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Question-and-Answer Session

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

Outline of briefing session

16:00–17:00 on Wednesday, August 9, 2023 (Zoom webinar)

For institutional investors and analysts

Question 1. What is the background of the recovery from Q2 to Q1 and outlook for the second half?

Answer. Demand is expected to rise gradually as inventory adjustments progress. However, a full recovery may not come until 2024. South Korea is trending upward but at a low level. Taiwan and China will take some time to return.

Question 2. Compared to Q1, what were the good and bad points of Q2 classifying by region and product?

Answer. By region, Japan and Europe were good. China was okay as well. On a product-by-product basis, EXE recovered and CZ was also good. It remains to be seen how much the increase was based on actual demand. In Q1, inventory adjustment of CZ in Korea was particularly severe, but in Q2 the adjustment finished and sales were on a recovery trend.

Question 3. Please give an explanation by regional segment, especially for Japan and China.

Answer. In Japan, package substrates differ depending on the end user. It is not as bad for general substrates, as they have various applications compared to package substrates.

In China (Suzhou), package substrates are performing poorly. In China (Zhuhai), general substrates for cars are starting to perform slightly better. There is no indication that general substrates for smartphones are recovering.

Question 4. What were the factors contributing to the approximately 380 million yen rise in operating income in the first half of the year?

Answer. Sales rose by about 200 million yen, boosting gross profit by about 120 million yen. Other factors include the fact that labor costs and expenses were about 90 million yen lower than expected, and unrealized profits were about 140 million yen higher than expected.

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Question 5. Will there be an increase in expenses in the second half other than what was initially expected?

Answer. No. Expenses planned to occur in the first half of the year will be delayed to the second half.

Question 6. What are the main factors contributing to the year-on-year decline in profit in Japan by regional segment?

Answer. Sales in Japan have fallen sharply.

Question 7. What will be included in capital investment for this term?

Answer. Increased production at MEC Suzhou and investments in R&D.

Question 8. What is the impact of export restrictions on China?

Answer. There is currently no immediate impact on export restrictions.

Question 9. What impact will generative AI have?

Answer. Generative AI is not expected to grow rapidly and is not expected to have a significant impact this term.