December 12, 2023

FY 2023 2Q Results Briefing: Gist of Questions and Answers Session

MC [M]: We would like to start the question and answer session now.

Questioner [Q]: Although I believe that the effect of price increases are included, what are the reasons for the strong orders in the first half of the current fiscal year? Have you been able to secure sufficient profitability in these orders?

Fujii [A]: The effects of the sales volume was overwhelmingly larger than the impact of the price increases. Demand for replacing BP facilities has been increasing as the investment capacity of customers has grown due to the rise in ready-mixed concrete price. For AP, it was a recovery in maintenance demand and concentration of investment in new plants, and the order profitability has improved thanks to the price increases.

Questioner [Q]: Regarding the order forecast, you have said in the first half that there would be no orders brought forward from the second half. Is there any possibility of orders in the second half exceeding those in the first half?

Fujii [A]: Orders in the first half were at a very high level. We are expecting 21.0 billion yen in orders in the second half, the same level as in the second half of last year. However, orders in China are expected to decline compared with last year.

Questioner [Q]: What are your estimates for net sales and operating income for the fiscal year ending March 2025, which is the next fiscal year?

Fujii [A]: At the moment, we are forecasting 44.0 billion yen in net sales and 1.9 billion yen in operating income. For the fiscal year ending March 2025, which is the final fiscal year of the medium-term plan, we aim to achieve 50.0 billion yen in net sales and 3.0 billion yen in operating income. Order backlog was up 10.0 billion yen at the end of the first half compared with a year ago. We are hoping that orders in the second half would be at a similar level to last year. M&A has been contributing to the increases in sales and profits, and we are expecting the Thailand business to

become profitable in the fiscal year ending March 2025. However, we need to pay attention to the market trend in China.

Questioner [Q]: What are the results for Ube Kohki and Matsuda Kiko in the first half and the full-year forecast for them? What do you visualize for these companies in the next fiscal year? Also, waterproof boards have increased significantly according to the material. How is it going to be in the second half and next fiscal year? Your forecast of the other business for the current fiscal year appears to be conservative, doesn't it?

Fujii [A]: Sales of Ube Kohki for the first half were 300 million yen and it posted a loss of 50 million yen. For the full year, we expect sales of 2.2 billion yen and an operating income of 100 million yen. We just acquired Matsuda Kiko and its first-half figures were not included in the consolidated earnings. For the full year, it is expected to post 300 million yen in sales and 50 million yen in operating income. For the next fiscal year, Ube Kohki is expected to post increases in both sales and profits and Matsuda Kiko is expected to have 600 million yen in sales and 100 million yen in operating income. Sales of waterproof boards were sluggish in the previous fiscal year, but this year they are likely to recover to the level posted in the fiscal year before last. We do not expect any major fluctuation in the next fiscal year. Our estimate for the current fiscal year is slightly conservative including the other business.

Questioner [Q]: What is your view on your share price?

Fujii [A]: Our current share price is not at a low level by any means, judging from the most recent profit level. PER exceeds 20 times. However, investors could expect a bit more taking into consideration the order situation and the business performance of the companies we purchased. To this end, we need to show results in earnings figures. Order backlog and orders received are evaluated as leading indicators, but whether or not they become profits we will know only after we settle the accounts.

Questioner [Q]: You have said that the number of foamed equipment expected to be sold in the current fiscal year is 60 units. What is your view on orders? Do you expect them to continue to grow in the next fiscal year?

Fujii [A]: We think the expected number of orders would not go below 60 in the next fiscal year. The number of sales was very small last year. This year will be the first fiscal year in effect. We expect 60 units this year and 70 to 80 next year and the number is expected to level out after that.

Fujii [M]: Thank you very much for attending the briefing.

Note: This summary of the question and answer session was created in part to provide information to those who did not attend the results briefing. Please note that parts of the text have been edited to improve clarity and enhance understanding.

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