November 13, 2024

Financial Results Q2 FY25/3 (Interim Results)

Microwave Chemical

Make Wave,
Make World.

世界が知らない世界をつくれ

Agenda

1. Executive Summary
2. Financial Results and KPI Highlights
3. Review of FY25/3 Growth Strategy and Q2 Business Highlights

Executive Summary

FY25/3 Q2 Results	• Sales of JPY325MM (+36.3% YoY) • Progress rate against FY25/3 full-year sales forecast (JPY1,710MM) is 19%. 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 79% (JPY1,344MM).
KPI	• Number of new contracts: Acquired 11 new contracts, 38% progress against FY25/3 target (29 contracts). • Total number of contracts: Total 43 contracts signed, 70% progress against FY25/3 target (61 contracts), including 18 contracts delivered already.
Business Highlights	• We advanced the development in the metal smelting process, which is a focus of our green business areas. – Received an order for designing and manufacturing of a microwave-based pilot reactor to produce beryllium for fusion reactors (MiRESSO Co.Ltd.) – Announced strategic alliance for designing and manufacturing of microwave-based rotary hearth furnaces for ore smelting (CHUGAI RO CO., LTD.)

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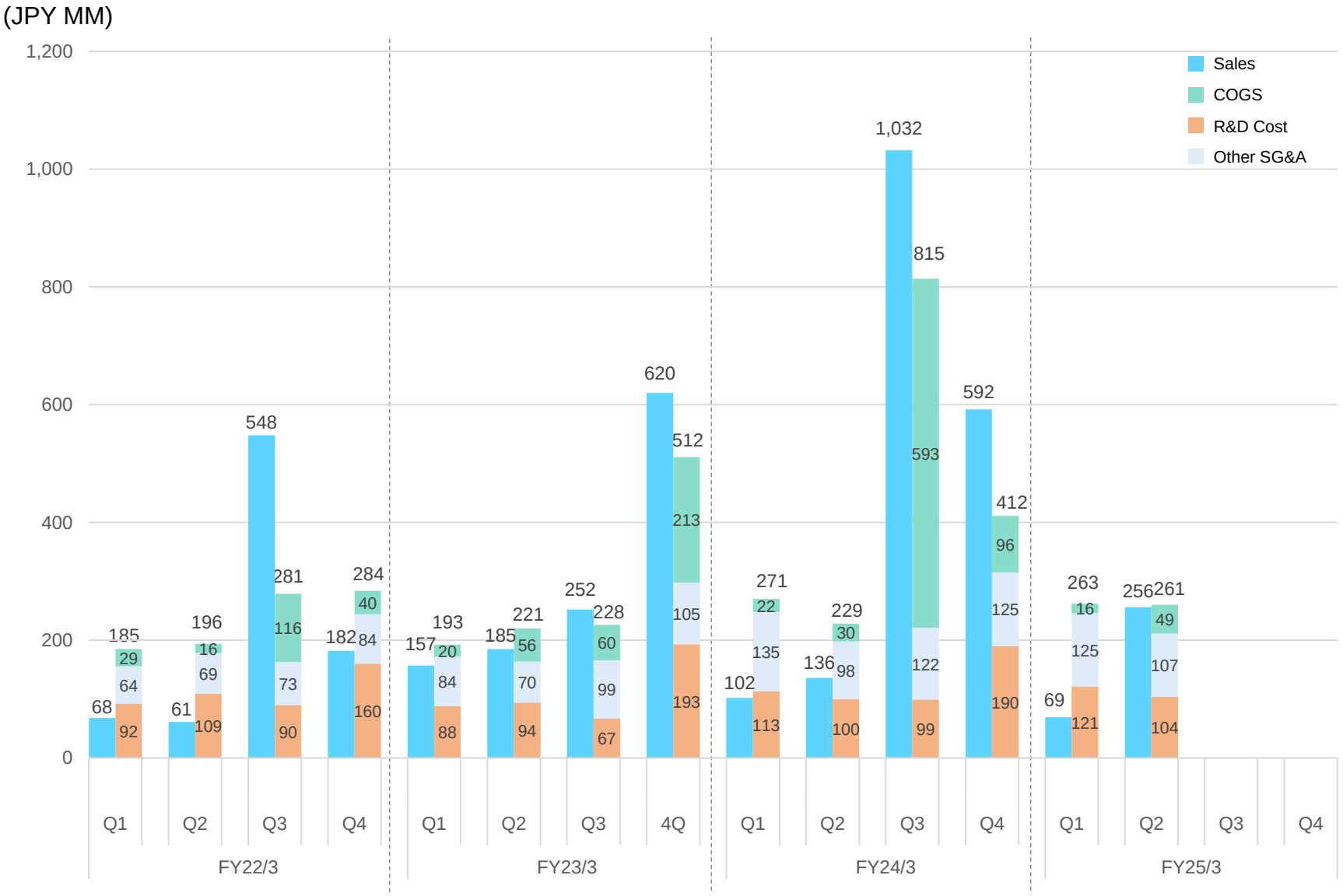
Financial Results of FY25/3 Q2 (Six Months Ended)

- We plan to achieve operating surplus by controlling SG&A expenses for the FY25/3 full-year plan.
- Q2 cumulative sales are 19% of the full-year plan, whereas the progress on a contracted basis is JPY1,344MM (79%).

(JPYMM)	FY24/3 Q2 (6 months)	FY25/3 Q2 (6 months)	YoY comparison Difference	YoY comparison %	FY25/3 Forecasts	Progress %
Net sales	**238**	**325**	**86**	**36.3%**	**1,710**	**19.0%**
Phase 1	148	38	(110)	(74.2)%	490	7.8%
Phase 2	90	285	195	217.1%	1,201	23.8%
Phase 3	-	-	-	-	15	0.0%
Phase 4	-	0	0	-	-	-
Others	-	0	0	-	3	12.7%
Gross profit	185	259	73	39.8%	1,021	25.4%
% Net sales	*77.6%*	*79.6%*	*2.0pt*	-	*59.7%*	-
Operating profit	(262)	(199)	62	-	48	-
% Net sales	-	-	-	-	*2.8%*	-
Ordinary profit	(263)	(203)	60	-	40	-
Profit before tax	(284)	(203)	81	-	40	-
Profit after tax	(288)	(204)	84	-	37	-

Quarterly Sales and Costs (FY22/3Q1-FY25/3Q2)



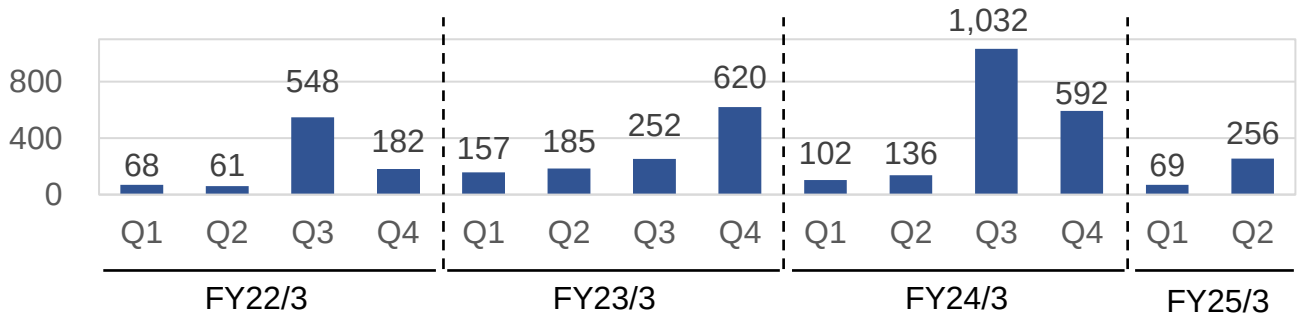
Seasonal Fluctuations / Revenue Recognition

Seasonal Fluctuations

- Our major clients, chemical companies, finalizes 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 dose not include financial component.

(1) Joint development agreement (JDA)

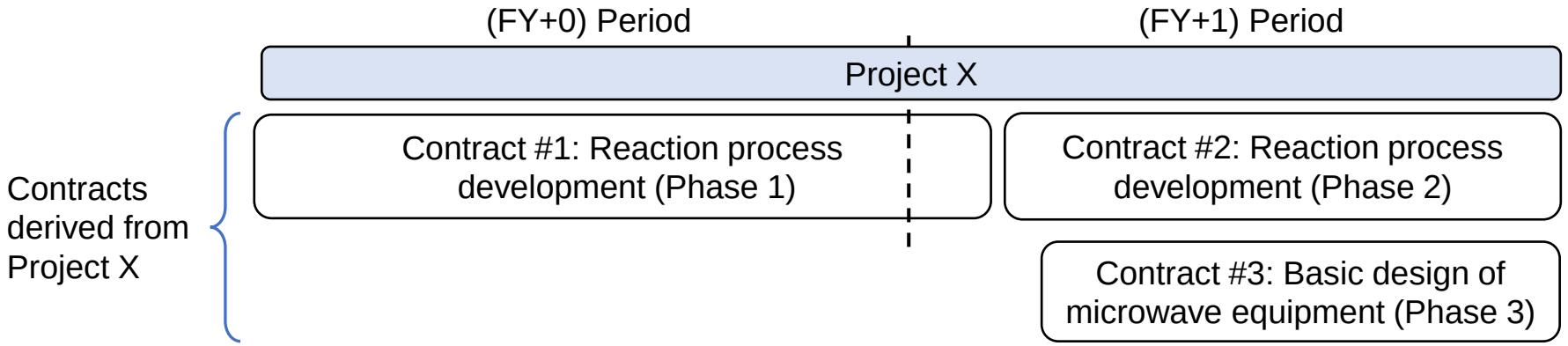
The Company submits reports, samples, etc. stipulated in the JDA and receives payment. Under such agreements, revenue is booked upon acceptance of the report, samples, etc. by the client.

(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 Q2 KPI Highlights

1 Number of New Contracts

- Acquired 11 contracts out of 29 annual target (38% progress, added 6 contracts from Q1).

2 Total Number of Contracts

- 43 contracts were executed, including 18 contracts delivered already (added 16 contracts from Q1, while FY25/3 target is 61 contracts).

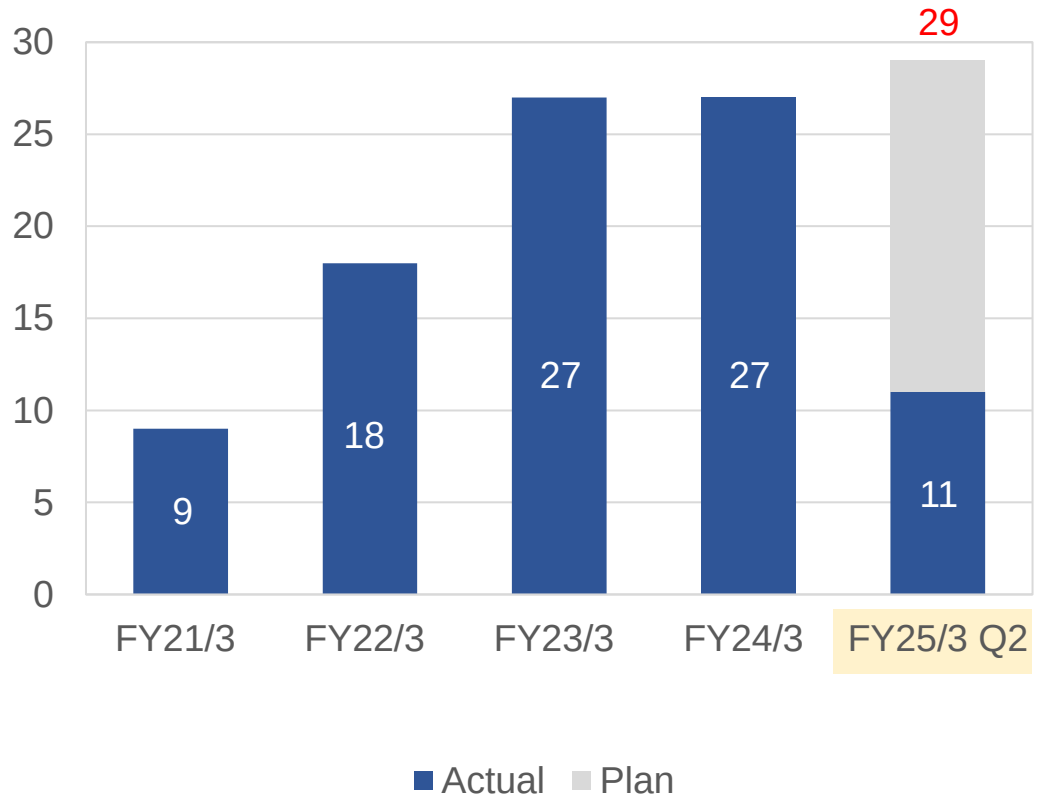
3 Sales by Phase

- JPY1,344MM (79% progress) achieved on contract basis (increased JPY465MM from Q1, while FY25/3 target is JPY1,710MM).

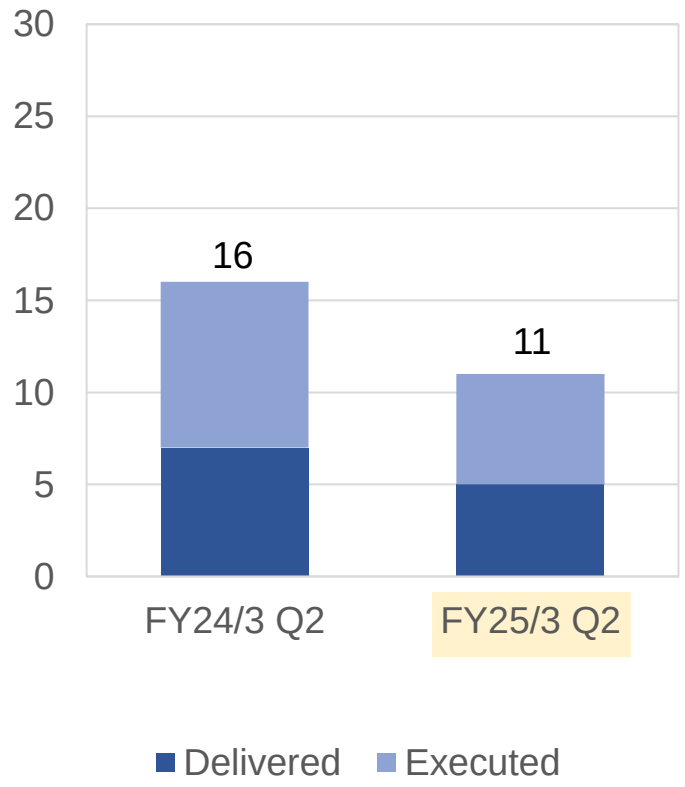
KPI (1) Number of New Contracts

- 38% progress against FY25/3 target, added 6 contracts from Q1.

of New Contracts



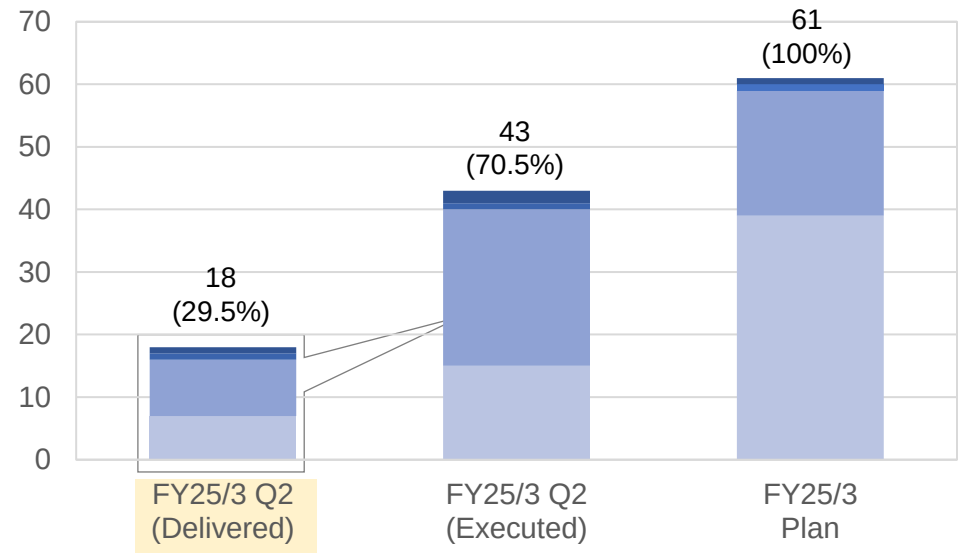
YoY Comparison



KPI (2) Total Number of Contracts

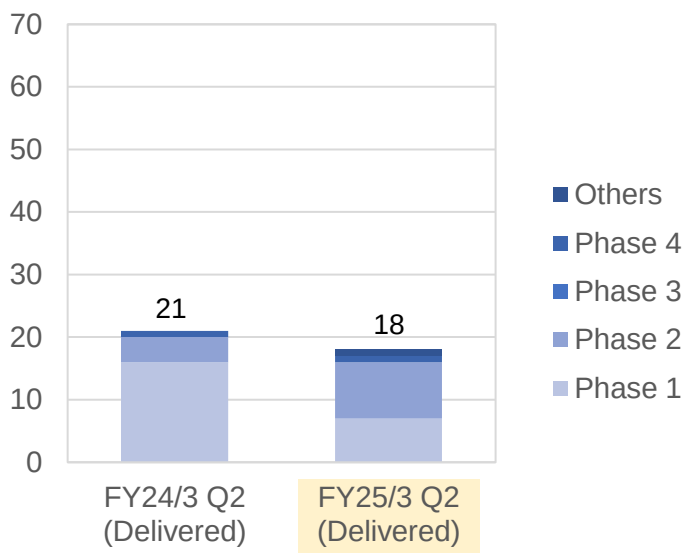
- 70% progress against FY25/3 target, added 16 contracts from Q1.

Progress vs. Full-year plan



Phase 1	7	15	39
Phase 2	9	25	20
Phase 3	0	0	1
Phase 4	1	1	0
Others	1	2	1
Total	**18**	**43**	**61**

YoY Comparison

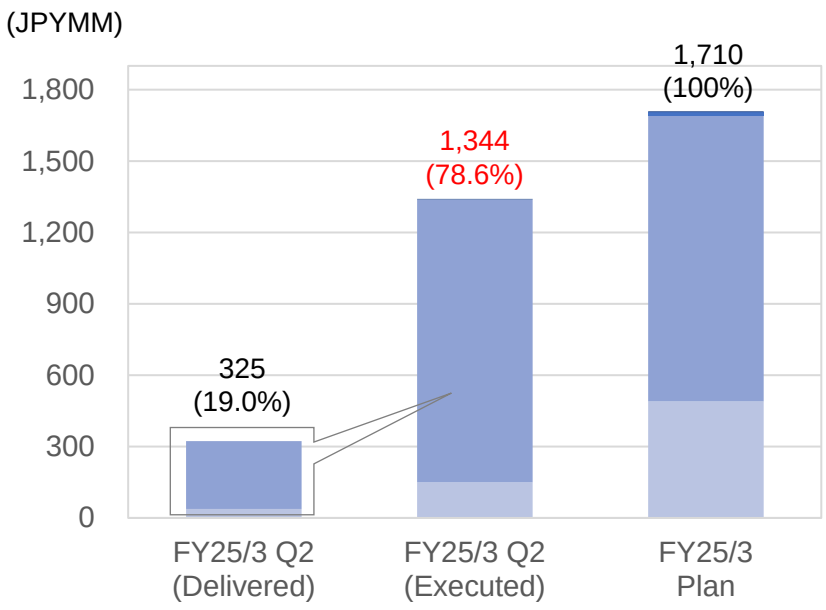


		(Difference)
16	7	(9)
4	9	5
0	0	0
1	1	0
0	1	1
21	**18**	**(3)**

KPI (3) Sales by Phase

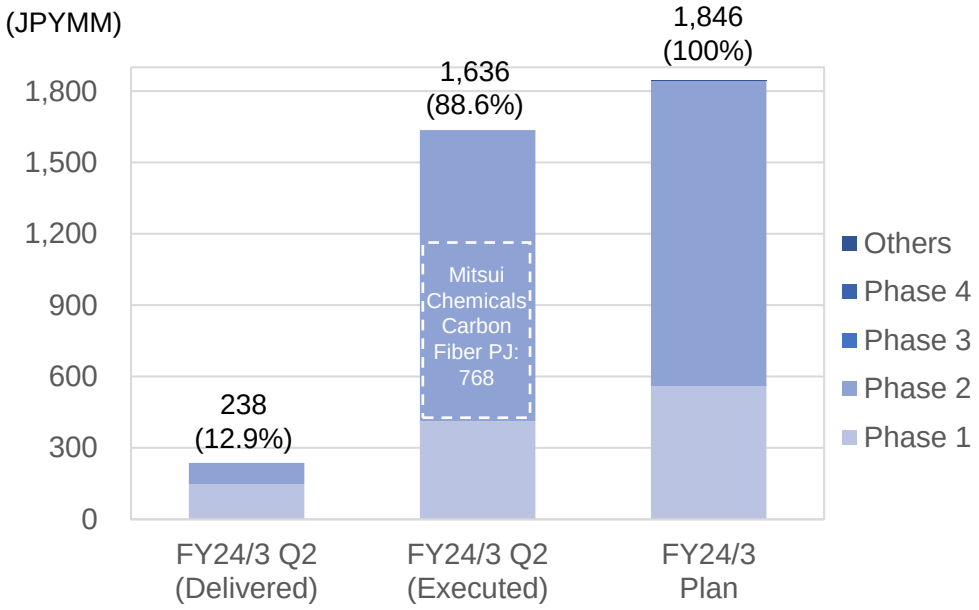
- 79% progress against FY25/3 target, increased JPY465MM from Q1.

FY25/3 Q2



Phase 1	38	149	490
Phase 2	285	1,189	1,201
Phase 3	-	-	15
Phase 4	0	0	-
Others	0	3	3
Total	**325**	**1,344**	**1,710**

(Reference) FY24/3 Q2



148	412	559
90	1,224	1,284
-	-	-
-	-	-
-	-	3
238	**1,636**	**1,846**

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FY25/3 Growth Strategy

Reposted p.21 of FY24/3Q4 Earning Presentation Materials

- 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.

Business Model × Business Areas

# of Contracts × **Unit Price** × **Project Phase Development** × **Packaged Solution**

1 Acquisition of high-quality contracts

- Rather than simply pursuing quantity, will **focus on high-quality inquiries that lead to large-scale projects.**

2 Enhance certainty of project phase development by strengthening technology platform

- **Improvement of efficiency and profitability** by strengthening our technology platforms focusing on areas with technological superiority and market demand.

3 Expansion and business scale through standardization

- Acceleration of existing standardization business (chemical recycling and metal smelting process) and launch of new standardized business

4 Focus on growth areas

- Accelerate growth by **active investments in the carbon-neutral field.**

- Green business
- Electronics
- Healthcare

Infrastructure Development

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

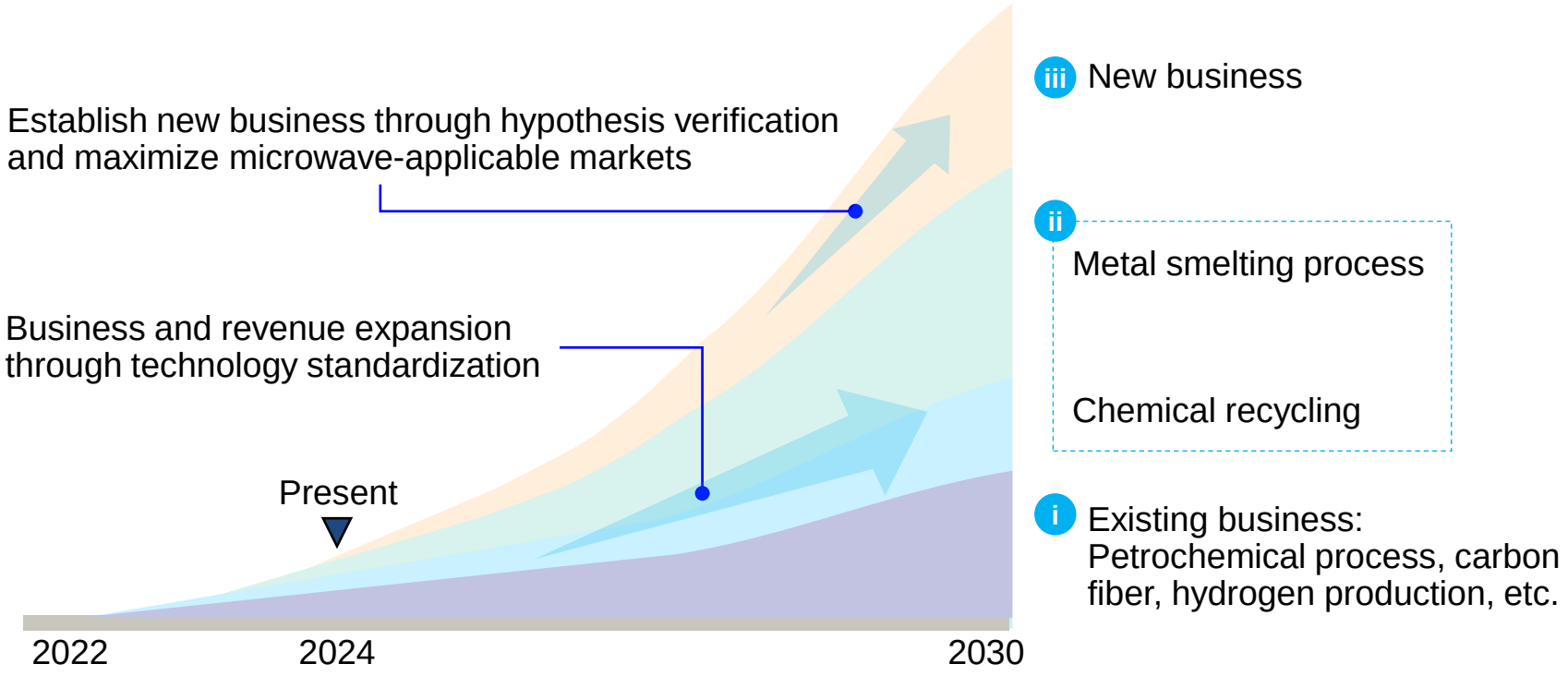
4 Growth Image in Green Business Areas

Reposted p.22 of FY24/3Q4
Earning Presentation Materials

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.



Received an order for designing and manufacturing of a microwave-based pilot reactor to produce beryllium for fusion reactors (MiRESSO Co.Ltd.)

- In July 2024, MWCC has received an order from MiRESSO, a start-up company certified by the National Institutes for Quantum Science and Technology ("QST"), for designing and manufacturing of a microwave-based pilot reactor to produce beryllium.
  - Beryllium is an essential metal for fusion reactors.
  - The refining process of beryllium ore consumes a significant amount of energy and emits CO_2.
- From 2021, QST and MWCC conducted joint research on the low-temperature refining technology, which enables energy savings and CO_2 reduction, and successfully dissolved beryl, an ore of beryllium, which is difficult to be melted.
- MiRESSO advances the demonstration of low-temperature refining technology and its social implementation.

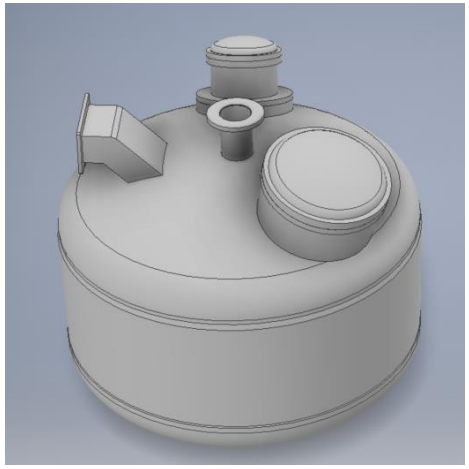


Illustration of microwave-based pilot reactor

Strategic alliance for designing and manufacturing of microwave-based rotary hearth furnaces for ore smelting (CHUGAI RO CO., LTD.)

- In September 2024, we announced a strategic alliance with CHUGAI RO, a leading industrial furnaces manufacturer in Japan, to accelerate the designing and manufacturing of microwave-based rotary hearth furnaces for ore smelting.
  - Rotary kiln is a commonly used technology in metal smelting processes such as ore reduction and dust treatment, but it conventionally uses fossil fuels resulting in emission of a huge volume of CO_2.
  - Then we focus on rotary hearth furnaces, which offer advantages of space efficiency and ease of handling. We will collaborate with CHUGAI RO, having extensive knowledge of industrial furnaces including rotary hearth furnaces, to develop microwave-based rotary hearth furnaces and address the challenges above.

Microwave Chemical × ChugaiRo

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