



November 9, 2022
SHIBAURA MECHATRONICS CORPORATION

(Reference) Q&A Summary of Financial Results Briefing for the Second Quarter of the Fiscal Year Ending March 2023 (FY2022)

- Q1. Net sales in the first half of FY2022 exceeded the projection announced in August by 1.3 billion yen. Why did you leave the full-year forecast unchanged at 56 billion yen?
- A1. Customers' business confidence changed in the second quarter, in the summer. Some customers are reviewing their plans and some of them are delaying their plans. In this situation, although net sales exceeded the projection in the first half, our estimations are still conservative, so we have left the full-year sales forecast unchanged.
- Q2. I think you are continuing to see strong demand and have a large backlog of orders. Will there be any cases of moving back the delivery dates or any other notable changes in the backlog of orders to be delivered the next fiscal year?
- A2. The order backlog was approximately 50 billion yen at the end of March and approximately 68 billion yen at the end of September. Orders are increasing relatively steadily. In anticipation of longer equipment delivery times due to the lengthening delivery times for parts, we are receiving large amounts of orders that are to be delivered in FY2023 and FY2024. It will take some time before those orders contribute to sales. Certain customers are changing their plans for 2023 and 2024. We will continue to carefully watch customers' plans and respond to them.
- Q3. Are the changes in customers' plans for 2023 and 2024 that you mentioned in your answer to the preceding question related to investments in cutting-edge semiconductors in the United States in connection with the CHIPS and Science Act or are they unrelated to the Act? What types of change are they?
- A3. Our understanding is that customers are changing their investment plans and priorities in response to changes in demand for end products, including smartphones and televisions. We have not heard anything about the impact of the tightening of regulations in the United States on customers' investment plans. We need to continue closely examining customers' plans and respond to them. As shown in the graph breaking down orders by destination on page 16 of the presentation materials, the percentages of orders for Europe, America, Southeast Asia, etc. rose in the first half of 2022. We expect that this ratio will increase due to investments in the United States.

Q4. The Japanese government has announced its semiconductor strategy and you are participating in joint development taking place at research facilities in Tsukuba under that strategy. I think that the high-precision flip chip bonder that supports chiplets on page 32 of the presentation materials is related to the joint development in Tsukuba. What is the status of the joint development?

A4. We do not refer to individual customers, but overall, the environment surrounding us is good. We have high expectations for the bonders on page 32, particularly TFC-6700, which supports chiplets. We are putting a great deal of effort into development, taking advantage of our development resources. In addition to bonding technology in the back-end process, we have technologies, expertise, and engineers related to the front-end process, including cleaning. We are also leveraging our technology for the equipment used in the front-end process exemplified on page 31. We think that we can make a great contribution to this area.

Q5. Please describe net sales and orders in the SPE field, particularly sales and orders of GNT,* in the first half of FY2022 and a breakdown of sales. Are sales in line with the plan?

* GNT: Group of global niche top products in the current mid-term management plan

A5. As shown in the graph on page 33 of the presentation materials, we expect GNT sales to be 24 billion yen in FY2022. The breakdown of sales is:

Single wafer wet cleaning equipment	
for the manufacturing process of Si wafers	12 billion yen
Single wafer phosphoric acid etching equipment	2 billion yen
Products for the manufacturing process of photomasks	3 billion yen
High-precision flip chip bonders for the module process	7 billion yen

In the first half of FY2022, total GNT sales were 11.6 billion yen. The breakdown of sales is:

Single wafer wet cleaning equipment for the manufacturing process of Si wafers	
for the manufacturing process of Si wafers	5.7 billion yen
Single wafer phosphoric acid etching equipment	1.6 billion yen
Products for the manufacturing process of photomasks	1.4 billion yen
High-precision flip chip bonders for the module process	2.9 billion yen

We think we made good progress in the first half, considering the full-year forecast of 24 billion yen.

Of the 12.8 billion yen of sales of SPE products other than GNT, sales of CDE* in the fiscal year is expected to be 3.0 billion yen. Sales in the first half of FY2022 were 1.6 billion yen, which is roughly on par with the plan. * CDE: chemical dry etching equipment

Sales in the entire SPE field were as planned. As shown in the graph of sales by product field on page 12 of the presentation materials, of the 29.3 billion yen of total sales, 18.3 billion yen was sales in the SPE field. Compared with the first half of FY2021, sales increased to 18.3 billion yen from 12.5 billion yen. Strong demand for front-end process equipment made a particularly significant contribution to the increase.

We do not disclose orders for individual products, as before. As shown on page 15 of the presentation materials, in the first half of FY2022, orders in the SPE field were 37.9 billion yen.

Orders for front-end process equipment were approximately 28.0 billion yen.

Orders for back-end process equipment were approximately 3.0 billion yen.

In the first half of FY2021, orders in the SPE field stood at 16.0 billion yen.

Orders for front-end process equipment were a little less than 10.0 billion yen.

Orders for back-end process equipment were approximately 2.6 billion yen.

All these figures in the first half of FY2022 are greater than in the previous fiscal year. In particular, orders for front-end process equipment grew significantly.

- Q6. Please describe the position of the TFC-6700 that supports chiplets on page 32 of the presentation materials among its competitors and the appeal of the product to customers. When will you start mass production of the TFC-6700?
- A6. The product is in a category that major competitors have been emphasizing from early on, and we are aware that they have made many different proposals. However, we can make a proposal that covers both front-end and back-end processes. We believe that gives us an advantage. We can also carry out systematization and evaluation on our own. We believe that appeals to customers. We do not mention when mass production will start because that is related to information about customers.
- Q7. Will the United States' tightening of regulations regarding exports to China have any effects?
- A7. Equipment is not regulated by the regulations unless it includes technology originating in the United States to a certain degree, and our equipment is not regulated. The export of parts originating in the United States to the plants of customers that manufacture certain integrated circuits in China is regulated, and that affects us. We will pay close attention to future developments regarding effects in areas where a joint response is required in Japan and we will take action through consultation with the relevant departments and with relevant parties.
- Q8. In FY2023, there will be a larger backlog of orders. Will sales in FY2023 be relatively strong because of that? What are your views on how you will be affected if the entire Wafer Fab Equipment (WFE) market declines?
- A8. We think we will be affected in some way if the entire WFE market declines. Our mainstay products are the Global Niche Top products, and we think that the types of equipment are relatively unsusceptible. However, we cannot tell what effects the regulations on exports to China will have.

Q9. What are your views on the procurement of parts and materials and longer delivery times in FY2023? Will you continue to have a large backlog of orders in FY2023? What parts or materials will be difficult to procure?

A9. The long delivery times for parts and materials will remain unchanged. We are continuing striving to procure parts and materials as soon as possible and we are adjusting delivery times as necessary in consultation with customers. We expect that we will continue to have a large backlog of orders. Control-related parts, electronic devices and resins are difficult to procure. Certain electronics components about which there have not been any problems are also difficult to procure. A large number of these components are procured and used for a range of purposes.

Q10. In the first half of FY2022, you received large orders for wafer cleaning equipment. Were there any changes in terms of destinations between the first quarter and the second quarter?

A10. There were no particular changes in that short period of time, three months. I would like to say that we received large orders in the first half, including orders with very long delivery times.

Q11. Regarding the backlog of orders, including orders for wafer cleaning equipment that is to be delivered in 2023 or 2024, if the supply-demand situation changes significantly, there might be risk of cancellation. If the situation for procurement improves and the timing for placing orders changes to the previously normal timing, orders may decline temporarily. What are your views on those risks?

A11. The situation may change, but at present, some customers that have placed orders for wafer cleaning equipment have requested that we deliver equipment as planned or earlier than planned. We are continuing to discuss the procurement situation with suppliers and have found that the situation has not improved at all. Suppliers cannot say when the situation will improve. We expect that it will take some time before suppliers' efforts to increase production begin to produce results.

Q12. Are there any bottlenecks that are hindering production? Do you need to expand production space or increase personnel?

A12. At present, the bottleneck is the procurement of parts and materials. We are making adjustments to production spaces and personnel, considering future workloads. We have asked partner companies to adjust production spaces and personnel. We have production space where we can manufacture large-scale equipment like the FPD G10 on the premises. We prepare facilities where we can manufacture SPE.

Forward-looking statements including business forecasts contained in this document are based on information currently available to the company and certain assumptions the company deems reasonable, and the Company does not guarantee that they will be realized. Please note that actual results may differ materially due to various factors.