

JICC/JSR Joint Press Conference (June 27, 2024)

Q&A

■ Conference Outline

- Date: Thursday, June 27, 16:00-16:30
- Location: Toranomon Global Square 4F
- Speakers: JICC Ikeuchi President and CEO, JSR Johnson CEO and President

(Q) On the reorganization of semiconductors, you were talking about targeting the entire front-end process as a package, not just photoresists. What is the reason?

(A) We believe that there are a variety of options in the semiconductor materials area, and we have not specified. We are looking for efficiency, especially in R&D and capital investment. (Johnson)

(Q) You mentioned that you can't identify the field, but are you going to concentrate on front-end processes based on strategic thinking. Is there an aspect of this that is based on a process of elimination, like "photoresist is difficult to proceed with"?

(A) The front-end process includes a wide variety of products (CMP, cleaning agents, etc.). The company has one of the largest market shares in lithography materials, including photoresists, and there are regulatory constraints. Expanding market share may be a problem, but it is not excluded. There are various options on where to strategically execute, and there is nothing to rule out as a scenario. (Johnson)

From the customer's point-of-view, very detailed semiconductor manufacturing processes such as wafer cutting, resist coating, CMP, and packaging are spread vertically and horizontally. In this context, in terms of lineup that can provide high value to customers, one option is to increase product competitiveness in the processes before and after resist application so that JSR can provide a product lineup that has higher value to customers. (Ikeuchi)

(Q) You mentioned that the direction of semiconductor materials and life sciences are in agreement, but what is the direction of display materials and synthetic resins?

(A) As we have talked about in our mid-term business plan, strategically, we will focus on semiconductors and life sciences as growth drivers for the company, but this does not mean that displays and plastics are not important. In our roadmap, we will invest in the structure of these businesses so that we can compete at the leading-edge.

About two years ago, we restructured our display business. This business has moved from Japan to Korea, then to Taiwan, and now to China. As a result of our special efforts, we have been able to optimize our portfolio and diversify our investments geographically to put us in a better position.

As for plastics, there were some market headwinds. At the same time, however, there have been examples of high-performance materials that take advantage of their technological superiority and are applied to EVs, and these businesses are important for JSR to create total value. (Johnson)

(Q) You mentioned that you are going to pursue a broad-based restructuring, but there is no specific information on how you plan to improve profitability. Regarding specific measures, what could not be done as a listed company, or what could be done by going private?

(A) The problem we are facing is structural and due to market cycles. It is independent of the ownership structure of the company. Therefore, it is not a matter of the ownership structure changing. We have been restructuring the life sciences business for the past two years. We want to ensure that operations are at a first-class level, with proper benchmarking. Also, there has been pressure on profitability in the recent past, but we want to make the most of this crisis. We want to review all our operations with rationality. We want to increase our competitiveness over the long-term. In doing so, we need to invest in people and capital. Otherwise, we will not be able to remain on the cutting edge. That is our mid- to long-term focus, especially in our partnership with JICC. (Johnson)

(Q) You mentioned that the partnership worked well in the case of Yamanaka Hewtech, but in what ways was it effective in becoming part of JICC?

(A) Our relationship with Yamanaka Hewtech was a deal in progress during the

TOB process. We had a lot of discussions about the positioning of photoresists as the core semiconductor material, what synergies would be generated, and what value it could bring to our customers. After discussing how the value from the customer's perspective would be enhanced if Yamanaka Hewtech's products were added on, we then provided JSR with financial support. We were able to proceed with the project in a very amicable manner. If we can clearly recognize the direction in which value will increase in the future, we can provide support. That is the role of JICC. (Johnson, Ikeuchi)

(Q) Regarding R&D, you say that it will be strengthened over the medium-to long-term. What is the ratio of R&D to sales, and is 10% one of the indicators?

(A) I will not give specific targets, but I believe that R&D costs will become higher, not only in product development, but also in manufacturing technology. Our strategy is to work with partners who have R&D capabilities to increase efficiency. JSR's strategic commitment is to make effective use of the resources it has. At JSR, for example, we would like to provide products that meet the needs of our customers by effectively utilizing our resources, such as sample generation using materials informatics. We will continue to focus on this area and increase efficiency. This is where we will continue to focus our efforts and increase our efficiency in the future. The assumption is that the investment will be large in terms of the amount of investment and the investment in people. Scale is necessary to ensure long-term sustainability and to compete with other companies globally. (Johnson)

(Q) JSR has been strengthening its CDMO business in recent years. In the restructuring going forward, what will you do with the CDMO business, which has a strong position within life sciences?

(A) At this point, we believe that improving profitability is an urgent agenda. On the other hand, this is an industry with very sustainable growth over the long-term. We also believe that potential demand will grow not only in the U.S., but also in Japan, China, and throughout Asia, and that considerable profitability can be achieved if CDMOs' operational capabilities can be raised to a level of accuracy like that of the competition, especially the major players. We believe that continuous investment is necessary to achieve this goal. (Ikeuchi)

(Q) About structural reforms and restructuring, are reductions in headcount being considered? If yes, please tell us the scale of the reduction in headcount and whether you plan to do so in the current fiscal year.

(A) Restructuring continues to be implemented to ensure that it is optimal for each business. The point I want to highlight, however, is that strategy does not change because of a change in ownership. Therefore, there are no dramatic announcements because of new ownership. However, it is necessary to ensure that each business is appropriately sized. (Johnson)

(Q) I understand that JICC's position has always been that it does not intend to integrate Shinko Denki and JSR. Is there any plan to create synergies by bringing both JSR, which is located upstream, and Shinko Denki, which is located downstream, under the umbrella? If so, what is the status of the schedule, including the timing of the start of operations?

(A) Shinko Denki is a company that is rather strong in back-end processes, and we understand that its position of strength is different from that of JSR in the semiconductor manufacturing process. Therefore, we are not considering integrating the two companies or pursuing major synergies at this point. (Ikeuchi)

Since we are talking about a wide range of processes, I believe that Shinko Denki and JSR are quite separate businesses. (Johnson)

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