

Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2024/3 3rd Quarter

Q&A Summary

Date of Conference: February 5th, 2024

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for FY2024/3 Q3 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. The company said that SPE sales for the Oct-Dec quarter were in line with its internal assumptions, but the OP margin is declining. Furthermore, the company has revised its full-year sales forecast upward, assuming a large increase in sales in the Jan-Mar quarter.**

What are these backgrounds and what is the risk of not achieving the full-year forecast?

- The decrease in SPE OP margin in the Oct-Dec quarter is generally due to the decline in sales, an increase in human costs and an increase in depreciation costs by the completion of the *Hanno* plant.
- The sales forecast for the Jan-Mar has been revised, considering current shipment trends, man-hours required for equipment installation, internal support, and associated risks.

- 2. Were there many cancellations of SPE orders in the Oct-Dec quarter?**

- We examine outstanding backlogs every quarter, and perform internal cancellations as necessary, but there were very few cancellations in the Oct-Dec quarter.

- 3. What were the trends in SPE consumables during the Oct-Dec quarter?**

- Both orders and sales were flattish QoQ; SiC-related equipment continues to be in an increasing phase, and we believe that a full-scale expansion of demand for consumables is still some time away.

- 4. What is the current lead time for SPE?**

- There is no major change since July-Sep quarter, with 3-5 months for probers, 2-4 months for dicers, and 6 months - 1 year for grinders.

- 5. What is the current demand for power semiconductor equipment in general?**

- While the power semis market is expected to grow, there are concerns about a slowdown in demand against the backdrop of a slowdown in EVs. We are also seeing flat demand for SiC power semis, but a decline in demand for silicon.
- SPE orders for power semis accounted low-10% of SPE orders in Oct-Dec quarter, of which SiC accounted for about 8%.

6. Please explain us your review about Oct-Dec quarter volume (20.2 billion yen) compare with your internal assumptions, number of orders for generative AI, and the outlook for demand related to generative AI.

- We have the impression that consumer-related demand has declined slightly from the previous period. On the other hand, orders related to generative AI amounted to approximately 2 billion yen, and as a result, Oct-Dec quarter booking amount was almost in line with our expectations.
- At the November conference, we explained expecting about 6-7 billion yen of SPE orders related to generative AI in FY2024/3 2H, and there is no change in that view at this point. Therefore, we believe SPE orders related to generative AI in the Jan-Mar period will be higher QoQ.
- Although we have not made quantitative estimates, we strongly expect the demand for generative AI likely to increase in the future. To respond, the Company has completed construction of its *Hanno* Plant, is working to reorganize space at its *Hachioji* Plant, and proceeding *Nagoya* Plant construction project. We believe we will have capacity to meet customer requirements.

7. We want to reiterate your business opportunities related to generative AI, also, please explain your outlook regarding the adoption of Hybrid Bonding.

- Our main business opportunities for generative AI are probers for HBM and grinders for AI packages.
- We believe that Hybrid Bonding will be applied to HBM in the mid- to long-term, and we expect demand for grinders equipment at this time.

8. Even excluding orders related to generative AI, there are an increase in SPE orders in the Oct-Dec period. what are the factors behind this increase?

- SPE demand in China continues to be strong, including demand that seems to be for consumer application. Also, SiC-related demand has also remained flattish QoQ.

9. What is the outlook for sales related to generative AI for FY2024/3? Based on orders for FY2024/3 1H, can you expect sales of several billion yen in FY2024/3 2H? Considering the

added value of probers for HBM, are there a positive impact on profit margins>

- We have similar outlook on sales amount. Of note, we assume that 80% of the composition will be HBM-related and the remainder will be AI package-related.
- We think the same in terms of profit.

10. The company mentions stagnant consumer application demand. Considering the Mid-term business plan from FY2023/3 to FY2025/3, what are your thoughts on the timing of recovery, etc.?

- We feel that the stagnation in consumer demand is even stronger than in three months ago, and it is difficult to indicate a recovery period, but in the past, we have seen a rapid recovery in consumer related OSAT demand. Although we must take a hard look at the recovery to the market environment that is the premise of our MTP. We will closely monitor OSAT trends after the Chinese New Year and make a judgment.

11. Orders in the Metrology implies a recovery. What is the current situation, and what trends, if any, are expected to grow in the future?

- The manufacturing sector in general is not yet showing signs of recovery.
- The charge/discharge testing system business is slightly in the red in the 9 months (Apr-Dec) but is expected to increase sales and return to profitability in the Jan-Mar period. In addition, battery-related manufacturers are very bullish due to the government's support for the battery industry. The company is seeing an increase in inquiries for charge/discharge test systems, which is likely to lead to orders in FY2025/3 and beyond.

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