

## Tokyo Seimitsu Co., Ltd. Earnings Call for FY2020/3

### Q&A Summary

May 11<sup>th</sup>, 2020

- *This document is a summary of Q&A session at the Earnings Call for FY2020/3 results, held on May 11<sup>th</sup>, 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 (May 11<sup>th</sup>, 2020) 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. There are various understanding among SPE peers whether current SPE business situation is “peaked-out” or not. Can you provide us with your opinion?**

- We believe that SPE market is NOT yet peaked-out but stalling temporary. A lot of our customers wish to watch market outlook concerning current COVID-19 outbreak.

**2. Stock market expects the Company to increase business volume through investments for Flash Memory, High-end DRAM (especially toward Assembly SPE) and CMOS image sensor. Can you provide us with your opinion?**

- Yes, we also expect business growth from these trends. In addition, we expect demands toward devices for Gaming deriving from “Stay-Home” behavior, GaAs device for 5G, and SAW/BAW filters for CY2021 mobile device using next generation wireless communication standard.

**3. Can you provide us with any changes in Probing machine competition?**

- We see no big changes. Please note that our shipments of Multi-chuck Prober, once we delayed to develop, are on-track and expect 30 units’ shipment within FY2021/3 1H.

**4. Do you have any analysis of firm booking demands for SPE for FY2020/3 4Q?**

- We believe that 5G infrastructure-related semiconductor demands kept firm tone during FY2020/3 4Q and April 2020. We anticipate market situation will be in “temporary stall”, however, aforementioned filter demand is buoyant and we received purchase orders to constantly be shipped until February 2021.

**5. Do your answers imply that you foresee an uptrend during FY2021/3 2H to FY2022/3?**

- Not exactly. What we wanted to mention is that there is potential risk in SPE market to shrink up if COVID-19 impact continues longer and wider.
- At the moment, the extent of cancellation orders and/or shipment pushouts is negligible in terms of the level of our ordinary business activities. COVID-19 impact may increase such figures and extend business discussion to close, so we should carefully watch.

**6. Operating margin of Metrology segment for FY2020/3 declined from FY2018/3 and/or FY2019/3. Can you provide us with the background?**

- As sales of FY2020/3 includes sales by Charge/Discharge testing system (about 2.0 billion JPY YoY), sales amount from the organic business decreased by about 2.7 billion JPY YoY and reduced operating profit by about 1.5 billion JPY. Please note that marginal income is stable.
- Operating profit from the Charge/Discharge testing system business totaled less than mid-hundred million JPY, due to R&D / renovation cost. In addition, there was a one-off cost at FY2020/3.

**7. Can you provide us with your Metrology business situation for FY2021/3 1Q and your projection for estimated timing of bottoming out?**

- We originally anticipated that the market was likely to recover within in FY2021/3 1H. But entire Manufacturing market is still in the downturn. To be honestly, 1Q business situation is severer than the ended 4Q.
- If worldwide economy will restart early from COVID-19 impact, the Metrology market will be likely to recover within FY2021/3 2H. If the current situation remains longer, recovery will be delayed for a half year later.
- Please let us note that Metrology market is less volatile than Machine tools sector, the range is about +10% to -10% YoY. Therefore, we don't think market becomes half of now.

**8. Can you provide us with quarterly breakdown of both SPE's booking and sales for FY2021/3 1H forecast?**

- Based on the market situation, with a slight uncertainty arising from temporally stall, we anticipate 1Q and 2Q booking amount to be 6:4 ratio.
- In terms of Sales, based on shipment schedule, ratio will be around 4:5.

**9. Can you provide us with reasons for impairment loss for *Hino* plant (Hino-city, Tokyo), market premise, and entire capex strategy?**

- We purchased Hino plant with 3 buildings based on the milestone to utilize all of them to expand SPE manufacturing capacity. However, through our further examination, we

concluded that deconstructing them and build new factory may increase floor space more than the original plan and meets future SPE demands. Therefore we accounted impairment loss for these 3 buildings.

- However, our estimate of Capex amount during the mid-term business plan (FY2019/3 – FY2021/3) is approximately 30 billion JPY and we don't have big change in the budget.

**10. Please give us the detail of “R&D / renovation” in Charge/Discharge testing system business and estimate closing timing.**

- The subsidiary we have acquired has both Charge / Discharge testing system business and Electric power supply business which doesn't fit to our strategy and is less profitable. Therefore we are reorganizing it. We expect to complete it within FY2021/3 1H.
- In terms of R&D, some of themes have been suspended before we have acquired this subsidiary. Therefore we are now concentrating such development to catch customers' needs.

**11. Can you give us profit contribution level arising from Balancer business for FY2020/3 and FY2021/3 forecast?**

- Contribution to FY2020/3 results was minimal.
- Considering amortization cost of goodwill, it is unlikely to increase our profit from Balancer business at the moment. Originally, we expected to increase sales that lead profit through maximizing synergy effect with our existing instruments, but COVID-19 now impacts to our sales negatively. We expect sales increase when the situation returns to normal.
- We want to emphasize that both Charge/Discharge testing system and Balancer have potential to increase our business volume so we proceed with each strategies.

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