

# Business Results & Forecast

## The Third Quarter Ended December 31, 2017

January 31, 2018

\*Cautionary statement with respect to these materials; The earnings forecasts contained in these materials and communicated verbally, are made in accordance with currently available information and rational assumptions. SCREEN Holdings does not promise that the forecasts or estimates will be accurate. Therefore, it should be noted that actual results could differ significantly due to a variety of factors.

\*Figures have been rounded down to eliminate amounts less than ¥100 million, except per share figures. A ratio has been rounded off.

**SCREEN Holdings Co., Ltd.**  
President  
Chief Executive Officer  
**Eiji Kakiuchi**

## » Key Points of FY2018 3Q Business Results

- Operating results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year, with net sales and operating income marking a record high.

Consolidated net sales increased ¥14.1 bn. (up 6.7%) YoY, while operating income increased ¥2.4 bn. (up 11.6%).

- The Semiconductor Equipment (SE) business saw a significant increase (up 66.1%) in orders received compared with the previous quarterly period. Orders received have thus amounted to ¥88.3 bn., marking a record high.

- Initiated the “Hikone Grand Design Plan”

Agenda

1. FY2018 3Q Business Results



2. Business Situation in 4 Segments



3. Financial Situation



4. FY2018 Business Forecast



5. Recent Topics



**1. FY2018 3Q Business Results**



2. Business Situation in 4 Segments



3. Financial Situation



4. FY2018 Business Forecast



5. Recent Topics



**FY2018 3Q Business Results (Consolidated)**

(Billions of JPY)	FY2017						FY2018				Difference	
	1Q	2Q	3Q	3Q Total	4Q	FULL	1Q	2Q	3Q	3Q Total	3Q Total (YoY)	
<b>Net sales</b>	<b>62.2</b>	<b>73.8</b>	<b>73.8</b>	<b>210.0</b>	<b>90.2</b>	<b>300.2</b>	<b>72.9</b>	<b>80.8</b>	<b>70.3</b>	<b>224.1</b>	<b>14.1</b>	<b>6.7%</b>
SE	41.2	50.3	50.6	142.3	63.7	206.0	46.5	53.2	45.5	145.3	2.9	2.1%
GA	9.6	12.4	10.4	32.5	13.2	45.8	10.8	13.9	11.8	36.6	4.0	12.4%
FT	9.3	8.6	10.8	28.7	9.3	38.1	12.9	9.9	9.1	31.9	3.2	11.2%
PE	1.8	2.1	1.6	5.5	3.3	8.9	2.3	3.3	3.4	9.2	3.6	65.9%
Other	0.1	0.2	0.3	0.7	0.5	1.2	0.2	0.3	0.4	0.9	0.2	28.5%
<b>Operating Income</b>	<b>5.1</b>	<b>7.0</b>	<b>9.1</b>	<b>21.3</b>	<b>12.4</b>	<b>33.7</b>	<b>7.3</b>	<b>9.5</b>	<b>6.8</b>	<b>23.7</b>	<b>2.4</b>	<b>11.6%</b>
(to net sales ratio)	8.2%	9.6%	12.4%	10.2%	13.7%	11.2%	10.1%	11.8%	9.8%	10.6%	-	0.5pt
SE	4.3	6.0	8.0	18.4	10.8	29.3	6.4	8.1	5.6	20.2	1.7	9.4%
GA	(0.2)	0.8	0.1	0.6	0.7	1.4	0.1	1.0	0.3	1.6	0.9	142.2%
FT	1.2	0.5	1.1	2.9	1.4	4.3	1.1	0.7	0.4	2.3	(0.6)	-20.8%
PE	0.1	0.1	0.1	0.4	0.2	0.7	0	0.3	0.6	1.0	0.5	119.8%
Other	(0.3)	(0.5)	(0.3)	(1.2)	(0.9)	(2.1)	(0.4)	(0.7)	(0.2)	(1.4)	(0.1)	-
<b>Ordinary Income</b>	<b>5.0</b>	<b>6.6</b>	<b>9.0</b>	<b>20.7</b>	<b>11.2</b>	<b>32.0</b>	<b>7.5</b>	<b>8.9</b>	<b>6.5</b>	<b>23.0</b>	<b>2.2</b>	<b>10.8%</b>
<b>Profit attributable to owners of parent</b>	<b>3.7</b>	<b>5.7</b>	<b>6.8</b>	<b>16.3</b>	<b>7.8</b>	<b>24.1</b>	<b>5.1</b>	<b>5.5</b>	<b>4.3</b>	<b>15.0</b>	<b>(1.2)</b>	<b>-7.9%</b>

SE: Semiconductor solution business  
 FT: Finetech solution business

GA: Graphic solution business  
 PE: PE solution business

\*From April 2017, PE has been made a reportable segment.

- Thanks to robust showings in each segment, operating results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year.

Net sales: increase ¥14.1 bn.(up 6.7%)

Operating income: increase ¥2.4 bn.(up 11.6%)

Ordinary income: increase ¥2.2 bn.(up 10.8%)

Profit attributable to owners of parent: decrease ¥1.2 bn.(down 7.9%)

FY2018 3Q Business Results (Consolidated)

>>Comparison (YoY)

(Billions of JPY)	FY2017	FY2018	Difference	
	3Q Total	3Q Total		
Net sales	210.0	224.1	14.1	6.7%
Operating income (to net sales ratio)	21.3 10.2%	23.7 10.6%	2.4 0.5pt	11.6%
Ordinary income	20.7	23.0	2.2	10.8%
Profit attributable to owners of parent	16.3	15.0	(1.2)	-7.9%

Comparison (YoY)



>>Comparison (QoQ)

(Billions of JPY)	FY2018	FY2018	Difference	
	2Q	3Q		
Net sales	80.8	70.3	(10.5)	-13.0%
Operating income (to net sales ratio)	9.5 11.8%	6.8 9.8%	(2.6) -2.0pt	-27.9%
Ordinary income	8.9	6.5	(2.4)	-26.8%
Profit attributable to owners of parent	5.5	4.3	(1.1)	-20.6%

- Business results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year.

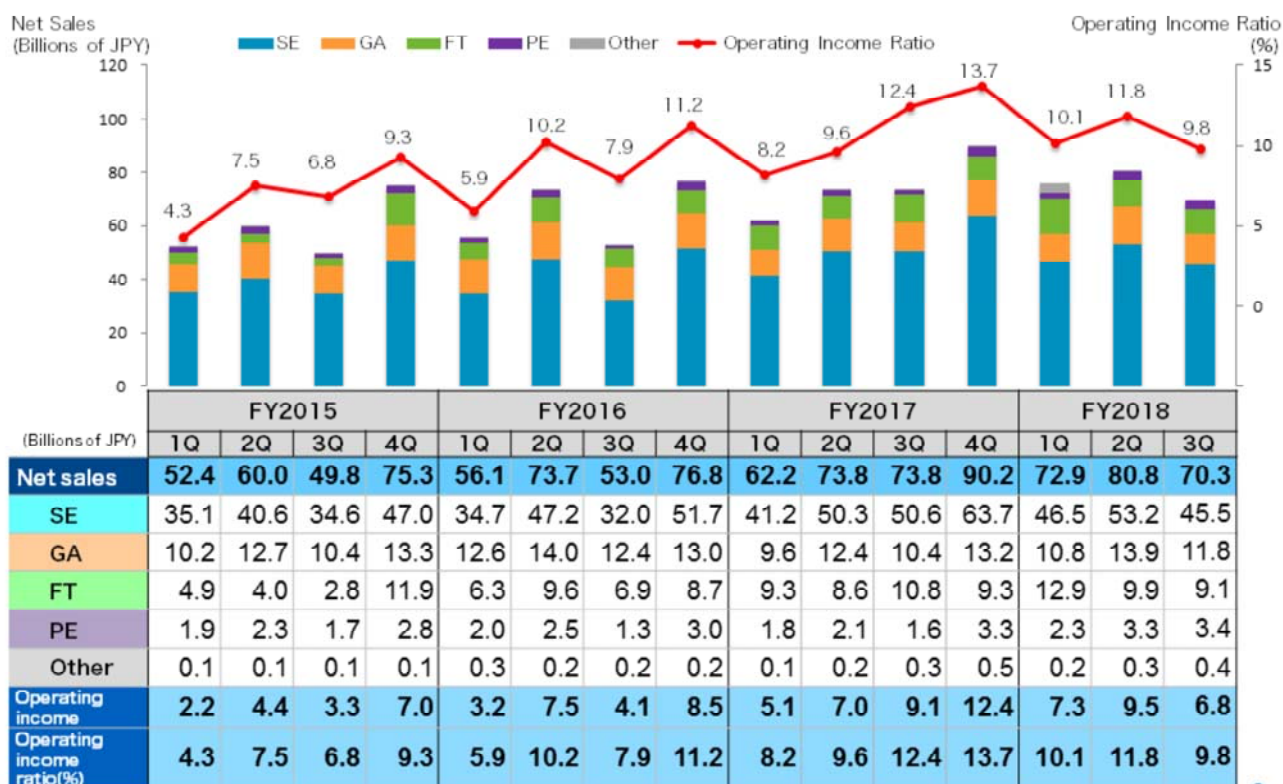
Net sales: ¥224.1 bn.

Operating income: ¥23.7 bn.

Operating income to net sales ratio: 10.6%

Those the above hit a record high for nine-month operating results.

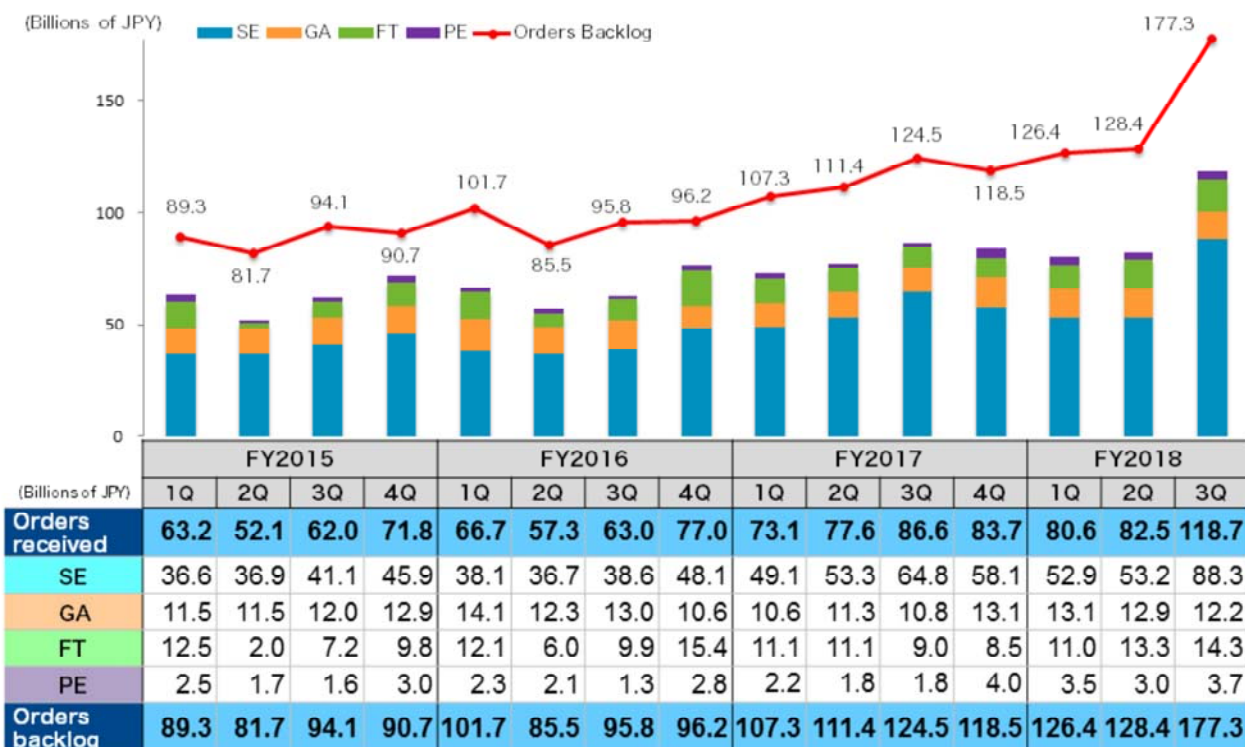
### Quarterly Net Sales and Operating Income (Consolidated)



- Thanks to robust showings in each segment, operating results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year.

We made steady progress toward our goal of achieving record-high full-year operating results in terms of net sales, operating income and the operating income to net sales ratio.

Quarterly Orders Received and Orders Backlog (Consolidated)



● 3Q Orders Received

Overall: ¥118.7 bn. The volume of orders received remained high.

SE: ¥88.3 bn. Orders received have significant increase (up 66.1%) compared with the previous quarterly period (2Q: 53.2 bn.), marking a record high.

- Having received orders in excess of ¥50 bn. for the sixth consecutive quarter, we expect the showings of the SE to remain robust.

FT: ¥14.3bn. Following 1Q(¥11.0 bn.)and 2Q(¥13.3 bn.), the volume of orders received by the FT was high, exceeding ¥10 bn.

● 3Q Orders Backlog

Overall: 177.3 bn.

Thanks to the robust volume of orders received in the third quarter, marking a record high.

SE: ¥119.6 bn.

GA: ¥6.5 bn.

FT: ¥48.4 bn.

PE: ¥2.6 bn.



1. FY2018 3Q Business Results



**2. Business Situation in 4 Segments**



3. Financial Situation



4. FY2018 Business Forecast



5. Recent Topics

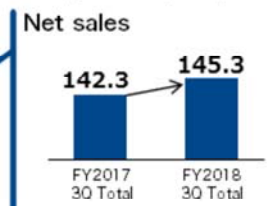


SE >> Business Environment

>>Comparison (YoY)

	FY2017	FY2018	Difference	
	3Q Total	3Q Total		
Net sales	142.3	145.3	2.9	2.1%
Operating income (to net sales ratio)	18.4 13.0%	20.2 13.9%	1.7 0.9pt	9.4%

Comparison (YoY)



>>Comparison (QoQ)

	FY2018	FY2018	Difference	
	2Q	3Q		
Net sales	53.2	45.5	(7.7)	-14.5%
Operating income (to net sales ratio)	8.1 15.3%	5.6 12.5%	(2.4) -2.8pt	-30.2%

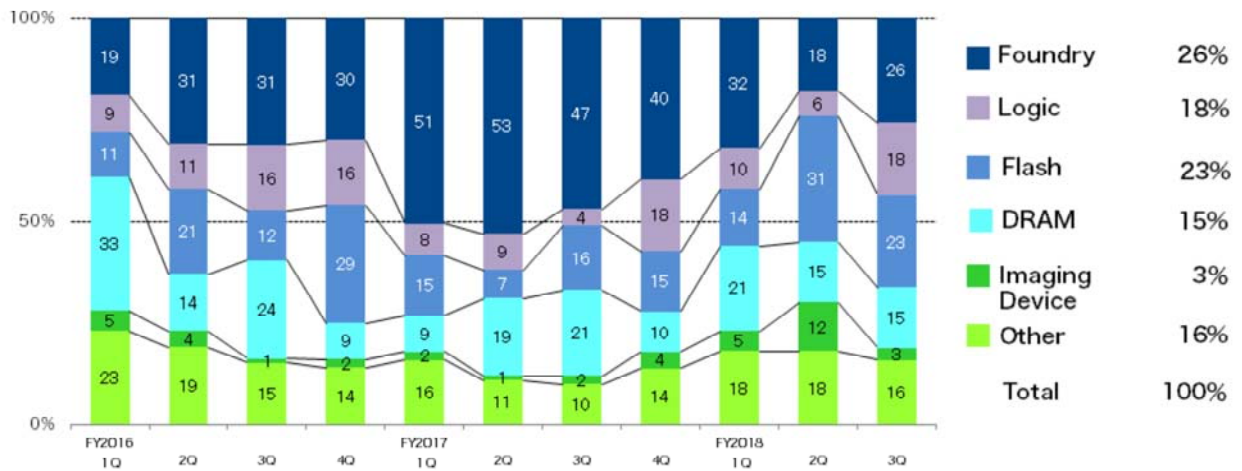
Operating income



- Segment results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year.
- While sales to foundries were down, investments undertaken by memory and logic were firm. Overall, segment performance remained robust.

- Business results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year.  
We achieved record-high for the first nine months of the fiscal year operating results in terms of net sales, operating income and the operating income to net sales ratio.
- 3Q Total Net Sales: compared with the same period of the previous fiscal year.
  - By product: Sales of single wafer cleaning equipment fell. Sales of batch-type cleaning equipment and coater/developers increased.
  - By region: Sales in Taiwan and Europe decreased, while South Korea, North America, Japan and China grew.

SE >> Quarterly Orders Received Ratio by Device Application (Nonconsolidated)



Consolidated orders received in the 3Q amounted to ¥88.3 bn., marking a record high (up 66.1% QoQ).  
We expect segment performance to stay robust at a high plateau.

- 3Q Consolidated Orders Received: ¥88.3 bn.  
Having received a growing number of orders well in excess of those received in the second quarter (¥53.2 bn.), marking a record high.
- 4Q Orders Forecast: We expect that the volume of orders received will remain high in the fourth quarter.  
Envisioning continuously strong showings (around ¥60 bn.).
- Orders Received Ratio by Device Application (Nonconsolidated)
  - Memory (Flash and DRAM) remained strong.
  - Flash (3D-NAND) remained strong.
  - DRAM had a significant increase.
  - We experienced an upturn in the volume of orders from foundries (from 18% to 26%) while taking a growing number of orders from logic chip manufacturers (from 6% to 18%).
  - Other (16%) consists of such items as Frontier products (200 mm or smaller) and machine parts.

## SE : Market Environment and Initiatives

- Foundries and logic: Investment toward further miniaturization (from 10nm to 7nm to 5nm) continues.**
  - Step up efforts to meet demands for cutting-edge process by promoting single wafer cleaning systems
- Memory: Customers have been actively investing in DRAM as well as those associated with 3D-NAND.**
  - Boost sales in the field of memory devices via the marketing of high-productivity single wafer cleaning systems (SU-3300) as well as high-performance batch-type cleaning equipment
- The Chinese market: Investment projects undertaken by local customers who ramp up-and-coming businesses have made steady progress.**
  - Accelerate efforts to enhance customer relations and strengthen our support structure
- IoT-related markets (mobile and automotive devices, etc.): Widespread use of automotive semiconductor devices has broadened the scope of power device applications while driving up demand for sensing devices.**
  - Continuously strive to enlarge our customer base by promoting new products developed to bolster the FRONTIER lineup

GA >> Business Environment

>>Comparison (YoY)

(Billions of JPY)	FY2017	FY2018	Difference	
	3Q Total	3Q Total		
Net sales	32.5	36.6	4.0	12.4%
Operating income (to net sales ratio)	0.6 2.1%	1.6 4.5%	0.9 2.4pt	142.2%

Comparison (YoY)  
Net sales



>>Comparison (QoQ)

(Billions of JPY)	FY2018	FY2018	Difference	
	2Q	3Q		
Net sales	13.9	11.8	(2.1)	-15.5%
Operating income (to net sales ratio)	1.0 7.8%	0.3 3.1%	(0.7) -4.8pt	-66.8%

Operating income



- Segment results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year.
- Sales of POD equipment, along with the number of units sold, increased after the expansion of product lineup. Sales of consumables grew. Of these, sales of ink increased (up 20%) YoY.

- Business results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year. Operating income grew 2.4 times year on year thanks to such factors as a sales increase.
- Sales of POD equipment (TPJ520 series, NX, UV label and so on), along with the number of units sold, increased after the expansion of product lineup.

FT >> Business Environment

>>Comparison (YoY)

(Billions of JPY)	FY2017	FY2018	Difference	
	3Q Total	3Q Total		
Net sales	28.7	31.9	3.2	11.2%
Operating income (to net sales ratio)	2.9 10.3%	2.3 7.3%	(0.6) -3.0pt	-20.8%

Comparison (YoY)



>>Comparison (QoQ)

(Billions of JPY)	FY2018	FY2018	Difference	
	2Q	3Q		
Net sales	9.9	9.1	(0.8)	-8.4%
Operating income (to net sales ratio)	0.7 7.3%	0.4 5.1%	(0.2) -2.2pt	-36.2%

Operating income



- Segment results for the first nine months of the fiscal year included an increase in sales compared with the same period of the previous fiscal year. On the other hand, segment profit fell due to a temporary cost increase.
- As we expect LCD and OLED market conditions to remain favorable, we forecast an upturn in profit in the fourth quarter.

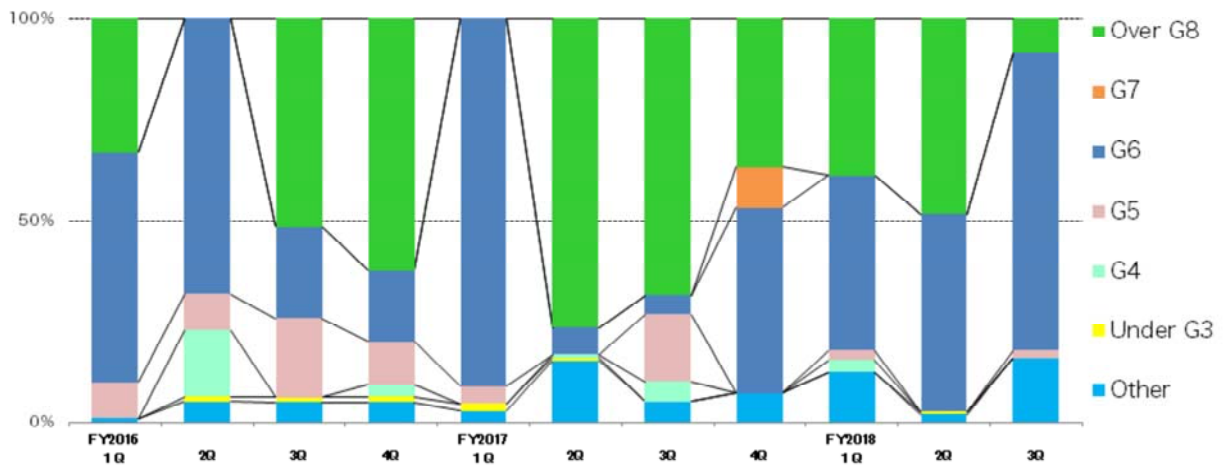
- Business results for the first nine months of the fiscal year included an increase in sales (especially in China) compared with the same period of the previous fiscal year. On the other hand, profit fell due to a temporary cost increase.
- As we expect LCD and OLED market conditions to remain favorable, we forecast an upturn in profit in the fourth quarter.

Temporary costs: Goodwill expenses for LMT,\* etc.

Looking ahead, LMT will manufacture and develop products related to flexible displays, especially OLEDs, in an effort to seize opportunities arising from a promising market.

\*LMT: SCREEN Laminotech Co., Ltd. established as a subsidiary of SCREEN Finetech Solutions Co., Ltd. in July, 2017.

FT >> Quarterly Orders Received by Generation (Nonconsolidated)



➤ Consolidated orders received in the 3Q reached a high level totaling ¥14.3 bn.. Of this, products for OLEDs accounted for approximately 70%, while those for use in new business fields accounted for more than 20%, marking a record high.

➤ We were successful in securing orders for coater/developers for G10.5.

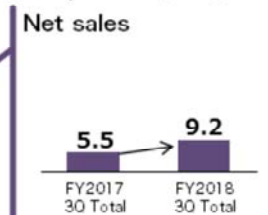
- Consolidated orders received in the 3Q reached a high level totaling ¥14.3 bn. Products for OLEDs accounted for approximately 70%, while those for use in new business fields accounted for more than 20%, are a remarkable increase in growth fields.
- We were successful in securing orders for coater/developers for G10.5 and saw a constant stream of orders for these products in the fourth quarter. We expect the volume of orders received to remain robust and estimate that orders received in the fourth quarter will amount to approximately ¥20.0 bn.

PE >> Business Environment

>>Comparison (YoY)

(Billions of JPY)	FY2017	FY2018	Difference	
	3Q Total	3Q Total		
Net sales	5.5	9.2	3.6	65.9%
Operating income (to net sales ratio)	0.4 8.3%	1.0 11.0%	0.5 2.7pt	119.8%

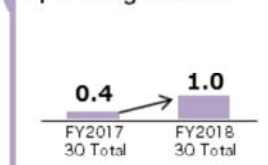
Comparison (YoY)



>>Comparison (QoQ)

(Billions of JPY)	FY2018	FY2018	Difference	
	2Q	3Q		
Net sales	3.3	3.4	0	2.3%
Operating income (to net sales ratio)	0.3 9.4%	0.6 17.9%	0.3 8.5pt	94.8%

Operating income



- Segment results for the first nine months of the fiscal year included an increase in sales and an increase in profit compared with the same period of the previous fiscal year.
- Showings of mainstay direct imaging exposure equipment remained strong on the back of robust demand for high-end smartphones and a recent trend toward investment in the automobile.

- Business results for the first nine months of the fiscal year included an increase in sales compared with the same period of the previous fiscal year. Operating income to net sales ratio was 11.0% and remained strong.
- Showings of mainstay products (direct imaging equipment, Ledia) remained strong on the back of robust demand for high-end smartphones and a recent trend toward investment in the automobile.



1. FY2018 3Q Business Results



2. Business Situation in 4 Segments



**3. Financial Situation**



4. FY2018 Business Forecast

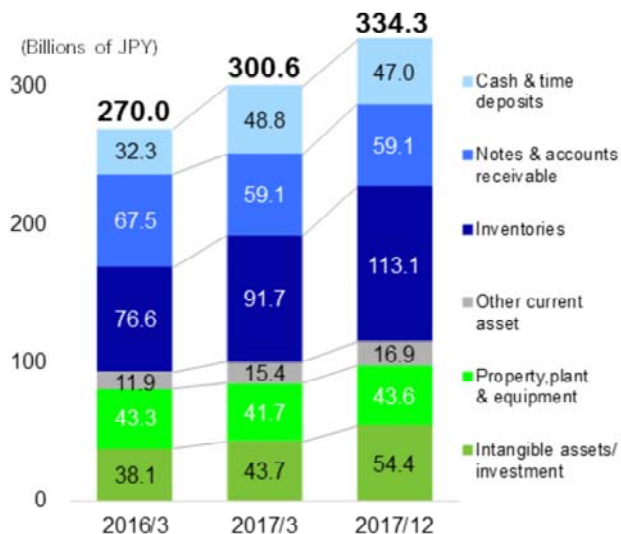


5. Recent Topics

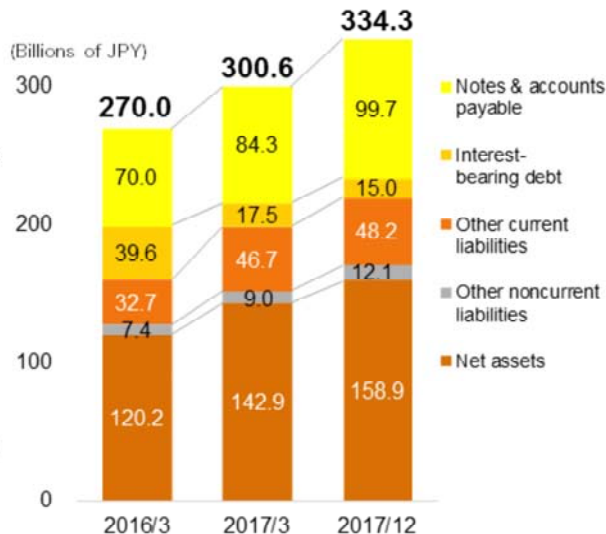


Trend in B/S (Consolidated)

>>Assets



>>Liabilities & Net Assets

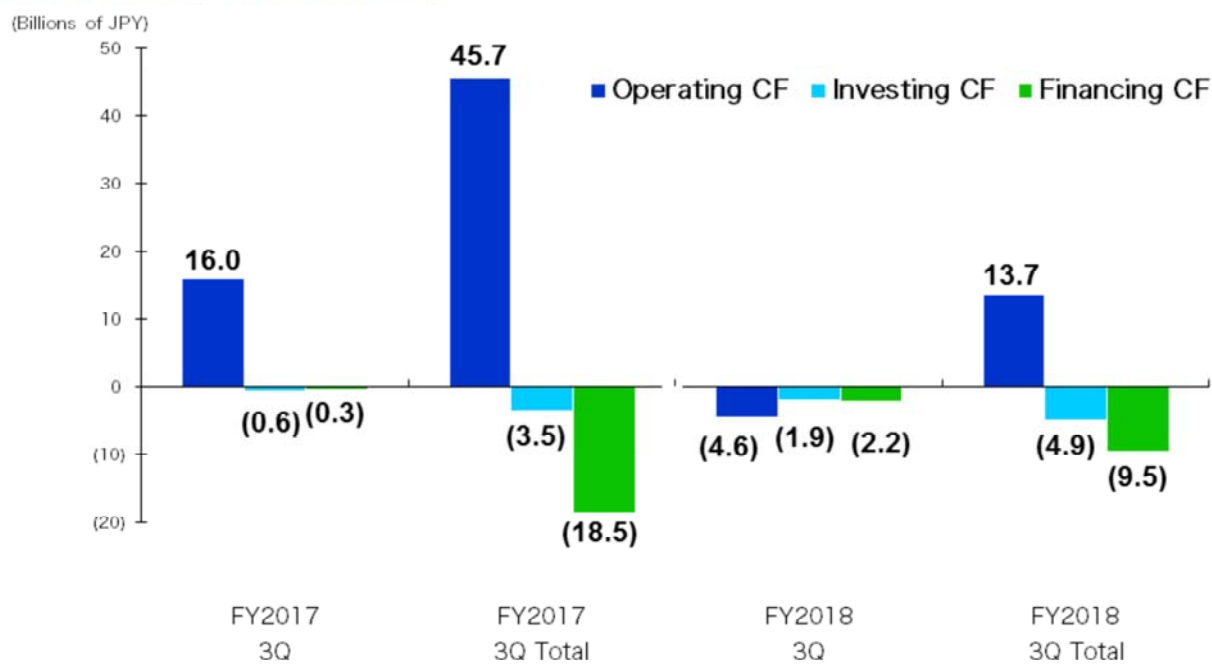


Equity Ratio : 47.5% (2017/3) ➔ 47.5% (2017/12)

Comparison with the end of the previous fiscal year ended March 31, 2017:

- Total assets stood at ¥334.3 bn., an increase of ¥33.6 bn. or 11.2%. This was largely due to an increase in inventories and investment securities despite decreases in cash and time deposits.
- Reason for increase of total assets: This was largely due to an increase in inventories and investment securities despite decreases in cash and time deposits.
- Reason for increase/decrease of total liabilities and total net assets:
  - Total liabilities amounted to ¥175.3 bn., up ¥17.5 bn., or 11.1%. This was mainly attributable to an increase in notes and accounts payable-trade.
  - Total net assets amounted to ¥158.9bn., up ¥16.0 bn., or 11.3%. This was mainly attributable to the recording of profit attributable to owners of parent and an increase in valuation difference on available-for-sale securities due to an increase in the market values of held stocks, despite spending for the purchase of treasury stock.
- As a result, the equity ratio as of December 31, 2017 stood at 47.5%.

Cash Flows (Consolidated)



**FY2018 3Q Total Free Cash Flow → JPY 8.8 bn.**

General condition of Consolidated Cash Flows during the first nine months of the fiscal year ending March 31, 2018:

- Net cash provided by operating activities amounted to ¥13.7 bn., compared with ¥45.7 bn. provided by operating activities in the first nine months of the previous fiscal year.
  - This was because the sum of income before income taxes, an increase in notes and accounts payable-trade and other inflows exceeded the increase in inventories, the payment of income taxes paid, and other outflows.
- Net cash used in investing activities amounted to ¥4.9 bn., compared with ¥3.5 bn. used in investing activities in the first nine months of the previous fiscal year.
  - This was largely attributable to the purchase of property, plant and equipment, such as equipment for R&D.
- As a result, Total Free Cash Flow (FCF) was ¥8.8 bn. compared with ¥42.2 bn. in the first nine months of the previous fiscal year.
- Net cash used in financing activities amounted to ¥9.5 bn., compared with ¥18.5 bn. used in financing activities in the first nine months of the previous fiscal year.
  - This was due in part to the payment of cash dividends and the acquisition of treasury stock.

1. FY2018 3Q Business Results



2. Business Situation in 4 Segments



3. Financial Situation



4. FY2018 Business Forecast



5. Recent Topics



**Business Forecast for FY2018 (Consolidated)**

(Billions of JPY)	FY2017 FULL Result	1H	2H		FULL		
		Result	October	January	October	January	Difference
<b>Net sales</b>	<b>300.2</b>	<b>153.8</b>	<b>183.1</b>	<b>183.1</b>	<b>337.0</b>	<b>337.0</b>	<b>-</b>
SE	206.0	99.8	129.1	127.6	229.0	227.5	(1.5)
GA	45.8	24.8	26.1	26.1	51.0	51.0	-
FT	38.1	22.8	20.6	21.3	43.5	44.2	0.7
PE	8.9	5.7	5.6	6.7	11.4	12.5	1.1
Other	1.2	0.5	1.5	1.2	2.1	1.8	(0.3)
<b>Operating income (to net sales ratio)</b>	<b>33.7</b> 11.2%	<b>16.9</b> 11.0%	<b>24.0</b> 13.1%	<b>24.5</b> 13.4%	<b>41.0</b> 12.2%	<b>41.5</b> 12.3%	<b>0.5</b> 0.1pt
<b>Ordinary income</b>	<b>32.0</b>	<b>16.4</b>	<b>24.1</b>	<b>23.8</b>	<b>40.6</b>	<b>40.3</b>	<b>(0.3)</b>
<b>Profit attributable to owners of parent</b>	<b>24.1</b>	<b>10.6</b>	<b>16.3</b>	<b>16.3</b>	<b>27.0</b>	<b>27.0</b>	<b>-</b>

Assumed Exchange Rate>> USD1=110 yen    EUR1=130 yen

\* Reference: Forecasts announced in October: USD1=105 yen    EUR1=125 yen

Forecast of annual cash dividends for FY2018>> JPY 100.00 per share (year-end cash dividend)

\* Reference: Forecasts announced in October: JPY 100.00 per share (year-end cash dividend)

- Taking the recent operating conditions into account, we upwardly revised our operating income forecast while making a downward revision to our ordinary income forecast.
  - The operating income forecast is ¥41.5 bn. (Forecasts announced in October: ¥41.0 bn.) ,up ¥0.5 bn. (mainly attributable to expected growth in the PE).
  - The ordinary income forecast is down, reflecting an increase in non-operating expenses.

Note: If actual operating results are as forecast, we will achieve record-high full-year operating results in terms of net sales, operating income and the operating income to net sales ratio.

1. FY2018 3Q Business Results



2. Business Situation in 4 Segments



3. Financial Situation



4. FY2018 Business Forecast



**5. Recent Topics**



## Recent Topics

# □ SE>> Initiated the “Hikone Grand Design Plan”

## Overview

Stepping up our ongoing efforts under the “Production Innovation Project”, the aim of which is to enhance the profitability of the Semiconductor Equipment (SE) business, the “Hikone Grand Design Plan” serves as a core program intended to realize even greater profitability and production capacity.

## Outline>>

- Total investment: Approximately ¥9.0 bn.
- Promote labor-saving measures and enhance production efficiency to achieve even shorter lead-times
  - Introduce automated distribution and logistics processes
  - Introduce an automated sorting system
  - Introduce a multi-story automated warehouse
- Establish an even stronger BCP/BCM structure boasting greater resilience against earthquakes
- Expand production area 30%, thereby increasing production capacity 50%



Start running on December, 2018

Recent Topics

**□ FT>> Establish Joint Company to Manufacture Display Production Equipment in Changshu, China**

To strengthen SCREEN's manufacturing network in the Chinese market, we will establish the joint management company to manufacture production equipment for the display and energy device fields.

**Profile of new company (scheduled)>>**

- Name: SCREEN FT Changshu Co., Ltd.
- Incorporation: May 31, 2018
- Capital: China 15 million yuan (255 million yen)  
 \* subsidiary with 90% investment by SCREEN Finetech Solutions Co., Ltd.
- Chief officers: Toshio Hiroe, chairperson (adjunct)  
 Yuji Ishida, president





**ESG-Related Initiatives**



World agreement "Goals for Sustainable Development" to 2030

The SCREEN Group recognizes significant similarities between its Corporate Philosophy and the UN's Sustainable Development Goals (SDGs). In line with this recognition, the Group places emphasis on and is proactively taking on the initiatives particular 6 High-Materiality Tasks listed below among 17 goals. The Group is thus helping to create a peaceful and prosperous society in which no one is left behind while supporting sustainable growth in regions around the globe.

>> 6 High-Materiality Tasks













**Introduce an Example>> “Work Style Reforms (in-house projects)” now under way**

1. Develop inclusive HR management systems
  - >>Reduce working hours, with a specific total working hour target being set
  - >>Develop an inclusive working environment
    - increase the number of employees eligible to partially work at home
2. Enhance productivity via the use of IT
  - >>Introduce cutting-edge collaboration tools to support work style reforms
  - >>Promote operational process reforms by utilizing RPA\* and BI\*
  - >>Ensure a more robust mobile platform by developing a global network

\* RPA : Robotic Process Automation BI : Business Intelligence

#/January 31, 2018

**SCREEN** Holdings Co., Ltd.

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**SCREEN**

**Fit your needs, Fit your future**



**SCREEN**