

# Financial Overview

## FY2025 2Q

**FUJIMI INCORPORATED**

TSE Code : 5384

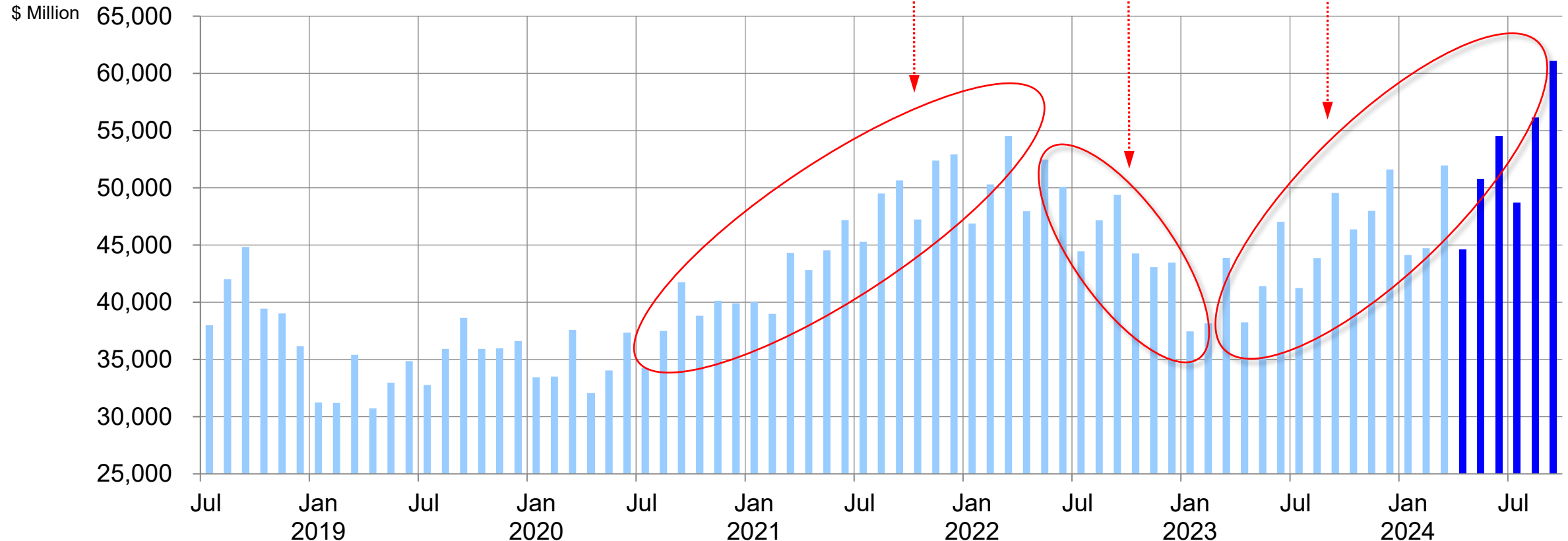
15 Nov 2024

# Market Overview

# World Semiconductor Market: Monthly Trend until Sep 2024

Source: WSTS, Nov 2024

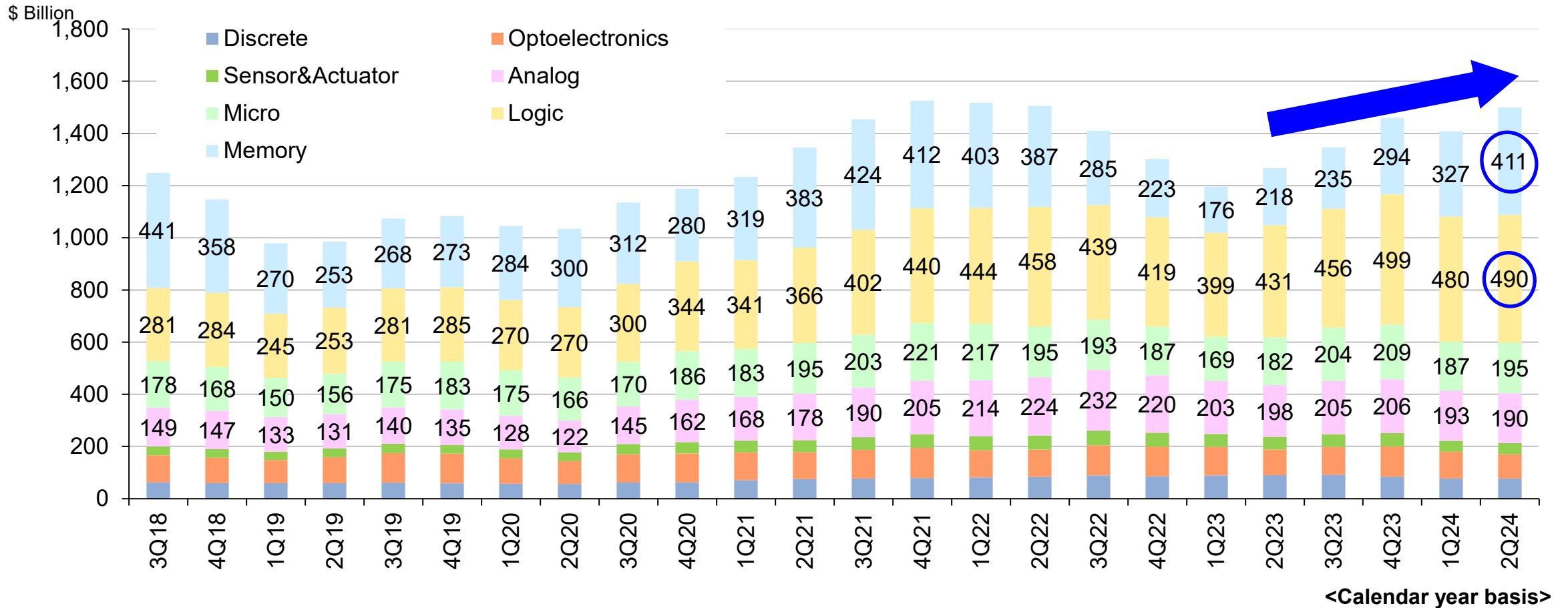
- In 2020, the market dropped from January due to COVID-19, however, started to rebound in August, and the strong demand had been continuing until June 2022.
- Since July 2022, the market had been slowing down due to production and inventory adjustments, and dropped below the August 2020 level in January 2023.
- Subsequently, the market has been recovering on a monetary value basis driven by the growing AI-related demand. However, we need to closely monitor future trends to determine whether the market will achieve a full-fledged recovery on a volume basis as well.



# World Semiconductor Market: Quarterly Trend by Application

Source: WSTS

- Since 2Q23 (CY), the market continuously expanding driven by high-priced AI semiconductors
- 2Q24, Logic: +2% QoQ, +14% YoY Memory: +26% QoQ, +89% YoY



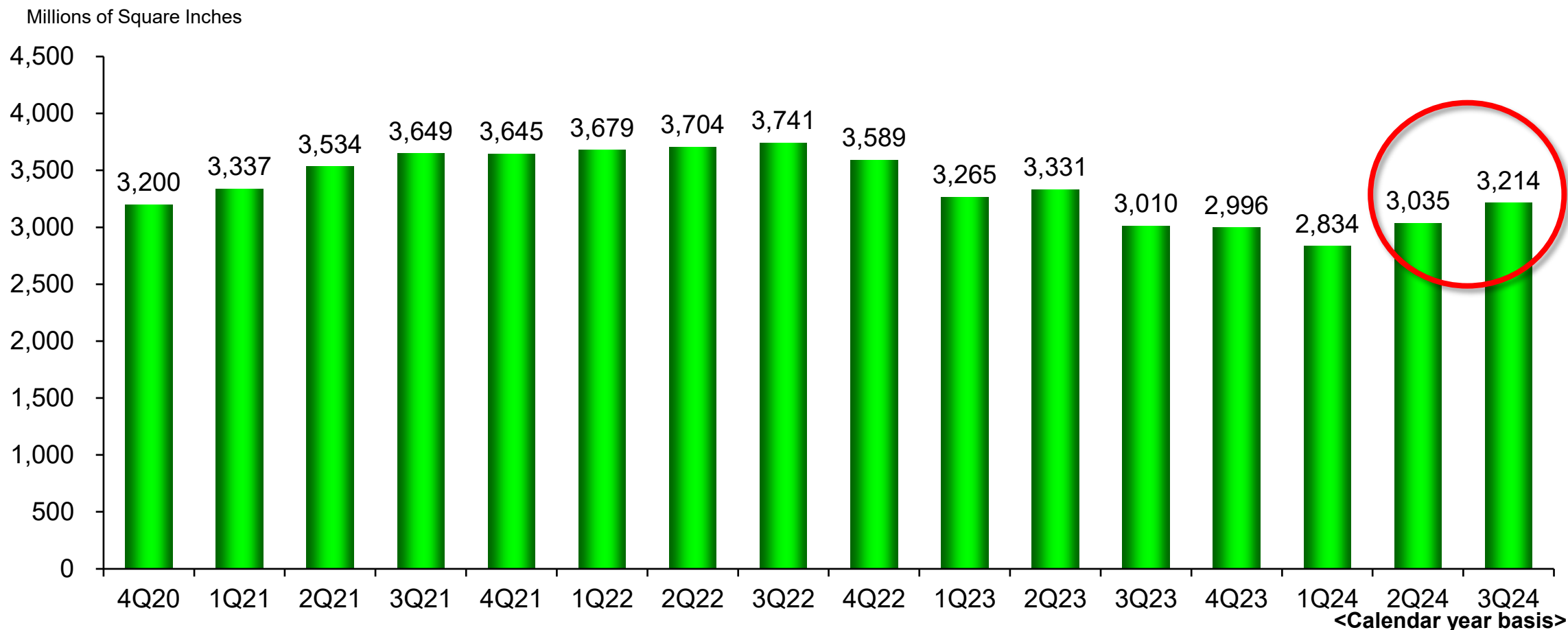
# Worldwide Silicon Wafer Area Shipment: Quarterly Trend

Source: SEMI, October 24, 2024

•2Q24, +7% QoQ

•3Q24, +6% QoQ

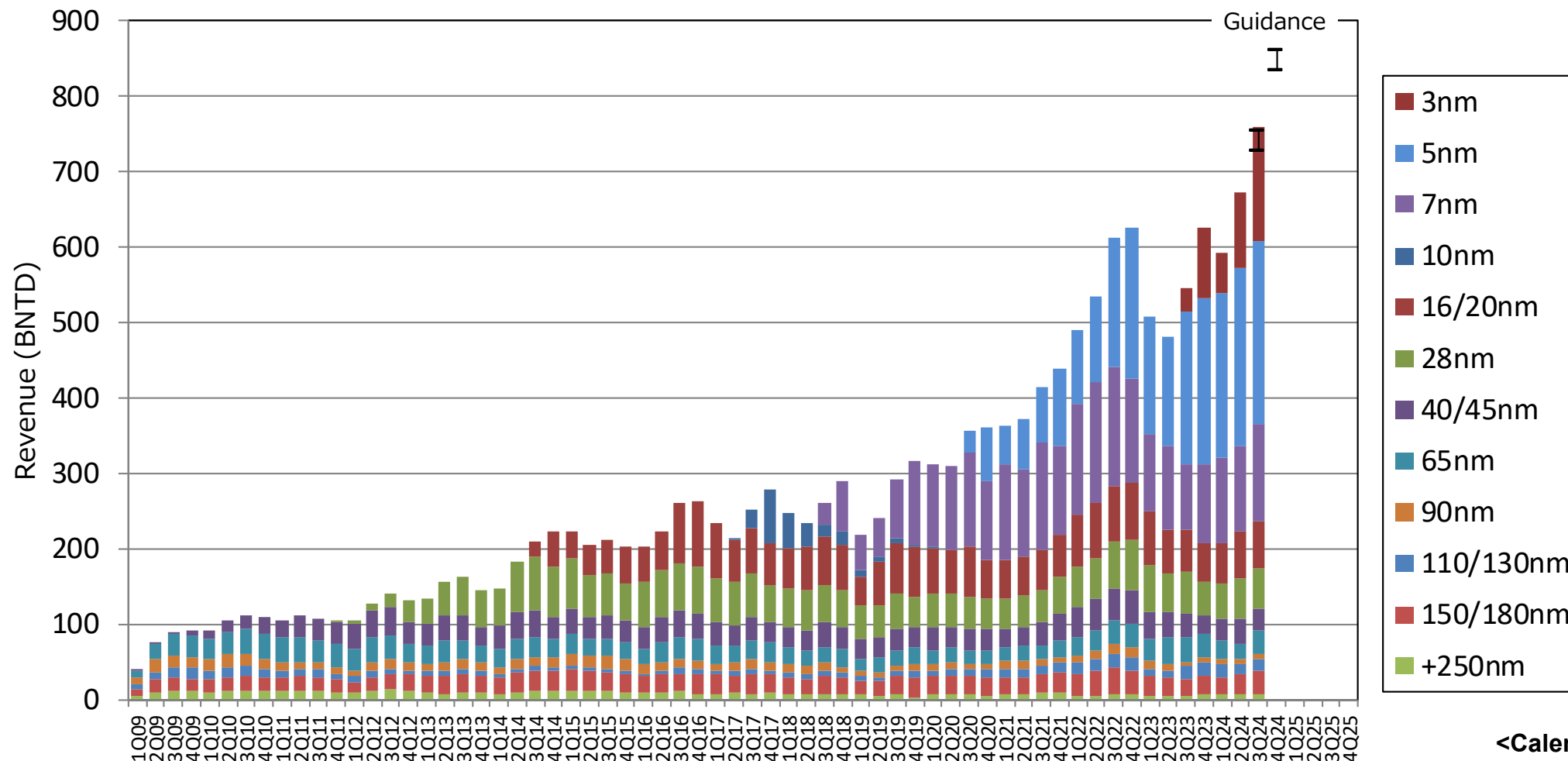
A recovery trend for two consecutive quarters driven by strong demand for data center and AI-related products



# TSMC's Revenue: Quarterly Trend

Source: The graph is created by Fujimi with TSMC's public information.

- 3Q24, +13% QoQ, +36% YoY due to an increase in sales of 3, 5, 7nm products
- 4Q24, guidance +11% ~ +14% QoQ
- FY2024 capital investment plan to be between US\$28 billion and US\$32 billion (US\$30.4 billion for FY2023)

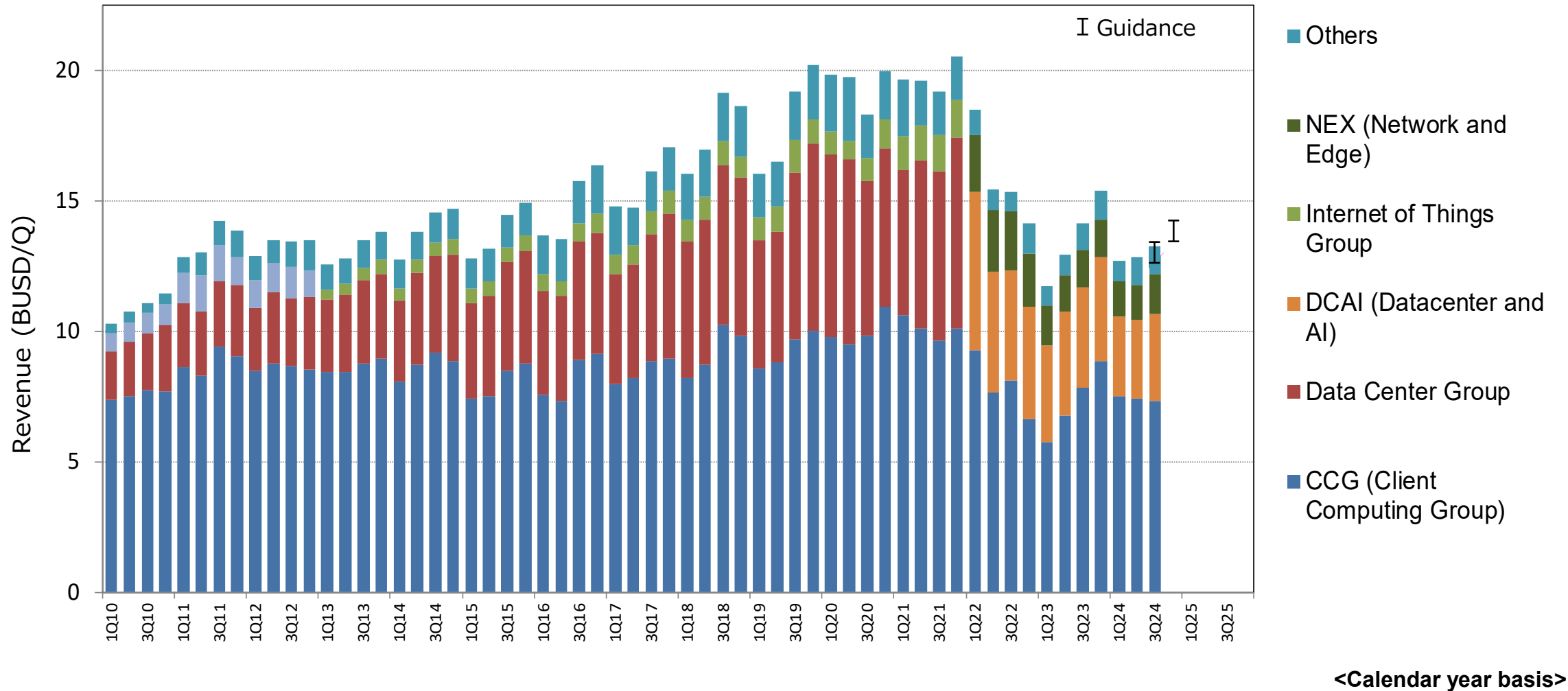


<Calendar year basis>

# Intel's Revenue: Quarterly Trend

Source: The graph is created by Fujimi with Intel's public information.

- 3Q24, +4% QoQ, -6% YoY due to a decline in sales primarily of PC-related products
- 4Q24, guidance 0% ~ +8% QoQ

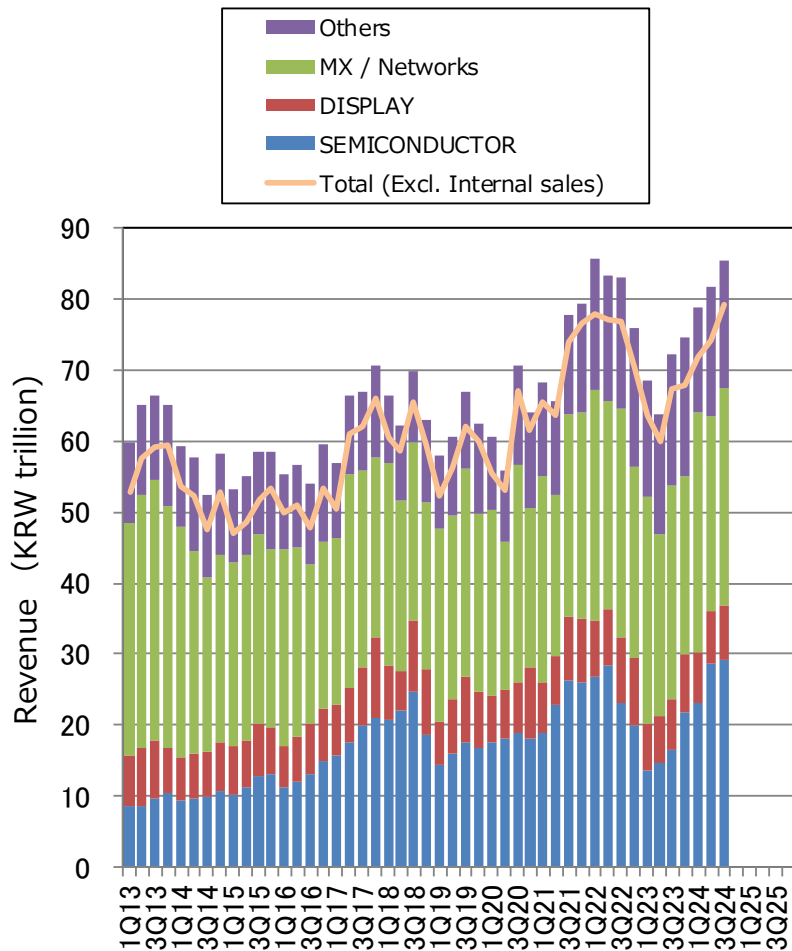


# Samsung's Revenue: Quarterly Trend

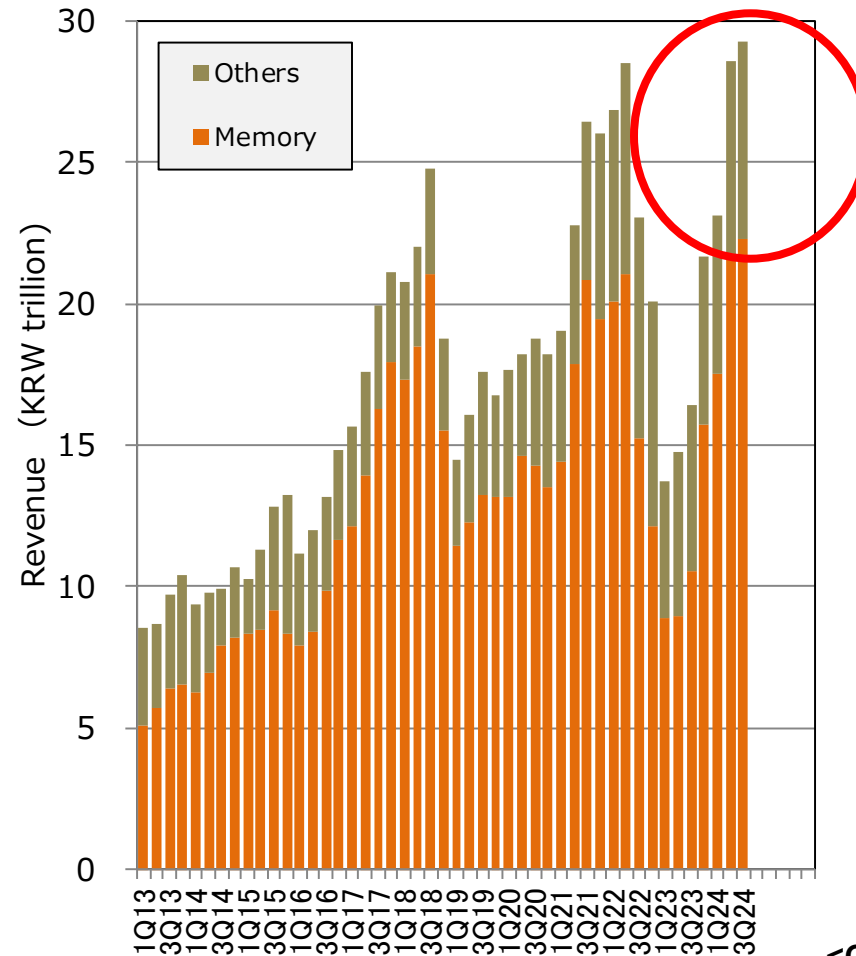
Source: The graphs are created by Fujimi with Samsung's public information.

3Q24 revenue for semiconductor: +3% QoQ, +78% YoY

## <Samsung Total>



## <Semiconductor Division>

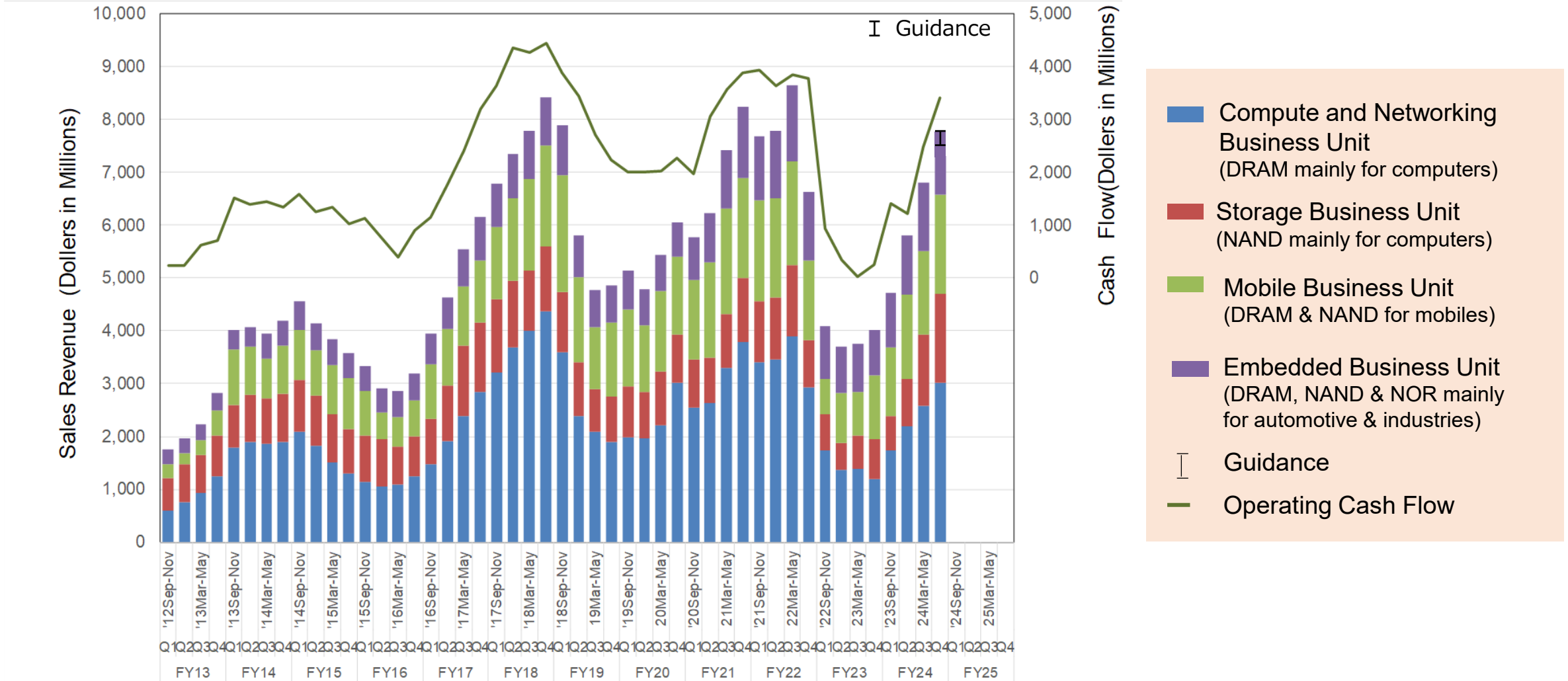


<Calendar year basis>

# Micron Technology's Revenue : Quarterly Trend

Source: The graph is created by Fujimi with Micron Technology's public information.

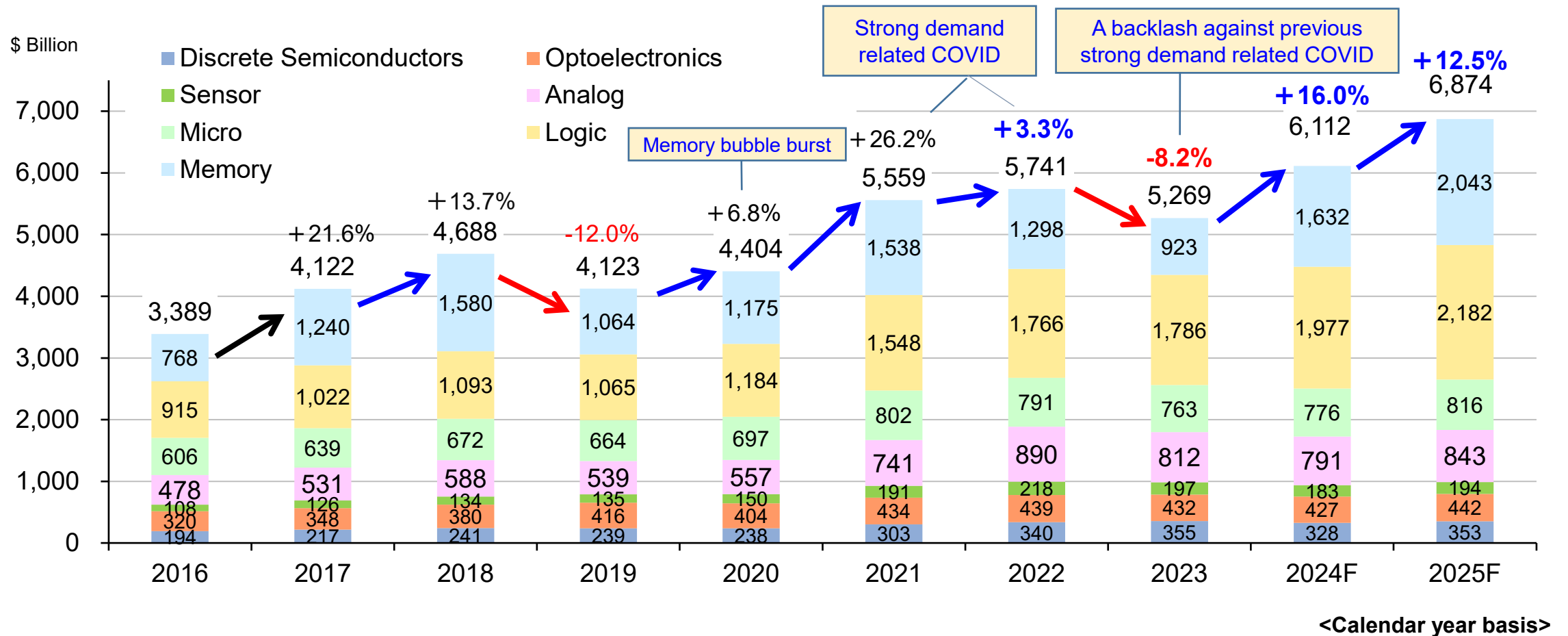
- June - August 2024, +14% QoQ, +93% YoY driven by strong demand for AI boosting sales of DRAM and HBM products for data centers
- September - November 2024, guidance +9% ~ +14% QoQ



# World Semiconductor Market: WSTS Forecast by Application

Source: WSTS, 4 June 2024

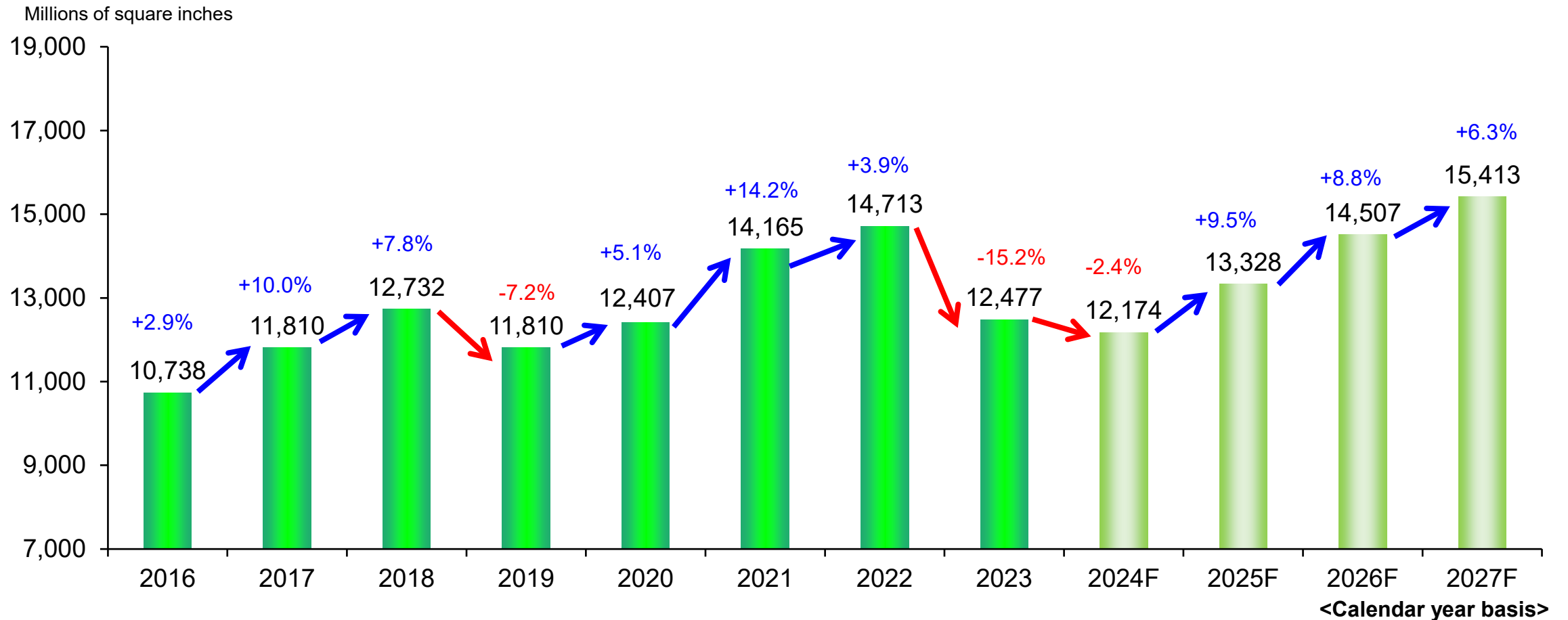
- For 2024, +16.0% growth anticipated driven by active AI-related investments despite sluggish semiconductor demand of non-AI-related sectors
- For 2025, +12.5% growth anticipated driven by AI-related demand as well as growth areas such as environmental initiatives and automation



# Worldwide Silicon Wafer Area Shipment: Annual Trend

Source: SEMI, October 24, 2024

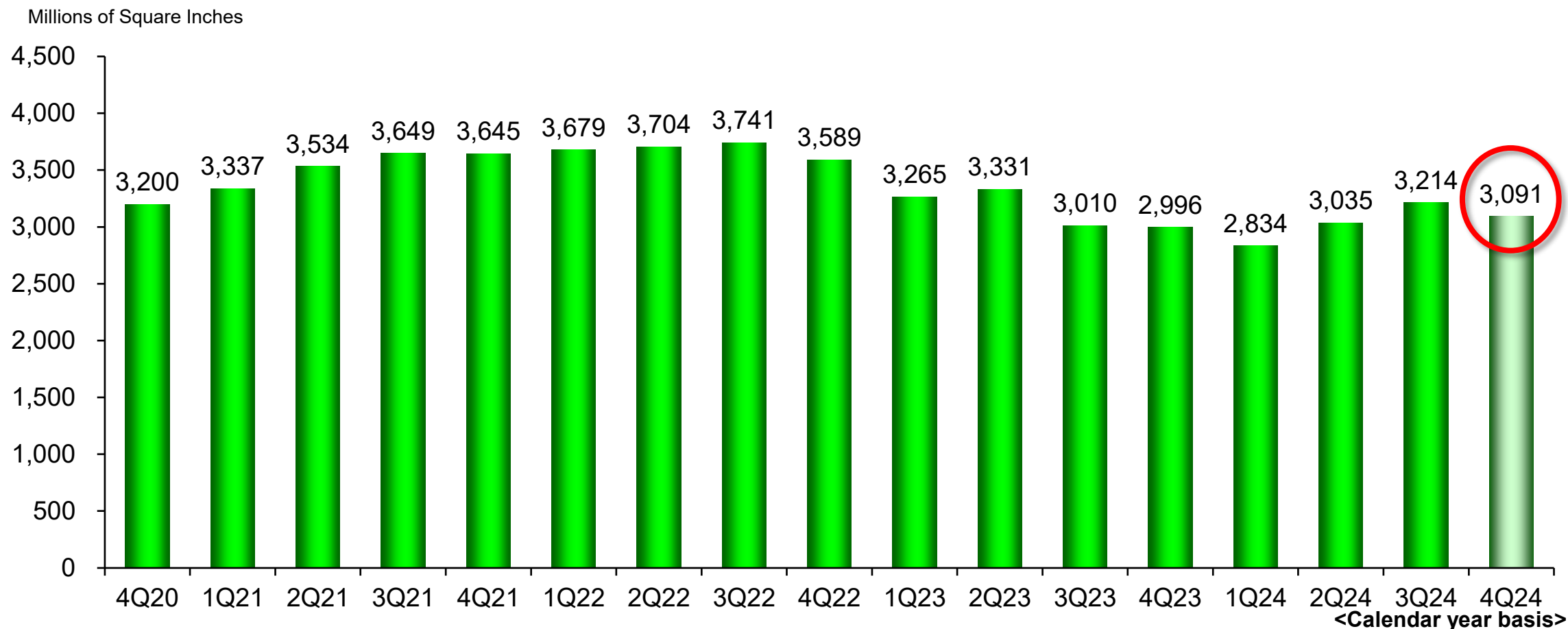
In 2024, demand expected to remain negative with a YoY decline of 2.4%



# Worldwide Silicon Wafer Area Shipment: Quarterly Trend

Source: SEMI, October 24, 2024

4Q24, -4% QoQ (Calculated based on publicly available SEMI's data)



# Financial Overview

# Financial Results: 1H FY2025

Millions of Yen

|                  | FY2024 |        | FY2025  |  |        |                 |                 |   |  |
|------------------|--------|--------|---|--|--------|-----------------|-----------------|---|--|
|                  | 1H     | 2H     | 1H<br>Original<br>Forecast<br>as of May<br>2024 | 1H<br>Revised<br>Forecast<br>as of Sep<br>2024 | 1H     | vs 1H<br>FY2024 | vs 2H<br>FY2024 | vs 1H<br>Original<br>Forecast as<br>of May 2024 | vs 1H<br>Revised<br>Forecast as<br>of Sep 2024 |
| Net Sales        | 25,352 | 26,070 | 27,200  | 30,300   | 30,746 | +21.3%          | +17.9%          | +13.0%  | +1.5%  |
| Operating Income | 3,949  | 4,302  | 4,100   | 5,250  | 5,702  | +44.4%          | +32.5%          | +39.1%  | +8.6%  |
| Margin           | 15.6%  | 16.5%  | 15.1%   | 17.3%  | 18.5%  | -               | -               | -   | -  |
| Ordinary Income  | 4,430  | 4,527  | 4,200   | 5,600  | 5,620  | +26.9%          | +24.1%          | +33.8%  | +0.4%  |
| Margin           | 17.5%  | 17.4%  | 15.4%   | 18.5%  | 18.3%  | -               | -               | -   | -  |
| Net Income       | 3,377  | 3,121  | 3,200   | 4,250  | 4,370  | +29.4%          | +40.0%          | +36.6%  | +2.8%  |
| Margin           | 13.3%  | 12.0%  | 11.8%   | 14.0%  | 14.2%  | -               | -               | -   | -  |

- Higher sales and incomes
  - an increase in sales primarily of the products for semiconductors along with the positive impact of the yen depreciation
- Ordinary income
  - a foreign exchange loss of 322 MJPY (as non-operating expense) incurred as the yen temporarily appreciated toward the end of 1H
- Exchange rate: JPY152/USD (1H24: JPY141/USD)
- EBITDA Margin: 21.6% (1H24: 19.4%)

# Financial Forecast: FY2025

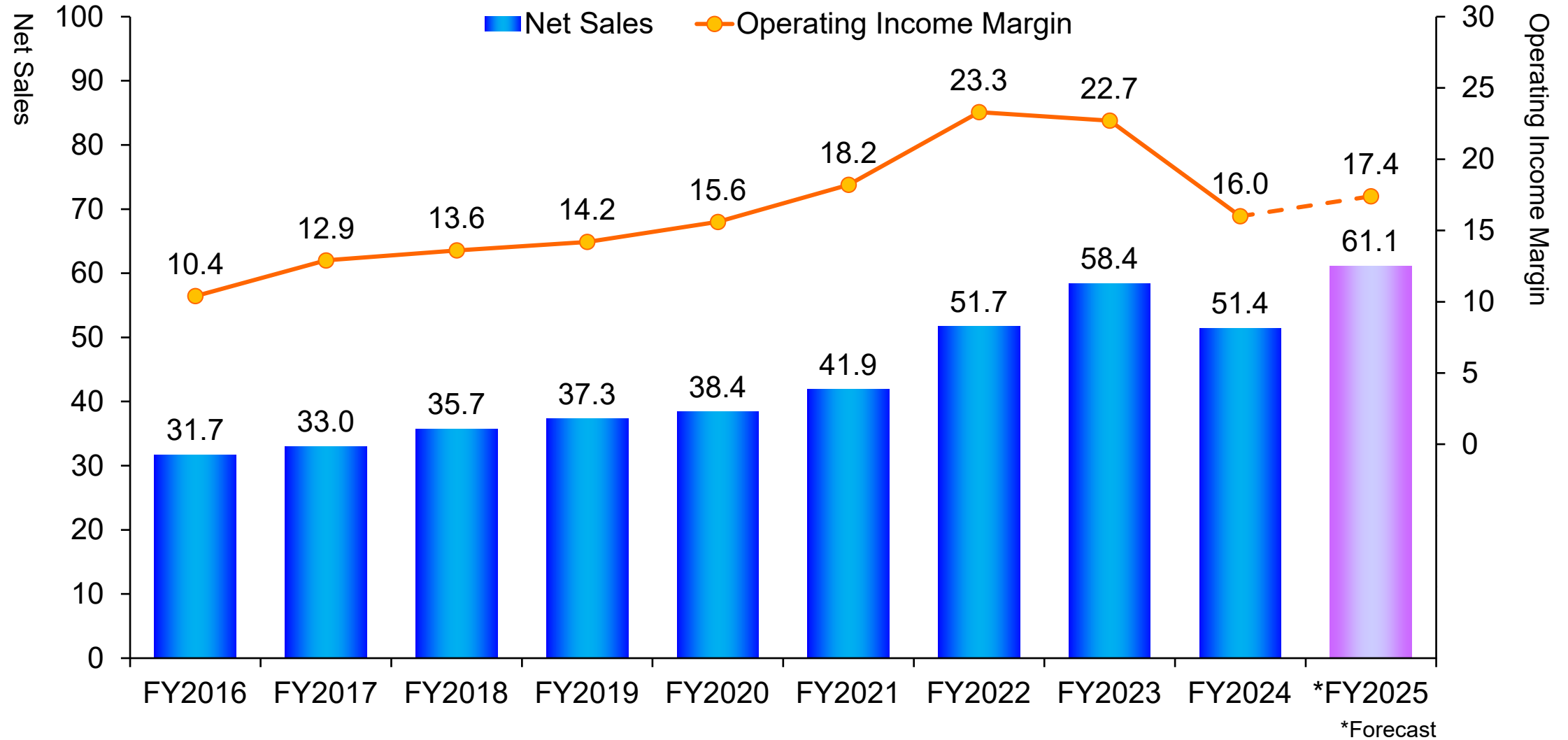
Millions of Yen

|                  | FY2024 | FY2025                              |                                    |           |                            |
|------------------|--------|-------------------------------------|------------------------------------|-----------|----------------------------|
|                  |        | Original Forecast<br>as of May 2024 | Revised Forecast<br>as of Sep 2024 | vs FY2024 | vs<br>Original<br>Forecast |
| Net Sales        | 51,423 | 54,700                              | 61,100                             | +18.8%    | +11.7%                     |
| Operating Income | 8,251  | 8,500                               | 10,650                             | +29.1%    | +25.3%                     |
| Margin           | 16.0%  | 15.5%                               | 17.4%                              | -         | -                          |
| Ordinary Income  | 8,958  | 8,700                               | 11,150                             | +24.5%    | +28.2%                     |
| Margin           | 17.4%  | 15.9%                               | 18.2%                              | -         | -                          |
| Net Income       | 6,499  | 6,500                               | 8,350                              | +28.5%    | +28.5%                     |
| Margin           | 12.6%  | 11.9%                               | 13.7%                              | -         | -                          |

- Forecasting higher sales and incomes
- No further revisions to the revised forecast announced on September 2024 assuming that a full recovery of the semiconductor market will take more time due to patchy market conditions with demand varying depending on applications
- Projected exchange rate for 2H25: JPY145/USD (Actual exchange rate for 2H24: JPY148/USD)  
Projected exchange rate for FY2025: JPY148.5/USD (Actual exchange rate for FY2024: JPY144/USD)
- Projected EBITDA Margin: 20.7% (FY2024: 20.0%)

# Annual Trends in Net Sales and Operating Income Margin

Billions of Yen



# Net Sales Breakdown by Application

# Net Sales Breakdown by Application: 1H FY2025 Results

Millions of Yen

|                             | FY2024 |        | FY2025                              |        |              |              |                         |
|-----------------------------|--------|--------|-------------------------------------|--------|--------------|--------------|-------------------------|
|                             | 1H     | 2H     | 1H Original Forecast as of May 2024 | 1H     | vs 1H FY2024 | vs 2H FY2024 | vs 1H Original Forecast |
| Silicon                     | 8,404  | 7,165  | 8,300                               | 9,996  | +18.9%       | +39.5%       | +20.4%                  |
| - Lapping                   | 2,818  | 2,655  | 2,800                               | 3,791  | +34.5%       | +42.8%       | +35.4%                  |
| - Polishing                 | 5,487  | 4,422  | 5,450                               | 6,123  | +11.6%       | +38.5%       | +12.4%                  |
| - Cutting                   | 98     | 88     | 50                                  | 81     | (17.6%)      | (8.0%)       | +62.5%                  |
| CMP                         | 12,962 | 14,439 | 14,450                              | 15,033 | +16.0%       | +4.1%        | +4.0%                   |
| Hard Disk                   | 470    | 913    | 750                                 | 1,290  | +174.2%      | +41.3%       | +72.1%                  |
| - for Aluminum Disk         | 467    | 912    | 750                                 | 1,286  | +175.5%      | +41.1%       | +71.6%                  |
| - for Glass Disk            | 3      | 1      | 0                                   | 3      | +5.2%        | +248.1%      | -                       |
| SM / TS*                    | 3,480  | 3,478  | 3,650                               | 4,348  | +24.9%       | +25.0%       | +19.1%                  |
| - GI*; Abrasive             | 2,229  | 2,249  | 2,350                               | 2,639  | +18.4%       | +17.3%       | +12.3%                  |
| - GI ; Non-Abrasive         | 1,251  | 1,228  | 1,300                               | 1,708  | +36.6%       | +39.0%       | +31.4%                  |
| Fujimi Brand Products Total | 25,318 | 25,996 | 27,150                              | 30,668 | +21.1%       | +18.0%       | +13.0%                  |
| Others                      | 34     | 73     | 50                                  | 78     | +124.8%      | +6.3%        | +56.0%                  |
| Net Sales                   | 25,352 | 26,070 | 27,200                              | 30,746 | +21.3%       | +17.9%       | +13.0%                  |

\*SM / TS : Specialty Materials / Thermal Spray \*GI : General Industry

# Net Sales Breakdown by Application: FY2025 Forecast

|                             | Millions of Yen |        |                                  |                                 |           |                      |
|-----------------------------|-----------------|--------|----------------------------------|---------------------------------|-----------|----------------------|
|                             | FY2023          | FY2024 | FY2025                           |                                 |           | vs Original Forecast |
|                             |                 |        | Original Forecast as of May 2024 | Revised Forecast as of Nov 2024 | vs FY2024 |                      |
| Silicon                     | 20,904          | 15,570 | 16,700                           | 19,800                          | +27.2%    | +18.6%               |
| - Lapping                   | 7,054           | 5,474  | 5,650                            | 7,500                           | +37.0%    | +32.7%               |
| - Polishing                 | 13,610          | 9,909  | 10,950                           | 12,150                          | +22.6%    | +11.0%               |
| - Cutting                   | 239             | 186    | 100                              | 150                             | (19.7%)   | +50.0%               |
| CMP                         | 28,668          | 27,401 | 28,900                           | 29,900                          | +9.1%     | +3.5%                |
| Hard Disk                   | 1,506           | 1,383  | 1,500                            | 2,600                           | +87.9%    | +73.3%               |
| - for Aluminum Disk         | 1,468           | 1,379  | 1,500                            | 2,590                           | +87.8%    | +72.7%               |
| - for Glass Disk            | 37              | 4      | 0                                | 10                              | +111.8%   | -                    |
| SM / TS*                    | 7,211           | 6,959  | 7,500                            | 8,700                           | +25.0%    | +16.0%               |
| - GI*; Abrasive             | 4,610           | 4,479  | 4,900                            | 5,300                           | +18.3%    | +8.2%                |
| - GI ; Non-Abrasive         | 2,601           | 2,480  | 2,600                            | 3,400                           | +37.1%    | +30.8%               |
| Fujimi Brand Products Total | 58,290          | 51,314 | 54,600                           | 61,000                          | +18.9%    | +11.7%               |
| Others                      | 103             | 108    | 100                              | 100                             | (7.5%)    | +0.0%                |
| Net Sales                   | 58,394          | 51,423 | 54,700                           | 61,100                          | +18.8%    | +11.7%               |

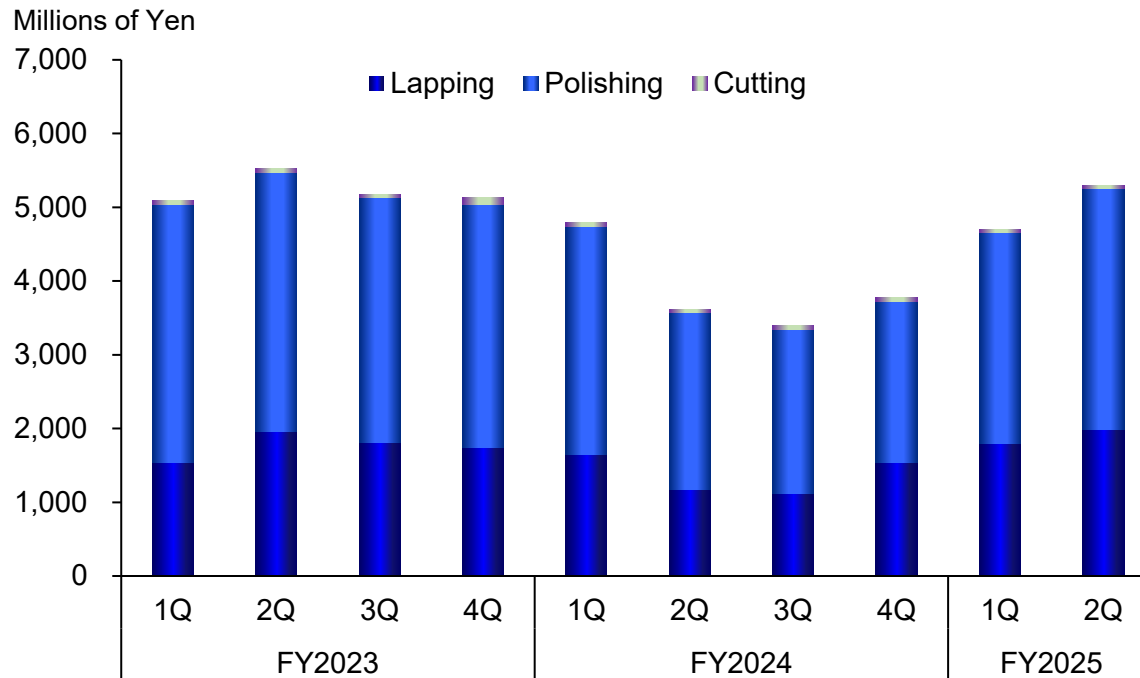
\*SM / TS : Specialty Materials / Thermal Spray \*GI : General Industry

# Silicon Wafer Business: Financial Results

<Half-year>

Millions of Yen

|             | FY2024 |       | FY2025                              |       |              |              |                         |
|-------------|--------|-------|-------------------------------------|-------|--------------|--------------|-------------------------|
|             | 1H     | 2H    | 1H Original Forecast as of May 2024 | 1H    | vs 1H FY2024 | vs 2H FY2024 | vs 1H Original Forecast |
| Silicon     | 8,404  | 7,165 | 8,300                               | 9,996 | +18.9%       | +39.5%       | +20.4%                  |
| - Lapping   | 2,818  | 2,655 | 2,800                               | 3,791 | +34.5%       | +42.8%       | +35.4%                  |
| - Polishing | 5,487  | 4,422 | 5,450                               | 6,123 | +11.6%       | +38.5%       | +12.4%                  |
| - Cutting   | 98     | 88    | 50                                  | 81    | (17.6%)      | (8.0%)       | +62.5%                  |



### Business environment:

- Silicon wafer shipments (area-based) had been decreasing since the October-December quarter of 2022, however reversed to an increase in the April-June quarter of 2024.
- The customers' manufacturing capacity utilization showed a recovery trend in the July-September quarter of 2024.

### Factors behind increase (Lapping & Polishing):

- The demand showed an increasing trend in 1H under the aforementioned business conditions.
- The hike in raw material prices was passed on to the prices of the lapping products.

# Silicon Wafer Business: Financial Forecast

Assuming that a full recovery in silicon wafer production will take time, 2H is expected to show a slight decrease HoH, however a significant increase in revenue is anticipated for FY2025 YoY.

<Half-year>

Millions of Yen

|             | FY2024 |       | FY2025 |  |                                       |                 |                 |                               |
|-------------|--------|-------|--------|--|---------------------------------------|-----------------|-----------------|-------------------------------|
|             | 1H     | 2H    | 1H     | 2H Original Forecast<br>as of May 2024 | 2H Revised Forecast<br>as of Nov 2024 | vs 2H<br>FY2024 | vs 1H<br>FY2025 | vs 2H<br>Original<br>Forecast |
| Silicon     | 8,404  | 7,165 | 9,996  | 8,400                                  | 9,804                                 | +36.8%          | (1.9%)          | +16.7%                        |
| - Lapping   | 2,818  | 2,655 | 3,791  | 2,850                                  | 3,709                                 | +39.7%          | (2.2%)          | +30.1%                        |
| - Polishing | 5,487  | 4,422 | 6,123  | 5,500                                  | 6,026                                 | +36.3%          | (1.6%)          | +9.6%                         |
| - Cutting   | 98     | 88    | 81     | 50                                     | 69                                    | (21.9%)         | (15.1%)         | +38.0%                        |

<Full-year>

Millions of Yen

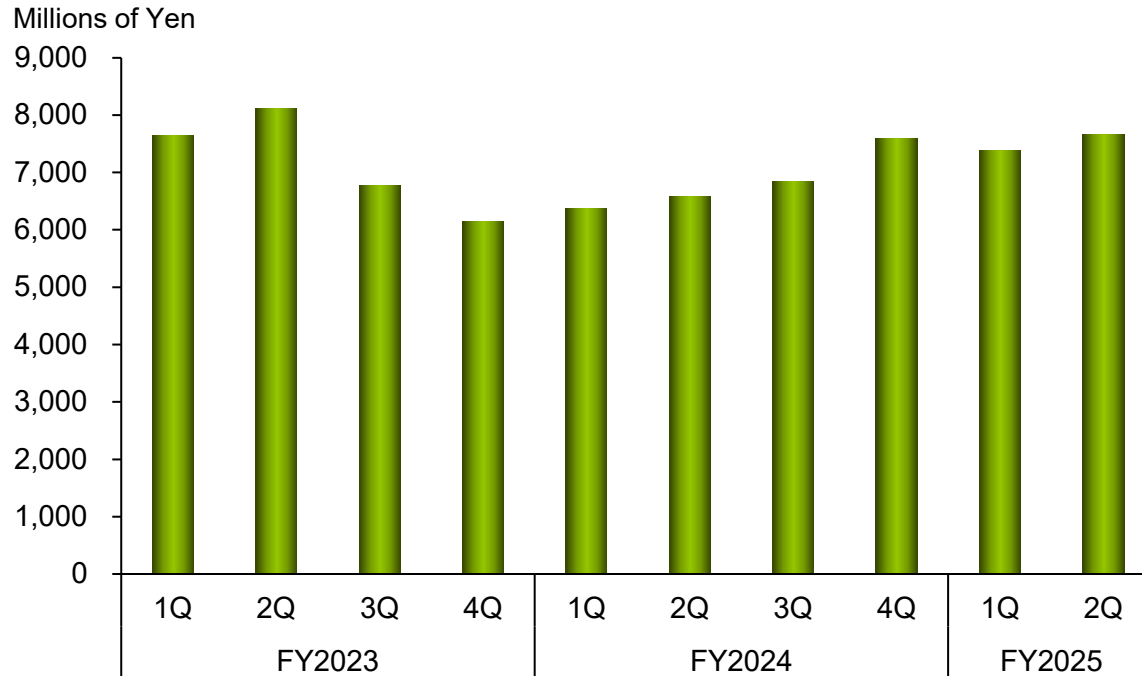
|             | FY2023 | FY2024 | FY2025                              |                                    |           |                         |
|-------------|--------|--------|-------------------------------------|------------------------------------|-----------|-------------------------|
|             |        |        | Original Forecast<br>as of May 2024 | Revised Forecast<br>as of Nov 2024 | vs FY2024 | vs Original<br>Forecast |
| Silicon     | 20,904 | 15,570 | 16,700                              | 19,800                             | +27.2%    | +18.6%                  |
| - Lapping   | 7,054  | 5,474  | 5,650                               | 7,500                              | +37.0%    | +32.7%                  |
| - Polishing | 13,610 | 9,909  | 10,950                              | 12,150                             | +22.6%    | +11.0%                  |
| - Cutting   | 239    | 186    | 100                                 | 150                                | (19.7%)   | +50.0%                  |

# CMP Business: Financial Results

<Half-year>

Millions of Yen

|     | FY2024 |        | FY2025                              |        |              |              |                         |
|-----|--------|--------|-------------------------------------|--------|--------------|--------------|-------------------------|
|     | 1H     | 2H     | 1H Original Forecast as of May 2024 | 1H     | vs 1H FY2024 | vs 2H FY2024 | vs 1H Original Forecast |
| CMP | 12,962 | 14,439 | 14,450                              | 15,033 | +16.0%       | +4.1%        | +4.0%                   |



**Business environment:**

- Demand for advanced semiconductor devices for AI remains strong.
- On the other hand, demand for PCs and smartphones remains weak, and the market demand was patchy as a whole.

**Factors behind increase:**

- The sales of the products for advanced logic devices and memories for AI increased.

# CMP Business: Financial Forecast

Assuming that a full recovery in semiconductor production will take time, revenue for 2H is expected to be almost flat with 1H while a YoY increase is anticipated.

<Half-year>

Millions of Yen

|     | FY2024 |        | FY2025 |  |                                       |                 |                 |                               |
|-----|--------|--------|--------|--|---------------------------------------|-----------------|-----------------|-------------------------------|
|     | 1H     | 2H     | 1H     | 2H Original Forecast<br>as of May 2024 | 2H Revised Forecast<br>as of Nov 2024 | vs 2H<br>FY2024 | vs 1H<br>FY2025 | vs 2H<br>Original<br>Forecast |
| CMP | 12,962 | 14,439 | 15,033 | 14,450                                 | 14,867                                | +3.0%           | (1.1%)          | +2.9%                         |

<Full-year>

Millions of Yen

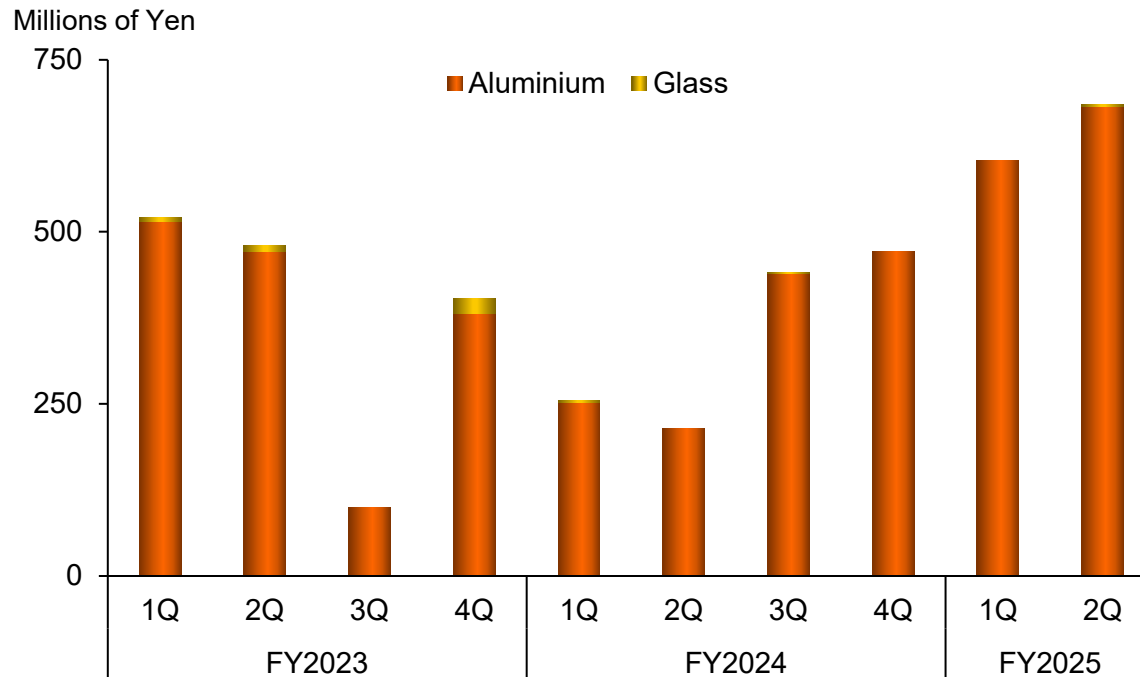
|     | FY2023 | FY2024 | FY2025                              |                                    |           |                         |
|-----|--------|--------|-------------------------------------|------------------------------------|-----------|-------------------------|
|     |        |        | Original Forecast<br>as of May 2024 | Revised Forecast<br>as of Nov 2024 | vs FY2024 | vs Original<br>Forecast |
| CMP | 28,668 | 27,401 | 28,900                              | 29,900                             | +9.1%     | +3.5%                   |

# Disk Business: Financial Results

<Half-year>

Millions of Yen

|                     | FY2024 |     | FY2025                              |       |              |              |                         |
|---------------------|--------|-----|-------------------------------------|-------|--------------|--------------|-------------------------|
|                     | 1H     | 2H  | 1H Original Forecast as of May 2024 | 1H    | vs 1H FY2024 | vs 2H FY2024 | vs 1H Original Forecast |
| Hard Disk           | 470    | 913 | 750                                 | 1,290 | +174.2%      | +41.3%       | +72.1%                  |
| - for Aluminum Disk | 467    | 912 | 750                                 | 1,286 | +175.5%      | +41.1%       | +71.6%                  |
| - for Glass Disk    | 3      | 1   | 0                                   | 3     | +5.2%        | +248.1%      | -                       |



## Business environment:

-Demand for HDDs for data centers is increasing.

## Factor behind increase (Aluminum Disk):

-The demand increased under the aforementioned business condition.

# Disk Business: Financial Forecast

Assuming that demand for HDDs for data centers remains at a high level, a significant increase in revenue is expected for FY2025 compared to FY2024.

## <Half-year>

Millions of Yen

|                     | FY2024 |     | FY2025 |  |                                       |                 |                 |                               |
|---------------------|--------|-----|--------|--|---------------------------------------|-----------------|-----------------|-------------------------------|
|                     | 1H     | 2H  | 1H     | 2H Original Forecast<br>as of May 2024 | 2H Revised Forecast<br>as of Nov 2024 | vs 2H<br>FY2024 | vs 1H<br>FY2025 | vs 2H<br>Original<br>Forecast |
| Hard Disk           | 470    | 913 | 1,290  | 750                                    | 1,310                                 | +43.5%          | +1.5%           | +74.7%                        |
| - for Aluminum Disk | 467    | 912 | 1,286  | 750                                    | 1,303                                 | +42.9%          | +1.3%           | +73.7%                        |
| - for Glass Disk    | 3      | 1   | 3      | 0                                      | 7                                     | +538.6%         | +83.5%          | -                             |

## <Full-year>

Millions of Yen

|                     | FY2023 | FY2024 | FY2025                              |                                    |           |                         |
|---------------------|--------|--------|-------------------------------------|------------------------------------|-----------|-------------------------|
|                     |        |        | Original Forecast<br>as of May 2024 | Revised Forecast<br>as of Nov 2024 | vs FY2024 | vs Original<br>Forecast |
| Hard Disk           | 1,506  | 1,383  | 1,500                               | 2,600                              | +87.9%    | +73.3%                  |
| - for Aluminum Disk | 1,468  | 1,379  | 1,500                               | 2,590                              | +87.8%    | +72.7%                  |
| - for Glass Disk    | 37     | 4      | 0                                   | 10                                 | +111.8%   | -                       |

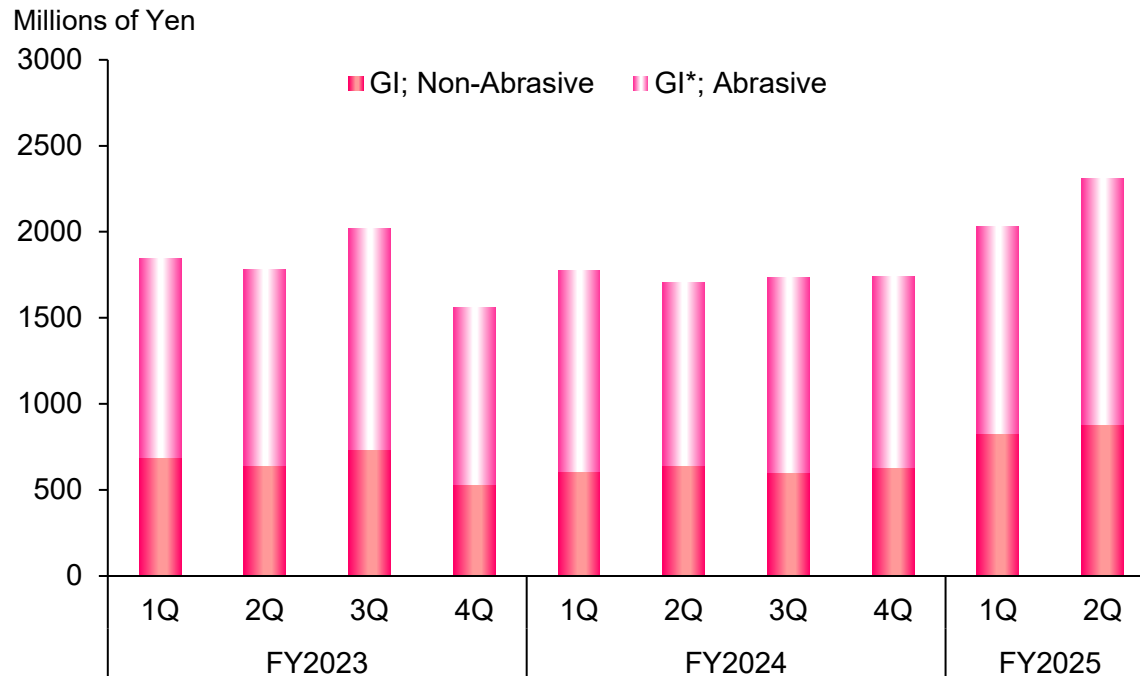
# General Industry Business: Financial Results

<Half-year>

Millions of Yen

|                    | FY2024 |       | FY2025                              |       |              |              |                         |
|--------------------|--------|-------|-------------------------------------|-------|--------------|--------------|-------------------------|
|                    | 1H     | 2H    | 1H Original Forecast as of May 2024 | 1H    | vs 1H FY2024 | vs 2H FY2024 | vs 1H Original Forecast |
| SM / TS*           | 3,480  | 3,478 | 3,650                               | 4,348 | +24.9%       | +25.0%       | +19.1%                  |
| - GI*; Abrasive    | 2,229  | 2,249 | 2,350                               | 2,639 | +18.4%       | +17.3%       | +12.3%                  |
| - GI; Non-Abrasive | 1,251  | 1,228 | 1,300                               | 1,708 | +36.6%       | +39.0%       | +31.4%                  |

\*SM / TS: Specialty Materials / Thermal Spray \*GI: General Industry



### Business environment:

- Demand has remained steady across various applications.
- Capital investments in semiconductor manufacturing equipment are progressing steadily.

### Factor behind increase (Abrasive and Non-Abrasive):

- The demand increased under the aforementioned business conditions.

# General Industry Business: Financial Forecast

Assuming that demand remains at a high level across various applications, revenue for 2H is expected to be flat compared to 1H with an increase anticipated for FY2025.

## <Half-year>

Millions of Yen

|                    | FY2024 |       | FY2025 |  |                                       |                 |                 |                               |
|--------------------|--------|-------|--------|--|---------------------------------------|-----------------|-----------------|-------------------------------|
|                    | 1H     | 2H    | 1H     | 2H Original Forecast<br>as of May 2024 | 2H Revised Forecast<br>as of Nov 2024 | vs 2H<br>FY2024 | vs 1H<br>FY2025 | vs 2H<br>Original<br>Forecast |
| SM / TS*           | 3,480  | 3,478 | 4,348  | 3,850                                  | 4,353                                 | +25.1%          | +0.1%           | +13.1%                        |
| - GI*; Abrasive    | 2,229  | 2,249 | 2,639  | 2,550                                  | 2,661                                 | +18.3%          | +0.8%           | +4.4%                         |
| - GI; Non-Abrasive | 1,251  | 1,228 | 1,708  | 1,300                                  | 1,692                                 | +37.7%          | (1.0%)          | +30.2%                        |

\*SM / TS: Specialty Materials / Thermal Spray \*GI: General Industry

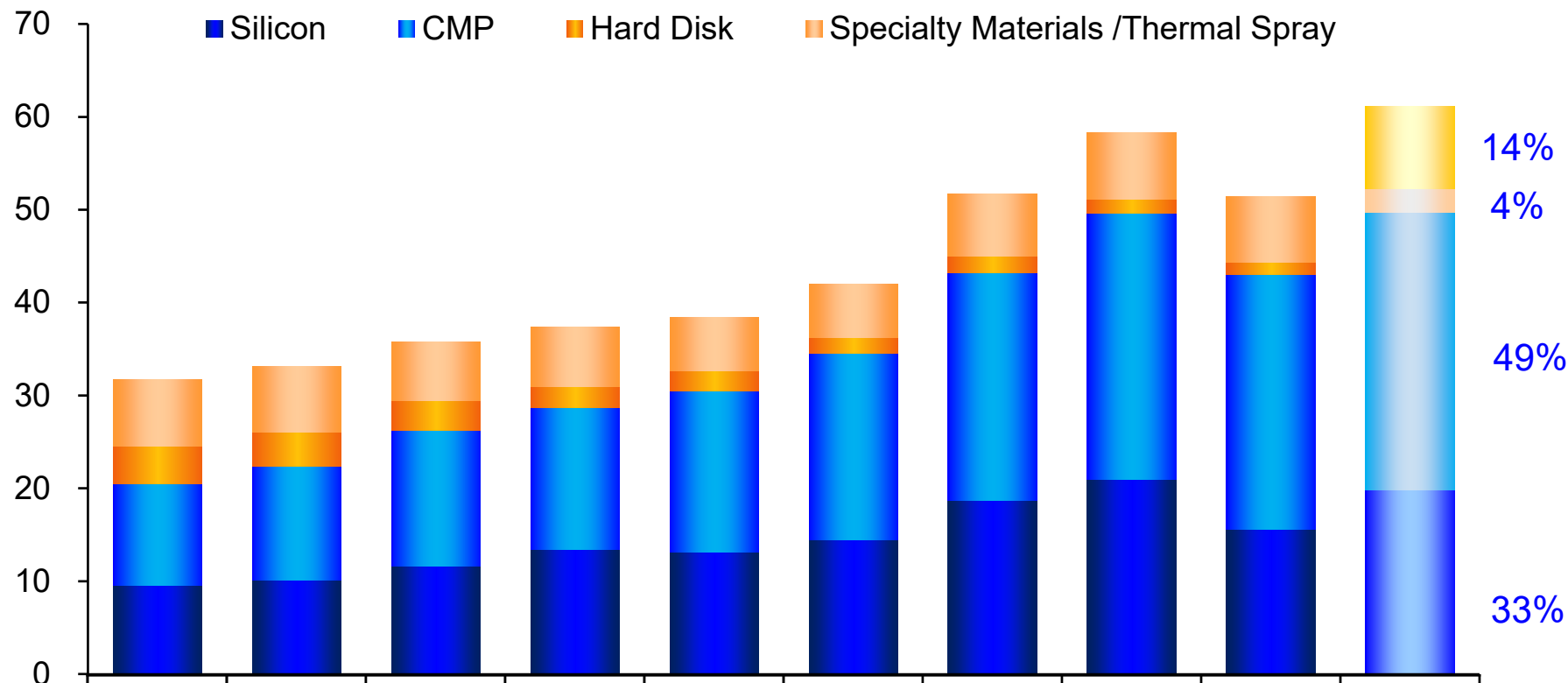
## <Full-year>

Millions of Yen

|                    | FY2023 | FY2024 | FY2025                              |                                    |           |                         |
|--------------------|--------|--------|-------------------------------------|------------------------------------|-----------|-------------------------|
|                    |        |        | Original Forecast<br>as of May 2024 | Revised Forecast<br>as of Nov 2024 | vs FY2024 | vs Original<br>Forecast |
| SM / TS*           | 7,211  | 6,959  | 7,500                               | 8,700                              | +25.0%    | +16.0%                  |
| - GI*; Abrasive    | 4,610  | 4,479  | 4,900                               | 5,300                              | +18.3%    | +8.2%                   |
| - GI; Non-Abrasive | 2,601  | 2,480  | 2,600                               | 3,400                              | +37.1%    | +30.8%                  |

# Net Sales Breakdown by Application

Billions of Yen



|                                   | FY16        | FY17        | FY18        | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | *FY25       |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Specialty Materials/Thermal Spray | 7.2         | 7.0         | 6.3         | 6.4         | 5.7         | 5.7         | 6.7         | 7.3         | 7.0         | 8.8         |
| Hard Disk                         | 4.0         | 3.6         | 3.2         | 2.2         | 2.1         | 1.7         | 1.7         | 1.5         | 1.4         | 2.6         |
| CMP                               | 10.9        | 12.2        | 14.6        | 15.3        | 17.3        | 20.0        | 24.6        | 28.6        | 27.4        | 29.9        |
| Silicon                           | 9.4         | 10.0        | 11.5        | 13.3        | 13.1        | 14.4        | 18.7        | 20.9        | 15.6        | 19.8        |
| <b>Total</b>                      | <b>31.7</b> | <b>33.0</b> | <b>35.7</b> | <b>37.3</b> | <b>38.4</b> | <b>41.9</b> | <b>51.7</b> | <b>58.3</b> | <b>51.4</b> | <b>61.1</b> |

\*Forecast

# **Capital Expenditure**

## **Depreciation**

### **R&D Expense**

# Medium Term Capital Investment Expenditure Plan

Excerpt from the June 10, 2022 earnings presentation

- Capital investment plans for production in order to accommodate vigorous demand for semiconductors
- Capital investment plans for R&D and Quality Assurance in order to meet the increasing level of customers' requirements for future generation products

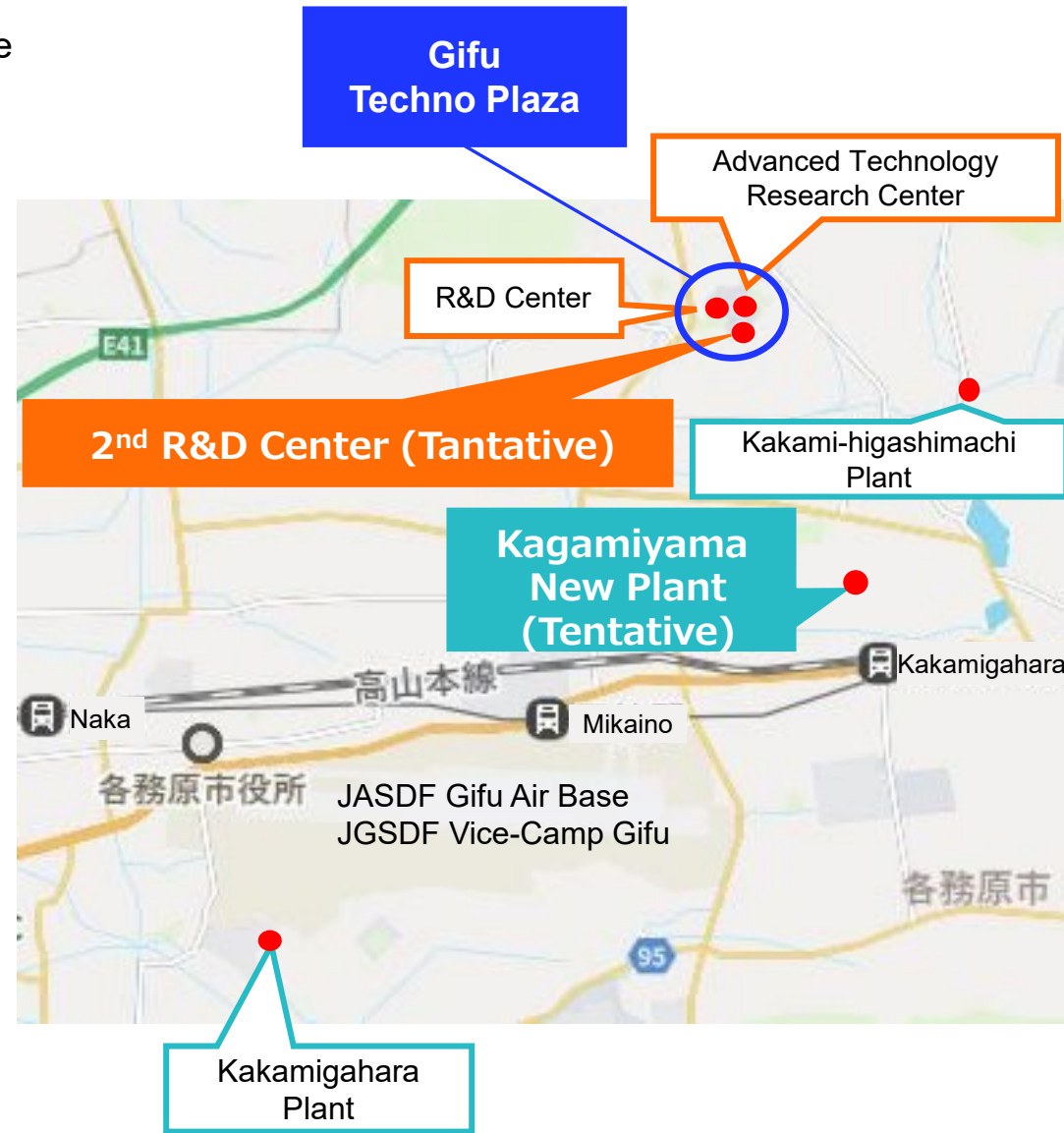
Kagamiyama New Plant (tentative name) (Area : 28K m<sup>2</sup>)  
Land acquisition contract was signed in December 2021.  
- To expand manufacturing capacities of products for silicon wafers and CMP products

FUJIMI CORPORATION (USA)  
Planning to build a new building inside its existing land  
- To expand the production area for CMP products

FUJIMI TAIWAN  
With the expansion of the building already completed, installing production facilities progressively in the extended building to expand the manufacturing capacity for CMP products

- Capital investment plans for R&D and New Business in medium term

2<sup>nd</sup> R&D Center (tentative name) (Area : 16K m<sup>2</sup>)  
Land was acquired near the existing R&D center in Gifu Techno Plaza.  
- To expand R&D facilities for non-semiconductor related businesses



# Updates on the Plan

- Capital investment plans for production in order to accommodate vigorous demand for semiconductors
- Capital investment plans for R&D and Quality Assurance in order to meet the increasing level of customers' requirements for future generation products

| Overview of Plan  | Current Status (Schedule)   | Future Plan  |
|---|---|--|
| <p><b>Kagamiyama New Plant</b> ( Area : 28K m<sup>2</sup> )<br/>Land acquisition contract was signed in December 2021.<br/>- To expand manufacturing capacities of products for silicon wafers and CMP products</p> | <p>October 2024: Start of construction<br/>By the end of 2025: Completion of construction<br/>In 2026: Shipment of samples<br/>In 2027: Full-scale production</p>   | <p>[Phase 2] Expanding the production line within the new factory at an appropriate timing by monitoring the customers' demands<br/><br/>[Phase 3] The 34,000-square-meter industrial land adjacent to the new factory already acquired in the first half of this fiscal year in anticipation of demand after 2030</p> |
| <p><b>FUJIMI CORPORATION (US)</b><br/>Planning to build a new building inside its existing land<br/>- To expand the production area for CMP and SiC products</p>  | <p>Switching the plan from constructing a new building to enhancing the production line within the available space in the existing facility in response to concerns about a possible extended construction period<br/><br/>By the end of 2025: Completion of equipment installation</p> | <p>In anticipation of demand after 2030, a new factory building to be constructed on-site (or on newly acquired land)</p>  |
| <p><b>FUJIMI TAIWAN</b><br/>With the expansion of the building already completed, installing production facilities progressively in the extended building to expand the manufacturing capacity for CMP products</p> | <p>By the end of 2025: Completion of production facilities installation<br/>In 2026: Launch of production</p>   | <p>In anticipation of demand after 2030, initiating evaluation of new factory site options in the second half of this fiscal year</p>  |

- Capital investment plans for R&D and New Business in medium term

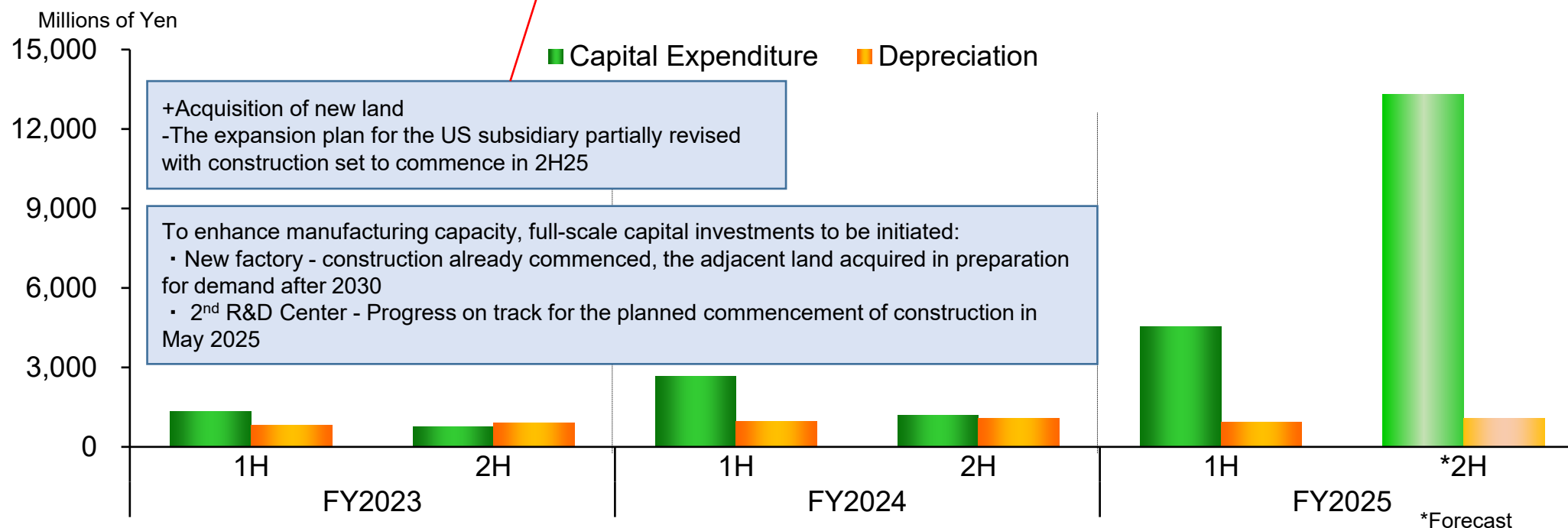
|  |   |
|--|---|
| <p><b>2<sup>nd</sup> R&amp;D Center</b> (tentative name) ( Area : 16K m<sup>2</sup> )<br/>Land was acquired near the existing R&amp;D center in Gifu Techno Plaza.<br/>- To expand R&amp;D facilities for non-semiconductor related businesses</p> | <p>(Current status)<br/>Progress on track for the planned start of construction in May 2025 (under detailed engineering design)</p> |
|--|---|

# Capital Expenditure / Depreciation: 1H Results & 2H Forecast

Millions of Yen

|  | FY2024 |       | FY2025                     |       |                    |                    |                            |                            |                           |                    |                    |                            |
|--|--------|-------|----------------------------|-------|--------------------|--------------------|----------------------------|----------------------------|---------------------------|--------------------|--------------------|----------------------------|
|  | 1H     | 2H    | 1H<br>Original<br>Forecast | 1H    | vs<br>1H<br>FY2024 | vs<br>2H<br>FY2024 | vs<br>Original<br>Forecast | 2H<br>Original<br>Forecast | 2H<br>Revised<br>Forecast | vs<br>2H<br>FY2024 | vs<br>1H<br>FY2025 | vs<br>Original<br>Forecast |
| Capital Expenditure<br><small>(on a payment basis)</small> | 2,656  | 1,182 | 3,000                      | 4,473 | +68.4%             | +278.4%            | +49.1%                     | 9,700                      | 10,397                    | +779.6%            | +132.4%            | +7.2%                      |
| Depreciation   | 963    | 1,090 | 1,050                      | 942   | (2.2%)             | (13.5%)            | (10.2%)                    | 1,050                      | 1,058                     | (2.9%)             | +12.3%             | +0.1%                      |

\*The depreciation of capital investments related to the new factory and the 2<sup>nd</sup> R&D Center are projected to be reflected from FY2027 onward.

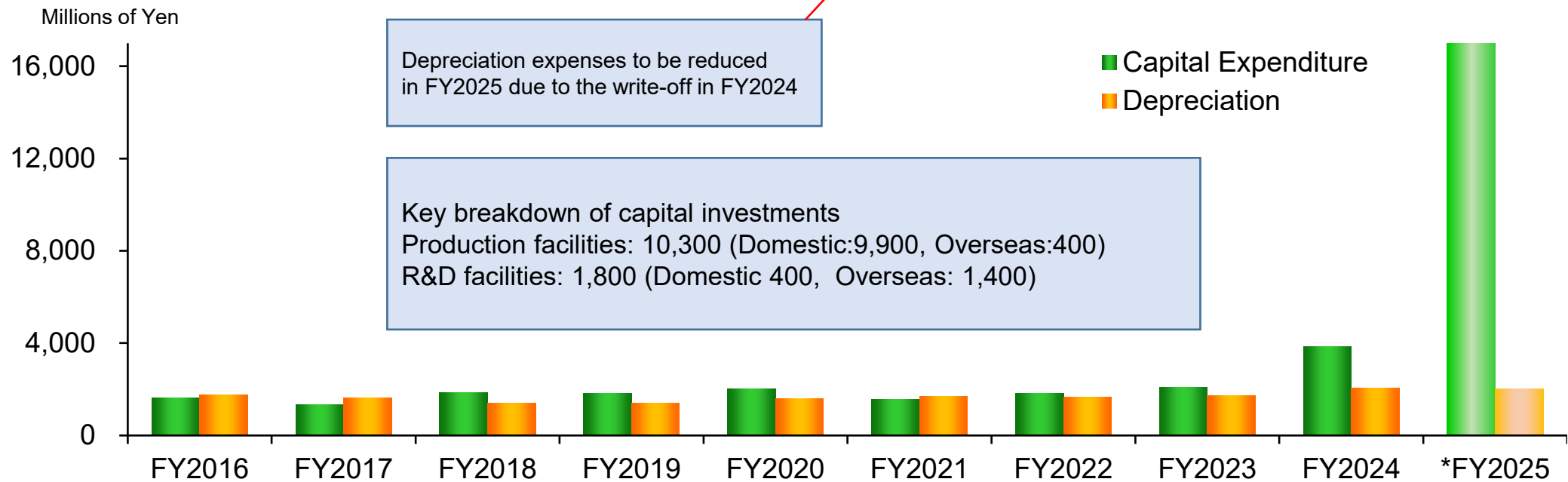


# Capital Expenditure / Depreciation: FY2025 Forecast

Millions of Yen

|   | FY2024 |        | FY2025            |                  |           |                      |
|---|--------|--------|-------------------|------------------|-----------|----------------------|
|   |        |        | Original Forecast | Revised Forecast | vs FY2024 | vs Original Forecast |
| Capital Expenditure<br>(on a payment basis) | 3,838  | 12,700 | 14,870            |                  | +287.4%   | +17.1%               |
| Depreciation                                | 2,053  | 2,100  | 2,000             |                  | (2.6%)    | (4.8%)               |

\*The depreciation of capital investments related to the new factory and the 2<sup>nd</sup> R&D Center are projected to be reflected from FY2027 onward.

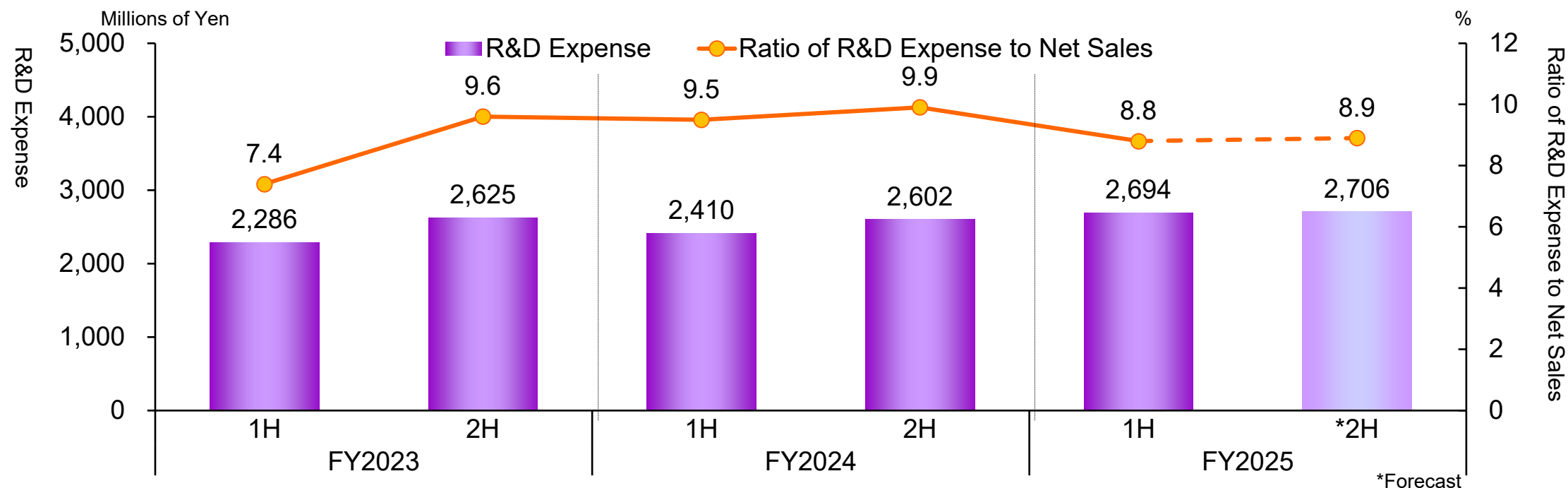


\*Forecast

# R&D Expense: 1H Results & 2H Forecast

Millions of Yen

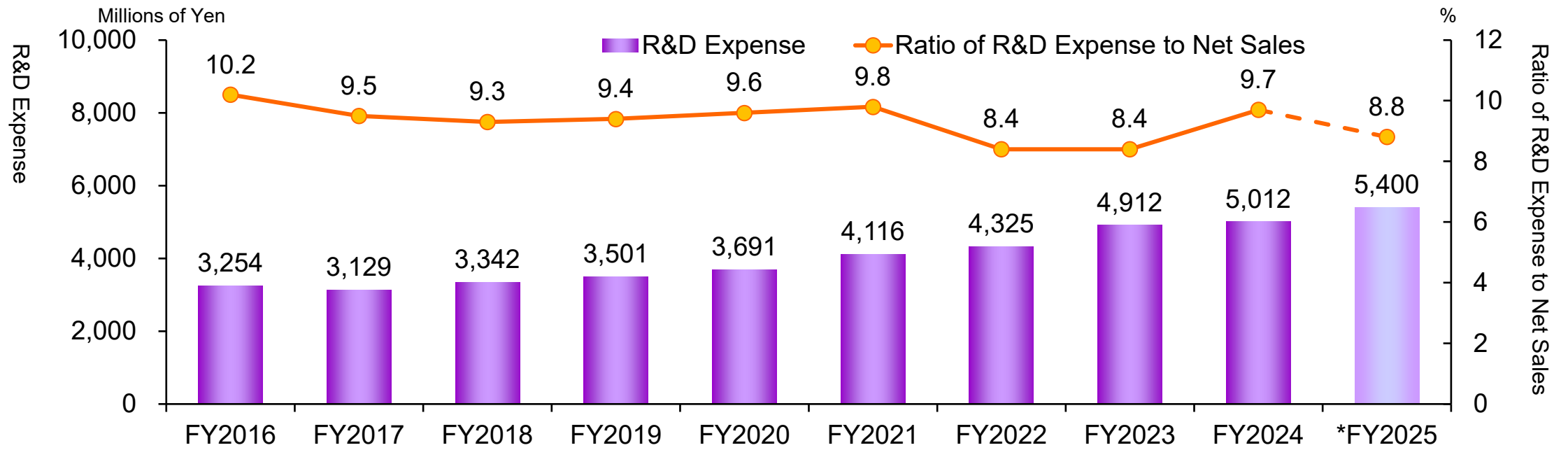
|             | FY2024 |       | FY2025               |       |              |              |                      |                      |                     |              |              |                      |
|-------------|--------|-------|----------------------|-------|--------------|--------------|----------------------|----------------------|---------------------|--------------|--------------|----------------------|
|             | 1H     | 2H    | 1H Original Forecast | 1H    | vs 1H FY2024 | vs 2H FY2024 | vs Original Forecast | 2H Original Forecast | 2H Revised Forecast | vs 2H FY2024 | vs 1H FY2025 | vs Original Forecast |
| R&D Expense | 2,410  | 2,602 | 2,600                | 2,694 | +11.8%       | +3.6%        | +3.6%                | 2,600                | 2,706               | +4.0%        | +0.4%        | +4.1%                |



# R&D Expense: FY2025 Forecast

Millions of Yen

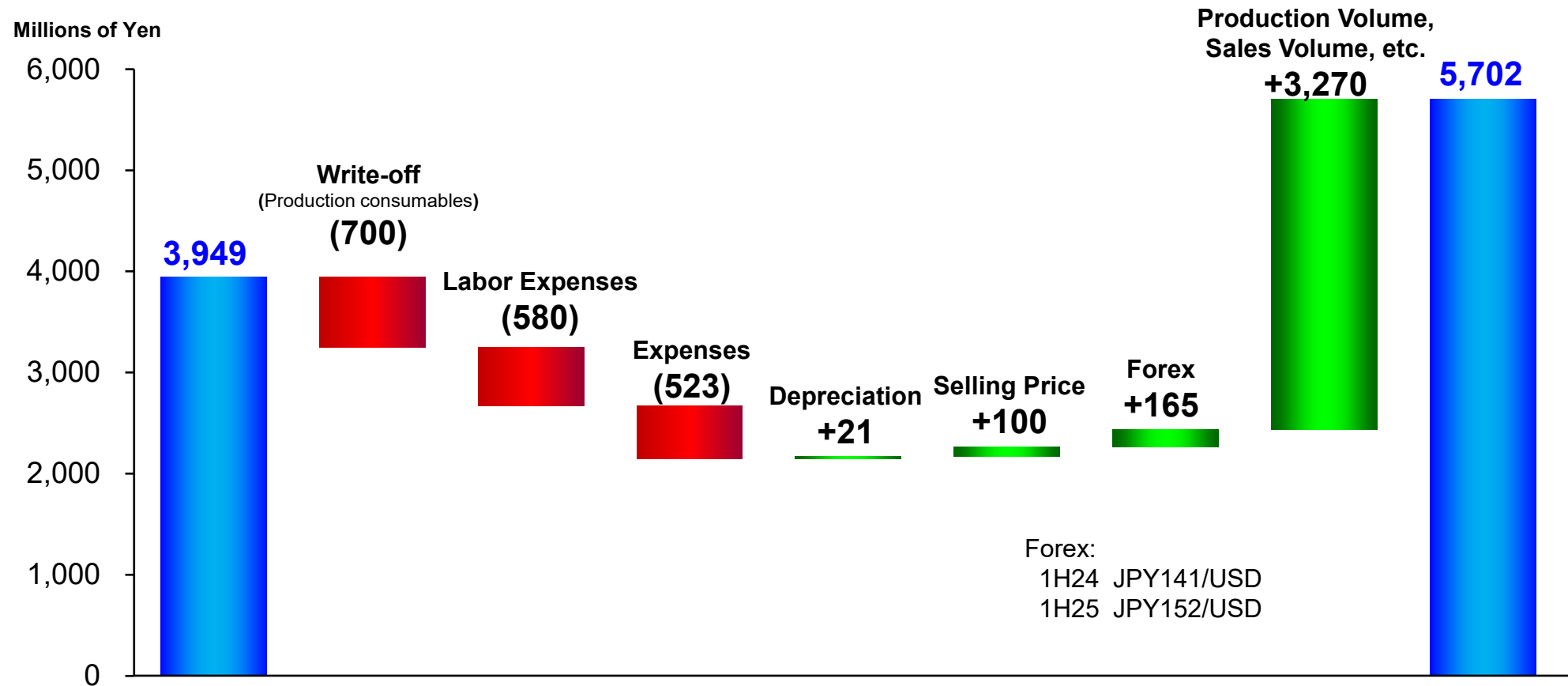
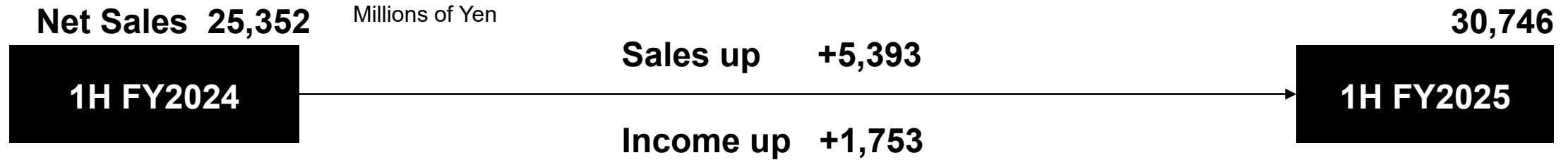
|             | FY2024 |  | FY2025            |                  |           |                      |
|-------------|--------|--|-------------------|------------------|-----------|----------------------|
|             |        |  | Original Forecast | Revised Forecast | vs FY2024 | vs Original Forecast |
| R&D Expense | 5,012  |  | 5,200             | 5,400            | +7.7%     | +3.8%                |



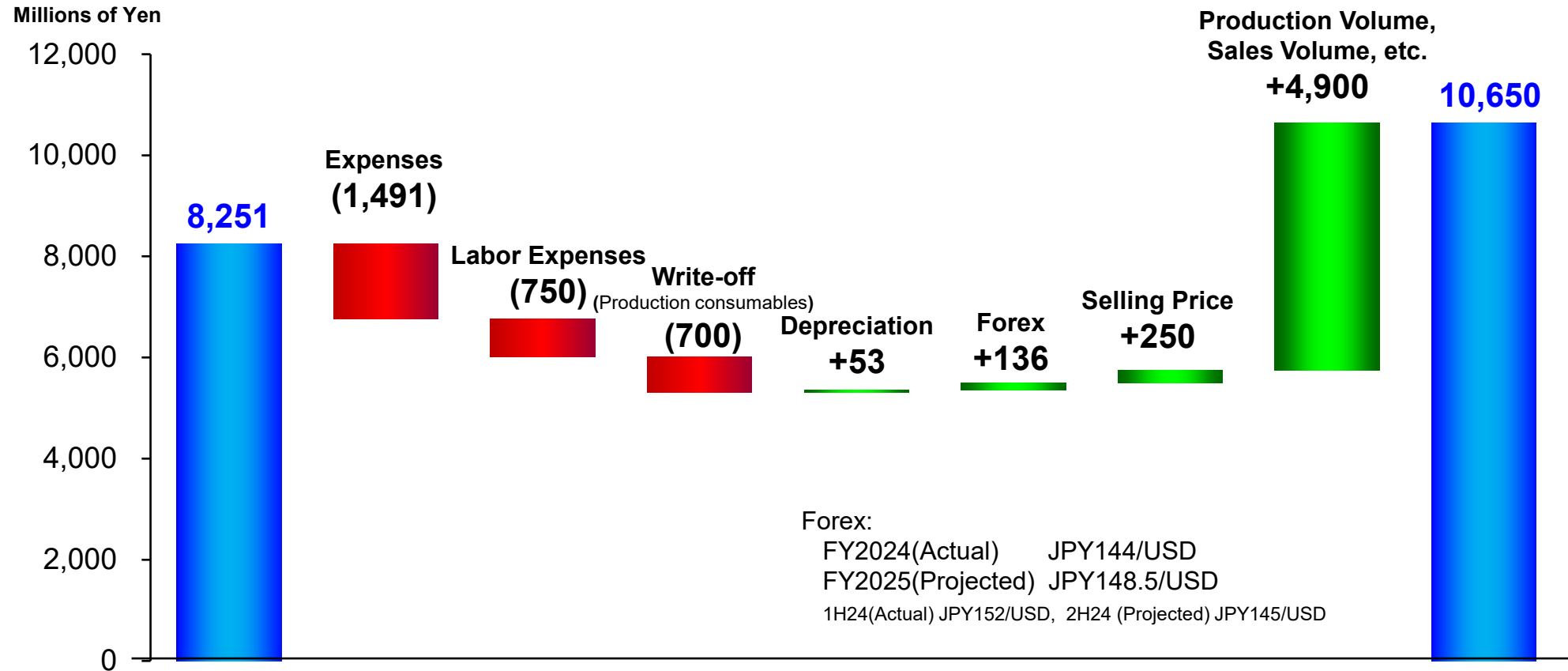
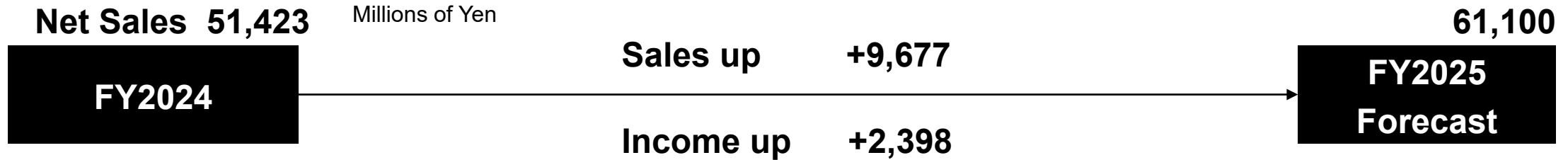
\*Forecast

# Operating Income Analysis

# Operating Income Analysis: 1H FY2025 vs 1H FY2024



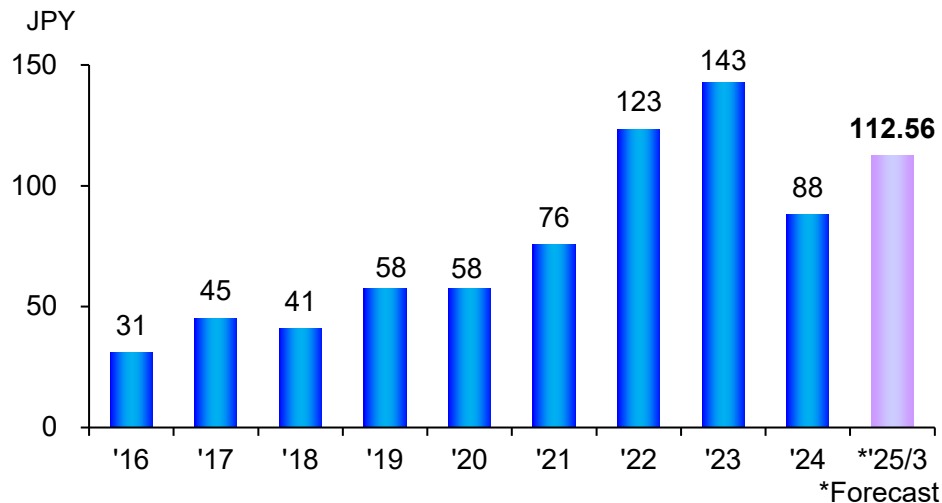
# Operating Income Analysis: FY2025 Forecast vs FY2024



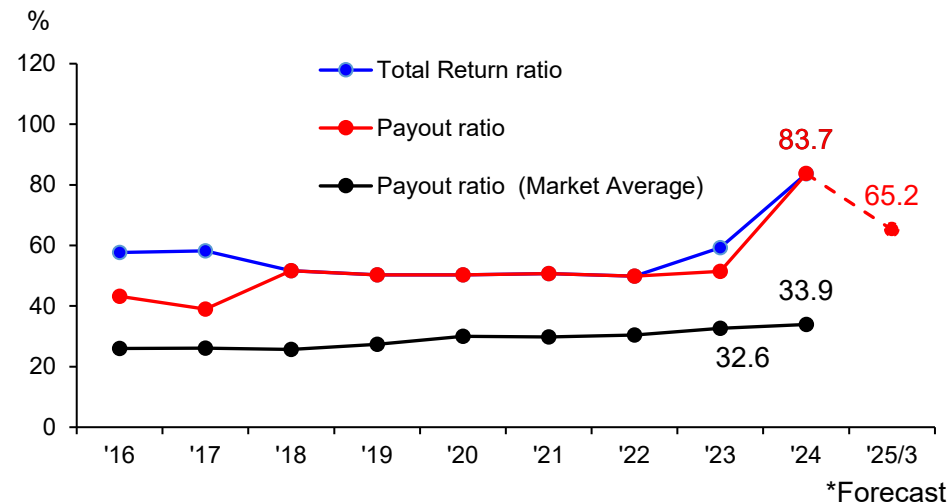
# Shareholder Returns

# Shareholder Returns on a post-split basis

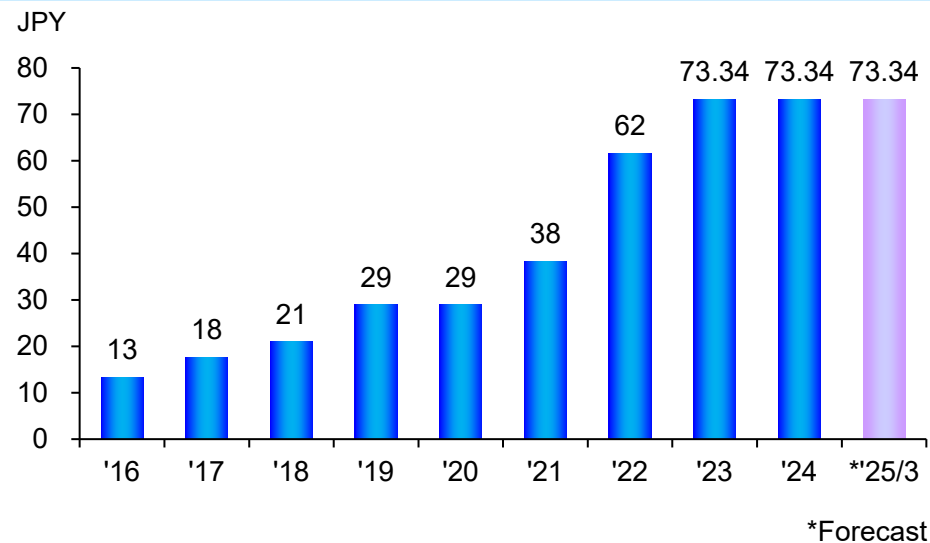
## EPS



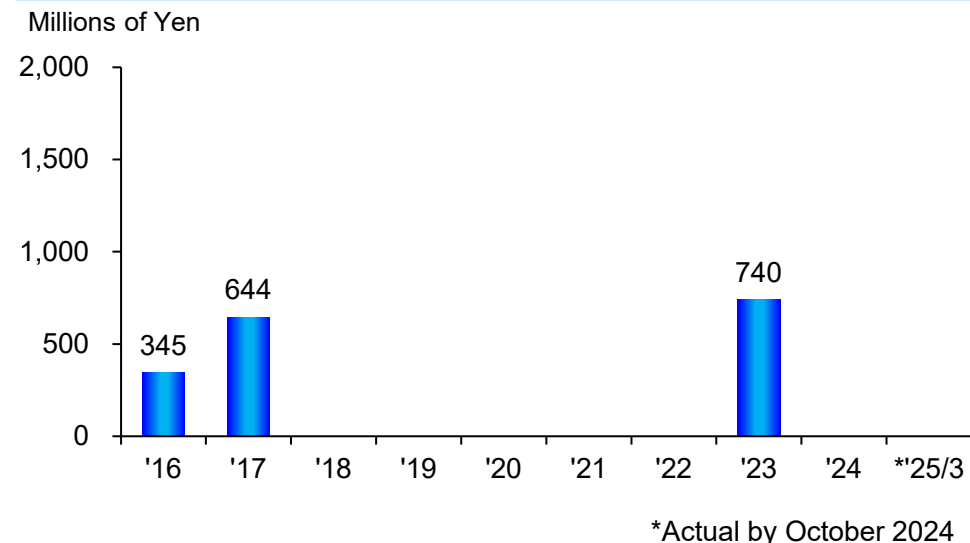
## Total Return ratio / Payout ratio



## Dividends per Share



## Acquisition of Treasury Stocks



# Financial Summary: 1H FY2025 Results / 2H FY2025 Forecast

## 1H FY2025 Financial Results vs 1H FY2024

|                     |         |   |  |
|---------------------|---------|---|--|
| Net Sales           | +21.3%  | : | Increase primarily due to higher sales of the products for semiconductors along with the positive impact of the yen depreciation                   |
| Operating Income    | +44.4%  | : |  |
| Ordinary Income     | +26.9%  | : | 322 MJPY foreign exchange loss incurred as the temporary yen appreciation over the end of 1H   |
| Net Income          | +29.4%  | : |  |
| Silicon Wafer       | +18.9%  | : | Increase due to higher shipments driven by the customers' manufacturing capacity utilization as well as cost pass-through for the lapping products |
| CMP                 | +16.0%  | : | Increase due to higher sales of the products for advanced logic devices and memories for AI  |
| Hard Disks          | +174.2% | : | Increase due to the rising demand for HDDs for data centers  |
| General Industry    | +24.9%  | : | Increase due to the rising demand across various applications and active capital investments in semiconductor manufacturing equipment              |
| Shareholder Returns |         | : | DPS: JPY36.67 as originally forecast   |

## 2H FY2024 Financial Forecast vs 1H FY2024

|                  |        |   |   |
|------------------|--------|---|---|
| Net Sales        | +18.8% | : | Anticipated to increase primarily driven by higher sales of the products for semiconductors |
| Operating Income | +29.1% | : |   |
| Ordinary Income  | +24.5% | : |   |
| Net Income       | +28.5% | : |   |

# New Business Initiatives

# Initiatives for Polishing Compounds for SiC Power Semiconductors

| Category  | Approach to Initiatives   | Past Achievements and Ongoing Initiatives  |
|---|---|--|
| <p>Polishing compounds for SiC power semiconductors</p> | <p>Expanding market share through the introduction of products that achieve high polishing efficiency and low environmental impact based on our core technologies</p> | <p><b>【Market environment】</b><br/>                     While the SiC semiconductor market is currently experiencing a slowdown in automotive-related products due to the expiration or reduction of EV subsidies in various countries, there have been no changes to the medium and long-term plans of SiC semiconductor companies. The growth trend of the SiC semiconductor market is expected to remain unchanged.</p> <p><b>【Our initiatives】</b></p> <ul style="list-style-type: none"> <li>• Developing high-polishing/high-cycle slurries</li> <li>• Established production lines in the U.S. and Malaysia</li> <li>• Supplying products from US to customers in US and Europe, and from Malaysia to Japan, China, and Southeast Asian countries</li> <li>• Discussions underway to enhance new production lines in preparation for future demand growth at our business base in US</li> </ul> |

# Initiatives in Non-semiconductor Fields

| Category                                  | Approach to Initiatives   | Past Achievements and Ongoing Initiatives   |
|---|---|---|
| Polishing solutions                       | Providing advanced polishing solutions that meet customers' wants   | <p><b>【Automotive and mold polishing compounds】</b></p> <ul style="list-style-type: none"> <li>• Launching our own brand and expanding sales to automobile manufacturers and the after-sales service market following vehicle purchase; Our products increasingly being used for reducing the time required for mirror polishing of luxury cars and pre-coating polishing of vehicle bodies</li> <li>• Against the backdrop of a labor shortage in mold polishing, successfully having developed and initiated selling polishing materials that contribute to reducing polishing time</li> </ul> <p><b>【Contract processing business】</b></p> <ul style="list-style-type: none"> <li>• Building a business model where we identify customer needs, provide support in developing polishing processes, and delegate the processing to contract manufacturers</li> <li>• Actively addressing customer needs for processing difficult-to-process materials such as semiconductor device components, next-generation device substrates, and next-generation plastic lenses</li> </ul> |
| Advanced technology & specialty materials | Continuing the development and commercialization of specialty materials (ceramic powders, ceramic composites, new powders, etc.) utilizing advanced powder technology | <p><b>【Specialty materials】</b></p> <ul style="list-style-type: none"> <li>• Having successfully developed specialty powders such as SiC, superalloy 3D, zinc oxide, and titanium phosphate, as well as SiC and SiC prepreg materials for CMC* based on our powder technology; initiating collaborating with new customers</li> <li>• Having successfully developed products with heat dissipation, flowability, wear resistance, and high durability characteristics by leveraging powder technology; currently collaborating with new customers</li> <li>• Striving to increase opportunities for contact with future customers by showcasing our products at exhibitions and using digital marketing methods with web outreach as starting points</li> </ul>   |

\*Ceramic Matrix Composite

**FUJIMI**

**FUJIMI INCORPORATED**



October 21, 2024

FUJIMI INCORPORATED

## **Acquisition of Shares of NANKO Abrasive Industry Co., Ltd.**

FUJIMI INCORPORATED (Headquartered in Kiyosu city, Aichi: hereinafter referred to as “FUJIMI”) announces that FUJIMI today, acquired 75% of the issued shares of NANKO Abrasive Industry Co., Ltd. (hereinafter referred to as “NANKO”) and making it consolidated subsidiary. This NANKO is the newly established company that NANKO Estate Co., Ltd. (which changed its name from NANKO Abrasive Industry Co., Ltd. on October 18, 2024) has split for the purpose of transferring the abrasives business.

# Company Profile

|                            |   |  |
|----------------------------|---|--|
| <b>Company Name</b>        | NANKO ABRASIVES INDUSTRY CO.,LTD.   |  |
| <b>Founding</b>            | 18 <sup>th</sup> Oct. 2024 (founding 1946)  |  |
| <b>Main Office</b>         | 5 <sup>th</sup> floor, Palais d'Or Oji Building, 2-19-19 Horifune, Kita-Ku, Tokyo<br>(TEL : 03-6903-3117 FAX : 03-5902-3095)  |  |
| <b>Capital</b>             | 10 million yen  |  |
| <b>Business Details</b>    | Manufacture and Sale of Abrasives, etc.   |  |
| <b>Executive</b>           | Chairman & CEO:   | Masaaki Matsumoto                                  |
|                            | President & CEO:  | Yoshikazu Sugiyama                                 |
|                            | Director (part-time):   | Katsuyuki Hibi FUJIMI INCORPORATED General manager |
|                            | Auditor (part-time):  | Keisi Seki FUJIMI INCORPORATED President & CEO     |
| <b>Factory</b>             | Shiojiri Factory : 3661 Makino, Soga, Shiojiri City, Nagano Prefecture, 399-6461<br>(TEL : 0263-52-4152 FAX : 0263-52-5501)<br>Ichikawa Factory : 598-5 Kurosawa, Ichikawamisato-cho, Nishiyatsushiro-gun,<br>Yamanashi Prefecture, 409-3603<br>(TEL : 055-272-0911 FAX : 055-272-3790) |  |
| <b>Number of Employees</b> | 44 (at 18 <sup>th</sup> Oct. 2024)  |  |
| <b>Sales</b>               | 1,453 million yen (FY 2023)   |  |
| <b>Shareholder (ratio)</b> | FUJIMI INCORPORATED Co., Ltd. (75.0%)<br>Nanko Estate Co., Ltd. (25.0%)   |  |

# Company History

|      |  |
|------|--|
| 1946 | Founded as a limited partnership company "Nanko Shokai" in Iida-cho, Chiyoda-ku  |
| 1949 | Obtained a factory in Nakamaru-cho, Itabashi-ku, and entered the abrasives manufacturing industry in earnest.  |
| 1958 | Changed organization to a joint-stock company  |
| 1961 | Built the Saitama Factory in Fujimi City, Saitama Prefecture.  |
| 1963 | Opened Makabe branch office (later changed to sales office) in Ibaraki prefecture, mainly for the purpose of selling stone abrasives.  |
| 1966 | The stable quality of the abrasive powder was recognized, and the factory was approved by the Japan Industrial Standards.  |
| 1974 | Established joint venture Nanko Abrasives Co., Ltd. in Taiwan (capital: 60 million yen)  |
| 1976 | Shiojiri Factory constructed in Shiojiri City, Nagano Prefecture   |
| 1988 | The Ichikawa Factory is established in Ichikawamisato-cho, Nishiyatsushiro-gun, Yamanashi Prefecture. A system is established to meet the needs for precision abrasive powder.       |
| 1990 | Established a distribution center within the Shiojiri factory.   |
| 1998 | Established a manufacturing subsidiary in Suzhou, China  |
| 2002 | Established a manufacturing subsidiary in Tianjin, China   |
| 2004 | Saitama Factory closed   |
| 2006 | Closing of manufacturing subsidiary in Suzhou, China   |
| 2017 | Closing of manufacturing subsidiary in Suzhou, China   |
| 2024 | Due to the consolidation of sales structure, Makabe Sales Office was closed.   |
|      | A new subsidiary which has split for purpose of transferring the abrasive business was established. and this subsidiary took over the trade name "Nanko Abrasive Industry Co., Ltd." |
|      | FUJIMI INCORPORATED acquired 75% of the issued shares of Nanko Abrasive Industry and making it consolidated subsidiary.  |



## Advanced Expertise Specializing in 'Polishing, Sharpening, and Grinding'

Nanko has focused on abrasives as its core business since its founding, continuously striving to develop "attractive abrasives."

From processing techniques for abrasive grains, which are greatly influenced by ingots, to its unique and precise classification technologies, Nanko is committed to faithfully passing on all of its expertise to future generations.

## Strong Connections with Raw Material Suppliers

Currently, there are almost no manufacturers in Japan producing both ingots used as raw materials for abrasives and the abrasives themselves. Most abrasives sold by domestic manufacturers are made by importing raw materials from overseas suppliers, processing them domestically, and then selling the finished products. As a result, the quality of the raw material suppliers has a significant impact on the quality of the products, making it crucial to carefully evaluate them and maintain constant communication with them. At Nanko, senior management takes the lead in engaging directly with raw material suppliers, holding in-depth discussions to foster strong relationships with them. This approach has allowed Nanko to establish and maintain excellent partnerships with raw material suppliers to date.

## Flexible Services to Earn Customer Trust

Nanko specializes in producing abrasives and does not have enough professional experience in polishing process with abrasives. Accordingly, Nanko strives to incorporate feedback about its abrasives from each of the valued customers into Nanko's production processes. The encouragement and productive criticism Nanko receives from its customers are indispensable sources of energy for the continuation and growth of the business.

## Proven Track Record and Reliability Since 1946

Nanko takes pride in its proven track record of overcoming diverse global challenges and continuously advancing without ever halting production. Even in situations where the procurement and production of raw materials are difficult globally, Nanko will continuously strive to maintain high-quality product standards and ensure a stable supply with the strong team.

# Main Products of Nanko

Nanko manufactures all grain sizes of abrasives specified by JIS, from coarse to fine, regarding silicon carbide (GC/C) and alumina (WA/A), and is open to discussions regarding other grain sizes.



**GC**

## Green Silicon Carbide

### Grain Size

Coarse: ~F220  
Fine: #240~#8000

### Applications

- Silicon substrates for semiconductors, solar cells, etc.
- Optical products such as quartz crystals, sapphire crystals, etc.
- Electronic components such as hard disks, etc.



**C**

## Black Silicon Carbide

### Grain Size

Coarse: ~F220, ~P220  
Fine: #240~#4000

### Applications

- Precision abrasive materials (for precision polishing of aluminum disks, various magnetic materials, etc.)
- Abrasive cloth materials (for precision polishing of automobiles, woodwork, metal products, etc.)



**WA**

## White Fused Alumina

### Grain Size

Coarse: ~F220, ~P220  
Fine: #240~#8000

### Applications

- Precision abrasive materials (for precision polishing of miniature bearings, mechanical seals, etc.)
- Lapping tape materials (for polishing of various electronic components, etc.)



**A**

## Brown Fused alumina

### Grain Size

Coarse: ~F220, ~P220  
Fine: #240~#6000

### Applications

- Polishing of optical products, precision parts, etc.
- Various precision abrasive materials
- Various abrasive cloth materials