

FAQ on Earnings Presentation for FY2021 2Q

1st. Q1-9, disclosed on October 29, 2020

2nd. Q10-19, disclosed on November 25, 2020

3rd. Notice of partial correction of presentation materials, disclosed on December 7, 2020

1st. Q1-9, disclosed on October 29, 2020		
Q1	HD	Company-wide financial results of 1H. Can you explain the upswing in FT and GA and the major disparity between these figures and those that were expected?
A		<ul style="list-style-type: none"> • The main factor behind FT was the fact that shipments of large and unprofitable equipment, the sale of which was expected in 1H, were shifted to 2H. • GA was shored up by RB (recurring business), especially ink.
Q2	SPE	While utilization rate for the new plant (S ³ -3) in 3Q is expected to be 90%, sales in 2H are expected to increase by only 15% over 1H. Consequently, can we infer that the utilization rate will fall in 4Q?
A		No, that's not correct. The main product produced by S ³ -3 is the SU-3200 (our mainstay), and the nature of orders received in 2Q saw many orders come from Taiwanese foundries, and given the large amount of equipment can be produced in S ³ -3, we expect the utilization rate to rise. In 4Q, we will produce equipment that we received order in 3Q, and if we receive numerous orders from foundries and memory manufacturers to invest in mass production in 4Q as well, we should be able to maintain a high-capacity utilization rate.
Q3	SPE	Please explain the WFE forecast outlook for CY 2020, which rose from +0-5% to 7%, while annual sales forecast of SPE remained unchanged.
A		In terms of the period considered, a difference is made between CY (calendar year) and FY (fiscal year). We do not benefit from growth in WFE as things stand, because we have less exposure at the largest memory manufacturer (benefits vary depending on the applications invested in that year); nor do we benefit from growth in WFE from EUV.
Q4	SPE	An explanation was given of the positive impact of trade friction between the U.S. and China, but with shipments of U.S. equipment stagnating from October to December, will the market share increase for Japanese companies?
A		That is not how we see things. We expect that U.S. manufacturers will also experience some positive impact and we are aware that equipment shipments to unregulated semiconductor manufacturers in China will continue.
Q5	SPE	Regarding the current state of competition, can you remain ahead of the competition in future?

A		Our state-of-the-art processing has included acquiring POR, and we acknowledge that it will still continue in logic and memory.
Q6	SPE	Regarding orders, NAND and China were said to be thriving in 2Q. Do NAND regional orders include Chinese local customers?
A		This includes local NAND manufacturers in China, who comprised a reasonably large portion. Regarding the foundry, we received many orders from Taiwan.
Q7	SPE	Regarding profitability, is there any change in the improvement status?
A		We are progressing well. We have factored in the 3Q earnings improvement due to the increased S ³ -3 utilization rate, and will continue with operations as planned in 2H.
Q8	SPE	From this time, the after-sales services to sales ratio is disclosed in the presentation materials - what are the implications? Is there a difference between after-sales services and the equipment in revenue, and what measures can be taken to grow after-sales services?
A		<ul style="list-style-type: none"> · In general, after-sales services are more profitable than equipment. In our current medium-term management plan, we have set targets to boost the after-sales service ratio to 25% or more of SPE sales and increase the SPE operating profit margin to 18-20%. We decided to disclose the after-sales service ratio because it was frequently asked about related to the targets. · One of the PS focal points involves concentrating on refurbishment and used products.
Q9	SPE	Do you have any special plans (measures) in place to recover funds based on the many orders you receive from local Chinese manufacturers?
A		Actually, we didn't do anything in particular. We just combined LC and advance payments like what we have done in the FT business.
2nd. Q10-19, disclosed on November 25, 2020		
Q10	HD	Regarding the company-wide financial status. It improved versus the previous quarter, but will it continue to improve in the future?
A		<ul style="list-style-type: none"> · We optimized the working capital mainly by reducing inventories. Going forward, we will continue to improve the cash conversion cycle (CCC) while limiting the increase in working capital during the sales expansion phase. · In the future, we will link the improvement of CCC to the improvement of asset efficiency by introducing ROIC in the medium-term management plan. · The equity ratio has settled at over 50% and we are aiming for stabilization.
Q11	SPE	Regarding orders. What is the order guidance for 3Q onward?
A		We expect 3Q to be over ¥60 bn. There is no change in our original assumption that "the total amount of orders received in 2Q and 3Q will be about ¥120 bn," but there is the possibility for upside in 3Q (current inquiries are strong).
Q12	SPE	About S ³ -3. On the day of the settlement of accounts (October 28), you forecast that the uptime ratio in 4Q would decrease compared to 3Q. What is your current forecast?

		Note: Q2 is a related item.
A		Based on the current order status, there will be no significant decrease (this includes the possibility that it will remain at the same level as 3Q).
Q13	SPE	What measures are you taking to improve profitability to reach the medium-term operating profit margin target (18-20%)? Please also explain the relationship of S ³ -3 to profit contribution.
A		<p>The main measures are as follows:</p> <ul style="list-style-type: none"> · While the sales target in the medium-term management plan is set at ¥280 bn to ¥300 bn, we can achieve up to about 13-15% with the improved uptime ratio provided by S³-3. Furthermore, additional measures are needed to reach 18-20%. For example, allocating more resources to highly profitable businesses (cleaning areas) and aiming to increase our market share. Also, aiming to improve the after-sales services ratio with the reallocated resources. · As for market share, we will aim for growth in MOL and BEOL in addition to FEOL, where we currently have a high market share. · We want to start handling used cleaning equipment to improve the after-sales services ratio. <p>* Note: SPE medium-term management target</p> <ol style="list-style-type: none"> 1) Increase market share in cleaning equipment segment 2) Continue to transform toward profitability 3) Strengthen after-sales service
Q14	SPE	About sales and operating profit in 2H. What is the balance between 3Q and 4Q?
A		<ul style="list-style-type: none"> · We expect both sales and operating profit to be more weighted to 4Q. · Sales and profits will not increase much in 3Q, but we expect profits to improve in 4Q due to a significant increase in sales (QoQ), strong orders, and a high S³-3 utilization rate. <p>→ 2H forecast: Sales ¥124 bn, operating profit approx. ¥14.5 bn, operating profit margin approx. 12%</p>
Q15	GA	Why did you lower the full-year earnings forecast despite the upside in 1H?
A		We originally estimated that the impact of COVID-19 would last until 1H, but we now expect it will continue for the entire fiscal year, so we revised the full-year forecast down.
Q16	GA	What business trends do you see?
A		Although conditions are difficult, POD (especially label printing devices) and the recurring business centered on ink remained strong in 2Q (both sales and profits exceeded our expectation in 1H). This confirms the strong willingness of customers to invest in POD.
Q17	FT	What was behind the negative amount of orders received in 2Q and what was the

		monetary value? Will this have any additional impact on profits in the future?
A		<ul style="list-style-type: none"> · A project that was delayed from the previous fiscal year disappeared, and the order was canceled (we do not disclose the monetary value). · This has already been factored into the full-year earnings forecast and we do not expect it to have a negative impact on profits.
Q18	FT	What is your order forecast for 2Q and beyond? The market for displays is difficult, but what is your outlook for the next fiscal year?
A		<ul style="list-style-type: none"> · We expect orders to recover from 3Q. In 2H as a whole, we expect to exceed three-digit bn yen, centered on small- and medium-sized OLEDs. · Although we expect that our business performance will face challenges in this and the next fiscal year, we expect that profits will improve in large-sized OLED TVs and new business areas by the third to fourth years of the medium-term management plan, and we are proceeding with development including making investments in new products.
Q19	PE	Why did you raise the full-year operating profit forecast?
A		We saw continued inquiries related to investment for 5G mobile, and 2Q was slightly higher than our original expectation. We expect to record a profit for the full year (although it will be small).

3rd. Notice of partial correction of presentation materials, disclosed on December 7, 2020

The presentation materials are corrected as follows.

We apologize for mistakes in the classification when counting in-house.

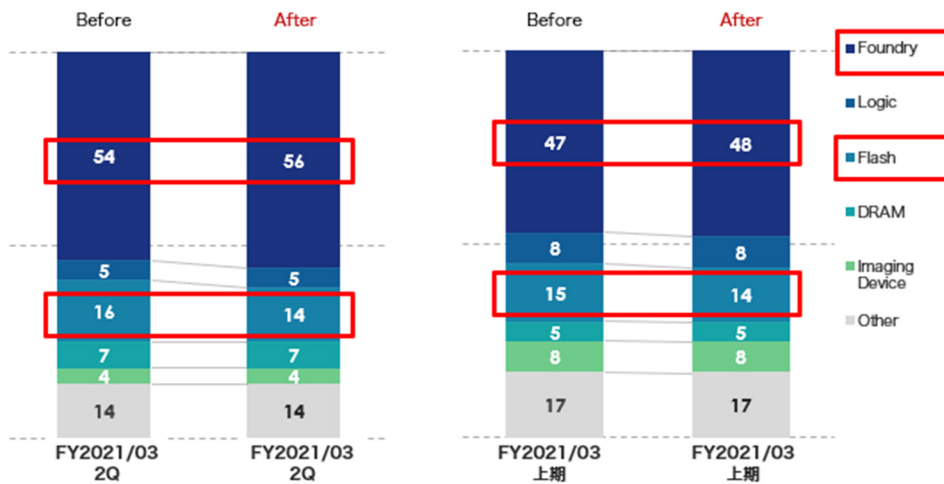
Please refer to p. 11 & p. 12 of presentation materials for Consolidated Business Results & Forecasts

· https://www.screen.co.jp/download_file/get_file/FY2021Q2_Mtg_E.pdf

· https://www.screen.co.jp/download_file/get_file/FY2021Q2_Note_E.pdf

>> p. 11 of presentation materials

Composition of Sales by Application Device



>> p. 12 of presentation materials

Orders Received Ratio (Nonconsolidated) Quarterly by Application Device



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