SCREEN

August 2023

SCREEN Holdings Co., Ltd.

FAQ on Earnings Presentation for FY2024/03 1Q

First session: Q1-16, disclosed on July 28, 2023

Second session (Additional FAQs): Q17-19, disclosed on August 31, 2023

First session: Q1-16, disclosed on July 28, 2023		
Q1	HD/SPE	Is the increase in advances received attributable to the SPE sales to Chinese manufacturers, which is expected to accelerate from 2Q? Is the expected improvement in operating profit margin (OPM) from 2Q also due to the increase in sales to China?
A1		・The increase in advances received is attributable to the factor mentioned. ・The improvement in OPM is not only due to the increase in sales to China but also to the full operation of the new factory, S^3-4.
Q2	SPE	How do you see the sustainability of demand in China in FY2025/03 onwards, and the trends of investment in advanced devices?
A2		・We expect investments in China will continue even though they may not result in such a large share of sales as projected during FY2024/03. ・Orders for the foundries and logic of leading-edge nodes are expected to increase from around the end of FY2024/03 and become a major earning source in FY2025/03.
Q3	SPE	Looking at the composition of sales forecast by application on page 17 of the presentation slides, the ratio of foundries during 1H seems to have fallen slightly from the initial projection announced in May, due to the delayed delivery schedule. What about other applications? Is there any prominent trend by application throughout this fiscal year?
A3		As pointed out, the decrease in the ratio of foundries during 1H is due to the shift in delivery to 2H. Sales for DRAM are projected to remain robust throughout this fiscal year, which is due to the new DRAM investments in China.
Q4	SPE	Is the order backlog in China carried over from FY2023/03 expected to remain partially in FY2025/03? Are you expecting an increase in new orders from China in FY2025/03 as well?
A4		We want to deliver the equipment for all orders carried over from FY2023/03 during this fiscal year. As for new orders, more players than expected are considering investment. We believe it is too early to comment whether they will all fit into the production schedule during FY2024/03.
Q5	SPE	Please provide more background details on the shift in sales from 1H to 2H.
A5		This is attributable to the delay in factory construction by our client, as reported by news media. It is not due to a slowdown in demand.

Q6	HD/SPE	The full-year earnings projections remain unchanged. Considering the revision of currency exchange rate scenario, doesn't it mean revising down actual profit volume projections?
A6		Although we expect approximately ¥3.0 billion exchange rate benefits, we have decided not to change the full-year projections for now, since we have only been through 1Q. Actual sales volume is expected to increase during 2H by steadily addressing the order backlog.
Q7	SPE	How is the WFE outlook for CY2024?
A7		・The major question is when the memory market will start recovering. We expect memory investment to restart in 2H of FY2025/03. ・Outlook for logic and foundry is relatively weak for this fiscal year. They are expected to rebound in FY2025/03, including leading-edge investments.
Q8	SPE	What is your expectation with regard to the sales projections for FY2025/03?
A8		・We are expecting increase in both sales and profits in FY2025/03, given the recent market environment and clients' investment plans – although this will depend on the WFE market trends. ・We expect the WFE market to trend slightly upward in CY2024. According to SEAJ, the Japanese SPE market is expected to grow during FY2025/03. Although there is a three-month gap between the calendar year and the Japanese fiscal year, we believe this will buoy our earnings during FY2025/03.
Q9	SPE	What about business opportunities in generative AI?
A9		Although we have not yet seen any specific inquiries from that field, we have been approaching our clients about investing in the advanced packaging field, and we expect to see results going forward.
Q10	SPE	What is the reason for the increase in DRAM and the decrease in "Others" in the sales forecast by application for 1H compared to the May forecast?
A10		As for DRAM, sales to emerging Chinese companies are expected to increase in 2Q. The decrease in "Others" does not reflect any prominent trend, but results from various clients' investment plans.
Q11	SPE	What is the rationale behind the ¥15.0 billion yen slide in sales from 1H to 2H but only a ¥3.5 billion change in operating profit (OP)?
A11		The full-year forecasts are unchanged and the 1H results are expected to be in line with these forecasts.
Q12	SPE	Are there any projects that will affect sales shift from current fiscal year to the next?
A12		As for the orders already received, we are set to complete delivery within this fiscal year, but it remains open whether we will be able to deliver the equipment to the projects for which we have received orders from 2Q onward in this fiscal year.
Q13	SPE	The ratio of sales to China in 1H has increased considerably from the initial plan announced in May. Is it due to the shift of sales to North America from 1H to 2H?
A13		As you understand. You may assume that other projects will be postponed to the next fiscal year or later as the ratio of sales to China increase from the initial plan.

Q14	SPE	What are the factors behind the higher-than-market-average ratio of sales in China this fiscal year?
A14		We are delivering equipment which we were unable to in the last fiscal year. If the ratio between the previous year and the current year is averaged out, there is not much difference from the market trends.
Q15	SPE	There has been a positive impact on HBM (High Bandwidth Memory), such as increased capacity, due to the generative AI. Will the investment in HBM benefit SCREEN in any way?
A15		Since the percentage of our sales to memory manufacturers is relatively low, we may underperform compared to other SPE makers in terms of benefits. On the other hand, the increased use of memory due to the growth of generative AI will have a ripple effect on the market as a whole, so that should benefit us considerably.
Q16	SPE	Will the growing percentage of sales (of equipment) in China contribute to after-sales services sales in the future?
A16		The sales ratio of after-sales services will gradually increase in China as well. As in other regions, we expect the ratio to reach around 20%; however, due to U.S. regulations, U.S.-made parts cannot be sold in China.
Second session (Additional FAQs): Q17-19, disclosed on August 31, 2023		
A17	GA	The performance in 1Q looks strong, but what is the current situation and future prospects?
Q17		The strong performance in 1Q was partly due to the impact of foreign exchange rates. POD demand in North America, which had been strong so far, is weakening due to inflation, while the demand in Europe has recovered. We expect to carry out the forecasts in 1H of FY2024/03.
A18	FT	What is the current situation and future outlook?
Q18		In terms of business performance, it will reach the bottom in FY2024/03. However, order trends are improving, and we would like to return to profitability in FY2025/03.
A19	PE	What is the current situation and future outlook?
Q19		As the PCB industry is linked to semiconductor investment, business negotiations are expected to gradually increase from end of CY2023. In preparation for market growth in FY2025/03, we have been promoting new product launches and investing development firmly.

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