

March 18, 2024

Corporate Dissolution of T M T Co.,Ltd.



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Agenda

1. Executive Summary
2. Background of the Transaction
3. Impacts on MWCC Financials
4. MWCC Business Strategy after the Transaction
5. (Reference) FAQs



Executive Summary

Outline	<ul style="list-style-type: none">• We have decided to stop operation of the sucrose fatty acid ester production business of our affiliate, T M T Co.,Ltd. ("TMT"), in June 2024.• We plan to resolve the dissolution of TMT in June 2024 and proceed with the liquidation afterward.• Production of sucrose fatty acid ester will be continued by June in order to supply contracted deliverables.• There will be no defaults as creditors will be reimbursed with funds contributed from Microwave Chemical Co., Ltd. ("MWCC") and Taiyo Kagaku Co., Ltd. ("Taiyo Kagaku").
Background	<ul style="list-style-type: none">• TMT was established as a joint venture between Taiyo Kagaku and MWCC. They produce sucrose fatty acid esters using the microwave emulsion method.• They halted the production due to equipment troubles this year and confirmed that significant equipment modifications were necessary after the investigation.• In addition, the industry environment is becoming increasingly competitive, led by Chinese manufacturers. Even if reinvestment is made, it would be difficult to continue it as a competitive business. Therefore, we have decided to dissolve TMT to minimize future losses.
Impacts on MWCC financials	<ul style="list-style-type: none">• A loss on liquidation of subsidiaries and affiliates of JPY1,029MM will be recorded as extraordinary losses in FY24/3 Q4.• Out of the figure above, JPY500MM is cash outflow expenses.
MWCC Business Strategy	<ul style="list-style-type: none">• Given that additional impacts are not expected on MWCC business from this transaction for FY25/3 onwards and progress of MWCC business is on track, we will not change our business strategy at current stage.



Background of the Transaction

- 1 We established TMT in April 2015 as a joint venture with Taiyo Kagaku and launched sucrose fatty acid esters business as an application of our microwave emulsion method. We started full-scale production in 2022, supplying it to client companies through Taiyo Kagaku.
 - The strategy was to grow the business while MWCC contributes to it from technology side and Taiyo Kagaku contributes from the sales side, respectively.
- 2 However, TMT halted the production due to equipment troubles this year and confirmed that significant equipment modifications were necessary after the investigation.
 - The performance of reaction process based on the microwave reactor met our expectation, but unexpected issues occurred in other processes, which require time and cost to be solved.
- 3 In addition, the industry environment of sucrose fatty acid esters is becoming much more competitive than when TMT was established due to the entry of Chinese manufacturers. Even if reinvestment is made, it would be difficult to continue it as a competitive business. Therefore, MWCC and Taiyo Kagaku agreed to dissolve TMT in order to minimize future losses.

Impacts on MWCC Financials

Income Statement

- A loss on liquidation of subsidiaries and affiliates of JPY1,029MM will be recorded as extraordinary losses in FY24/3 Q4, consisting:
 - (1) Write-down of book value of TMT shares of JPY319MM held by MWCC
 - (2) Allowance for doubtful accounts of JPY210MM for the debt to TMT from MWCC
 - (3) MWCC to make a cash contribution of JPY500MM for the liquidation process and also record it as an allowance for doubtful accounts.

Cash Flow

- Out of the figure above, (3) JPY500MM is cash outflow expenses.

MWCC Business Strategy after the Transaction

- MWCC business, providing microwave technology platforms as solutions to clients, progresses steadily.
 - Excluding the impact of the extraordinary losses this time, we expect to achieve our full-year budgets of FY24/3.
 - We do not expect additional impacts on MWCC business from the transaction for FY25/3 onwards.
- Based on the situation above, we will not change our growth strategy at current stage.



(Reference) FAQs (1/2)

#	Questions	Answers
1	<ul style="list-style-type: none">• Did MWCC/Taiyo Kagaku consider taking over the TMT business and continuing it or selling it to a third party as alternative options?	<ul style="list-style-type: none">• We have discussed possible options, including continuing the business or selling it to a third party, but we agreed that executing the dissolution at the earliest opportunity to minimize the future losses would be the best course of action for us.
2	<ul style="list-style-type: none">• If there were inquiries from clients, would it have been better to continue the operation until it become profitable and then consider selling it?	<ul style="list-style-type: none">• Same as above.
3	<ul style="list-style-type: none">• If you had not dissolved the company, how much profit or loss would you have expected in the future?	<ul style="list-style-type: none">• Cannot disclose considering the relationship with the clients.
4	<ul style="list-style-type: none">• What action will be taken for the buyers of TMT's products?	<ul style="list-style-type: none">• We have explained and obtained the consent from them to terminate the business. The production will be continued by June in order to supply contracted deliverables, after which the liquidation procedures would begin.



(Reference) FAQs (2/2)

#	Questions	Answers
5	<ul style="list-style-type: none">• How will you deal with financial institutions and other creditors? Would there be a default on the obligations?	<ul style="list-style-type: none">• We discuss smoothly with financial institutions. There will be no defaults as creditors will be reimbursed with funds from MWCC and Taiyo Kagaku.
6	<ul style="list-style-type: none">• How will you take up the employment of TMT employees?	<ul style="list-style-type: none">• MWCC and Taiyo Kagaku plan to succeed the employment.
7	<ul style="list-style-type: none">• Didn't microwave technology of MWCC perform well as expected?	<ul style="list-style-type: none">• The technology for producing sucrose fatty acid esters based on microwaves is well established, and the reaction process using the microwave reactor performed well as expected, but unexpected problems were identified in other processes.
8	<ul style="list-style-type: none">• How will be the impacts on MWCC's joint development with other companies? Are there any projects which could be discontinued due to this event?	<ul style="list-style-type: none">• We do not see any problems on our projects using our microwave technology and there are no projects which could be discontinued due to this event.



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