

Q&A for FY2021 3Q Web Conference
(held on May 12, 2022) and Analyst meetings

[3Q Results & Full-year Forecast]

- 1. The full-year forecast has not been revised but does it mean the 4Q would decrease QoQ? With the strong results of 1H to 3Q, what is your forecast for the full year (4Q)? Why is there no upward revision?**

A: Although orders and sales in 4Q are expected to be as strong as in 3Q, we did not revise the earnings forecast at this time because they are not high enough to reach the criteria for timely disclosure. There is no change in the growth scenario due to the continued high level of orders, mainly in semiconductors, electronics, and FPDs.

- 2. Why was the 3Q gross margin of 30.9% lower than the 2Q of 32.4%? What is projected gross profit margin for the full year?**

A: The gross profit margin declined from 2Q because the production mix deteriorated due to the increased orders and sales in FPDs while sales progress in the high-margin semiconductor and electronics sectors was delayed due to the impact of longer parts delivery time, and also some of the impact from higher parts prices could not be absorbed.

Although the gross profit margin percentage is not expected to reach the initial plan in this fiscal year, it is steadily improving from last year's 29.4% while absorbing the impact from higher material prices and other factors.

Going forward, we will continue to make efforts to strengthen the manufacturing capabilities and improve the profit margin.

- 3. What was the breakdown of orders and sales by application for FPDs, semiconductors and electronic device in 3Q?**

A: As per the appendix.

- 4. How about the operating margin ranking of 3Q ?**

A: As per the appendix.

[Procurement of parts and materials]

- 5. What parts and materials' delivery time are becoming longer? What measures are being taken?**

A: Shortages of semiconductors and resin-related products have resulted in longer delivery time for control units, servo motors, connectors, and other parts, and tight supply-demand has also resulted in longer delivery time from the module parts suppliers in general. The range of electronic devices with long delivery time are expanding, and delivery time for equipment are becoming even longer. As countermeasures, we are cooperating with suppliers in procuring parts and materials ,securing raw materials from suppliers ahead of time, securing parts for standard units at an early stage, cooperating

with manufacturers through regular meetings, and also working to secure parts globally through cooperation with overseas group companies.

In addition, we share information on parts that are difficult to obtain with suppliers and also with customers, and work to secure parts through mutual cooperation. Furthermore, we are also replacing parts by changing specifications.

6. How much has the equipment lead time been prolonged?

A: Although it varies depending on the equipment, for example, in semiconductors and electronics, the lead time which had been kept between 6 to 8 months through various measures, but now it is between 12 to 14 months due to the longer delivery time of parts and materials.

7. What is the impact from higher procurement costs of parts and materials and higher logistics costs?

A: The cost of procuring parts and materials has been rising sharply in recent months. In our equipment business, since we often negotiate prices for each quotation, we are able to absorb some of the cost increases by negotiating each time, and we are also able to absorb some of the cost increases by improving profit margins through strengthening our manufacturing capabilities.

The impact from higher logistics costs is relatively minor, since most of the logistics costs for delivering products to customers are borne by the customers, such as trade term of FOB.

[Lockdown in China]

8. Please tell us about the impact from the lockdown in China.

A: We have not heard of any major changes in the investment policies or plans from the customers in China related to COVID-19. In particular, semiconductor, electronics, and FPD-related industries are the key national policy industries and play a role in driving the Chinese economy, so their investment stance remains positive.

In some areas, there have been some restrictions on direct visits and installation work, which has impacted the sales progress, increased the logistics costs and overhead costs.

In some cases, procurement of imported parts from Japan and other countries and logistics in China is taking time, which affects sales progress and has a commensurate impact on our performance.

The impact from the lockdown to the whole group is limited because most of the products produced in China local plants are destined for the domestic Chinese market, and high percentage of cutting-edge equipment for FPDs, semiconductors, and electronics are produced in Japan, South Korea, and Taiwan, making it possible to substitute production outside of China.

[Investment Trends of Semiconductors and Electronics]

9. Is there any change in the perception of semiconductor capex trends? Some believe that the speed of logic investment in legacy nodes will slow down, but will the investment decrease?

A: Investment in cutting-edge semiconductors for both logic and memory are expected to be brisk, and orders for semiconductors in the cumulative period of 1Q to 3Q were 1.5 times YoY. Orders for logic

increased 1.6x YoY particularly in MHM (Metal Hard Mask) processes adopted in cutting-edge miniaturization processes which was made possible by the introduction of EUV. Meanwhile, orders for memory increased 1.5x YoY, mainly for DRAMs. For the full year, we expect similar increases in both logic and memory, and we recognize that investment in semiconductors will continue to expand over the medium to long term, particularly in cutting-edge investments.

10. Which applications and regions are growing in the electronics-related field?

A: Orders increased 1.7x YoY through 3Q due to active investment in power devices in Japan. Orders for electronic device (MEMS) also increased 3.6x YoY, mainly for electronic devices such as analog ICs and sputtering equipment for R&D use, both in Japan and China.

For the full year, we expect investment in power devices in China to grow and expand further in the future.

【Investment Trends of FPDs】

11. LCD panel prices are falling, but is there any impact on FPD investment trends? What is the outlook for the next fiscal year and beyond?

A: Investment in LCDs for IT panels for tablets, PCs, medical, Electric-vehicle, and game applications has been active, and in addition to investment in new production lines, there has been investment to expand facilities for higher resolution and wider viewing angles, leading to an increase in LCD-related orders. Including the order for large OLED evaporation equipment in 1H of this fiscal year, orders received in the cumulative period of 1Q to 3Q totaled ¥67.3 billion, a significant increase of 2.1x YoY. Full-year orders are likely to exceed the full-year forecast of ¥73.0 billion.

There is no particular change in the investment stance as the supply-demand balance has been taken into account mainly by Chinese LCD panel manufacturers, based on the assumption that Korean manufacturers will close their plants in consideration of the operation of large panel plants in China. We believe that the current high level of investment can be maintained in the next fiscal year and beyond even if there are some fluctuations, mainly due to the shift to OLEDs and the EV battery business, etc.

【Investment Trends of Component/ General Industry/ Materials/ Others】

12. In addition to semiconductors, electronics, and FPDs, orders are also strong in components, general industry, materials, and others. What factors contributed to the increase in each field?

A: Orders for components increased by ¥4.5 billion YoY in the cumulative period of 1Q to 3Q due to an overall increase in pumps, measuring instruments, power supplies, etc. installed in production equipment for electronics-related industries. General industrial increased by ¥2.4 billion YoY due to increased investment in heat treatment equipment for to produce magnets for EV motors and other automobiles in China. Materials increased by ¥5.1 billion YoY due to the customers' higher operating rates in semiconductors, electronics, and FPDs. Others increased by ¥4.1 billion YoY due to active investment in surface analysis systems in Asia, especially in China. Orders for all segments, including semiconductors, electronics, and FPDs, increased YoY.

[Forecasts for the next fiscal year and beyond]

13. Please tell us the earnings forecasts for the next fiscal year and beyond.

A: We plan to disclose the earnings forecasts for the next fiscal year in August.

<Appendix>

● Breakdown for Order Received

Order Received	FY2021 3Q
Semiconductor/ Electronics(¥1billion)	20.2
•Memory	about 30%
•Logic	less than 10%
•Electronics Device	less than 40%
•Power Device	more than 20%
•Packaging	mid-single digit%
•Others	0%
FPD(¥1billion)	11.4
•LCD	mid-50%
(for large-sized)	(less than 50%)
•OLED	about 30%
•Others	mid-10%

● Breakdown for Net Sales

Net Sales	FY2021 3Q
Semiconductor/ Electronics(¥1billion)	14.4
•Memory	more than 30%
•Logic	less than 20%
•Electronics Device	mid-20%
•Power Device	less than 20%
•Packaging	mid-single digit%
•Others	0%
FPD(¥1billion)	21.7
•LCD	about 40%
(for large-sized)	(mid-80%)
•OLED	about 50%
•Others	less than 10%

● Operating Profit Margin Rank of FY2021 3Q

Rank	Segment
1	Component
2	Semiconductor and Electronics
3	FPD
4	Others
5	General Industries
6	Materials

Overall average is between
2) Semiconductor and Electronics and
3) FPD