

QA for the Management Briefing

Date and time: June 13, 2025 (Friday) 13:00-14:00

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Regarding the sales trend for Electronic & Advanced Materials Business

Q: I would like to ask a little more about the electronic and advanced materials. This time, the forecast for polysilicon was based on FY2025, and I believe you were expecting around a 20% increase in volume for the current fiscal year. I would like to confirm if it is correct that the launch pad has not changed.

Regarding IPA, on the contrary, it is expected to see significant growth going forward. I would like to ask what is behind this strong growth outlook. Is it due to 2-nanometer and beyond, or Korea, or something else?

Also, could you explain about the situation heat-dissipating materials like aluminum nitride?

A: As you noted, we are projecting around 20% growth in polysilicon. At this point, we are negotiating diligently toward this goal, and shipments continue at a certain level. Basically, there is no change in this situation.

As for IPA, the 2-nanometer will be a major driver in H2, or perhaps I should say after the summer.

Korea, on the other hand, is lagging behind, as we touched on a bit earlier. We originally projected that a large contribution would begin in 2026, but I think this could be delayed by six months to a year. The certification process is now underway, and we feel that it can be put on the line from the beginning of fall. Ours are expected to be in the new hub, but unfortunately, the pace of expansion there has slowed compared to what was originally planned. I was initially thinking it would happen in 2026, but now I believe it will be fully contributing from 2027 or later. However, the certification process is underway, so once those things start moving, I think they will make a solid contribution.

As for other areas not mentioned, heat-dissipating materials are showing a slightly better outlook than we originally expected for FY2025. As for this, demand for semiconductor production equipment has been very strong, and we are now moving in a slightly more positive direction than we had originally planned.

I am somewhat concerned about how this will be affected by Mr. Trump's various policies, as our main area is power, but at this point, I feel that things are going a little better than I had expected.

Regarding the dental business

Q: I would also like to ask for a question to the dental business.

Could you confirm if the system trouble in that area in Q4, which prevented shipment, has been resolved? You mentioned that orders are stronger currently. Your company has significantly increased its market share in the US. You also mentioned the issue of tariffs and the difficulty in receiving new orders in Europe. Does that mean sales from existing clients are growing? I would appreciate any additional comments on this.

A: Orders in the US are very strong right now, and we are asking customers to suspend non-urgent orders. We believe that one factor is the Trump tariffs. There is clearly a trend of placing orders slightly early in anticipation of what might happen after the 90-day period ends.

However, the orders have been spaced out a bit more gradually in consideration of the system trouble at our factory. We see underlying demand as very strong, and we are having discussions with local customers on how to respond to the Trump tariffs. The basic approach is to pass the cost of those tariffs through price increases.

We will also need to consider the final product price, as there are some competing products, though not many. However, in principle, we are already proceeding with the idea of passing the cost on to the price.

Then the situation in Europe remains unchanged, as it does not mean that demand there is declining. This time, we were planning to take a more aggressive approach to UK or France, where we have not performed well historically. However, our move is a little behind.

Regarding the shareholder returns

Q: My question is at the cash allocation on page 18. I know you probably talk about this a lot, but I would like to ask about shareholder returns. Currently, you are at 3% DOE and a payout ratio of 30%. That said, I think that there is still some room for improvement.

This will probably be discussed in the next mid-term plan, but I would appreciate it if you can share your thoughts on the current shareholder returns policy.

A: As for shareholder returns, I don't think we are there yet in terms of level. We believe we are looking at the direction going one stage higher.

In this medium-term business plan, we set the DOE at 3% and the dividend payout ratio at 30%. Since the plan marked a shift toward growth from the previous five-year period, the need for cash was significant, and the figures were set somewhat conservatively. That said, with future investments like the one we are currently undertaking, we intend to generate cash. In light of that direction, we are inclined to look higher.

Q: The next mid-term plan is more like a collection period?

A: It will be both investment and collection. However, for those that we were able to collect, we would like to actively consider such a return.