

EBARA CORPORATION FY2020 Earnings Conference Main Q&A

Summary of Q&A during earning conference held February 12, 2021

Overall: Financial Results Overview of FY2020

Q: What is the reason for the increase in operating income from the November forecast of JPY32.0 billion to JPY37.8 billion?

A: Earnings improved more than expected in Custom Pumps and Compressors and Turbines (CT) Businesses, and fixed costs also decreased.

Fluid Machinery Systems (FMS) Business: Financial Results Overview of FY2020

Q: What are the factors behind improved profitability in the Pumps and CT Businesses?

A: In the Pumps Business, profitability improved, especially in the Custom Pumps Business. Profitability improved due to improved productivity at domestic plants, strong orders and sales in public projects, and increased sales and profit margins at subsidiaries in China. CT Business profitability improved due to the effects of measures implemented for the last two years, such as selective order-taking, increased procurement from low-cost countries (LCCs), and the use of automated design.

Precision Machinery (PM) Business: Financial Results Overview of FY2020

Q: Orders from July to December increased compared to the prior year. Are there any regional differences?

A: Orders increased generally.

Q: CMP orders increased from October to December, but when are the sales recorded for these orders?

A: Sales will be recorded in FY2021. CMP lead time is relatively long.

Q: Service and Support (S&S) business is growing, but are there any differences in terms of products and regions?

A: Overall, customers' plants were operating at a high level, and demand for parts and other items increased.

Q: Is it growing in China as well?

A: 2020 is considered the time for planting seeds in China. We expect to start to see results gradually in 2021.

FMS Business: Forecast for FY2021

Q: Your plan indicates an increase in orders compared to the prior year in both the Pumps Business and CT Businesses, with a drastic recovery starting in the second half of the year. Do you feel a good response?

A: The oil and gas market in China has been performing stably since the last year, and capital investment is expected to start to increase in emerging countries.

Although the order backlog at the beginning of the year has decreased, the backlog of S&S field services (FS) is increasing. We therefore anticipate increased parts sales from FS once the effects of COVID-19 are reduced. We plan to acquire orders during the first half of the year and record those as sales in the same year. .

PM Business: Forecast for FY2021

Q: What is your view of the market environment?

A: Memory investment was weak at the beginning of FY2020. However, demand started to return due to the increased number of people staying-at-home and working at home. Recovery progressed further in the second half.

Memory investment is expected to increase going forward, and investments in memory, foundry, and logic markets are expected to increase worldwide. Capital investment in the semiconductor market in FY2021 is expected to exceed that of 2018 when demand was at a record high, and grow further in 2021 and 2022.

It is important for us to stably supply products and support our customers' next-generation technology development.

Q: Please tell us about the factors behind the lower operating income plan for January to June and the prospect of achieving an operating income of 13.0%, one of E-Plan 2022's targets.

A: Operating income from January to June is expected to be on par with the same period in the prior year because the profitability improvement from the automated dry vacuum pumps plant is expected to show in the second half of the year, and due to the product mix available during the period.

In the second half of the year, the plant will be fully operating and contribute to improved

profitability. As a result, we will be able to enjoy returns from the beginning of FY2022, and operating income is expected to improve further. In order to achieve E-Plan 2022's target of an operating income ratio of 13.0% or more, we will steadily implement other measures, too.

Q: The sales plan is JPY170.0 billion. Do you foresee any problems with production capacity if sales increase further from the next fiscal year onward? Is it right to think additional investment is not required?

A: We plan to add one line to the existing Kumamoto Plant (CMP production) this year, and that will be sufficient.

Q: Have you received orders for products for EUV?

A: We have not received any formal orders yet. We expect orders this year.

Q: Exhaust systems for EUV are already on the market, and how do you plan to gain market share?

A: We believe that our exhaust system's performance is not inferior and that its energy-saving capability is our strength. This is the starting point for us to challenge competing manufacturers.

Q: Are the number of projects, including evaluations at customers sites, increasing still? Is the customer base expanding?

A: The customer base is expanding along with the increase in orders and sales, and we will respond to such projects as needed going forward. Such demand is expected to increase slightly.

Q: If line width becomes narrower, EBARA's strength will be energy-saving capability, not that it is only EBARA that offers products for the particular application?

A: Correct.

Others

Q: Are there any businesses related to the global trend of decarbonization and governments' green growth strategy?

A: Regarding decarbonization, some EP Business users are making efficient use of CO₂ in exhaust gas from incinerators, and this type of application will also increase at electric power companies and businesses using incinerators, which emit large amounts of CO₂. We would like to expand this type of technology as well, and chemical recycling technology is the most promising one. We hope to start construction of a demonstration plant by the

end of 2021 toward commercialization.

Q: What is the scale of the business and expectations for hydrogen pumps?

A: The scale of the business is not big yet. Currently, we are discussing how to nurture it as a business while proceeding with development.

Q: I understand CMP systems are a physical planarization technology. How much line width can it handle?

A: We aim for one nanometer. At present, CMP systems are the only planarization technology to polish the front surface of the wafer at a time as miniaturization advances. Although we must continue further development and enhancement, we think CMP systems will continue to be the main equipment for miniaturization and planarization for the time being.

End