



# Initiatives for Realizing Capital Cost- and Share Price-Conscious Management

May 30, 2024

## **(1) Present state analysis**

- (i) Net sales and operating profit
- (ii) Operating margin by business
- (iii) PBR and ROE

## **(2) Perceived issues**

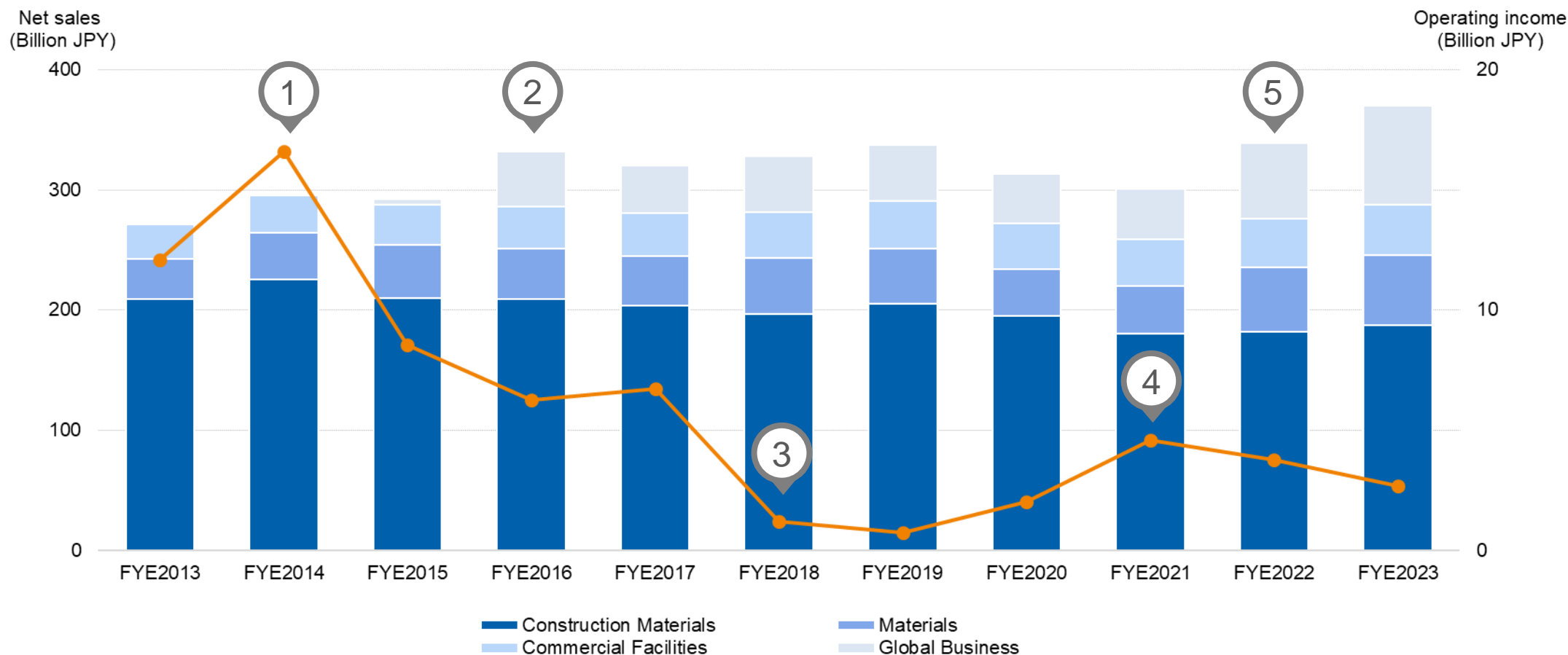
## **(3) Management targets and shareholder return policy that considers the cost of capital**

## **(4) Specific initiatives**

- (i) Restoring the soundness of low-revenue businesses | Construction materials business
- (ii) Restoring the soundness of low-revenue businesses | Global business
- (iii) Earning trust in the form of expectations for growth | Materials business
- (iv) Capital policy

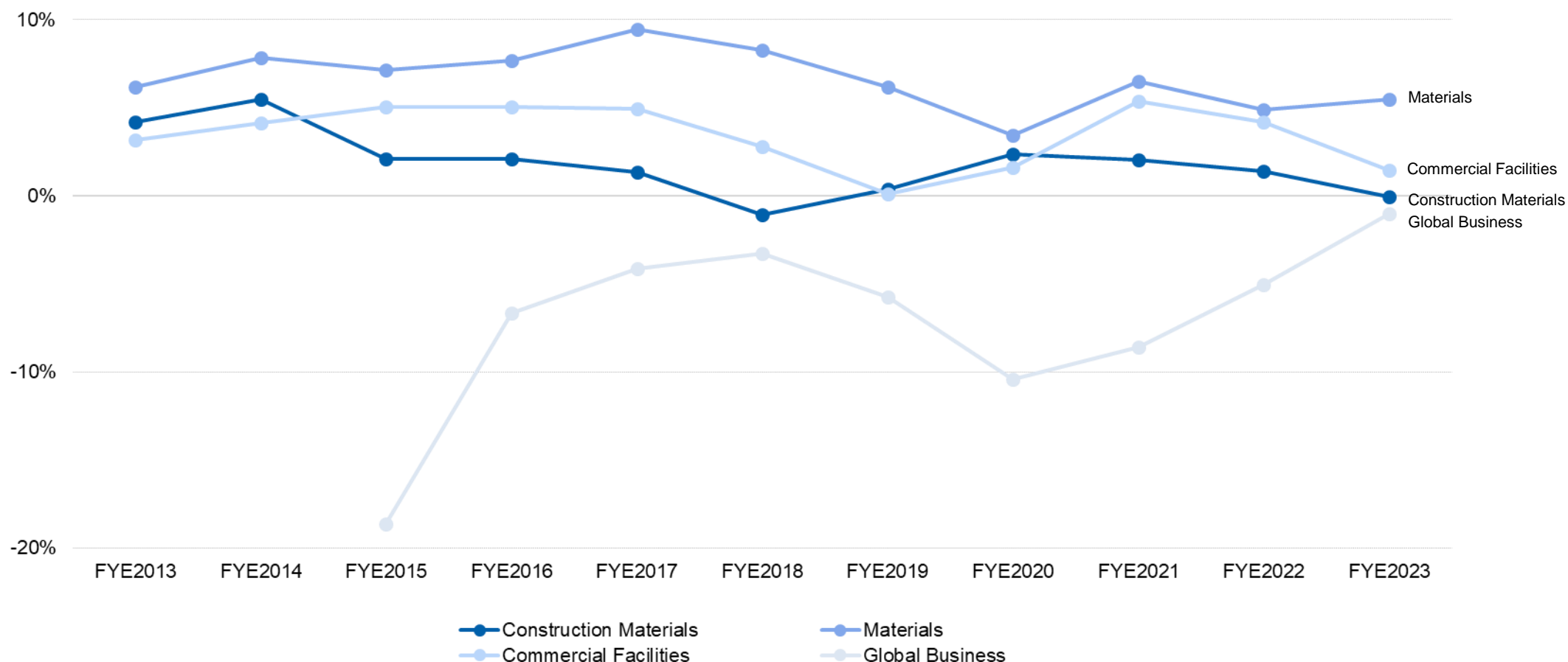
## **(5) Targets and initiatives for enhancing corporate value**

## **(6) Position of the Mid-term Management Plan**



## Points that resulted in changes in net sales and operating profit

1. Rush demand in anticipation of consumption tax hike (5% --> 8%)
2. Net sales from global business posted in the full year
3. Net loss recorded for three consecutive fiscal years since revenue declined in the construction materials business and the global business
4. Improved revenue of the three domestic businesses (construction materials, materials, and commercial facilities)
5. Increase in net sales of materials business and global business, partly reflecting the link to the aluminum ingot market



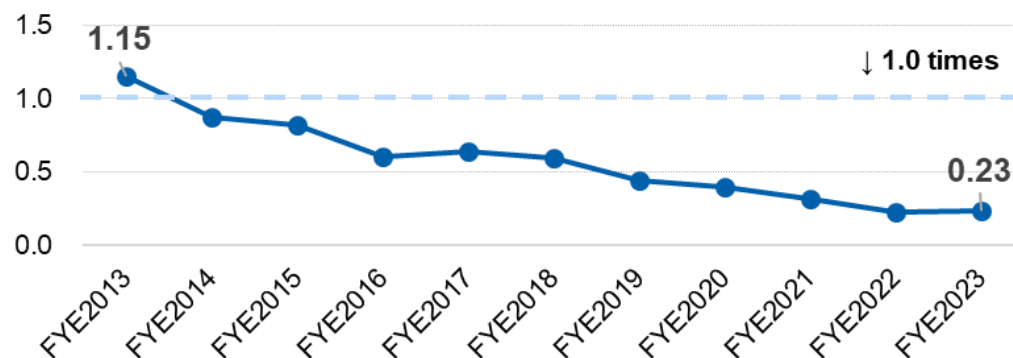
### Factors for the low operating margin

“(i) Income of the global business persistently low”

“(ii) Increase in net sales of materials business and global business, partly reflecting the link to the aluminum ingot market”

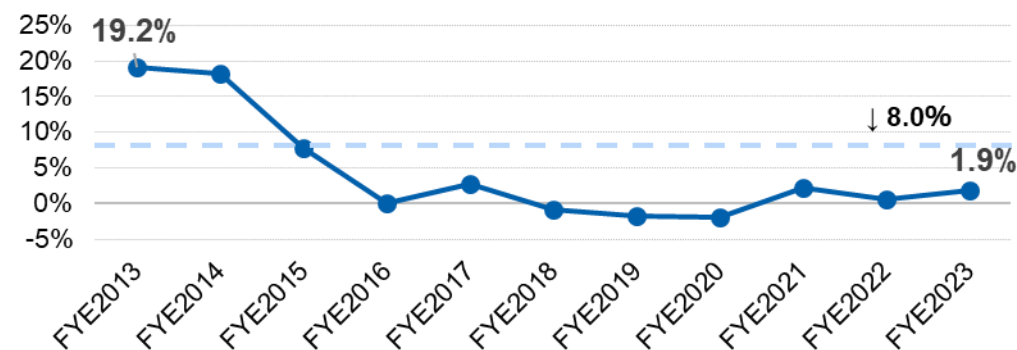
### Trends in PBR

Remained below 10% for the past 10 years



### Trends in ROE

Remains low due to the lack of progress in the improvement of low-revenue businesses



FYE2023 Results

PBR  
(0.23 times)

ROE  
(1.9%)

PER  
(12.2 times)

Net income to sales: 0.4%

Total asset turnover: 1.3 times

Financial leverage: 3.2 times

Early revenue improvement is imperative.

Raising asset efficiency from the current level

Financial leverage needs improvement.

Expectations for growth in the medium to long term are low.

## Factors for low PBR

“(i) Low revenue” “(ii) Low expectations for growth”

### Factors for low PBR: (i) Low revenue, (ii) Low expectations for growth

#### **Task (i): Restoring the soundness of low-revenue businesses**

##### « Past initiatives »

- Resource shifting and structural reform reflecting the medium- to long-term contraction of the market in the construction materials business
- Tapping into demand for a shift to EVs and reducing costs at the European subsidiary in the global business
- Responding with greater agility to rapid changes in the market, such as rising cost and market stagnation

#### **➡ Early turnaround of low-revenue businesses**

#### **Task (ii): Earnings trust in the form of expectations for growth**

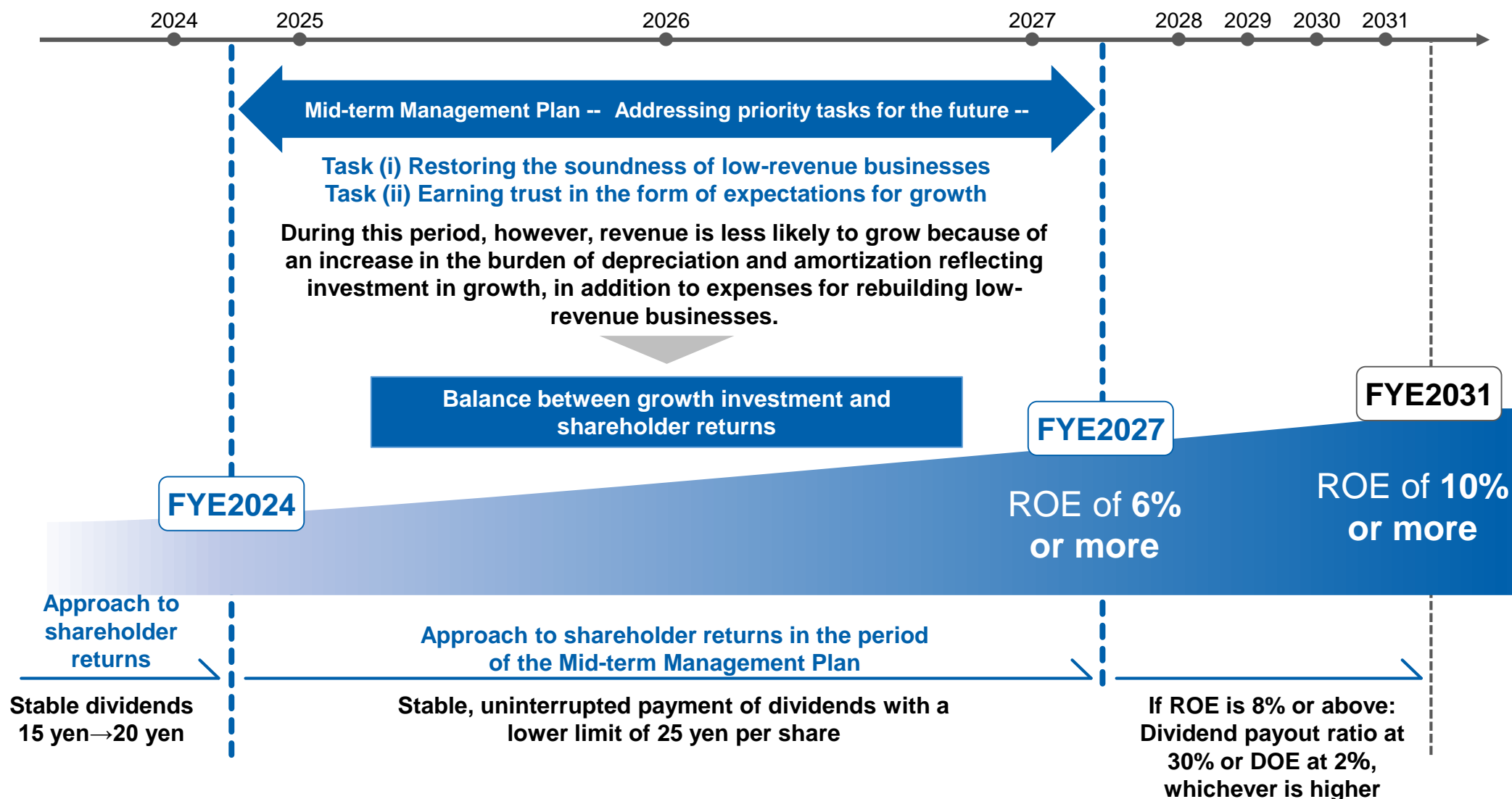
- The current Mid-to-Long Term Management Plan does not make obvious which fields we are targeting for growth, and investment plans supporting growth in the fields, among other factors, are unclear.
- Actual values often fall short of income target values set under the Mid-term Management Plan and others due to the impact of market conditions.

#### **➡ Investing in growth fields proactively and reliably producing returns**

#### **➡ Securing stable earnings strength that is less susceptible to the external environment**

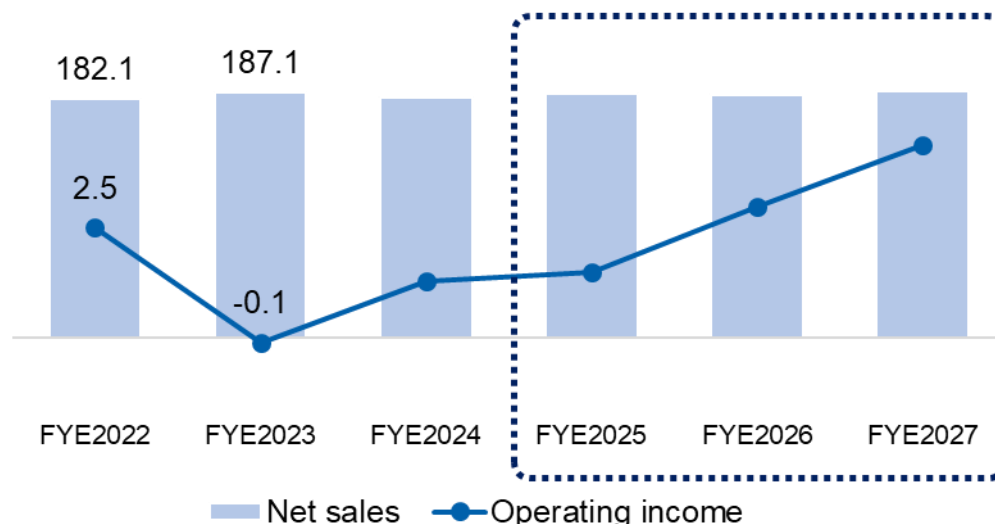
### (3) Management targets and shareholder return policy that considers the cost of capital

We understand that our cost of shareholders' equity exceeds 8%. During the period of the Mid-term Management Plan, however, we give priority to rebuilding the revenue base and investing in growth, aiming for an ROE at 6% or above in the final fiscal year and at 10% or above in the fiscal year ending May 2031.



## Trends in results of construction materials business

(Billion JPY)



## Major initiatives

## Strategic businesses

Shifting to areas to strengthen

## Enhancing initiatives for the remodeling market and the non-residential wooden construction market

- Tapping into demand for revamping condominiums
- Utilizing large-scale subsidy programs
- Promoting comprehensive sales through collaborations with distributors

## Expanding the area of exterior products

- Opening new areas other than the housing market, including the public sector and the industrial sector
- Increasing sales staff



## Environment of the construction market

Reduction in new construction expected to accelerate due to a downturn in consumer confidence reflecting rising building costs in addition to a long-term downward trend in demand for new construction

	New construction	Existing construction
Residence		<ul style="list-style-type: none"> <li>- Revamping of condominiums</li> <li>- Insulation retrofitting</li> </ul>
Non-residence	<ul style="list-style-type: none"> <li>- Shift to wooden construction</li> </ul>	

From quantity to quality

## Revenue base

## Enhancing and improving the sales network

- Enhancing the support function based on the distribution support system
- Enhancing the back-office system

## Launching value-added products into the market

- Enhancing products for carbon neutrality and products for increasing resilience
- Expanding differentiated products

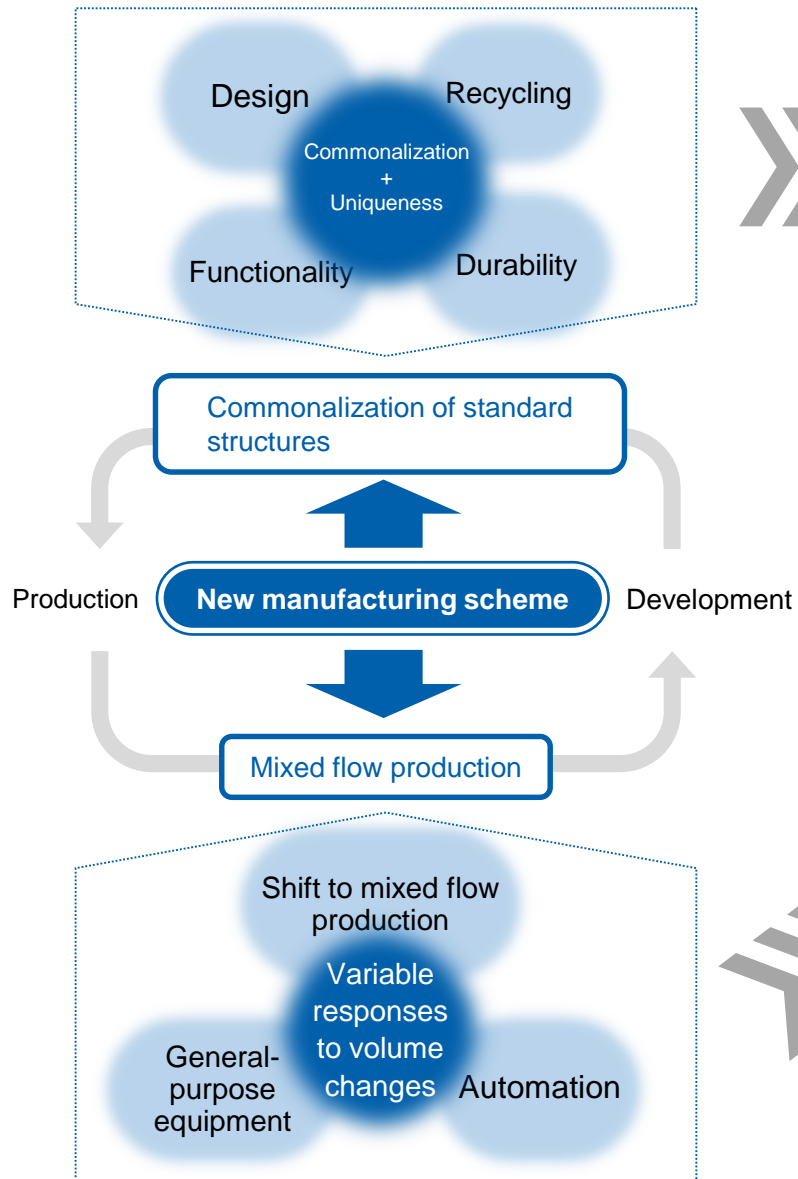


## Revisions to appropriate prices

- Passing increases in energy prices, logistics costs, labor cost, and other expenses onto prices



# Realizing new manufacturing with vision for the future



## Consolidating basic sashes

- Unifying Madio and Algeo into new sashes
- Achieving thermal insulation performance values exceeding those conforming to the energy-conservation standard
- Functionality and resilience succeeding those of the current high-specification sashes

### Sashes 2 series



Consolidation

### 1 series



## Consolidating production bases with mixed flow production

- Mixed flow production of sashes for residence and those for buildings with the introduction of new technologies
- Increasing the percentage of equipment diversion with general-purpose equipment
- Increasing the rate of automation by driving robotization

### Construction Materials Business 7 plants



Consolidation

### 5 plants

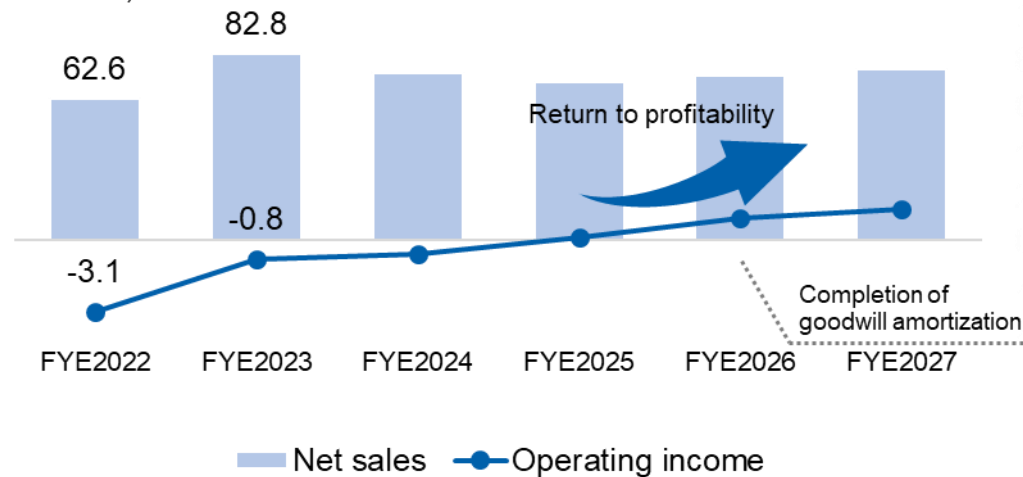


## Reducing fixed cost

- Improving the efficiency of indirect operations
- Streamlining fixed assets

## Trends in results of the global business

(Billion JPY)



## ASEAN business environment

**Diversification of supply chains attributed mainly to growing geopolitical risk in China and uncertainty of policy environment**

- Shift of production to the ASEAN region by companies in major countries
- Increase in entries by Chinese EV and electric appliance manufacturers



**Growth of demand in the ASEAN region**

## Major initiatives

## Europe

**Strengths in aluminum extrusion for automobiles, railway cars, and aircraft**

Establishing a high-revenue structure and stabilizing the business

## Revenue improvement

- Revisions to appropriate prices
- Pursuit of synergy
- Winning high value-added projects

## Optimizing the portfolio

- Addressing the risk of fluctuation in the automotive demand
- Improving the capability of winning short-term projects when the demand is fluctuating
- Driving initiatives to serve more diverse customer markets

## Reducing fixed cost

- Ongoing initiatives to reduce manufacturing cost
- Reduction/optimization of selling, general and administrative expenses

## Thailand

**Advantages in aluminum extrusion for industries including automotive and electric appliance industries**

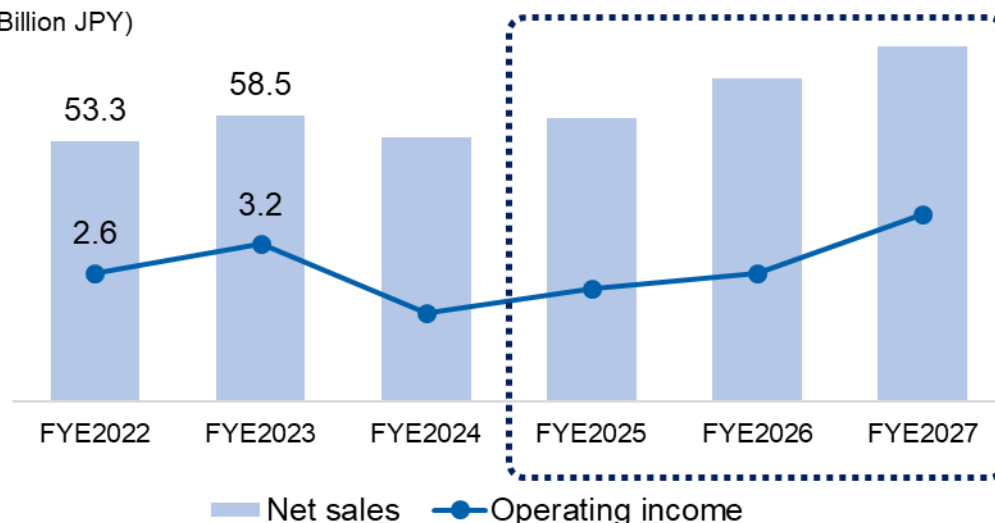
Increasing income further through aggressive business expansion

## Responding to brisk demand

- Expanding business by winning large-scale projects
- Increasing the capacity to supply aluminum extrusion
- Synergy with Europe and Japan (technologies, customer bases, etc.)

## Trends in results of the materials business

(Billion JPY)



## Initiatives in growth fields

## Initiatives in the automotive segment

## Automotive demand

## Entering the period of full-scale spread of EVs

Demand for vehicle bodies with lighter weight associated with the shift to EVs

- Increase in demand for aluminum, which is lightweight and appropriate for recycling
- Structural change of supply chain resulting from the shift to EVs
- Establishment of new business affiliations and local production for local consumption

## Increase in demand for aluminum extrusion

## Responding to demand for general machines and infrastructure

Tapping into demand for processed aluminum extrusion by taking advantage of readiness

## Semiconductor industry

- Progress in digitalization
- Increase in demand for automotive semiconductors
- Power semiconductors that contribute to saving power
- Acceleration of return of supply chain to Japan and government support

**Increase in demand for aluminum extrusion for general machines attributed to new construction and expansion of semiconductor manufacturing plants**

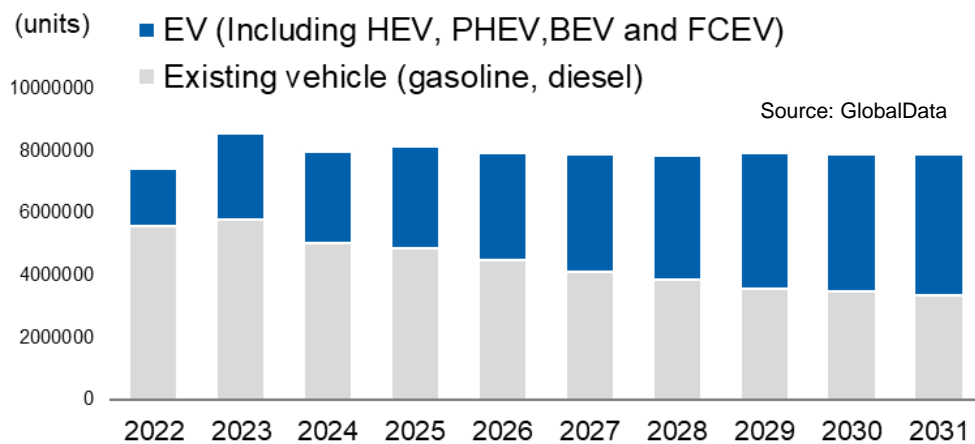
## Demand for infrastructure

- Increase in needs of investment in infrastructure, including transportation and logistics infrastructures
- Large-scale repair of infrastructure, including road bridges constructed more than 50 years ago

**The increased adoption of aluminum as a construction material is expected given the development of structural designs appropriate for aluminum and innovation of production technologies.**

## Business environment in Japan

## Number of domestic automobiles



## マテリアル事業の強み

From material development to casting, extrusion, and processing



## Business strategy

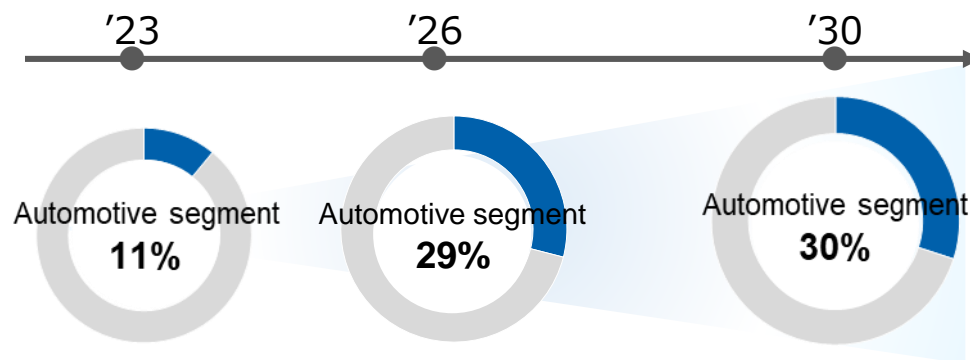
## Business expansion focused on EVs leveraging strengths

## Providing attractive value demanded by customers

- Reinforcing the system that enables continued winning of key projects
- Consistently launching large equipment and strengthening cost reduction activities
- Driving global expansion

## Sales composition

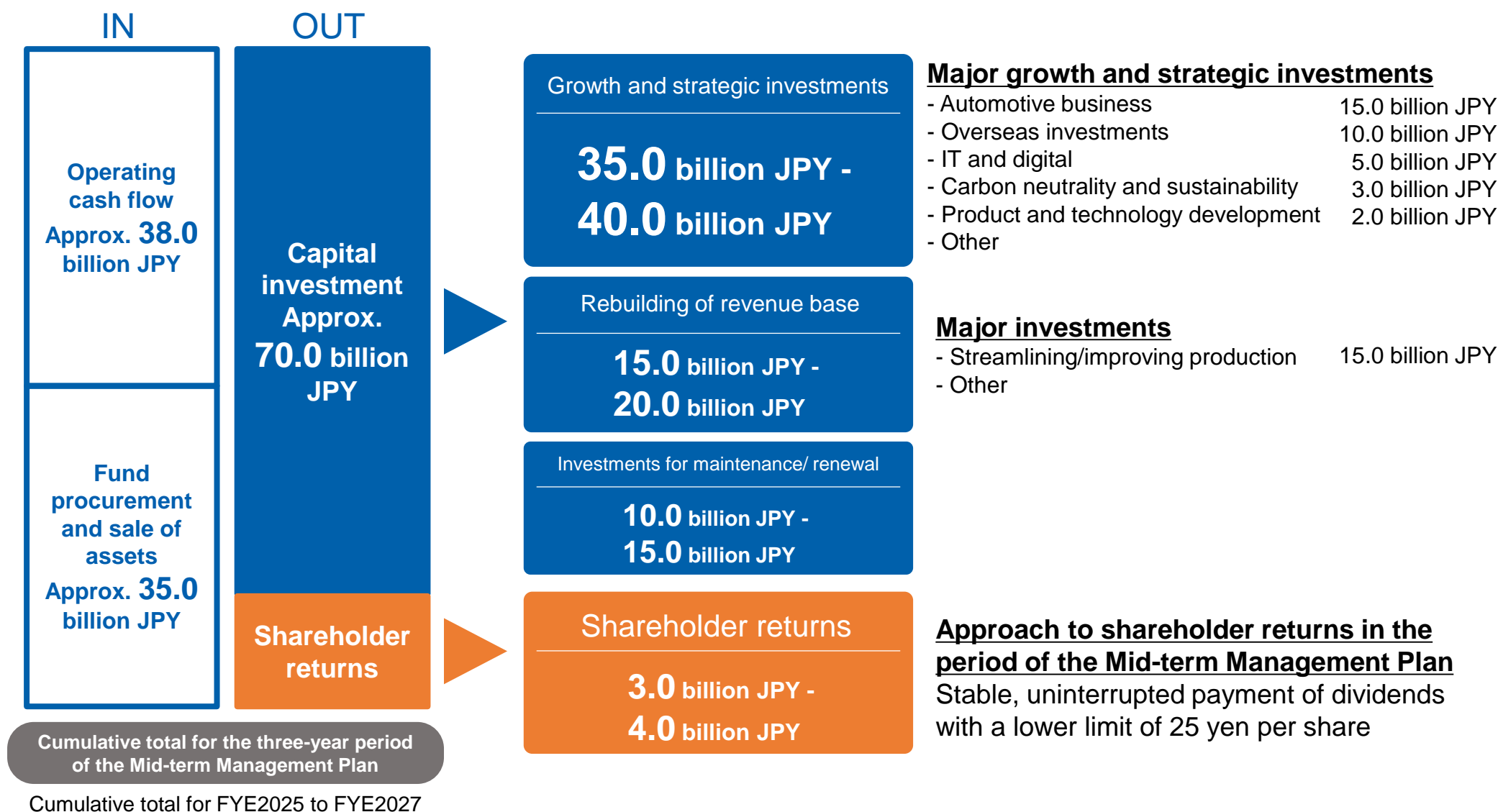
## Expansion of the automotive segment | Aluminum extrusion



## Investment

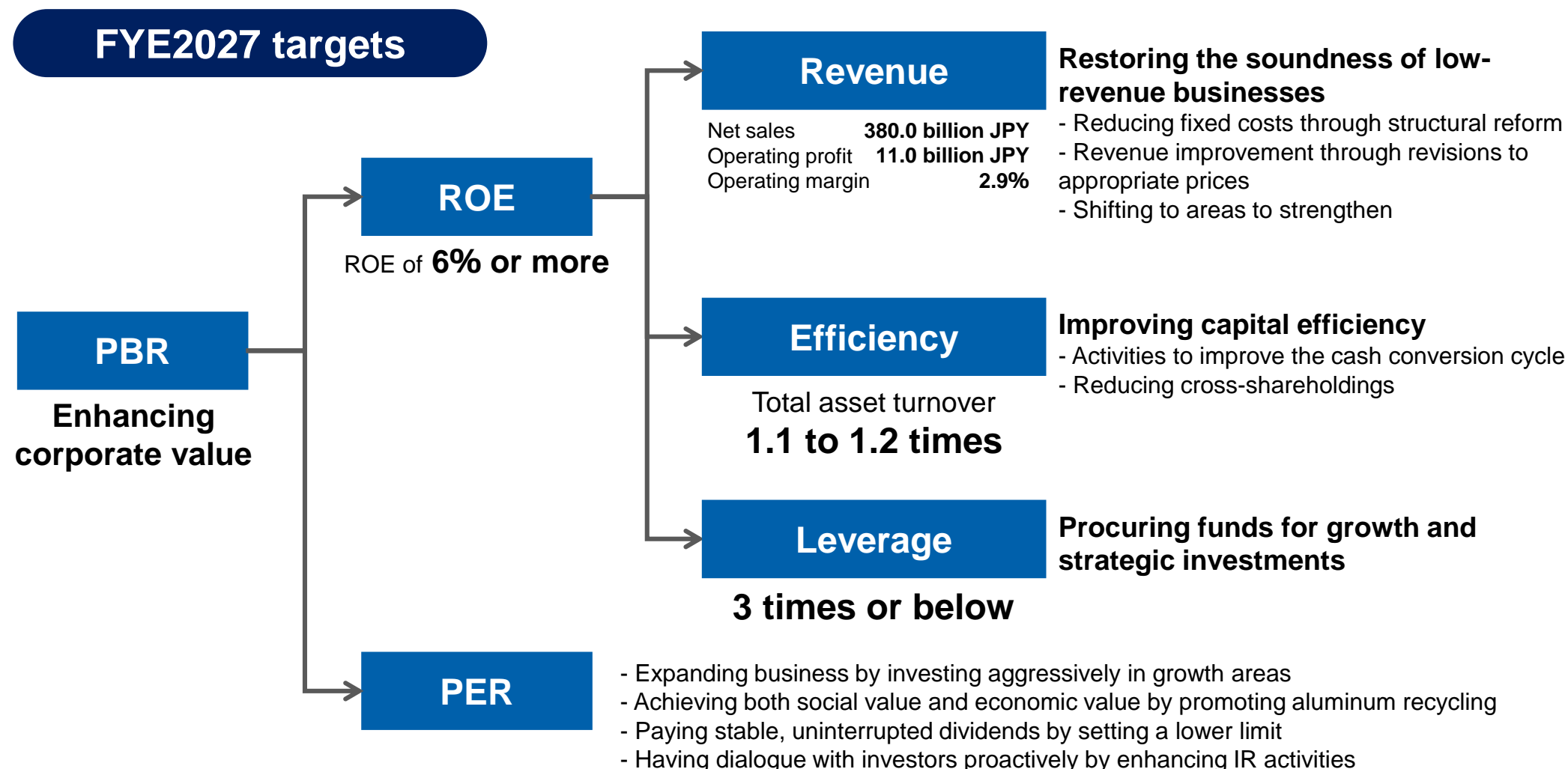
New plant and large extruder	12.0 billion JPY	Operation to start in 2025
Processing equipment for automobiles	3.0 billion JPY	Operation to start in 2025
Melting furnace for aluminum recycling	2.0 billion JPY	Operation to start in 2026

Realizing stable shareholder returns by using operating cash flow, fund procurement, and sale of assets as the sources and giving priority to rebuilding the revenue base and growth and strategic investments



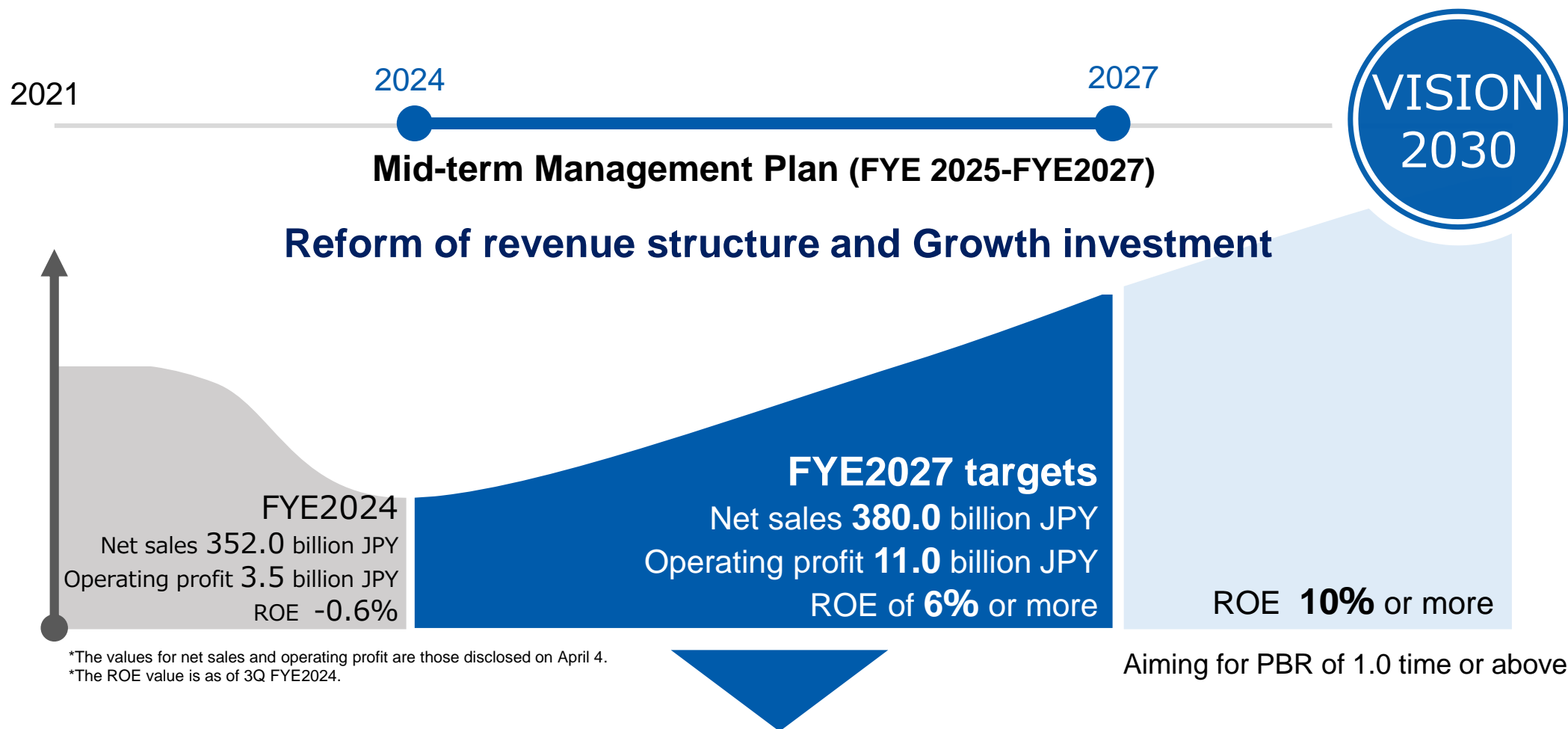
## (5) Targets and initiatives for enhancing corporate value

Aim to enhance corporate value by increasing earnings strength through structural reform of the revenue base, making investments aggressively for achieving sustainable growth, and realizing stable shareholder returns.



## (6) Position of the Mid-term Management Plan

Position the plan as the stage for structural reform and attaining growth aiming to achieve VISION2030.



### Securing stable revenue and getting on the growth track