

FAQ on Earnings Presentation for FY2019 3Q

- Q. I do not understand the 3Q drop in income in the Semiconductor Production Equipment (SE) business. Results in 2Q were temporarily affected by natural disasters, but shouldn't there have been improvement in 3Q? I'd like a quantitative explanation, touching on the product mix or similar items.
- A. You can estimate marginal income, income ratio and other figures affected by adjusting the effect of the drop in sales into the next fiscal year, especially for memories. We expect full-year sales to total ¥250.0 bn, which, while lower than our October forecast, is still higher than in the previous fiscal year. Despite a tightening in production, the number of work hours has increased due in part to changing specifications of each customer. In the case of our mainstay cleaning equipment, SU-3200, each customer has original specification, necessitating investment in new components (separate ones for each customer) and driving up costs (by over ¥1.0 bn). Meanwhile, temporary costs, including for defective work and processing claims, have exceeded ¥1.0 bn. In addition, the setting of forward-looking strategic sales prices (for various models) has also pushed up costs.
- Q. Why did three managers in the SE business decide to resign?
- A. They left the Company for personal reasons, and I'd like to make it clear that their departures had nothing to do with compliance violations or scandals.
- Q. Did their resignations have anything to do with business performance or management policies?
- A. Although we are sorry to see the resignation of the president of the industry-renowned SE business, an individual whose strong leadership style got results, the new president is also very savvy about the industry and will continue to fully support the new structure from the holding company side.
- Q. Are we going to see this kind of negative surprise in the SE business in 4Q? Can you assure us that everything is alright?
- A. Since it is already January, that kind of risk has already been accounted for and is reflected in the numbers announced today.

- Q. Looking toward the next fiscal year, what is the income outlook in the SE business?
- A. Taking into consideration the Wafer Fab Equipment (WFE) forecast, we cannot expect much in terms of next fiscal year's top line revenues. However, we do foresee an expansion over the medium to long term. Anticipating that growth, we have already hired the necessary overseas field service personnel, and those fixed costs will carry over. Considering it from this perspective, if top line revenues do not grow, the fixed costs will really weigh us down. Nevertheless, I do think it will be possible to control the cost of sales, which we were unable to do this fiscal year.
- Q. In the SE business, 4Q net orders are expected to fall, but are they predicted to exceed ¥50.0 bn? What is your assessment of the general situation for each product category and SCREEN's share of the cleaning equipment market in 2019?
- A. • Regarding orders: While factors contributing to uncertainty remain, such as trade tensions between the U.S. and China, if the situation moves in a positive direction, orders are bound to grow in China. At present, we have yet to count in our Chinese orders, but we expect a significant 4Q decrease compared with 3Q. As for foundries, having seen a sharp 3Q increase, orders look set to contract to the previous normal.
- Regarding the CY2019 WFE market: Although we assume it will shrink by 15% to 20%, the ratio to the overall cleaning equipment seems unlikely to change much. The situation for foundries and logic does not look bad, and we do not foresee our share declining.
- Q. In the Graphic Arts Equipment (GA) business, an extraordinary loss was recorded, but what is the performance outlook like regarding from next fiscal year onward?
- A. The business structure improvement expenses recorded this quarter (around ¥0.9 bn) will lead to future improvements in income. Going forward, we aim to achieve our consistent goal of a 10% operating income to net sales ratio (one of our three-year medium-term management plan goals) and will continue moving ahead with the structural reforms.
- Q. Across the Company, since the current holding company management team formed, there has been an emphasis on predictive management. However, it appears that since the beginning of the fiscal year, several items had fallen behind in purchase management control. Besides responding to the rapid sales expansion, are there any issues?
- A. The holding company has realized that its tracking of developments on the frontlines of the business operating companies was lagging behind real time events. Under the new SE business structure, we need to strengthen our ties to the frontlines (using IT and other tools) and track developments in real time.