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1. FAQ on Earnings Presentation for FY2019

- Q. I'm grateful that in 4Q disclosure materials there was an income analysis (pp. 7, 20 of the presentation). In terms of improving profitability, will that change with fluctuations in sales?
- A. Profitability is mainly calculated by multiplying the profit margin ratio and net sales, and that figure will rise or fall somewhat depending on inventory valuation.
- Q. Looking at the Company's consolidated balance sheets and page 17 of the presentation, inventories increased from FY2018 to FY2019. What was the factor behind that and what is the outlook going forward?
- A. It was mainly due to the Semiconductor Production Equipment (SE) business. Rental equipment increased as inventory. At the end of FY2020, we expect a decrease of around ¥10.0 bn. Looking at the current trend, rentals of evaluation devices will decline.
- Q. At the 3Q earnings presentation, it was said that the Company is investing in IT and wants to continue to do so going forward, but what exactly does that refer to?
- A. This investment amounts to around ¥3.0 bn last fiscal year (FY2019) and this fiscal year (FY2020). Investments include enterprise resources planning (ERP) systems and customer relationship management (CRM) (renewals and others).
We believe it is necessary to improve operations overall, including work-style reforms (3 years running). However, we do not think effects will appear rapidly. (There has already been the effect of reducing overtime work.)
- Q. As for the FY2020 performance forecast for the SE business, sales are expected to increase around 20% from 1H to 2H, but operating income is expected to increase from around ¥4.0 bn to ¥18.0 bn (4.5 times). Why is that?
- A. As was mentioned from 2H of last fiscal year, the effects of a delayed decrease in cost and lower revenue will continue into 1H of this fiscal year, but a recovery is expected in 2H. We therefore expect the operating income to net sales ratio to return to around 15% in 2H.

Q. When will the SE business again have sales of ¥220.0 bn (FY2018 level) and operating income of over ¥30.0 bn?

A. There has been no change in our internal policy aiming for an operating income to net sales ratio of 20% or more. Currently, although improvement in profitability has faced a temporary setback, we hope to address this in the next medium-term management plan, which we will begin formulating from autumn of this year.

As for cost reductions, we have been making improvements, including VE design and SCM. We expect to see effects in 2H of the year from the Hikone Grand Design Plan, the overall concept of the new plant construction aims to improve profitability by reducing operator workloads, including in procurement, that we previously explained.

- As for fixed costs, capital investment in the SE business increased, depreciation and amortization increased to between ¥2.0 bn and ¥3.0 bn. We still have the burden of the increased portion of personnel expenses (personnel increased by over 200 people), the same increase as FY2019.

Q. As for the market conditions going forward for the SE business, while memory investment is expected to recover in 2H of the year, many companies are returning from NAND, why is SCREEN looking to from DRAM?

A. Miniaturization in DRAM is continuing and we think we can continue to raise the degree of integration (to turn around the current profit decline due to falling memory prices).

Q. In the SE business, in CY2019 the Wafer Fab Equipment (WFE) is expected to fall 15% to 20%, and sales are forecast to stay around 13%. Going forward, which field do you feel will grow? Annealing or something like that?

A. Mainly cleaning equipment (although the customer base for lasers is gradually growing, we still cannot expect much in terms of numbers). As for 200 mm IoT-related products, overseas customers increased significantly, and we aim to again grow after-sales services going forward (helping improve profitability).

Q. Can we expect the SE products' market share to increase around CY2020?

A. I think we can expect that if there's a recovery in memories in addition to the specialty areas of foundries and logic chips.

Q. In the Graphic Arts Equipment (GA) business, structural reforms have been completed. Income is forecast to rise in this fiscal year (FY2020), but what kind of improvement can we expect?

A. In the previous fiscal year (FY2019), we recorded an extraordinary loss of around ¥1.1 bn. In this fiscal year, fixed costs will likely decrease more than ¥1.0 bn, and that would help raise profit by a similar amount.

- Q. The Display Production Equipment and Coater (FT) business, the Semiconductor Equipment Association of Japan (SEAJ), and newspapers all seem to think China's top manufacturers will conduct investment, mainly in OLEDs. Do you?
- A. We take the same view. In actuality, there is a range of inquiries in OLEDs, and the market will surely remain active. (But we should pay attention to recent US-China trade tension and reliance on Chinese government subsidies.)

2. FAQ After Earnings Presentation for FY2019

- Q. Although the Company's cash flows from operating activities have taken a sharp turn toward the negative, is this situation expected to improve moving forward?
- A. We forecast a gradual improvement going forward due in large part to an increase in working capital, especially inventories.
- Q. Under other and adjustments, the Company's forecast for the current fiscal year (FY2020) calls for sales of ¥3.0 bn and an operating loss of ¥3.5 bn. What is the reason for these large increases?
- A. Although there have been some internal adjustments, this is mainly due to the holdings (HD) company's new businesses. And, although the customer base is solid, profit will continue to struggle as sales remain low overall.
- Q. Is there no change to the Company's policy on shareholder returns?
- A. There is no change to the 25% or above target for the total consolidated shareholder return ratio outlined in the three-year medium-term management plan. Although corporate value has retreated for the time being, we will continue to make growth investments as we strive to spark a recovery and return at least 25% of profit to shareholders.
- Q. In the Semiconductor Production Equipment (SE) business, why is operating income forecast to significantly drop around ¥10.0 bn from the ¥14.2 bn seen in FY2019 2H to ¥4.0 bn in FY2020 1H? I'd like the explanation to be as quantitative as possible.
- A. The projected decline of approximately ¥40.0 bn in net sales is a major factor behind the drop in profit for the SE business. Moreover, if the business's profitability in FY2020 1H were the same as that of FY2019 2H, it would not be a stretch to say that FY2020 1H operating income would likely have been in the red. But we expect 1H operating income to hit ¥4.0 bn, an improvement in profitability from FY2019 2H. This is due in part to a several point improvement in the variable cost ratio (owing to supply chain improvements, a change in delivery destinations from previous fiscal year, and a decrease in sales of rental equipment for evaluations) and an approximately ¥1.0 bn decrease in fixed costs, despite an

increase in depreciation and amortization.

- Q. Again in the SE business, comparing FY2020 1H and 2H, what is behind the expected considerable improvement in operating income from around ¥4.0 bn to ¥18.0 bn? This was also asked at the earnings presentation, but I'd like a quantitative analysis.
- A. In 1H, the forecast calls for sales of ¥100.0 bn and operating income of ¥4.0 bn. In 2H, the forecast is for sales of ¥120.0 bn and operating income of ¥18.0 bn, a half-on-half increase in sales of ¥20.0 bn. In addition to the rise in sales, we forecast just less than 5 point improvement in the variable cost ratio (supply chain improvements will finish in 1H), which leads us to expect higher income.
- Q. In the SE business, has the disruption to the supply chain in FY2019 come to an end? Also, has any progress been made since toward improving profit?
- A. Although we are making progress in our improvement efforts, the effects of the disruption will linger through FY2020 1H. At present, our improvement activities are moving ahead and the progress is being confirmed by the new SE president, top managers of production, and external consultants. Although it will take some time, we want to ensure that the supply chain is firmly reestablished.
- Q. In the SE business, orders received in FY2019 4Q were ¥51.3 bn, and those in this FY2020 1Q will be at least that much, but what is the forecast for after that?
- A. In FY2020 1Q, we expect around in the middle of ¥50.0 bn. As the year progresses, despite some peaks and troughs each quarter, we believe the figure will continue to increase into 2H.
- Q. In the SE business, what is the market share of products for CY2018?
- A. Single wafer cleaning equipment was 40.1%, spin scrubbers was 74.9%, and batch-type was 64.0%, all up year on year. (Source: Gartner, Inc.*)
- Q. In the Graphic Arts Equipment (GA) business, the forecast for the full FY2020 does not show much change in sales. Why does it show a large increase in operating income from ¥1.1 bn in FY2019 into around ¥4.0 bn?
- A. In FY2020, we expect to see effects from the earnings structure reforms we instituted in FY2019. One such effect is a decrease in fixed costs (to under ¥1.5 bn due to reduced personnel and location consolidations), and another is an improvement in variable costs due to a rise in direct print on demand (POD) sales and an increase in ink sales.
- Q. In the Display Production Equipment and Coater (FT) business, what is the forecast for the market and orders received?
- A. Investment in displays is trending downward for liquid crystal (LCD), with only G10.5 and G8.6 holding out. We expect to see continued investment in OLEDs, especially small and medium-sized units. Orders received in FY2020 1Q, including by new businesses, are forecast to total over ¥10.0 bn and to be mainly

for such OLEDs.

Q. In the PCB-Related Equipment (PE) business, why are full-year sales and operating income forecast to decline year on year? What are the market trends?

A. Although both investment in automotive-related devices and sales are trending upward, it will not be enough (especially in FY2020 1H) to offset the deceleration in highly functional smart phones, which drove results until FY2019 1H. As for operating income, future-oriented development costs are increasing, and we expect FY2020 1H to stagnate. Looking to CY2020, we are anticipating the beginning of 5G-related investment.

* Gartner, Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2018, Bob Johnson et al., 24 April 2019

3. FAQ on Plant Tour for Securities Analysts and Institutional Investors

On July 5, 2019, we gave a presentation at our plant in Hikone City, Shiga Prefecture, introducing the two new factories completed in the previous fiscal year for the SE and FT businesses. After the two representative directors of SCREEN HD (Eiji Kakiuchi, Chairman, member of the board and Toshio Hiroe, President, member of the board, CEO) greeted the attendees, Masato Goto (President of SCREEN SE) and Yasumasa Shima (President of SCREEN FT) gave a presentation covering business and technological trends.

Q: Now that the SE business has a new factory, how much do you expect the cost of sales to reduce?

A: We are currently in the middle of a test run, but we hope to restrict the setup costs for the new factory to around 30% when the factory is operating at full capacity in the near future. The production test run from the end of February started from the third floor, and it has recently expanded to include the first floor. Parts flow from the third floor to the first floor, and we are currently fine-tuning the process to achieve optimal timing. We hope to complete everything by the end of August.

Q: You mentioned that the SE business's new factory S3-3 (pronounced "S cube three") has a capacity that is 150%, but does that mean 1.5 times the existing factories or 2.5 times?

A: 1.5 times our existing production factory's capacity.

Q: The business results forecast of the SE business for 2H of the current fiscal year includes net sales of ¥120.0 bn and operating income of around ¥18.0 bn. Of these figures, how much of that will be created by the new factory (new production system)?

A: Under current market conditions, the contributions to 2H results will likely not be very significant. In the future, we expect it to rise to around 60% to 70%. The new factory is used for only single-wafer cleaning equipment, which accounts for around 60% to 70% of equipment sales, and we plan to produce batch-type cleaning equipment at old factories (old production systems).

Q: Will inventory decrease due to the new SE factory (new production system)?

A: We aim reduce inventory by around 30% in the beginning, but hope to ultimately reduce it to around half the current level. However, we think this will be difficult given the current market conditions. One reason we expect inventory to decline is the introduction of the standardized chamber design. Despite the abundance of orders for specialized cleaning equipment, we have been striving to raise the rate of standardization and expect those efforts to contribute to the decrease.

Note: Inventory in this case does not refer to overall product inventory but to the new factory's component inventory.

Q: In the SE business, if once again there are major design or destination changes, as there were in the previous fiscal year, are there measures in place to avoid disruption?

A: To guard against a disruption like the one in the previous fiscal year, the factory now maintains two production lines with the flexibility to respond to rapid changes.

Note: We expect to finish carrying out most countermeasures against supply chain disruptions in 1H of the fiscal year (negotiations with suppliers, etc.).

Q: How much does the new SE factory deliver (i.e. how efficient is it)?

A: It offers a 30% reduction in labor. In other words, we believe 30% less labor is needed to produce the same kind of products produced at an old plant. (That does not mean we will reduce our workforce.)

Higher efficiency was realized by emphasizing the elimination of unnecessary steps and using automated transporters and sorters. Our in-house calculations show that sorting operations that takes 24 hours by hand can be lowered to around 12 hours with automation.

Q: SE products are not produced at the Process Technology Center (PTC)?

A: That is not a factory for production. It is a pivotal element of our R&D function and is responsible only for technological and performance evaluation. It also conducts evaluations for customers.

Q. In the FT Business, what is assembled in Hikone Site, and what is assembled on customer fab?

A. We build the first evaluation machine in Hikone Site. The rest (from the second onward) are assembled on site with the aim of lowering the cost of sales. In addition, key parts are assembled frame by frame as units, big enough to be put on tracks, and shipped to the site. Each machine is assembled from around 100 units.

Q. In the FT business, what is the lead time at CS-1 (the previous factory)?

A. The manufacturing lead time varies depending on the equipment and can range from four months to less than six months.

Note: The lead time from receipt of an order to delivery is between seven months (for small- and medium-sized products up to G6) to 1.5 years (for G10.5).

- Q. In the FT business, in LCD manufacturing, how many coater/developers are needed?
- A. It depends on the client company's project, but as an overall estimate, the production of 15K glass substrates in one month requires around five units.