

Summary of President's Remarks at the Financial Results Briefing for Analysts on
November 28, 2022

(Financial Results for 1st half of the Fiscal Year Ending March 2023)

◆Recent major investments

In the metal substrate business, we are preparing for the next leap forward by increasing the capacity of its main plant in Komagane, Nagano Prefecture, and acquiring an adjacent site of approximately 20,000 m². We also plan to build a new production building in Malaysia at a cost of several billion yen. In the semiconductor process components business, the Miyada Plant will gradually increase its facilities, and building expansion is also planned in April 2024. In the motor cores business, we will continue to enhance its facilities by expanding the production building at the Atsugi Plant and constructing a new production building at a cost of 5 billion yen. In Mexico, we have acquired 38,000 m² of land adjacent to our existing plant to prepare for the future increase in production capacity. We will actively invest in these three businesses, as these are main businesses that will support the Company going forward.

◆Metal substrates

A metal substrate is a substrate with high heat dissipation characteristics. The circuit layer is formed on a metal plate of aluminum or copper (which acts as the base) covered with an insulating layer consisting of high heat-dissipation resin that includes a mixture of high heat-dissipation ceramic powders of alumina, aluminum nitride, and silicon nitride to further enhance thermal conductivity. It works very effectively as a heat sink and heat spreader and is widely used in consumer, industrial and automotive applications. An important advantage is that it allows the fabrication of thick copper circuits. Power semiconductors that carry large electric currents require thick circuits that support high current levels. This type of substrate allows us to create circuits that are 0.5 to 2.0 mm thick with high accuracy. Since thick resin and glass-epoxy substrates cannot be made, metal substrates will be effective as the substrates of future power semiconductors. Currently, automotive applications are increasing, accounting for 70% of sales. Power semiconductors for industrial use are also increasing, so we are considering expanding sales in this area, too. For consumer use, metal substrates are used in air conditioners and LEDs. In industry applications, they are almost exclusively used in power transistors as power conversion devices, such as inverters in solar power plants and DCDC converters in robots. In automotive applications, they are used in parts where heat is concentrated, such as LED headlamps, converters, instrument panels, and head-up displays. The main focus of applications is on power control units used to control motors in EV vehicles, so we are focusing on development and investment in this area. By continuing to increase the

capacity of the Komagane and Malaysia Plants, and constructing a new production building at the Komagane Plant, the Company aims to achieve sales of 30 billion yen in 2030, five times the current level.

◆ Semiconductor process components

We previously explained the cooling plates used in etching equipment, and heaters used in CVD and ALD deposition equipment, but recently showerheads for process gas distribution have moved from the development to the mass production stage. To meet increasingly complex specifications, such as more uniform gas flow, flow of multiple gases, and temperature control, there has been rising demand for products in which the Company has specialized expertise. Full-scale production is expected to begin in late 2023. The semiconductor manufacturing equipment market is likely to be sluggish in the second half of 2022 and first half of 2023, but we expect that the slowdown will be moderate due to the growth in our new products, and the market will turn upward thereafter.

◆ Motor cores

We will continue to develop a global supply system based on the three production bases, as we have in the past. Production originally started at the Atsugi Plant in 2010. Then, production in the US started in 2013, which was transferred to Mexico in 2016. In 2021, a plant was built in China. Unusually for automotive parts, this is a product that cannot be expected to receive orders without sufficient capacity. Therefore, we will further expand these bases, while striking a balance between rapid investment and orders. On a stage-by-stage basis, we aim to achieve sales of 30 billion yen or more in the future by increasing production capacity in Japan and China, and then building a production facility in Mexico.

In addition to the above products as our main business, we will also increase sales of HDD suspensions, as well as the leisure products of our group companies. These products will compensate for the sluggish growth in the production volume of automobiles due to the shortage of semiconductors, and in the meantime, the Company intends to build back its automobile business and increase overall sales going forward.

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