

Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2023/3

Q&A Summary

May 12th, 2023

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for FY2023/3 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).*
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1. We would like to confirm the actual exchange rate for FY2023/3.

- 135.5 yen to the US dollar.

2. We would like to hear your assumption of a bottom of SPE orders for FY2024/3.

- We anticipate that SPE orders will be bottoming out in the April-June quarter. Although the current situation is still unclear, we are seeing a recovery in utilization at DDIC-related customers and OSATs in China.
- As shown in the presentation, we are in a phase of major changes in the semiconductor manufacturing process. One is the high-precision temperature control for high-end logic and memory devices, for which we have measures in place, and the other is Hybrid bonding, such as Wafer-on-Wafer and Die-on-wafer, for which R&D demand will be active from this summer and orders are expected to increase from the FY2024/3 2H.

3. What is your view on Metrology orders for the January-March quarter of FY2023/3 and your outlook for the future?

- During FY2023/3, business opportunities for semiconductor production equipment field increased amid sluggish auto-related demand. However, customers turned cautious in the January-March quarter; therefore, order resulted below than forecast.
- Although manufacturing industry in general is currently stagnant, business opportunities in so-called growth fields such as EVs, semiconductors, aircraft, medical instruments, and automation, which we are focusing on, are increasing, and we are receiving many business opportunities. Furthermore, domestic demand is stable in general, and we expect orders to increase steadily.

- 4. SPE's order backlog at the end of March remains at a high level. We would like to ask about the ratio of these shipment delivery dates and the outlook for production slot adjustments and delivery date extensions.**
- The ratio of delivery dates for order backlogs is roughly 5:3:2 for the FY2024/3 1H, 2H, and FY2025/3 1H and beyond, with some orders having delivery dates in excess of 1-2 years.
 - We are closely examining outstanding backlogs with low visibility and have canceled about ¥2.0 billion in the January-March quarter. We will continue to closely examine reliability of backlogs.
 - We still receive requests from customers to extend delivery dates, but we will also respond to meet customer's request both of accelerating delivery dates and new inquiries. Furthermore, if the business situation improves more than expected, there is a possibility that businesses due in the FY2025/3 1H may be brought forward to FY2024/3 2H.
- 5. What are the current trends in the SPE demands in China?**
- Inquiries about power devices in China are very strong, and we expect that they will continue to be strong due to active demand in response to the trend toward EVs.
- 6. What percentage of SPE orders and sales are for power and/or SiC devices?**
- In January – March quarter, we estimate that 25% of orders were for power semiconductor, 10% for SiC. In Sales, 20% or less are for power semiconductor, and 10% or less for SiC.
- 7. What is your outlook for SiC-related demand and your market share?**
- SiC-related products have filled production slots for the year ahead. Also, current demand is mainly for substrate processing (grinding), but we expect demand for both equipment and consumables to increase for processed wafer (grinding volume will further expand).
 - We do not know the exact market share, but we estimate that the company owns a certain market share in the SiC wafer grinding process.
- 8. We would like to ask about the current procurement situation for parts and materials.**
- Although improvements have been made, some parts and materials still have long delivery times, and this is especially true for power supplies and ceramic parts.
- 9. What is the operational plan for the Hanno Plant (Saitama Prefecture) and what is the outlook for the future?**
- The relocation of the Prober production line will begin in June, prior to the completion ceremony in July.

- There are no major bottlenecks about manpower since we have been hiring and training personnel in advance for about three years and have also constructed a dormitory along with the plant.
- In addition, the *Hanno* Plant is expected to save costs by moving materials from an external warehouse, which had been rented for the expansion of production at the *Hachioji* Plant.
- *Hachioji* Plant plans adding a clean room and other facilities to increase production of Grinders.

10. The capex plan for FY2024/3 corresponds to the MAX 50% set by the company relative to projected EBITDA (Operating profit + Depreciation), but what is the outlook for FY2025/3 and beyond?

- We are still considering our capital investment plan for FY2025/3 and beyond. Although the peak will be reached with the investment in the *Nagoya* plant, which is currently under consideration, there is a possibility that we will consider capital investment in the suburbs of *Tokyo*. Furthermore, taking into consideration the investment in overseas application centers, certain amount of investment in the future is likely.

11. 11. what is the current delivery time for SPE products?

- Prober : 6-10 months for 300mm frames, and exceeding 10 months for 200mm frames.
- Dicer: about 3 months.

12. We would like to ask about the impact of the trade restrictions and if there is any rush demand.

- According to the proposed revision of Japan's Export Trade Control Order, we believe that our products are not subject to the regulation, but there is a phrase that is difficult to interpret, so we have submitted a public comment.
- We have received business offers from some agent, which we estimate securing inventory in anticipation of the post-regulation period, but we have not accepted such offers because the end users are not clear.

13. Regarding the synergy between SPE and metrology, you indicated that the effect will be over ¥13.0 billion. Please explain us in detail.

- There are two key factors to depict the synergy effect, one is the Metrology equipment in semiconductor manufacturing process, and also built-in model. First one, our Metrology equipment is mounted on our Probers to measure measurement points in three dimensions, and we have we have already started selling it to customer. Next, in terms of the built-in

model, we have already started selling a Dicer built-in model. The company is currently working on a project to bundle the Metrology equipment to SPEs such as in Grinders, CMPs, and others. We have estimated and calculated figures for these sales increases and value-added improvements.

14. Please elaborate on the business opportunities related to high-precision temperature control of Probers.

- There has long been a need to measure wafers at high and low temperatures, and currently about half of the orders we receive require a low-temperature environment. However, for high-precision devices, the amount of heat generated during testing increases, preventing accurate inspection. In order to cope with this, temperature control with higher precision than before is essential. We have already sold a Prober that supports this function, and we expect demand for this function to increase further. In particular, this function will become indispensable for memory devices, creating a major business opportunity.

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