

FAQ on IR Day for FY2024/03

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September 25, 2023		
Q1	HD	What do you mean by “70% of investment capital” included in the financial outcomes on page 13 of the presentation?
A1		Investment capital here means cashflow from operation before R&D expenses. We are allocating 70% of that cash for growth investment. Internally, we are also discussing payout ratio over the next 10 years.
Q2	HD	What has significantly changed between four years ago, when the Management Grand Design was updated, and the latest update?
A2		In terms of megatrends, the acceleration of digital transformation (DX) and green transformation (GX) and the multi-polarization of the global economy are two major changes.
Q3	HD	Regarding page 13 of the presentation, what is the target ratio of operating cashflow to net sales?
A3		Under the current medium-term management plan, we have aimed to generate operating cashflow on a par with operating income, but we have not completely reached that stage yet. We will continue to pursue the same standards of cashflow over the next 10 years.
Q4	HD	Regarding page 15 of the presentation, which segment(s) fall(s) under the “Restructuring” category?
A4		Currently, FT falls under this category. Other segments have already moved out of this zone.
Q5	HD	What are the plans regarding “Restructuring” fields within each business operating company?
A5		Business operating companies are analyzing each product in terms of ROIC and net sales growth, in order to identify which products fall under the “Restructuring” category. We are working to improve the business portfolio under the leadership of each company president and are gradually seeing positive results.
Q6	HD	Is there any specific plan for developing solution creators internally?
A6		We are aiming to add value to our products, services, and engineering, so that everything we do leads to solution that makes positive impact in society. We would like to nurture solution creators by repeating this process.
Q7	HD	During the early 2000s, I remember seeing more R&D budget being posted for the image processing equipment business (now GA) than the SPE business in a certain year. Can we assume that kind of thing will not happen going forward under the current portfolio management?

A7		We will aim for balanced portfolio management. We might face a drastic change of the business environment, though. Should this happen, we will revise the portfolio across entities.
Q8	SPE (General)	<ul style="list-style-type: none"> · Regarding the SPE net sales trends on page 25, could you provide us the details of “new applications” projected in the next fiscal year, as well as their certitude and timing? · Concerning the explanation about the production capacity bottleneck during the previous and the current fiscal years, what do you think the maximum production capacity would be for the next fiscal year ending March 31, 2025?
A8		<ul style="list-style-type: none"> · We believe our net sales projection is quite realistic, although we cannot provide the detail of new applications. · The order backlog from the previous fiscal year will be cleared by the end of this fiscal year. Although there will be some order backlog to be carried over from this fiscal year to the next fiscal year, we don't expect to see production capacity shortage the next fiscal year. We believe there is still a room to further improve productivity and a sufficient production capacity to accommodate net sales worth JPY 500 billion.
Q9	SPE (General)	What is the reason for not being able to outperform the WFE market growth in the past few years, regarding the growth potential of cleaning equipment? How can you be sure that it can outperform the WFE market going forward?
A9		We have not managed to adequately communicate the importance of cleaning to clients. Going forward, we will redouble our effort in this regard, highlighting that cleaning is essential for maintaining high device yields.
Q10	SPE (General)	What do you think is lacking for SCREEN to achieve a higher goal in the wafer cleaning market?
A10		Our share in the wafer cleaning market has been declining in fact; we need to reverse this trend. We also think that there is a room for improvement in terms of product portfolio.
Q11	SPE (General)	Please explain the rationale for projecting the TAM (Total Addressable Market) of cleaning to increase 1.5% (from 5% to 6.5%) in the WFE market.
A11		The 1.5% increase includes cleaning steps not included in the current WFE calculations, such as those in the packaging process. We will explain in the technical part of the presentation how the change in the device structure will require additional cleaning steps new to the WFE market.
Q12	SPE (General)	Regarding page 26 of the presentation, will the proportion of cleaning process in the WFE market stop declining?
A12		I believe so.
Q13	SPE (General)	What do “ α , β , γ ” denote on page 31 of the presentation?

A13		They denote the progress of scaling ($\alpha > \beta > \gamma$: in the order from the least advanced to the most advanced). The section shows that more cleaning process will be required in the packaging process as scaling advances. Please assume that we are already shifting from the “ α ” generation to the “ γ ” generation.
Q14	SPE (Technical)	Regarding page 42 of the presentation, how certain is the projection that wet etching will be applied instead of gas etching for the CFET structure?
A14		The CFET structure requires a high-concentration SiGe layer to be selectively removed among SiGe layers of various levels of concentration. It requires greater precision than GAA. Although selective gas etching is also theoretically possible, post-etching cleaning will be needed to effectively remove Ge residues. If both selective etching and residue removal are accomplished through wet processing, it will be a great advantage for the clients.
Q15	SPE (Technical)	Regarding page 44 of the presentation, what is the reason for the increased proportion of the FEOL processes in the advanced EUV nodes?
A15		In such structures as BSPDN (Backside Power Delivery Network), we are expecting more metal wiring layers and other novel structures at the FEOL.
Q16	SPE (Technical)	Regarding page 44 of the presentation, what are the reasons for the increase in cleaning steps for the non-EUV nodes, in contrast with those for the EUV nodes, which are projected to stop increasing?
A16		The increase in cleaning steps for the non-EUV nodes are mostly due to the multi-lithography (multi-exposure) process. While the scaling of the non-EUV nodes have progressed by repeating exposure steps, the EUV nodes have advanced in the way of patterning in a single exposure step, instead of increasing the number of steps.
Q17	GA	Has SCREEN already launched a product in the label/packaging market? If so, what is your advantage vis-à-vis competitors?
A17		We have released a digital label printing system in 2014 and has already shipped 250 units in total. A new package printing system, which has been under development, will be released soon. Our main advantages are the flexibility offered by the inkjet system and high throughput.
Q18	FT	What can be done now in anticipation of the business environment 10 years from now?
A18		According to our in-house survey, we hold the market share (for LDP coater/developers) above 50%. Keeping pace with the development of various types of displays by Chinese electronics manufacturers, we will continue fine-tuning our core technology, aiming to become the de facto standard in panel production.
Q19	FT	How will a further increase in the market share impact the operating margin?
A19		As for the operating margin by product, our priority is adding more value to each product. Meanwhile, we are working to improve the profitability of the entire business by expanding the application of our coating technology beyond LDP production.

Q20	FT	What is your outlook on the potential of inkjet OLED production?
A20		We would like to determine our way forward based on client needs.
Q21	PE	Regarding direct patterning, what business opportunities are present in the fields such as glass substrates, photoelectric fusion, PLP (Panel Level Package), and the like?
A21		Given the potential of glass and ceramic as alternative substrates for exposure, we would like to conduct demonstration tests in a timely manner. The advanced packaging department under HD is handling PLP now.
Q22	New (HD)	<ul style="list-style-type: none"> · Is there any space for additional facility within the Hikone Plant, if you are aiming for the net sales of over JPY 1 trillion ten years from now? · Is there any plan to build factories in other regions from a BCP standpoint?
A22		<ul style="list-style-type: none"> · There is still a room to expand within the Hikone Plant. · We are planning to reexamine our growth investment allocation at the timing of formulating the medium-term management plans, with an eye on 2033. We believe that finding locations other than Hikone to support our business is essential as HD. We will provide more details going forward.
Q23	New (HD)	What are your thoughts on the ratio of R&D investment to net sales going forward?
A23		We are not disclosing the breakdown of our growth investment yet. We are aiming to disclose it next fiscal year when announcing the new medium-term management plan.
Q24	General	What is your impression of the latest PLP boom?
A24		We target both the PLP and WLP (Wafer Level Package) markets. While WLP is leading in terms of global investment, we are expecting more business opportunities in PLP, given the increasing inquiries for our new LeVina series.
Q25	General	Is the net sales target of over JPY 1 trillion achievable through organic growth?
A25		We are including M&A as an option for achieving growth. We expect M&A will contribute a few percent of the JPY 1 trillion net sales.
Q26	General	Do you feel any advantage or disadvantage with the product portfolio largely dependent on SPE cleaning equipment?
A26		While we are expecting a certain level of growth in the wafer cleaning market going forward, we are allocating a certain amount of investment in other fields as well, considering M&A in both existing and new businesses, over the next three-four years.
Q27	General	Regarding page 44 of the presentation, do you mean to significantly expand into the memory market to increase your market share, given that the number of cleaning processes are not expected to increase with the EUV nodes going forward?
A27		I have no intention to issue such a strong message. While leveraging the technology developed in the field of advanced logic nodes, we would like to increase our presence in other fields.

Q28	General	Is there any possibility to reexamine the current business domains in the context of business portfolio management?
A28		That is possible depending on our analysis of ROIC and net sales growth, even for existing businesses, although we are not publicizing the ROIC hurdle rate.
Q29	General	Do you regard FLA (Flash Lamp Anneal) as a focus point in the SPE segment?
A29		We are looking to grow this business given the increased number of steps in this field.
Q30	General	To what extent do you think will the number of cleaning processes increase at the BEOL?
A30		We believe the 1.5% surplus outperforming the WFE market growth will come from the BEOL, especially 10 years from now.
Q31	General	In the SPE advanced packaging field, what do you think would be the TAM (Total Addressable Market) for SCREEN?
A31		Although we are not disclosing specific figures, we may also consider collaboration with other equipment at the BEOL for additional cleaning to expand our TAM.
Q32	General	Regarding page 24 of the presentation, what will be the driver of SCREEN's market share in the next fiscal year?
A32		Thanks to the emergence of new applications, our net sales decline is expected to remain modest compared to the WFE average. There are various kinds of new applications, but we would refrain from disclosing their details as they may lead to identifying specific clients.
Q33	General	Regarding page 26 of the presentation, what is the market share of SCREEN's cleaning equipment at the BEOL?
A33		We are not yet in the position to comment on the market share. We believe there is an opportunity to expand business at the low-end fields, where cleaning is expected to become critical before/after bonding and CMP.
Q34	General	Could you explain again how SCREEN will be able to increase the share in the SPE market?
A34		<ul style="list-style-type: none"> · With advanced scaling, new materials and processes/steps are emerging. In fact, we are already receiving various inquiries related to them. At the FEOL, need for cleaning wafer backside is increasing with the EUV defocusing. At the BEOL, demand is rising for ESL removal in critical wiring layers. Considering these factors together, we believe our market share will increase going forward. · We will consult the research company to determine whether the said BEOL cleaning processes will be counted in the WFE market going forward.

Abbreviations:

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

New: New businesses (life science, energy-related equipment, etc.)