

Summary of Questions and Answers at a Briefing on Resonac Holdings, 3rd Quarter, 2024 Financial Results

17:00 – 18:00, Tuesday, November 12, 2024

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*All contents are based on the information available as of the date and time of the briefing.

[Companywide]

Q In the revision of the earnings forecast, there has been an increase in the incorporation of extraordinary losses. What is the content and likelihood of these losses?

A The increase is primarily due to impairment losses and similar factors, and while the likelihood is relatively high, we cannot say it is 100% certain.

Q As profit levels improve, what is your policy on shareholder returns?

A Our capital allocation strategy remains unchanged; we plan to allocate half to two-thirds of operating cash flow to capital investments in growth businesses such as semiconductor materials, with the remainder directed towards debt repayment and shareholder returns.

Q Regarding the non-operating income/expense, could you explain the background of the ¥9.5 billion decline compared to 2023 1-3Q, considering the fluctuations in equity in earnings of affiliates? Additionally, could you provide insight into the revision of non-operating income/expense for the second half of the fiscal year, which was adjusted down by ¥6 billion from the previously announced figures?

A The primary background for the decline is a ¥10 billion decrease in profit due to a shift from foreign exchange gains in the previous year to foreign exchange losses this year. Furthermore, equity in earnings of affiliates increased, while interest/dividends income and expenses remained at the same level as the previous year. In our earnings forecast, the downward revision is attributed to the deterioration of foreign exchange gains resulting from fluctuations in the assumed exchange rates.

[Semiconductor and Electronic Materials Segment]

Q Could you provide insights into the trends by sub-segment regarding the increase in operating income from Q2 to Q3 in the Semiconductors and Electronic Materials segment?

A All sub-segments have experienced an increase in operating income, with significant contributions from the recovery in demand for Back-end Semiconductor Materials and HD media, due to sales volumes increase. The effect of fixed cost reductions in HD media also played a role. For Front-end Semiconductor Materials, there has been a steady increase in operating income amid a gradual recovery in NAND demand.

Q Regarding Back-end Semiconductor Materials, did sales of AI-related materials such as NCF increase from Q2 to Q3?

A Yes, sales of AI-related materials such as NCF, TIM materials, and copper-clad laminates have continued to grow from Q2 to Q3.

Q Can we expect sustainability in the performance level of the Semiconductors and Electronic Materials segment in the second half of the fiscal year?

A The EBITDA margin for the second half is expected to be around 30%, indicating that we are approaching our target profitability level. We aim to maintain or further improve this into next year, but it will depend on market conditions, so we want to refine our budget accordingly.

[Chemicals Segment]

Q Could you provide insights into the trends by sub-segment regarding the increase in operating income from Q2 to Q3 in the Chemical segment?

A In the Olefins & Derivatives and Basic Chemicals sub-segments, there was no maintenance including derivatives in Q3, which had occurred in Q2, leading to an increase in sales volume and operating income. For Graphite Electrodes, improvements in inventory receipt and payment were offset by a decrease in sales volume, resulting in a loss.

Q What is the background for the expected decrease in sales and operating income in the Chemical segment compared to the previously announced figures?

A The decrease in sales and operating income is primarily due to the Olefins & Derivatives sub-segment, which reflects a decline in selling prices associated with lower naphtha prices. In the current earnings forecast, we are still incorporating a positive outlook for the petrochemical segment in Q4.

Q Could you provide an update on the progress regarding the optimization of graphite electrode production capacity?

A There has been no change from what was communicated at the time of the Q2 earnings announcement. We are discussing and considering the optimization of graphite electrode production capacity internally. As nothing has been finalized yet, we ask you to wait for future announcements.

* Performance forecast and other statements pertaining to the future as contained in this presentation are based on the information available as of today and assumptions as of today regarding risk factors that could affect our future performance. Actual results may differ materially from the forecast due to a variety of risk factors, including, but not limited to, the international situation, costs of naphtha and other raw materials, demand or market conditions for our products such as graphite electrodes and other commodities and foreign exchange rates. We undertake no obligation to update the forward-looking statements unless required by law.