

-Index-

1. FAQ on Earnings Presentation for FY2018
2. FAQ at IR Meetings Following the Announcement of FY2018

*Notice: 'FY2018' means the fiscal year ended March 31, 2018

1. FAQ on Earnings Presentation for FY2018

Q. Our forecast to sales of the Semiconductor Production Equipment (SE) business is ¥115.5 bn. for FY2019 1H. That would be a decline of ¥11.8 bn. compared to the ¥127.3 bn. result for the FY2018 2H. Is there a special reason for that? Given orders backlog on hand as of March 31, 2018 (¥178.6 bn.), isn't FY2019 1H forecast a bit too low?

A. Timing for the recording of sales is determined based on delivery dates set by customers. There is no special reason for the decline.

Q. Regarding SE's SU-3300 (single wafer cleaning equipment, new product released in 2016), could you comment on conditions with regard to customer adoption and the sales forecast for FY2019?

A. We will refrain from making any comments concerning particular customers. However, as we explained in the February presentation on the SE business, we are steadily entering business areas we previously could not. Regarding the sales forecast for FY2019, we plan to cross-sell the SU-3300 with our mainstay SU-3200, and whether one or the other, or both, are chosen for purchase depends on the customer and the adoption process. We won't provide specific numbers, but we are expecting sales increase YoY.

Q. The SE presentation materials (P. 11) show a sales breakdown by region and application device for FY2018. Could you provide forecasts for FY2019 1H and 2H, and by application device?

A. While we won't break down information for 1H and 2H, we do believe that DRAM will be a driver overall. Sales to NAND flash memory were exceptionally strong for FY2018. We see demand of NAND remaining strong going forward, despite temporary decline from those heights. We are also forecasting sales to logic and foundries increase YoY.

Q. What percentages of SE sales did post-sales business and FRONTIER lineup for 200mm wafers account for in FY2018? What are these figures forecast to be for FY2019?

A. These areas accounted for 20-25% of SE sales in FY2018. With total SE sales rising, it's difficult to state in terms of percentages, but we expect growth to continue. Amid developments such as the advancement of IoT, sales of FRONTIER lineup are steadily rising, and we expect to increase YoY for FY2019.

- Q. I thought the lead time from order to completion of installation about three months. Going forward, would it be better to assume the lead time about six months?
- A. We don't think that much long. For some orders, a hundred days would be plenty of time, but other orders will require more time. We always operate with efficiency in mind (The lead time depend on customers.)
- Q. Earnings are expected to rise again for FY2019. What will be the leading drivers of higher profitability?
- A. We see SE as continuing to be the primary driver of earnings on an overall basis. Expansion work at the Hikone Plant, scheduled for completion in December, will help to improve efficiency beginning in 4Q. For FY2019 as a whole, we are looking forward to positive impacts from factors such as design standardization, post-sales business, IT investments, and returns on investments in new-product development. Earnings impacts due to changes in the customer or product mixes are not expected, and we believe that operations management will be key.
- Q. Over the past three months compared with the end of January, have there been any changes in forecasts or other matters concerning on SE business to Chinese market (local semiconductor manufacturers)?
- A. Basically, there have been none. Given that national policy is involved, we anticipate that investment plans will steadily move forward.
- Q. For FY2019 1H, sales are expected to rise and capital investment will be increased to ¥31.0 bn. (from ¥14.4 bn. for FY2018). Are you forecasting free cash flow to remain positive for the fiscal year?
- A. At this point, we think free cash flow will remain positive even after considering capital investment increase at Hikone (SE and FT). Going forward, if new capital investments come up, there would likely be various possibilities to examine.

2. FAQ at IR Meetings Following the Announcement of FY2018

- Q. Overall: Regarding forecasts for FY2019, we've been told to expect capital investment and R&D expenses to increase by a wide margin. Can you tell us where they will be after that?
- A. As for capital investment, we plan to finish expanding production capacity for the SE and FT businesses in Hikone within FY2019. Regarding all capital investment, including that outside of Hikone, we plan to maintain spending at around the same level going forward.

- Q. SE: What are your views regarding the SE on market trends for wafer fab equipment (WFE, front-end processing equipment) in CY2018 and beyond?
- A. Continuing from CY2017, we expect continuous market growth of over \$50 bn. from CY2018 onward. It is difficult to make predictions about SCREEN as it maintains a small number of product lineups. However, just for reference, the SE business and Marketing Department of HD forecast around 10% growth.
- Q. The Graphic Arts Equipment (GA) business: What were the key factors growth in revenues and earnings and the improvement in profitability for FY2018 compared with FY2017? What is the likelihood of this growth trend continuing?
- A. Sales of consumables, especially ink, and POD, with its enhanced lineup, expanded. The increased sales of ink, which has a high profit margin, were an especially significant contribution to improved profitability. Another contributing factor was switching to a framework where profit management is centrally controlled by the Head Office. We aim for further improvement in FY2019 and are continuously working to raise sales levels and improve profitability.
- Q. The Display Production Equipment and Coater (FT) business: Orders received in FY2018 4Q remained high at ¥24.6 bn., with the majority being for large sizes units that are G8 and above. Going forward, what are the trends and what do they mean for profitability?
- A. Looking ahead, we expect a moderate amount of investment in G10 products and above. We are focusing on maintaining an operating income to net sales rate of 10% by improving production efficiency.
- Q. The PCB-related Equipment (PE) business: Although sales were firm for FY2018, looking ahead, what is the forecast for profits and the market environment?
- A. Driven by sales of high-end smartphones, full-year net sales exceeded ¥10 bn. for the first time, primarily due to the strong performance of direct imaging equipment. Going forward, we aim to achieve the companywide target of an operating income to net sales ratio of 10% or higher while expanding sales, mainly by launching new models. These targets are for the next fiscal year. In addition, in FY2019 2H, we anticipate an increase in demand for automotive equipment.