

Q&A for Q3 FY25/6 Financial Results Presentation
(held on May 13, 2025) and Analyst Meetings

New Mid- to Long-Term Management Plan

1. Why was the current mid-term management plan abolished and a new mid- to long-term management plan formulated this time?

A: Over the past few years, we have been working on business growth by utilizing existing management resources and defining five growth drivers, including semiconductors, power devices, and batteries. However, in the fields of power devices and batteries, growth has not continued due to rapid changes in the external environment, making it clear that achieving the goals of the current mid-term management plan, which ends next fiscal year, is difficult.

To achieve further growth centered on the semiconductor and electronics sectors in the future, we determined that extending the current plan would limit the growth and that fundamental reforms are necessary. Therefore, we decided to abolish the current plan and promptly start the new mid- to long-term management plan, the "Value-Up Plan."

2. How does the new mid- to long-term management plan differ from the previous mid-term management plan? Why was a six-year long-term span chosen?

A: The new mid- to long-term management plan is based on three pillars: "Business reform," "Production reform," and "Growth strategy." It aims to accelerate the shift to a business portfolio centered on semiconductors and electronics, achieving high growth and high profitability.

Particularly in "Business reform," unlike the previous mid-term management plan, measures such as downsizing or withdrawing from low-profitability businesses will be implemented to optimize management resources within two years. This is a significant difference from the previous plan.

The reason for setting a six-year long-term span is to complete "Business reform" to strengthen the management basis in the first two years and maximize growth effects in the subsequent four years. This two-stage approach ensures sustainable growth.

Additionally, we aim for an operating profit margin of 22% in FY31/6, with growth effects expected to become evident from the third year onward. Since it is difficult to maximize effects within three years, we decided a six-year span for the new management plan.

FY25/6 Earnings Forecast

3. What factors led to the downward revision of the full-year earnings forecast? Why was it not revised at the Q2 stage?

A: The decrease in full-year order received compared to the previous forecast is primarily due to the

stagnation of EV-related business. Specifically, in the semiconductor and electronics sector, we expect a decrease of ¥8 billion compared to the previous forecast, mainly due to reduced orders for power devices, which have been sluggish in both Japan and China. In the display and energy sector, we expect a decrease of ¥14.5 billion, primarily due to the low order received in battery-related business. In the components sector, we expect a decrease of ¥4 billion. In the general industrial sector, we expect a decrease of ¥4.5 billion. These decreases are also mainly attributed to the sluggish investment in EV-related business.

The order received expected in Q3 has been postponed to Q4 or the next fiscal year, resulting in the postponement of sales and profit items initially planned for this fiscal year to the next fiscal year. This led to the downward revision of the full-year earnings forecast.

In Q2, we had anticipated a certain decline in orders for power devices and batteries in the second half and partially revised the order received. However, we did not foresee such a rapid deterioration, so we maintained the full-year earnings forecast as of Q2.

4. What is the outlook for Q4 and the next fiscal year?

A: For Q4 and the next fiscal year, we anticipate a recovery in demand for semiconductors and electronics, returning to a growth trajectory. This is expected to lead to a recovery in both orders and sales.

On the other hand, as we plan to downsize or withdraw from low-profitability businesses next fiscal year, sales may decrease slightly. However, in terms of profitability, we expect an increase in the sales composition ratio of high-profitability semiconductor and electronics-related products as well as partial reflection of production reform effects, resulting in an increase in the gross profit margin. The forecast for the next fiscal year will be disclosed in August.

Sales and Profit (Margin)

5. Why did the gross profit margin improve from 32.2% in Q2 to 33.3% in Q3, despite a decrease in sales compared to Q2?

A: The main reasons for the improvement in the Q3 gross profit margin to 33.3% are as follows.

- I. A mix improvement due to a decrease in sales of display and energy-related production equipment
- II. The sales of surface analysis equipment concentrated in the high-profitability region.

The full-year gross profit margin is expected to be 32%, and the base for profit margin is steadily improving, supported by an increase in the sales composition ratio of relatively high-profitability semiconductor and electronics products.

6. What is the breakdown of order received and sales by application for semiconductors, electronics, and display/energy in Q3 YTD? Also, what is the ranking of operating profit margins in Q3 YTD?

A: As per the Appendix.

Market Environment and Investment Trends

7. What is the outlook for semiconductors (e.g. logic and memory) and packaging businesses related to generative AI?

A: Logic:

As the application of MHM (Metal Hard Mask) for DUV exposure equipment is expanding, orders are increasing from Q3 to Q4. Additionally, orders for advanced logic are expected in Q4. As the industry progresses to the 2nm generation, transitioning transistor structures from Fin to Sheet, we anticipate expanding orders for new hard masks for diffusion processes, for which we have already secured POR (Process of Record).

Furthermore, alongside the increased use of hard masks, expectations as a second vendor are rising, and joint development of other metal processes is underway, aiming to expand the number of POR acquisitions.

Memory:

DRAM: While some investments in DRAM (DDR5) and HBM related to generative AI are expected to be postponed to the next fiscal year, investment expansion is anticipated thereafter.

NAND: Investments in next-generation NAND are ongoing, with stable demand expected.

We continue to aim for further POR acquisitions in DRAM and NAND through joint development of other metal processes.

Packaging:

Ashing equipment for interposer (descum) is performing well, with full-year orders expected to exceed ¥13 billion. Development of sputtering equipment, descum/desmear processing equipment, and plasma dicing for next-generation advanced packaging is progressing, aiming for business expansion through proactive efforts.

8. What are the investment trends for power devices, batteries, and general industries, considering the impact of EV demand slowdown?

A: Power Devices:

In the Chinese market, signs of investment recovery are visible, with investments in 8-inch devices expected to progress. However, in the Japanese market, due to the slowdown in EV market growth, investment resumption is expected to take about a year, with full-scale investments anticipated from FY27/6 onward.

In the mid-to long-term, demand for SiC power devices is expected to increase, and with device structures transition from planar to trench structures, we aim to expand sales of etching equipment suitable for SiC compounds. Additionally, sputtering equipment for GaN compounds has been introduced to the market, aiming to capture future demand.

Batteries:

While the trial use of aluminum double-sided deposition films by battery manufacturers is increasing, mass production investments remain sluggish. Investments are expected to accelerate with the progress of automotive applications.

By widening the film width of aluminum double-sided deposition films to further improve productivity,

we aim to differentiate and secure market share. Furthermore, we aim for mid- to long-term growth with copper double-sided deposition films and lithium films.

General Industries:

Regarding high-performance magnet manufacturing equipment for EV motors, magnet manufacturers are refraining from large-scale investments to improve profitability. On the other hand, investment projects outside China are increasing due to China-related risks, and we aim to grow by actively engaging in these projects.

9. What are the lead times for major equipment types?

A: Regarding delivery lead times to customers:

Logic and memory sputtering equipment: Planned production models take 3–5 months (new projects without forecasts vary depending on equipment specifications, averaging 8 months).

Electronic device-related standard specification sputtering, deposition, and etching equipment: Lead times are 5–9 months. Special equipment: Lead times exceed 10 months as parts procurement starts after order reception.

Power device ion implantation equipment: Standard specifications take about 7 months, while special equipment exceeds 10 months.

Battery-related double-sided deposition roll-to-roll equipment: Lead times are approximately 10–11 months.

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

A: Currently, inquiries are gradually increasing due to the expanded application of MHM for DUV exposure. Even if U.S. restrictions are strengthened, the weight of semiconductor-related business in China is not significant, so the impact is expected to be limited.

On the other hand, we do not recognize any strengthened regulations on power devices, various electronic devices, or batteries, and we do not feel any impact on business currently.

11. What is the impact of tariffs?

A: Regarding tariffs, we generally apply buyer responsibility conditions, so the direct impact of tariffs is limited. We will assess the indirect impact of end-demand slowdown.

Currently, there are no noticeable changes in customer orders. Since the tariff policy remains unclear, tariff impacts are not factored into the full-year earnings forecast. We will monitor developments from July onward.

<Appendix>

● Breakdown for Order Received

Order Received	FY25/6 Q3 YTD
Semiconductor/ Electronics(¥1billion)	51.8
•Memory	more than 30%
•Logic	more than 20%
•Electronics Device	less than 20%
•Power Device	more than 10%
•Packaging	less than 20%
•Others	-
Display and Energy-Related(¥1billion)	32.6
•LCD	more than 30%
•OLED	more than 60%
•Battery	several %
•Others	mid single digit

● Breakdown for Net Sales

Net Sales	FY25/6 Q3 YTD
Semiconductor/ Electronics(¥1billion)	67.3
•Memory	more than 20%
•Logic	less than 20%
•Electronics Device	about 20%
•Power Device	mid-20%
•Packaging	more than 10%
•Others	-
Display and Energy-Related(¥1billion)	41.1
•LCD	more than 30%
•OLED	more than 40%
•Battery	about 20%
•Others	mid single digit

● Operating Profit Margin Rank of FY25/6 Q3 YTD

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

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