

Tokyo Seimitsu Co., Ltd. Earnings Conference for Third Quarter FY2022/3

Q&A Summary

February 2nd, 2022

- *This document is a summary of Q&A session at the Earnings Conference (via Web) for FY2022/3 Third Quarter 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), and “DDIC” denotes Display Driver IC.*
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1. Please provide information on sales and orders by SPE product for 3Q.

- Sales: Probers: 60%, Assembly machines (Dicers, Grinding equipment):40%.
- Orders: Probers: mid-60%, Assembly machines: mid-30%.

2. What is the background to the increase in 3Q SPE orders than the Company’s estimate?

- This is because orders for Probers toward DDICs and Memory, and for Grinding equipment toward power devices and wafer manufacturing were higher than expected.

3. Do you have any suggestion to explain why the 3Q SPE orders’ QoQ in/decrease is different from the trend of other SPE peers?

- We believe that this is due to our SPE product mix (an increase in orders for Probers and orders for Grinding equipment toward wafer fabrication are leading to different trends from the peers).

4. What is the background to the increase in 3Q Metrology orders than forecasted, the products involved, profitability, and sustainability of this trend?

- The main reason is that the market development in the machinery industry, such as SPE and robots, came to fruition at this period. We have received several orders for large-sized instruments especially toward SPE. Although there is no certainty, we believe that orders will decrease in 4Q but will increase again in the next fiscal year.

5. Are SBS balancers and Charge/discharge testing systems included in the factors behind the upturn in orders for measurements in the 3Q?

- As in the previous earnings conference, we are strengthening our efforts to capture inhouse

testing business orders for Charge/discharge test systems, for which inquiries have been increasing in recent years. We expect to see some results in the near future.

- The SBS balancer business is growing to the extent that it complements the profits of the charge/discharge test system business. .

6. We would like to ask about the reasons for the QoQ decline in 3Q SPE OP and the impact on 4Q and beyond.

- This was due to the increase in the cost of procuring raw materials and supplies, and the cost of renting external warehouses for production expansion.
- We will continue to incur these costs in 4Q, and there will be a certain amount of impact due to the burden of man-hours required to respond to design changes. An increase in sales is a must.

7. How is the current lead-time of SPE products?

- There is no change from the comments made at the previous earnings conference; It is about 8 months for Probers and Dicers, and about 12 months for Grinding equipment.

8. I would like to confirm the current scale of SPE consumables sales.

- Sales of consumables as a whole are about 5 billion JPY / Fiscal Year, and there is no significant change.

9. What is the current status of parts procurement and what measures are being taken to deal with cost increases?

- At present, we are managing to continue procurement.
- We are providing our suppliers with long-term forecasts and taking measures to order and secure long-delivery parts as early as possible.
- We are also procuring from multiple suppliers and responding to design changes in parallel, although this will increase costs.

10. What is the background to the guidance that orders to decrease QoQ in 4Q for both segments?

- SPE: Maintaining its assumption that there may be a short-term adjustment. There are no concrete signs of this at present.
- Metrology: The level in 3Q was high and there are inquiries for future orders, but we do not expect the level of orders to be as high as in 3Q.

11. What is the background to the decision to leave the full-year earnings forecast for

FY2022/3 unchanged?

- While the backlog is at a high level and production is generally progressing as planned, we have left the forecast unchanged, taking into consideration the overall risks such as the tightening of the supply of materials and the stagnation of logistics.

12. What is your premise for SPE sales, taking into account the production forecast for FY2022/3?

- It is largely unchanged from the comments made at the previous earnings conference, but the number of processes that can be handled at the Tsuchiura Plant (*Ibaraki*, Japan) has increased, contributing to the increase in production. Taking into account the effect of leasing external warehouses, we believe that the scale of production in the current fiscal year will reach over 100 billion JPY. The construction of the Hanno Plant (*Saitama*, Japan) will be completed by the end of FY2023/3, but in the short term, we believe it will be possible to increase production by several billion yen by starting production at the Nagoya Plant (*Aichi*, Japan, plant of a subsidiary).

13. The Company is converting part of the Metrology (Tsuchiura plant) to SPE production. Is there any concern about the production capacity amid the improving business conditions in the measurement business?

- The factory building in Tsuchiura, currently used for SPE production was constructed in anticipation of further business expansion after the previous peak (FY2019/3), and the current facilities can handle the expansion.

14. The backlog for Metrology segment has recovered to the previous peak level, but is there a possibility that OP will also recover to the previous peak level in the future?

- The current backlog includes orders with long delivery times, so we need to take in orders and sales with short delivery times to a certain extent in each fiscal year in order to increase sales.
- There is no change in the profitability of existing products at present.
- The Charge/discharge testing system business is low in profitability, but it is supplemented by the SBS balancer business. Therefore, if we can generate a certain level of revenue from charging and discharging, the operating margin may recover to a certain level. However, it is difficult to determine the timing at this point.
- It is also true that there are certain factors that will increase costs, such as the application of ERP to subsidiaries.

15. What is the purpose of the transfers in representative directors that was announced simultaneously with the financial results?

- In light of the growing social awareness of sustainability in general and the timing of the formulation of the next medium-term targets, the purpose of the changes is to strengthen Yoshida's efforts to implement medium- to long-term strategies and to realize speedy business development on a company-wide basis by Kimura, who is in charge of SPE.

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