

Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2025/3 Q&A Summary

Date of Conference: May 9th, 2025

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for 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), and “MTP” denotes Mid-term Business Plan.*
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<Q&A: FY2025/3 earnings, FY2026/3 forecast>

1. Please provide an explanation of the figures relating to Generative AI in an organized manner.

- As stated in the presentation material, we would like to use the expression “HPC-related including gen. AI” in the future. This is because it is difficult to determine that the Company's products are for generative AI due to their specifications, and also because it is difficult to classify HPC-related demand.
- Based on the above figures for ‘HPC-related including generative AI’ are as follows.
 - ◆ FY2025/3 2H orders: +160% compared to FY2024 1H, significantly higher than the February assumption (+50%) and accounting approximately mid-30% of total SPE orders in FY2025/3 2H. In addition to higher-than-expected orders for logic systems and HBMs respectively, an increase in OSAT business also contributed.
 - ◆ FY2025/3 2H sales: +65% compared to FY2024 1H, exceeding the February assumption (+20%) and accounting for around 20% of total SPE sales in FY2025/3 2H.
 - ◆ FY2026/3 1H order forecast: +MSD% compared to the FY2025/3 2H results, which accounts about 30% of the SPE order forecast for FY2026/3 1H.
 - ◆ FY2026/3 1H sales forecast: +30% approximately compared to the FY2025/3 2H results, which accounts about mid-20% of the SPE sales forecast for FY2026/3 1H.
 - ◆ Outlook for the FY2026/3 2H: we would appreciate your understanding that at present we have set the sales forecast for SPE at the same amount as in FY2026/3 1H. That said, there are still some business negotiations where the delivery schedule has not been finalized, and these will be a variable factor in future SPE sales forecasts.

- 2. Despite higher-than-expected demand for HPC-related including gen.AI, we would like to confirm the background behind the decrease in SPE orders in the Jan-Mar quarter compared to the Oct-Dec period and the lower-than-expected order forecast.**
- Firstly, in the Jan-Mar quarter, the Company adjusted approximately 2.0BJPY of outstanding backlogs for which sales feasibility was judged to be low in the immediate future, resulting in a decrease of the same amount in orders during the period.
 - Demand for consumer electronics and power semis (especially SiC related) has also weakened. We believe that the shift of the supply chain to China, where demand is relatively strong, is also a factor.
- 3. What are the direct and indirect effects of the U.S. tariff policy, if any?**
- The Company also has direct trade with the U.S., although the proportion is small, and in such cases, the US customer bears the tariffs. As the Company's products rarely compete with US SPE peers, the impact on business negotiations itself is expected to be small, but there may be cases where customers hesitate to place orders due to the high tariff burden.
 - On the other hand, there are no signs of a slowdown in business opportunities from China customers, which we thought would be significantly affected by the tariff policy. This is one of the reasons behind our estimate of an increase in the FY2026/3 1H SPE order forecast compared to FY2025/3 1H.
- 4. What is the background to the assumption that the increase in operating profit (up ¥1.3 billion year-over-year, YoY) will be limited compared to the increase in sales (up ¥8.5 billion YoY-year) in the forecast for FY2026/3?**
- One of the factors is that the prices of procured components, mainly for Probers, are rising, and the amount of high-precision components installed is increasing due to the rising demand for high-precision temperature control. Although there is potential for cost reduction, the forecast is conservative to a certain extent.
 - In Metrology segment, it is assumed that equipment sales in the charge/discharge testing system business will increase, but cost reductions are halfway through and have not reached the target. We believe that there is potential for improvement in this area as well.
 - In addition, both R&D and depreciation expenses are expected to increase YoY, and the forecast is based on the assumption that SGA will be fully utilized in the plan.
 - Given that SPE's quarterly OP margin is already in the mid-20% range when sales increase, we believe that there is sufficient potential to improve the margin in the future.

<Q&A: FY2026/3 - FY2028/3 Mid-term business plan>

5. We would like to confirm the growth factors towards the SPE sales target of 140.0BJPY. Also, the OP margin target (24%) seems bullish, but what is the probability of achieving it?

- Firstly, we believe that demand for HPC-related including gen. AI, will grow significantly.
- For example, we believe that, regardless of device type, the demand for high-precision temperature control of probers will expand due to the increase in heat generation during testing.
- We also believe that the application of Hybrid Bonding to NAND and HBM will increase, which will be a business opportunity for the Company. At present, we believe that these investments will start in FY2027/3. We also expect to increase our market share in this area.
- We also assume that in the long term, edge AI will be adopted in consumer electronics, which will significantly expand the market.
- In the long term, there is a possibility that HPC-related demand including gen. AI could become a majority in the Company's SPE sales.
- We have also prepared our plans for power semis and analog devices on the assumption that a certain level of growth will be achieved. Furthermore, it is assumed that demand for compound semiconductors (e.g. GaN) and demand related to PLP substrates, mainly for CMP, will also grow.
- In addition, the quarterly OP margin has reached the level of the plan at the time of the sales increase and is considered probable.
- In addition, the quarterly OP margin has reached the level of the plan at the time of the sales increase, and the company believes that there is a probability of reaching the level targeted in the MTP.

6. The company cited sluggish growth in consumer demand as a reason for not achieving the targets in the previous MTP, but are there any areas where the company has not achieved the targets due to its own factors?

- We believe that the main reason for the underachievement in terms of sales is the sluggish growth in consumer demand.
- In addition to the underachievement in sales, the Company's efforts to reduce gross costs have not been able to keep pace with increases in component prices, outsourcing costs, transport costs, etc.

7. Some in the market consider the sales target of 170.0BJPY to be conservative. What is your view on this point?

- We have set this as a probable figure in view of the fact that sales fell short of the plan in the previous MTP. The Company has a desire to achieve growth to 200.0BJPY in sales in the not-too-distant future.
- 8. The Company has identified large PLPs as one of the opportunities for growth, but given the time frame, doesn't this coincide with the period of the current MTP?**
- Currently, there is a certain demand for 300 mm square PLP and other products, although they are not large, and we are including them as a growth opportunity in consideration of these factors.
- 9. Please explain why the ROE target (15%) has remained unchanged from the previous MTP.**
- This is due to the fact that it was set as a must-achieve target.
- 10. As part of the Capex plan for the MTP period, the new *Hachioji* plant (Tokyo, Japan) is mentioned. We would like to hear details.**
- We will acquire a site of less than 10,000 *tsubo* (*tsubo* = approx. 3.3 square meters or 35.5 square feet) in *Hachioji* City, Tokyo, within FY2026/3.
 - The decision to acquire the site was based on various possibilities, including the ability to respond flexibly to a phase of increased demand for large equipment in the future and the introduction of machine tools to strengthen in-house production, which is one of the Company's strengths.

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