November 8, 2024

ROHM Co., Ltd. FY2024 Half-Year Presentation Q&A

No.1	Q.	Is it correct to assume that the revision of the SiC sales target for FY24 is due to a decrease in volume? Have there been any changes in the environment, such as intensified technological competition?
	A.	It is correct to assume that the volume is down. The main reason for not reaching the plan is not so much price、but decrease in production volume by Chinese customers. For your reference, while there will be significant YoY growth in automotive powertrain applications in both China and Europe, the business as a whole is expected to slightly increase due to significant negative growth in discrete products and industrial solar applications.
No.2	Q.	In FY24 and beyond, are there any price declines or share loss due to internal production in China?
	A.	Price changes have remained within the expected range, and there has been no sharp price decline. Although local Chinese competitors have emerged in SiC devices, the competitive environment has not changed significantly.
No.3	Q.	You have previously commented that the timing for the SiC business to return to profitability is FY26. Is there any change by pushing back the timing of sales achievement by 1~2 years?
	A.	There is no change in the target of becoming profitable during FY26. Although sales will decrease, yield improvement and the shift to 8-inch devices are progressing steadily. We aim to achieve our goal by increasing these cost reductions, as well as improving investment efficiency and controlling other fixed costs.
No.4	Q.	How would you analyze the current decline in ICs? Are there any changes in market share, such as internal production in China and the competitive situation?
	A.	Although there is a sense of slowdown in the current fiscal year, sales for automotive applications, including the strategic top 10 area, are growing, including China. The problem was that ROHM was not able to offer enough products that are suitable for industrial and consumer applications, even though the market is growing. In order to change this and develop and provide products that suit customer's needs, ROHM has recently changed its organizational structure (enhanced marketing, shift to an application-based sales model).
No.5	Q.	When will the company return to profitability on a company-wide basis? If sales does not increase in the next fiscal year, what will happen to profitability?
	A.	We believe we must return to profitability in the next fiscal year. In order to achieve this goal, we will first begin price optimization, which will have an immediate effect. We will also proceed with production reorganization where we can.
No.6	Q.	As a measure to improve profitability, you plan to reduce fixed costs by 20 to 30 billion yen over the next 2 to 3 years. What is the time frame for the effects? For example, how much effect will be generated next year and the year after that?
	A.	The most promising way to reduce fixed costs is through production reorganization, but it is difficult to mention specific timing and effects because it involves factory

		reorganization. We would like to inform you when a clear timing and method have been decided.
No.7	Q.	I presume that free cash flow will continue to be difficult, but what is the company's view?
	A.	Although investment is being curbed, it is difficult to see rapid improvement. However, we assume that the worst is behind us. We will continue to reduce fixed costs and improve our profit structure so that we do not depend solely on sales growth.
No.8	Q.	What is your view on the return on investment in Toshiba? What do you see and expect at this point?
	A.	ROHM, Toshiba, and Japan Industrial Partners are in discussions to find a direction that will maximize mutual benefits. It is still difficult for us to comment yet, so we would appreciate your patience for a while longer.
No.9	Q.	Is my understanding correct that the SiC sales forecast is about 40 billion yen for FY24 and 80 billion yen for FY25?
	A.	FY24 is assumed to grow 5-10% YoY; FY25 is envisioned to be about double that of FY24. If limited to powertrain, the current fiscal year is expected to grow nearly twice as fast as the previous year, and we can expect similar growth in the next fiscal year.
No.10	Q.	Inventory turnover months are still high compared to the past, but how has the appropriate level of inventory changed?
	A.	The initial plan was to drop the number of turnover months to 7 months due to an increase in production following a recovery in demand in the second half of the year. Since sales will not increase in the second half of the year, the 7-month target during this fiscal year will be difficult to achieve, but we do not believe the current level is optimal. We would like to drop raw materials even more.
No.11	Q.	I think speed will be important in improving profitability, but I assume that collaboration with Denso and Toshiba will also be involved. I am concerned that depending on the discussions, the speed may slow down. What are your thoughts on this?
	A.	While the topic of manufacturing sites is likely to come up in the course of cooperation with Toshiba, ROHM is basically on the supply side in its relationship with Denso. We have set a three-year period, but we recognize that immediate effect will be to review the prices of unprofitable products.
No.12	Q.	When will depreciation for the SiC business peak out?
	A.	Depreciation as a percentage of sales will peak in the current fiscal year and remain flat or decline in the next fiscal year and beyond.
No.13	Q.	How will R&D expenses increase in the future?
	A.	As for the increase in R&D expenses for this fiscal year, the largest portion is for the development of 8-inch SiC, but this is temporary and will decrease significantly next fiscal year. Depreciation expenses for these devices will be transferred from R&D expenses to cost of sales once they start contributing to mass production, but will also decrease as depreciation expenses since they are being depreciated.