FY2025 Financial Briefing Q&A

[Date]	May 8, 2026	
[Time]	10:00 – 11:00	
[Speakers]	Representative Director, President and CEO	Hiroyuki Ueshima
	Director, Senior Managing Executive Officer	Masatoshi Kamada
	Director, Executive Officer	Tamotsu Isobe
	Director, Executive Officer	Yoshihisa Shimizu
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[Q1]: Regarding shareholder returns, you have not given specific target figures such as total return ratio. In particular, I would like to ask how the goals of EPS growth of 30% and ROE of 9% or more relate to each other. Also, I believe that one way to lower the cost of shareholders' equity is to make the stock market more predictable; what is your company's position on this point?

Ueshima [A]: Regarding shareholder return, we are not setting a target figure for total return ratio at this time. Our basic approach is to continue to increase dividends for three years and flexibly implement share buybacks. The standard for this is to achieve an EPS growth rate of 30% over a three-year period. The current fiscal year is the period in our medium-term management plan when we are moving from structural reforms to the phase of accelerated growth, and we intend to give priority to investments based on our growth strategy. Therefore, we will make decisions regarding the use of cash while carefully balancing growth investments and shareholder returns.

Next, regarding the relationship between 30% EPS growth and a 9% ROE, our simulations indicate that—assuming annual dividend increases—ROE will reach 9% or higher once EPS reaches approximately JPY410 (before accounting for the stock split effective April 1), representing a 30% increase from the previous fiscal year' s EPS of JPY315. In other words, EPS growth and ROE are planned to be linked. Also, your point about lowering the cost of shareholders' equity by making the stock market more predictable is exactly right. We recognize that a clear share repurchase policy and shareholder return stance will reduce risk and lower the cost of shareholders' equity.

As I mentioned earlier, we will strive to meet the expectations of the market while finding the right balance between growth investments, and I hope you will understand.

[Q2]: Regarding cash flow, interest-bearing debt is increasing in line with investment expansion, but what level of borrowing do you think is appropriate over the next three years? Please provide a guideline for what constitutes an appropriate net debt-to-equity ratio from a management perspective. I would also like to ask about the allocation of funds for M&A and share repurchases and the criteria for their execution.

Ueshima [A]: Regarding our B/S, not only fixed assets but also a part of current assets are being covered by shareholders' equity. To resolve this issue and promote more efficient BS management, we intend to utilize interest-bearing debt in parallel with asset replacement, M&A, and portfolio expansion. For appropriate financial leverage, we aim for a Net D/E ratio of about 0.5x. Within this range, we intend to execute M&A for growth and share buybacks as a means of returning profits to shareholders.

[Q3]: What is your earnings plan for this fiscal year? Excluding retirement benefit expenses related to the amortization of actuarial gains and losses, the plan appears to be a substantial decrease in income, but we are particularly concerned about the approximately JPY10 billion increase in SG&A expenses over the previous year. Taking into account the reduction in accounting discrepancies, I believe this represents an increase of approximately JPY13 to 14 billion in real terms. The Prinova Group's SG&A expenses are also planned to increase by about JPY5 billion. Please tell us the background as to why SG&A expenses are expected to increase so much.

Shimizu [A]: Two main factors for the increase in SG&A expenses are labor costs and special factors. As for labor costs, this accounts for a large percentage of the total, as they continue to soar overseas, especially for the Prinova Group in the US, and are also on the rise in Japan.

Regarding special factors for this fiscal year, the Company plans to spend about JPY1.8 billion for moving expenses scheduled for September in connection with the rebuilding of the head office. The cost of a biotechnology-related laboratory in San Diego as an investment in a research and development center. The Company has included an increase in development costs at Nagase ChemteX and Nagase Viita to strengthen new development projects. Although some of the moving expenses and development costs are one-time, we plan to continue to invest in development and other costs that will form the basis for future earnings, while managing costs appropriately.

[Q4]: Regarding the 30% EPS growth rate in the mid-term plan, is this mainly due to increase in after-tax profit or decrease in total number of shares issued due to share buyback? Also, is there a possibility that the ROE target of 9% or more could be raised even higher (e.g., 10% to 11%) in the simulation?

Shimizu [A]: Regarding the first point, EPS growth, the current simulation does not strictly separate the effects of future growth in after-tax income and reduction in the number of shares due to share repurchases.

Specifically, the profit growth is calculated based on the current number of shares outstanding. In other words, our view is basically based on the assumption that after-tax profit will grow by about 30%, and EPS will grow by about 30% in tandem with that growth, which means that the bottom line will be raised through business growth.

Next, regarding the outlook for ROE, based on the results of our current profit growth simulations, we anticipate a level of roughly 9% plus a bit more. Of course, management has a strong desire to achieve 10% or more as soon as possible, but first, based on the probability at this point, we have formulated a plan that can steadily achieve 9% or more.

[Q]: I understand. Is it correct to say that after-tax profit will increase by about 30% and EPS will also increase by 30%?

Ueshima [A]: Yes, you are right.

[Q5]: Regarding the JPY100 billion investment plan listed on page 42 of the document, of that amount, how much do you expect to be actually used as cash during these three years starting this fiscal year? I assume that some of the projects are continuing from the previous medium-term management plan, but I would like to ask about the time frame for these projects.

Ueshima [A]: Regarding the JPY100 billion investment limit, we expect to implement most of it during the three years of this new medium-term management plan (FY2026-FY2028). Therefore, there is no difference in our understanding that we will move approximately JPY100 billion over the next three years.

Regarding specific investment targets, the main targets are the projects highlighted in red in the section on growth investments on page 42 of the document. These are projects that strengthen existing businesses and build on the strategic priorities in the current portfolio.

However, this JPY100 billion limit does not include large-scale M&A deals that will dramatically expand our business portfolio in the future.

[Q6]: Nagase Circrea has launched a chemical recycling business in the semiconductor sector. To what extent do you expect this series of initiatives to contribute to earnings during the period covered by the new medium-term management plan (FY2026–FY2028)? Also, please tell us how you plan to expand your overall semiconductor business, centering on the recycling business beyond the mere trading company function, including the expectations of your management team

Kamada [A]: I will explain both the investment progress and the business model.

First, regarding the contribution to earnings of the acquired Nagase Circrea, the Company already recorded approximately JPY1 billion in operating income in the previous fiscal year, and we firmly expect the same level of contribution to earnings in the current fiscal year. Currently, the Company's factory in China is operating at full capacity, and supply is not keeping up with strong demand. To prevent this opportunity loss and capture further growth, we have decided to invest approximately JPY4 billion to build a second plant in China. The project is targeted for completion in FY2028, and once it is operational, TMAH's capacity will eventually double or triple its current capacity. In line with this, we plan to raise the profit level to a higher phase.

This is not merely a business that sells TMAH, a high-purity chemical; it is a chemical recycling operation that collects used waste solutions, refines them using our proprietary technology, and returns them to our customers as eco-friendly chemicals. Recently, we have received very strong inquiries from semiconductor manufacturers to ensure the stability of raw material supply due to geopolitical instability such as the situation in Iran, to stabilize costs, and to increase environmental awareness. We view the three years of this medium-term management plan as a very important period in which we will establish this recycling technology as a sure thing and implement it in earnest as a commercial service. We intend to overwhelmingly increase our presence in the semiconductor industry from the two aspects of stable supply and environmental value.

Ueshima [A]: The plant expansion and chemical recycling that Kamata mentioned fall under the electronics focus category of growth investments. These are the most important investment areas in the new medium-term business plan, and we intend to develop them as major earnings pillars for FY2029 and beyond.

[Q7]: What was the gain or loss on inventory holdings due to high crude oil prices in FY2025?

Ueshima [A]: Regarding inventory holding gains/losses due to high crude oil prices, we are almost out of both gains and losses.

[Q8]: Will you disclose ROIC targets by segment? What is your target for the sale of your current policy shareholdings of over JPY80 billion during the medium-term management plan period and the possibility of achieving a ROE of 12% or more?

Ueshima [A]: Regarding ROIC and EBITDA targets by segment, we are currently in the process of confirming whether we can set precise figures for each business segment. We will provide further details once it becomes more likely that we can disclose this information publicly. We recognize that policy shareholdings are a very important management issue. In the previous mid-term plan, we sold approximately JPY30 billion, but the net asset ratio exceeded 15%, partly due to the rise in stock prices. The plan is to compress this to around 8% over the next three years. At the current stock price level, we estimate that we would need to sell more than JPY30 billion more than the previous sale, and we will proceed while keeping a balance with investments for growth.

[Q9]: Regarding the early realization of a market capitalization of JPY1 trillion, is this targeted for 2032, the 200th anniversary of the Company's founding?

Ueshima [A]: To achieve a market capitalization of JPY1 trillion, I believe that operating income of JPY80-100 billion and gross profit of around JPY370 billion are necessary, and ROE over 10% is also a prerequisite. While there is still a gap between our current figures and our target, we plan to lay the groundwork over the next three years and aim to achieve this goal within the following three years—that is, shortly before our 200th anniversary in 2032.

[Q10]: Do you have any other projects that you can disclose as examples of uniqueness?

Ueshima [A]: Additionally, here are two specific examples of uniqueness.

Mycorrhizal fungi: We have successfully achieved their cultivation and mass production, and we are currently developing a business model that goes beyond simply selling the fungi to create added value across the entire supply chain.

Ergothioneine: Production technology by fermentation and enzymatic reaction has been established. We will start up mass production facilities within three years to develop the product for use in dietary supplements and cosmetics.

[Q11]: The operating income target for the electronics segment for FY2028 is JPY17 billion, and isn't it too conservative to only grow by about JPY2 billion from the current level? When does an investment contribute to earnings?

Ueshima [A]: We are sorry that we are not able to meet your expectations, but we are currently concentrating on capital investment and new business challenges for the future in this segment, and we have positioned the past three years as a period of cost upfront investment. We expect to increase operating income by approximately JPY2 billion from JPY15.3 billion to JPY17 billion.

On the other hand, in terms of EBITDA, we expect a steady growth of about 20% to JPY21.6 billion in 2028. We expect that these investments will not begin to contribute significantly to earnings until FY2029 or later.

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