

## IR Day Pare1 Q&A

- Q From Applied Material's perspective, what is the good and the bad aspects of KOKUSAI?
- A (Mr. Terrance Lee) Applied Materials and Kokusai Electric have had a long-standing relationship and I have seen many positive things about Kokusai Electric, and I believe that will continue to be the case. KOKUSAI ELECTRIC has a very strong product line and the relationship we have with our customers is similar to the relationship we want to build with our customers, early, deep, and broad. I think that is something that I find very refreshing and valuable, and I think it's the openness of KOKUSAI. Unfortunately, I can't think of anything bad about it.
- Q Currently, you are a shareholder of KOKUSAI ELECTRIC, and what kind of collaboration is being conducted between you and KOKUSAI ELECTRIC. Also, in what areas do you think you can further expand your collaboration in the future?
- A (Mr. Terrance Lee) Generally speaking, when collaborating with a company, not just with KOKUSAI ELECTRIC, we look at whether there is truly an ability to collaborate, for example by looking at gaps in knowledge or portfolios. Our goal is to help our customers overcome challenges and move forward along their roadmap. I cannot go into details because we have signed an NDA, but we are constantly working with our customers and continually working to deepen our collaborative relationships with our partners. That's the whole concept around our EPIC Center and what we do in our EPIC platform in the various labs.
- Q This is a question to Applied Materials. I understand it will be a give-and-take relationship. What kind of a give are you going to provide to KOKUSAI ELECTRIC, and what kind of other things are you going to take from KOKUSAI ELECTRIC from a technological perspective?
- A (Mr. Terrance Lee) In any engagement or relationship, there is always this give and take. I think that giving to each other means sharing information and understanding each other's gaps. Where we differ, we look for opportunities to communicate that this is not an area where we should collaborate. Or check if  $1 + 1$  is greater than 2 in some other ways. If that is the case, then we work with our customers to make sure we're aligned to their needs and their roadmap.
- Q For, Applied Materials, KOKUSAI's batch technology, what do you think will be beneficial for you if Applied Materials uses the KOKUSAI ELECTRIC's technology and in what respect? What kind of support can Applied Materials provide to KOKUSAI ELECTRIC for the benefit of KOKUSAI ELECTRIC?
- A (Mr. Terrance Lee) Obviously, we are more single-wafer focused, and KOKUSAI ELECTRIC is batch focused. There's obviously much more learning and knowledge with KOKUSAI ELECTRIC. That is some area that for sure, we do not have that information. In terms of what kind of support we can provide to KOKUSAI ELECTRIC, in collaboration, we look to see if we can close gaps and deliver to customers a solution, if that's what the customer wants. Again, a lot of these collaborations are driven with a customer

need. First, if there's a customer need, we look to our own portfolio first. We have many products in our portfolio, and if we can connect them together and give a better solution, then that's Applied Material's number one. But if there is something that obviously a batch solution is more valuable, then we will look to see if there's something where we can engage together. Again, the key here is how do we advance the customer roadmaps and create greater value for them. There's so many inflections that are driving the different customer roadmaps that we have to engage earlier and more broadly. Sometimes, we don't know what is the best solution. Sometimes, there's a way to do it by single wafer and a way to do it by batch. Then we see which way, what is the win for the customer.

Q From KOKUSAI ELECTRIC's perspective, what benefits does collaboration with Applied Materials bring? Also, compared to competitors in the film deposition field, please tell us about Kokusai Electric's strengths, future challenges, and issues facing the company in improving profit margins.

A Regarding your first question, we have been in various discussions with Applied Materials since the time when we aimed to merge. We exchange frank opinions from the perspectives of the market and customer's device requirements. This dialogue helps us map out our direction more clearly, and we've enjoyed a great collaboration with Applied Materials in this regard. We do not exchange information in areas where we compete with each other, but we are always looking for ways to collaborate in areas in which we both have expertise, and we would like to continue to consider this in the future. Regarding the second question, I cannot give a definite answer because it is not yet clear what will be produced through our collaboration with Applied Materials. However, we hope to be able to provide better solutions to our customers by integrating products and processes with higher added value. Once we're able to do that, I'm sure customers will recognize the value add, and I do believe that will contribute to our profit boost going forward.

Q Could you please explain the background to the updated financial targets and the increase in the Logic ratio in the breakdown by application?

A Our mid-term targets had previously been set within a range, but in light of market conditions and business progress, we now feel confident that we can aim for the upper end of the range we had previously envisaged, and so we have updated them. The reason for increasing the Logic/Foundry ratio is that, as new business for the GAA generation increases, we expect that the scale of business will continue to a certain extent even for mature nodes such as FinFET and Planar, so we increased the Logic/Foundry ratio in overall equipment.

Q At the full-year financial results briefing, it was explained that GAA-related sales are expected to exceed 10 billion yen in the fiscal year ending March 2025. What is your outlook for the fiscal year ending March 2026 and beyond?

A We estimate that the amount will be around 20 billion yen from the fiscal year ending March 2026 to the fiscal year ending March 2027. In addition, we aim to generate 40 to 50 billion yen in revenue from business aimed at the GAA generation in the fiscal year ending March 2028.

Q Applied Materials product lineup includes single-wafer ALD, is this so-called semi-batch, carousel type? Also, please tell us about your outlook for single-wafer ALD in the future.

A (Mr. Terrance Lee) Applied Materials has a single-wafer ALD carousel type. All these inflections that we're seeing in gate-all-around, which is just now ramping, these are applications where we see many of our technology, not just ALD, but many of our technologies, actually increasing in number of steps and number of applications. We believe that all turning points such as GAA, HBM, and advanced packaging will create many needs not only in the individual steps but also in the connections between these steps.

Q Regarding the target sales revenue of over 330 billion yen when the mid-term business target WFE is \$120bn, I think it will reach \$120bn around 2025. What are your thoughts on the possibility of achieving your mid-term business goals in the near future?

A As you say, WFE forecasts are constantly changing, with some research firms predicting it will reach a size approaching \$120bn sooner than we think. If the overall market improves, I think there is a possibility that this will be realized ahead of schedule. On the other hand, because the WFE figure is an aggregate value of various areas, if there is biased investment in a particular area, other areas may not benefit as much as the WFE figure, so we would like to make a judgment based on a comprehensive view.

Q Is it possible that in the future the two companies will collaborate on individual processes, such as combining Applied Materials' single-wafer equipment with Kokusai Electric's mini-batch equipment?

A We would like to collaborate with an eye on the CFET and 3D DRAM generations, but I believe it will take time for companies to collaborate and create something new. Rather than pursuing short-term results, we believe that what's most important is to create better solutions in the long term. Therefore, rather than focusing on the immediate first generation of GAA, we would like to explore some sort of collaboration with an eye on the second generation of GAA in the near future, or even the world of CFET.

Q Why don't the two companies merge their businesses? Wouldn't pose future business risks for both companies, as there is still uncertainty about the future?

A We have tried to merge our businesses, but the process did not go through due to the review process under antitrust laws, so we are not considering merging businesses. We would like to bring together our respective strengths, collaborate in some way, and find areas where we can both become stronger. I believe that going through the process of considering each other's strengths will have a very positive effect in strengthening each other's abilities. In that sense, we would like to proactively pursue a collaborative relationship with Applied Materials.

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