

August 9, 2024

Financial Results Q1 FY25/3



Microwave **Chemical**

**Make Wave,
Make World.**

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Agenda

1. Executive Summary
2. Financial Results and KPI Highlights
3. Review of FY25/3 Growth Strategy and Q1 Business Highlights



Executive Summary

FY25/3 Q1 results

- Sales of JPY69MM ((32.6)% YoY)
- Progress rate against FY25/3 full-year sales forecast (JPY1,710MM) is 4%. As the completion of joint development, for which revenue is recorded, tends to be concentrated in the second half of the fiscal year, we do not change the full-year target.
- Progress rate on contract basis reached 51% (JPY879MM).

KPI

- Number of new contracts: Acquired 5 new contracts, 17% progress against FY25/3 target (29 contracts).
- Number of total contracts: Total 27 contracts signed, 44% progress against FY25/3 target (61 contracts), including 5 contracts delivered already.

Business Highlights

- We advanced the development in the chemical recycling business and the metal smelting process, which are the focus of the green business areas.
 - Completed metal smelting process standard bench equipment (in-house development)
 - Demonstrated calcination and reduction of nickel ore (Pacific Metals Co.,Ltd.)
 - Completed continuous demonstration equipment for chemical recycling (in-house development)

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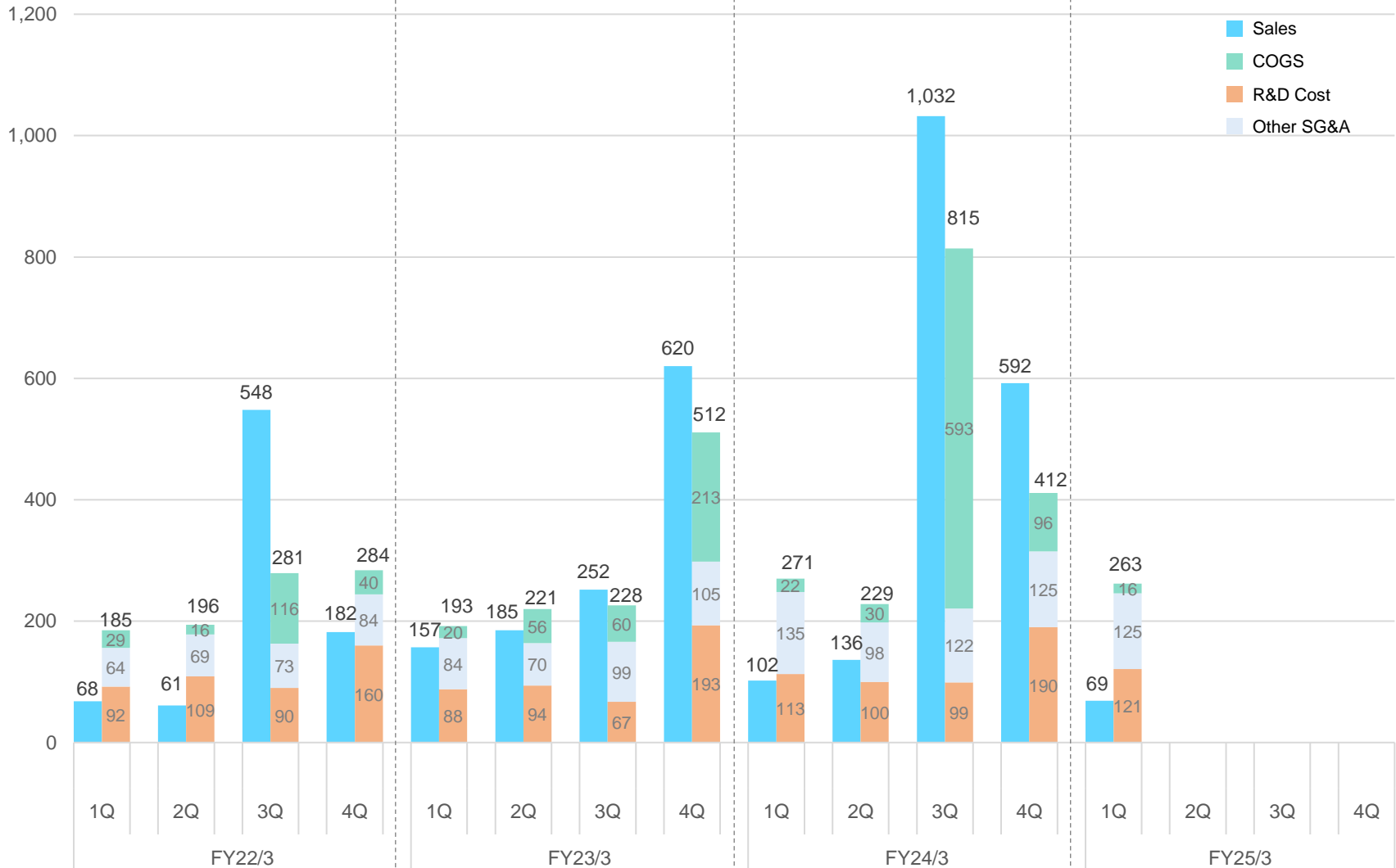
Financial Results of FY25/3 Q1

- We plan to achieve operating surplus by controlling SG&A expenses for the FY25/3 full-year plan.
- Q1 sales are 4% of the full-year plan, but the progress on a contracted basis is JPY879MM (51%).

(JPYMM)	FY24/3	FY25/3	YoY comparison		FY25/3	Progress
	Q1	Q1	Difference	%	Forecasts	%
Net sales	102	69	(33)	(32.6)%	1,710	4.0%
Phase 1	69	9	(59)	(85.8)%	490	2.0%
Phase 2	33	59	26	78.8%	1,201	4.9%
Phase 3	-	-	-	-	15	0.0%
Phase 4	-	0	0	-	-	-
Others	-	-	-	-	3	0.0%
Gross profit	80	52	(27)	(34.8)%	1,021	5.1%
<i>% Net sales</i>	<i>78.0%</i>	<i>75.5%</i>	<i>(2.5)pt</i>	-	<i>59.7%</i>	-
Operating profit	(169)	(194)	(25)	-	48	-
<i>% Net sales</i>	-	-	-	-	<i>2.8%</i>	-
Ordinary profit	(170)	(196)	(25)	-	40	-
Profit before tax	(181)	(196)	(14)	-	40	-
Profit after tax	(184)	(196)	(12)	-	37	-

Quarterly Sales and Costs (FY22/3Q1-FY25/3Q1)

(JPYMM)

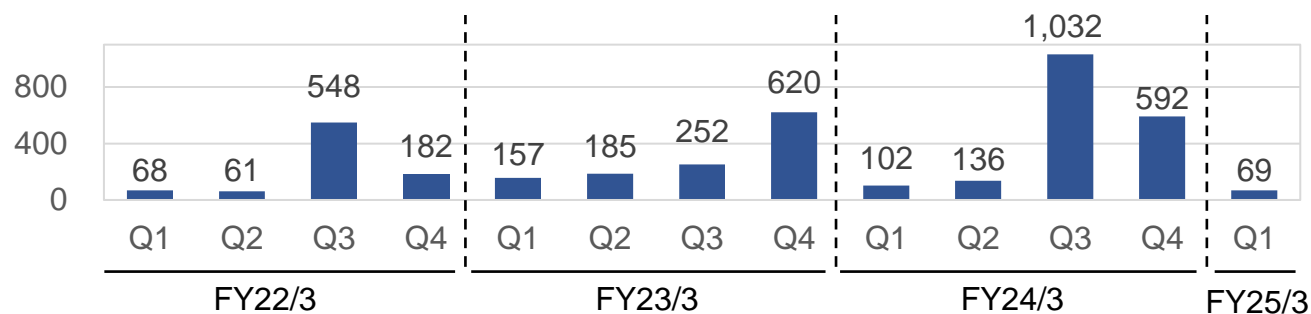


Seasonal Fluctuations / Revenue Recognition

Seasonal Fluctuations

- Our major clients, chemical companies, finalize budgets by March, just before the start of the new fiscal year, so projects with MWCC often begin in the first or second quarter. As a result, the completion of the contracts, in which **our company's revenues are recorded, tends to be biased toward the second half of the year.** There is also an impact from the completion timing of large-scale projects.
- In addition, as the majority of SG&A expenses are fixed costs, the proportion of profits also tends to be weighted toward the second half of the year, which would affect investors' decisions.

Quarterly Net Sales (JPYMM)



Revenue Recognition

The following is a description of the main performance obligations in the Company's main business related to revenues arising from contracts with clients and the usual time at which such performance obligations are met. Payment is made generally within one month after obligation is fulfilled and does not include financial component.

(1) Joint development agreement (JDA)

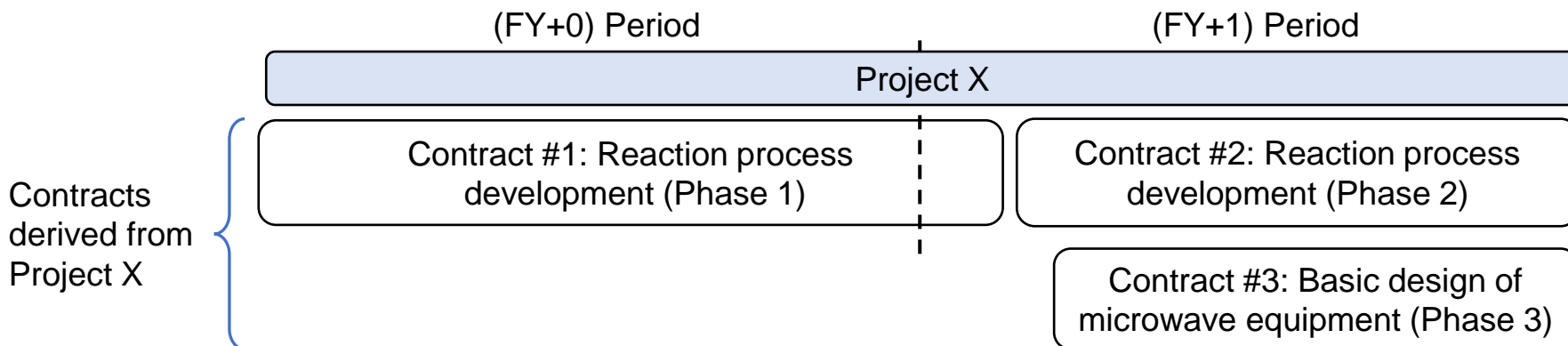
The Company submits reports, samples, etc. stipulated in the JDA and receives payment. Under such agreements, **revenue is booked upon acceptance of the report, samples, etc. by the client.**

(2) License agreement

Under license agreements, the Company licenses its intellectual property to clients and receives upfront payments and running royalties as compensation. The upfront payment is booked as revenue at the time the intellectual property is licensed. Running royalties are based on the sales revenue of the licensee company, and revenue is recognized when the product is sold by the licensee company.

KPI (Key Performance Indicator)

- Important KPIs for our business are **(1) number of new contracts**, **(2) total number of contracts**, and **(3) sales by phase**.
 - Contracts are executed with clients based on our solutions and service per phase.
 - Multiple contracts would be executed with one project as indicated below.
- (3) Sales by phase shows progress of the contracts by sales in each phase.
- Contracts are basis of our sales. We disclose number of contracts which are expected to be completed and book sales within this FY.



FY25/3 Q1 KPI Highlights

1 Number of New Contracts

- Acquired 5 contracts out of 29 annual target (17% progress).

2 Total Number of Contracts

- 27 contracts were executed and 5 delivered (FY25/3 target is 61 contracts).

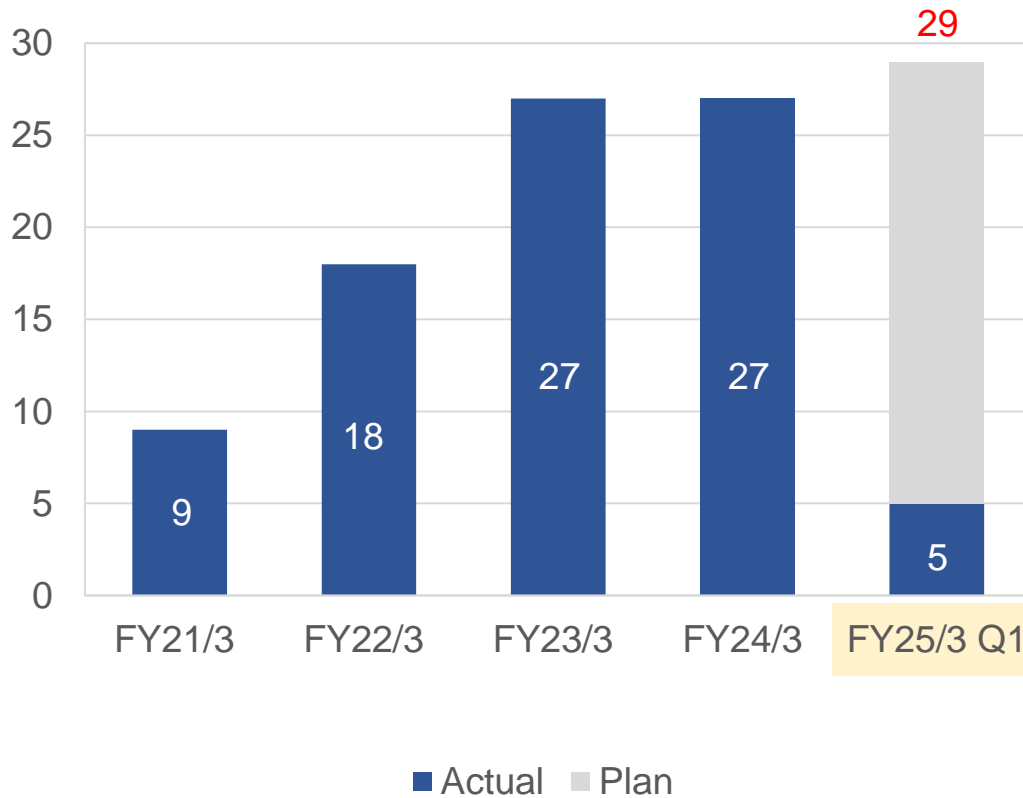
3 Sales by Phase

- JPY879MM (51% progress) achieved on contract basis (FY25/3 target JPY1,710MM).

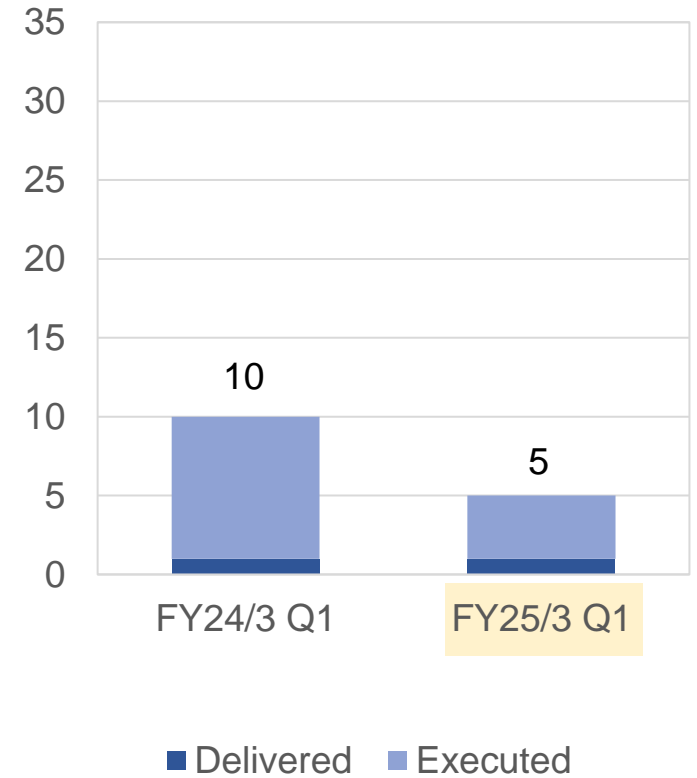
KPI (1) Number of New Contracts

- 17% progress against FY25/3 target.

of New Contracts



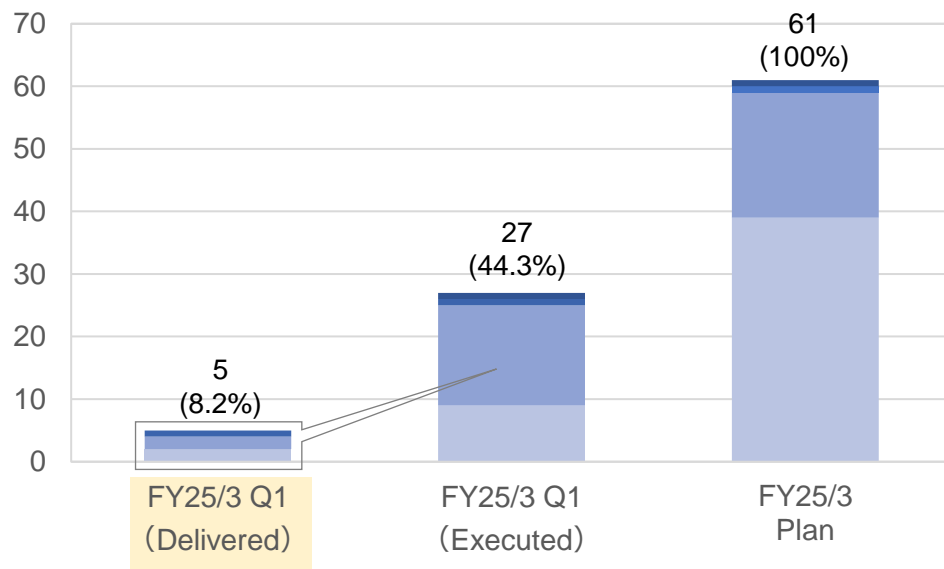
YoY Comparison



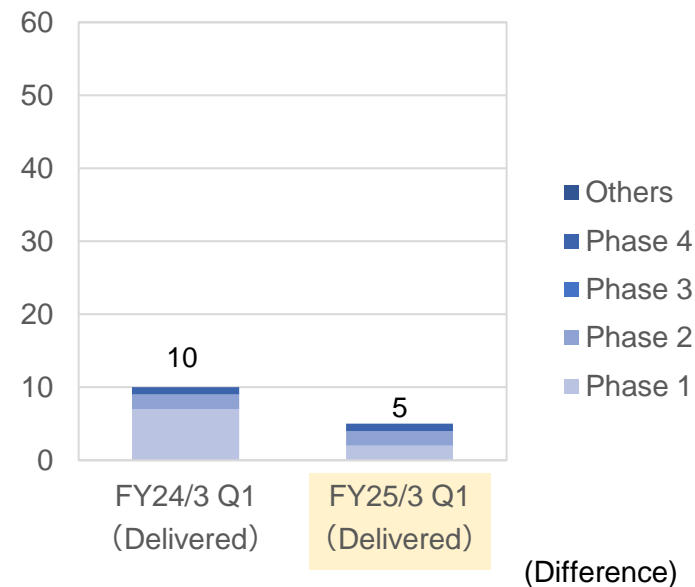
KPI (2) Total Number of Contracts

- 44% progress against FY25/3 target.

Progress vs. Full-year plan



YoY Comparison



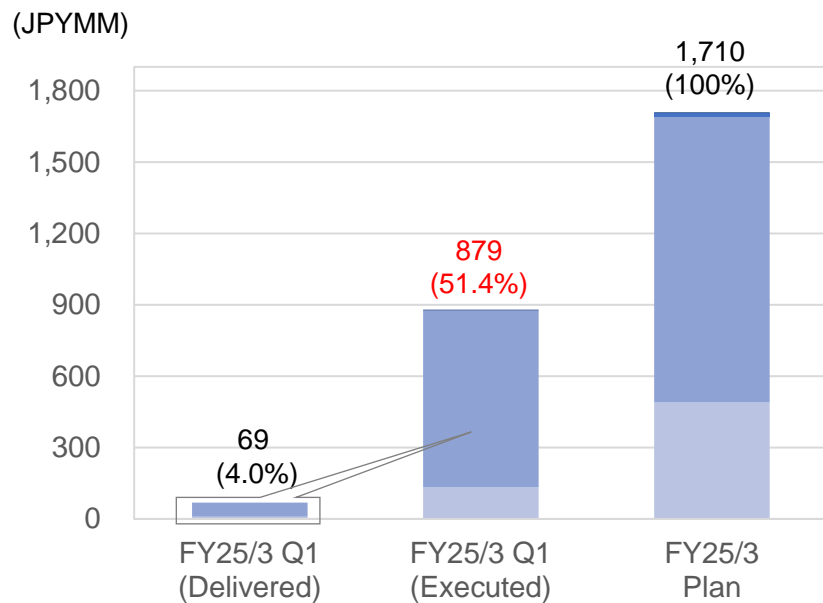
Phase 1	2	9	39
Phase 2	2	16	20
Phase 3	0	0	1
Phase 4	1	1	0
Others	0	1	1
Total	5	27	61

	7	2	(5)
	2	2	0
	0	0	0
	1	1	0
	0	0	0
	10	5	(5)

KPI (3) Sales by Phase

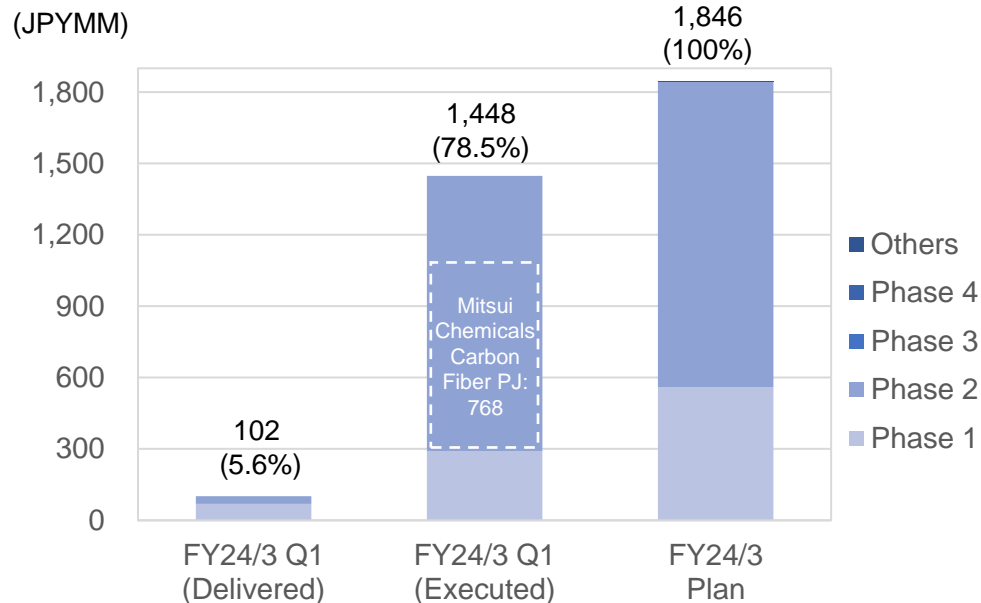
- 51% progress against FY25/3 target.

FY25/3 Q1



Phase 1	9	133	490
Phase 2	59	742	1,201
Phase 3	-	-	15
Phase 4	0	0	-
Others	-	3	3
Total	69	879	1,710

(Reference) FY24/3 Q1



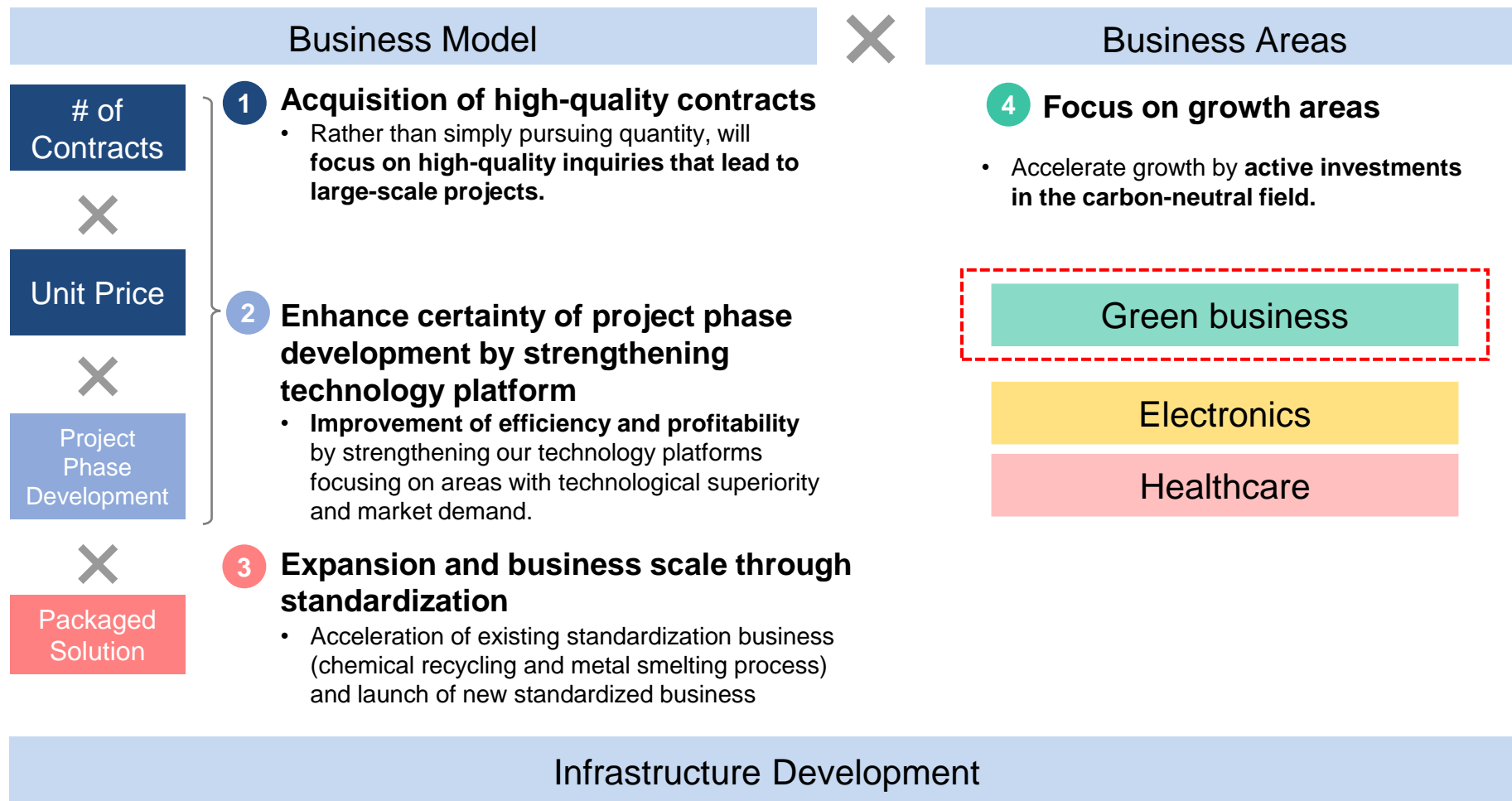
	69	290	559
	33	1,158	1,284
	-	-	-
	-	-	-
	-	-	3
Total	102	1,448	1,846

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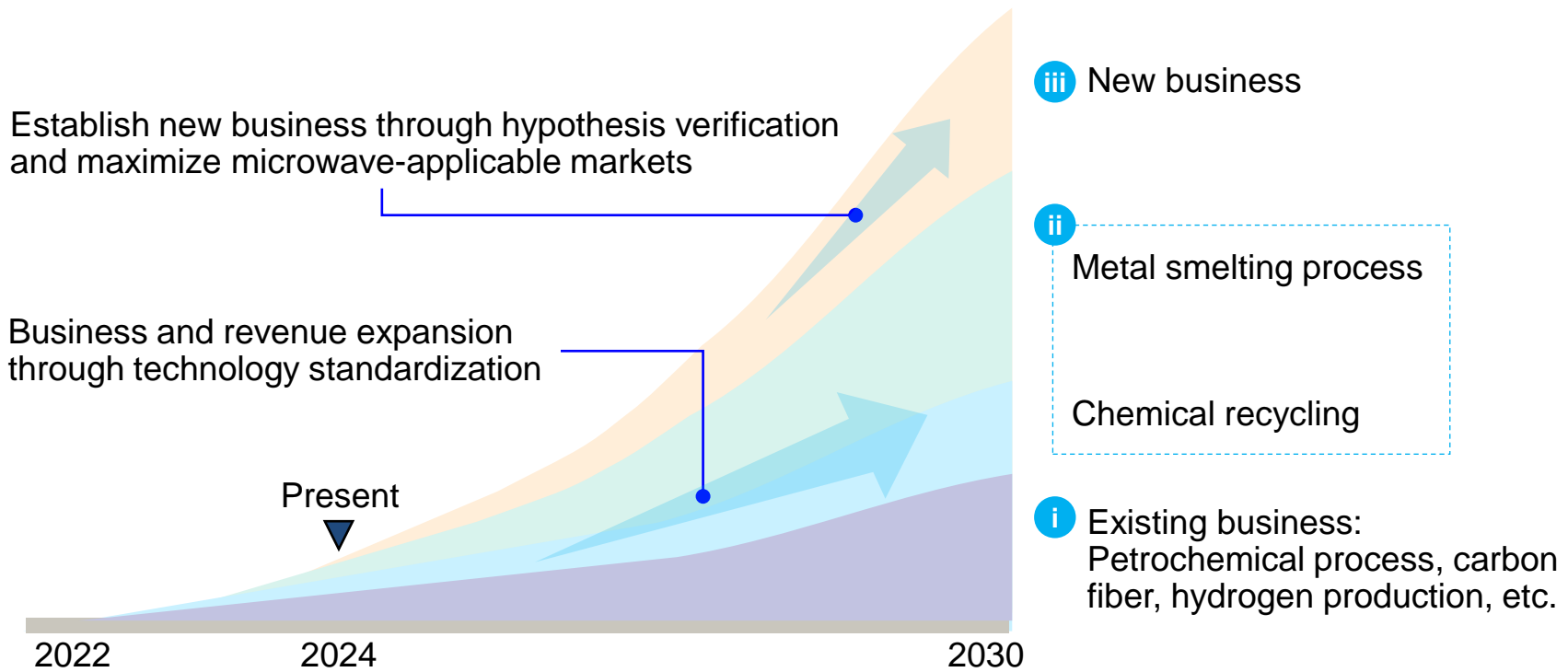
- As implemented in FY24/3, we continue to make up-front investments in focusing business areas, and proceed with hypothesis verification of new standardization business for further growth.



To accommodate the increase in stage-up contracts, we will gradually strengthen (1) personnel and (2) R&D infrastructure (laboratory & pilot facilities).

4 Growth Image in Green Business Areas

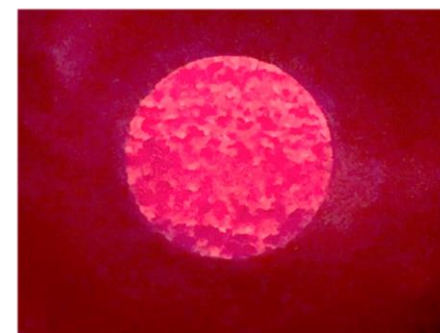
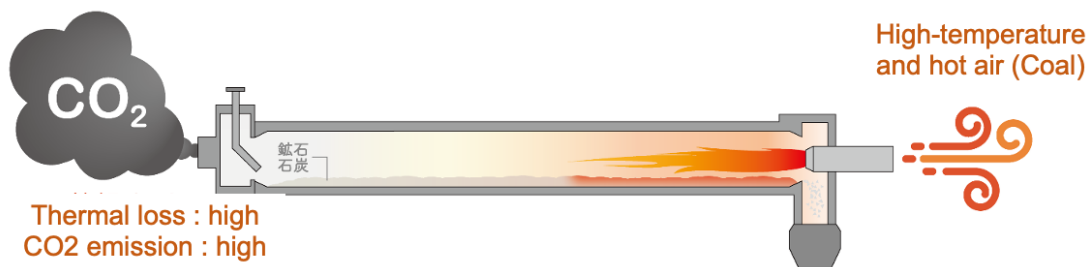
- i Steadily develop existing projects in petrochemical process, carbon fiber production, and hydrogen production, etc. toward Phase 3 (actual equipment installation) with our partners to achieve profit.
- ii We have conducted hypothesis verification in various business areas and progressed standardization of technologies and accumulation of business track records especially in the chemical recycling and the metal smelting process. In these areas, we aim to expand business and maximize earnings by promoting horizontal development.
- iii In addition to the above businesses, we will simultaneously proceed with hypothesis verification to establish multiple new business areas.



Demonstration of calcination and reduction of nickel ore (Pacific Metals Co.,Ltd.)

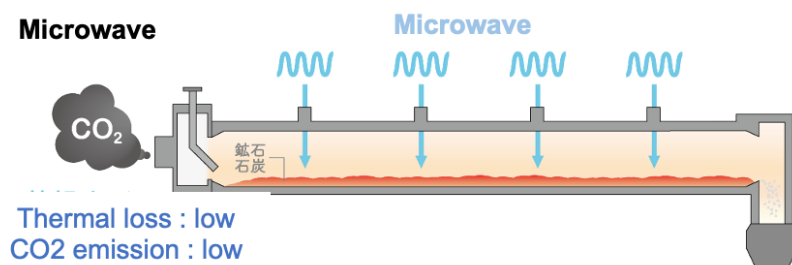
- We collaborate with Pacific Metals Co.,Ltd. to replace the traditional coal combustion method with microwave heating for the calcination of nickel ore, which is a primary source of CO₂ emissions currently.
- Announced [a successful demonstration of calcination and reduction of nickel ore using the standard microwave bench-scale equipment](#) in May 2024.
 - Calcined c.10 kg of nickel ore by heating it to 900°C using microwaves, which facilitated the removal of crystalline water (i.e. calcination) within the ore.
 - Furthermore, when we added coals as a reducing agent in the calcination process, the reduction of nickel and iron in the ore progressed effectively (reduction rates comparable to those observed in traditional rotary kilns method).
- Continue scaling-up development using this equipment to install the commercialized equipment by 2030.

■ Conventional way



Nickel ore during calcination (900°C)

■ Microwave



Completion of continuous demonstration equipment for chemical recycling

- In May 2024, we completed construction of a continuous demonstration equipment for chemical recycling (CR) to verify the compact, decentralized, and continuous type of CR process.
 - High efficiency through continuous decomposition of waste plastics which would generate residues.
 - Can change the operating conditions according to the composition of waste plastics and target recycled materials.
 - Downsized equipment relative to the amount of waste plastic processed (space saving).
 - Reduces CO₂ emissions and energy consumption through the improvement of thermal efficiency.
- We conduct a series of decomposition tests on various waste plastics with this equipment.



Microwave-based continuous chemical recycling demonstration unit

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