

Q&A for FY2022 Q3 Financial Results Presentation
(held on May 12, 2023)

1. Why did gross profit (ratio) in the 3Q decline from the 2Q (30.5%→29.7%)?

A: The decrease in sales (-¥5.6 billion) had a significant impact.

2. What is the reason for the -¥6.5 billion decrease in annual operating income from the previous forecast?

A: The decrease in sales (-¥15.0 billion) had a significant impact.

3. What is the current status of long delivery times for parts? How is it being addressed and improved?

A: The long delivery times of parts are improving.

For some of the parts and materials with long delivery times, efforts to shorten delivery times have been successful, such as prior arrangement of parts before receiving orders based on information exchange with customers, taking into consideration the delivery time and lead time of the parts.

For semiconductors, there are many repeat orders for the same model, and we are able to know the customer's forecast in advance, which facilitates a planned production system and advanced parts arrangements, and delivery dates to customers have returned to normal.

FPDs were originally large equipment with a delivery time of about 12 months, and long-delivery parts could be installed later after shipment to the customer's plant.

The electronics business can be divided into two categories: (1) power semiconductor-related fields and equipment for which sales of the same equipment can be expanded, and (2) specialized equipment that is highly customized for each customer.

For ion implanter and sputtering equipment related to power semiconductors, we are able to engage in a systematic production system and advance arrangement of parts.

In addition to the problem of long delivery times for ion implanters, etc. the suppliers have been unable to keep up with the rapid growth in orders and sales but now has doubled its production capacity by collaborating with us to strengthen the production system.

As a result of these efforts, delivery times for ion implanters and other equipment that can be produced systematically, and parts can be procured in advance have been shortened.

On the other hand, the scope of parts with long delivery times is gradually being limited in the case of special-purpose equipment. In terms of competitiveness, this does not have a negative impact in terms of delivery time, as competitors also have difficulty with planned production and advance arrangements.

4. What is the breakdown of orders and sales by application for FPDs and semiconductor and electronic devices in the 3Q?

A: See Appendix.

5. What is the ranking of operating profit margin in the 3Q?

A: See Appendix.

6. We hear that investment in power devices in China is booming. On the other hand you explained that power devices will be shifted from the 3Q to the 4Q. Is there a change in investment mindset?

A: We recognize that investment sentiment for power devices continues to be strong in both China and Japan.

7. Although the battery business has been shifted to the 4Q, is it because of increased visibility that the full-year order forecast has been raised after being lowered in the previous quarter?

A: Although the order period was postponed from 3Q to 4Q, the possibility of orders in 4Q for projects that were expected to be postponed to the next fiscal year in the previous forecast has increased, and we feel that investments for mass production are starting to take off.
We expect orders of 10 billion yen or more in the next fiscal year and onwards.

8. Why such a further significant downward revision in such a short period of time? Didn't we know this as early as February? When did you find out? What is the outlook for the future?

A: In addition to the downward revision in February, the consecutive downward revisions were due to the postponement of orders (from Q3 to Q4) and postponement of investments, etc. However, we think that there was also insufficient confirmation of the certainty of orders.

As of February, we thought there would be no further downward revisions.

As of March, we were aware of some risks related to orders, but the entire group was working together to find ways to recover, and we finally confirmed that the impact would be as large as it was in April.

In some respects, the amount of impact on sales due to the quarter's delay in orders was not fully evaluated, and the company is reviewing its internal management system.

We recognize that the downward revision is temporary, as our growth strategy remains unchanged: we have a large backlog of orders, sales will increase in the future, the order weight of semiconductor electronics is increasing, and profit margins will improve due to an improved mix.

9. Were there any internal problems with the consecutive downward revisions?

A: We believe that we did not have an accurate grasp of customer investment trends and other factors.

In addition, while we announced a downward revision to our business performance in February, the entire group has been working together to increase orders, and in some cases, our expectation of orders was rather high.

We are already working to strengthen the communication with customers and reinforce its checking and verification systems and will further enhance the management system through organizational changes starting in July.

10. What is your current view of sales and profits for the next fiscal year?

A: We will explain our plan for the next fiscal year in August. The order backlog at the end of the current fiscal year exceeded ¥150 billion and orders for the current fiscal year are expected to reach ¥250 billion and we are making progress in responding to the longer delivery times for parts and materials. We expect sales for the next fiscal year to at least exceed last year's level of ¥241.3 billion.

<Appendix>

● Breakdown for Order Received

Order Received	FY2022 Q3
Semiconductor/ Electronics(¥1billion)	13.8
•Memory	more than 10%
•Logic	about 20%
•Electronics Device	more than 30%
•Power Device	about 30%
•Packaging	mid-single digit
•Others	-
FPD(¥1billion)	6.4
•LCD	less than 40%
(for large-sized)	(almost 100%)
•OLED	mid-40%
•Others	less than 20%

● Breakdown for Net Sales

Net Sales	FY2022 Q3
Semiconductor/ Electronics(¥1billion)	17.6
•Memory	less than 20%
•Logic	mid-20%
•Electronics Device	about 30%
•Power Device	mid-20%
•Packaging	several%
•Others	-
FPD(¥1billion)	9.3
•LCD	less than 40%
(for large-sized)	more than 30%
•OLED	more than 50%
•Others	less than 10%

● Operating Profit Margin Rank of FY2022 Q3

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