

**Q&A for FY2024/6 Q3 Financial Results Presentation**  
**(held on May. 13, 2024) and Analyst Meetings**

**Sales and Profit (%)**

1. **The gross profit margin in the Q3 was high at 33.8% largely due to the contribution of high-margin projects. Would you please explain what kind of projects and the degree of the contribution? Excluding special factors, what level of the base margin that reflect strength should we consider? Operating profit margin is also high at 15.5%, but what is the base margin?**

**A:** The base profit margins are also improving. The profit margins improved significantly due to special factors in the Q3,  
(1) Temporary high-margin projects such as new high-margin projects for  $\mu$ OLED and semiconductors contributed in Q3.  
(2) Sales of surface analysis systems of group companies were concentrated in regions with high profit margins.  
Excluding the impact of these temporary special factors, we believe the base margin that reflect strength is around 31.5%.

A portion of SG&A expenses expected in Q3 were shifted to Q4, which lowered SG&A expenses by about 1%, positively affecting the operating margin. Taking this into account, the base operating profit margin is expected to be around 12%.

2. **What are the main reasons for the improvement of the base gross profit margin from 30.8% in Q2 to 31.5% in Q3, excluding special factors?**

**A:** (1) About 1/3 of the improvement was due to a steady increase in sales of Semiconductors and Electronics, which have high profit margins, and an improved mix,  
(2) Battery-related sales are making a full-scale contribution and improving, and a higher profit margin on semiconductors project for new process contributed about 2/3, resulting in an improved profit margin even after excluding temporary special factors.

3. **What are the Q4 sales and profit (margin) forecasts? Why wasn't there an upward revision of the full-year forecast?**

**A:** We expect Q4 sales to be on par with Q4 sales of ¥65 billion, and full-year sales will probably exceed ¥250 billion.  
We did not revise the earnings forecast due to the absence of high-margin projects that were concentrated in Q3 and the shift of some SG&A expenses from Q3 to Q4, but we expect to achieve this year's plan for orders, sales, and operating profit.

4. **What is your view of gross profit margin for the next fiscal year?**

**A:** The profit margin in Q3 was high, partly due to temporary special factors. We believe that the base gross profit margin was around 31.5% and operating profit margin around 12%, but despite the special factors, the gross profit margin of 33.8%, the highest level since our listing, is a significant step forward.  
We will explain our plan of the next fiscal year in the next earnings disclosure scheduled in August, but we expect to exceed 31.5% in the next fiscal year in order to achieve the gross profit margin target of 35% for FY26/6 in our mid-term management plan.

5. **What SG&A expenses decreased in the Q3, and will they remain at this level in the Q4? How much do you expect in the next fiscal year and onward?**

**A:** In Q3, SG&A expenses were low, partly because some SG&A expenses were shifted to Q4.  
In Q4, SG&A expenses are expected to increase due to the sliding portion from Q3 and higher R&D expenses.  
Plans for the next fiscal year and onward will be explained in the next earnings disclosure scheduled in August.  
In addition to continued investment in R&D, mainly in Semiconductors and Electronics, personnel costs are expected to increase from the current fiscal year mainly due to increases in base salary.

**6. Compared to Q1, orders in Q2 and Q3 are around ¥55 billion. What is your forecast for Q4? How do you think orders will be received in the next fiscal year?**

**A:** The order for this fiscal year is expected to reach the plan of ¥250 billion, and to exceed ¥60 billion in Q4.

We expect orders in the next fiscal year to further increase, mainly for growth drivers such as power devices, battery-related business, and logic/memory, and to exceed the current fiscal year's level. We will explain our order plan for the next fiscal year in the next earnings disclosure scheduled in August.

**7. What is the projected level of orders and sales plan for the next fiscal year?**

**A:** As we will explain our plans for the next fiscal year in the next earnings disclosure scheduled in August, what we can say at this point is general issues in a subjective view.

Orders and sales for this fiscal year are expected to exceed ¥250 billion.

Orders received this fiscal year, mainly for growth drivers, have been strong, and the order backlog at the end of this fiscal year is expected to be high, so we believe that sales in the next fiscal year will exceed this year's level.

We will grow toward our sales target of ¥300 billion for FY26/6, the final year of our mid-term management plan.

Currently, the business is performing as planned, driven by power device and battery-related business, and we believe that semiconductor-related investments will gradually recover from the next fiscal year, and although the growth will not be strong enough to grow linearly in the next fiscal year, we believe that we can steadily grow toward our target of ¥300 billion in FY26/6.

**8. What is the breakdown of orders and sales of Semiconductors and Electronics and FPDs in the Q3 by application and the ranking of operating profit margin by segment?**

**A:** See appendix

## **Growth Drivers**

**9. Please tell us about the current investment trend in power devices and orders forecast in the next fiscal year and onward.**

**A:** SiC investment is increasing in both Japan and China.

Japanese companies first started investing in 6-inch SiC in Q1 of this fiscal year, but are now considering shift to 8-inch, and some have begun investing in mass production. Although the speed of SiC 8-inch investment differs from company to company, Japanese power device makers expect that after pilot lines, full-scale investment will be made in H2 of the next fiscal year or later.

Business opportunities are expanding in the mid- to long-term due to active SiC investment, increased wafer size, and trench structures in response to increased demand for green energy and EVs. However, in FY26/6, the 8-inch SiC investment is expected to make a full contribution, and orders are expected to grow about 1.5 times compared to FY23/6.

**10. Please tell us about the current investment trends in Various electronic devices and the prospects for orders in the next fiscal year and beyond.**

**A:** In Various electronic devices, investment in the Packaging business is becoming more active, although the monetary scale is still not that large. In wafer-level packaging, we are strong in ashing equipment for cutting-edge processes, and planning to expand sales for sputtering equipment in the future. In addition to wafer-level packaging, investment in panel-level packaging is expected to increase in earnest, and we already have experience in ashing equipment with major manufacturers in Taiwan and Japan. The packaging business is expected to grow 4.4 times in FY26/6 compared to FY23/6.

Overall sales of electronic devices are expected to grow 1.2 times in FY26/6 compared to FY23/6.

**11. Please tell us about the current investment trend in semiconductors and orders forecast in the next fiscal year and onward.**

**A:** (1) Memory

Memory investment will shift from the inventory adjustment phase to the investment recovery phase. HBM-related investment contributed to the recovery in this fiscal year, and we expect investment, mainly in DRAM, to recover over the next fiscal year.

(2) Logic

Investment in advanced logic will also shift from the adjustment phase to the investment recovery phase. In particular, we expect growth in the MHM process, as we have secured the third North American logic manufacturer to use our MHM process. We have also received opportunities to enter new processes other than the MHM process, which we intend to boost the growth. We expect to continue to receive orders from legacy manufacturers in North America, with whom we started business in the previous fiscal year, and our business base in the logic field is expanding.

**12. Please tell us about the current investment trend in batteries and orders forecast in the next fiscal year and onward.**

**A:** The first round of investment in double-sided aluminum evaporation coating for EV battery cathode current collectors began in earnest in Q1. The first investment in the first phase of the project began in H2 of the fiscal year, and after confirming the status of operation, each company is now working on its next growth investment plan.

**13. What was the weight of power device orders by method, region, and equipment?**

**A:** For Q3 YTD  
(By method) SiC-related: mid-80%, Si-MOSFET-related: mid-10%, IGBT-related: several%  
(By region) China: 60%, Japan: 40%  
(By equipment) Ion implanter: more than 50%, sputtering equipment: mid-30%, deposition equipment for Si-MOSFETs: more than 10%.

**14. What are the semiconductor-related business opportunities in China? What is the impact of the U.S. restrictions on Chinese semiconductor exports, etc.? Is there any impact on power devices or other business?**

**A:** In the Chinese semiconductor-related market, we do not have the same weight of orders as other companies due to our limited track record in legacy nodes, but we would like to gradually increase this weight. The impact of regulations by the U.S. is limited, as we have not factored in a large amount of semiconductor-related orders in China as part of our plan.  
The expanding business of power devices, various electronic devices, and battery-related products are not subject to the regulations, so there is no impact on their business. In fact, while there are restrictions on investment in cutting-edge semiconductors, there is a sense that investment in power devices and other areas is becoming more focused, and investment in power devices and other areas is increasing.

## <Appendix>

### ● Breakdown for Order Received

Order Received	FY24/6 Q3
<b>Semiconductor/ Electronics(¥1billion)</b>	<b>19.2</b>
•Memory	less than 20%
•Logic	about 30%
•Electronics Device	more than 13%
•Power Device	more than 30%
•Packaging	less than 10%
•Others	-
<b>FPD(¥1billion)</b>	<b>7.6</b>
•LCD	more than 60%
•OLED	more than 30%
•Battery	-
•Others	mid-single digit

### ● Breakdown for Net Sales

Net Sales	FY24/6 Q3
<b>Semiconductor/ Electronics(¥1billion)</b>	<b>25.1</b>
•Memory	more than 10%
•Logic	mid-20%
•Electronics Device	more than 20%
•Power Device	more than 30%
•Packaging	less than 10%
•Others	-
<b>FPD(¥1billion)</b>	<b>12.6</b>
•LCD	mid-40%
•OLED	less than 20%
•Battery	mid-30%
•Others	several%

### ● Operating Profit Margin Rank of FY24/6 Q3

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

Overall average is between  
2) General Industries and  
3) Components