

## Prinova Group: Business Overview and Growth Strategy

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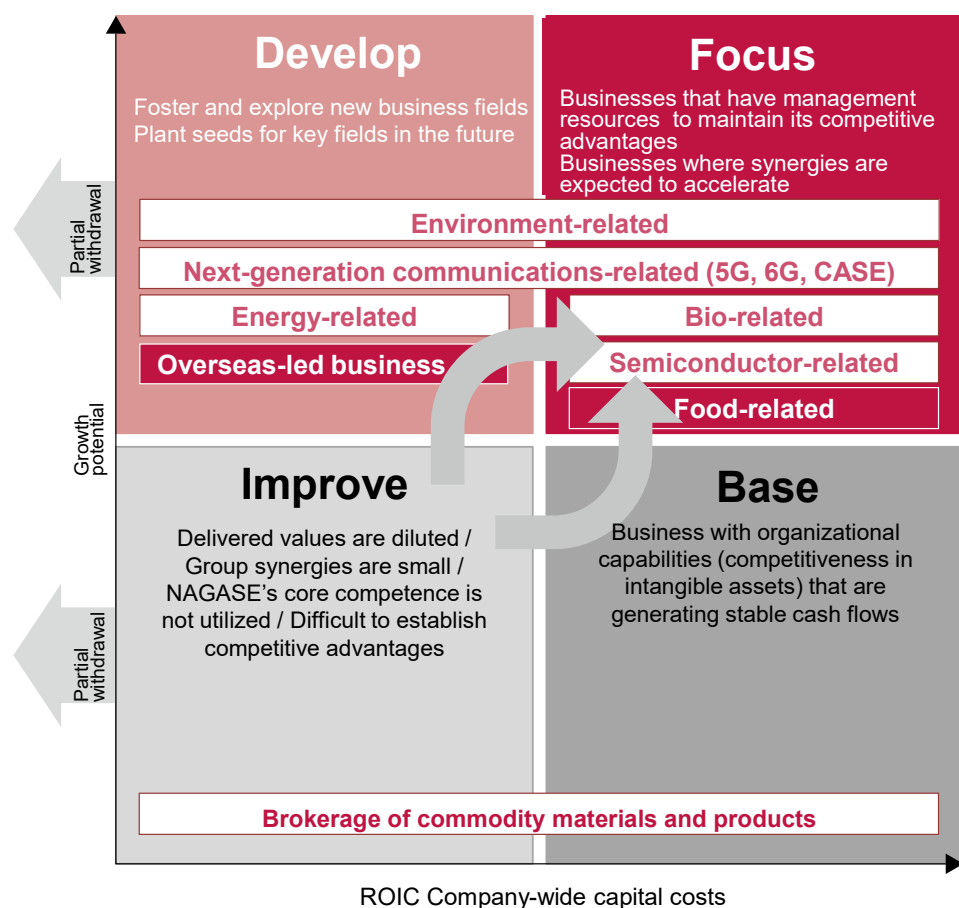
# Prinova Group's Position Within the ACE 2.0 Medium-Term Management Plan

- The food-related business is one of the focus areas in **ACE 2.0**.
- Overseas-lead business also represent important measures for future growth.

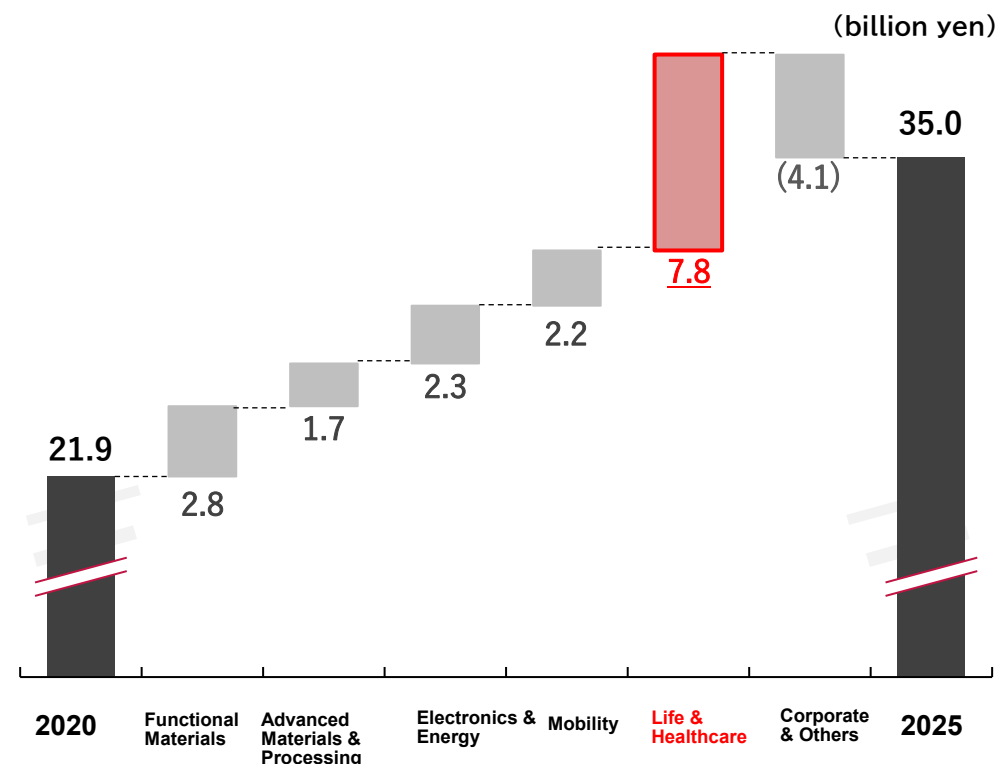
- A company that will play a central role in the growth of our Life & Healthcare segment, including the food-related business:

**Prinova Group**

## Approach to Business Portfolio



## Change in Operating Income by Segment



# Significance of Food-related Businesses for us

## Food-Related Businesses Contribute to Solving Social Issues

### Nagase Group Materialities | Solving Social and Environmental Issues, Globalization

- Solve problems that threaten safety and security, e.g., climate change and **food** and water shortage.
- Contribute to securing and improving **food safety** by utilizing **biotech**, AI, and other advanced technologies.
- Fulfill **health maintenance** demands due to increasingly aging societies in advanced countries.
- Contribute to the acceleration of **globalization** and solve social issues in each region.



# Prinova Group Corporate Overview



Name	Prinova Group LLC
Head Office	Illinois, USA
Founded	1978
Scope	Sales : 120.9 billion yen Operating income : 6.9 billion yen 1US\$=109.9yen (Exchange rate : December 2021)
Employees	1,032 (as of December 2021)
Manufacturing Locations	U.S. (6), U.K. (1), China (1)
Sales Offices	U.S., U.K., and 9 other countries
Products	Food ingredients (vitamins, amino acids, etc.) Flavored ingredients, premixes and contract manufacturing (sports nutrition)
Business Lines	Sales of food ingredients and flavors, production and processing of premixed products, contract manufacturing



## Gain Customer Trust by Handling Everything from Procurement to Manufacturing and Processing on a Global Basis

### Business Model

Vertical integration of trading company, manufacturing, and processing functions



Wide range of functions from procurement to processing, product design/proposal, and manufacturing of end products One-stop solutions to customer issues

### Global Network

Locations in Europe, the U.S., and Asia



End-to-end global support system, from procurement to manufacturing, with manufacturing and processing sites in the U.S., U.K., and China

### Customer Base

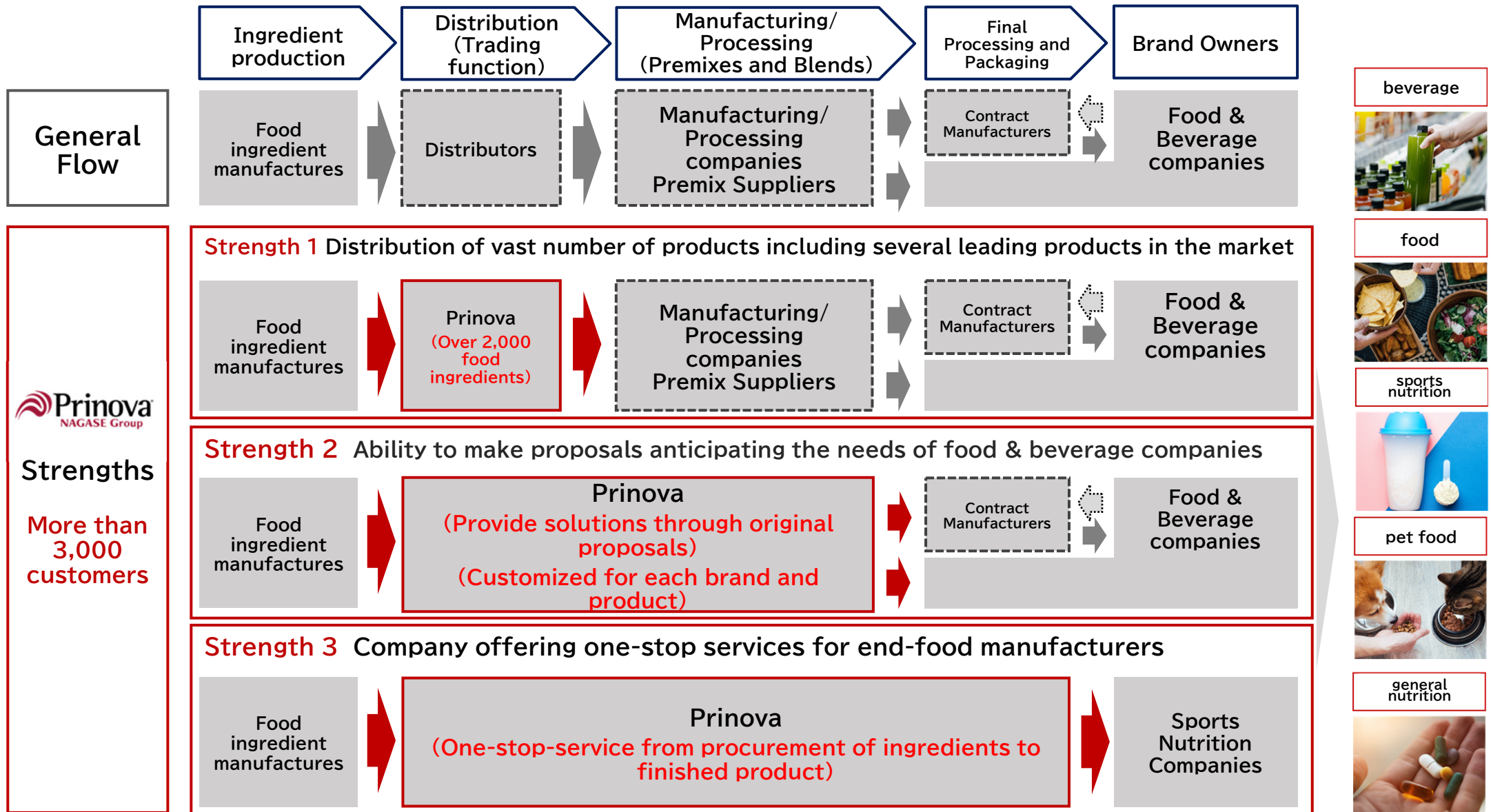
Trusted relationships with blue-chip customers



Doing business with customers with top class market share in a wide range of fields

# Prinova Group Business Model

Demonstrate Competitiveness through Vertical Integration of Functions, From Procurement to Product Design/Proposals, and Manufacturing



Strengths

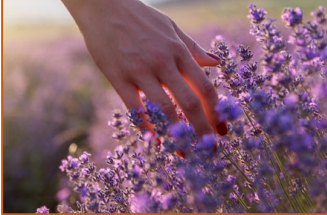
More than 3,000 customers

# Prinova Group Business Overview

Trading

Value Proposition      Applications, Main Business Major Products

## Aromas



Reliable supply of aromas and essential oils to the food and nutrition markets

**[Major Products]**  
Aromas and essential oils

## Ingredients



Distribution of more than 2,000 food ingredients to the food and nutrition market, offering reliable supply, quality and price

**[Major Products]**  
Vitamins, amino acids, acidulants, food extracts, sweeteners, umami seasoning, polysaccharides, nutrient enhancers, phosphates

Manufacturing·Processing

## Solutions



Production of premixes, and micronizing, combining a wide range of ingredients to provide solutions that meet customer needs

**[Main Business]**  
Customized powder premixes (amino acid, vitamins and minerals) and liquid premixes

## Armada



One-stop-solutions from product planning to manufacturing finished products

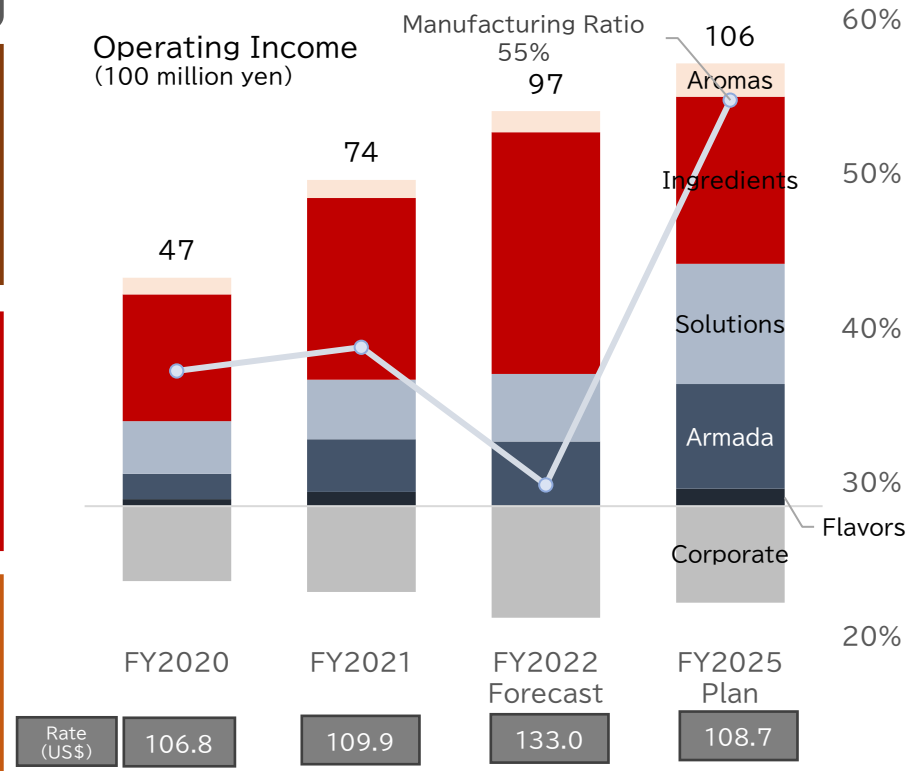
**[Main Business]**  
**Sports nutrition** products in the finished form (powder and capsule) with quality assurance and regulatory compliance

## Flavors

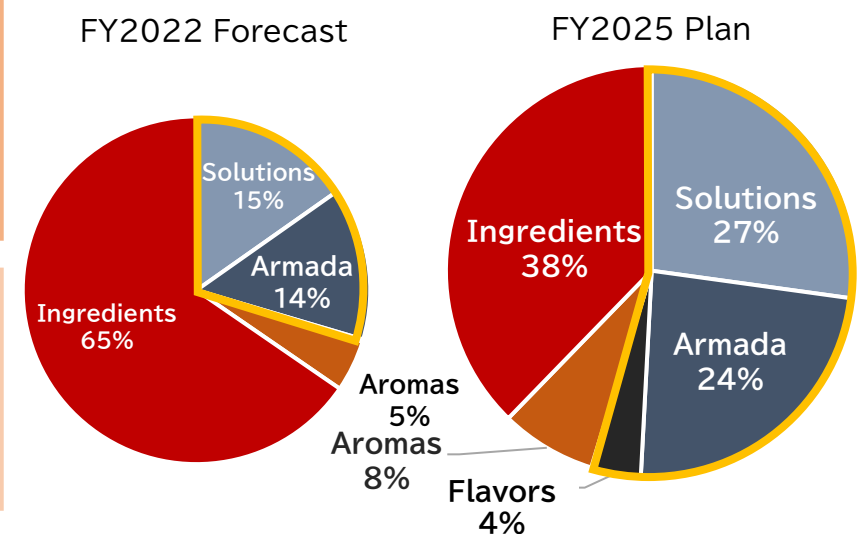


Reliable flavors developed by certified flavorists (added-value for Prinova's manufacturing capabilities)

**[Examples of Applications]**  
Confectionery (e.g., gummies, chocolates, candies), beverages (e.g., soft drinks), dairy products (e.g., ice cream, yogurt), baking (enriched flour)



\*The figures above are the results of the Prinova Group and do not include amortization of goodwill and other expenses incurred at the time of consolidation





# What is the Sports Nutrition Market ?

The Market is Fragmented and the User Base is Broad in the U.S.

## Representative Products



Classification by product form

- Powder
- Capsules, tablets
- Drinks

Classification by ingredients

- Protein
- Non-protein, etc.

## Usage Scenarios

### Pre-workout

- To prepare the body for exercise before training (Typical ingredients: amino acids, etc.)

### Intra-workout

- To prevent energy deficiencies during training (Typical ingredients: carbohydrates, water, etc.)

### Post-workout

- Ingested after training to enhance the effects of training and recovery (Typical ingredients: protein, amino acids, carbohydrates, etc.)

## User Base



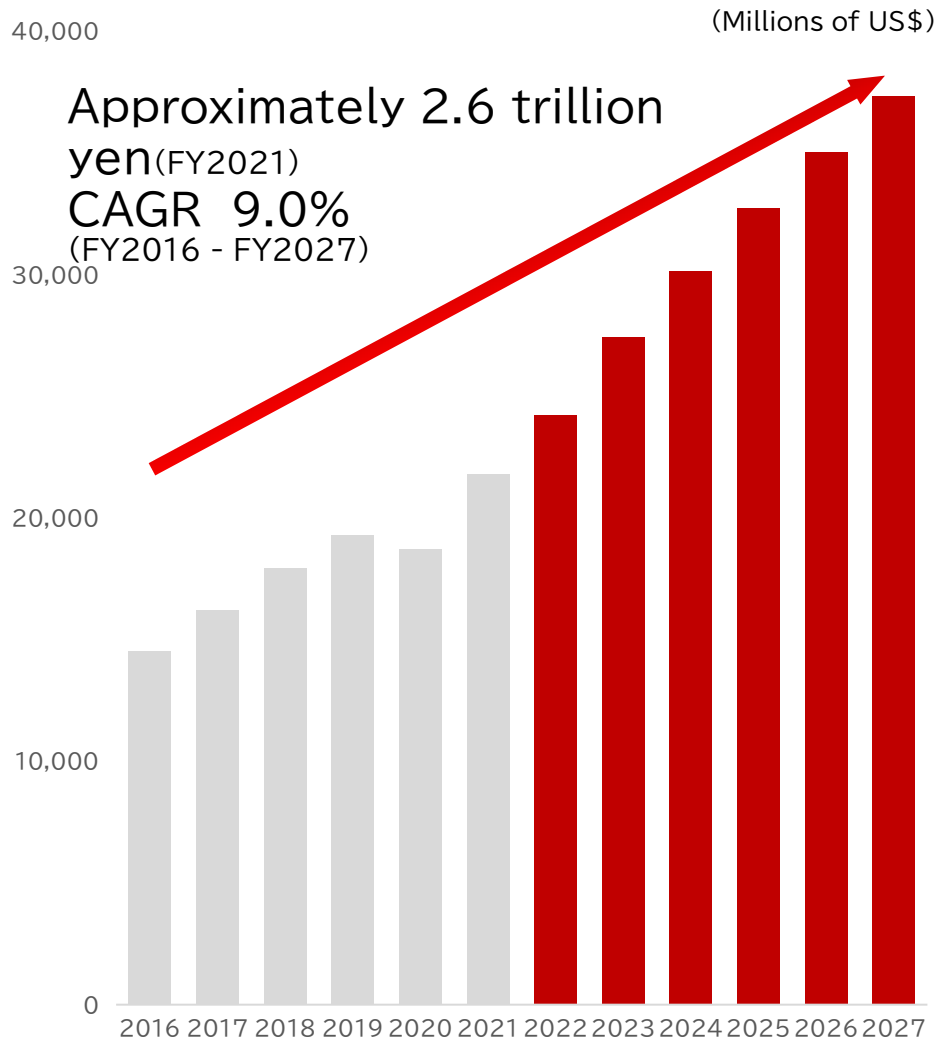
General consumers/sports enthusiasts, weekend athletes (athlete population: medium to large x frequency/volume: medium to large)



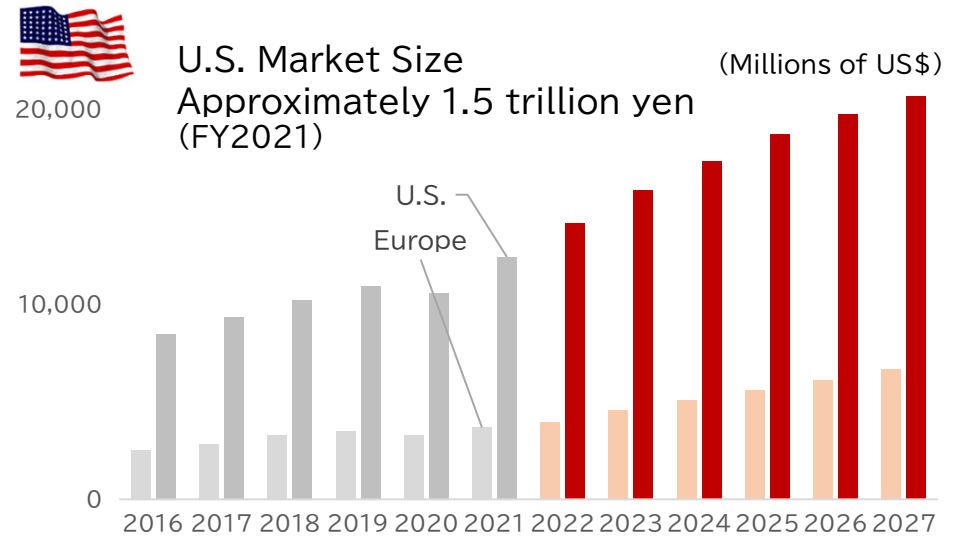
Professional bodybuilders/professional athletes, etc. (athlete population: small x frequency/volume: large)

## Sports Nutrition Market is Expected to Grow Globally

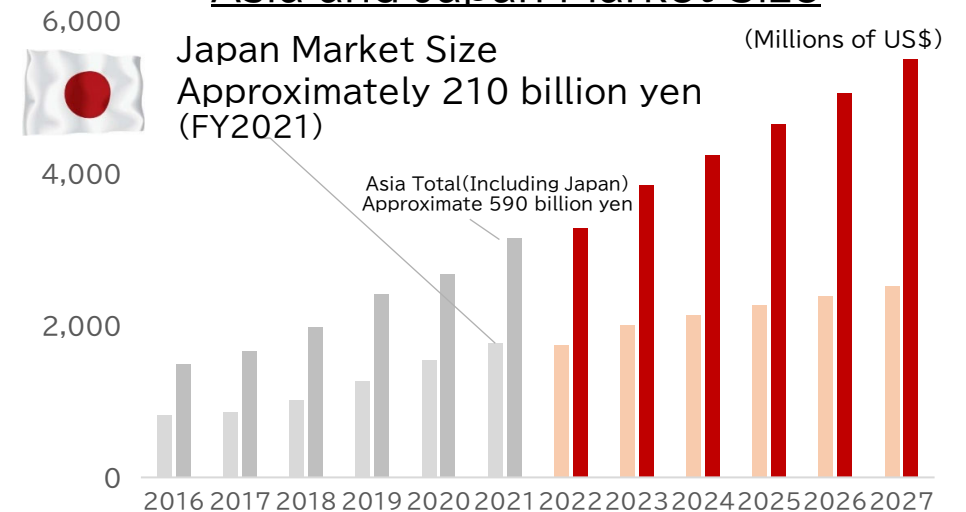
### Global Market Size



### U.S. and Europe Market Size



### Asia and Japan Market Size



\*Source: Euromonitor  
\*Global, European and Asian markets sizes exclude some regions.  
\*1US\$ = 120 yen

## Contract Manufacturer of Sports Nutrition Products

Characteristics of the sports nutrition product contract manufacturing market

U.S.: In most cases, brand owners do not have manufacturing capabilities and outsource to OEMs

Japan and Europe: Most of brand owners manufacture in-house

### Functions Offered

Product Planning

Formulation

Materials Procurement

Manufacturing

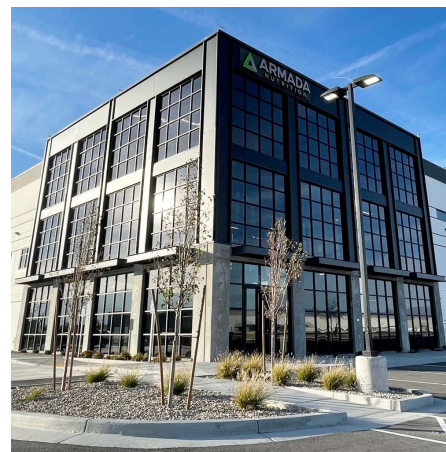
Production Management

Quality Assurance

(Examples of Contracted Products)



### Locations



(State of Utah)



(State of Tennessee)

Provide speedy, one-stop solutions that include not only manufacturing, but also product design/proposals and raw materials procurement

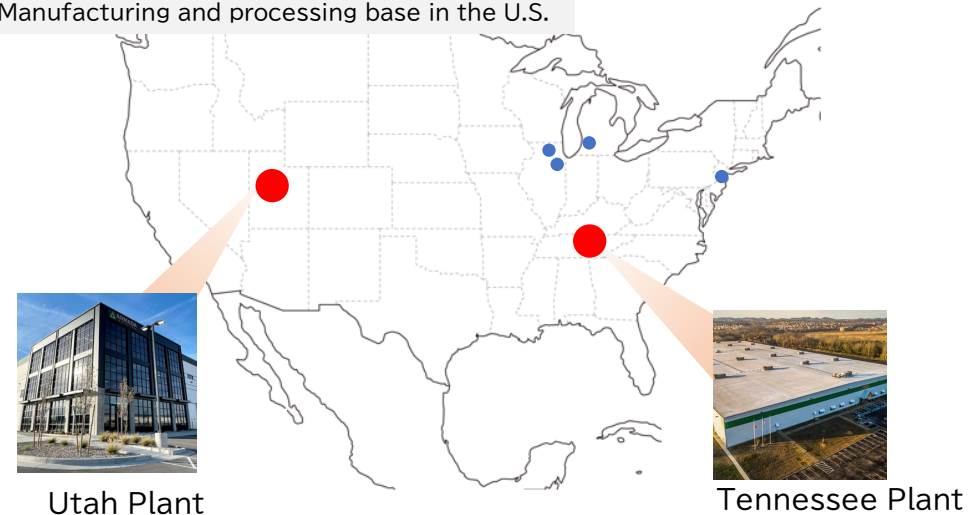
Largest capacity in North America with the start of operations of Utah plant

1

## Plant Operations in Utah, U.S. Started | Building a Stronger Contract Manufacturing Capabilities

- High demand for contract manufacturing in the sports nutrition field; many inquiries/requests, but lack of capacity at Tennessee plant
- Launched Utah plant and doubled capacity (Phase 1)
- Established a two-site system to meet customer BCP requirements
- Layout design leaves room for future expansion

Manufacturing and processing base in the U.S.



Utah Plant

Tennessee Plant

2

## Improved Plant Productivity

- Pursuing advanced plant management utilizing DX at both the Tennessee and Utah plants
- Evolved into plants where safety is ensured and training is conducted through timely checks of KPIs related to the status of operations and quality
- Promote capacity expansion at Tennessee plant by reviewing existing equipment, flow lines, and improving production processes

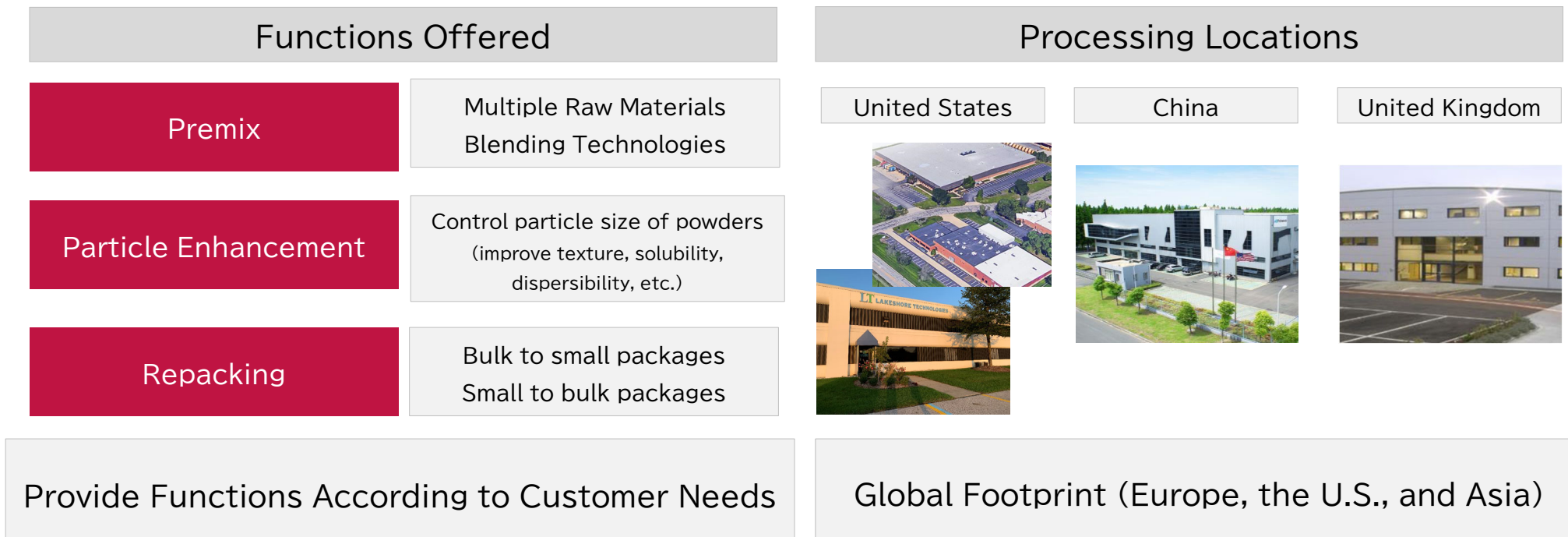
Current Capacity

	Utah(Phase 1)	Tennessee
Production Capacity	Approximately 8,400MT/Year	Approximately 13,000MT/Year
Sales	Approximately US \$ 190 million	Approximately US \$ 220 million
Floorspace	Approximately 40,000 m <sup>2</sup>	Approximately 31,000 m <sup>2</sup>

# Manufacturing and Processing | Solutions Business

Business that Provides a Wide Range of Processing Solutions to Fulfill Customer Needs

Maintain capabilities to solve diverse customer needs on a global basis



Providing high value-added functions to solve diverse needs through our sites in Europe, the U.S., and Asia

**Capable of providing worldwide support to customers with global operations**

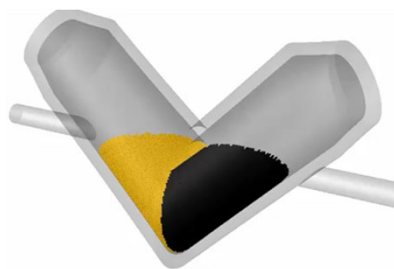
## Solutions | Expand Processing Capabilities and Improve Profitability

### Acquired Further Processing Capabilities (Particle size control)

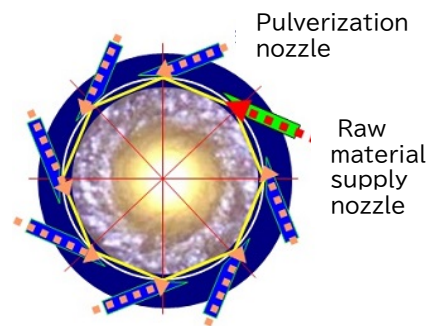
- Increased capacity through the acquisition of Lakeshore Technologies, expanding footprint in the U.S.
- Considering to invest in additional processing capabilities to address a broader range of customer issues (estimated investment of US\$5 million)

### Lakeshore Technologies' Technologies and Strengths

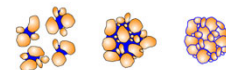
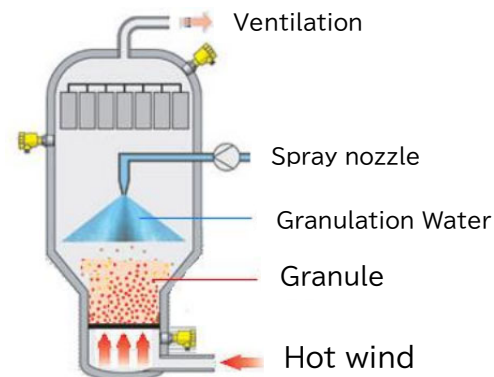
Provides a wide variety of high-quality, competitively priced powder processing (mixing/dispersion, micronization, granulation)



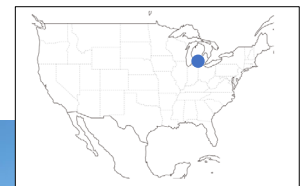
Mixing & Dispersion  
(V type Blender)



Micronizing  
(Jet Milling)



Granulation  
(Planned Investment)



Lakeshore Technologies  
Location: Michigan, U.S.A.

## Expanding the Application Lab to Enhance Customer Solutions

### Background/Issues

- Expanding sales of TREHA™ and other products through the Prinova Group's sales network was one of the synergies expected at the time of acquisition
- To sell functional ingredients, we must identify customer issues, propose solutions, and have them experience the value of our products

### Preparing to establish a third overseas lab in the U.S., following China and Singapore



Japan



Singapore



China

- Promote proposals and application development tailored to the food culture and customer needs in North America
- Establish a base to utilize Hayashibara's ability to propose solutions

## Hayashibara's Functional Ingredients as Sports Nutrition

Pre-workout

### HAYASHIBARA HESPERIDIN S

- A polyphenol contained in citrus fruits such as mandarin oranges
- **Increases blood flow for improved pre-sport conditioning and training efficiency**

Intra-workout

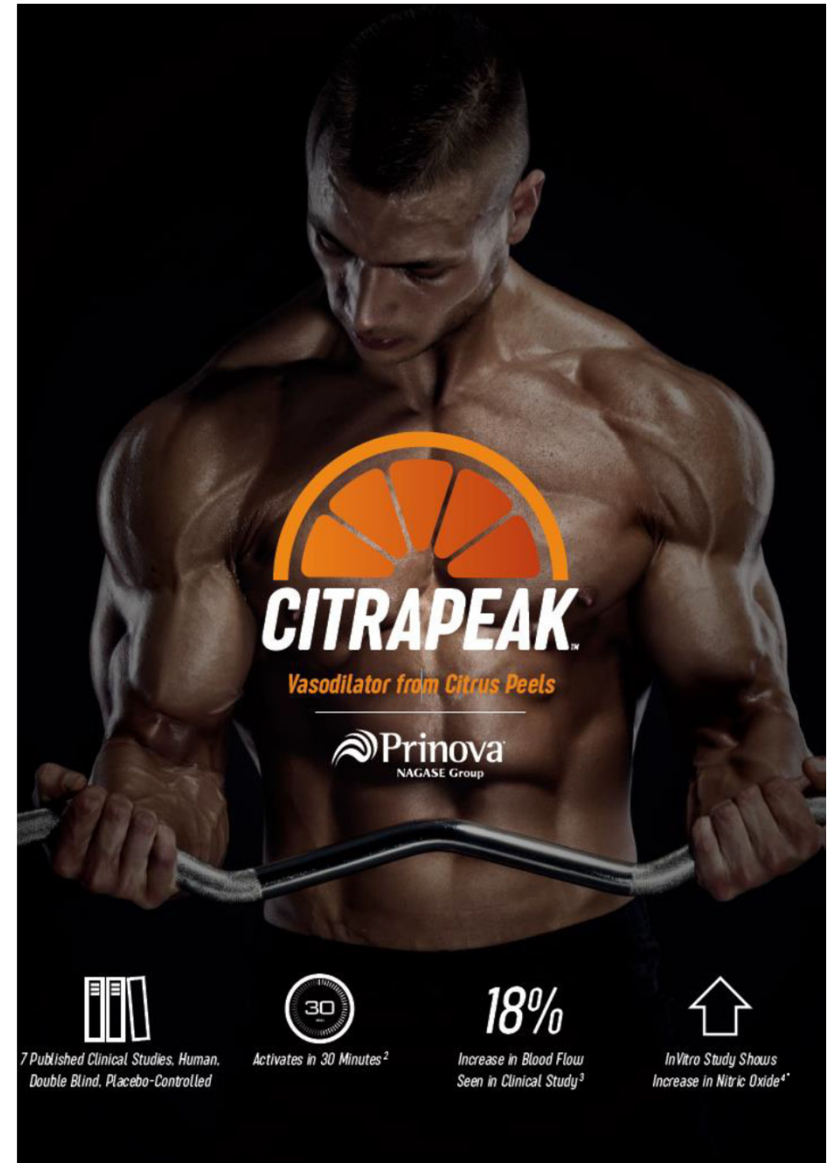
### TREHA™

- Trehalose is a functional carbohydrate found in mushrooms and other foods
- **Energy source to sustain performance until the last spurt**

Post-workout

### Fibryxa™

- Soluble fiber produced from starch through the power of enzymes
- Improves intestinal environment which mitigates the negative effects of protein and other substances



HAYASHIBARA HESPERIDIN S Sold in the United States Under the CITRAPEAK Brand Name



# ACE 2.0 Prinova Group Numerical Results and Plans

## Expand Business at a Rate Outpacing the Growing Sports Nutrition Market

### FY2022 Second Quarter Results

- Distribution business: Profitability increased due to higher sales volume and higher prices
- Manufacturing and processing business: Decline in profitability due to rising raw material prices and labor costs

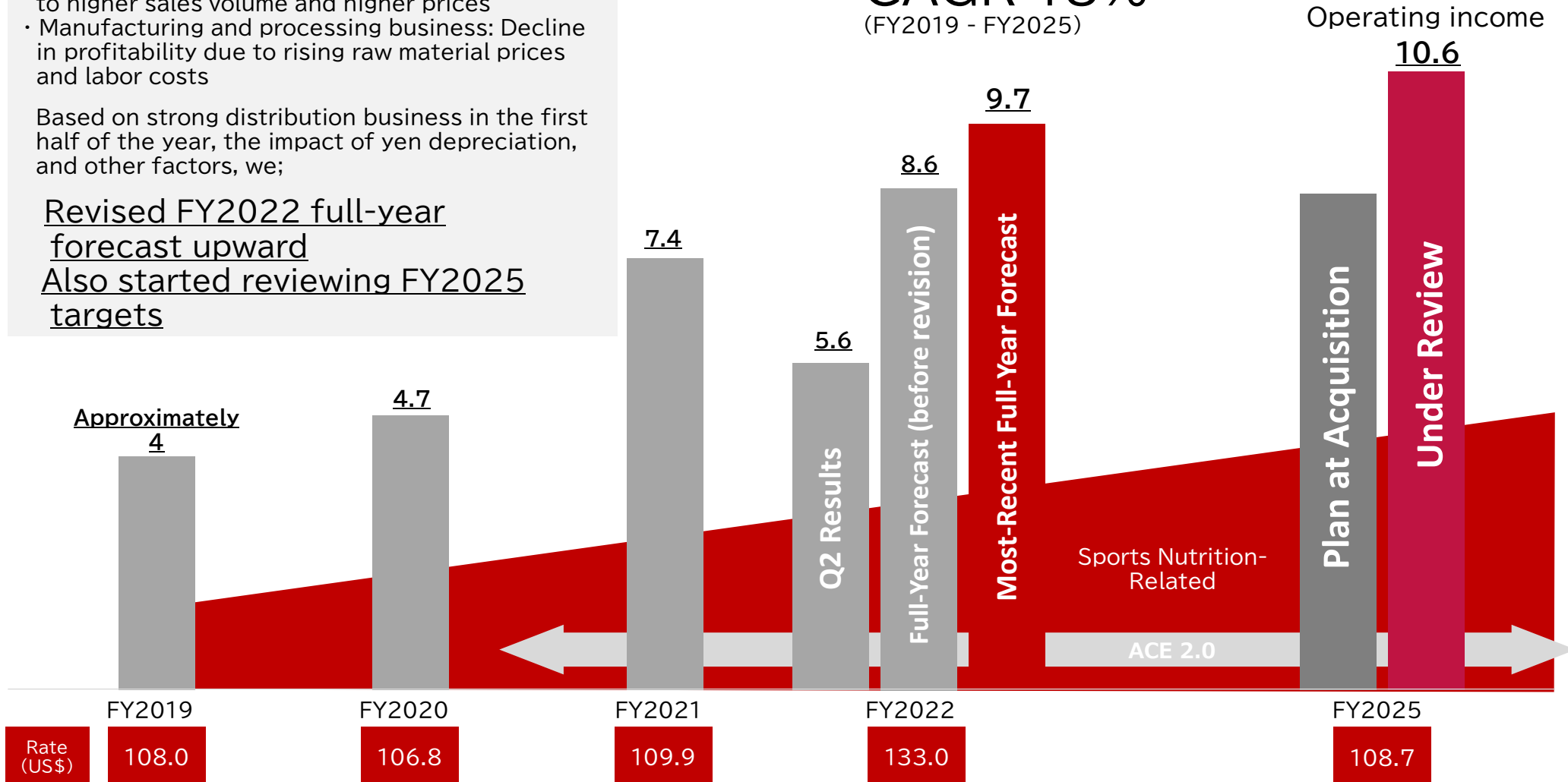
Based on strong distribution business in the first half of the year, the impact of yen depreciation, and other factors, we;

Revised FY2022 full-year forecast upward

Also started reviewing FY2025 targets

**CAGR 18%**  
(FY2019 - FY2025)

(billion yen)



\*The figures above are the results of the Prinova Group and do not include amortization of goodwill and other expenses incurred at the time of consolidation

\*FY2019 Operating income: Excludes special expenses related to M&A



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These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of November 25, 2022. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.