

## FAQ on Earnings Presentation for FY2021/03

**1st. Q1-15, disclosed on May 12, 2021 (partially expressions updated)**

**2nd. Q16-18, disclosed on June 4, 2021**

1st. Q1-15, disclosed on May 12, 2021		
Q1	SPE	What is your opinion on the WFE outlook for CY2021, including the growth rate by application? Also, what is your overall expectation for WFE in CY2022?
A1		In CY2021, the foundry will grow significantly. Logic and memory will also be strong. These three businesses are expected to grow more than 20%. The imaging device is expected to increase about the same as in CY2021, and the Chinese market is also expected to be about the same or slightly stronger. Legacy devices are expected to grow about 20%. WFE in CY2022 is thus expected to grow slightly more than in CY2021.
Q2	SPE	I understand that the manufacturing capacity of S <sup>3</sup> -3 will be about 10% higher in FY2022/03 2Q than in 1Q, but what about in FY2022/03 2H? Also, are there related plans for investment and personnel increases?
A2		Based on our current status of orders, we believe that the strong business will continue that we will be able to increase manufacturing capacity by the end of 2Q. If the level of orders continues in the future, we will raise this to nearly full capacity by the end of FY2022/03.
Q3	SPE	In the SPE business, the OPM was 15% in FY2021 4Q, but is expected to fall slightly to 13% in FY2022/03 1H and 14% in 2H. Are there any factors that could cause profits to decline, such as material shortages?
A3		Regarding FY2022/03 1H, factory production is underway, and we have confirmed that the supply of materials is secure. We are planning to increase spending on R&D in FY2022/03 (especially SPE) and are working to enhance the product mix. Production is basically running at profit margins similar to those in FY2021/03 4Q, and the increase in the utilization rate of S <sup>3</sup> -3 has been factored into the plan. We are aiming for a full year OPM on par with that recorded in FY2021/03 4Q. (FY2021 4Q: 14.7%, FY2022 1H: 13.6%, FY2022 2H: 14.4%)
Q4	SPE	What is the current status of orders in the SPE business for FY2022/03 1Q? If orders increase in the future, how much upward elasticity will net sales have in 4 quarters?
A4		Currently, 1Q orders are expected to be higher than in FY2021/03 4Q. As for upward elasticity, S <sup>3</sup> -3 still has room for capacity expansion, so we would like to respond to this by gradually taking measures. When we originally planned for S <sup>3</sup> -3, we aimed for ¥330 bn in consolidated SPE sales, but we have started considering the possibility of expanding our production bases in case we reach the limit.

Q5	SPE	As for WFE, how do you think the current boom differs from past cases, and what is your outlook for the future? What is the basis for your view that the economy will not decline this time?
A5		Currently, the number of applications is increasing, and inquiries are coming in from various fields. We expect growth of 20% or more this year, and expect further expand in next year. As for the economy, there is no cause for concern beyond except for manufacturing will be able to cope with demand.
Q6	SPE	Is it correct to assume that SPE sales will be quite positive in CY2022? Also, is there anything to worry about in terms of competition?
A6		The outlook for next year is positive. In terms of competition, we are concerned about local Chinese manufacturers' gradual market expansion in areas that are not at the leading-edge nodes.
Q7	SPE	How will the FY2022/03 fixed cost increase of ¥10 bn (mostly in SPE) be effective? How will it lead to increased sales and profits?
A7		Fixed costs increased because of costs returning to normal levels after the lows seen during the COVID-19 pandemic in FY2021/03, reflecting an increase in research and development expenses and an increase in the number of employees (particularly to support capital investment in Taiwan and North America) and so on. We also expect some capital investment aimed at increasing production.
Q8	SPE	SPE has been improving its OPM, but isn't it preferable to keep the OPM flat in FY2022/03 in order to achieve an 18%-20% in FY2024/03? Please introduce measures other than those in your presentation that will contribute to improvement in line with the target profit margin of the medium-term management plan.
A8		As explained in the medium-term management plan, one of the measures is to increase the sales of after sales services, which is highly profitable. In addition, we are leveraging business units, which are less profitable. We are currently implementing measures and plan to benefit from these efforts in the third year and beyond. In addition, we believe that the effects of these measures have not yet been quantified because the market has been stronger than expected when we drew up the medium-term management plan. We will continue to work hard to improve our performance.
Q9	SPE	The after sales services ratio is going to increase, but it looks like the ratio growth is about 5%-6% compared to SPE sales growth of 20%. Is there a reason for this low growth, or will it grow next year?
A9		The ratio of PS sales is expected to be about the same as it would be in a normal fiscal year. We are currently implementing a variety of measures, including product refurbish or modification and used equipment utilization. However, we do not expect these measures to yield enough growth in FY2022/03.
Q10	SPE	You said that SPE orders are still strong, but considering your annual roadmap, how steady is the inflow of new orders, and is it balanced between 1H and 2H of the fiscal year? What is the composition of applications?

A10		We have a slightly thick image of 1H conditions, with the composition of applications appearing more concrete. As for 2H, it seems that customers are still finalizing their investment plans. As a result, 1H orders appear to be strong and as of now there are no indications of 2H downturn, so there is a high possibility that orders will remain steady.
Q11	SPE	Some companies' WFE forecasts are stronger than SCREEN, but is it correct to assume that your forecast will be amended upward as probable 2H conditions become clearer?
A11		Our forecast of more than 20% may seem weak, but we have set our estimate at over \$75 bn, which we believe is on par with that of other companies (excluding certain companies in the same industry).
Q12	SPE	Do you have any plans to use FT facilities to increase SPE production in the future? If so, will it be cost effective?
A12		We are considering increasing production including that plan. If we do so, the cost effectiveness will be improved.
Q13	FT	Regarding FT, have there been any recent changes in capital investment trends?
A13		In the display market, as mentioned before, there is one remaining OLED investment in China, but once that is completed, OLED related investment will stagnate. The last order is a shifted project. On the other hand, panel prices have risen in Taiwan and China, and panel makers are facing an equipment shortage. As the result, inquiries for G8.5 and G8 LCD equipment are emerging. Overall, however, we believe that the next major investment in OLED related market will not come until it is more widely adopted for smartphones.
Q14	FT	The order backlog at the end of March 2021 seemed low, so looking at the full-year forecast, it appears that you will need to receive more orders in 1H of the fiscal year to meet sales targets for the current fiscal year.
A14		We expect to book orders that will contribute to sales in FY2022/03 1H. The last OLED project is expected to receive orders in 1H. Moreover, LCD projects are expected to pick up and see 1H orders. These orders may be just in time or not to contribute to FY2022/03 sales, and we do see it as a risk.
Q15	FT	SPE is positive, but will FT see a revenue decline in FY2022/03?
A15		The energy-related and printing OLED products that we are currently working on will be launched, and we expect increase of inquiry from the current FY.
<b>2nd. Q16-18, disclosed on June 4, 2021</b>		
Q16	Group wide	What were the results of introducing ROIC?
A16		The importance of generating both sales and cash based on profits has spread throughout the group, and the Cash Conversion Cycle (CCC) is steadily improving. Gemba KPIs are being set and the benefits are apparent.
Q17	GA	The earnings forecast for FY2022/03 seems conservative. What is the current status and outlook for the future?

A17		CTP sales are rapidly declining due to the COVID-19 pandemic, but POD sales are growing in the United States and Europe (especially 4Q), and the shift to POD and recurring business (RB) is accelerating to compensate for the decline in CTP sales. If the decline in CTP sales bottoms out in FY2022/03 and POD and RB sales grow, we could even expect an upturn in earnings.
Q18	PE	What is the outlook for FY2022/03?
A18		Inquiries regarding 5G mobile base stations and packaging-related products are brisk. Although investment in automotive devices will weaken with production cutbacks in the automotive industry due to a semiconductor shortage, we believe that our earnings forecast for FY2022/03 is solid.

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