

FAQ on Earnings Presentation for FY2019 1Q

- Q. Regarding the Semiconductor Production Equipment (SE) business's YoY increase in sales and decrease in income in 1Q (sales rose 1.2% to ¥47.1 bn, operating income fell 41.4% to ¥3.7 bn), besides higher fixed costs, were there any other reasons for this, such as the mix of products or customers?
- A. There were no noteworthy reasons for the YoY change other than higher fixed costs, especially the increase in personnel. To break down the fixed costs, in addition to the personnel costs (up about ¥1.0 bn), there was a YoY increase in capital investment-related depreciation and amortization (up around ¥0.5 bn) as well as the temporary factor of an inventory-related increase (up ¥1.0 bn). These were all factors in suppressing operating income.
- * From 2Q onward, we forecast a rise in sales that will just offset personnel costs as well as an increase in depreciation and amortization. Also, operating income will improve. (The expansion in personnel plays a fundamental role in the full-year sales assumption of ¥260.0 bn in the SE business.)
- Q. What is the plan for fixed costs going forward from 2Q?
- A. While there is room to more tightly control fixed costs, we will not drastically cut back on the personnel added from FY2018 (mainly in China). Looking ahead, we plan to raise income by controlling the break-even point of sales while improving the variable cost ratio.
- Q. Moving forward, will the SE business's increased staffing overseas be maintained?
- A. We were early among production equipment makers to begin the localization of field service in overseas markets, and the Company plans to further advance along these lines going forward. (We assume a corresponding rise in fixed costs.)
- Q. Why was 1H business forecast for the SE business revised upwards while 2H forecast was revised downwards? Considering that, in 1Q, net orders decreased from FY2018 4Q (4Q: ¥72.5 bn → 1Q: ¥50.6 bn), is this something we should be worried about?
- A. We revised the clear-sighted 1H forecast upwards (based in part on customer delivery schedules) but revised 2H forecast downwards to hold the full-year forecast even. This does not suggest a slowdown. It was done because 2H could not yet be clearly perceived. It is not something you need to worry about.

- Q. In the SE business, regarding the forecasts for logic and foundry, other companies have made downward revisions. Is SCREEN making no change?
- A. It's not our place to comment on other companies, so I will refrain from doing so. But compared with other companies, our product portfolio is quite different, and it follows that the forecast would differ.
- Q. In the SE business, has there been no change since the business briefing in February (regarding customer plans to adopt SCREEN products in their new processes)?
- A. From the conversations with customers regarding the adoption of our products, there have been no fundamental changes. We have no comment on delivery schedules, order volumes, or other specifics.
- Q. In the SE business, while there has been no change in investment plans in light of the capital intensity of memory manufacturers, is demand for cleaning equipment increasing further?
- A. I do feel that demand for more effective cleaning is rising even more than before, including customer yield improvements.
- Q. You explained that net orders in the SE business would bottom out in 1Q but are forecast to rise in the near term? Is that trend in line with assumptions made at the beginning of FY2019?
- A. Yes, it is in line with the original assumptions. We expect net orders to increase from 2Q into 3Q, especially for memories.
- Q. In the Display Production Equipment and Coater (FT) business, will market conditions remain OK for the foreseeable future? (Is there any doubt?)
- A. Within the FT business, we have new businesses like the deposition business, which includes coating equipment, and are growing LiB-related businesses, and these businesses have finally begun contributing to sales. On the other hand, in the display-related businesses, we will continue with G10.5 (for large display panels), for which we began taking orders from FY2018 3Q and will continue to take orders into FY2019 2Q. Next, we are considering once again investing in OLED.
- Q. Comparatively speaking, I feel things have become easier to understand from an outside perspective, like when sales go up, profit is generated. But has the accounting management method for handling profits on inventory or other items changed?
- A. We are working to maintain appropriate inventory levels as a way to appropriately manage working capital. Currently, the businesses with better inventory cycles are the Graphic Arts Equipment (GA) and PCB-related Equipment (PE) businesses. In the previous year and a half, the SE business has considerably cut back on the anticipatory recording of profit based on previous results. And, the GA and PE businesses are also currently improving in a similar way.