



Manufacturing Status Update 14

December 16, 2021

Multiple updates have been issued since March of 2020 regarding the COVID pandemic and explaining its impact. Though COVID remains a global problem, more severe in some areas than others, our challenges today are more from a world that has changed due to COVID, than the disease itself.

Product demand, and the associated incoming orders, increased dramatically this year. Orders have consistently been twice our manufacturing capacity every month since January, in spite of our efforts to increase capacity. Long lead times are a direct result of the incoming order rate exceeding our ability to produce.

Significant shifts in demand for products in general have strained the supply chain to the breaking point. The impact is to all industries, not only the semiconductor. Raw materials through finished goods are in short supply. Lead times are increasing and almost everything is shipping far later than commitment dates. AP Tech is dealing with a wide variety and an ever changing list of shortages and late deliveries which range from raw material, machined parts to commodity items like shipping materials.

AP Tech is running two full shifts, 10 hours per day including a single shift on both Saturday and Sunday. The total head count has increased by 25% since the start of the year with almost all the new staff in production. The focus now is on increasing cleanroom and other manufacturing space so that we can continue to add more staff in production. Increasing the flow of parts for manufacturing is critical to increasing production and we are working with our suppliers in this regard.

Lead times are now being quoted at 44 weeks for a small quantity of standard products. A blog is posted to explain what is meant by 'standard'. Larger volume orders and non-standard products (anything not defined by the catalog) will be quoted upon request. These lead times are subject to change at anytime and are only guidelines which can vary depending upon the already committed workload. A confirmation copy of the order is sent after the order has been processed which states the actual delivery commitment that may vary from the date on the purchase order.

The bad news on delivery is compounded by the fact that we are unable to expedite orders or commit to deliveries shorter than previously explained at this time. Manufacturing time is being fully allocated for orders without a buffer (time reserved) to enable shorter deliveries. When asked for our best delivery, that is what is quoted, the first time that it is asked. Many ask us to try again for a better delivery, but unfortunately learn that we only have one best. The even worse news is that most orders are shipping later than commitment dates due to supply chain issues. In spite of trying our best to provide accurate lead times, unforeseen challenges are causing orders to ship an average of 3 weeks later than the commitment date. We are very sorry to say that the guidance for now should be to expect shipments to be later than the due date.

We are doing many things to mitigate the situation which include expanding and adding cleanroom space to increase capacity and engaging our parent company SMC to help expand capacity. Unfortunately, all our steps will take time to implement and will not provide immediate relief. We are making incremental progress each month, but more substantial steps, such as the cleanroom expansion, will take until early 2022 and beyond to achieve. Management of AP Tech and SMC sincerely appreciate the urgency of this product delivery crisis and are moving as quickly as possible to increase production.

Unfortunately, it is still a very unpredictable situation. This update provides our current status which could change tomorrow due to product demand, pandemic or some other factor.

We still sincerely appreciate everyone's patience, cooperation and understanding throughout this prolonged multi crisis situation. We hope that everyone is staying safe and healthy.