Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2024/3 2nd Quarter Q&A Summary

Date of Conference: November 2nd, 2023

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for FY2024/3 Q2 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. **Regarding SPE orders, please tell us about orders related to generative AI.**
   - SPE orders related to generative AI (both for Logic and HBM) applications totaled approximately 6-7 billion yen in FY2024/3 1H, mainly in the July-Sep quarter. The logic/HBM ratio is about 4:6.
   - We expect the same level of orders in FY2024/3 2H.

2. **SPE orders in the July-Sep quarter (22.0 billion yen) exceeded the company's guidance (flattish QoQ). Given the orders for generated AI, orders for other applications may have been significantly lower. Please explain it in detail.**
   - AI-related business opportunities have already existed, however, we did not include recent demand related to generative AI in the guidance, because scale and timing were unclear.
   - Demands for some applications (SiC-related, Chinese market, CIS, etc.) keep firm tone, in contrast, demand for consumer electronics, Si-based power devices, and some analog devices is being declined. Related to this, the Company has internally cancelled approximately 1.0 billion yen of outstanding backlog with lower certainty of shipment in the immediate future.
   - Of note, FY2024/3 2H SPE order guidance is inclusive of business opportunities related to generative AI.

3. **Please explain us the percentage of SPE orders and sales for power devices and SiC for the July-Sep quarter. Also, how do you expect this ratio to change in the future?**
   - During the July-Sep quarter, SPE orders for power devices accounted for about 14% of total SPE orders and 17% of total sales. Of these, SiC applications are estimated to be more than a half of each. Note that in some Prober business, it is sometimes difficult to

determine whether the customer's wafers to be tested are silicon or SiC.

- Demand for Si-based power device has been declining, especially in Europe. On the other hand, we recognize that the demand for SiC is generally increasing.
- The composition of SiC business is expected to increase going forward, based on current business opportunities for probers and an increase in demand for grinders.

4. What is the composition of SPE orders and sales to China in the July-Sep quarter, strength/weakness of each customer industry, and the outlook of China ratio?

- On average, SPE sales to China is about 30-35% of total SPE sales. At present, we see strong demand in general, including memory and CIS.
- However, there is a possibility that this ratio may swing both upward/downward in FY2024/3 2H and beyond. There is also a possibility that Chinese competitor to rise because of national policy, making it difficult to predict the long-term outlook.

5. What are the sales trends of SPE consumables?

- Sales were previously around 5 billion yen/year but are now at the 7 billion yen/year level. The main reason is that sales of consumables related to grinders are increasing.
- As for demand for SiC-related consumables, we expect sales of grinding wheels to increase because the amount of wafer grinding after device processing is 3x bigger than substrate grinding.

6. In October, the Company announced the transfer of the charge/discharge testing system business from a subsidiary. What is the purpose and expected results of this transfer?

- The transfer is intended to realize further growth by maximizing the utilization of the Group's human resources and facilities to speed up development, given that the subsidiary's orders and sales have entered a phase of growth.

7. Please explain the delivery time composition SPE outstanding backlog (84.7 billion yen) of the Sep/E, and the lead time for each SPE product at this point.

- Roughly, half of the SPE outstanding backlog as of Sep/E is planned to be sold in the FY2024/3 2H. and the remaining 2/3 will be sold in the FY2025/3 1H, and the rest in the following fiscal halves.
- There is postponement shipment request from some customers, hence some business opportunities have been shifted from FY2024/3 to FY2025/3 1H.
- Current lead time is 3-5 months for probers, 2-4 months for dicers, and 6 months – 1 year for grinders.

8. **Please explain the competitive landscape regarding SPE assembly equipment related to generative AI.**
   - We believe that we have a certain amount of AI logic-related business.
   - As for HBM, we believe that there is a good chance for Company's equipment with high grinding accuracy in the adoption of Hybrid Bonding in the future.

9. **Please explain the business environment for CMP equipment.**
   - Currently, there is a certain amount of business for SiC.
   - In addition, there are many requests for evaluation of Hybrid Bonding viewing a mass production.

10. **The company has revised its forecast for FY2024/3 full year. We would like to ask why the revision of operating profit is limited compared to net sales.**
    - The in/decrease in operating profit can be mostly explained by the in/decrease in net sales, but we anticipate an increase in costs (in personnel expenses and depreciation). Although there will be a decrease in costs due to the return of a leased warehouse near the *Hachioji* plant, the increase will be larger than this.
    - Note that there is no change in profit margin due to product mix.

11. **In revising the FY2024/3 full year forecast, the company lowered sales forecast for the Metrology. we would like to confirm the current business situation.**
    - The metrology business is now generally stagnant.
    - On the other hand, demand related to NEVs is on the rise. In the charge/discharge testing system business, orders for FY2024/3 1H accounted almost 10% of the total Metrology orders. Measuring demands in addition to gears and cases used in eAxle, for EV parts and molds, as well as internal non-destructive measurement needs for batteries and aluminum die castings have been confirmed. Therefore, we expect a growth.

12. **The Company indicates that it to respond to China's Chiplet strategy as one of future business opportunity ("Additional demand arisen from geopolitical changes"). What specific business opportunities will arise?**
    - We assume that China's semiconductor strategy is likely move to "Chiplet-devices" and sequentially apply devices that can be produced in China. From this perspective, we believe that there are business opportunities for all of Company's SPE.

13. **The Company explains that it is highly certain that it will achieve the quantitative targets of its mid-term business plan, which concludes in FY2025/3, but a significant jump up**

from FY2024/3 results is required. Considering the outlook for SPE orders in the FY2024/3 2H, what are your current thoughts?

- We do not deny the possibility that the timing of recovery in consumer electronics' demand and its volume will be a variable factor. Although it is difficult to predict the timing of it at this point, we believe it will occur by the summer of CY2024 at the latest. Depending on the timing of the recovery, we can also assume the possibility of accelerated shipments.

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