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Question-and-Answer Session

Results Briefing for the First Quarter of the Fiscal Year Ending December 31, 2023

Outline of briefing session

16:00–17:00 on Wednesday, May 10, 2023 (Zoom Webinar)

For institutional investors and analysts

Question 1. What was more severe than expected about the earnings revision?

Answer. While it was severe in all regions, the impact of adjustment was greater than expected in South Korea in particular. This is because there was an inventory adjustment of products on the customer side. Furthermore, they tend to have a certain amount of stock of our products because we do not have any local production plants. Regarding regional segments, South Korea is included in Japan.

Question 2. What is the issue with Korea?

Answer. Of particular note are the package substrates on which memory is mounted.

Question 3. What is the reason for the large drop in "Other CZs" among CZs?

Answer. CZ pre- and post-treatment agents are included in that category. They aren't always used, but the demand of customers who do use them has dropped.

Question 4. What was the monthly trend for the first quarter?

Answer. It got better as time went on. It's not completely flat, but is gradually rising.

Question 5. Why do you expect a moderate recovery in the second quarter?

Answer. We believe that the inventory adjustment has settled down.

Question 6. Is the perception that the weak demand has bottomed out?

Answer. While it isn't entirely reassuring, overall it feels as though it's going up little by little as opposed to going down as a whole. At this point, it doesn't seem as though it can go down any further.

Question 7. Regarding the earnings revision, the profit revision is larger than the sales revision. Are there worse factors than the decline in marginal profits from lower sales?

Answer. When the Company's sales fall, profits fall as well due to fixed costs. There isn't anything in particular that has a large amount of fixed costs. There are no significant changes from the Company's earnings forecasts released on February 14. When chemical shipments return, so will profit.

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Question 8. What are the cost, gross profit, and SG&A expense plans after the earnings revision?

Answer. For the first half, we expect a gross profit of about 3.3 billion yen and SG&A expenses of about 2.85 billion yen against a sales forecast of 6 billion yen. For the full year, we expect a gross profit of more than 7.7 billion yen and SG&A expenses of more than 5.9 billion yen against a sales forecast of 13.5 billion yen.

Question 9. Regarding the outlook for the next two to three years, what are the drivers of performance?

Answer. Package substrates. We have high hopes for advanced types such as EMIB and EFB for servers.

Question 10. It is said that production technology will be revamped at the new Kitakyushu Plant. What will change?

Answer. We want to automate as much as possible, with little human intervention. We want to have flexibility in production volume without human involvement.

Question 11. Tell us about your enthusiasm for the construction of the Kitakyushu Plant.

Answer. In anticipation of future increases in demand for semiconductors, it is an investment that will lead to future expansion in order to fulfill our product supply responsibilities. The Company will revamp our production technology and make investments with a view to improving future profitability and the ability to respond to safety, health, and the environment.