

Q&A for Q1 FY25/6 Financial Results Presentation
(held on Nov. 11, 2024) and Analyst Meetings

Investment Trends and Orders Received

1. Why did orders received decrease in Q1 both YoY and QoQ and what is the trend after Q2?

A: In Q1 FY24/6, SiC power device-related investment and Battery-related investment were concentrated, resulting in a high level of orders. However, Q1 orders decreased YoY due to a slowdown in power device-related investments caused by a slowdown in EV demand and a delay in the timing of the adoption of next-generation batteries for automotive use.

In addition, while investment in increased production of G6 panels for smartphones made a localized contribution in the previous Q4, orders received were also down QoQ, as we expect to receive orders for the full-scale investment in OLEDs for IT panels for tablets and PCs starting this fiscal year.

Order forecast for Q2 is expected to increase due to OLEDs investment for IT panels, which is expected to be around ¥10 billion. Although battery-related investments have been delayed more than initially expected due to a delaying trend, the annual order plan remains unchanged due to the recovery in semiconductor investments and the activation of the advanced packaging business.

2. What is the outlook for the Memory and Logic semiconductor business?

A: ① Memory

In terms of Memory, investment is expected to recover in H2 mainly in DRAM due to increased demand for generation AI, and investment in NAND is also expected to resume as inventory adjustment progresses. In addition, expectations as a second vendor are increasing for opportunities in new processes, such as processes around wiring, and we aim to further expand orders.

② Logic

The investment have begun to shift in advanced Logic from an adjustment phase to a recovery phase, and the business adopted in FY24/6 will be added to the existing business in FY25/6, and the logic business will be further expanded by targeting adoption in new processes around wiring.

3. What are the investment trends in Power devices and Various electronics devices?

A: Investment in Power devices is centered on SiC investment in both Japan and China, and a shift from 6-inch to 8-inch devices is underway. However, due to the slowing growth of the EV market, the investment plans of each company have been delayed by about a year, and the full-scale investment expansion is expected from FY27/6 onward.

For 6inch SiC, we have secured a 70% share of the Japanese market for sputtering equipment and a 70% share of the Chinese market for Ion Implanter, and we will maintain our high market share when shifting to 8inch. In addition, we aim to expand the business in the Japanese market by developing Ion Implanter and Etching equipment with trench structure, which have actual results in the Chinese market, and in the Chinese market by developing sputtering equipment, which has actual results in the Japanese market.

In various Electronics devices, investment in advanced packaging is particularly brisk due to increased demand for generative AI, and orders for Ashing equipment for foundries are expected to be around ¥10 billion in order for FY25/6. Development for the next generation of advanced packaging is also underway, and we aim to expand its business through aggressive efforts.

4. What are the investment trends related to Batteries? Is there a change in investment sentiment?

A: There is still a strong appetite for investment in the replacement of EV battery Cathode current collectors with aluminum double-sided evaporation film, and we see no change in the mindset toward strengthening the production system, as each company has secured a site for or is constructing a large-scale plant to install the equipment. Currently, each company is in the process of developing prototypes for mass production using our equipment. On the other hand, due in part to the slowdown in the growth of the EV market, the timing of the adoption of next-generation batteries for automotive use has tended to be delayed, and investment has been delaying beyond initial expectations.

Efforts to improve battery safety, reduce size and weight, etc., are continuing, and we expect investment to go into full swing as the use of batteries in automobiles progresses.

In the future, we will strive to differentiate ourselves by further improving productivity through wider film widths for aluminum double-sided evaporation film, thereby securing a share of the market. In addition, we aim to expand the business by developing equipment for copper double-sided evaporation film current collectors and replacing Anode current collectors.

In addition, as a future initiative, we aim to achieve further growth by developing next-generation battery anodes using lithium.

5. What are the investment trends in the OLEDs business?

A: Investment in OLEDs for IT panels for tablets and PCs will begin in earnest FY25/6. We will deploy a G8.7 Semiconductor-specification Multi Chamber Sputtering System, which is larger than the conventional G6 panel for smartphones, and produces fewer particles. We will also offer metal film sputtering equipment for touch sensors, which achieves low-temperature deposition in the temperature-sensitive OLEDs process and high productivity through high-speed deposition. In Q2 FY25/6, we plan to receive orders for large projects worth approximately ¥10 billion.

Furthermore, Cryopumps for OLEDs evaporation systems minimize the impact on the alignment (positioning) of the evaporation masks because the pump vibrates less than the competition. In addition to these strengths, high pumping performance and energy savings have made our Cryopumps as the de facto standard for OLEDs Evaporation systems. We intend to leverage these strengths to firmly seize business opportunities for OLEDs for IT panels.

6. What is the impact of the U.S. restrictions on exporting semiconductor to China?

A: Currently, the semiconductor-related business in China is not that large, but we have received inquiries, and we would like to gradually increase this business. We have not factored in a large amount of

semiconductor-related business in China as part of our plan, and even if the regulations are tightened by the U.S., the impact will be limited. We have not heard of any restrictions on Power devices, Various electronic devices, or Battery-related equipment, and at this point we do not feel that there will be any impact on these business.

Net sales and profit margin

7. Why has the Q1 gross profit margin improved to 31.3%, YoY and QoQ?

A: In the previous 1Q, gross profit margin was 27.7% due to the sale of evaluation equipment with low profit margins in the semiconductor-related business. In addition, in the previous Q4, the gross profit margin was 30.7% due to the concentration of sales in low profit margin areas at group companies. On the other hand, no special factors occurred in this Q1 that pushed down the profit margin, and the gross profit margin improved to 31.3%, since Semiconductors, Electronics and Components, which have relatively high profit margins, continued to account for over 50% of Net sales, and the profit margin bases steadily are increasing.

8. How will profit margins improve in Q2 and beyond?

A: With the backlog of Orders received in Q1 exceeding ¥130 billion, Net sales are expected to increase from Q2 onward, and the sales composition of Semiconductors and Electronics and Components, which have high profit margins, will continue at a high level, so the profit margin is expected to improve further through the second half of the year. We expect that the planned production will not contribute to profit margins improvement until the next fiscal year and onward.

9. How will SG&A expenses be affected in Q2 and onward?

A: In addition to continued R&D Expenses, mainly in Semiconductors and Electronics, personnel expenses are expected to increase from the previous year due to base salary increases, etc., but we are planning to control the fixed costs going further.

10. What is the breakdown of Orders received and Net sales by application in Semiconductors and Electronics and Display and Energy in Q1 FY25/6?

A: See Appendix.

11. What is the ranking of operating profit margin by item for Q1 FY25/6?

A: See Appendix.

<Appendix>

● Breakdown for Order Received

Order Received	FY2025/6 Q1
Semiconductor/ Electronics(¥1billion)	18.0
•Memory	mid-30%
•Logic	mid-10%
•Electronics Device	less than 20%
•Power Device	less than 20%
•Packaging	mid-10%
Display and Energy-Related(¥1billion)	7.4
•LCD	mid-30%
•OLED	mid-50%
•Battery	-
•Others	more than 10%

● Breakdown for Net Sales

Net Sales	FY2025/6 Q1
Semiconductor/ Electronics(¥1billion)	22.2
•Memory	more than 20%
•Logic	more than 20%
•Electronics Device	less than 20%
•Power Device	about 30%
•Packaging	less than 10%
Display and Energy-Related(¥1billion)	13.9
•LCD	less than 30%
•OLED	less than 30%
•Battery	more than 40%
•Others	several %

● Operating Profit Margin Rank of FY2025/6 Q1

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

Overall average is between
2) Semiconductors and Electronics
and
3) General Industries