

# **Results of Operations** for the Fiscal Year Ending March 31, 2023

### C. Uyemura & Co., Ltd.

Standard Market of the Tokyo Stock Exchange (Stock Code: 4966)

May 12, 2023

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### **Overview of Consolidated Financial Results** for the Fiscal Year Ended March 31, 2023

[Accounting period]

Japan (two companies): April - March / Overseas (10 companies): January - December

#### • Surface finishing materials business

 Chemicals for package PWBs, our main products, were impacted by inventory adjustment of package PWBs used for PCs and data centers in the second half of the fiscal year. However, in addition to strong performance in the first half of the fiscal year, steady demand for automotive electronics market and the impacts of the weaker yen contributed to the performance, which exceeded that of the previous fiscal year.

#### • Surface finishing machinery business

 Both segment sales and profit of the surface finishing machinery business saw a year-overyear increase as the demands for the machinery for semiconductors and electronic components remained firm especially in the Japan, Taiwan, and China.

#### • Plating job business

• Plastic plating for automobile industry in Thailand and Indonesia has not fully recovered yet. However, package PWBs processing in Taiwan got out of the significant decline. While net sales exceeded that of the previous fiscal year, profit was impacted by the soaring raw material prices such as non-ferrous metals (Ni).



### FY3/23 Financial Results





### **Quarterly Results**



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### **Changes in Operating profit**





### **Sales by Business Segment**





### **Operating Income by Business Segment**





### **Surface Finishing Materials Business Sales**





### **Surface Finishing Machinery Business Sales**





### **Plating Job Business Sales**





### **Sales by Chemicals Categories**



Millions of yon	FY3/22 Results		FY3/23 Results		Changa	Percentage
wimons of yen		%		%	Change	change
Chemicals for HDD	1,419	3.1%	2,329	4.6%	+ 909	+64.1%
Chemicals for Wafer & PKG	36,722	79.9%	39,198	78.2%	+2,476	+6.7%
<b>Conventional Electroless Nickel</b>	3,630	7.9%	4,437	8.9%	+ 807	+22.2%
Others	4,205	9.1%	4,141	8.3%	△ 63	riangle 1.5%
Total	45,977	100.0%	50,107	100.0%	+ 4,129	+9.0%

Sales of chemicals are included in the surface finishing materials business. Chemicals do not include abrasive compounds, industrial chemicals, or metals and the like. \*Intersegment sales are included.



### **Chemicals Business – From Uyemura to End Users**



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### FY3/24 Consolidated Forecast



Millions of yen	FY3/23 Results	FY3/24 Forecast	Change	Percentage change
Sales	85,749	66,230	riangle 19,519	<b>△ 22.8%</b>
Operating profit	15,046	10,230	△ 4,816	<b>△ 32.0%</b>
Ordinary profit	15,832	10,360	△ 5,472	<b>△ 34.6%</b>
Net income	10,545	7,030	△ 3,515	<b>△ 33.3%</b>
Exchange rate: \$US	131.62 yen	133.53 yen	+1.91 yen	



### FY3/24 Consolidated Forecasts

#### • Sales & Operating profit by Business Segment

	Sales			Operating profit				
Millions of yen	FY3/23 Results	FY3/24 Forecast	Change	Percentage change	FY3/23 Results	FY3/24 Forecast	Change	Percentage change
Surface Finishing Materials	70,494	49,268	△ 21,226	△ 30.1%	13,887	8,845	△ 5,042	△ 36.3%
Surface Finishing Machinery	9,460	11,833	+2,372	+25.1%	941	1,043	+ 101	+10.8%
Plating Job	4,946	4,393	riangle 553	△ 11.2%	△ 316	85	+ 401	-
Real Estate Rental	844	722	△ 122	△ 14.5%	514	246	△ 268	<b>△ 52.2%</b>

#### • Sales by Chemicals Categories

Millions of yen	FY3/23 Results	FY3/24 Forecast	Change	Percentage change
Chemicals for HDD	2,329	2,100	<b>△ 229</b>	<b>△ 9.9%</b>
Chemicals for PWB · PKG	39,198	29,580	riangle 9,618	<b>△ 24.5%</b>
Conventional Electroless Nickel	4,437	3,475	<b>△ 962</b>	<b>△ 21.7%</b>
Others	4,141	3,415	△ 726	△ 17.5%
Total	50,107	38,570	△ 11,537	<b>△ 23.0%</b>

<reference> Foreign exchange sensitivity</reference>
Assumed rate for fiscal year ending March 31, 2024:
133.53 yen (JPY/USD)
Impact on full-year results:
If the yen depreciates by 1 yen
<ul> <li>Sales: increase by approx. ¥330 million</li> </ul>
<ul> <li>Operating profit: increase by approx. ¥30 million</li> </ul>
If the yen appreciates by 1 yen
<ul> <li>Sales: decrease by approx. ¥330 million</li> </ul>
<ul> <li>Operating profit: decrease by approx. ¥30 million</li> </ul>
*It is assumed that other currencies move in tandem with the US dollar.



### **Exchange Rates**



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# **Capital Expenditure, Depreciation and R&D Expenses**







Millions of yen	FY3/22 Results	FY3/23 Results	FY3/24 Forecast
Capital Expenditure	3,341	6,238	8,017
Depreciation	1,913	2,025	2,259
R&D Expenses	2,260	2,303	2,487



### **Capital Policy**

We are working on a capital policy in view of the basic policy of securing a stable management base and improving the return on shareholders' equity.

Goal: 50% for the total return ratio on a consolidated basis and 8.5% ROE Flexible acquisition of shares worth 6 billion yen during the 3-year period from FY3/2022 to FY3/2024 Target for 10% ROE in the medium- to long-term

 Realization of stable dividends and flexible acquisition of treasury share based on a total return ratio

- Flexible acquisition of treasury shares considering economic conditions, financial conditions, etc.
- Securing internal reserves for fields and regions where future growth is expected, new technology acquisition, M&A transactions, unexpected events, and natural disasters

\* We hold a certain amount of our shares in treasury to be used as a reward to motivate our executives and employees to achieve sustainable corporate value creation as well as to implement our M&A strategy (M&A transactions, business and capital alliances, etc.). \* If we do not implement our M&A strategy, we will consider cancelling treasury shares that exceed 10% of total number of shares outstanding.



### **Topic: Acquisition of Treasury Shares**

At the Board of Directors meeting held on May 12, 2023, Uyemura resolved to acquire treasury shares as follows.

#### 1. Reason for the Acquisition

Uyemura acquires treasury shares to enhance shareholders' benefits through the flexible exercise of a capital policy and the improvement of capital efficiency in response to changes in management environment.

#### 2. Details of the Acquisition

- (1) Class of shares to be acquired: Common shares of the Company
- (2) Total number of shares to be acquired: 600,000 shares (maximum)

(3.64% of issued shares (excluding treasury shares))

- (3) Total cost of acquisition: 3.0 billion yen (maximum)
- (4) Acquisition period: From June 1, 2023, to March 31, 2024

#### (Reference) As of April 30, 2023, the Company held the treasury shares as follows.

Total number of issued shares (excluding treasury shares):16,461,316 sharesTotal number of treasury shares:3,294,764 shares

# **UVEMURA** Topic: Establishment of Office in Penang, Malaysia

We started customer technology supporting business in Penang, Malaysia where demand for semiconductor and electronics industries is strong.



Penang office established in January 2023

# **UVERNURA** Topic: Disclosure based on TCFD Recommendations

The Company recognizes climate change as one of our important management issues and has expressed our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2023.

The Company will strive to disclose climate change-related information in accordance with the content indicated in the recommendations.



## **UVENURA** Topic: Disclosure based on TCFD Recommendations

The Uyemura Group recognizes countermeasures against climate change as an important issue and is working on various initiatives for reducing CO2 emissions, such as energy efficiency and conservation (installation of solar power and adoption of energy-saving equipment). We aim to reduce the Group's CO2 emissions by 40% in Japan and by 25% overseas by 2030 (compared to 2017). In addition, we will take on carbon neutrality (net zero emissions) by 2050 in order to realize a sustainable society.

#### CO2 emissions in 2022 and interim targets for 2030



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CLIMATE-RELATED

## **UVERNURA** Topic: Status of Measures for Corporate Governance

#### • Establishment of Nomination and Remuneration Committee

The Board of Directors meeting of the Company, held as of April 10, 2023, resolved to establish the Nomination and Remuneration Committee (the "Committee") as a voluntary advisory body to the Board of Directors. The Committee shall consist of at least three members selected by a resolution of the Board of Directors, of which the majority shall be independent outside directors. The chairperson of the Committee shall be appointed by a resolution of the Committee from among the members who are independent outside directors. For more details, please see our press release as of April 10, 2023, "Notice Regarding Establishment of Nomination and Remuneration Committee."

#### • Conducting an Evaluation of the Effectiveness of the Board of Directors

In accordance with the Corporate Governance Code stipulated by the Tokyo Stock Exchange, the Board of Directors of the Company analyzed and evaluated the effectiveness of its Board of Directors with the aim of improving its functions. As a result of the self-assessment conducted by the Company for all of its nine directors and three auditors, the Company has determined that the Board composition, the Board operation, the Board agendas, and the organizations supporting the Board are appropriate, and that the effectiveness of its Board of Directors has been ensured. For more details, please see our press release as of April 10, 2023, "<u>Evaluation of the Effectiveness of the Board of Directors</u>."

#### • Revision of the Restricted Stock Compensation Scheme

The Board of Directors meeting of the Company, held as of April 10, 2023, resolved to review the Officers' Compensation Scheme and to revise the Restricted Stock Compensation Scheme (the "Scheme"), and will propose revising the Scheme at the 95th Annual General Meeting of Shareholders, which will be held on June 29, 2023 (the "Meeting"). Specifically, in addition to the existing "Service Period-linked Restricted Stock Compensation," which requires a certain period of continuous service at the Company as a condition to lift the transfer restrictions, in order to increase the linkage between the compensation of eligible directors and the performance of the Company, a new "Performance-linked Restricted Stock Compensation," for which the achievement of performance goals (ROE) set in advance by the Board of Directors is the condition to lift the transfer restrictions, will be adopted. For more details, please see our press release as of May 12, 2023, "Notice Regarding Revision of the Restricted Stock Compensation Scheme."

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# **Business Environment**



### We aim for higher customer satisfaction We are committed to action with sincerity

- Sales and development strategies that accelerate the growth of our share in markets where it is already high
- Sales and development strategies that increase our share in markets where it is still low
- Manufacturing strategy aligned with market trend
- Provision of total solutions including chemicals, machines and control systems



### **Basic Strategy for Sales**



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### Current market condition

(1) Domestic market: Decrease in shipments in telecommunications, servers, and PCs due to inventory adjustment

Relatively steady demand for power devices due to lower decline.

#### (2) Overseas market: Almost similar trend as the domestic market including demand for automobiles Forecast that potential demand for semiconductor-related products will return after inventory adjustment

### > Technologies we are currently focusing on

Next-generation PKG, substrate technology for telecommunication, car electronics, and environmentrelated technologies

### > Technologies we should focus on going forward

Fine line technology for substrates, bump and wiring technology for semiconductors, surface finishing treatment for next-generation bonding materials, and development of environment-friendly products



#### Response to high density package substrate

Electroless copper plating bath with low stress that can improve the throwing power of small diameter vias.

#### Expansion of semiconductor business

Development of electrolytic plating process for most advanced semiconductor packaging (Participation in the NEDO Project).

Process development appropriate for new bonding materials(Ag sintering, Cu sintering)

#### Improvement of work environment

Desmear-free process through adhesion improvers

#### Reduction in rare metal consumption

Low density palladium catalysts with the use of pickling additives at pre-treatment process of electroless copper plating

#### Improvement of environmental burdens

Reduction in wastewater through a recycle system of electrolytic copper plating bath Plating bath without environmental toxins (free cyanide, lead, formalin, etc.)



### **Trends of the world semiconductor market**



Reference: METI "Semiconductor and digital industry strategy" summary (2021) Semiconductor strategy (in PDF) P54



### Where are on-vehicle semiconductors used?



Reference: METI "Semiconductor and digital industry strategy" summary (2021) Semiconductor strategy (in PDF) P26





Without using desmear process that contains organic solvent and permanganate, we have developed a process that enables us to form flat and highly cohesive circuits.







We developed a process. By adding additives for aid cleaning treatment before activator treatment, we can reduce Pd concentration at activator bath from 200 mg/L to 50 mg/L (75% reduction).



Reducing Pd concentration is no problem for cohesion and reliability because absorption amount does not change.



### Electroless copper plating bath with low stress for next generation package substrates

We have developed electroless copper plating bath Thereby, at 0.2 µm or less plating film of highdensity pattern formation, we can produce small diameter vias with better throwing power and good film thickness distribution within the surface.



High permeability





We have achieved a good throwing power through inhibitory action and high permeability of additives.



### **Expansion of domestic semiconductor and participation** in the NEDO project



JOINT2 consortium

List of Results of Adoption for Project for Research and Development of Enhanced Infrastructures for Post-5G Information and Communications Systems: R&D Item (2) Developing Technologies for Manufacturing Leading-Edge Semiconductors

	Development theme	Implementation structure (plan)
1	(b1) Packaging Technology for High Performance Computing	TSMC Japan 3DIC R&D Center, Inc.(Joint implementation partners, sub-contractors, etc.)National Institute of Advanced Industrial Science and Technology (AST),IBIDEN CO., LTD., and numerous other materials and manufacturingequipment manufacturers, as well as universities and research institutes inJapan (See Summary of Adopted Themes for the name of companies andinstitutions)
2	(b2) Packaging Technology for Edge Computing	Research Association for Advanced Systems (RaaS) (Joint implementation partners, Association members, etc.) National Institute of Advanced Industrial Science and Technology (AST), SCREEN Holdings Co., Ltd., DAIKIN INDUSTRIES, LTD., FUJIFILM Corporation, Panasonic Smart Factory Solutions Co., Ltd., the University of Tokyo
3		Sony Semiconductor Solutions Corporation
4	(b3) Common Platform Technology for Packaging	Showa Denko Materials Co., Ltd. (Joint implementation partners, sub-contractors, etc.) Ajinomoto Fine-Techno Co., Inc., C. Uyemura & Co., EBARA CORPORATION, SHINKAWA LTD., SHINKO ELECTRIC INDUSTRIES CO., LTD., Dai Nippon Printing Co., Ltd., DISCO Corporation, TOKYO OHKA KOGYO CO., LTD., TOWA CORPORATION, NAMICS CORPORATION, Panasonic Smart Factory Solutions Co., Ltd., Yamaha Robotics Holdings Co., Ltd.
5		Sumitomo Bakelite Co., Ltd.



### **JOINT2 Consortium Technology Targets**





### **Uyemura's roles in the JOINT2 Consortium**



### **Development of processes appropriate for new bonding materials** (Ag sintering, Cu sintering)



We need to propose surface treatments appropriate for sintering materials (Ag or Cu) as we can use materials with higher warrantied operating temperatures and get merits from that (smaller and lighter invertors).

 $\rightarrow$  We propose inexpensive Ni/Ag film as Ag surface treatment appropriate for Ag sintering materials.





### **Initiatives related to ESG and SDGs**

Under the Uyemura Group slogan "Growing together with () (():You)," our aims are to grow and prosper together with our stakeholders and to be a company that is able to contribute to society.



### **Environmentally Friendly Products: Proactive approach to SDGs**

- 1. Pb-free plating bath
  - Electroless Ni plating bath mainly for general bathes.
  - Pb-free electro Sn plating bath, such as pure Sn and Sn-Ag bath for electronic parts
- 2. Cyan-free bath

UYEMU

- Electroless Au plating bath with no supply of cyanide-free and fee cyanide for wafers and electronic parts.
- 3. Desmear-free process
  - Process without the use of dangerous permanganate for substrates
- 4. Formalin-free bath and process without the use of formalin
  - Direct plating on resins (without electroless Cu bath) for substrates
  - Development of formalin-free electroless Cu bath for wafers
- 5. PFOS-free bath and PFOA-free bath
  - PTFE composite plating mainly for automobile parts
- 6. Wastewater treatment
  - Plating solution recycle unit









# Plating bath with no environmental toxins (free cyanide, lead, formalin, etc.)



#### **Cross section observation comparing Ni corrosion**



Generally, precious metal plating can have bath stability and good film performance with the use of free cyanide. At Electroless Ni/Pd/Au process of major final surface treatment, If we use electroless Au plating solution with no supply of free cyanide, Ni corrosion at the base is unavoidable.

→ Newly-developed bath can provide high-quality plating film with no supply of free cyanide.





#### Illustrative image of electrolytic copper plating regeneration system



Electrolytic copper plating solution needs to be wasted all when a certain period passes. Because impurities hindering performance accumulate with aging.  $\rightarrow$  Need to be renewed

For this problem, By repeating a process, "Treating part of plating solution with regeneration system" and "Returning the solution to a tank" and using treated solution, we can maintain the quality constant and theoretically prolong the life of plating solution semipermanently.



### **Uyemura Group Companies**

Company name	Foundation	Location	Business
C.Uyemura & Co., Ltd.	1848 (Establishment) 1933 (Incorporated)	Japan	
Sumix Corporation	1963	Japan	
Uyemura International Corporation	1985	US	🚳 🔼 🗐
Uyemura International (Hong Kong) Co., Ltd.	1986	China (Hong Kong)	
Taiwan Uyemura Co., Ltd.	1987	Taiwan	🚳 🔼 🗐 🗱 🚧
Sum Hitechs Co., Ltd.	1987	Thailand	🐼 🔼 🗐 🛃
Uyemura (Shenzhen) Co., Ltd.	1988	China (Shenzhen)	🐼 🖪 😫 🔯
Uyemura International (Singapore) Pte Ltd	1992	Singapore	
Uyemura (Malaysia) Sdn. Bhd.	1996	Malaysia	
Uyemura (Shanghai) Co., Ltd.	2002	China (Shanghai)	
Uyemura Korea Co., Ltd.	2010	Korea	
PT.Uyemura Indonesia	2012	Indonesia	
Sales Area Chem	nical Machiner uction Productio	ry 🙌 Plating Jol	b Real Estate Rental

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Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company, but are not promises by the Company regarding future performance. Actual results are affected by various factors and may differ substantially.

# Growing together with ()



#### **Uyemura Group Companies**

- Japan
- C.Uyemura & Co., Ltd.
- USA

Hong Kong

Shenzhen

- Sumix Corporation
- Uyemura International Corporation
- Uyemura International (Hong Kong) Co., Ltd.
- Uyemura (Shenzhen) Co., Ltd.
- Shanghai
- Uyemura (Shanghai) Co., Ltd.

- Taiwan Taiwan Uyemura Co., Ltd.
- Korea Uyemura Korea Co., Ltd.
- Singapore Uyemura International (Singapore) Pte Ltd
- Uyemura (Malaysia) Sdn. Bhd. Malaysia
- Sum Hitechs Co., Ltd. Thailand
- PT. Uyemura Indonesia Indonesia