

## JSR Corporation

### Summary of conference call on February 5, 2024, to explain Financial Results for Q3 FY23

[Note] Please refer to data available at:

[https://ssl4.eir-parts.net/doc/4185/ir\\_material\\_for\\_fiscal\\_ym4/149327/00.pdf](https://ssl4.eir-parts.net/doc/4185/ir_material_for_fiscal_ym4/149327/00.pdf)

#### **P3 Key Takeaways:**

- In Q3, FY23, revenue and profit substantially increased by QoQ. SEMI and LS sales expansion was the main factor. Although the demand in SEMI remained weak against the previous year, it continued to recover after bottoming out in Q4 FY22. The DS segment achieved its full-year forecast for core operating profit, following higher than expected progress against the plan. LS also posted a significant increase in revenue and profit QoQ due to the expansion of IVD's test kits.
- For outlook, the recovery trend of SEMI will continue, but the Q4 performance is expected to fall compared to the Q3 due to the shipment timing. A full-scale recovery in demand is expected in the next fiscal year. For the LS segment, it is expected that new KBI facility for CDMO to expand steadily. Meanwhile, demand in the biotech industry has bottomed out, but recovery is uncertain. We are carefully monitoring the recovery of the biotech industry. We included one-off events such as write-offs and allowance for bad debts in the FY23 forecast, recorded in Q3 partially and expect to record some, of which amount is under review, in Q4.
- Measures to improve profitability are being implemented to counter short-term deterioration in demand for semiconductors and biotech. We are steady progress in laying the foundation for expanding market share and supporting business growth in the mid to long-term.
- Japan Investment Corporation (JIC) Group announced a scheduled commencement of a tender offer for JSR'S shares. 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 mid- to long-term growth potential of all our businesses. We believe that the transaction is the best strategic option to all stakeholders of JSR, including shareholders, global customers, employees, and partners.
- In December last year, we updated information on the progress of the tender offer. We are currently in the process of procedures based on China's competition law. The launch for the tender offer is expected to be in late February at the earliest. If the tender offer has not launched by the end of March, the offeror will announce the progress again.
- We continue to pursue our strategy along with this strategic partnership.

#### **P4 Financial Results: Q3 FY23 Results**

(YoY Core Operating Profit) Substantial decrease in revenue and profit YoY. The YoY difference is analyzed with a water fall chart.

DS: A profit declined by -10.4 billion yen due to the volume difference of SEMI segment. Sales decreased by 15% year on year. The global footprint of silicon wafers, a customer market, also decreased about the same level. We also invested in EUV and MOR photoresists and Asian markets expansion. DISPs profit increased YoY due to a recovery in the LCD panel market. EC's profit fell due to a weak smartphone market.

LS: A loss of about 6 billion yen in the cumulative period of Q3 was recorded mainly due to one-off events in CDMO business. We conducted large-scale repair of the Colorado plant in Q1 as we planned. In addition, we recorded inventory valuation loss and allowance of bad debts. These are due to the impact of demand environment in addition to accounting factors. CRO business experienced their profit fall due to the weak biotech industry. For overall LS business, we have been pursuing structural reforms.

PLA: Auto demand is in the recovering trend, but sales declined due to slowdown in other applications.

OTH: Profit increased due to cost reduction.

(QoQ Core Operating Profit) Significant increase in sales and profit QoQ.

DS: Increase in revenue and profit. Revenue and profit increased for SEMI business. EUV is definitely progressing. As for DISP, there was an operation adjustment in Q3 in response to the high customer utilization of H1, and the decrease in revenue also increased due to the decrease in costs.

LS: Increase in profit due to the strong sales of IVD's test kits. Although it is within the expected range, write-offs and allowance for bad debts were incurred by CDMO business.

PLA: Profits increased mainly due to volume expansion.

## **P5 Result YoY, QoQ**

YoY: Cumulative Q3 result was core Operating Profits of 14.8 billion yen. Profit decreased by 53% YoY. Revenue and profit decreased in DS. Revenue increased and profit decreased in LS.

- As for DS, sales and profit declined. SEMI sales were -15% YoY due to the semiconductor market cycle.
- As for LS, sales increased, and profit decreased. Despite sales increase due to the expansion of CDMO sales, profit declined due to one-off events and a decrease in CRO profit.
- As for PLA, sales and profit decreased slightly.

QoQ: Revenue and profit increased as explained earlier.

## **P6 Segment Data: Digital Solutions Business**

(YoY) Decrease in revenue and profit.

The 10.4 billion yen decrease in profit was mainly due to a decrease in SEMI sales volume. In addition, while reducing investment in existing fields, we implemented upfront investment in the EUV/MOR field and strengthened our Asian bases, which were within the plan. As a result, profit decreased in the SEMI business. Revenue and profit increased in DISP. Revenue and profit decreased in EC.

(QoQ) Revenue and profit increased.

Revenue and profit increased due to increased sales of SEMI, including some shipments ahead of schedule.

#### **P7 Digital Solutions Business - Revenue Growth Rate**

EUV sales increased 10% YoY. Overall demand for semiconductors remains weak, but sales for advanced DRAM applications increased.

#### **P8 Segment Data : Life Sciences Business**

(YoY) Revenue increased and profit decreased.

- Revenue increased due to the continued expansion of CDMO sales contributed from the new facility ramping up.
- In addition to the one-off events of CDMO, sluggish demand for CRO led to sales falling short of the plan and profit declined YoY due to the increase in investment. BPM was also partly affected by the worsening demand conditions and profit fell due to the timing of sales. As for IVD, profit increased due to cost control despite decrease in sales YoY.

(QoQ) Revenue and Profit

- Revenue increased due to CDMO's new facility ramping up, but profit decreased due to one-off events. As for CRO, sales and profit increased due to a gradual recovery in sales. IVD's increase was contributed from expansion of antigen test kits.

#### **P9 Segment Data : Plastics Business**

(YoY) Decrease in sales and profit. Almost flat.

- Decrease in sales due to demand still recovering, but it was offset by an increase in trading spreads due to the revision of sales prices.

(QoQ) Revenue and profit

- Profit increased due to a recovery in sales volume.

#### **P10 Market Assumptions for Earnings Outlook**

- Although the initial estimate for silicon wafer input, which serves as a guideline for SEMI demand, is about -5% this fiscal year and sales at the same level as last fiscal year, the current forecast is for a significant decline of -10% to -15%. It is expected to show nearly double-digit recovery in FY24, but the full-fledged recovery is expected in the second half of FY24.
- On the other hand, the advanced logic sector is expected to lead the semiconductor sector for this fiscal year and the next due to progress in the launch of chips for AI and advanced FAB.
- FPD panel manufacturers, DISP's main customers, are expected to be operating slightly lower than initially expected for the fiscal year, with operating adjustments expected in H2 FY23 after high utilization in H1 FY23. On the other hand, it is expected that operations will recover after March after hitting a bottom in

February.

- Automotive production will continue to recover following the resolution of the semiconductor shortage. EV and overseas markets will lead the recovery.
- The biopharmaceutical market, in general, continues to grow at close to double digits with strong performance. Investments in the biotech market, on the other hand, fell sharply in FY22. The extent of the decline improved in FY23, but the situation is still weak. It is on a gradual recovery trend.

#### **P11 Actual vsFY23 Full-year forecast (No Revision)**

- There is no revision to this forecast.

#### **P12 Life Science Business (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.
- The North Carolina plant, which will significantly increase the current KBI production capacity, started commercial production in the second half of last fiscal year. Following the previous Quarter, the production in Q3 also progressed well. We'll further expand its operations in Q4 and expect full operations in H2 FY23. As demand continues to be strong, we expect strong operation in FY24.
- KBI is conducting restructuring this fiscal year. In addition to reviewing its cost structure, KBI is also reducing assets such as inventories and reforming the business structure. In addition to expanding production capacity without additional costs, KBI is also considering measures to expand its top line and improve profits for the future.
- KBI achieved to increase revenue by 20% YoY this fiscal year. We are making every effort to maintain strong growth and significantly improve our ability to generate cashflow.

On February 2, we posted our announcement regarding the lawsuit against Inpria, a wholly owned subsidiary of JSR, on our website. As stated on our website, we consider it to be unsubstantiated claims and lawsuits.

As of now, we believe that the impact on our business results is minor and that there is no impact on the TOB.

We will promptly issue notices of any future disclosures.

#### **[Notes]**

Digital Solutions business: DS

Semiconductor materials: SEMI

Display materials: DISP

Edge computing: EC

Life Sciences business: LS

Plastics business: PLA

Year on Year: YoY

Quarter on Quarter: QoQ

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