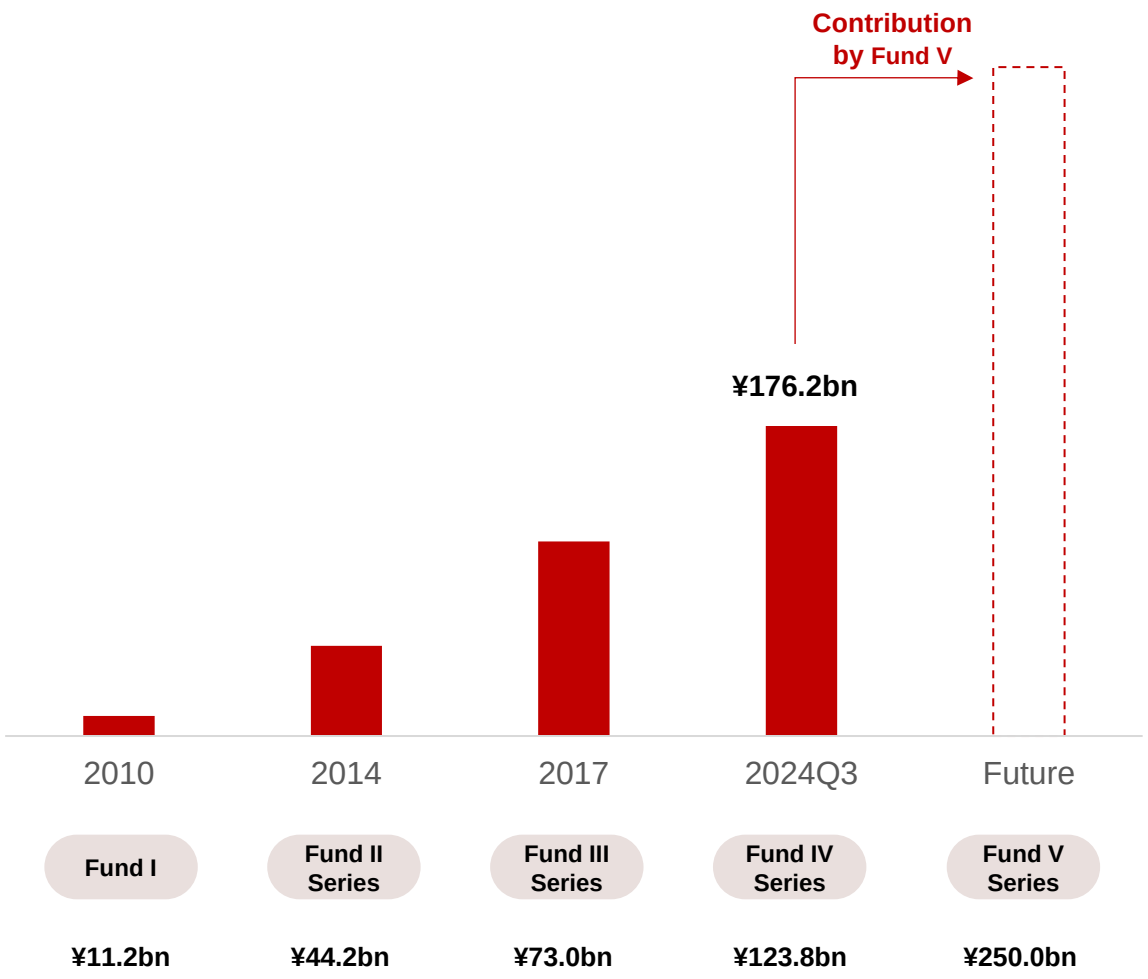
Q3 Management Presentation 2024

Integral Corporation

November 2024

Integral is a leading Japanese-Style private equity

Expanding FE AUM



Gross MOIC[1] 2.7x	Gross IRR 26.4%
Investment professionals 51 / 88	Full on-site support 100%

1. Average of gross MOIC and gross IRR for Fund I, Fund II Series, and Fund III series, excluding Fund IV series, which are still in the investment period. Fund I as of fund liquidation, Fund II and Fund III series as of September 30, 2024

Invested in EV of more than ¥660bn by focusing on mid-cap companies in Japan

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 chain
- 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

- DmMi — 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 — Development and sales for color contact
- PRIMO GHD — Bridal ring manufacturer

Fund IV Series

- KITAMURA HOLDINGS — Photo-related service provider
- oliver — Wooden furniture manufacturer
- TEKSCEND PHOTOMASK — 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. Q3 FY2024

2. Update of our 3 pillars

Appendix

1

Q3 FY2024

Active Exits and Investments

Q1

SKY

Exit of Fund II

Jan. & Mar. 2024

Share buy-back &
Transfer of shares to Suzuyo HD

JRC
JAPAN ROLLER CORPORATION

Exit of Fund III

Feb. 2024

Share buy-back &
Transfer of shares to the founder

Q2

ITOKIN
Styling the Next

Exit of Fund II

Aug. 2024

Transfer of shares
by recapitalization

Q3

豆蔵 MAMEZOU K2TOP HOLDINGS

OPEN STREAM Part of Accenture

MAMEZO DIGITAL HOLDINGS

Exit of Fund III

Jun. & Jul. 2024

Sale of two portfolios by
Mamezou K2TOP

Asahi Kasei Medical Corp.

Planned Investment

Announced in Sep. 2024

Capital participation in blood purification
business of Asahi Kasei Medical

Launch of Real Estate Investment Fund Business

Press Release on Nov. 11

1. Purpose of Real Estate Investment Fund Business

Our mid- to long-term growth strategy is to contribute to the development of society and industry by expanding our fund business to include investments in asset classes such as real estate, in addition to our existing private equity investment business, thereby enhancing our corporate value and further expanding our AUM.

We have therefore decided to launch a real estate fund business by establishing “Integral Real Estate Corporation (“IRE”)” and hiring four investment professionals with extensive expertise in real estate investment and fund management.

Real Estate Fund Partners



Takanori Emura
Integral Real Estate Corporation
Representative Director & Partner,
Founding Member

- Myria Residential
- IDERA Capital
- Urban Asset Management



Hironori Nakai
Integral Real Estate Corporation
Representative Director & Partner,
Founding Member

- CBRE Investment Management
- Tokio Marine Asset Management
- Hulic
- KJR Management
- TOKYU



Kensuke Nakahara
Integral Real Estate Corporation
Representative Director & Partner,
Founding Member

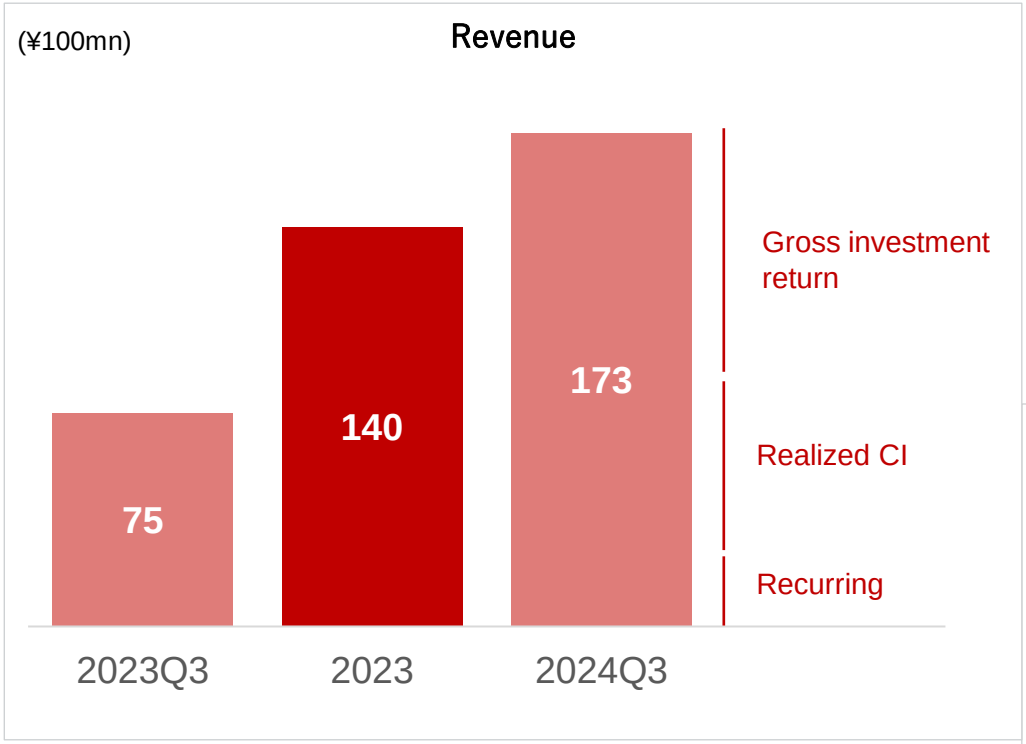
- Orix
- Capitaland Japan
- M&G Real Estate Japan
- Phoenix Property Investors Japan

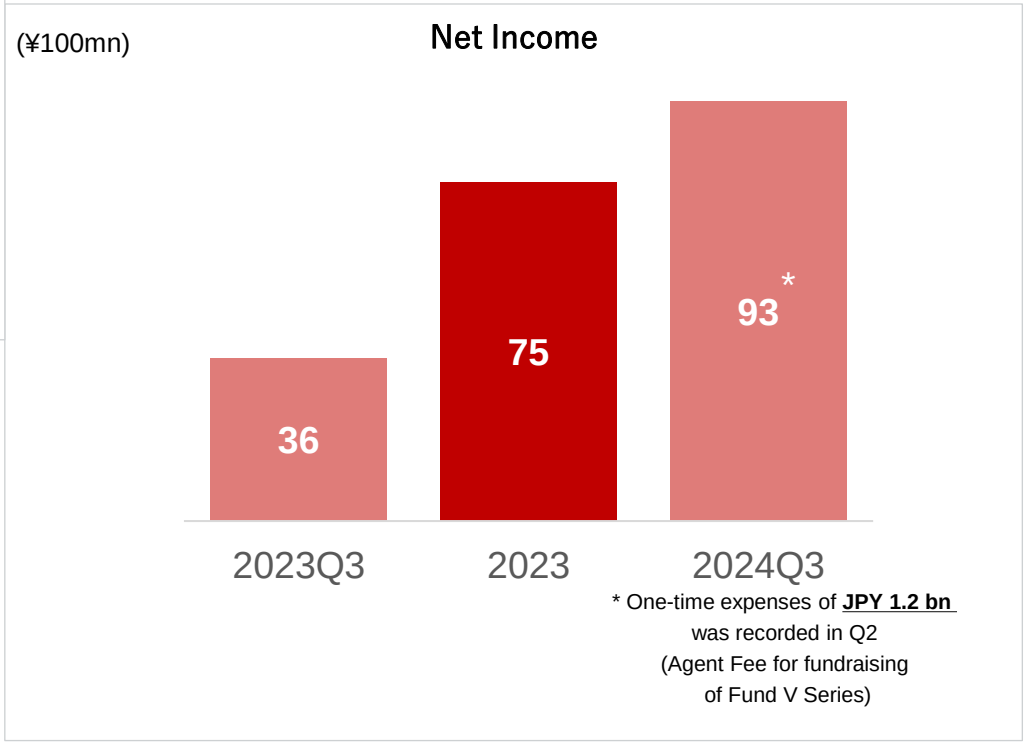


Tomohiro Sumiya
Integral Real Estate Corporation
Representative Director & Partner,
Founding Member

- Blackstone Group
- Daiwa Securities SMBC

Solid growth of both revenue and profit





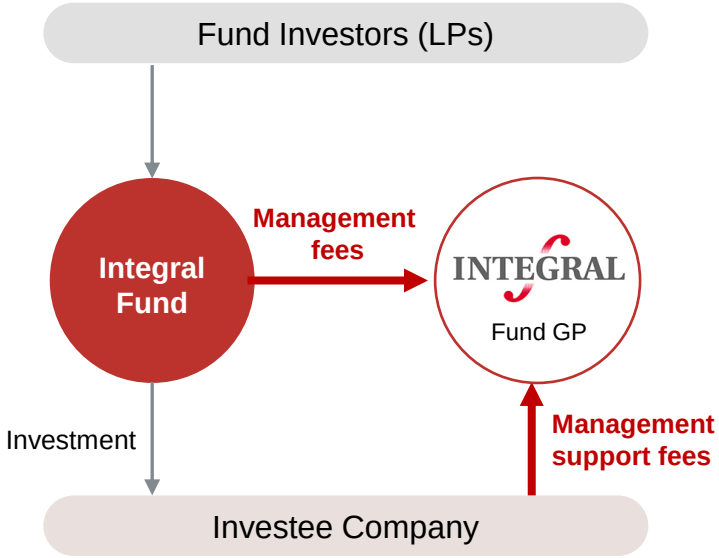
2

Update of our 3 pillars

We have 3 pillars

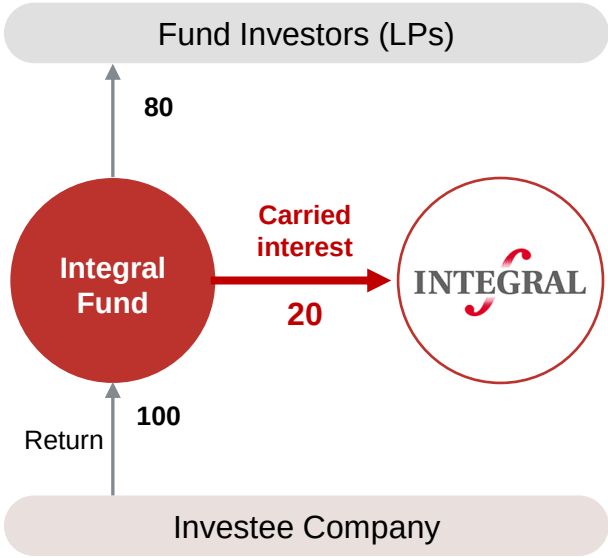
1

Integral receives quarterly fees based on FE AUM as recurring revenue



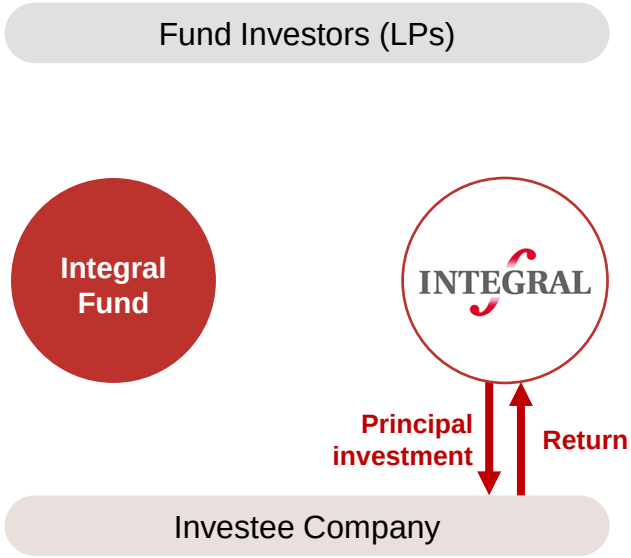
2

Upon investment exit, Integral receives certain % of return

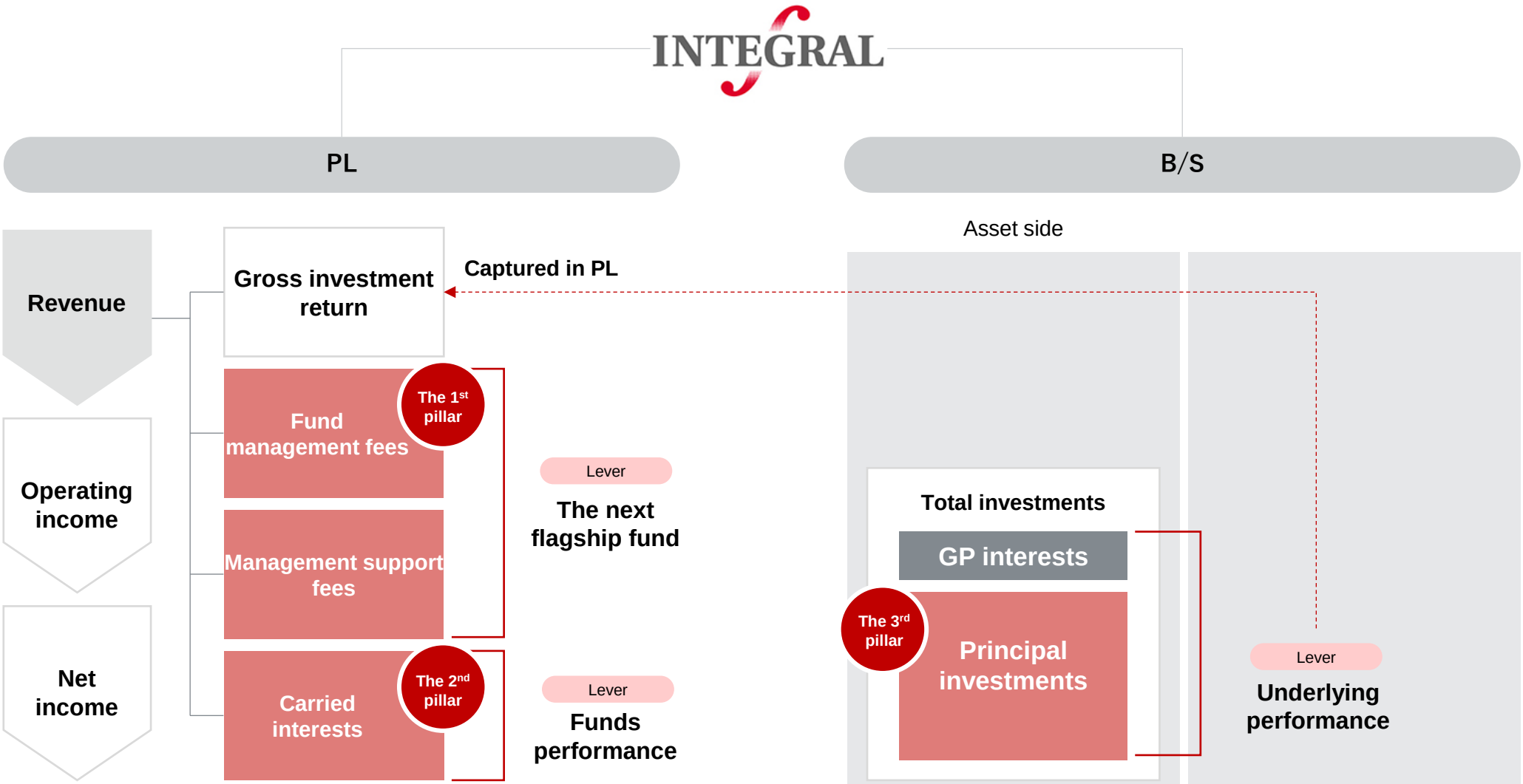


3

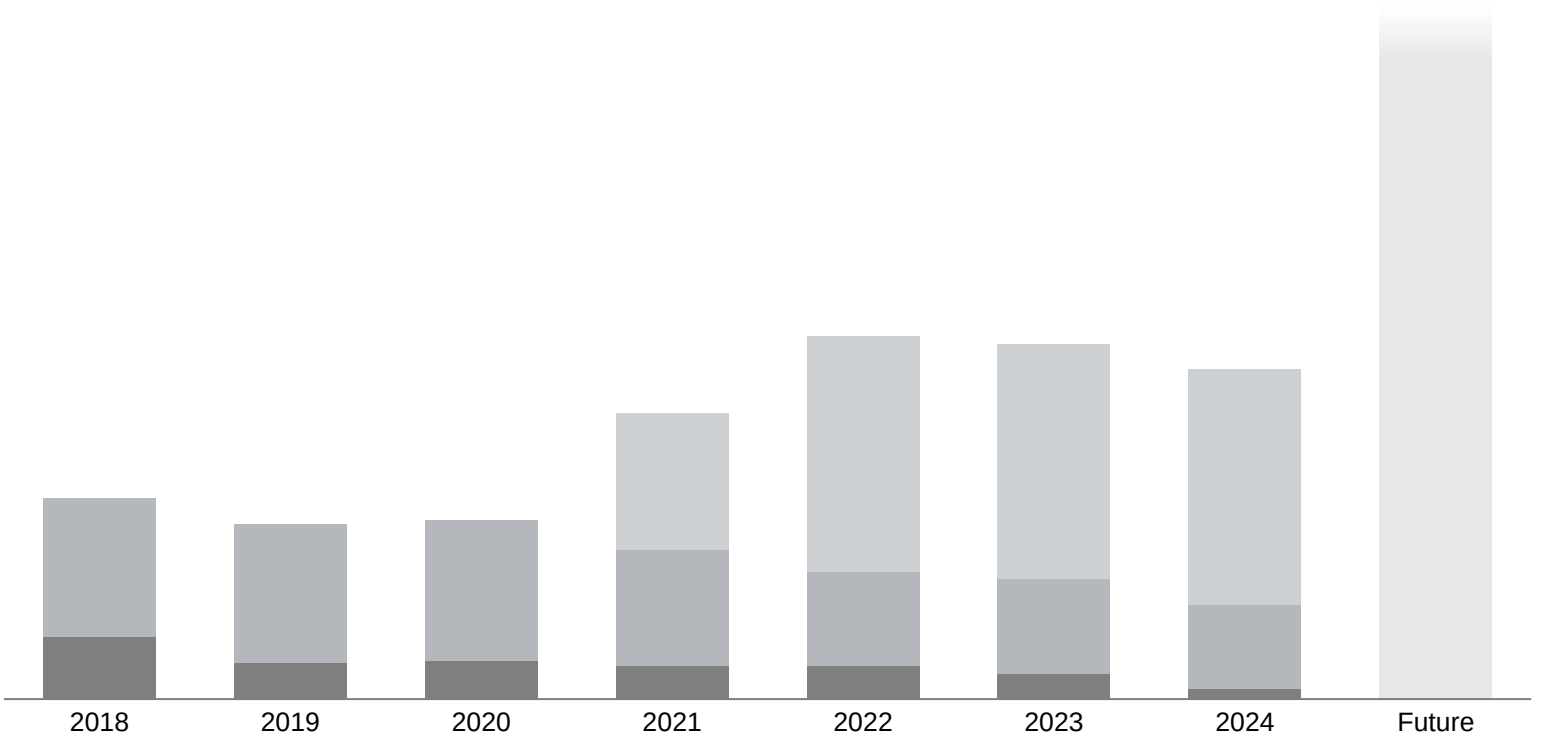
Integral makes a principal investment in parallel with the fund investment, leading to its competitive advantage

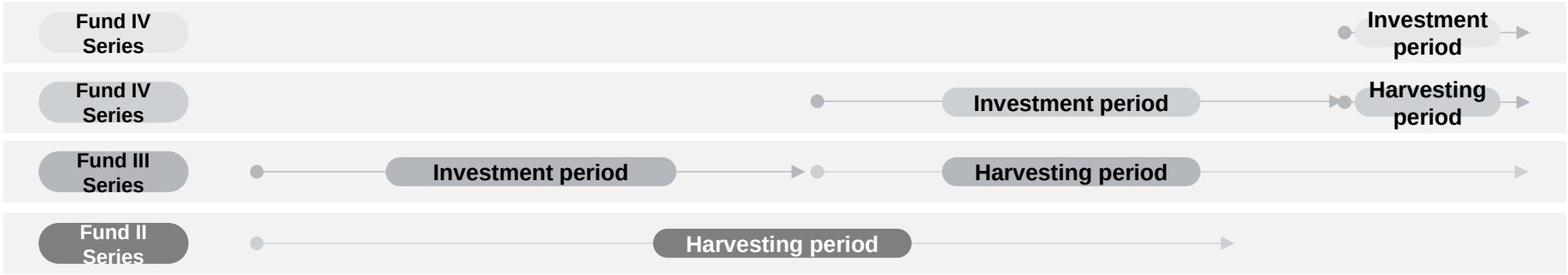


Our unique value creation model with the 3 pillars



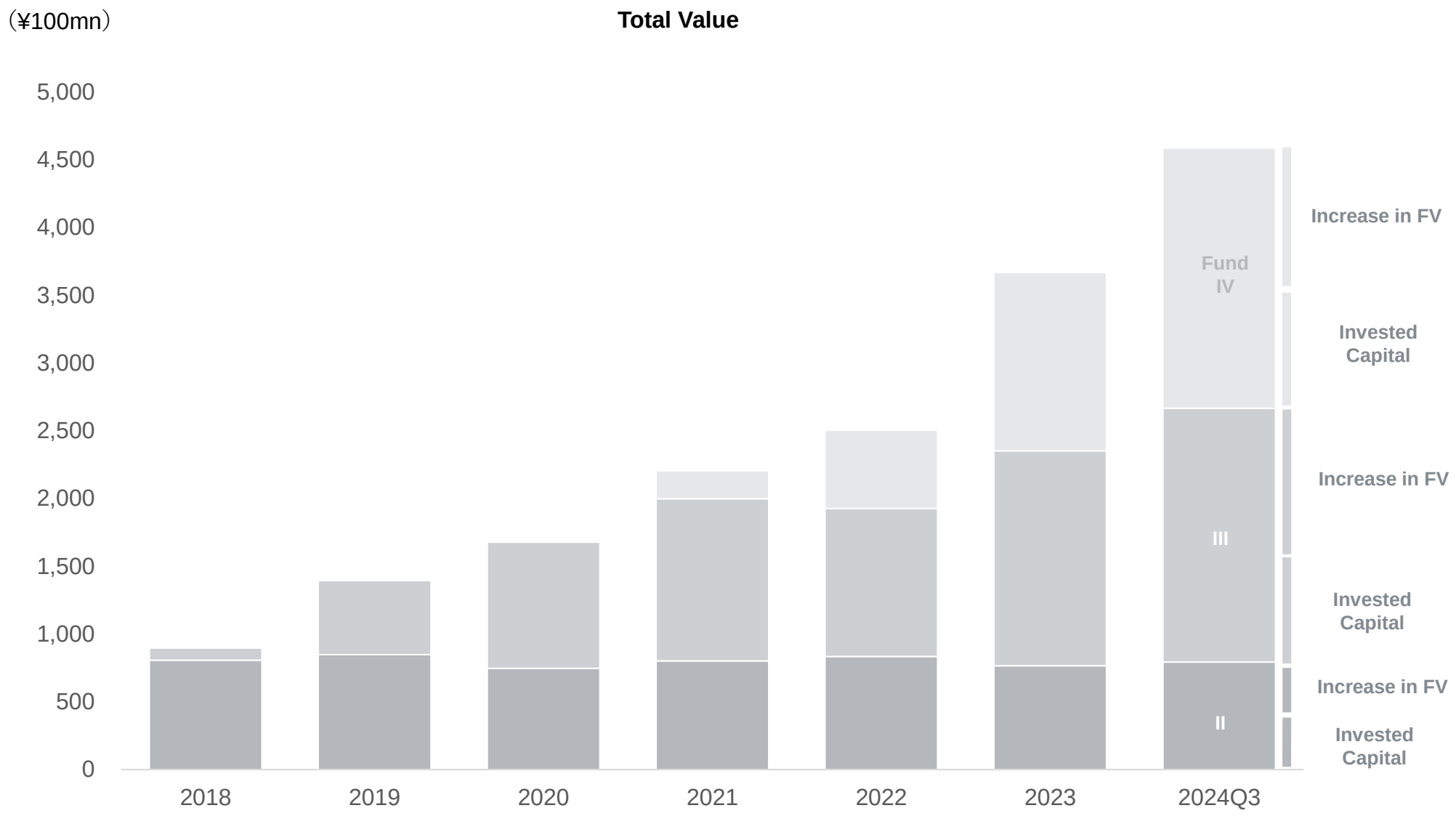
The 1st pillar
Management fees to be piled up





INTEGRAL

The 2nd pillar (1)
Source of carried interests



The 2nd pillar (2)
Investees' prosperity is our top priority, returns will follow as result

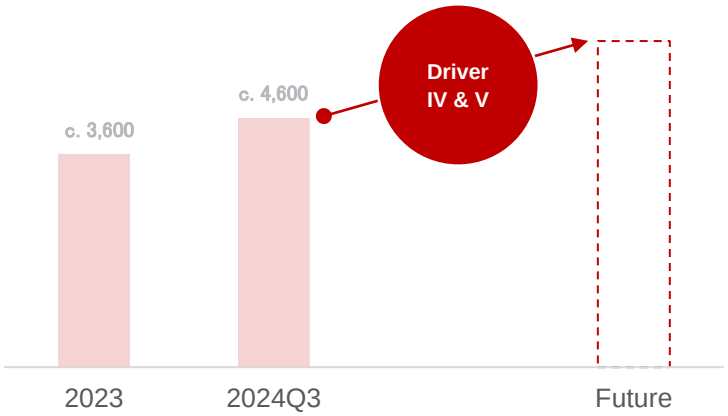
Has the stock balance increased?

Value of the fund balance increasing → Source → **Carried interest is increasing**

From stock to flow

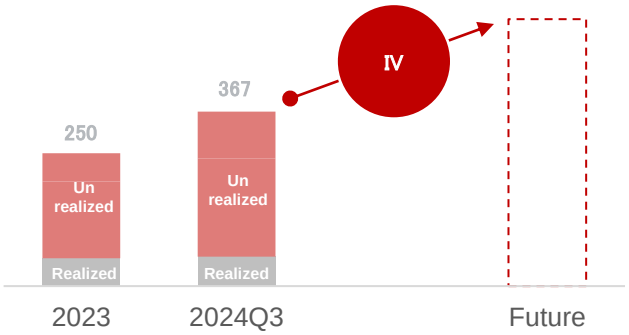
Source → **Future CI can be forecast**

Increased fund balance = exits + balance FV



Source

Carried interest increases

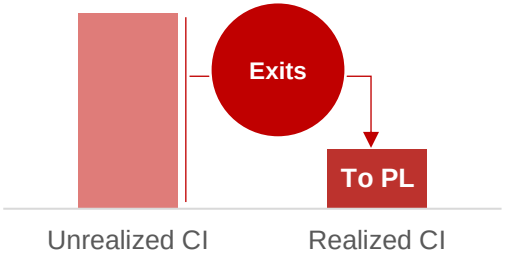


Additional disclosure of main KPIs in "Kessan Tanshin"

(¥100mn)	2022	2023	2024Q3
AUM	2,464	2,185	2,357
…			
Unrealized carried interest			
Fund II Series	64	20	6
Fund III Series	73	144	135
Fund IV Series	-	53	124

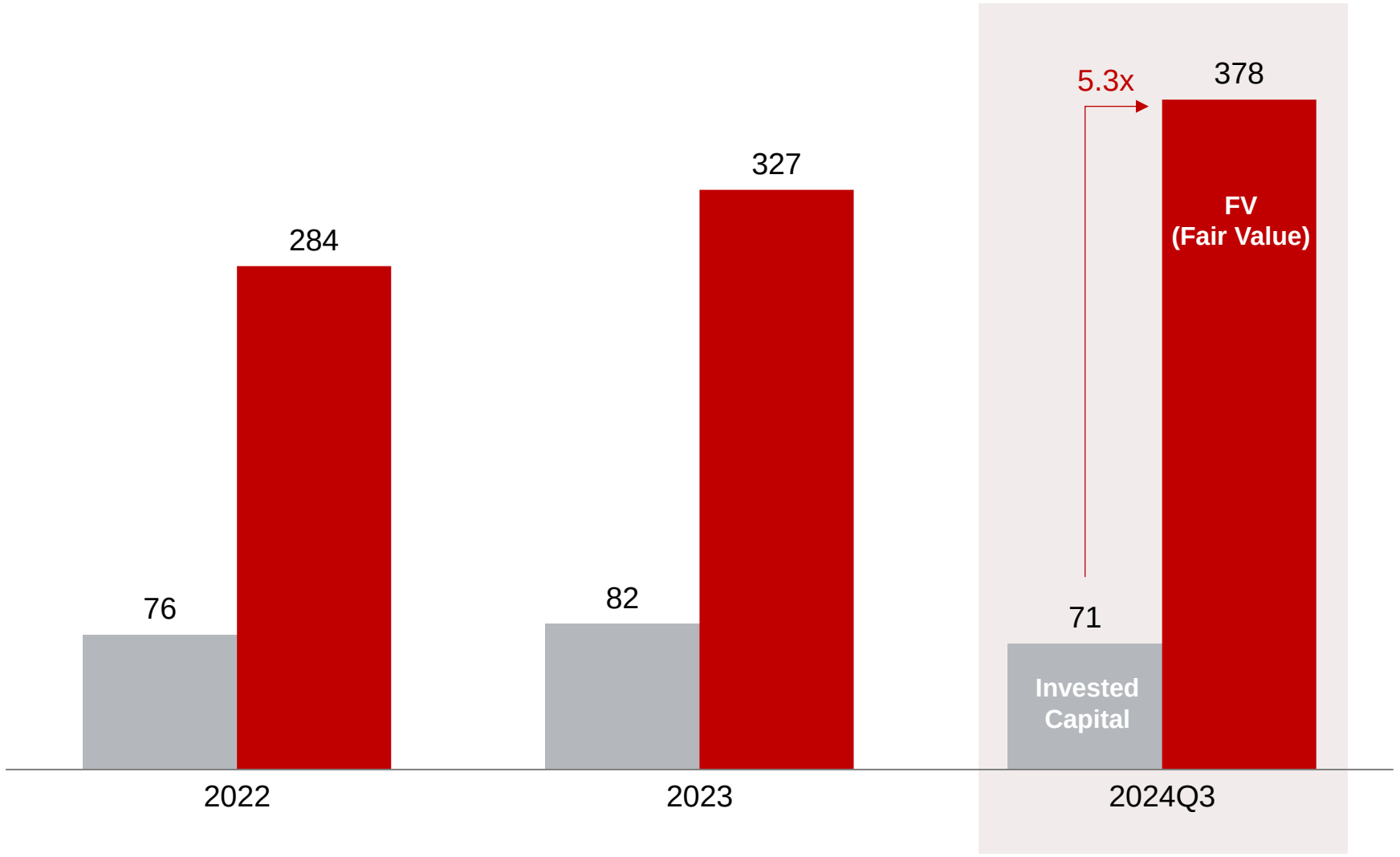
Source

Realized CI generates income



The 3rd pillar
Principal investment is on track

（¥100mn）



Appendix

1

About Integral

Partner & CFO



Reijiro Yamamoto
Representative Director & Partner
(founding member)



Nobuo Sayama
Partner
(founding member)



Yoshihiro Hemmi
Director & Partner
(founding member)



Kensaku Mizutani
Director & Partner
(founding member)



Makiko Hayase
Director & Partner



Satoko Niiya
Partner
(Lawyer)



Hidetsune Goto
Partner



Tsuyoshi Yamazaki
Partner

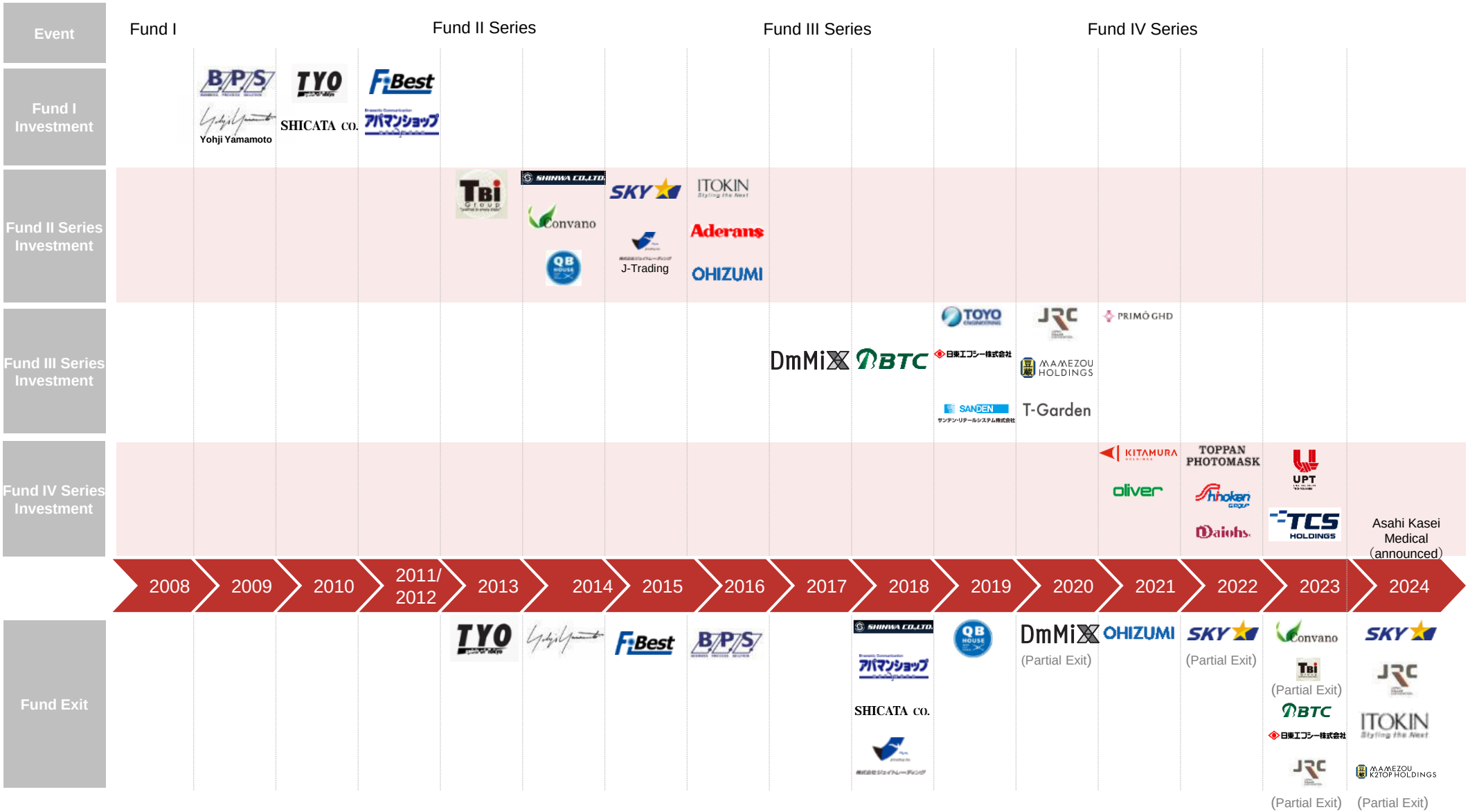


Shigehiro Nishioka
Partner



Yasuaki Sumikawa
CFO & Controller
(CPA)

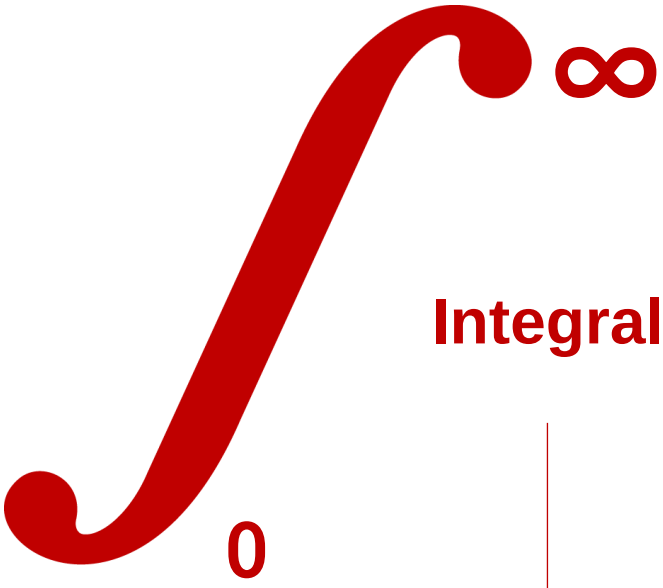
Investments & Exits



2

Integral's unique features

Our Mission

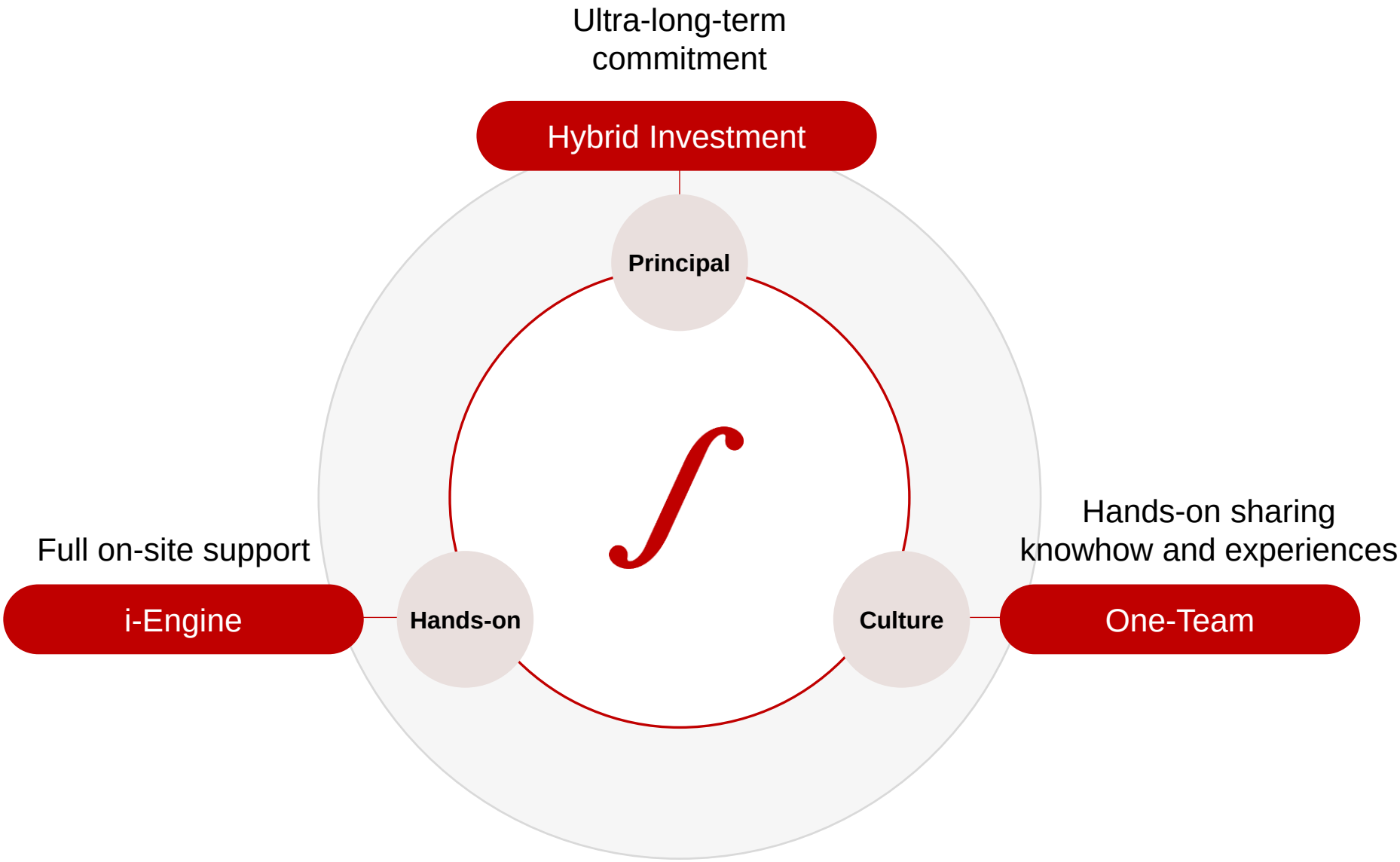


Integral > **Trusted Investor** > **Unique “Japanese Private Equity” model**

Deepest trust
and highest wisdom

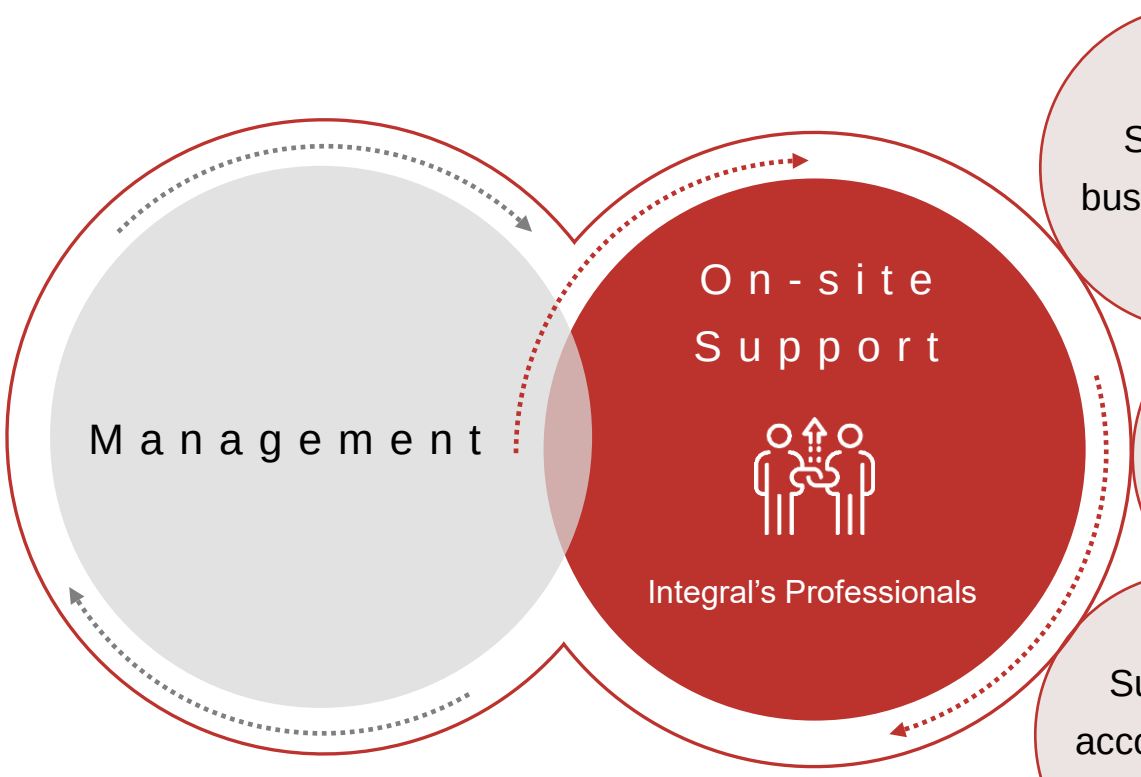
Seeing “eye-to-eye”
with management

Why Integral is differentiated from the others



What's "i-Engine"

Quickly and seamlessly strengthen 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

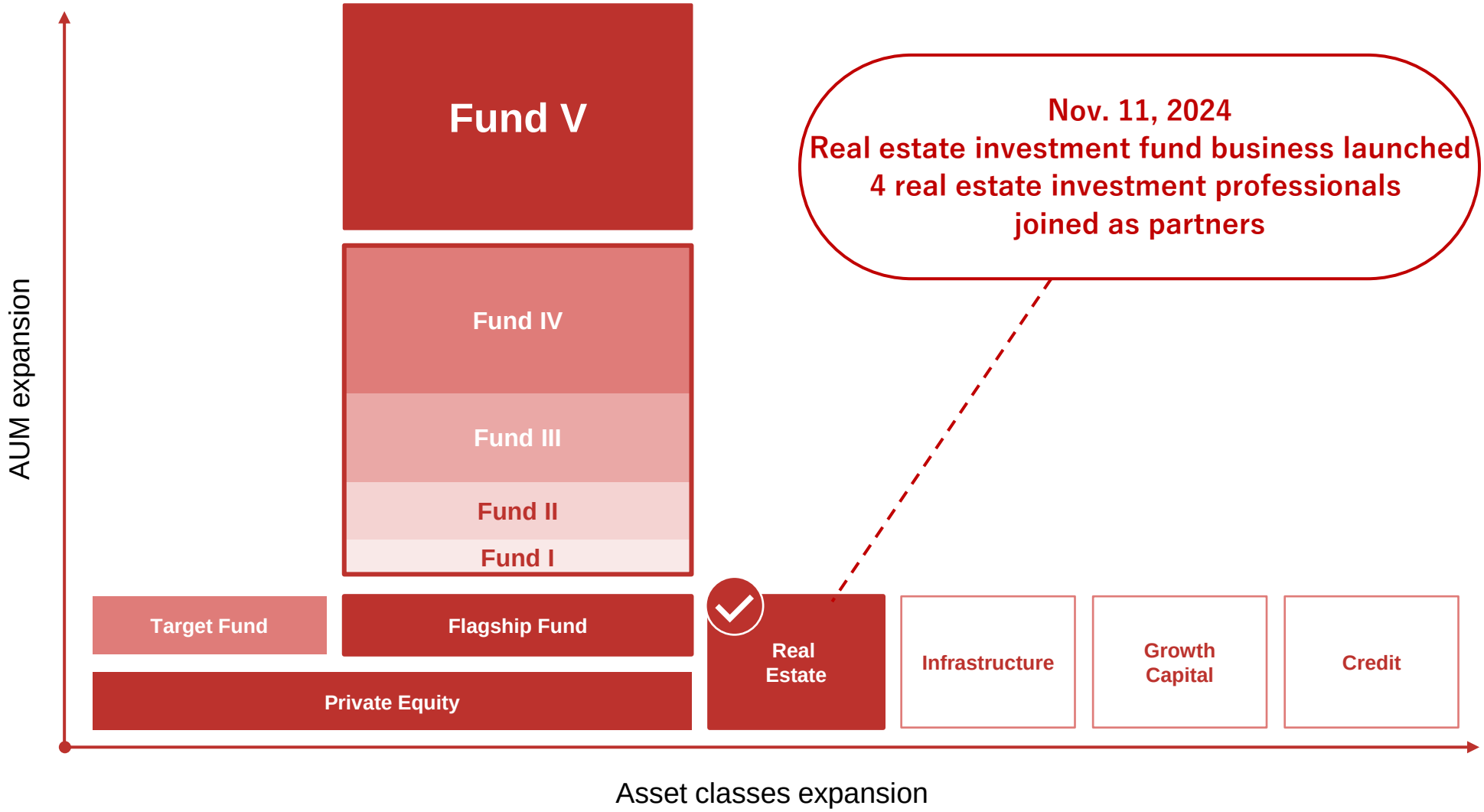
Support for accounting and internal controls

- Visualization
- Organizational restructuring/reform
- Structure incentive plans

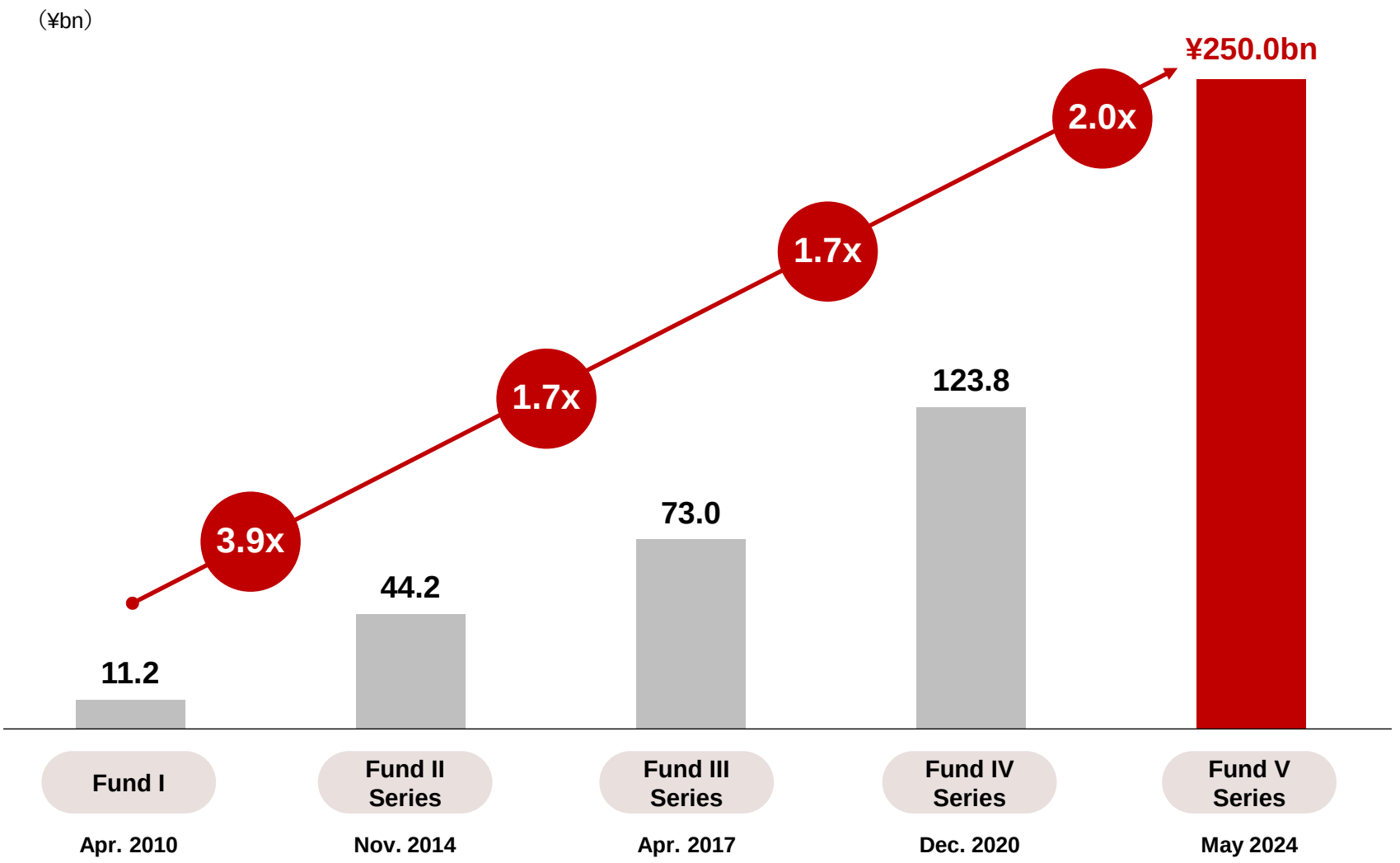
3

Our Growth Strategy

Expand to real estate fund



Final closing of fund V



1. Month & Year represent the timing of final closing of each fund

4

Ample opportunities

Huge upside in Japan...

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%

Japan is unique as both demand and supply to grow

Uses of Fund side

PE Deal Value as % of GDP

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

...Then why now?

Business Succession

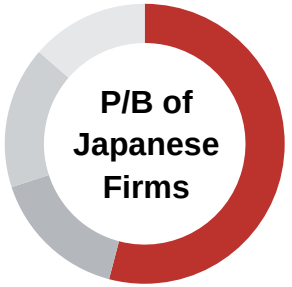
% of small to mid-cap owners aged 70+

26.8%

Increase in succession M&A in the past 5 yrs

c. 2.3x

Undervalued

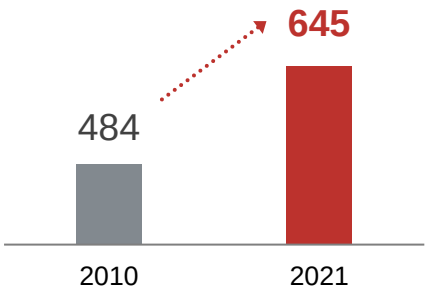


Less than 1.0x

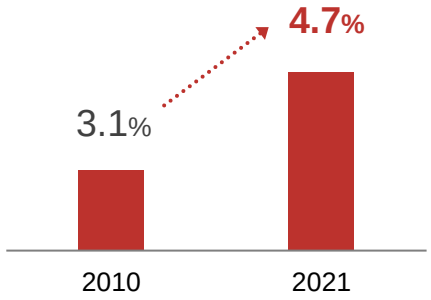
54.1%

Carve-out

# of transactions



% of PE involved in carve-out



Shareholder Activism

Activist / financial investor proposals

2017	2022
46 cases	**293 cases**

Hostile takeover

2017	2021
1 case	**8 cases**

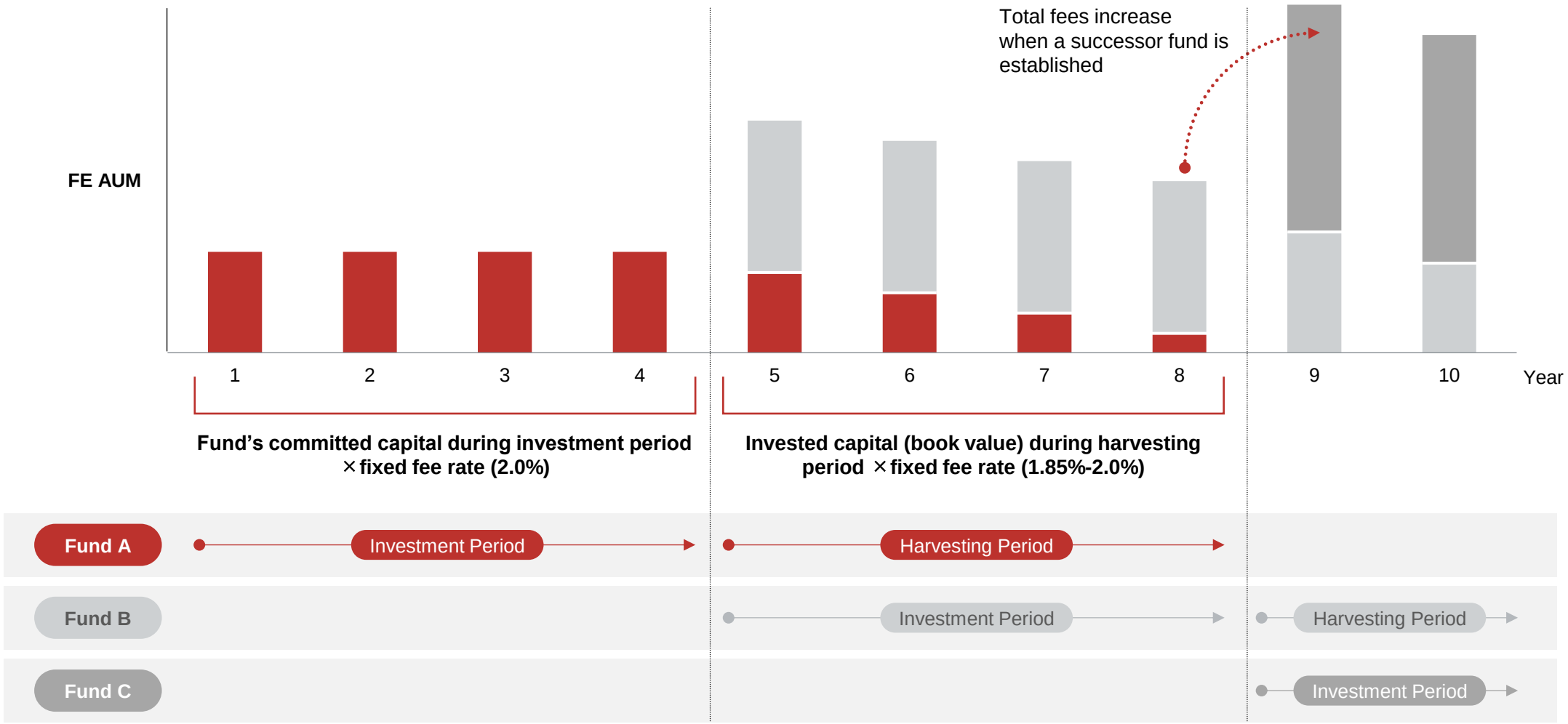
INTEGRAL

5

Our business model

Management fees are the foundation for our value expansion

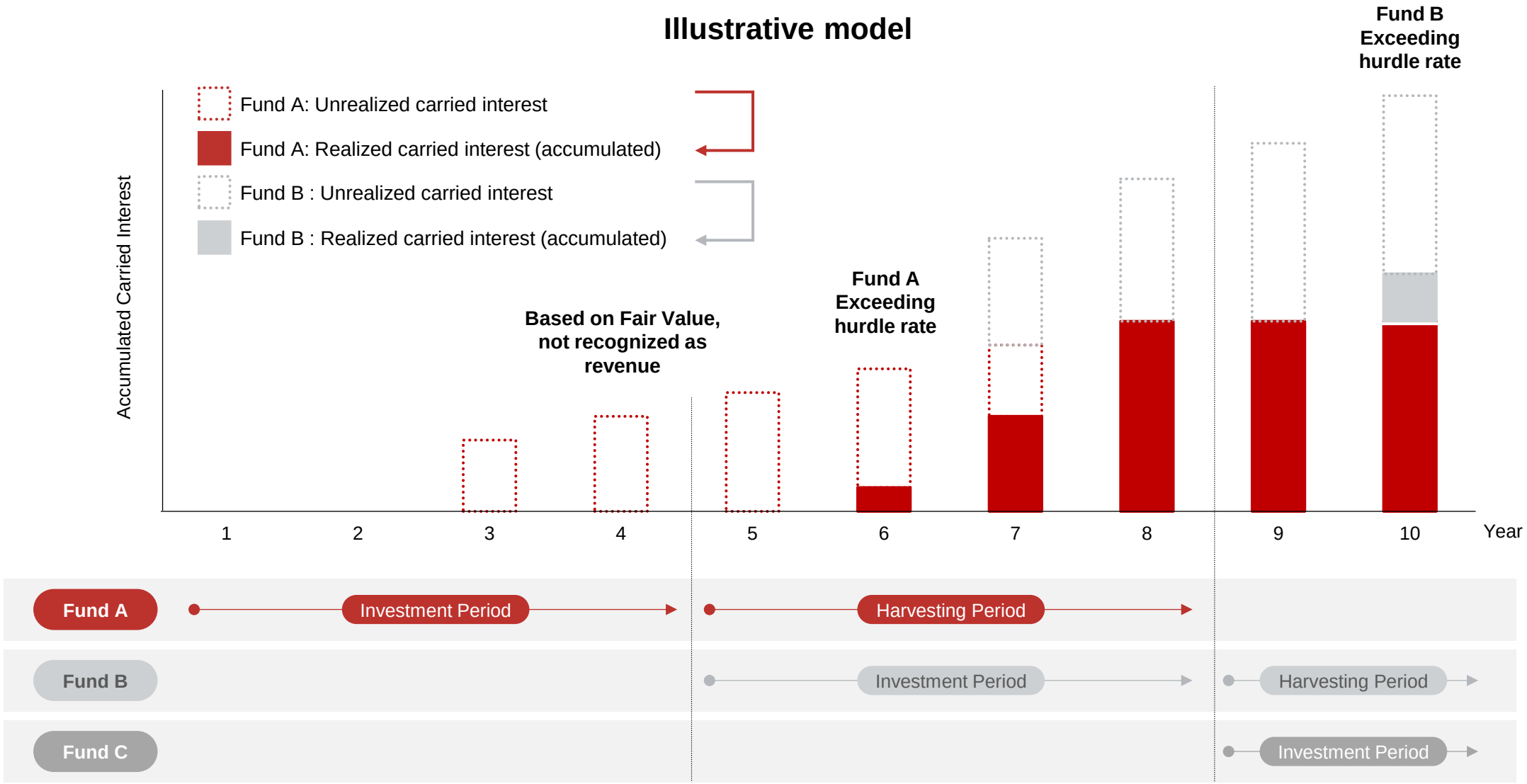
Illustrative model[1]



1. Assuming that the next fund is established every 4 years and the fund size increases by 1.5 times for each subsequent fund

INTEGRAL

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



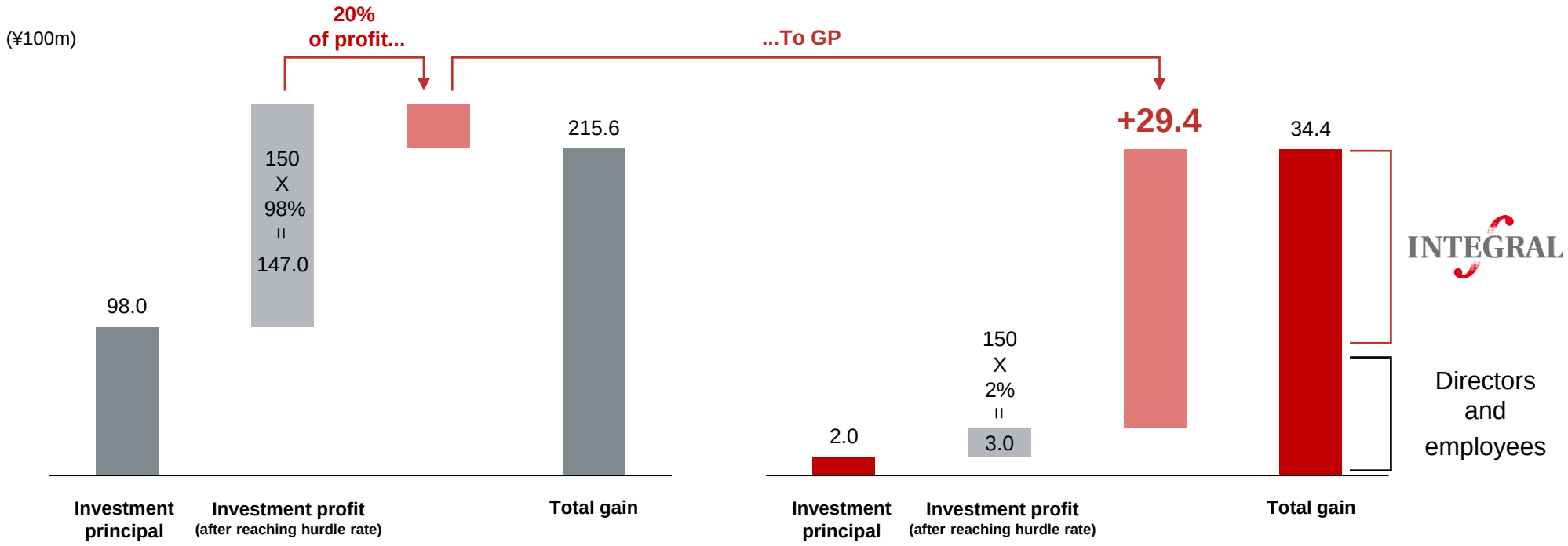
Carried interest brings higher return

Illustrative return model[1]

Assumption	Invested amount (LP+GP)	¥10bn	GP commitment	2%
	Investment period	4 yrs	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)

Target KPIs

FE AUM growth rate

FE AUM growth rate

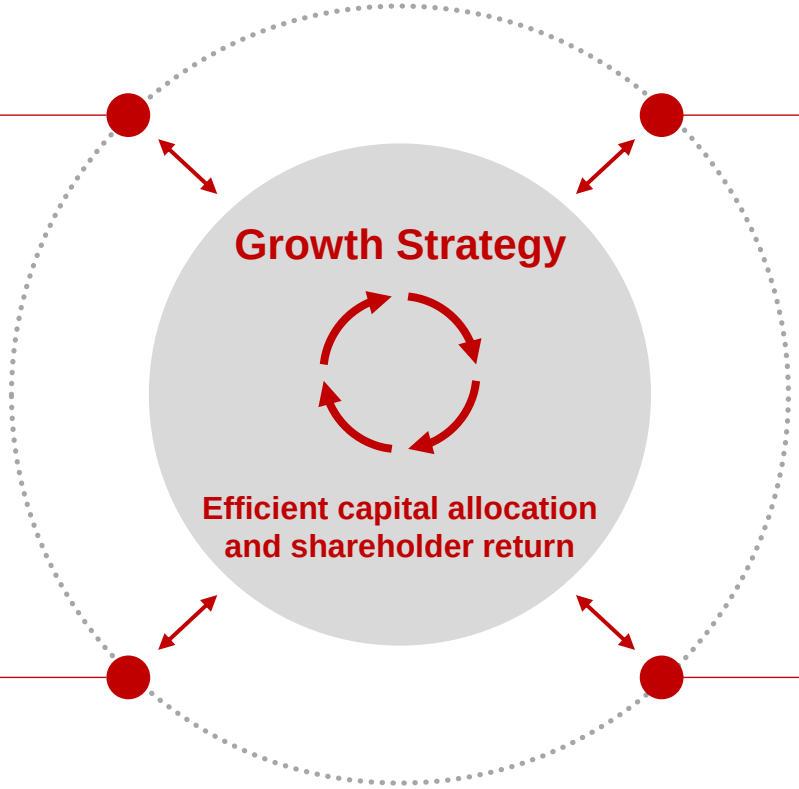
10-20%

Aiming for organic/inorganic

Fee-related revenue margin

30-40%

Maintaining via cost control



Capital efficiency

5yr ROE avg.

c.15%

DOE 2%

Target return of principal investment

MOIC

c. 3.0x

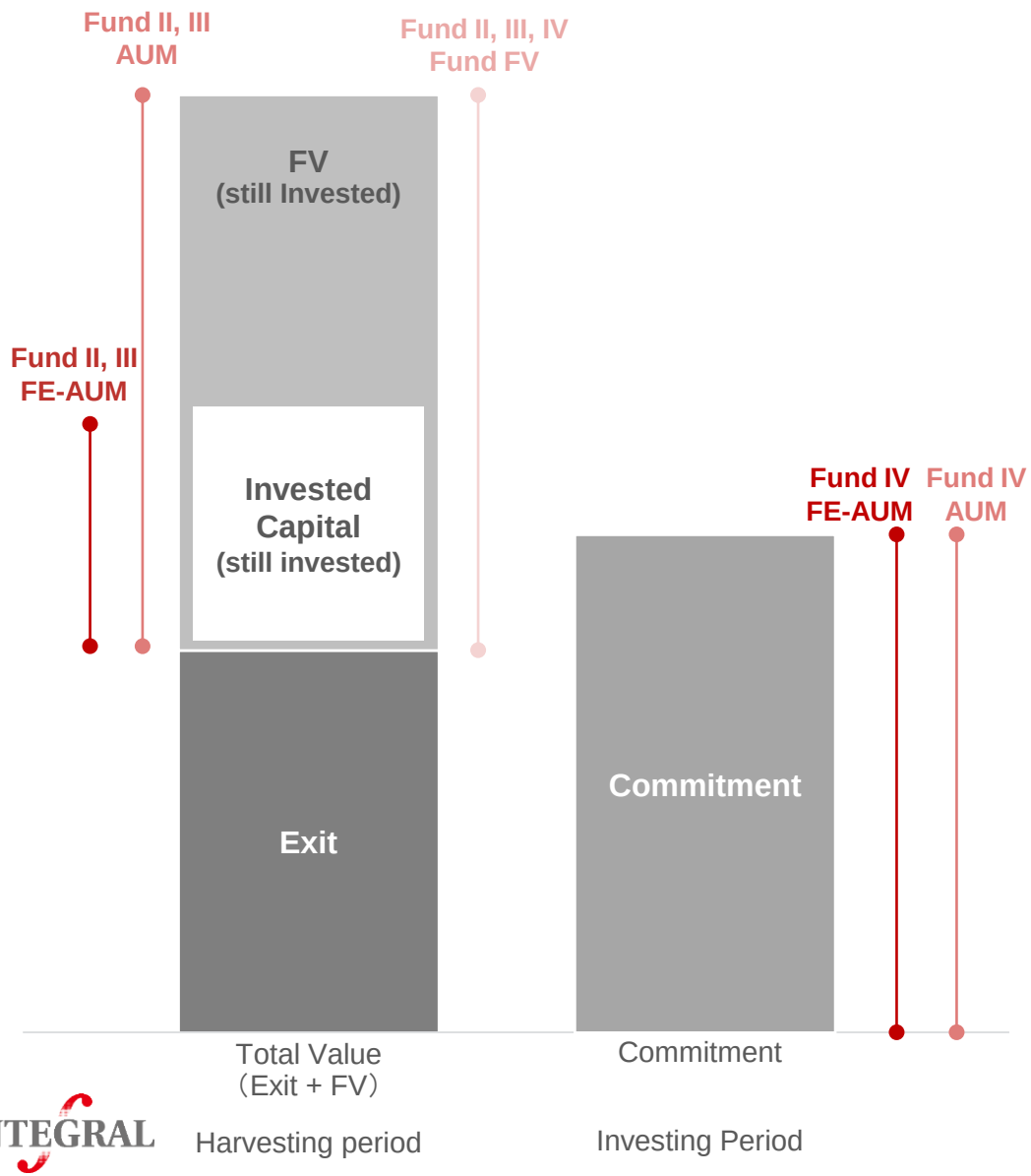
Inducing deal opportunities as well as securing solid financial return

6

Our financials

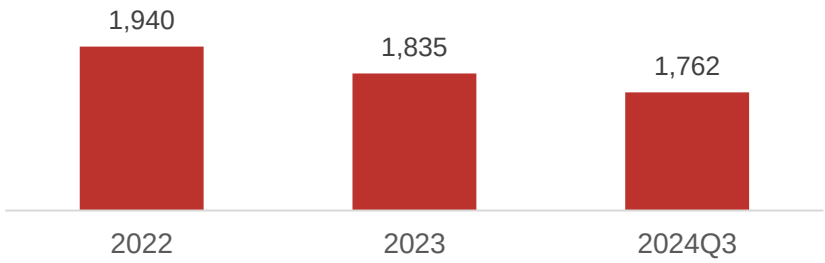
FE-AUM, AUM, and FV

Framework

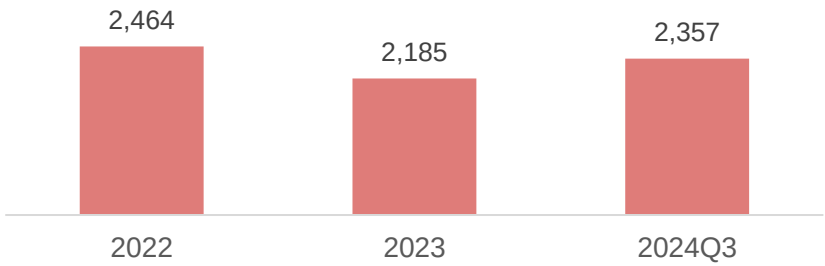


（¥100mn）

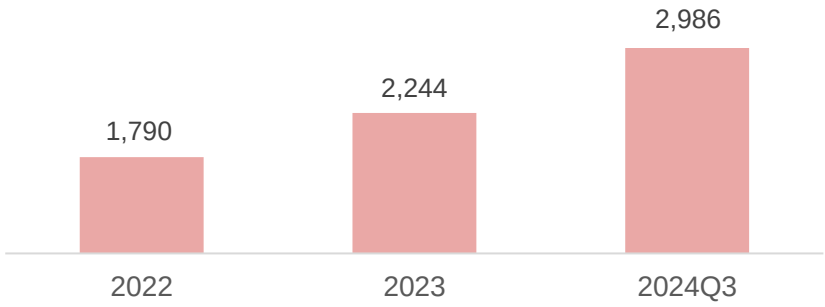
FE-AUM



AUM

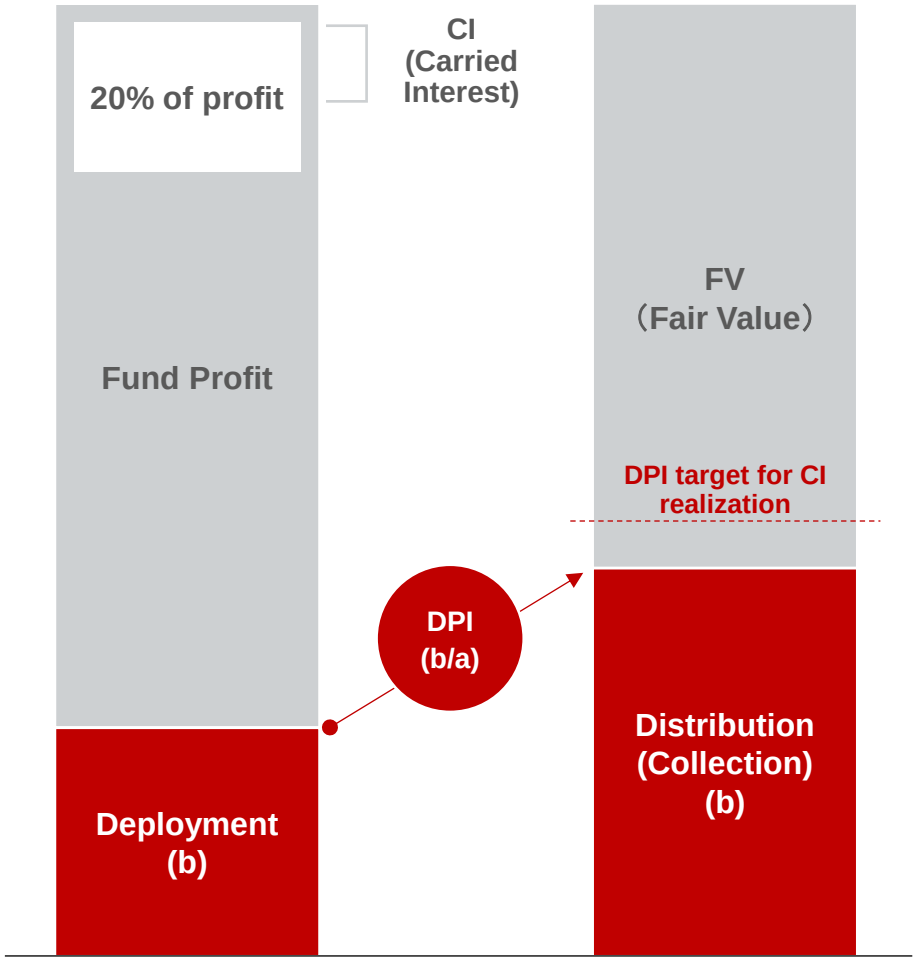


Fund FV

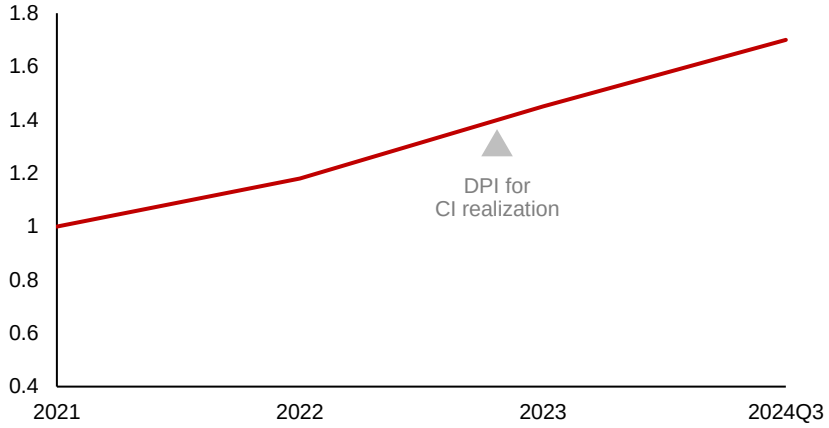


CI is a Leading Indicator

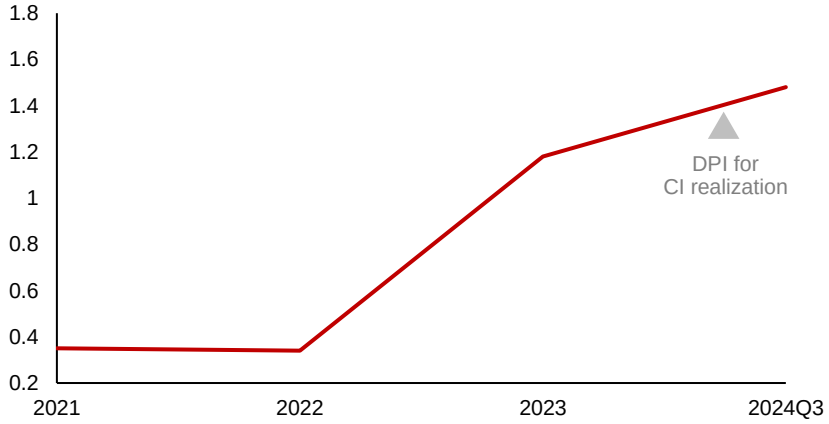
DPI (Distribution to Paid-In Capital) as a leading KPI



Fund II Series[1]



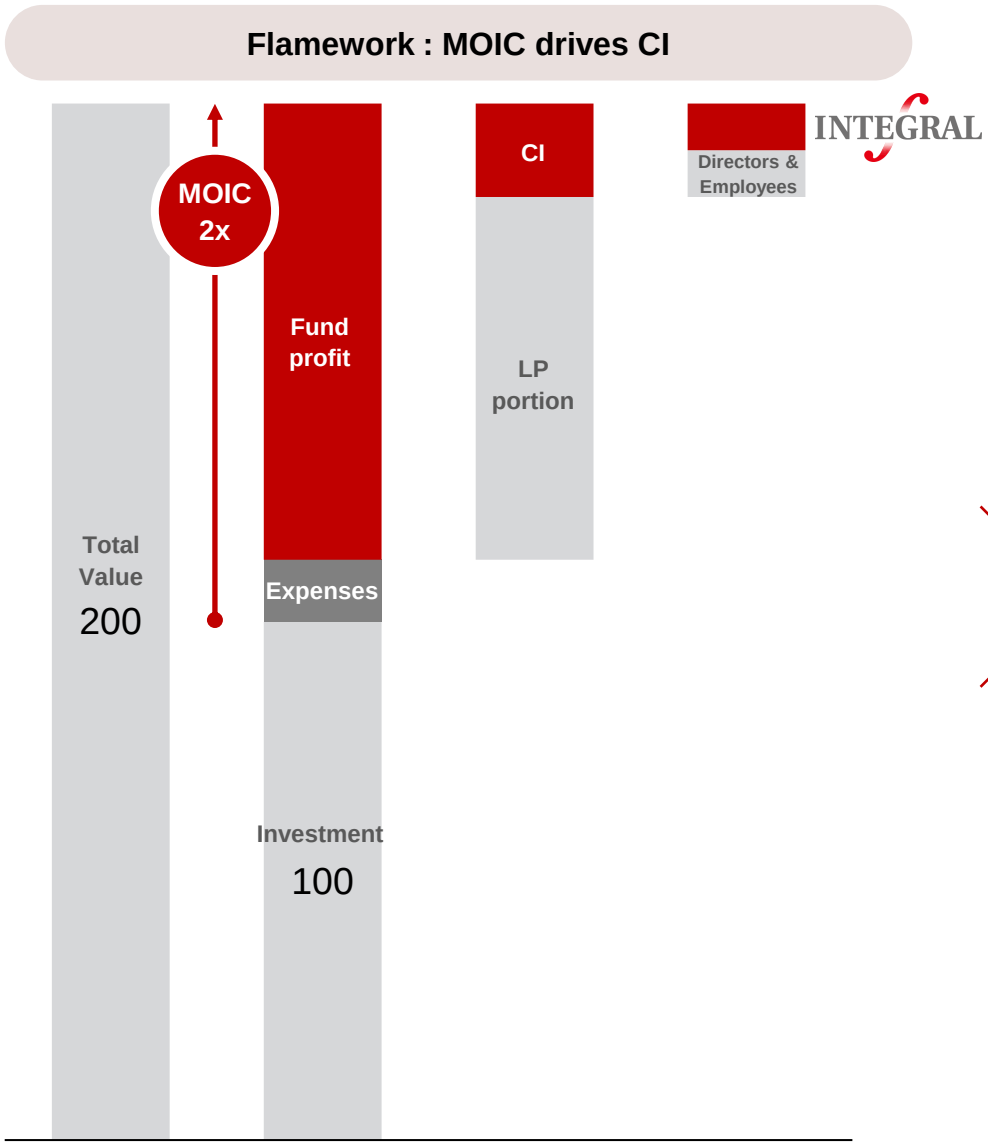
Fund III Series[1]

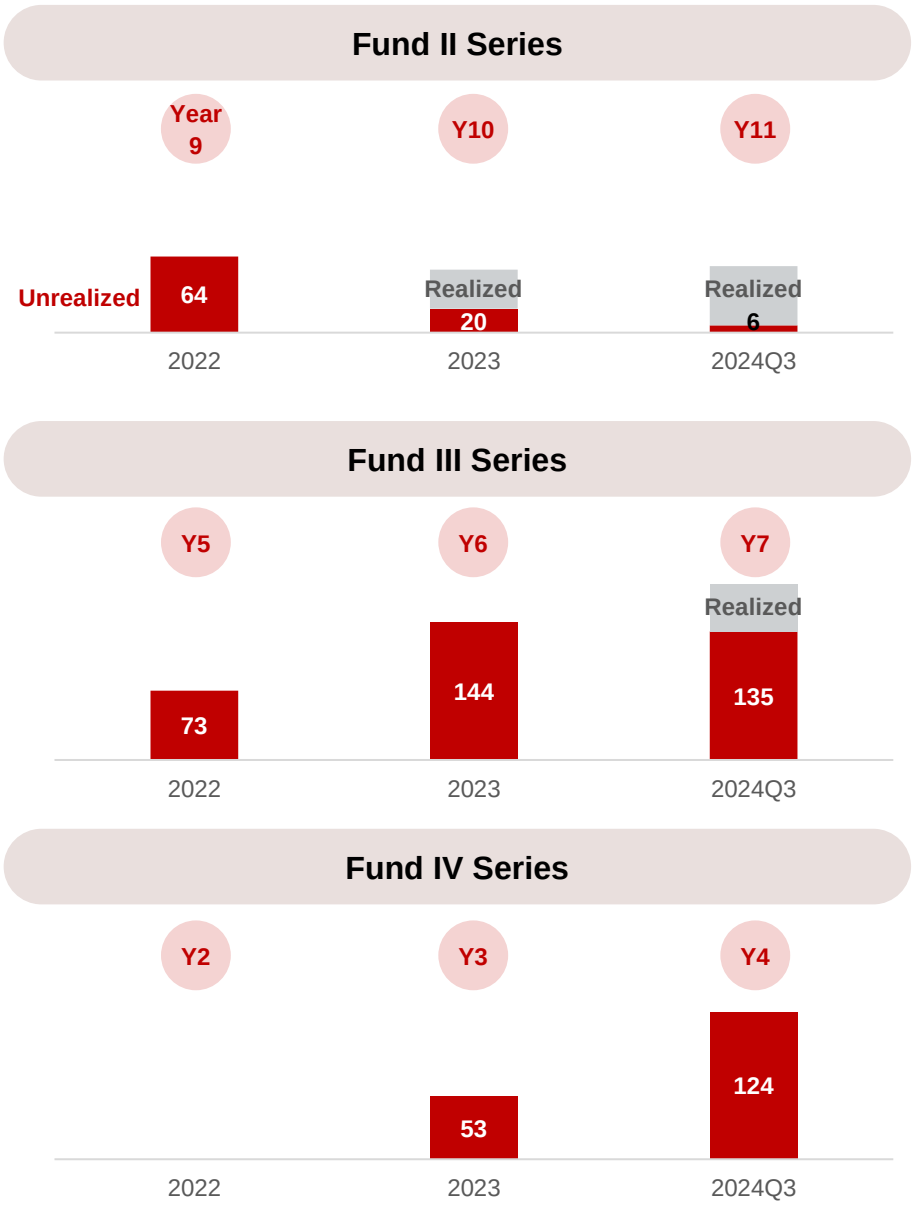


1. DPI before the carried interest that has been already paid.

Unrealized CI by Fund Series

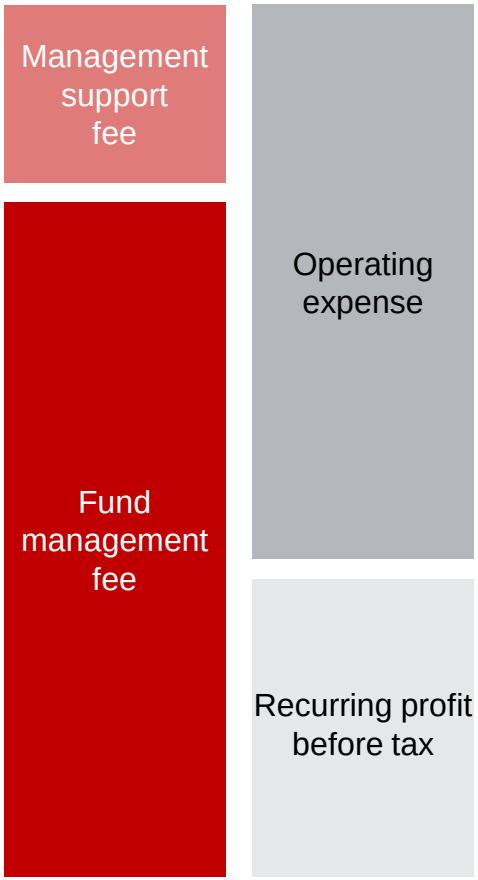
(¥100mn)



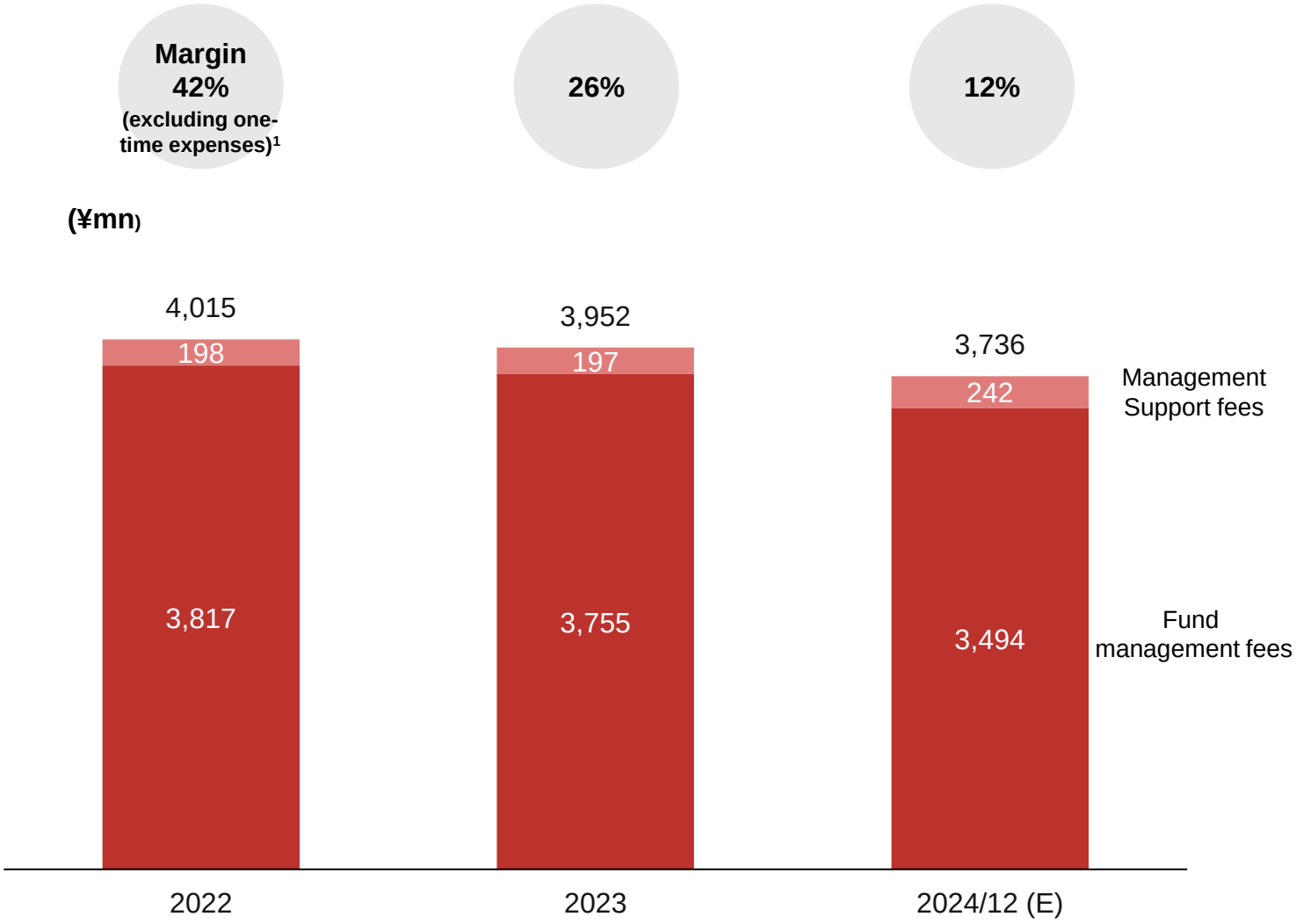


Recurring Fee

Framework



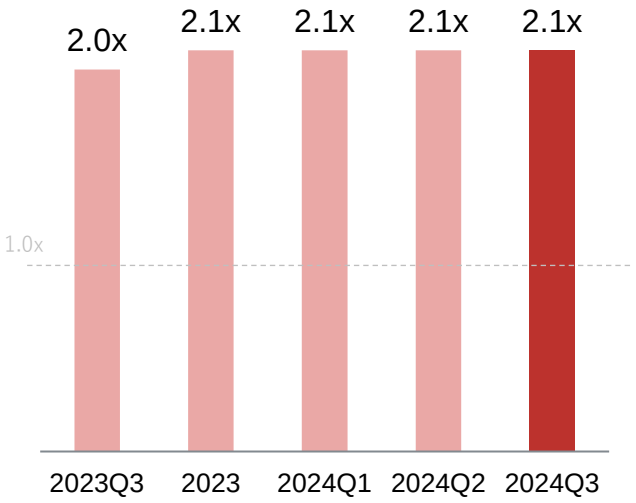
Actual



1. In calculating margins, one-time expenses are deducted from operating expenses. One-time expenses were JPY 103 mn in FY2022, JPY 151 mn in FY2023, and JPY 1,728 mn in FY2024/12 (estimate). The increase in FY2024 is mainly due to the placement agent fees related to fund raising activities for Fund V Series.

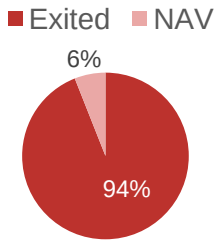
Funds Performance

Fund II Series

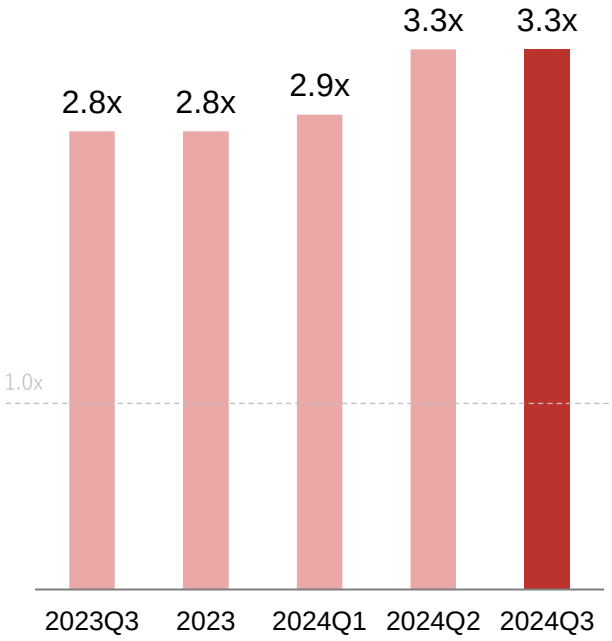


2014~

2014
¥44.2bn

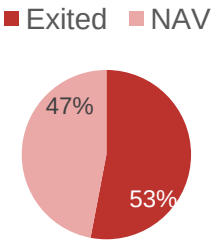


Fund III Series

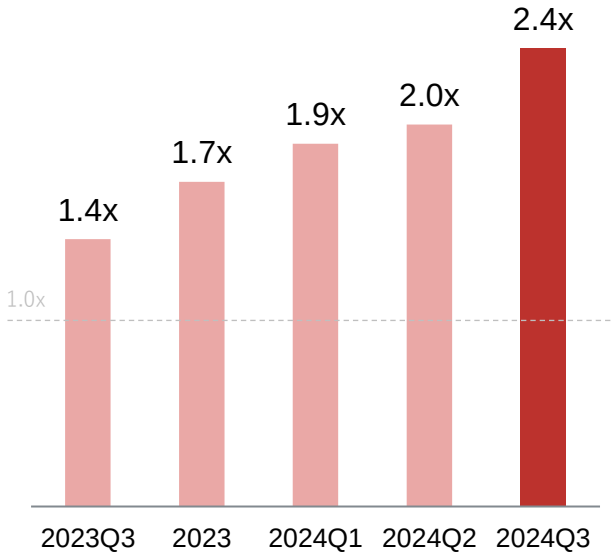


2017~

2017
¥73.0bn

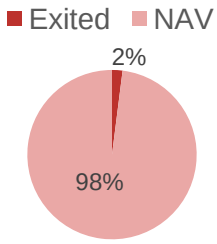


Fund IV Series



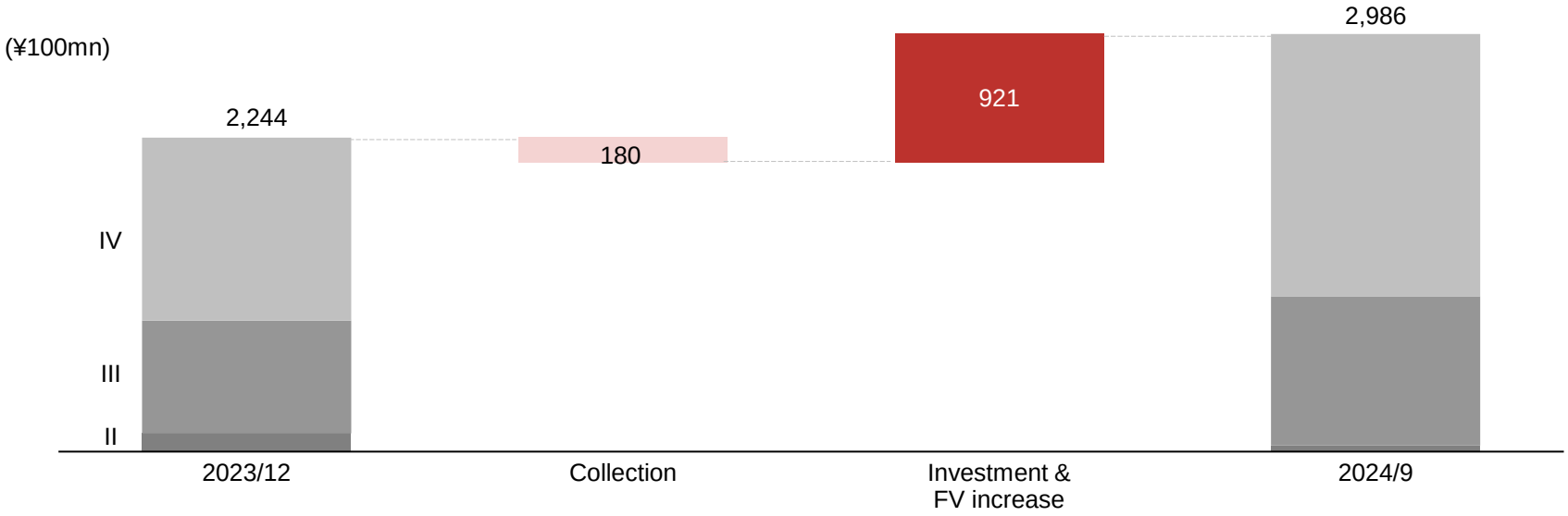
2021~

2020
¥123.8bn

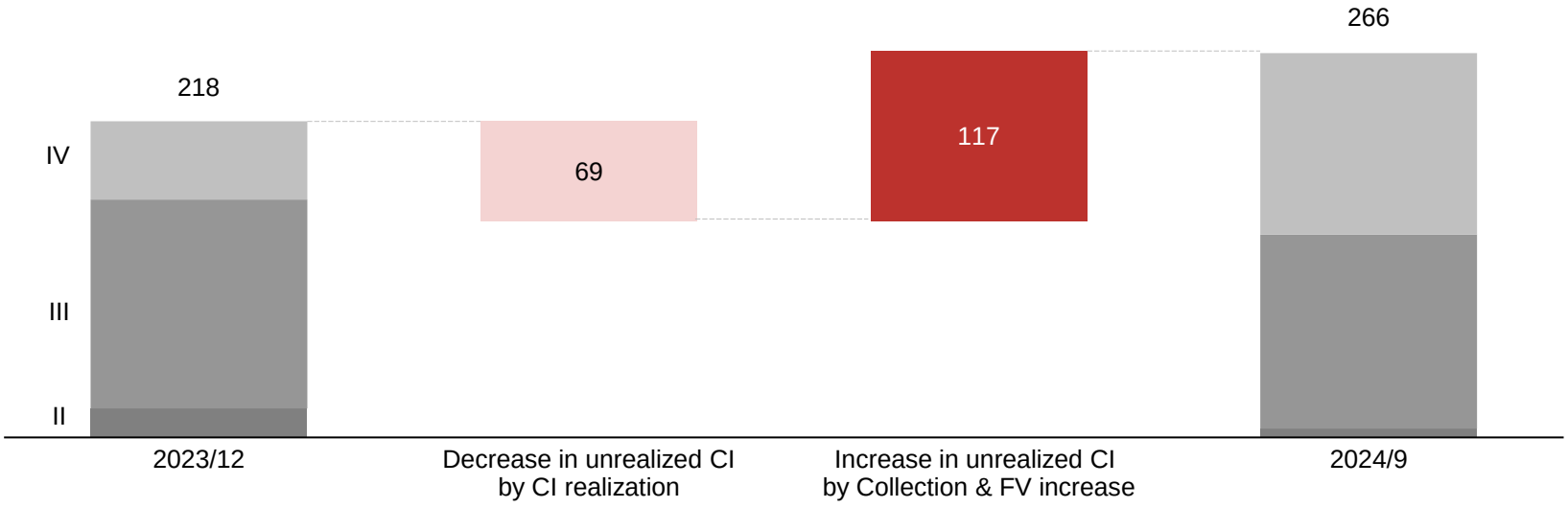


FV and Unrealized CI

Investee's FV in our funds[1] (Fair value)



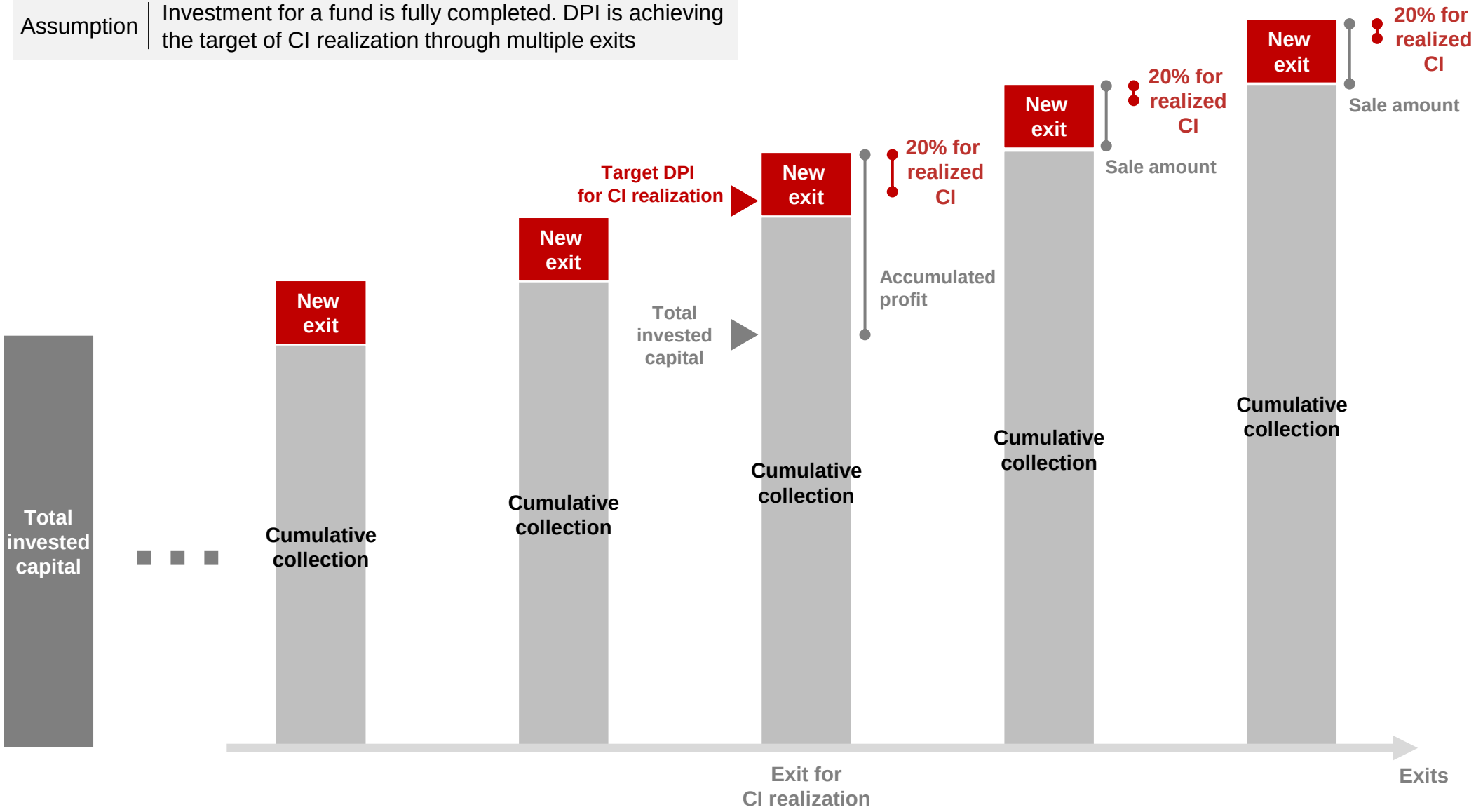
Unrealized CI (Carried Interest)



DPI and CI Realization

Illustrative model

Assumption	Investment for a fund is fully completed. DPI is achieving the target of CI realization through multiple exits



Key Financials

Consolidated Statements of Profit or Loss

(¥mn)

	Sep. 30, 2023	Sep. 30, 2024	Dec. 31, 2023 Full Year
Realized profits / (losses) on disposal of investments	1,045	-	1,045
Fair value movements on investment portfolio	802	2,015	2,182
Fair value movements on subsidiaries measured at fair value	2,692	5,610	3,605
Other investment income	36	23	36
Gross investment return	**4,576**	**7,649**	**6,870**
Fund management fees	2,828	2,645	3,755
Carried interest	-	6,911	3,254
Management support fees	144	178	197
Other operating income	2	1	5
Revenue	**7,552**	**17,387**	**14,082**
Personnel expenses	1,383	1,842	1,968
Other SG&A expenses	835	2,065	1,118
Operating expense	**2,218**	**3,908**	**3,087**
Operating income（loss）	**5,334**	**13,478**	**10,994**
Finance income	0	153	6
Finance costs	63	182	81
Profit（loss）before income taxes	**5,272**	**13,450**	**10,919**
Income taxes	1,617	4,105	3,345
Profit（loss）for the year	**3,654**	**9,344**	**7,574**

Key Financials

Consolidated Statements of Financial Position

(¥mn)

	Dec. 31, 2023	Sep. 30, 2024
Assets		
Current assets		
Cash and cash equivalents	18,922	18,869
Trade and other receivables	206	2,124
Income taxes receivable	0	-
Loans	35	35
Other current financial assets	15	1
Other current assets	49	89
Total current assets	19,229	21,120
Non-current assets		
Total investments	36,404	41,825
Investment portfolio	8,468	8,211
Investments in subsidiaries measured at fair value	27,936	33,613
Property, plant and equipment	208	193
Right-of-use assets	255	185
Intangible assets	3	2
Loans	-	2,384
Other non-current financial assets	194	259
Other non-current assets	0	-
Total non-current assets	37,066	44,850
Total assets	**56,296**	**65,971**

	Dec. 31, 2023	Sep. 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	781	550
Income taxes payable	1,477	1,039
Consumption taxes payable	36	32
Advances received	615	1,470
Loans	780	759
Loans from subsidiaries measured at fair value	3,500	-
Lease liabilities	141	70
Provision	66	275
Other current liabilities	119	86
Total current liabilities	7,519	4,284
Non-current liabilities		
Loans	759	2,386
Lease liabilities	35	-
Asset retirement obligations	114	156
Deferred tax liabilities	8,003	10,313
Total non-current labilities	8,912	12,855
Total liabilities	**16,432**	**17,140**
Equity		
Share capital	7,634	7,634
Capital surplus	6,371	6,391
Retained earnings	25,866	34,812
Share acquisition rights	0	0
Treasury stock	(9)	(8)
Equity attributable to owners of parent	39,864	48,830
Total equity	**39,864**	**48,830**
Total liabilities and equity	**56,296**	**65,971**

Key Financials

Consolidated Statements of Financial Position

(¥mn)

	Sep. 30, 2023	Sep. 30, 2024	Dec. 31, 2023
Cash flows from operating activities			
Profit (loss) before income taxes	5,272	13,450	10,919
Depreciation and amortization	139	138	185
Share-based payment expenses	0	0	0
Interest and dividend income	(37)	(177)	(37)
Interest expenses	63	180	81
Increase (decrease) in provision	223	208	66
Decrease (increase) in trade and other receivables	(218)	(1,918)	118
Decrease (increase) in investment portfolio	56	256	(684)
Decrease (increase) in investments in subsidiaries measured at fair value	(3,297)	(5,676)	(4,326)
Decrease (increase) in loans	-	(2,255)	(35)
Decrease (increase) in other current financial assets	(48)	37	(44)
Decrease (increase) in other assets	(0)	(14)	7
Increase (decrease) in trade and other payables	(55)	(256)	258
Increase (decrease) in consumption taxes payable	(32)	(3)	(37)
Increase (decrease) in advances received	(23)	855	(390)
Increase (decrease) in other liabilities	(11)	(33)	18
Others	(0)	-	(2)
Subtotal	2,029	4,790	6,099
Interest and dividends received			
Interest paid	38	25	38
Income taxes refund received	(84)	(62)	(93)
Cash flows from operating activities	(178)	(2,233)	(417)
Cash flows from operating activities	**1,805**	**2,519**	**5,626**

(¥mn)

	Sep. 30, 2023	Sep. 30, 2024	Dec. 31, 2023
Cash flows from investing activities			
Purchase of property, plant and equipment	(1)	(0)	(5)
Purchase of intangible assets	-	(91)	0
Cash flows from investing activities	**(1)**	**(91)**	**(5)**

(¥mn)

	Sep. 30, 2023	Sep. 30, 2024	Dec. 31, 2023
Cash flows from financing activities			
Proceeds from loans from subsidiaries measured at fair value	2,550	-	2,550
Repayment of loans from subsidiaries measured at fair value	(2,000)	(3,500)	(3,400)
Proceeds from loans	-	2,255	-
Repayments of loans	(800)	(780)	(800)
Repayments of lease liabilities	(105)	(106)	(140)
Proceeds from issuance of shares	11,606	-	13,113
Payments for issuance of shares	(44)	-	(329)
Proceeds from sale of treasury stock	0	20	0
Payments for acquisition of treasury shares	-	(0)	-
Dividends paid	-	(371)	-
Cash flows from financing activities	**11,205**	**(2,481)**	**10,992**


INTEGRAL