# FY2025 Third Quarter Financial Briefing Q&A

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| [Date] | February 6, 2026 | |
| [Time] | 10:00 – 11:00 | |
| [Speakers] | Director, Executive Officer | Yoshihisa Shimizu |
| | Director, Managing Executive Officer | Masatoshi Kamada |
| | Director, Executive Officer | Tamotsu Isobe |
| [Contents] | FY2025 Third Quarter Results and FY2025 Earnings Projections | |

**[Q1]**: Regarding the electronics and energy segment, I think the main reason for the upward trend is the strong sales of semiconductor materials. Please tell me about the outlook for this semiconductor material sales. Also, there is news of resumed exports to H200, etc. What is the outlook for modified epoxy resins (LMC, etc.) for AI server semiconductors, which you mentioned that growth has been slowing down?

**Kamada [A]**: Regarding the overview of the electronics and energy segment, the factor of the increase compared to Q2 is that the Pac Tech group increased operating income by JPY400 million in Q3. They are a wholly-owned subsidiary specializing in special plating and bumping. The business primarily handles contract work, but we also sell equipment and chemicals. Profits were concentrated on a spot basis in Q3 due to continued acceptance inspection of equipment sales. That will settle down a bit in Q4, but the contract bumping business is stable and we expect it to be even more stable next year than this year.

The outlook for semiconductors in general remains strong with respect to generated AI. Earlier, there was mention of uncertainty, and indeed, in FY2025, due to the impact of US-China relations, exports and imports of certain AI-related semiconductors were restricted on both sides. This contributed to the market performing below our expectations. However, even under the influence of these factors, sales volume grew by double digits compared to the same period last year, and we recognize that the growth related to generated AI for the next fiscal year will be quite strong. We expect LMC for generative AI to grow considerably in the next fiscal year as well.

Regarding the other matter of NVIDIA's H200 in China, I have heard from some reports that the restrictions have been eased or lifted. We see demand mainly for consumer applications, and if this is the case, from our position as the de facto standard position, we expect to see an increase from Q4 and in general, we are confident that even stronger growth will continue in the next fiscal year, especially in generated AI.

**[Q2]**: Could you tell us a little more about the Prinova Group in the life and healthcare segment? I would like to ask you about the status of cost reduction in the nutrition business as you explained earlier, and the prospects for further profit growth in the future. You mentioned that sales in the solutions business have been strong. What specific measures have led to particularly strong growth in the solutions business from the current fiscal year?

**Isobe [A]**: Regarding the improvement of the Prinova Group's nutrition business, besides the numerical factor of no longer being affected by the bad debt provision recorded last year, we have also been optimizing our workforce. The number of employees at the two main plants in Tennessee and Utah was optimized, resulting in a reduction of about 300 employees. In addition, we are reviewing our manufacturing processes and automating our lines, which is having a positive effect.

Market needs are also changing in the nutrition field. Until now, the focus has been on sports nutrition, mainly for athletes, but recently the market has expanded to lifestyle sports nutrition, which is widely accepted by the public, and major improvements have been made in light of these changes.

Next is about solutions business. The solutions business has grown significantly this quarter, but this is due in part to a change in our target market. New demand is emerging, especially for high-end pet foods and supplements such as gummies, and the Company is greatly increasing its market share.

Changes in the sales structure for acquiring these products have also had a significant impact. In the past, there were inefficiencies in the period between receiving an inquiry and providing samples and quotes, but these days have been significantly shortened, which has earned the trust of customers and increased the probability of winning new business. We intend to continue increasing both sales volume and sales revenue going forward.

**[Q3]**: I would like to ask about the background of what you said that Pac Tech group is doing quite well and can be expected in the next year and beyond. What kind of customers (semiconductor manufacturers) and regions (Taiwan, Korea, China, etc.) are growing, and what are the applications? I think it is electroless plating on wafers, but is there a structural change taking place, such as a change from electrolytic plating? Please provide details on the background of the growth.

**Kamada [A]**: Regarding the factors behind Pac Tech Group's recent strong performance, there are two main business models: one that supplies equipment and chemicals, and another that directly handles processing on a contract basis. In this contract business, we have decided on a major project at our plant in Malaysia. I cannot give details due to the confidentiality of the project, but this contract business is very strong and has been forecasted for several years to come. The fact that this has turned into a stable business is a major factor in the Pac Tech Group's breakthrough.

As for equipment, electroless plating is in the limelight because of its very low environmental impact. In addition, recently, 3D is being used to increase functionality in back-end processes, and in such advanced 3D, the demand for bumping with the addition of our electroless plating has increased more than anticipated. In the development stage, we are also developing suitable equipment for PLP and proposing it to semiconductor manufacturers. This is the background against which the base technology we have developed is being evaluated and spreading. We believe that stable numbers can be expected in the future.

**[Q]**: Is the 3D conversion for HBM or for logic?

**Kamada [A]**: I am sorry, but I will refrain from answering this question as it concerns the specifics.

**[Q4]:** This is about the Prinova Group. Please tell us how much the volume will increase for each of the solutions and nutrition businesses on a fiscal year basis. In addition, please provide information on volume growth for the next year and beyond.

**Isobe [A]**: I will answer this as a question about quantity. As for the nutrition business, volume is gradually increasing as we acquire new business, and we expect it to continue to increase in the next fiscal year. However, our product portfolio is changing slightly, and we believe that some of the products will be reduced. The new business in the lifestyle and sports nutrition field I mentioned earlier has begun and will gradually replace the traditional sports nutrition field.

On the other hand, in the solutions business, we are beginning to see some products being decided on a contract basis, and we expect to see an increase in volume in the future.

**[Q]**: Is the volume growth in the solutions business about 10% or is it about 20%?

**Isobe [A]**: We expect growth close to 10%.

**[Q]**: Is it correct to assume that the growth of the nutrition business will not be so high in FY2026?

**Isobe [A]**: We are nearing the end of some efficiency improvements, and now we are at the stage of how to raise the top line. Since those numbers will not be actualized until the next fiscal year, we are moving forward with the goal of returning to profitability by the end of FY2026. We are very much looking forward to expanding our volume.

**[Q5]:** Could you please follow up on the results and future thinking regarding movements in CMP slurries and mask blanks in the electronics and energy segment?

**Kamada [A]:** I would like to answer about commercial products other than epoxy related to semiconductors. As for the manufacturer position, TMAH in the Asian business of SACHEM, which was acquired this year, is performing very well. As announced yesterday, we are adding a second plant to increase capacity to meet growing demand from our major users.

As for the trading company business, we are developing CMP slurries, blanks for photomasks, photoresists, polysilicon raw materials, and other products. As the volume of advanced semiconductors grows, so does the future growth of the differentiated products we carry. In the Chinese semiconductor market in particular, the government's plan for domestic production has led to a switch from products made in other countries to Chinese manufacturers, expanding the supply to Chinese semiconductor manufacturers, who are our customers. So far our merchandise is differentiated and shows no signs of being replaced. We are positioning ourselves for growth.

**[Q]:** Am I correct in understanding that business in China was very favorable this term?

**Kamada [A]:** Yes, it went very well.

**[Q6]**: Regarding shareholder returns, the stock price is currently strong and PBR is over 1x. I realized that you are emphasizing equity control this time around, such as dividends and share buybacks. Looking ahead to the next fiscal year and beyond, what particular emphasis do you plan to place on shareholder returns? Please explain the approach, including how to use the cash.

**Shimizu [A]**: We have been giving back 100% of the total return to shareholders in the previous and current fiscal years. We plan to start a new medium-term management plan in the next fiscal year, and we will disclose our return policy again in that plan. Although we cannot provide specific details at this stage, we recognize the importance of returning profits to shareholders. We will continue discussions with the market and explain our cash allocation strategy—including the amount and proportion aligned with market expectations, as well as the balance with investment funds for growth—upon announcing our new mid-term management plan.

**[Q7]:** Regarding the semiconductor-related business in China, please tell us a little more about the background of the establishment of the subsidiary in China announced yesterday and the status of the new plant (second plant) that you just established.

**Kamada [A]**: Regarding the expansion of the TMAH production plant in the Asian operations of the acquired SACHEM, there was a strong demand for this from major global customers, and management decided that it had to be done now to meet demand in China. We have a large influx of prospects that exceed our existing capacity, which we believe will be our growth drive. The

TMAH we handle is highly pure and differentiated for use in advanced semiconductors. Since there is no competitor in China that has such a supply system in place, we would like to be among the first to establish such a system and keep up with the growth of cutting-edge semiconductors. We are taking the China risk into full consideration in terms of the timing and method of investment, and we hope to launch the project quickly.

**[Q8]:** Regarding the follow-up on the China business, is it correct to understand that the trading company business (CMP slurry, mask blanks, resist, polysilicon raw materials, etc.) is the business of bringing Japanese commercial materials to China? In addition, when you talk about cutting-edge semiconductors in China, the media reports talk about 7nm and 5nm, but what is the volume zone in terms of business reality, and how do you think future miniaturization will progress?

**Kamada [A]:** You are right about the trading company business. As for the cutting edge in China, 7nm is actually being mass-produced in some areas, and 5nm is barely at the stage where there are inquiries for prototypes here and there. In terms of cutting-edge, we see a considerable difference compared to other countries. As long as there are regulations that prevent the purchase of EUV lithography equipment, it should not be so easy to proceed, but there is a movement to self-produce the equipment. We are in a situation where 7nm is being made without regard to productivity, but we need to keep a close eye on the movement to become proficient over time.

On the other hand, Taiwanese companies are leading the way in high-value-added areas related to generative AI, which are highly profitable. While major semiconductor manufacturers are shifting their focus that way, China is solidifying its position in mid-to-low-end semiconductors while increasing production. PC makers are adopting Chinese semiconductors due to memory shortages, and we would like to develop our business with an eye on both sides of the issue.

**[Q9]:** It is said that the Chinese business continues to run out of DRAM, for example, and that PC-related demand is declining and that demand for smartphones will also decline. Under these circumstances, it may be difficult to supply more, even though production in China is also at full capacity.

Although the Chinese business showed very high growth this fiscal year, we are concerned that it may not grow as much next fiscal year unless a new line is launched.

What is your view on this point? Is this a situation that is just not reported, or is there actually no need to worry because new lines are starting up one after another? Or is the view correct that China is no exception, aligning with the industry consensus that 2026 will be a year to pause and catch one’s breath? Please let us know what you feel.

**Kamada [A]:** Regarding the overall outlook for the next fiscal year, we anticipate that only generative AI-related areas will resume strong growth starting from the latter part of this fiscal year. Therefore, we are making aggressive forecasts for the raw materials and equipment manufacturers involved. Regarding China, the reason we are close to full production now is that end-user capacity utilization has not dropped due to partial subsidies and the switch to Chinese semiconductors is progressing due to national policy. While there is an aspect of anticipation of demand due to subsidies, it is expected that some level of operation will be maintained as long as that demand continues. However, we do not see that new facilities are coming in one after another and increasing capacity as before. We are taking a careful approach, as we cannot immediately develop something that can compete with Taiwanese players in the cutting-edge field of generative AI. TMAH is mainly supplied to global manufacturers, but also partially to Chinese manufacturers.

**[Q10]:** About the use of generative AI in your company. You mentioned the Prinova Group's production process improvement and automation, and can you give us any specific examples of how it has helped you in marketing new commercial products?

**Shimizu [A]:** Regarding the use of generative AI, there is no direct relationship between generative AI and Prinova Group's productivity improvement. However, regarding AI in general and robotics, we have announced the opening of a research facility in San Diego, California, USA. Director Isobe will provide details.

**Isobe [A]:** We have opened a new biolab in San Diego. Until now, we have developed products using a labor-intensive approach, but we believe this method has its limitations. AI and robotics are being used globally, and they are essential in the process of bringing new products to the market. We made the decision to invest in this area because it was the missing piece in the development of our biotechnology products. While results are yet to come, we have already identified dozens of themes we wish to implement. We hope to increase the speed at which new products are created through the use of AI and robotics.

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