

**Q&A for Q2 FY25/6 Financial Results Presentation**  
**(held on Feb. 12, 2025) and Analyst Meetings**

**Investment Trends and Order Received**

**1. What is the background for H1's Orders received falling short of the initial plan? What factors will lead to an increase in orders in H2?**

**A:** In Q2, we received orders for OLED (G8.7) for IT panels, which increased the Orders received compared to Q1. However, due to the slowdown in EV demand, investments in power devices and manufacturing equipment for high-performance magnets used in EV motors have decelerated, and battery-related investments are also showing a tendency to delay. As these investments are lagging behind the initial expectations, which making it difficult to anticipate market improvement in H2, we revised our annual order forecast. On the other hand, investments in semiconductors such as advanced logic and memory, as well as advanced packaging, are becoming more active. Additionally, projects for adding and modifying equipment for higher definition in LCD and OLED (G6) panels are expected to contribute to an increase in orders in H2. Furthermore, surface analysis equipment and mask blanks classified under others, and components, materials, customer support are performing steadily and will contribute as a stable basis.

**2. What are the differences from the initial plan, and how has the business environment changed compared to 3months ago? Wasn't the decline in power devices supposed to be offset by semiconductors (logic and memory) and packaging ?**

**A:** Although we anticipated a slowdown in power device investments, the slowdown in EV demand has become more apparent. While there are still some investment projects expected in H2, delays in customers' investment plans and the transition period to 8-inch have led us to revise our order forecast. Additionally, for manufacturing equipment for high-performance magnets classified under general industries, there is a trend of holding back large investments in China, prompting us to adjust our forecast. Regarding batteries, while we expect orders in H2, the timing of adopting next-generation batteries for automotive use is delaying, causing some projects to shift to FY26/6. Although we anticipate an increase in semiconductor (logic and memory) and advanced packaging business in H2, it is challenging to offset the impact of the EV demand slowdown, necessitating adjustments to the initial plan.

**3. Why has the Order received in H1 decreased YoY ?**

**A:** In the previous Q1, investments related to 6-inch SiC power devices were active in key regions such as Japan and China, and battery-related investments were concentrated in the previous Q1 as companies aimed to advance mass production and productization as quickly as possible. As a result, the order received in H1 has decreased YoY, mainly due to a reactionary decline in EV-related

investments.

**4. What are the expectations for FY26/6 and onward? How will the decline in Orders received affect the final year of the mid-term plan ?**

**A:** For FY26/6, the weakness in power devices due to the slowdown in EV demand is expected to continue. However, investments in semiconductors and advanced packaging are expected to increase more than this FY25/6. Additionally, battery investments are expected to become more active, and components, materials, and customer support are expected to perform steadily, compensating for the decline in power devices. While we are cautiously assessing the figures for FY26/6, We will closely monitor the market environment and accurately capture investment trends, striving for overall order expansion. The final targets of the mid-term plan, including Net sales of ¥300 billion, Gross profit margin of 35%, Operating profit margin of 16%, and ROE of 14%, remain unchanged.

**5. What is the outlook for semiconductors (logic and memory) and packaging business as part of generative AI-related business?**

**A: Logic:** With high utilization rates of 5nm and 3nm, there is ongoing investment in increasing production for the MHM (Metal Hard Mask) process, and also the application of MHM is expanding for DUV exposure. Additionally, there is a movement to apply TiN, the metal material for MHM, as an electrode material, further expanding the application range of MHM. As we progress to the 2nm generation, with transistors transitioning from Fin structures to Sheet structures, we expect to expand orders for new hard masks for the diffusion process, for which we have already secured the Process of Record (POR). Furthermore, changes in transistor structures are expected to lead to the application of backside wiring, presenting business opportunities. In addition to these increased hard mask applications, we will continue to develop jointly with our customers to meet their expectations as a second vendor and aim to further acquire POR.

**Memory:** With the activation of the generative AI-related business, the demand for HBM (High Bandwidth Memory) is expected to continue expanding. In addition to the contribution of the interconnect layer process that brings DRAMs together in the HBM structure, investment in conventional DRAM (DDR5), which constitutes HBM, is also expected. And as DRAM continues to miniaturize, we expect the application of TiN MHM (Titanium Nitride Metal Hard Mask), which have a proven track record in logic. For NAND, as inventory adjustments progress, investments for next-generation NAND have begun, with concentrated orders in Q2. Joint development of other metal processes is underway for both DRAM and NAND, and we aim to expand the number of POR acquisitions.

**Packaging:** With the expansion of generative AI demand, investments in advanced packaging are also active, and we expect orders received of approximately ¥10 billion for desmear processing equipment for interposers for foundries in FY25/6. Development of sputtering equipment, desmear and descum processing equipment, and plasma dicing for next-generation advanced packaging is also progressing,

and we are actively working to expand the business.

**6. What are the investment trends for power devices, batteries, and general industries in light of the impact of the slowdown in EV demand?**

**A: Power Devices:** With the shift to green energy and EVs, the demand for SiC power devices is expected to increase in the medium to long term. This is expected to expand business opportunities with the wafer size increase from 6 inches to 8 inches and the transition to trench structures. However, due to the current slowdown in the EV market, investment plans for 8-inch are delayed, and full-scale investments are expected to proceed from FY27/6 onwards. For SiC 6-inch, we have secured a 70% share of sputtering equipment in the Japanese market and a 70% share of ion implantation equipment in the Chinese market and we aim to maintain the high share during the shift to 8-inch. Additionally, in the Japanese market, we will promote cross-selling of ion implantation equipment, which has a track record in the Chinese market, and in the Chinese market, we will promote cross-selling of sputtering equipment, which has a track record in the Japanese market.

As the structure of SiC power devices transitions from planar to trench structures, we aim to expand sales of etching equipment suitable for SiC compounds. We have also introduced sputtering equipment for GaN compounds to the market and aim to capture future demand.

**Battery:** The medium to long-term growth forecast for replacing traditional aluminum foil with double-sided aluminum evaporation films for cathode current collectors, aimed at improving battery safety and reducing size and weight, remains unchanged. As adoption of automotive use progresses, investments are expected to become full-scale. Additionally, by widening the film width of double-sided aluminum evaporation films, we aim to further improve productivity, differentiate ourselves, and secure market share. Furthermore, we are developing equipment for double-sided copper evaporation films to replace anode current collectors, aiming to expand the business. As a future initiative, we aim for further growth by developing next-generation battery anodes using lithium.

**General Industry:** Regarding manufacturing equipment for high-performance magnets used in EV motors, there is a trend among magnet manufacturers to hold back large investments to improve profitability. On the other hand, there is an increase in investment projects outside of China due to the China risk, and we aim to grow by actively engaging in these projects.

**7. Can you tell us about the investment trends in FPD-related businesses such as OLED?**

**A:** In Q2, we received large-scale orders of approximately ¥10 billion, indicating that investments in OLED for IT panels for tablets and PCs are becoming full-scale. We have introduced the sputtering equipment with specifications similar to semiconductors which have fewer particles, compatible with larger G8.7 panel sizes compared to conventional smartphone G6 panels. Additionally, in the process of sputtering transparent electrodes for touch sensors, we have achieved high productivity by realizing high-speed

deposition at low temperatures in the temperature-sensitive OLED process.

Furthermore, our cryopumps for OLED evaporation equipment have less vibration compared to competitors, minimizing the impact on the alignment of evaporation masks. They also have strengths such as high exhaust performance and energy efficiency, making them the de facto standard for OLED evaporation equipment. This allows us to cover all areas of the OLED evaporation business and seize business opportunities effectively.

Additionally, with the application of subsidies in China starting in H2, we expect investments aimed at higher definition in LCD and OLED (G6) to contribute.

**8. What is the impact of U.S. semiconductor export restrictions to China?**

**A:** Currently, the weight of semiconductor-related business in China is not very large, but inquiries are gradually increasing due to the expansion of MHM applications for DUV exposure. Even if U.S. regulations are strengthened, we have not significantly incorporated China's semiconductor-related business into our plans, so we see the impact as limited. On the other hand, we are not aware of any strengthening of regulations on power devices, various electronic devices, or batteries, and we do not currently feel any impact on our business.

**【Sales and Profit (%)】**

**9. Sales and operating profit exceeded YoY and the plan. What is the outlook for H2? Is it possible to achieve the full-year earnings forecast after revising orders?**

**A:** Due to some sales being recorded ahead of schedule in Q2, the sales target for H2 is set at ¥140.1 billion. The order backlog at the end of Q2 was ¥125.5 billion, and it is expected that about 70% of this will contribute to the sales in H2. Additionally, the sales in H2 will be supported by the steady Orders received in components, materials, and customer support. Furthermore, the lead times for equipment in semiconductors, FPD, and batteries have been shortened compared to the previous FY, accelerating the progress of manufacturing processes. Therefore, even with a downward revision of the order outlook by ¥10 billion, we believe it is possible to achieve the full-year sales forecast of ¥275 billion.

**10. What were the main factors for the improvement in gross profit margin from 31.3% in Q1 to 32.2% in Q2, reaching a record high of ¥23.8 billion in quarterly gross profit? Will it improve further in H2?**

**A:** From Q1 to Q2, the gross profit margin improved mainly due to the effect of increased net sales. The sales composition ratio of high-margin semiconductor electronics and components continues to exceed 50%, and the profit margin base is steadily rising. We expect further steady improvement in profit margins in H2.

**11. How will SG&A expenses trend?**

A: SG&A expenses are expected to increase from the previous FY, incorporating continued R&D investment centered on semiconductor electronics and rising personnel costs due to base pay increases. We expect the SG&A expense ratio to remain around 20%. We will continue to flexibly control SG&A (fixed costs) according to the situation.

**12. Can you provide the lead times for major equipment?**

A: In terms of delivery lead times to customers:

- Sputtering equipment for logic and memory: 3-5 months for planned production models (about 10 months for new projects without forecasts).
- Standard specification sputtering, deposition, and etching equipment for electronic devices: 5-9 months (special specification equipment taking over 10 months due to parts ordering after receiving orders)
- Ion implantation equipment for power devices: about 7 months for standard specifications ( more than 10 months for special specification equipment)
- Double-sided evaporation roll-to-roll equipment for batteries: about 10-11 months.

**13. What is the breakdown of Order received and Net sales for semiconductor electronics and Display- energy in H1 by application?**

A: See Appendix.

**14. What is the ranking of Operating profit margins in H1?**

A: See Appendix.

**15. What are the plans and actual results for capital expenditure and depreciation for FY25/6?**

- A:
- Capital investment: Annual plan of ¥19.2 billion, actual ¥8.4 billion (progress rate: 44%).
    - Of which, R&D related investment: Annual plan of ¥10.5 billion, actual ¥4.3 billion (41%).
  - R&D expenses: Annual plan of ¥14 billion, actual ¥6.9 billion (49%).
  - Depreciation: Annual plan of ¥10 billion, actual ¥5.4 billion (54%).

## <Appendix>

### ● Breakdown for Order Received

Order Received	FY25/6 H1
<b>Semiconductor/ Electronics(¥1billion)</b>	<b>37.8</b>
•Memory	mid-30%
•Logic	mid-10%
•Electronics Device	less than 20%
•Power Device	mid-10%
•Packaging	less than 20%
•Others	-
<b>FPD(¥1billion)</b>	<b>25.4</b>
•LCD	less than 30%
•OLED	less than 70%
•Battery	several %
•Others	several %

### ● Breakdown for Net Sales

Net Sales	FY25/6 H1
<b>Semiconductor/ Electronics(¥1billion)</b>	<b>47.7</b>
•Memory	mid-20%
•Logic	mid-10%
•Electronics Device	more than 20%
•Power Device	mid-20%
•Packaging	more than 10%
•Others	-
<b>FPD(¥1billion)</b>	<b>31.7</b>
•LCD	about 30%
•OLED	less than 40%
•Battery	mid-20%
•Others	less than 10%

### ● Operating Profit Margin Rank of FY25/6 1H

Rank	Segment
1	Components
2	Semiconductor and Electronics
3	General Industries
4	Others
5	Display and Energy-Related
6	Materials

Overall average is between  
3) General Industries and  
4) Others