

Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2021/3

Q&A Summary

May 10th, 2021

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for FY2021/3 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) and “Metrology” denotes our Metrology Business (or the Segment).*
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1. Do you have any analysis of current booking demands for SPE, and future expected applications?

- Demand for all applications, including Memory devices, Logic devices, and electronic components, have kept firm tone. We expect to maintain strong demand for Logic devices regardless of application, and also demands toward Memory devices and Power devices.

2. Do you have any comments on the factors behind the higher than expected SPE order backlog for FY2021/3 and the investment behaviors of customers? Also, what do you think about risk of “double purchase order by customers?”

- In addition to the strong demand for SPE in general, China was a major factor. Not only Memory devices and Logic devices demand were strong, discrete device was as well.
- Also, we believe that the product competitiveness of Dicing machine and Grinding machine has improved.
- The timing of purchase orders from customers is thought to be earlier than usual due to the longer delivery times for some Back-end SPE.
- We should say that there is a risk of double purchase order. However, even taking this into account, orders are still strong.

3. How is SPE production status?

- Slots have been booked until October for Probing machines, and within CY2021 for Dicing machines and Grinding machines.
- A shortage of Semiconductors impacts to us, too. As countermeasures, we apply alternative products and/or changing electrical designs.

4. How is a scale of SPE consumable parts sales?

- We have no change in Dicing blade sales volume since we have explained it last time (November, 2020) which is tripled since the acquisition of the business. Rather, sales of consumables for grinding machine have been increasing, and sales are now in the 100 million yen range every month.

5. How do you analyze about current Chinese market and risks, based on US-China trade conflict?

- When the U.S. government announced restrictions targeted to a Chinese foundry, there were stories of order cancellations due to supply chain disruptions, but we are currently receiving new orders from such customers.
- On the other hand, there are risks that can be represented as a shakeout of Semiconductor and Electronic component players, Chinese SPE peers may benefit from our extended lead time, and National policy will give priority to Chinese SPE peers. As of today, we have the technological advantage, but we need to keep a close watch.

6. You predict orders for SPE in the FY2022/3 1H to be declined HoH. Are there any signs of this? Also, do you believe an upside in Sales and profit if actual booking exceeds your prediction?

- Our SPE single month orders have been at a high level since November 2020 and reached a new monthly peak in April 2021. Although there is no sign of a decrease at this time, it is feasible to have an adjustment based on lead time. We assume we face slight adjustment in May or July at the latest, and then increase again from October.
- Even booking amount exceeds forecast, slots for the 1H are almost booked, which could realistically be an upside for the 2H with the premise of smooth output.

7. What is the background of slight decline in OP margin forecast for FY2022/3 than FY2021/3 4Q actual results? Also, what factors, if any, will cause costs to increase in FY2022/3?

- It is because of lower-than-conventional OP margin in Metrology segment until sales volume becomes previous level, and conservative assumption in SPE OP in the range.
- There are increases in costs such as depreciation for Application Center in Taiwan, but these have been factored into the earnings forecast.

8. Please explain comprehensively about the Capacity plans from perspective of FY2022/3 forecast, short-term and mid-long-term expansions with *Hino* plant and the newly announced *Hanno* plant.

- As of today, we expand production with some measures including renting a nearby warehouse and transferring parts to expand production space at the *Hachioji* plant.
- We recently commenced production of Probers for 8-inch wafer and an assembly of Wafer transferring units for grinding machines at a new building inside *Tsuchiura* plant. We believe we are able to expand capacity once manufacturing engineers are well trained.
- The *Miyama* Plant (Hachioji City) is leased on a five-year contract and is also operating at full capacity. The initial plan was to complete the construction of the *Hino* plant before the end of FY2023/3 and to transfer and increase the production capacity of the *Hino* plant, with an expected output of over 50 billion yen per fiscal half.
- However, it takes a considerable amount of time to obtain an environmental assessment permit; we changed our plan to prioritize constructing new plant in *Hanno* City, Saitama Prefecture with same capacity and schedule we originally expected at *Hino* plant.
- From a mid-to-long term perspective, we believe that expansion of the production capacity is further necessary. The construction of the *Hino* Plant will proceed after the completion of the *Hanno* Plant.

9. Can you provide the business situation of SBS balancer business and the charge/discharge test system business, in the Metrology, as well as the profit and loss forecast for FY2021?

- The SBS balancer business is now better than expected and realizing profit.
- The charge/discharge test system business is also on an improving trend, with expenses related to structural reforms taking precedence until FY2021/3, but we aim to break even in FY2022/3 and from FY2023/3 onward, with the trend toward EV, to achieve a scale that will contribute to the performance of the Metrology.
- In any case, we assess that both businesses are no longer “pull legs” of the profits of the Metrology.

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