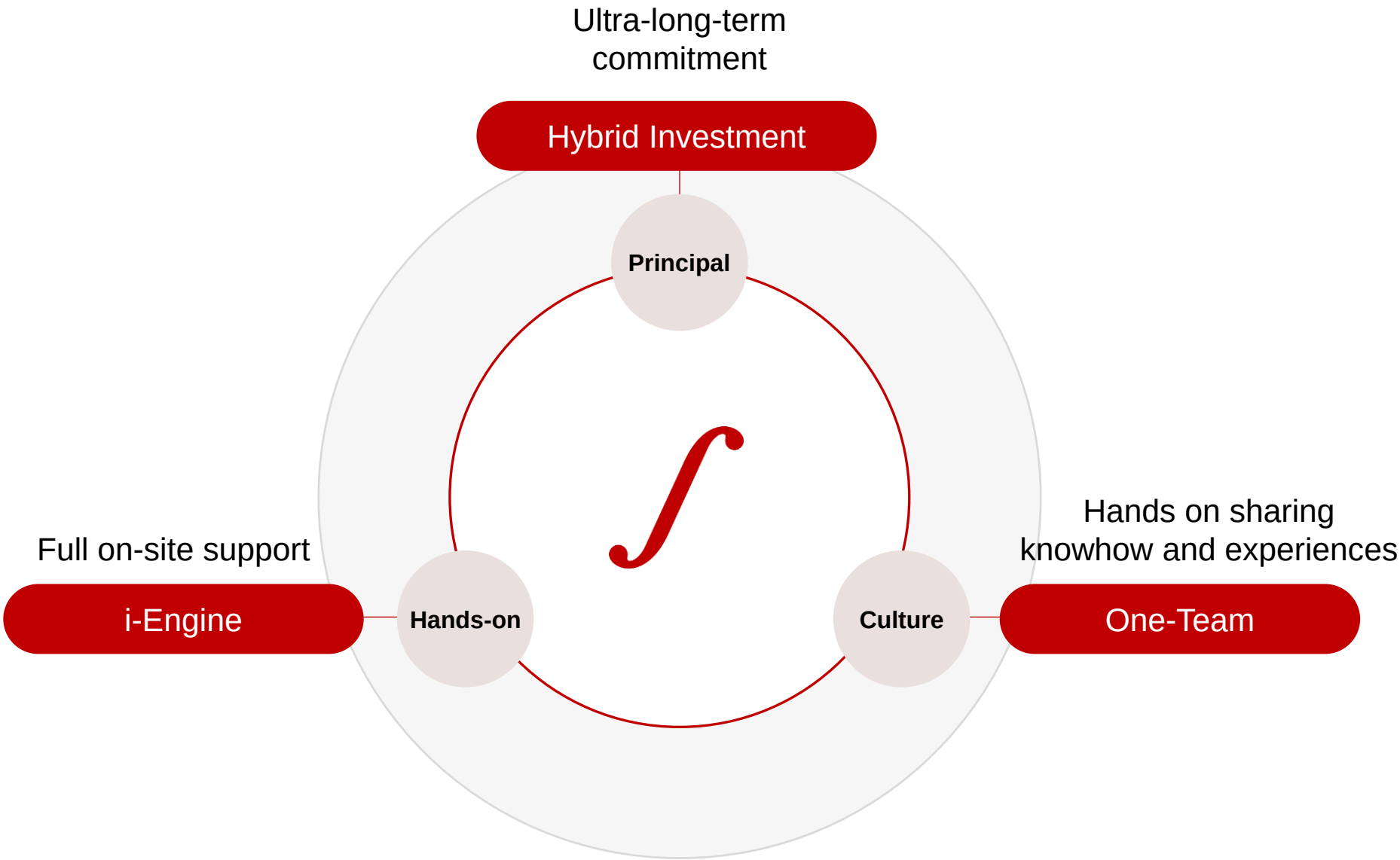


Fund IV Series



1. MOIC、IRR on gross basis. Gross MOIC is the ratio of total estimated FV of investment proceeds and uncollected investment amount to invested capital for each investment. Gross IRR is the internal rate of return based on total estimated FV of investment proceeds and uncollected investment amount to invested capital for each investment
2. As of Sep. 2023.

Why Integral is differentiated from the others



What's "i-Engine"

Quickly and seamlessly strengthening internal structure through hands-on management support



Support for business growth

- Overseas business expansion
- Launch of new businesses
- Strategic partnerships/M&A

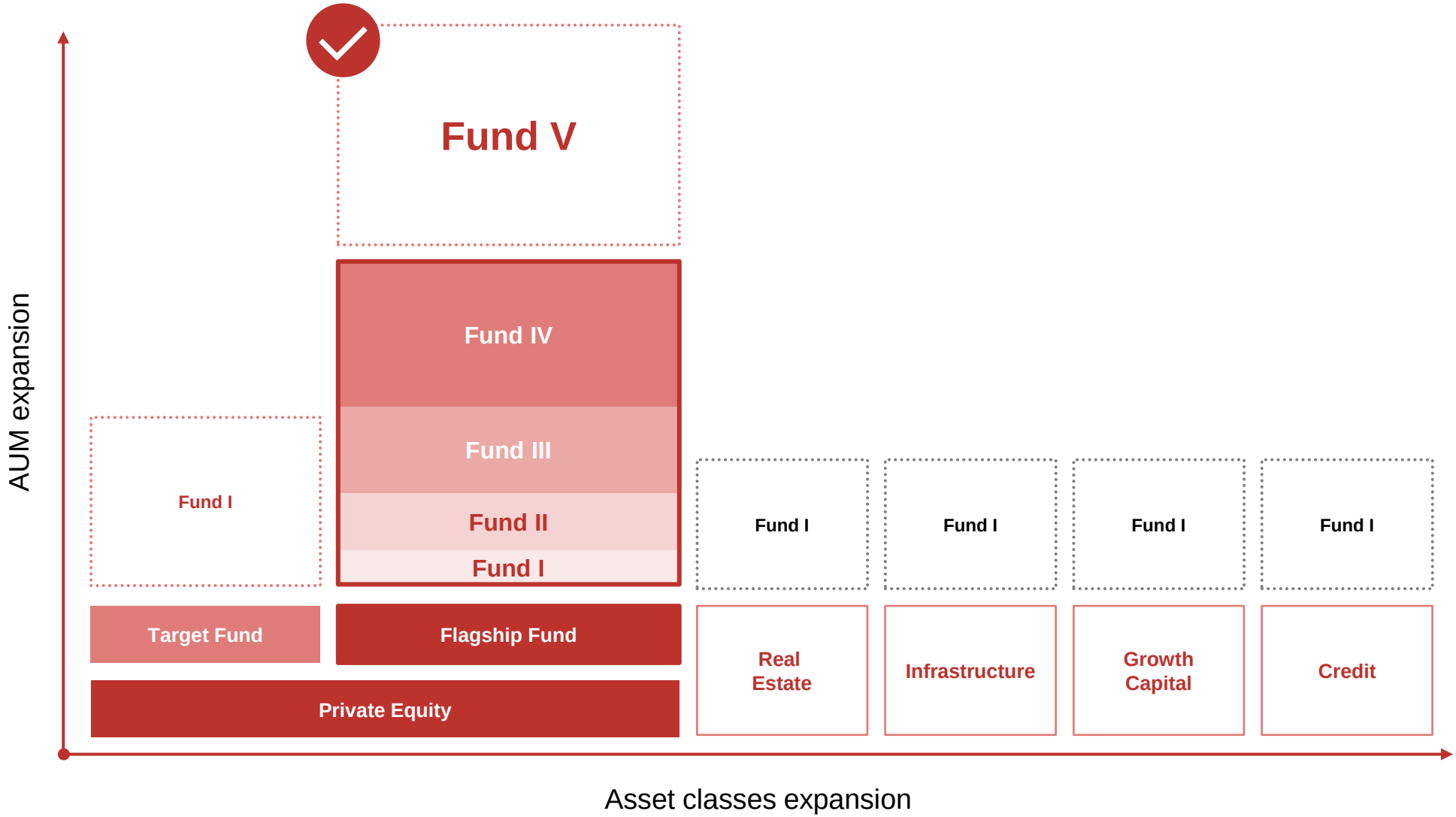
Support for finance

- Improving cash flow
- Capital strategy
- Support for IPO preparations

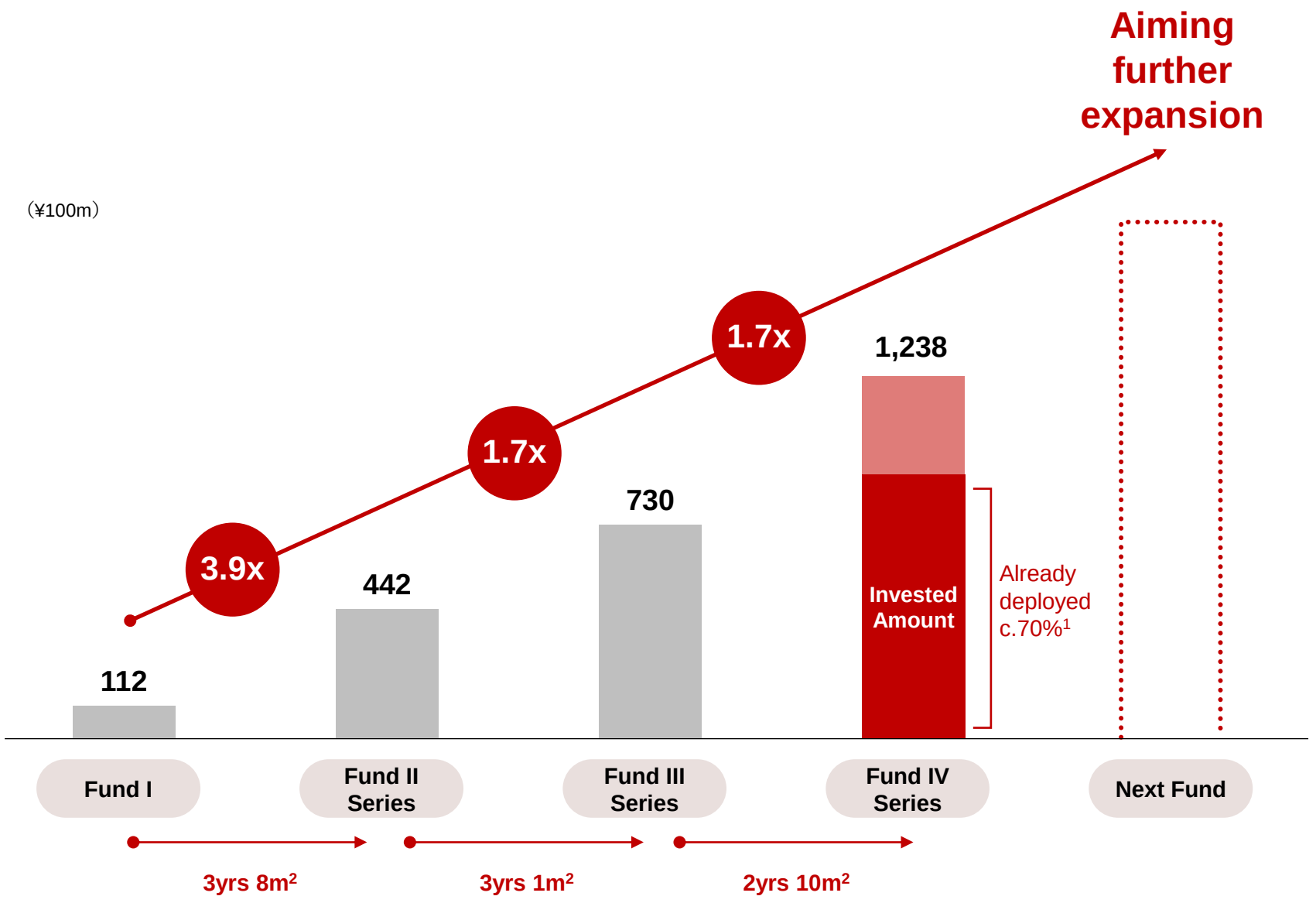
Support for accounting and internal controls

- Visualization
- Organizational restructuring/reform
- Structure incentive plans

Our growth strategy:
The flagship fund remains a key driver...



...We will raise the next flagship fund



1. As of Sep. 2023. Ratio of completed investment amount to the fund size.
2. Refers to the period from the start of the investment period for each fund to the first closing of the next fund

5

Recent update

Active in both investment and exit

TCS HOLDINGS

Investment of Fund IV

Aug 2023

Software-related business at its core, approx. 10,000 employees

BTC

Exit of Fund III

Aug 2023

Transfer of shares to Capgemini group

JRC JAPAN ROLLER CORPORATION

Exit of Fund III

Aug 2023

Listed on the growth market of Tokyo stock exchange

日東エフシー株式会社

Exit of Fund III

Nov 2023

Transfer of shares to Ichine HD, etc (planned)

SKY

Exit of Fund II

Oct & Nov 2023

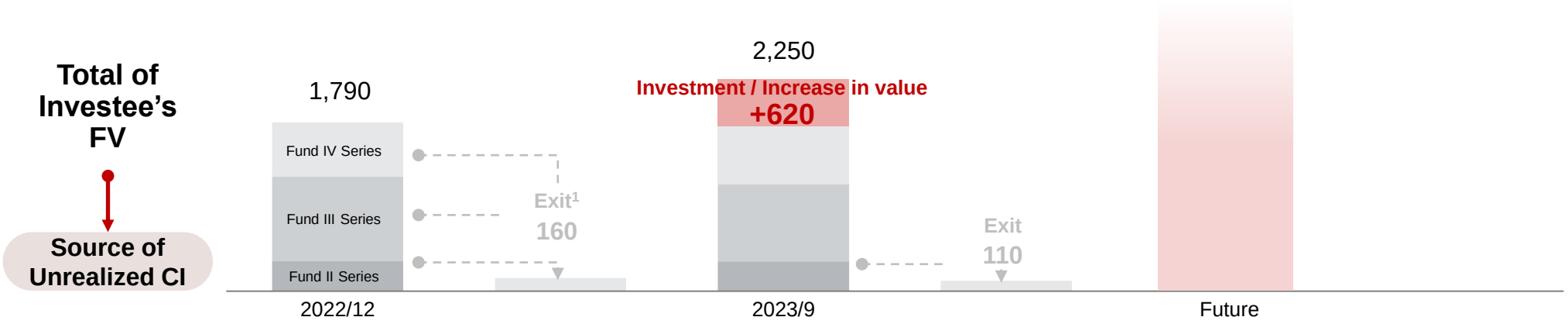
Partial transfer of shares to Airtrip & Suzuyo HD

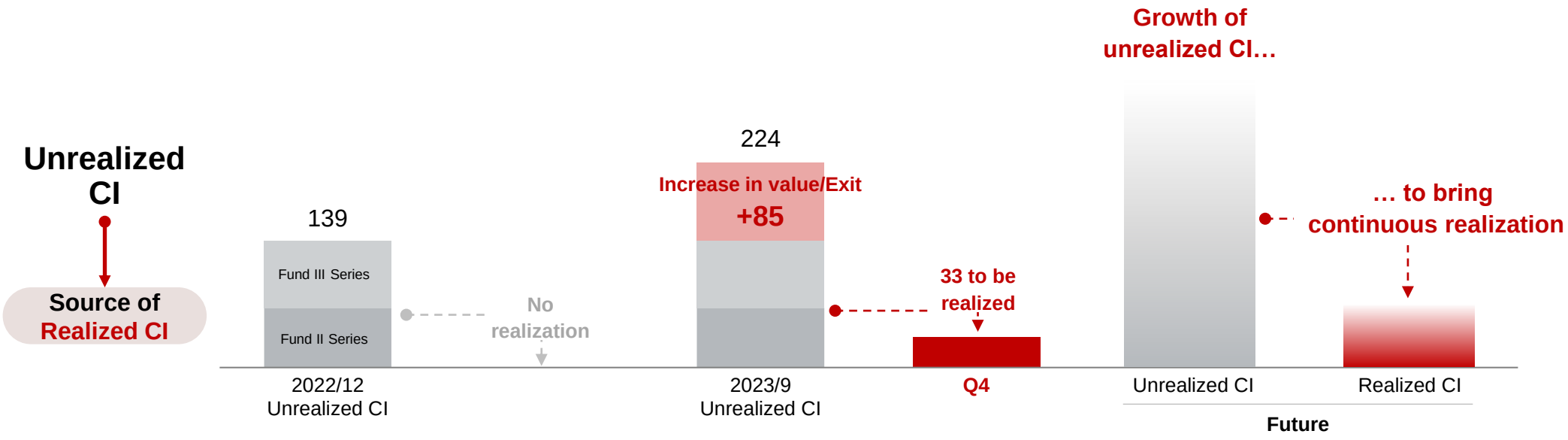
6

Outlook for FY2023

FV & unrealized carried interest(CI) is growing, and realized CI to be recognized in Q4

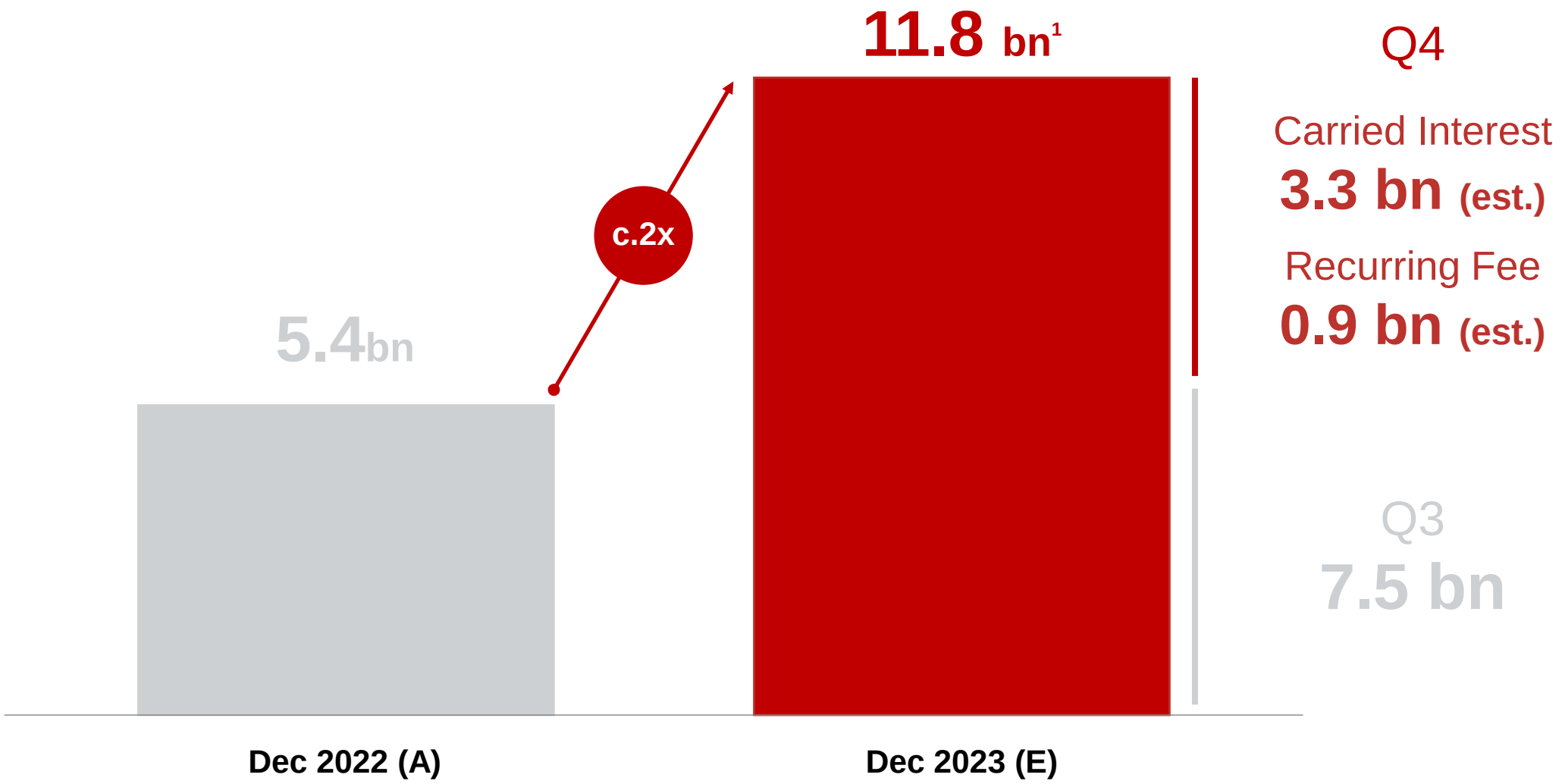
（¥100mn）





1. Exit of Fund IV Series is the return of bridge financing by the fund

2x Revenue



1. Excluding the impact of unrealized gains/losses on investees for Q4 2023
2. Recurring revenue is calculated based on Fund management fees (JPY 3,753 million) and Management support fees (JPY 197 million) disclosed in the notice on financial results on September 20, 2023 and third quarter financial results on November 13, 2023. , which are one-fourth of the amount that would be attributed to the fourth quarter.

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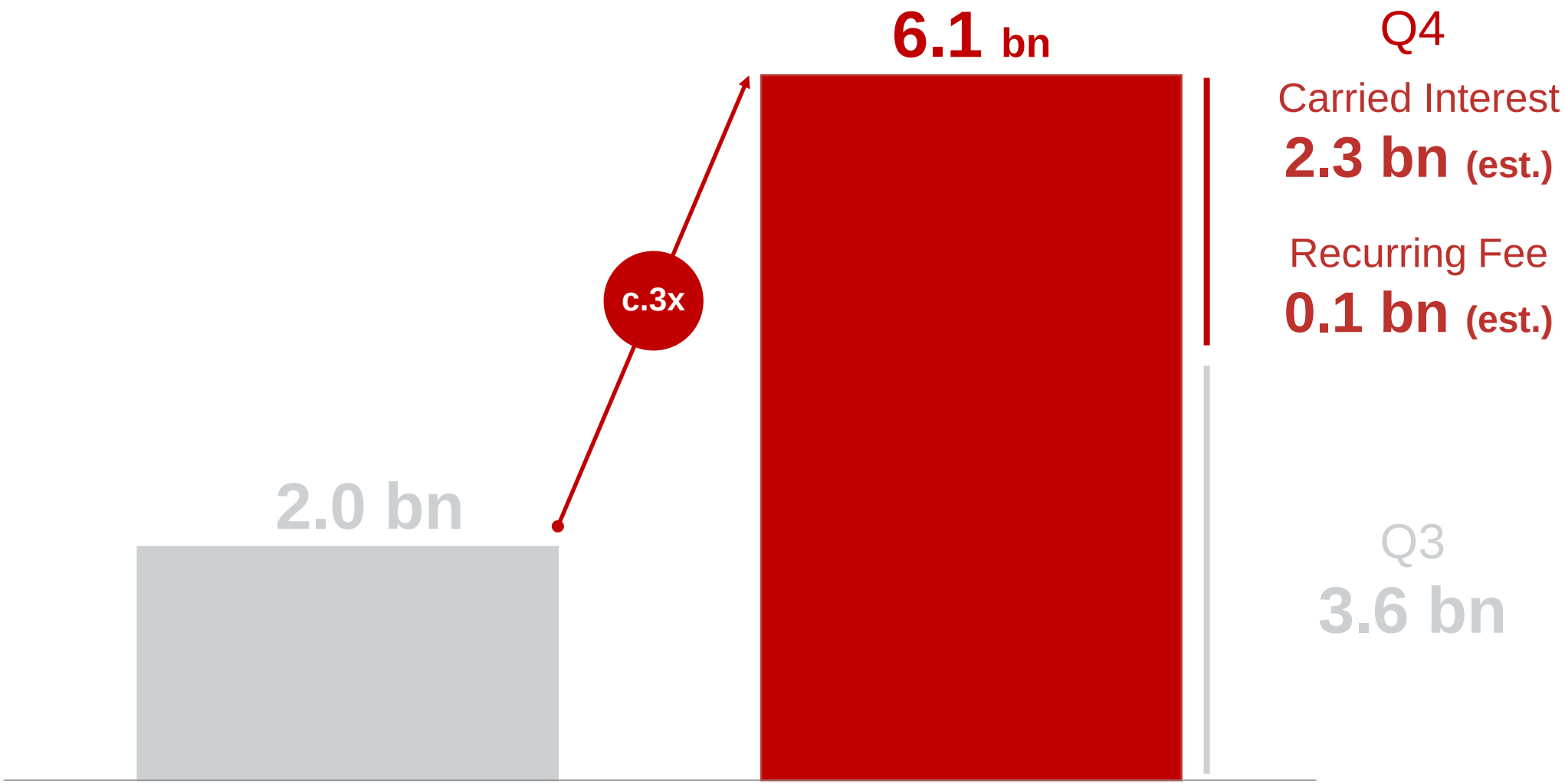
3x Profit



1. Excluding the impact of unrealized gains/losses on investees for Q4 2023
2. Recurring revenue is calculated based on Fund management fees (JPY 3,753 million), Management support fees (JPY 197 million) and operating expenses (JPY 2,882 million) disclosed in the notice on financial results on September 20, 2023 and third quarter financial results on November 13, 2023., which are one-fourth of the amount that would be attributed to the fourth quarter (considering an effective tax rate of 30.62%).

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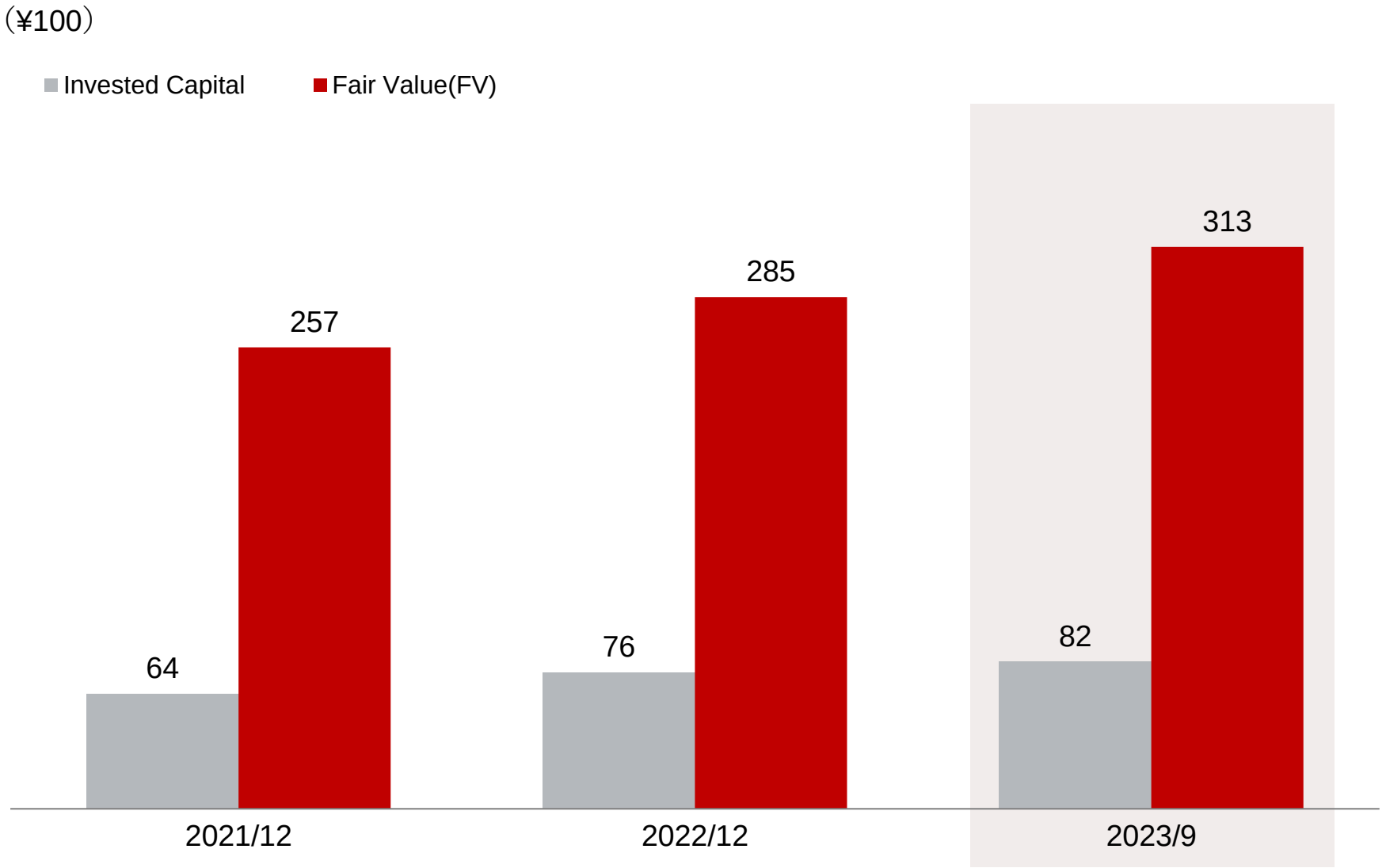
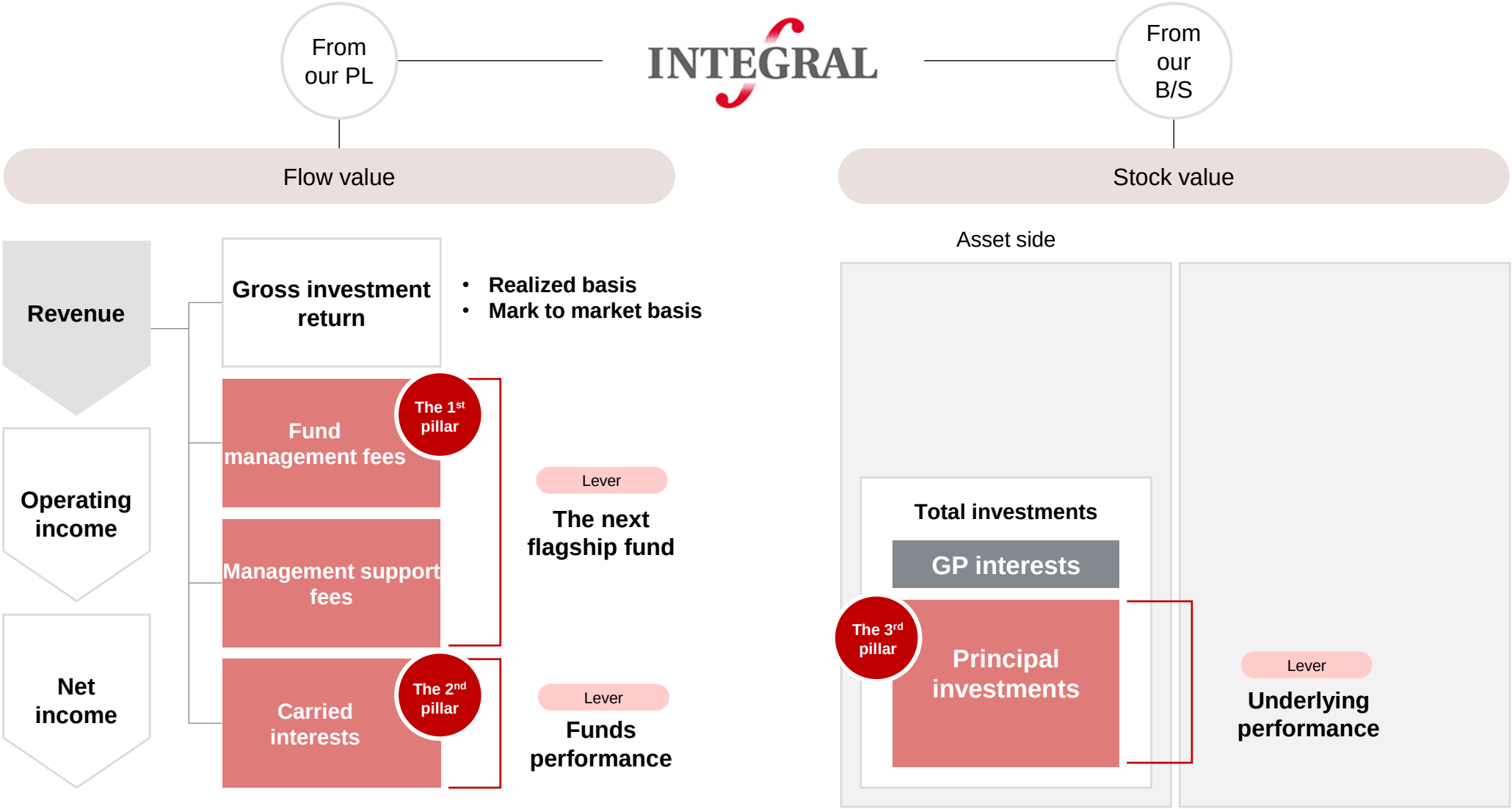
FV of Principal Investments is also on track



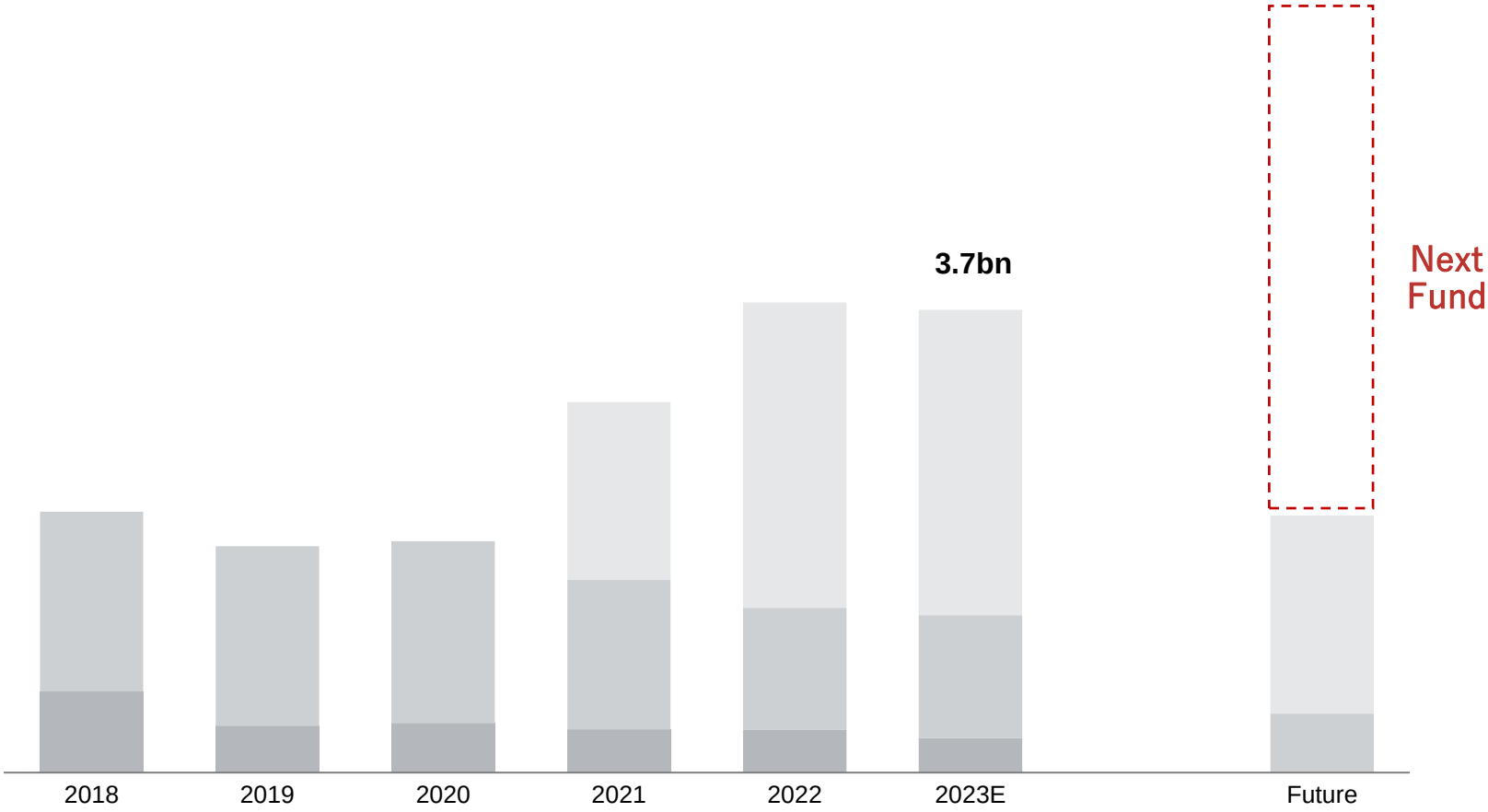
7

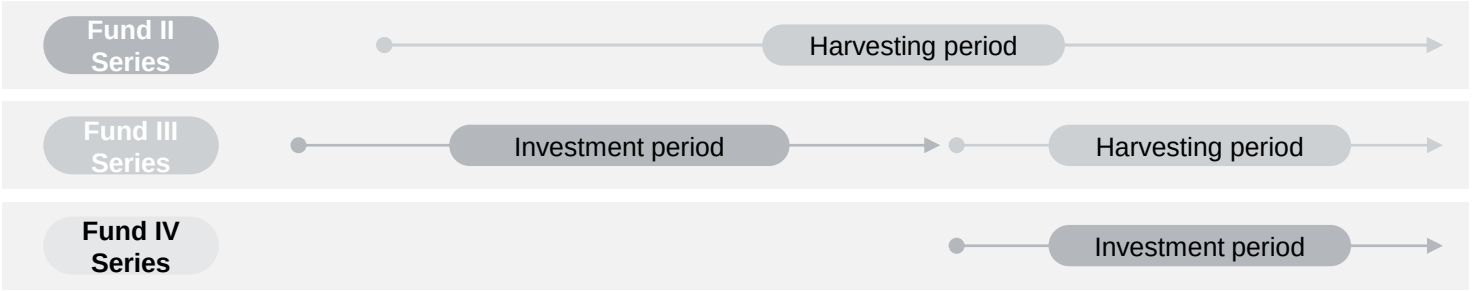
For the next year and beyond

Our unique value creation model with the 3 pillars



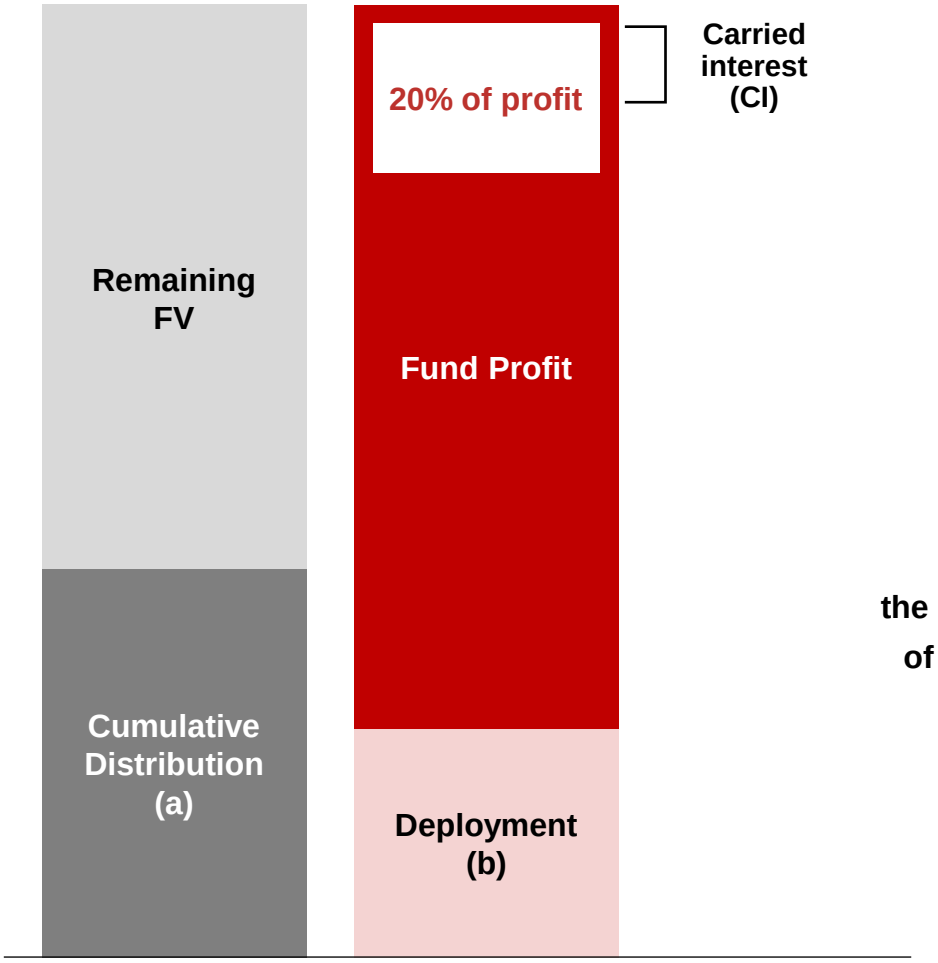
The next flagship fund would drive AUM fees





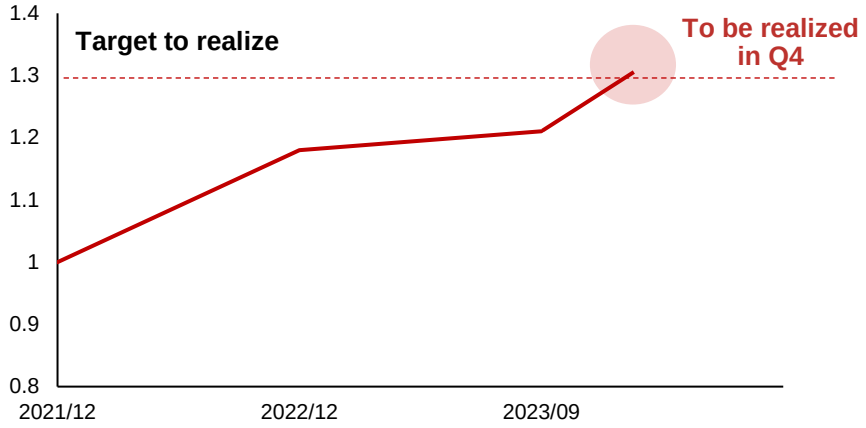
CI realization of fund III is expected to follow fund II

Framework

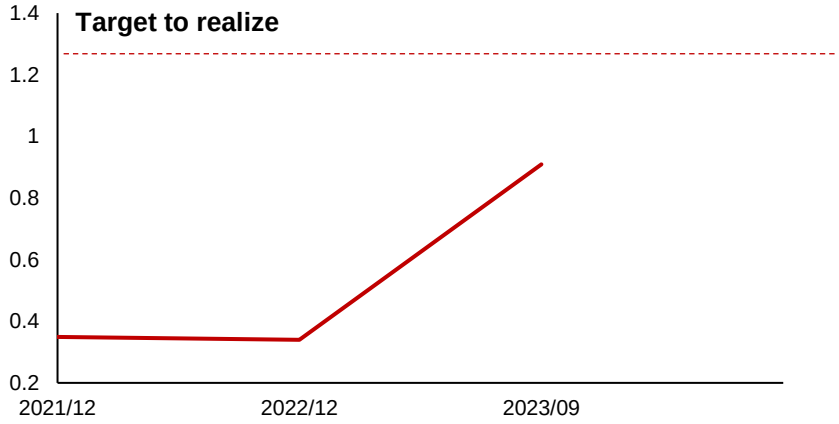


DPI(a/b) is the leading key KPI of CI realization

Fund II Series



Fund III Series



Target KPIs

FE AUM growth rate

FE AUM growth rate

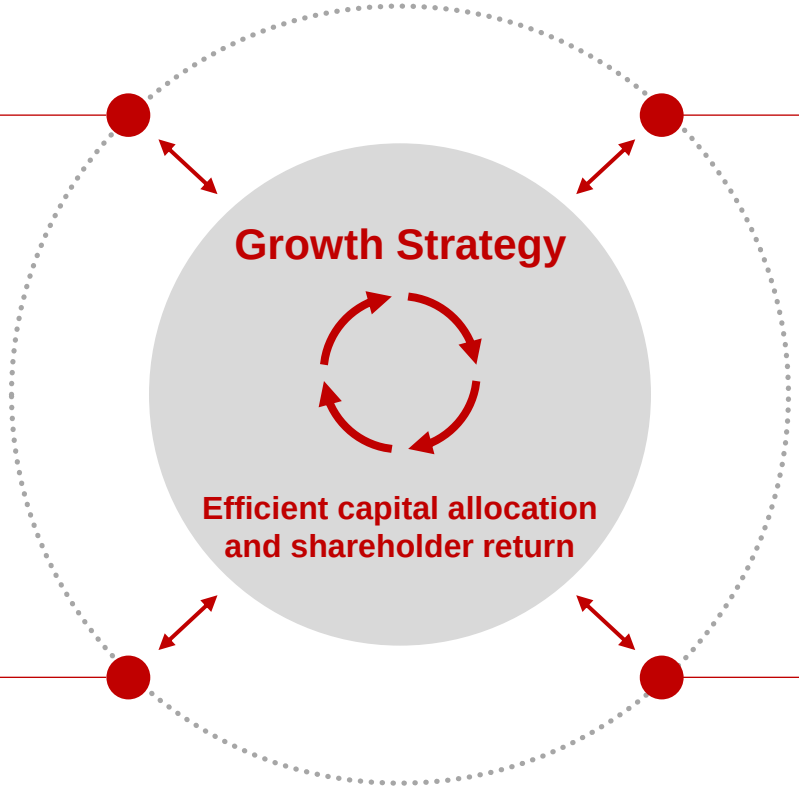
10-20%

Aiming for organic/inorganic

Fee-related revenue margin

30-40%

Maintaining via cost control



Capital efficiency

5yr ROE avg.

c.15%

No dividend for FY2023/12, and DOE will be applied for FY 2024

Target return of principal investment

MOIC

c. 3.0x

Inducing deal opportunities as well as securing solid financial return

Key takeaways

1 — **The first listing of private equity fund in Japan, accelerating further growth**

2 — **All the three pillars of value creation are performing. CI to be realized in Q4**

3 — **We will raise the next flagship fund**

Appendix

Recurring Fee

Framework

Management support fee

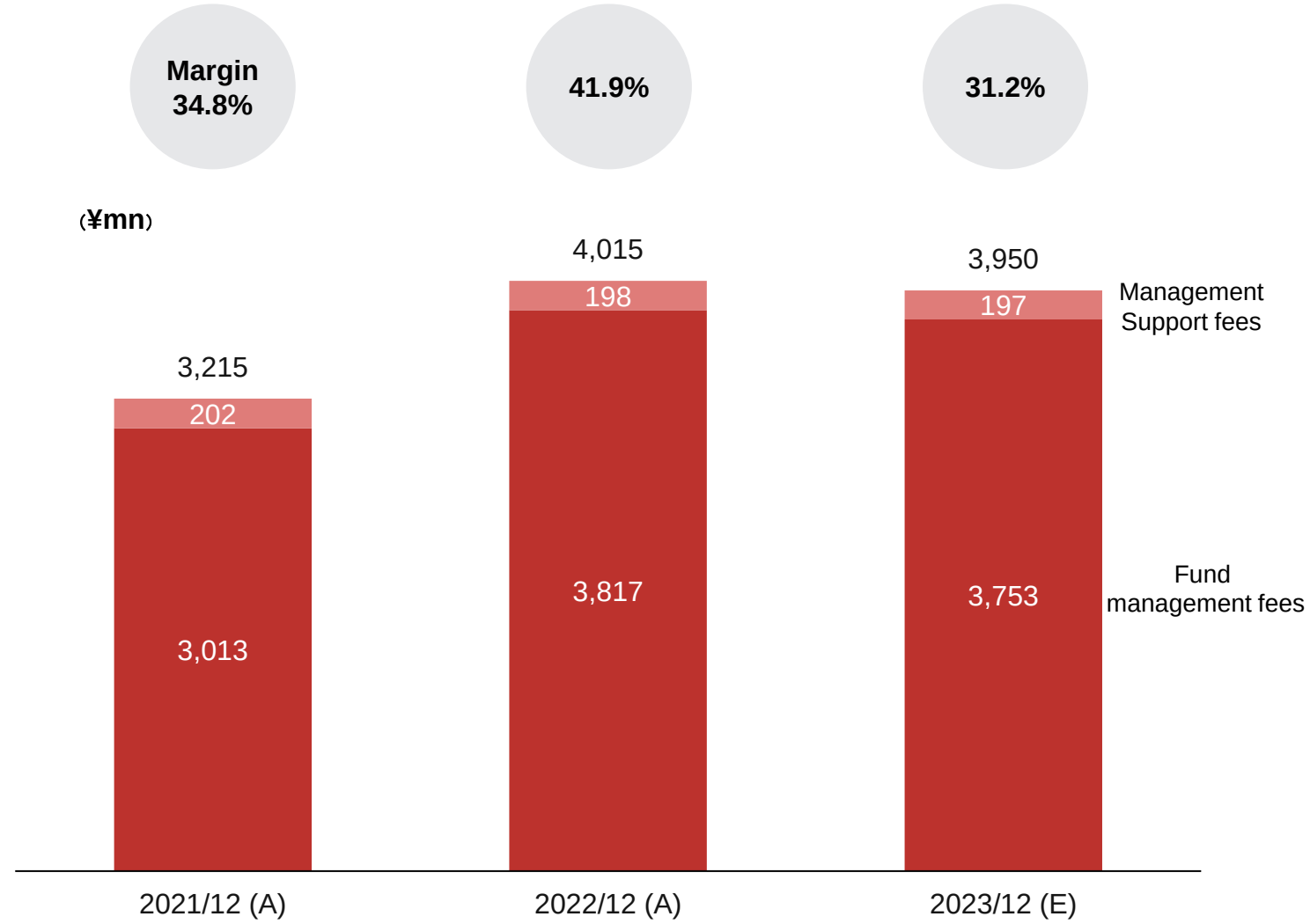
Fund management fee

Operating expense

Recurring profit before tax

KPI : 30-40% margin

Actual / Estimate



Key Financials

Consolidated Statements of Profit or Loss

(¥mn)

	Dec. 31, 2021 Full Year	Dec. 31, 2022 Full Year	Dec. 31, 2023 3Q
Realized profits / (losses) on disposal of investments	50	(0)	1,045
Fair value movements on investment portfolio	831	(266)	802
Fair value movements on subsidiaries measured at fair value	(247)	1,665	2,692
Other investment income	11	16	36
Gross investment return	**646**	**1,415**	**4,576**
Fund management fees	3,013	3,817	2,828
Carried interest	―	―	―
Management support fees	202	198	144
Other operating income	1	4	2
Revenue	**3,863**	**5,435**	**7,552**
Personnel expenses	1,480	1,664	1,383
Other SG&A expenses	615	770	835
Operating expense	**2,095**	**2,435**	**2,218**
Operating income（loss）	**1,767**	**3,000**	**5,334**
Finance income	1	2	0
Finance costs	87	89	63
Profit(loss)before income taxes	**1,681**	**2,913**	**5,272**
Income taxes	508	892	1,617
Profit(loss)for the year	**1,173**	**2,021**	**3,654**

Key Financials

Consolidated Statements of Financial Position

(¥mn)

	Dec. 31, 2021	Dec. 31, 2022	Sep. 30, 2023
Assets			
Current assets			
Cash and cash equivalents	2,309	2,309	15,318
Trade and other receivables	163	325	544
Income taxes receivable	0	18	-
Other current financial assets	21	5	19
Other current assets	45	59	58
Total current assets	2,539	2,718	15,940
Non-current assets			
Total investments	28,577	31,393	34,634
Investment portfolio	7,007	7,783	7,726
Investments in subsidiaries measured at fair value	21,570	23,610	26,907
Property, plant and equipment	274	238	215
Right-of-use assets	551	403	292
Intangible assets	7	5	4
Other non-current financial assets	169	158	194
Other non-current assets	0	–	0
Total non-current assets	29,580	32,200	35,340
Total assets	**32,120**	**34,918**	**51,281**

(¥mn)

	Dec. 31, 2021	Dec. 31, 2022	Sep. 30, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	438	535	738
Income taxes payable	106	61	656
Consumption taxes payable	86	74	41
Advances received	413	1,005	982
Loans	–	780	780
Loans from subsidiaries measured at fair value	4,600	4,350	4,900
Lease liabilities	140	141	141
Provision	–	–	223
Other current liabilities	91	101	89
Total current liabilities	5,876	7,050	8,554
Non-current liabilities			
Corporate bonds	2,360	–	–
Loans	–	1,560	759
Lease liabilities	316	175	70
Asset retirement obligations	114	114	114
Deferred tax liabilities	6,095	6,612	7,339
Total non-current labilities	8,886	8,463	8,284
Total liabilities	**14,762**	**15,513**	**16,838**
Equity			
Share capital	1,077	1,077	6,880
Capital surplus	18	43	5,622
Retained earnings	16,271	18,292	21,946
Share acquisition rights	1	1	1
Treasury stock	(11)	(9)	(9)
Equity attributable to owners of parent	17,357	19,405	34,442
Total equity	**17,357**	**19,405**	**34,442**
Total liabilities and equity	**32,120**	**34,918**	**51,281**

Key Financials

Consolidated Statements of Financial Position

(¥mn)

	Dec. 31, 2021	Dec. 31, 2022	Sep. 30, 2023
Cash flows from operating activities			
Profit (loss) before income taxes	1,681	2,913	5,272
Depreciation and amortization	183	185	139
Share-based payment expenses	20	0	0
Interest and dividend income	(12)	(18)	(37)
Interest expenses	87	89	63
Increase (decrease) in provision	—	—	223
Decrease (increase) in trade and other receivables	145	(161)	(218)
Decrease (increase) in investment portfolio	(1,744)	(775)	56
Decrease (increase) in investments in subsidiaries measured at fair value	(1,443)	(2,039)	(3,297)
Decrease (increase) in other current financial assets	(34)	26	(48)
Decrease (increase) in other assets	11	(12)	0
Increase (decrease) in trade and other payables	(426)	81	(55)
Increase (decrease) in consumption taxes payable	34	(11)	(32)
Increase (decrease) in advances received	(117)	591	(23)
Increase (decrease) in other liabilities	16	10	(11)
Others	0	(0)	0
Subtotal	(1,619)	877	2,029
Interest and dividends received			
Interest paid	11	17	38
Income taxes refund received	(82)	(73)	(84)
Cash flows from operating activities	(27)	(438)	(178)
Cash flows from operating activities	**(1,717)**	**383**	**1,805**

(¥mn)

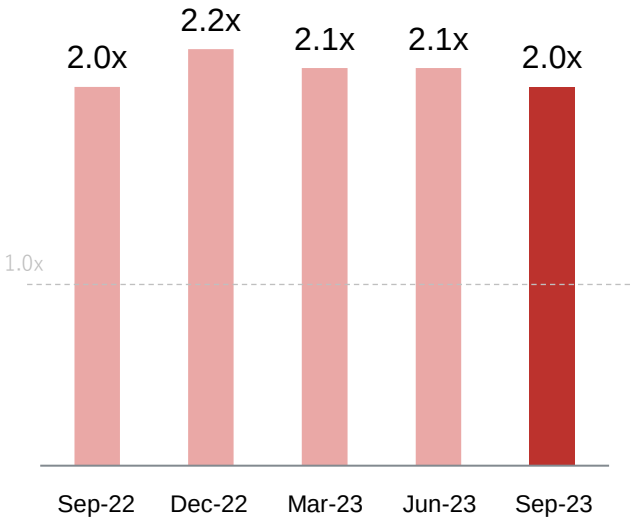
	Dec. 31, 2021	Dec. 31, 2022	Sep. 30, 2023
Cash flows from investing activities			
Purchase of property, plant and equipment	(16)	—	(1)
Purchase of intangible assets	(5)	(0)	0
Cash flows from investing activities	**(21)**	**(0)**	**(1)**

(¥mn)

	Dec. 31, 2021	Dec. 31, 2022	Sep. 30, 2023
Cash flows from financing activities			
Proceeds from loans from subsidiaries measured at fair value	6,100	3,022	2,550
Repayment of loans from subsidiaries measured at fair value	(3,600)	(3,272)	(2,000)
Proceeds from loans	—	2,340	—
Repayments of loans	—	—	(800)
Proceeds from issuance of corporate bonds	1,140	—	—
Redemption of corporate bonds	(1,540)	(2,360)	—
Repayments of lease liabilities	(138)	(139)	(105)
Proceeds from issuance of shares	—	—	11,606
Payments for issuance of shares	—	—	(44)
Proceeds from sale of treasury stock	1	26	0
Cash flows from financing activities	**1,962**	**(382)**	**11,205**

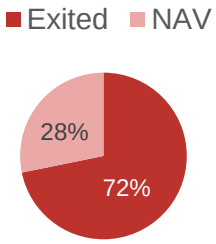
Funds performance

Fund II Series

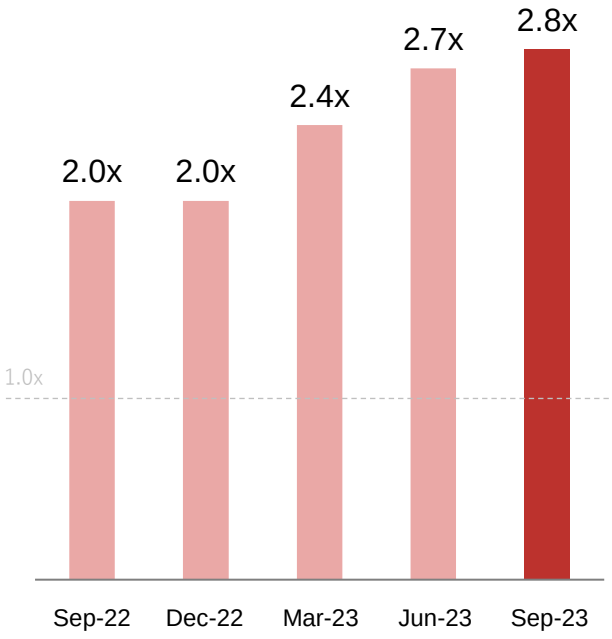


2014~

2014
¥44.2bn

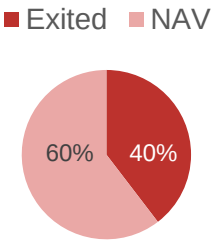


Fund III Series

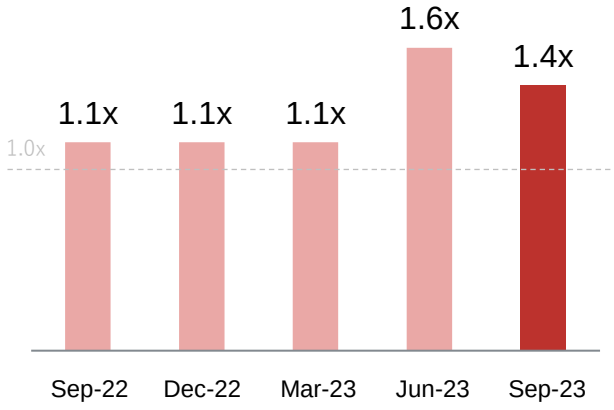


2017~

2017
¥73.0bn

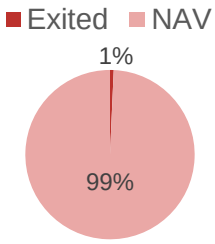


Fund IV Series



2021~

2020
¥123.8bn



Terms and Definitions

Term	Definition
Fund II Series Fund III Series Fund IV Series	• Fund II Series refers to Integral 2 Limited Partnership and Integral Fund II(A) L.P. • Fund III Series refers to Integral 3 Limited Partnership and Innovation Alpha L.P. • Fund IV series refers to Integral 4 Limited Partnership, Innovation Alpha IV L.P. and Initiative Delta IV L.P
Fee-Earning AUM (FE AUM)	Fee-Earning AUM (FE AUM) consist of the asset balance of managed assets that are used as the basis in calculating fund management fees. Calculated based on capital commitment amounts for funds for which the investment period has not ended or for funds without a defined investment period, and based on the investment acquisition cost (book value) of the remaining investments for funds for which the investment period has ended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