

Nisshinbo Holdings Co., Ltd.
 “2025 Fiscal Year Second Quarter Financial Results Briefing” Q&A Summary

This document summarizes the main questions and answers from the earnings briefing for institutional investors held on August 6, 2025.

<p>Q1 Regarding the status of the microdevices business, it was stated at the beginning of the fiscal year that recovery was expected in the second half, but there are concerns that this may not be achieved. Please provide an update on the current status of the microdevices business and whether recovery is expected in the second half.</p>	<p>A We had planned for an operating loss in the first half. Market conditions are gradually improving, and current orders are also increasing. We had anticipated further recovery in the second half, but it is progressing slightly slower than expected. We are making significant progress toward recovery in the fourth quarter. As we plan to replace our core system in January next year, we are considering advancing shipments for the next fiscal year in the fourth quarter to avoid any inconvenience to customers due to system issues. We are also implementing additional cost reductions and investment cuts to anticipate recovery in the second half.</p>
<p>Q2 Regarding the Microdevices business, if sales of approximately 43 billion yen can be achieved in the second half, based on past profits, we estimate that the second half alone could generate approximately 4 billion yen in profits. How much behind is the third quarter compared to the initial plan, and how much can be recovered by advancing the fourth quarter?</p>	<p>A In the fourth quarter, we plan to generate sales equivalent to approximately 4 billion yen as advance production for next fiscal year's shipments. We also expect orders to recover. The forecast for the third quarter is the same as for the second quarter, but we will strive to bring forward as much as possible.</p>
<p>Q3 Regarding the Microdevices business, is sales expected to increase in the third quarter compared to the second quarter? Given that sales increased by approximately 1.8 billion yen from the first to the second quarter, even if the recovery continues at this pace, it may be challenging.</p>	<p>A Currently, we anticipate orders for the third quarter to be on par with the second quarter. We are exploring options to bring forward as much as possible of the recovery expected for the fourth quarter.</p>
<p>Q4 Regarding the structural reform of the wireless and communications business, despite having implemented structural reforms on several occasions in the past, please explain the background behind the current situation. With the organization now largely in place, can we expect profitability to improve in a manner similar to the former Kokusai Denki Electric?</p>	<p>A The rationale behind this structural reform is that the JRC Group has many subsidiaries, and there are multiple companies with similar functions in terms of business and production. The aim is to streamline the overall scale while maintaining organizational functions. Specifically, we will consolidate businesses currently spread across four companies into two. In terms of production, we will consolidate operations that currently span six subsidiaries into one company, aiming to reduce costs through efficiency improvements. This level of structural reform has not been implemented in the past, which is a significant difference.</p>
<p>Q5 Regarding the structural reform of the wireless and communications business, in addition to reducing costs in overlapping areas, can we expect top-line growth through faster decision-making? Additionally, with a workforce reduction of 400 employees, an improvement of 3 to 4 billion yen is expected. Can we anticipate growth following this reduction?</p>	<p>A In conjunction with the organizational integration, we will solicit voluntary retirement from approximately 400 employees, which will result in fixed cost reductions. With the streamlined structure, we will pursue business initiatives with flexibility and speed, including faster decision-making.</p>
<p>Q6 Regarding the chemicals business, will the fuel cell business turn profitable as a result of the loss recognition? Additionally, please provide details on any additional measures for businesses other than the functional chemicals business.</p>	<p>A The fuel cell business is currently under review to determine whether it will turn profitable after impairment charges. Globally, trends in fuel cells are slowing down. Considering the stagnant situation in Japan and Europe amid the hydrogen society, it is very difficult to identify areas for growth. We are revising our business plan to achieve profitability. Regarding the decline in other businesses, the carbon business was affected by the slump in the semiconductor industry, and the insulation business failed to capture the business it had targeted. Although this year will be challenging, we expect a recovery.</p>
<p>Q7 What are the reasons behind the lack of improvement in mobility within the wireless and communications business?</p>	<p>A In the mobility business, we are focusing on sensors and communication devices for the automotive industry, but the EV component business, which we had high expectations for, did not grow as expected, and forecasts for wireless communication devices for overseas markets were off target. In addition, delays in the delivery of relay devices for mobile phone base stations were caused by insufficient resource allocation at customer sites.</p>
<p>Q8 What does the portfolio review of the Microdevices business entail?</p>	<p>A We cannot provide further details beyond what was presented in today's report, but we will thoroughly review production plans for the future. At the same time, we will implement structural reforms that also address cost structures.</p>

Q9 Regarding the fuel cell business, I believe the hydrogen society was anticipated to materialize after 2030. Why was the decision made to impair the business at this point?	A This is due to significant changes in the business environment. The business model that was assumed at the time of decision-making collapsed, resulting in impairment losses.
Q10 Regarding the real estate business, please explain the approach to the leasing business. We had anticipated quarterly profits of approximately 500 million yen, but the leasing business profits for the second quarter were 250 million yen.	A Previous rental income was approximately 2 billion yen per year, with the remainder coming from sales. Although profits are leveled out over the year, profits decreased in the second quarter due to concentrated maintenance. The company's policy is not to perform unnecessary maintenance. There is some flexibility in the real estate business's earnings.
Q11 Regarding the materials business, are you considering structural reforms? The fiber business is becoming profitable through a review of its cost structure, but are you considering further measures for the fiber business?	A In the Materials business, it is difficult to consider integration due to the differing business backgrounds of each segment. While we are considering scaling back the Materials business, any major policy decisions will be made through institutional processes and disclosed accordingly.
Q12 Could you provide second-quarter figures for the Microdevices business segment broken down by application? Additionally, please provide an update on the utilization rate of production facilities.	A We cannot disclose detailed figures, but the electronic devices business accounts for 90% of sales, with the breakdown for fiscal 2024 being 38% for automotive, 38% for consumer, and 25% for industrial machinery. Regarding production facility utilization rates, they have significantly improved since the start of the second quarter. For the second half, we do not expect any production losses at the factories.
Q13 The balance sheet and cash flow appear to have improved significantly in the first half. Could you provide an outlook on the improvement in operating cash flow and inventory levels?	A Cash flow improved by approximately 55 billion yen in the first half, but the contribution of inventory reduction was not significant. This improvement was mainly due to the resolution of accounts receivable from government-related business in the seasonal wireless and communications business, as well as the fact that we did not make significant investments in the first half. In the second half, government-related business will continue until December-February. During this period, cash will decrease, but the larger the investment, the greater the expected revenue in the next fiscal year.