

Q&A for FY2023/6 Financial Results Presentation
(held on August 8, 2023) and Analyst Meetings

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New mid-term management plan

1. What was your assessment of the previous mid-term management plan, and what are you aiming to achieve the new mid-term management plan?

A: Semiconductors and Electronics, etc., became the growth driver by concentrated development investment, resulting in net sales of JPY227.5 billion in FY23/6, the final year of the previous mid-term plan, exceeding the initial sales target of JPY210 billion.

We achieved the orders received totaling JPY247.2 billion, which was close to its sales plan of JPY250 billion for FY23/6, which was revised upward in August 2022. Therefore, we believe that market-oriented development and business expansion have been realized as planned.

On the other hand, issues remained: (1) sales progress was low relative to orders received due to the impact of longer delivery times for parts and materials, (2) the profit margin target was not achieved due to a reduction in the results of profit margin improvement achieved by strengthening manufacturing capabilities.

We also almost achieved its sales plan of JPY250 billion for the fiscal year ending June 30, 2011, which was revised upward in August 2010, with orders received totaling JPY247.2 billion. We believe that market-oriented development and business expansion have been realized as planned.

On the other hand, issues remained: (1) sales progress was low relative to orders received due to the impact of longer delivery times for parts, and (2) the profit margin target was not achieved due to a reduction in the results of profit margin improvement achieved by strengthening manufacturing capabilities.

In the new mid-term management plan, growth opportunities are expanding in Semiconductors and Electronics and in Batteries. The growth strategy and market competitiveness, which were steadily improved in the previous mid-term management plan, will enable us to take advantage of these growth opportunities.

To ensure the growth, we will improve its profit margin by increasing productivity through strengthening manufacturing capabilities, mainly by shifting to planned production, and promote the establishment of a JPY300 billion production system to achieve JPY300 billion in net sales, a gross profit margin of 35%, and an operating profit margin of 16%.

2. How do you forecast the investment environment?

A: Smart society, digitalization, and metaverse, along with the use of generative AI, are expected to dramatically increase the amount of data, analysis, and communication. To correspond to this

movement, technological innovation and increased production of servers, sensors, and various devices will be necessary. In addition, the movement of EV shift is accelerating. On the other hand, since these devices consume a great deal of power, green energy initiatives are also required to increase energy efficiency and storage efficiency by improving the efficiency of power devices, miniaturizing Semiconductors and Electronics, and increasing the energy efficiency of batteries by extending the lifespan and improving efficiency.

We would like to take advantage of these business opportunities by meeting the needs while contributing to solving social issues through our vacuum technology.

The investment environment has also been positive due to government-supported efforts to build regional supply chains, such as the attraction of semiconductor facilities, against the backdrop of the U.S.-China trade frictions, etc.

3. What is the difference between the efforts to strengthen manufacturing capabilities compared to the previous mid-term management plan?

A: Under the previous mid-term management plan, We has been working on strengthening manufacturing capabilities from the design stage to improve profit margins, and although the gross profit margin improved to 32.4% in 2Q of FY22/6, it did not reach the target due to a reduction in the effect of longer delivery times of parts and materials.

In the past, our focus was on the FPDs business and since the equipment was produced after receiving the orders, including Semiconductors and Electronics equipment, it was slow to respond to the trend toward longer delivery times for parts and materials.

From FY23/6, by sequentially shifting to planned production system focusing on semiconductors, power devices, and other equipment that can be easily standardized, we began to see results, such as shorter delivery lead times.

Under the new mid-term management plan, we will further expand the planned production in growth drivers such as semiconductors and power devices which are mostly standardized and for the battery business, which can also respond to standardization.

Expansion of the planned production will make it easier to demonstrate the effects of strengthening product planning capabilities, improve productivity by leveling production, and strengthen strategic purchasing, which will lead to the improvement of profit margins.

Added on 8/25

4. What percentage of semiconductor, electronics, and FPDs equipment will be shifted to planned production?

A: In FY20/6, we had just entered the Logic field and the business scale was still small, and the business scale of Memory was small too, which was not suitable for a planned production system, and also Power devices were still small and in the same situation.

In FY23/6, Logic grew to a scale that would allow for planned production, with the total of Logic and Memory products reaching over JPY32 billion and Power devices reaching just under JPY28 billion .

The percentage of planned production in the Semiconductor, Electronics, and FPDs equipment

business is expected to increase to about 65% in FY26/6, as Battery-related products, which will be a new growth driver, will also be produced on a planned basis. (As shown in Appendix 2)

In shifting to a planned production system, we believe that we will be able to further demonstrate the effects of our efforts to strengthen manufacturing capabilities, such as by enhancing product planning capabilities, strategic purchasing capabilities, and productivity.

5. How will you achieve 35% gross profit margin?

A: In addition to efforts to strengthen manufacturing capabilities through shifting to planned production, we aim to achieve a gross profit margin of 35% through sales growth due to contributions from growth drivers such as Semiconductors and Electronics and Batteries, and an improved mix due to an increase in Semiconductors and Electronics and Components, which have relatively high profit margins.

6. What is the status of long delivery times for parts?

A: Delivery times for parts and materials are improving.
For some of the remaining parts with long delivery times, by executing planned production and advanced arrangements have resulted in shorter delivery times.

7. What is your growth strategy for semiconductor Logic and Memory? Please break it down into existing processes, new processes, new customers, etc.

A: For Logic, in addition to the MHM process related to EUV, the new process entries realized in the previous fiscal year will gradually contribute. There are also opportunities to enter other new processes, and the number of processes will be increased during the new mid-term management plan period.
Growth is also expected to continue due to continuous investment in legacy semiconductors, which the business started in the previous fiscal year, as well as active investment in establishing regional supply chains in the U.S. and other regions.
In memory, inventory adjustment in the semiconductor manufacturers is currently taking time, but investment is expected to recover from CY2024. Opportunities to enter new processes are expanding in the memory sector, and we aim to grow faster than the market.
Overall, the semiconductor business is expected to grow 1.6 times over FY23/6 in three years.

8. What is the impact of the U.S. restrictions on Chinese semiconductor exports, etc.? Will it affect power devices, etc.?

A: The impact of the restrictions on semiconductor exports to China will be limited to about JPY 5 billion, the amount we had expected to receive orders in the previous fiscal year.
Power devices, various Electronics devices, and batteries, which are expected to expand business, are not subject to the regulation and will not be affected.
In fact, while investment in advanced semiconductors is restricted, there is a sense that investment in power devices and other areas is becoming more vigorous.

9. Are there any changes in local government subsidies or other investment attitudes for power devices, etc. due to the deteriorating real estate market and economic slowdown in China?

A: We have not heard of any change in the attitude of local governments toward subsidies for power devices and other products.

Investment in power devices and other products in China continues to be active and there may be rather an economic stimulus aspect.

10. What is your growth strategy for power devices? What is your growth strategy by sector, region, and equipment?

A: The weight of SiC investment in power devices is increasing. Taking the opportunity of the increase in wafer size to 8 inches, we will expand sales of Ion Implanter with excellent temperature control function for SiC, which has secured a high market share in China, in addition to the conventional sputtering equipment.

To respond to the increase in etch processes accompanying the change to SiC trench structures, we will also increase its market share in compound etch equipment, a field in which it excels. We will expand sales of Ion Implanter, Sputtering, and Etch systems as a set in Japan and China.

In the Si-IGBT field, we will take advantage of the increase in wafer size to 12 inches to expand sales of Ion Implanter equipment in Japan, and at the same time, it will expand sales of Sputtering equipment in China.

Si-MOSFETs in China will continue to expand sales of locally produced, price-competitive Evaporation equipment, and overall power devices are planned to grow 1.5 times over FY23/6 in 3 years.

11. What is your strategy for growth in Packaging?

A: With the limits to miniaturization of semiconductor chips, advances in packaging technology are expected to further improve semiconductor processing capacity and realize energy savings. In the wafer level packaging (WLP) field, we have strengths and actual achievements in Ashing equipment that is compatible with the most advanced processes. In addition to Ashing equipment, we will also expand sales of Sputtering equipment.

In addition, investment in panel-level packaging (PLP), which can improve capacity by properly wiring semiconductor chips together, is expected to go into full swing. We already have actual sales of Ashing equipment to major manufacturers in Taiwan and Japan, and will expand sales of Sputtering equipment as a set.

12. What is your growth strategy for double-sided Evaporation Roll-to-Roll Equipment for EV batteries?

A: By replacing the aluminum foil used in the cathode current collector of EV batteries with a double-sided Evaporation film, it is possible to improve safety and increase the size and capacity of EV batteries. Our Evaporation Roll-to-Roll Equipment has traditionally held more than 90% of the market share for high-performance automotive film capacitors. Our technology enables to deliver one-time deposition on both sides of plastic film, realizing required thickness. Plastic films are susceptible to thermal damage, but our superior heat removal technology realizes high-quality double-sided evaporation, differentiating us from our competitors.

While securing a high market share, we will further improve mass-production efficiency to differentiate the technology and make it make our business at least JPY30 billion by FY26/6.

FY23/6 Actual results

13. What are the factors behind the increase or decrease in orders, sales, and operating profit compared to the revised 3Q forecast?

A: Orders received were mostly in line with the expectations.

Net sales came in at JPY227.5 billion, JPY12.5 billion higher than the forecast, due to the firm expectation of construction in progress sales and for Components orders and sales when the revised 3Q forecast was disclosed, as well as the impact of foreign exchange rates.

Operating profit was JPY19.9 billion, an increase of JPY2.4 billion, but the increase in operating profit was limited due to several low-profit projects while sales increased due to the impact of foreign exchange rates.

14. What are the breakdown percentages of Semiconductors and Electronics, FPDs orders and sales of FY 23/6?

A: As shown in the Appendix

15. What is the ranking of profitability by segments of FY23/6?

A: As shown in the Appendix

FY24/6 Forecasts

16. Why will sales and operating profit improve significantly from the second half of FY24/6?

A: A full recovery in semiconductor sales is expected in the second half of FY24/6, and the battery-related sales contribution is expected to increase.

The order backlog of JPY141.0 billion at the beginning of FY24/6 consists mainly of low-profit margin projects affected by longer delivery lead times for parts and materials which will contribute significantly to sales in the first half of FY24/6. Therefore the profit margin will improve in stages as the sales contribution from the order backlog declines in the second half of FY24/6. With the added effect of increasing sales, operating profit is expected to improve in the second half of FY24/6.

17. What are your projections for sales and operating profit for FY24/6 · 1Q? What are your projections for net sales and profit margin in FY24 on a quarterly basis?

A: Some of the projects contributed to sales in FY23/6 · 4Q ahead of schedule, so sales in FY24/6 · 1Q are expected to start from a low level, and operating profit is expected to be similar.

Looking at the quarterly trend, both sales and profit margin will improve gradually. Profit margins will gradually improve because of increasing sales and the gradual decline in the contribution to sales of order backlogs at the beginning of FY24/6, which are still affected by the long delivery times of parts and materials.

18. What are the breakdown percentages of Semiconductors and Electronics, FPDs orders and sales of FY 24/6?

A: As shown in the Appendix

<Appendix>

● Breakdown for Order Received

Order Received	FY 23/6 Full Year
Semiconductor/ Electronics(¥1billion)	86.9
•Memory	mid-10%
•Logic	more than 20%
•Electronics Device	less than 30%
•Power Device	more than 30%
•Packaging	several %
•Others	-
FPD(¥1billion)	53.6
•LCD	more than 40%
(for large-sized)	(almost 100%)
•OLED	mid-30%
•Others	more than 20%

● Breakdown for Net Sales

Net Sales	FY 23/6 Full Year
Semiconductor/ Electronics(¥1billion)	77.7
•Memory	mid-20%
•Logic	less than 20%
•Electronics Device	less than 30%
•Power Device	mid-20%
•Packaging	mid-single digit%
•Others	-
FPD(¥1billion)	52.8
•LCD	less than 40%
(for large-sized)	(more than 50%)
•OLED	less than 50%
•Others	more than 10%

● Operating Profit Margin Rank of FY 23/6

Rank	Segment
1	Components
2	Semiconductor and Electronics
3	Others
4	General Industries
5	Materials
6	FPDs

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

● Breakdown for Order Received

Order Received	FY 24/6 Full Year Plan
Semiconductor/ Electronics(¥1billion)	92.0
•Memory	less than 20%
•Logic	more than 20%
•Electronics Device	mid-20%
•Power Device	more than 30%
•Packaging	several %
•Others	-
FPD(¥1billion)	52.0
•LCD	about 20%
(for large-sized)	(more than 70%)
•OLED	about 40%
•Others	less than 40%

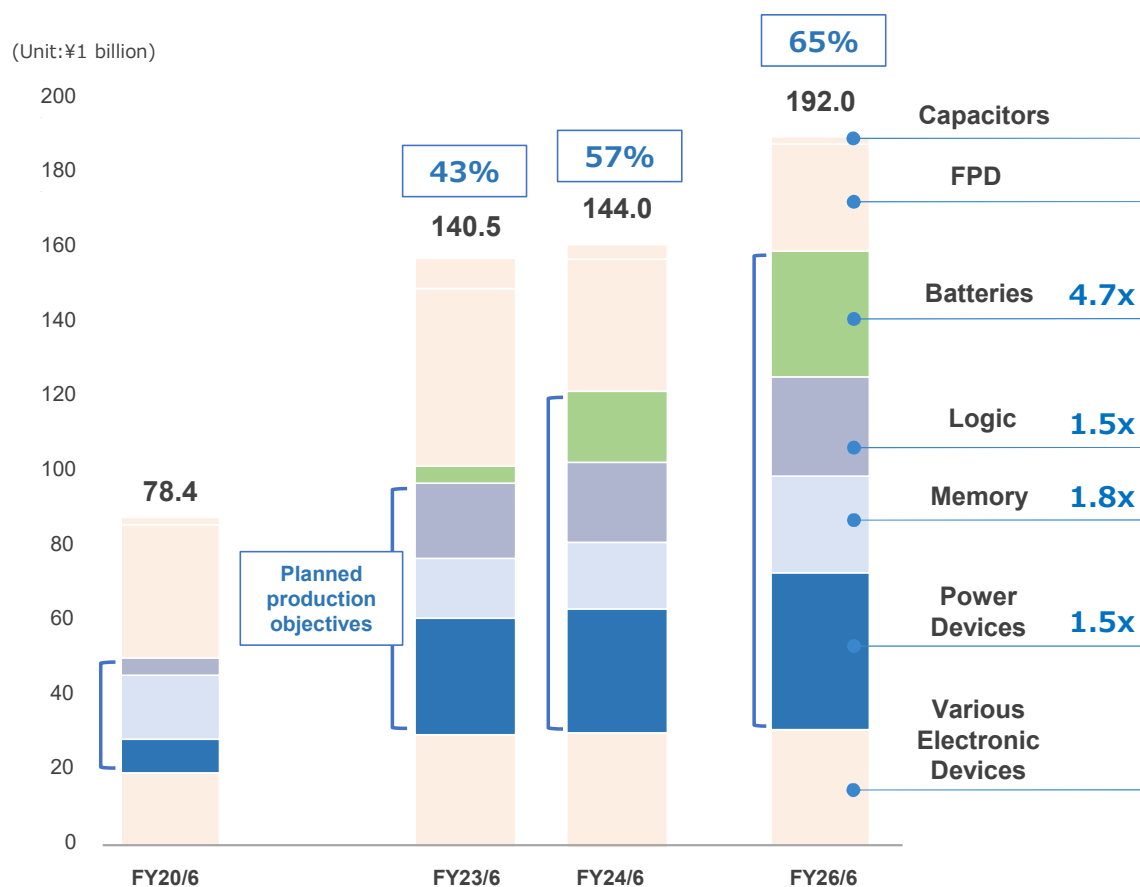
● Breakdown for Net Sales

Net Sales	FY 24/6 Full Year Plan
Semiconductor/ Electronics(¥1billion)	93.5
•Memory	less than 20%
•Logic	about 20%
•Electronics Device	more than 20%
•Power Device	more than 30%
•Packaging	mid-single digit%
•Others	-
FPD(¥1billion)	52.5
•LCD	mid-30%
(for large-sized)	(less than 80%)
•OLED	less than 30%
•Others	less than 40%

Appendix 2 : Planned production increase along with expansion of growth drivers



Expansion of equipment subject to planned production



【FY20/6】

- Logic·Memory : approx. JPY19.0 billion
 - Power Devices : approx. JPY8.0 billion
- ⇒ The scale was too small to make planned production

【FY23/6】

- Logic·Memory : more than JPY32.0 billion
 - Power Devices : less than JPY28.0 billion
- ⇒ Grew to a scale that enables planned production

【FY26/6】

- Logic·Memory : over JPY50.0 billion
 - Power Devices : over JPY40.0 billion
 - Batteries : over JPY30.0 billion
- ⇒ Planned production objectives for semiconductor, electronics, and FPDs are expected to increase to 65%