

FAQ on Earnings Presentation for FY2020

1st. Q1-13, disclosed on May 13, 2020

2nd. Q14-23, disclosed on June 4, 2020

About HD

Q1. I'd like an additional explanation of the extraordinary loss incurred in this period (impairment of property, plant and equipment, loss on valuation of investment securities). On a related note, I'd also like to hear what the current situation is regarding the reduction of cross-shareholdings and the response to that going forward.

- A1. • In consideration of the impact of COVID-19, we recorded an impairment of property, plant and equipment with a conservative eye toward trends in GA and PE.
- The loss on valuation of investment securities arose because of a fall in valuation due to the effects of COVID-19.
 - As for cross-shareholdings, we already decreased them by approximate ¥8.0 bn and will continue responding by comprehensively determining the significance of holding them going forward.

Q2. Despite the postponement of the results forecast for FY2021, can you tell us the direction the Company plans to take regarding CAPEX, depreciation and amortization, and R&D expenses? If you can't give specific figures, could you comment on your policies?

A2. Although we can't currently give specific figures, we will start slow and then respond flexibly as the situation changes, for example, stepping on the accelerator once COVID-19 travel restrictions are lifted.

Q3. The 1Q forecast was released, and there is order backlog, so about how much will profitability improve compared to 4Q? I'd like a more detailed forecast. I assume attention will be paid to improving profitability in FY2021, but will there be risks or effects owing to COVID-19?

A3. We are certainly working to improve profitability internally. There will be effects from COVID-19, and I can't mention specific figures, but we expect revenue and profit to increase YoY in 1Q. Our stance is that sales will not be worse than in the previous fiscal year (net sales: ¥58.2 bn; operating loss: ¥4.4 bn).

Note: When the question above was asked, there was also a question about the profitability of the SPE business and how it would compare with 4Q. In response, the speaker answered in consideration of the variable cost ratio, which is our internal management indicator, and not in reference to the operating income to net sales ratio.

Q4. Which businesses have been affected by COVID-19 in FY2021 1Q?

A4. You could say all businesses have been affected. For example, in SPE, business negotiations are taking longer to close; in FT, assembly operations have been affected; in GA, the industry's investment appetite

has fallen; and so on. On the other hand, in PE, customers' investment appetite for 5G has grown and we will strive to catch up with it.

Q5. It seems like US production equipment makers are suspending deliveries to customers in China. Have you heard anything about this? What is the Company stance on this issue if it's due to trade tensions between the US and China? How could this affect business results? What do you know currently?

A5. At the moment, I cannot say anything because it is unclear whether the response by the US production equipment makers is due to COVID-19 or trade tensions. If it is due to trade friction, we think it would have a considerable impact because we have a sizeable business presence in China.

Q6. Although the announcement of the new medium-term management plan has been called off, I'd like to ask the CEO about his thoughts on what was meant by portfolio building as mentioned in the presentation. Does this mean you intend to take more drastic measures, such as deciding whether to keep or get rid of each product?

A6. We want to review every business and make sure no area is considered sacrosanct. At present, there are areas where we cannot yet fully assess the impact of COVID-19, and we intend to announce more information when the timing is right.

About SPE

Q7. I have a question regarding the 4Q net orders. You said that they ended higher than January's forecast, but how much higher?

A7. We had predicted mid ¥50.0 bn, but they ended at ¥62.4 bn. (Foundries were stronger than expected.)

Q8. What is the forecast for 1Q orders?

A8. We forecast mid ¥40.0 bn. Foundries have stayed strong.

Q9. What is the outlook going forward for foundries and logic chips?

A9. We do not think there will be any major change in CAPEX for foundries. We will continue to carefully monitor the impact of COVID-19, but our outlook is neither optimistic nor pessimistic. As for logic chips, we have the same opinion.

Q10. I have a question about memories. I've heard some good news, for instance, some semiconductor manufacturers are ramping up investment. Could you tell me the latest changes and trends?

A10. In business negotiations with customers, some cases have taken longer to close than others, such as negotiations involving the delivery period for equipment, but we don't feel there has been deterioration in demand.

About SPE and FT

Q11. I have a question regarding the impact of COVID-19. Has there been any difference in deliveries?

A11. There has been no problem regarding procurement and production. There have been some delays in delivery. This is not because customer investment has disappeared, and we do not view this negatively.

(It is due to timing linked to end-user demand.)

About FT

Q12. I have a question regarding the 4Q orders. You said that they ended higher than January's forecast, but how much higher?

A12. We had predicted around ¥5.0 bn, but they ended at ¥6.9 bn.

About GA

Q13. If the global economic slowdown, commercial printing in GA is expected to decline, but what is the outlook for the new fiscal year and the business environment?

A13. In FY2021, the effects of COVID-19 will be significant. There has been a cooling off in customer desire to invest, and final closings at business negotiations will take longer, but we will strive to improve the situation.

Q&As from here below are disclosed on June 4, 2020

About HD

Q14. What is the breakdown of the ¥1.57 bn impairment loss incurred in FY2020 4Q?

A14. ¥1.18 bn in GA, ¥0.20 bn in FT, and ¥0.16 bn in PE. This information is available on p.15 of the consolidated financial report for FY2020.

Q15. What is the impact of the impairment loss (mentioned above in Q14) on depreciation and amortization going forward?

A15. From the current fiscal year (FY2021) onward, we expect to see a reduction of several hundred million yen.

About SPE

Q16. Of 4Q orders, foundries accounted for a high percentage at 55%, but what was the breakdown by region?

A16. In order from most to least: China (multiple companies) and Taiwan.

Q17. The forecast for orders in 1Q of FY2021 is mid ¥40.0 bn, but QoQ which applications decreased in 4Q? What is the possibility of an increase or decrease from the forecast?

A17. • Our view of the current situation is that orders for foundries, logic, and imaging devices, which had stayed high until 4Q, will temporarily decline.

- Due mainly to COVID-19 and trade tensions between the US and China, for the time being, we expect the timing of orders to be somewhat delayed.

Q18. For the 3Q financial results, it was explained that orders would be delayed around six months. What is the current situation regarding that delay?

A18. In line with the most recent reports, it seems that the delay will be pushed back a bit further.

Q19. Since reaching 16% in FY2018, the operating income to net sales ratio has stagnated. What steps are being taken to improve profitability? Can you tell us what the forecast is for improvement going forward?

A19. Detailed steps will be revealed when the new three-year medium-term management plan is announced, but the main measures are as follows.

1) The measures aimed at the disrupted supply chain in FY2019 have ended, and we expect to see the positive effects steadily appear.

2) We will raise the operational efficiency of the new factory S³-3 (S-cube 3), which came on line in FY2020.

- We will therefore also increase production of single wafer cleaning equipment (highly standardized SU-3200, SU-3300), which is especially suited to production at S³-3. (Accelerating the equipment specification confirmation time is a key factor.)

Q20. Although it has not been touched upon in this presentation, what is your view on WFE?

A20. Until around January, we had expected CY2020 forecasts to be about 5% higher YoY. Given the current difficulty in predicting 2H, however, we think the results could be negative, and, conversely, they could potentially be positive. The situation is just that hard to predict. (There is no change in our position that, over the medium term, the market will grow.)

About FT

Q21. What percentage of FY2020 sales and orders did small- and medium-sized OLEDs account for?

A21. Over 20% for consolidated sales, and nearly 80% for orders. They will continue to make up the core of our orders going forward.

Q22. What is the forecast for orders in FY2021 1Q? What is the trajectory going forward?

A22. We think orders in 1H will be quite low. However, after COVID-19 has been contained, we think orders for small- and medium-sized OLEDs will start coming in.

About PE

Q23. I would like to hear about the current business environment and the near future.

A23. Although there were many inquiries about our offerings designed to support 5G mobile devices toward the end of the previous year, business has slowed down due to COVID-19. Currently, investment is starting to increase again.

Notes:

HD = SCREEN Holdings Co., Ltd.

SPE = Semiconductor production equipment business

GA = Graphic arts equipment business

FT = Display production equipment and coater business

PE = PCB-related equipment business