

Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2024/3 1st Quarter
Q&A Summary

Date of Conference: August 2nd, 2023

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for FY2024/3 Q1 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).*
- *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. We would like to confirm background behind the higher-than-expected 1Q orders, premises for the 2Q forecast (flat QoQ), and the outlook for FY2024/3 2H.

- The 1Q upswing was mainly due to demand for power semis (Grinders and Prober), for increased wafer production(Grinders), and for analog semis (Prober).
- The outlook for 2Q and beyond assumes that consumer application and OSAT to be stagnant throughout the fiscal year, and that R&D investments will be made for Generative AI, Hybrid Bonding, etc. Therefore, we expect orders in FY2024/3 4Q to be somewhat higher.

2. Some logic semis manufacturers have indicated that inventory adjustments to complete and business will improve in the July-Sep quarter and beyond. Do you assume that it will take a certain amount of time for orders for our SPEs to recover?

- Based on conversations with OSAT customers, we assume that it will take some more time for their utilization rates to rise.

3. What percentage of SPE orders and sales for 1Q are for power and/or SiC devices? What is the outlook for the sustainability of these orders and the timing of contribution to sales if orders are received?

- We estimate that orders for power semis account for about 20% of orders in 1Q, with SiC accounting for half of that, or about 10%.
- We assume that demand will remain flat at a high level for FY2024/3 2H.
- In addition, if we receive orders at this point, we assume that they will contribute to sales in FY2025/3.

4. **Please provide a supplemental explanation of Metrology segment orders in 1Q.**
 - Orders for charge/discharge test systems were strong mainly for in-house testing, and various business negotiations were seen in general-purpose measuring equipment.

5. **The Company said that SPE sales for 1Q were generally in line with expectations, but what is the impact of the delivery adjustment, and how was regional trends (especially in China)?**
 - First, due to shipment timing, Sales amount are planned to be bigger in 2Q. Hence, 1Q sales was almost in line with the forecast.
 - In 1Q, while there was a billion yen of delivery extension mainly in consumer applications, there was a similar level of advanced shipments mainly to power semis, etc. Net sales were almost in line.
 - About regional trends, there was no major change, including in China.

6. **Please explain the YoY change in 1Q Operating profit per each segment.**
 - In Sales, SPE saw a YoY decline, while Metrology saw YoY increase. It is almost all the backdrop in in(de)crease of OP. Also, there was a certain impact by increase in human costs including R&D activities.
 - In addition, foreign exchange boosted profit by about 100 million yen, mainly in SPE.

7. **What is the status of procurement of parts & raw materials, and securing of human resources?**
 - The tightness of materials is easing in general, but there are still some critical parts and materials that require time to procure.
 - In terms of human resources, the *Hanno* Plant (*Saitama* Prefecture) is fully staffed with the personnel necessary for its operation. However, depending on future changes in business conditions, we should consider new hiring.

8. **Please explain the current Grinder production capacity, including a factor of recently started operations at the *Hanno* plant.**
 - Grinder production continues to operate at full capacity. The *Hanno* plant began operations in July as planned, with the transfer of Prober production from the *Hachioji* plant. While the timeline is not disclosed, manufacturing space vacated at the *Hachioji* plant will be converted to Grinder production.

9. **Please explain about the current SPE demand from China, including an impact of the export control regulations that the Japanese government enacted on July 23rd.**

- Our SPE has nothing directly related to the 23 items subject to export control regulations.
- Originally, we have been conducting strict investigations of our customers based on the regulations, etc.
- In addition, there is no increase in administrative work after the enforcement date.
- On the other hand, it is also true that orders from China keeps firm tone compared to other regions. Although it is necessary to consider the outlook, the impact of the regulation is generally viewed as neutral.

10. Although the company has maintained its forecast for FY2024/3, it has slightly changed the market premises for each business segment. Please explain the change in premises for the Metrology business.

- The Company has changed our premises on Metrology Segment from " Moderate recovery of ICE/rapid expansion of NEV for automotive" to "Auto-related business is expected to expand at NEV area". At present, investment in ICE mass production is soft, and expectations for future equipment expansion are low. In addition, the assumption on EV market was revised as automakers announced their EV development plans one after another and more grounded plans became visible.
- In the Metrology business, the auto-related industry is a major customer base, and a decline in ICE investment will have a negative impact on the forecast. However, the company expects to achieve its forecast by capturing business opportunities in the EV and non-auto industries (automation, semis, aircraft, medical, etc.).

11. Is SPE forecast for FY2024/3 based on the assumption that you increase sales by slot adjustment customers that are requesting equipment it in advance, despite a soft demand in consumer applications?

- Yes.

12. At the Earnings Conference in May 2023, the Company explained its expectation of increased demand for high-precision temperature control probers. What is the current situation? Also, is it correct to understand that there are large business opportunities in Generative AI?

- We believe that there is a need for high-precision temperature control for all devices that generate more heat during testing, such as HPC, including those for Generative AI. We also believe that demand for high-precision temperature control will increase for Memory devices in the future, and that the demand for Memory devices will be expressed in numbers sooner rather than Logic devices.

13. Please explain the advantages of Grinders for HBM and CoWoS, and how they are incorporated into the earnings forecast. Also, are these same for 2.5D and Chiplet?

- We believe that there are business opportunities for our grinders in high-end 3D stacking in general. We believe that we provide products that meet customers' technical requirements such as processing speed and flatness. Orders related to related products are not included in the Apr-Jun quarter or July-Sep quarter, nor are they factored into the FY2024/3 2H forecast.

14. What does the Company think of the prober business opportunities in HBM?

- Since demand for probers will also arise in stacked memory such as HBM, we expect that this demand will be recorded in orders received going forward.

➤

15. We want to confirm again which specific business opportunities exist about Packaging and HBM related to Generative AI, and how large they will be in FY2025/3. Also, we want to confirm when these will be booked as orders.

- Although we should not disclose quantitative forecasts, we expect demand for Grinders due to the increasing use of stacking in both logic and memory, such as Hybrid Bonding, and demand for probers related to Memory, especially HBM. None of these are included in 1Q orders, nor are they factored into the forecast for FY2024/3. Please understand that we have expectations to the extent that we can comment on them at these conferences.

End of Document