

Tokyo Seimitsu Co., Ltd. Earnings Conference for 3rd quarter of FY2025/3

Q&A Summary

Date of Conference: February 4th, 2025

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for 2Q FY2025/3, 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. Please comment on the factors behind the upward revision of SPE orders in the Oct.-Dec. quarter compared to our assumption, the extent of the upward revision and the sustainability of SPE orders in the FY2026/3 2H and beyond.

- In addition to Generative AI-related logic and memory-related demand, HPC-related demand was strong, and SPE orders in the Oct.-Dec. quarter exceeded the forecast by about 10%
- In November, we had assumed that orders for Generative AI-related products in the FY2025/3 2H would be up 20%-50% from the 1H, but we now expect orders to be up 50%. As a result, the company has raised its SPE order guidance for the 2H half of the year from the November assumption.
- For the FY2026/31H, we expect orders for Generative AI and HPC-related orders to increase by about 30% compared to the FY2025/3 2H.

2. Compared to November guidance, we believe that the outlook for demand for Generative AI has been raised. If true, please comment whether this is due to AI packaging demand or HBM testing demand.

- In both, they have raised their forecasts by the same level.
- Note that the company has revised its FY2025/3 full year forecast, which assumes more opportunities for HPC probers in OSAT, some of which will contribute to FY2025/3 full year results.

3. Please comment on the scale of sales for the FY2025/3 2H and future outlook regarding Generative AI.

- We assume that sales related to Generative AI in the FY2025/3 2H are expected to

increase by about 20% compared to the 1H.

- We expect that Generative AI and HPC-related sales in FY2026/3 1H to increase by 45-50% compared to FY2025/3 2H.

4. We recognize that the business opportunities for Generative AI are probers for HBM and grinders for AI packaging. Has this view changed?

- No. In addition to those, there are now increasing opportunities for probers for HPC.

5. We recognize that the majority of the company's Generative AI business opportunities are probers for HBM. Has this situation changed?

- We think that the business opportunity for probers for HBM and grinders for AI packaging is about 50/50 at this moment.

6. There is a lot of news flow in the market regarding Generative AI, including the announcement of inexpensive AI LLMs (Large Language Models). Are there any impacts or changes in equipment demand due to these?

- At this moment, it is unclear how the market will change with the emergence of new AI models. At the very least, we do not feel that our customer demand will change.

7. Please comment on the level of SPE orders in the FY2026/3 1H?

- The order level for SPE in the FY2026/3 1H is at least 5% higher than in the FY2025/3 2H under the base scenario.
- Demand for Generative AI and HPC is expected to increase by about 30%, as noted above, while demand for SiC and other products is expected to slow down.

8. The company-wide gross margin (43.3%) for the Oct.-Dec. quarter has improved from previous quarters. Is there any evidence that the product mix are contributing to profitability?

- While our cumulative sales for the 9-month period from April to Dec. were at their historical peak level, our profits did not reach their historical peak level, mainly due to soaring material and logistics costs, etc. As an improvement measure, we are promoting cost reduction activities with the goal of raising the profit margin by about 5 points.
- We recognize that its cost reduction activities have partially contributed to its profit margin in the Oct.- Dec. quarter. There is little impact from product mix.

9. Please comment on the current demand for power semis and SiC-related equipment?

- Certain figures have been posted, but we feel a slowdown. FY2025/3 2H SiC-related

orders are expected to halve from 1H levels, and we anticipate a weak order environment for about a year.

- In the area of Si power semis, shipments of long-lead time projects in China and other countries are consistently progressing.

10. Please comment on the sustainability of SPE demand in China.

- Despite the slowdown in SiC demand, the percentage of our SPE for China remains high, in the upper 30% range. This is due to strong demand for probers and dicers, and there are some projects estimated to be for Generative AI.
- We think that there is a possibility that China's exposure will decline to the 20% level over the next years. Even in that case, however, we believe that demand from Southeast Asia and other regions, which is increasing due to geopolitical risk aversion, will offset the Chinese share.

11. Please provide information about the production utilization rate of probers.

- Currently, we are producing about two-thirds of our maximum output, and we believe that we can respond to the increased demand phase.

12. Please explain the business trend of your CMP equipment.

- The product has maintained a profitable structure with constant shipments for the last 10 fiscal years.
- Although demand for SiC may decrease due to the slowdown in the market, the CMP process itself is expanding to include processes that were not previously applied. We are constantly making minor changes to our CMP equipment to meet these changes in technology requirements.
- In addition, the cleaning unit that accompanies the CMP system can be mounted on a grinder for Hybrid bonding. This can lead to a competitive advantage.

13. If there are any updates regarding the grinder for Hybrid Bonding, please share them with us.

- There are cases where orders have already been placed, evaluation units have been delivered, and repeat orders have been received.
- Considering all these factors, we assume that pilot production of Hybrid bonding will start in FY2026/3 and will be widely used from FY2027/3 onward.
- We have received comments from NAND-related customers suggesting the application of Hybrid bonding, and we strongly expect the market to expand.

14. Please comment on the direction of each product toward FY2026/3.

- While the probers continue to pursue a department-store strategy (fulfilling all of customers' demands), the high-precision temperature control is a key point, and is one of the reasons why current business inquiries are strong.
- Grinders are consistently receiving orders, and we assume that certain level of shipments likely to continue.
- In Metrology, sales of charge/discharge testing systems now account for about 10% of the segment's sales in the FY2025/3 2H and are expected to continue to increase in the future.

15. The company will announce a new mid-term business plan in May. Please comment on the key points of the plan and areas of expected growth.

- With the quantitative targets of the current medium-term business plan (FY2023/3-FY2025/3) is unlikely to achieve, we would like to formulate a plan that focuses on numerical targets.
- In addition, we expect that prober with its all-around strategy, Hybrid bonding, and laser dicers will drive its expansion, and that there will be a bottom-up from the recovery in demand for consumer applications and power semis.
- We want to build on these numbers and plan to achieve certain quantitative goals.

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