

## **Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2023/3 3<sup>rd</sup> Quarter**

### **Q&A Summary**

February 6<sup>th</sup>, 2023

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for FY2023/3 3<sup>rd</sup> quarter results, held on aforementioned date, edited by Tokyo Seimitsu Co., Ltd.*
- *This information contains “forward-looking statements” that are based on best available information as at the date of Conference and policies. There are various factors such as world economic conditions and semiconductor/automobile market conditions which will directly and indirectly impact the Company’s results in the future. As a result, future outcomes may differ from those projected in this document.*
- *Unless otherwise noted, “SPE” denotes our Semiconductor Production Equipment Business (or the Segment), “Metrology” denotes our Metrology Business (or the Segment), and “YoY” denotes Year-over-Year change.*
- *This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.*

**1. 3Q SPE sales are in line with expectations. Please explain in detail in the contexts of current backlog amount, requests for delivery date extensions, and the scale of production slot adjustments.**

- First, SPE sales plan for FY2023/3 2H is slightly weighted toward the 4Q.
- While there were requests for delivery extension in the 3Q, there were also ones for delivery ahead of schedule, and we responded by adjusting production slots. As a result, the company's forecast was met.
- Let us note that there is no trend in the industries/regions/customers those who wish to deliver equipment ahead of schedule.

**2. What were the orders and sales breakdown in SPE in the 3Q, and how were these YoY?**

- **Orders:**
  - Prober: almost 50% of total orders, nearly halving YoY.
  - Assembly Machines: remaining 50%, down about 30% YoY.
- **Sales:**
  - Prober: about 60% of the total, down single digit % YoY.
  - Assembly Machines: remaining 40%, flat YoY to slightly higher.

**3. What is exposure of power semis and SiC-related business in SPE's 3Q results and what are these growth rates? Also, is it correct to understand that the Company's business opportunities for power semis are mainly in assembly equipment?**

- The ratio of power semis (silicon and SiC) to 3Q SPE orders is estimated to be in the mid-10% range. There is a wide range of demand for Probers, Dicers, and Grinders, but we estimate that SiC does not account for a large percentage.

- "Others (other than memory, logic, electric components, sensors, and discrete devices)" in our classification accounts for about 30% of 3Q SPE orders. Of this, we estimate that about half of "Others" is for grinding of SiC substrates.
  - Based on the above, power-related orders in a broad sense are estimated to account for the low-20% to high-20% of 3QSPE orders, of which SiC accounts for the high-10%.
  - Although it is noticeable amid sluggish consumer demand, there has not been a sharp increase.
- 4. Please explain background of increase in 3Q SPE OP margin QoQ.**
- It is due to high plant utilization, product mix, and cost bias (3Q < 4Q).
  - Note that consumables sales were almost flat compared to 2Q.
  - There is no sudden change in the market procurement cost of parts and materials in 3Q.
- 5. Please explain the details of the extraordinary loss (provision for litigation loss) recorded in the 3Q.**
- This is a provision for compensations related to an intellectual property lawsuit concerning a Laser dicing machine developed by the Company.
  - Note that sales of aforementioned machines sales have already been finished.
- 6. We would like to know the current delivery time for SPE products.**
- Prober: 8-10 months in general, but there are cases where we can ship in about 3 months due to the replacement of production slots, etc.
  - Dicer: about 3 months in general, back to the normal delivery level.
  - Grinders: The situation continues to be relatively long (over a year).
- 7. The Company's CMP seems to be a business opportunity in Advanced packaging field. We would like to ask current CMP exposure in SPE business.**
- Currently, Edge grinders, High-rigid grinders (HRG), etc. account for a large portion of grinding equipment, and CMP accounts for a small portion.
- 8. While the Company plans that 4Q sales to increase QoQ, OP seems to be significantly decreased based on the earnings forecast. What is the background to this?**
- Please understand that there are expenses that are weighted toward even-numbered quarters, and there are some adjustments in calculations because we have remained our full-year forecast unchanged.
- 9. In the November conference, the Company stated that "expecting orders for SPE to**

**recover around the Jul-Sep 2023”, and this time “the soft trend will continue for at least six months”. I would like to ask for the Company’s view again.**

- While market expectations are still highly doubtful of a recovery in CY2023, some foreign customers have expressed a view of a resumption of capital investment starting in mid-CY2023.
- Although it is necessary to be cautious, we would like to maintain the view itself that orders will recover from the Jul-Sep period.
- The view itself will be maintained, but we believe that the recovery in the July-Sep period will be "gradual," a slight change from our view at the November conference.
- There is no change in our view that the drivers of the recovery will be the recovery in consumer demand and the business opportunities mentioned at the November conference (Note: Development, prototyping, and mass production of new technologies such as advanced packages, hybrid bonding, and wafer on wafer).

**10. Regarding Metrology segment outlook, the Company stated that “Slower than expected recovery in the auto sector, but demand remains firm, especially domestic demand”.**

**Please explain in detail.**

- There is a certain level of demand for renewal and replacement of Metrology instruments in Japan.
- In the non-auto sector, there is increased willingness to invest in the robotics, semiconductor (although there is a sense of stagnation now), automation, and aircraft sectors.
- In general, there is a recovery trend in overall investment in measuring equipment, which had been stagnant due to COVID-19.

**11. In the short term, is it possible to maintain shipments and sales by adjusting SPE production slots? Wouldn't further stagnation in consumer demand rise a risk of realizing sales from current outstanding backlogs?**

- There are not only requests to extend delivery dates, but also to accelerate delivery ahead of schedule. At this point, we see no need to change our FY2023/3 forecast.

**12. SPE's order backlog remains high (¥104.7B). Is there any risk of cancellation? Can we expect an increase in revenue in FY2024/3 based on this order backlog?**

- The forecast for FY2024/3 is currently being discussed.
- Given current SPE delivery times generally lengthening, we do not see the need to view cancellation risk as significant. However, we should carefully watch possibility of further delivery extension depending on macro economy and end-user product demand.

**13. Is there any impact currently from the U.S. trade restrictions with China?**

- There is no negative impact currently. It is not clear if orders have already been received in preparation for such restrictions.

**14. What is the current ratio of SPE to China and what are the application trends?**

- The ratio of SPE to China is 20% (at low) to 40% (at high), currently it is about 30%.
- In terms of applications, it is a wide range among low-end electronic components, high-end logic semiconductors and/or power semiconductors. China business is not concentrated on specific devices.

**15. In the November conference, the Company stated that “approximately half of China SPE business could be affected by the restrictions on China”. Is there any change in the perception considering the recent agreement by the U.S., Netherlands, and Japanese governments? If demand in China is affected, what changes could occur?**

- The specific impact is unknown, because we think that the risk to the Company is a decrease in business opportunities in the back-end process due to a decrease in wafer output from the front-end process.
- Also, since the details of the regulations are not clear at this point, we do not think it is necessary to change our perception. To begin with, the recognition of half of the sales to China is not a figure that has been carefully examined.
- Even if there will be a decrease in demand in China, demand will shift to other regions (U.S., Southeast Asia, etc.) and our customers themselves will not change (we already have a track record of transactions), so we assume that business negotiations will continue based on our existing business track record.

**16. Regarding demand for increased wafer production, when will orders and sales peak from so-called greenfield (new plant construction) investments?**

- There are already some projects that are estimated to be greenfield in the current order backlog.
- These will be recognized as sales in the future. Therefore, we cannot assume a peak in orders, but assume that sales will remain stable.

**17. The Company has started to consider building a plant in the Nagoya area. We would like to know the background and the scale of production.**

- From a medium- to long-term perspective, it is necessary to expand grinder production capacity.

- Currently, to make up for the lack of capacity, part of the grinder production is being done at the *Nagoya* plant of the Company's subsidiary.
- Since we already have certain knowledge, we have concluded that we would like to execute a capacity increase in the vicinity of said plant.
- At this time, we are still considering candidate sites and cannot provide information about manufacturing volume.

**18. Is the consideration of building a plant in the *Nagoya* area based on your belief that business opportunities for grinders are expanding?**

- That understanding is correct.

End of Document