

JSR Corporation

Summary of conference call on August 7, 2023 to explain Financial Results for Q1 FY23

[Note] Please refer to data available at:

https://ssl4.eir-parts.net/doc/4185/ir_material_for_fiscal_ym4/139409/00.pdf

P3 Key Takeaways:

- Q1 FY23 results showed a loss in core operating profit with decrease in both revenue and profit YoY. It is due to one-time special factors of LS. SEMI was impacted by the semiconductor cycle. The rest was in line with our plan. We expected a loss in core operating profit in Q1 FY23 based on our plan and do not change our projection of turning profitable from Q2 FY23 and increasing profit significantly YoY.
- FY23 earnings projection will not be revised this time. We expect a significant recovery in earnings in each business, including turning to profitable in Q2 FY23. Demand for SEMI is expected to recover gradually from Q2 FY23 and fully in next year. Our company's market share expanded steadily in the Logic 3nm and below and in the DRAM, which are the leading edge of EUV. The development status of MOR is also good. EUV saw a growth of 25% YoY in Q1 FY23 despite weak demand. DISP continued its recovery trend after a sharp demand correction in H2 FY22. The one-time factors of LS in Q1 FY23 will not be expected in Q2 FY23. Moreover, CDMO operations are expected to continue to expand. Structural reforms to enhance profitability are also being promoted.
- Japan Investment Corporation (JIC) Group announced a scheduled commencement of a tender offer for JSR'S shares, aiming to commence around December 2023. Through a strategic partnership with JICC, in which the two companies share the same strategic direction, we will accelerate the promotion of our strategy by going private, while flexibly promoting the industry restructuring of the semiconductor materials. We aim to strengthen international competitiveness and the medium- to long-term growth potential of all our businesses. At present, we are proceeding with procedures based on relevant regulations, including the competition laws in Japan and overseas. We expect that the transaction is the best strategic option to all stakeholders of JSR, including shareholders, global customers, employees and partners.

P4 Summary : Q1 FY23 Result

(YoY core operating income) Decrease in revenue and profit.

DS: Profit decreased by -5 billion yen. Demand difference from previous year affected. In last year, overall performance remained strong although there was some uncertainty in semiconductor

demand. This time, the semiconductor environment has deteriorated significantly.

LS: CDMO posted a loss of about 4.5 billion yen due to one-time factors. Those factors include major repairs at the Colorado facility, which was within the plan, and provision of inventory write-downs, etc.

PLA: Demand recovered YoY.

(QoQ Core Operating profit) Decrease in revenue and profit.

DS: Revenue and profit increased. For both SEMI and DISP, revenue and profit increased. The demand environment for SEMI continued to be sluggish in Q1 FY23, but sales improved QoQ. EUV is making steady progress.

LS: Excluding the one-time factors of about 4.5 billion yen, about -4.1 billion yen was from the timing of IVD's test kit sales. It was pure sales timing as sales of Q4 FY22 were down to 0 in Q1 FY23. The sales of test kits this year are expected in H2 FY23 as planned. Excluding the factors mentioned, CDMO increased profits due to the progress of KBI's plant start-up.

PLA: Demand was on a recovery trend, but profits declined due to inventory effect.

Profits decreased significantly from the previous year across the company, but a recovery trend was seen QoQ except for some factors, and we expect a steady recovery after Q2 FY23.

P5 Result – YoY, QoQ

(YoY) Revenue and profit decreased. (QoQ) Revenue and profit decreased.

YoY result is described as above. QoQ result showed a significant decline in profit for the entire company due to LS. However, the recovery direction of increase in revenue and profit for DS, and LS is almost flat except for special factors and the timing of IVD's test kit sales.

P6 Segment Data: Digital Solutions Business

(YoY) Decrease in revenue and profit.

SEMI sales decreased by 14%. Silicon wafer inputs, which is an indicator for our company's material demand, fell more than -15%. Sales of DISP and EC also fell due to demand factors. Costs were subdued relative to the plan amid weak demand. On the other hand, as shown in the graph, upfront investment for the future was executed.

P7 Digital Solutions Business - Revenue Growth Rate

- Sales growth of EUV achieved +25% YoY. For QoQ, it decreased to -35%, but license revenue and other revenue in Q4 FY22 impacted QoQ. In terms of actual volume, it also increased in QoQ.

P8 Segment Data : Life Sciences Business

(YoY) Decrease in revenue and profit.

- The special factors are mentioned above.
- CDMO grew by +10%. However, sales from one of our main facilities, the Colorado facility decreased significantly due to major repairs. Sales are expected to recover after Q2 FY23 with a good order status. The demand environment for CRO is weaker than expected. Decline in BPM and IVD sales was due to timing differences and those businesses are expected to be in line with the plan for full year.

(QoQ) Decrease in revenue and profit.

- Decrease in revenue mainly due to major repairs and the timing of sales of IVD test kits. The decrease in profit was the special factors.

P9 Segment Data : Plastics Business

(YoY) Decrease in revenue and increase in profit

- The automobile industry, which is a major customer industry, is still recovering in demand. Margins are improving due to the revision of sales prices, but profitability is expected to improve with further volume recovery.

(QoQ) Decrease in revenue and profit

- Sales volume was on a recovery trend. The price of naphtha and other raw materials was on the decline. Therefore, the margin shrank due to the effect of the price formula, which affects the margin with a time difference according to the raw material price, with customers. There were also short-term effects due to other accounting factors.

P10 Act vs FY23 Projection (No Revision)

- No change to FY23 plan of 442 billion yen in revenue and 42 billion yen in core operating profit. We will strengthen our efforts to achieve the full-year target and achieve sustainable growth in the next fiscal year.

(DS)

- Sales progress was 22%, impacted by the delay in SEMI's demand recovery, which was slower than expected. On the other hand, our plan has been originally weighted on H2 FY23, and we expect to see a recovery, going forward. We cannot control the demand for SEMI itself, but the market shares of advanced fields such as EUV are expanding, and the growth will exceed the market growth. The market shares of our company's main products are progressing well.
- In addition to continuing to control costs, we will also strengthen our structure by reviewing

businesses. We will make sure to promote advance future investments such as EUV/MOR and strengthen sales and technical services in the Asian region.

(LS)

- Except for one-time factors, overall progress is in line with our plan.
- CDMO's KBI is operating smoothly. Demand is also strong. The new facility in North Carolina is also operating well and ramping up.
- Some of CRO's customers, development ventures, saw a slowdown in demand, which was lower than planned. On the other hand, the current order situation is improving and it is expected to recover after Q2 FY23.
- The profitability improvement project of KBI is in progress, and it is expected to achieve the top line improvement and profit margin improvement simultaneously by expanding the operation of the new plant. In the LS business as a whole, structural reforms such as cost control and review of businesses are being promoted.

(PLA)

- Demand is clearly in the direction of recovery. Efforts to revise prices in response to rising fuel costs are also being strengthened, expecting to see its effects in Q2 FY23.

P11 Summary of FY23 Projection (Reposted)

- Under the demand adjustment phase of SEMI, this fiscal year is to prepare for the V-shaped recovery of FY24, and efforts are being made to strengthen the profitability of each business.

P12 Market Environment Assumption for Outlooks

- Silicon wafer input, the benchmark for SEMI demand, is expected to be -5% this quarter, but Q1 FY23 saw a sharp decline. While we expect a solid bottom in Q1 FY23 and a recovery in Q2 FY23 and beyond, the overall situation remains weak for the time being. We'll closely monitor the situation. We expect strong growth in FY24.
- FPD panel manufacturers, DISP's main customers, saw a stronger-than-expected recovery after bottoming out in H2 FY22. DISP is expected to perform well in Q2.
- Automotive production continued its recovery trend after the semiconductor shortage was eliminated. It is expected to spread to PLA demand in our company.
- The biopharmaceutical market is generally strong, despite some of the aforementioned stagnation.

P13 LS (CDMO): Production Schedule of KBI's New Facility

- The bar graph shows the number of production batches started at each quarter, and the line shows the production capacity.
- North Carolina's new plant, which will significantly increase current production capacity, started commercial production in H2 FY22. Following Q4 FY22, operations in Q1 FY23 progressed well. Although the number of batches decreased slightly from Q4 FY22, we also had manufacturing of a new product called Product 2. In Q2 FY23, we'll further expand its operations and expect full operations in H2 FY23. At the moment, we expect to bring the capacity more than expected for the full year.
- KBI is promoting profitability improvement projects across the organization. CDMO is a contract development and manufacturing organization of biopharmaceuticals. Therefore, human capital becomes important for the business, and at the same time, a large number of headcounts is required, leading directly to profitability in terms of cost. We aim to improve profitability by efficiently expanding operations while securing the necessary human capital.

[Notes]

Digital Solutions business: DS

Semiconductor materials: SEMI

Display materials: DISP

Edge computing: EC

Life Sciences business: LS

Plastics business: PLA

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