

FY2025 Second Quarter Financial Briefing Q&A

[Date] November 7, 2025

[Time] 10:00 – 11:00

[Speakers] Representative Director, President and CEO Hiroyuki Ueshima

Director, Managing Executive Officer Masatoshi Kamada

Director, Executive Officer Yoshihisa Shimizu

[Contents] FY2025 Second Quarter Results and FY2025 Earnings Projections

Medium-Term Management Plan **ACE 2.0**

[Q1]: As you indicated on page 17, overview of major manufacturing subsidiaries: Prinova Group, operating income of the Prinova Group after amortization was JPY900 million in Q1 and JPY1.2 billion in Q2, a significant recovery. While breaking down its operating income into trading and manufacturing segments, please explain the factors behind the improvement in performance up to Q2 and the measures to improve performance, including the status of new project wins planned for Q3 and beyond.

Ueshima [A]: We have been expanding the area of Prinova Group's raw material sales and nutrition and solutions business for sports nutrition. We are expanding our product line from professional sports nutrition to the area of life and wellness nutrition.

Particularly for H1, our trading business contributed to profits by taking appropriate measures in anticipation of tariffs. Another factor is the increased sales of high-value-added products, particularly creatine and colostrum, also known as first milk, which have also contributed to our earnings.

For the nutrition business, we improved our marketing and sales techniques. For example, we are able to meet our customers' needs by reducing our turnaround time for sample requests and quotation requests by less than half. This has been achieved by passing through a consistent flow from manufacturing to sales, which means that the improvement of the sales system has been successful in retaining customers.

In addition, automation and manpower reduction are underway, with several dozen percent reductions in manpower, which is driving efficiency and cost reductions. Regarding the solutions business, we have secured new orders for pre-mixes, particularly in the high-end pet food segment and for gummy ingredients in the so-called superfood category with high vitamin content. These are now beginning to contribute to our figures. This is the situation in H1. For H2 of the fiscal year, we expect the trading company division to proceed almost as budgeted. Shipments of high value-added creatine and colostrum, for which we had received orders in H1 of the fiscal year as mentioned earlier, have been temporarily suspended due to customers' facility expansion. We expect this number to grow even more next year and beyond.

As for the nutrition business, we have already completed most of the cost reductions in H1, and we are now proceeding with the continuation of these cost reductions. We are looking forward to further evolving our market improvements and taking on new projects. However, I believe that the contribution to the figures here will come in the next fiscal year or later. Regarding the solutions business, orders for gummies and pet food are progressing well, and we expect H2 to proceed largely as planned.

[Q2]: As we can see on page 12, operating income in the electronics and energy segment was JPY2.9 billion in Q1 (up JPY0.2 billion YoY) and JPY3.8 billion in Q2 (up JPY0.6 billion YoY), an increase of JPY0.8 billion YoY for H1. Your full-year operating income forecast of JPY12.9 billion (+JPY0.6 billion YoY) seems conservative, but what is the reason for this assumption and what are the chances of exceeding the plan? Also, the smartphone market has been recovering recently, do you foresee a positive impact on your company's electronics and energy in the future?

Ueshima [A]: There are three businesses related to semiconductors: the raw materials business for functional materials, materials sales in electronics, and Nagase ChemteX product sales.

In particular, product sales of Nagase ChemteX have grown for use as liquid encapsulants for semiconductors for generation AI and for high-end servers in data centers and other applications. We expected continuous growth from last year through H1 of this year, and originally planned for a similar steady increase in H2 of this year. However, due to the relationship between the US and China, the future of this market has become very uncertain, and we have raised the numbers slightly weaker. On the other hand, we expect sales of semiconductor materials to China and products from Japanese and Chinese manufacturers, to continue performing well, as they did in H1.

In addition, the semiconductor materials handled by the functional materials segment, which includes downstream general-purpose semiconductors, have not expanded or recovered in H1, but are expected to recover slightly in H2. Therefore, the conservative outlook for H2 stems from the uncertainty surrounding Nagase ChemteX products used in high-end servers related to generative

AI. However, given the improving relationship between China and the US, we believe that there is a good chance of an upward swing in H2, and in anticipation of this, we are increasing capacity in preparation for volumes from next year onward.

As for the smartphone market, it is recovering as you mentioned, but what we sell at Nagase ChemteX is epoxy resin for SAW filters, and the competition among SAW filter manufacturers is very intense. Therefore, we believe that our resin sales will increase in the future due to the recovery trend of the smartphone market, but it depends partly on our customers' market share.

[Q3]: What specific measures are you taking to optimize your sales resources in the mobility business?

Ueshima [A]: Regarding the mobility segment, we are in a very difficult situation due to factors such as the economic slowdown in China, stagnant demand for EVs, and US tariffs. We have been allocating human resources to China. However, the areas that will see growth going forward are such areas as India and Mexico. Therefore, we are accelerating the shift of our sales resources—primarily personnel—toward India and Mexico.

We are working with a Japanese manufacturer to establish a joint venture company to expand our business in India, and we would like to build a system that will enable us to conduct sales and manufacturing activities that are more deeply rooted in the local community. Similarly in Mexico, we have established a joint venture with Atex Co., Ltd. to manufacture precision injection-molded parts and are preparing to commence production in the next fiscal year and beyond. The tariff issue with Mexico in relation to the US had completely halted exports of urethane materials to the US in H1, but this will recover in H2, which we believe will have a positive impact.

In addition, we have closed our offices in Wuhan and Changchun, which were for the automotive market in China. Accordingly, expenses related to the closure were recorded in H1, but these will not be incurred in H2, which will contribute to the bottom line in terms of profits. In any case, what I wish to express is that in terms of resource optimization, the weight placed on China has been significantly reduced.

[Q4]: Regarding the electronics and energy segment on page 12, operating income in the manufacturing business is very high at JPY1.5 billion in Q2. Given the discussion about due diligence costs, why is this the level achieved despite handling it? Please explain the factors that led to the high level. Earlier, you mentioned that sales of modified epoxy resins are at 105%, but a 5% increase does not seem like such a high growth rate. Or is it Sachem's profit?

Ueshima [A]: Due diligence costs are included in the trading company business. The growth in the manufacturing sector in Q2 was due to strong business at Pac Tech (our subsidiary), a manufacturing subsidiary that engages in contract wafer bumping processing and equipment sales.

Regarding the profit from SACHEM's Asian operations, it has been recorded since July, so it is included, but not by a large amount. It's a small amount, just a few hundred million yen.

[Q]: Am I correct in assuming that manufacturing profits will decrease in H2? It seems to me that the level of H1 is being viewed as something that probably will not last. On the other hand, Nagase ChemteX's operating income for H1 is JPY1.4 billion, so if the full-year forecast is JPY3.3 billion, operating income for H2 is expected to be around JPY1.9 billion. The earlier explanation that modified epoxy resins will be adjusted in H2 does not fit with Nagase ChemteX's profit forecast for H2. Why does Nagase ChemteX's second-half performance tend to improve?

Ueshima [A]: One of the contributions will come from the fact that orders for applications other than semiconductors for the US market have been almost completely suspended in H1. Hundreds of millions of dollars are affected there. Sales of modified epoxy resins for SAW filters declined in Q1 due to intensified competition from SAW filter manufacturers, who are our customers, but recovered in Q2 and are expected to recover compared to H1.

[Q5]: I would like to ask about SACHEM in page 30. The forecast for FY2025 is JPY1.6 billion in gross profit (including nine months), is it correct that this is basically semiconductor related products? In other words, would TMAH be the main focus? Also, is there something like a generation in TMAH? Please let us know if you are doing cutting edge stuff, etc.

Ueshima [A]: This figure includes the revenues of the Chinese factory and also includes TMAH and non-TMAH. To be more specific, we also manufacture inorganic materials, so the revenue from that is also included.

Regarding your other question about whether TMAH is cutting-edge technology, it is indeed a high-end process since we manage TPB levels rather than the TTB levels typically used in semiconductors and LCDs.

[Q]: Do you mean the ones used for cutting-edge semiconductors such as those made in Taiwan?

Ueshima [A]: Yes.

[Q]: On the right side of slide page 30, there is a comment about new materials for next-generation semiconductor pre-processes. Is this also part of the image developing technology? Or is it a completely different technology?

Kamada [A]: TMAH is a material used in the developing solution and is very important in the front-end process, but TMAH itself has not changed much over the years. In this context, we will continue to develop high-purity TMAH that can withstand the demands of next-generation and cutting-edge semiconductors. This is an effort to make it compatible with 2nm, etc. In response,

we believe that we must further refine our technology. Even now, our materials are specified in quite cutting-edge applications. In that sense, our differentiation lies in further refining that technology.

[Q]: Do you mean that you will continue to grow TMAH?

Kamada [A]: Yes.

[Q6]: Regarding the results of the Prinova Group on page 17, the H1 results show sales of JPY107 billion and operating income before amortization of goodwill of JPY3.6 billion. In contrast, if we subtract the H1 results from the full-year forecast (revised) on page 22, we arrive at net sales of JPY146 billion and operating income of JPY2.6 billion for H2, which means that sales will increase about 40% from H1, while operating income will decrease about JPY1 billion. What is the reason for this disparity between H1 and H2?

Ueshima [A]: Regarding the Prinova Group's sales, most of the sales are generated from the trading company function, 70-80% of the sales are from the trading company function. As I mentioned earlier, in our trading company function, we were able to successfully handle customs duties, in other words, we were able to hold inventory at a considerably low price, which contributed to our earnings in H1. Therefore, the operating profit margin was quite high for the same sales amount. Furthermore, the two high value-added, or high-margin materials I mentioned earlier, for which orders were received in H1, have been halted in H2 due to construction work to increase capacity due to customer circumstances, which has also pushed down profits.

On the other hand, in the manufacturing sector, we expect firm growth due to the acquisition of new projects, etc. Overall, gross profit is expected to increase in H2 of the fiscal year compared to H1. While net sales and gross profit are increasing, operating income is decreasing because of the expected increase in SG&A expenses. One is Aplinova's amortization of goodwill. Aplinova has been PL consolidated since Q2, but due to accounting treatment, most of the goodwill amortization will be recorded in H2. We also expect an increase in labor costs per employee due to inflation in the US, which is expected to increase from H1. We expect some other expenses to increase, and overall, SG&A expenses in H2 are expected to be higher than in H1. Costs are conservatively estimated and may swing upward in the event of a decrease in costs.

[Q]: How should we watch performance trends for the next fiscal year?

Ueshima [A]: We have not yet announced our figures for the next fiscal year, but we are quite optimistic about them. As for the trading company function, various general-purpose materials have bottomed out in price. In addition, we expect to be able to increase the top line first of all because the volume of trading company functions is increasing as a result of strengthened sales activities. In addition, we expect to achieve an early return to profitability in the nutrition business,

which has been in the red up to now, and to launch several new pre-mix businesses for which we have received orders in the solutions business, so we believe we can achieve more bullish figures for the next fiscal year.

[Q7]: I have a question about Life & Healthcare segment related issues. Am I correct in understanding that Aplinova, acquired in April 2025, has been included in the consolidation from Q2 of FY2025? If there is any one-time impact on operating profit or net profit, could you please inform us to the extent possible?

Ueshima [A]: Consolidated from Q2.

Shimizu [A]: Aplinova is consolidated as the Prinova Group. Since it has been reconsolidated into the NAGASE Group, individual figures are not disclosed at this time. We are very sorry for your inconvenience and hope you will understand.

[Q8]: Regarding the status of development and sales of new products (pea protein and vitamin-related products) that you mentioned in your explanation for Q1, could you share any information that you can disclose at this time? We would appreciate it if you could share, to the extent possible, your projections regarding the timing of profits and expenses, as well as any challenges you are currently facing.

Ueshima [A]: I understand that your question is about new products related to pea protein and vitamins.

We do not have data on the details at hand, but we are currently developing a pea protein-based formulation in the United States. In the nutrition business, we have also heard that the volume of new inquiries for products containing pea protein will increase, and we expect that this will contribute from next year onward.

As for vitamins, the unit price of vitamin C remains stable at a fixed level, but the volume is increasing due to sales efforts. On the other hand, new products such as creatine and colostrum have been adopted by new customers and contributed to volume. We are aiming to further double the number of such orders in the coming year and beyond.

[Q9]: You explained the uncertain outlook for the modified epoxy resin market. How are the final markets and actual demand trends shaping up? This is a question to check if this is a change in sentiment or not.

Kamada [A]: Our main focus now is for generative AI. The end users are mainly American data centers, and we believe that their investment trends are directly related to our business. Regarding this, various reports indicate that investment in the US will continue to grow at a double-

digit rate next year, so we expect that generated AI will spread, centered on data centers, in the next fiscal year. In addition, the development of applications is also vigorously expanding into PCs and the recently trendy physical AI (robotics), so we believe that the demand for generative AI will expand in the medium to long term and our business will remain strong.

One of our concerns is whether our customers can sell to China and whether the regulations will continue or not. This is one point of contention, so we intend to keep a close eye on this situation.

[END]