SCREEN

September 2020

SCREEN Holdings Co., Ltd.

FAQ on Earnings Presentation for FY2021 1Q

1st. Q1-10, disclosed on July 30, 2020
2nd. Q3's note and Q11-13, disclosed on September 4, 2020

About Medium-term Management Plan

Q1 Regarding Medium-term management plan (MTMP), it appears to be based on the assumption of sales growth. Did you assume there would be a whittling down of businesses in growth fields and other fields?

A1 For SPE, we created the plan based on market growth. We want to expand cleaning and after-sales businesses to establish a path toward growth.

Q2 Regarding FT, although you released a sales and profit outline for the final fiscal year of the MTMP, what is the breakdown you predict for sales/operating income for OLEDs, inkjet, and energy-related?

A2 We have not disclosed the breakdown. Displays continue to move toward OLEDs, and we still have some new projects. In addition, we expect TVs to also move toward OLEDs, and this area has strategic growth potential. In the energy field, we want to secure a certain amount of business related to fuel cell batteries and lithium-ion batteries (LiBs).

About SPE

Q3 • Regarding 1Q orders (¥43.0 bn), I would like more detail on the situation by application.
• What is the forecast for 2Q orders?

A3 • In 1Q, foundries were central, and, by region, China accounted for about half of orders. Flash orders were high in Japan, and DRAM orders were high in North America.
• In 2Q, we forecast around ¥50.0 bn. (Logic and foundries will likely be central.)

Note (added September 4): The total orders for 2Q and 3Q is expected to be around ¥120.0 bn (inquiries are currently strong).

Q4 Considering the 2H sales forecast, with 1Q orders being ¥43.0 bn, isn't ¥50.0 bn in 2Q too low (not enough)? To achieve the full-year sales forecast (¥231.5 bn), when do you predict orders will surge upward?

A4 Projects we originally forecasted for 3Q could now be moved up to 2Q, so we think there is some room for growth (based on our customers' capital investment plan, including foundries).

Q5 I have a question about the presentation's profit analysis. It was explained that SPE accounted for 2/3 of the total improvement in profitability, which would be around a ¥1.0 bn improvement year on year. Around how much cost reduction is forecast for the next fiscal year onward?

A5 In 4Q of the previous fiscal year, there was around a ¥4.0 bn impact from evaluation equipment, and from this fiscal year, we incorporated that impact into the forecast announced this time so that it would not be a negative surprise. We forecast a continual improvement in the variable cost ratio going forward.

Q6 Net sales are about the same as 1Q (¥52.6 bn). Compared with 3Q of the last fiscal year (¥51.5 bn), there seems to be little change in the degree of improvement despite efforts to improve the variable cost ratio (such as improving SCM, enhancing capacity utilization of the new plant S^3-3 in Hikone, etc.). What is the reason behind this?

A6 There was an impact from COVID-19, a slightly decline in the after-sales business rate, and our product mix. The variable cost ratio by product is improving as explained before.

Q7 Regarding the full-year forecast for this fiscal year, is it possible to achieve recovery to a 10% operating income to net sales ratio if orders go according to plan.

A7 I am confident we can achieve our goal.

Q8 What about the goal of an operating income to net sales ratio of 20% in the final fiscal year of the MTMP?

A8 We aim to uphold market expectations by steadily implementing our improvement measures.

Q9 Current orders of logic are worrying, but what do you forecast for CY2021?

A9
- We expect the level to be about the same as the previous fiscal year.
- Although there is news about leading-edge investments, we forecast that if orders of logic don't increase, it will be offset by foundries. (The amount of logic produced is consigned to foundries.)

About GA

Q10 It was mentioned that performance of recurring business (RB), consumables business, especially ink, was firm, but what percentage of sales do they comprise?

A10 Sales of the printing-related business were weak due to COVID-19 because it is easily influenced by the macro economy, but RB was firm in 1Q (less than half of sales). This trend is expected to continue into 2Q as well.

Q&As from here below are disclosed on September 4, 2020

About FT

Q11 What is the outlook for the FPD industry in the current and following fiscal years?

A11 Investment is shifting away from demand for large-sized equipment for LCDs and toward small- to medium-sized OLEDs for smartphones. The Company's net sales and net order composition are showing similar trends. In light of the impact of COVID-19, SCREEN's performance for the following fiscal year is expected to be on par with the current year.

Q12 In the current fiscal year, what percentage of net sales and net orders are expected to be attributable to large-sized LCDs, small- to medium-sized OLEDs, and new businesses?

A12 As for net sales, small- to medium-sized OLEDs are expected to account for about 65%, new businesses (including some OLED related businesses) about 15%, and large LCDs about 10%. As for net orders, we forecast small- to medium-sized OLEDs will account for the lion's share throughout the year.

About PE

Q13 In the current fiscal year, what are the market trends and the business conditions?

A13 We expect to continue receiving inquiries mainly centered on 5G-related products and to see an increase in the percentage of net sales attributable to direct imaging equipment, one of our focus areas.

Notes:

HD = SCREEN Holdings Co., Ltd.
SPE = Semiconductor production equipment business
GA = Graphic arts equipment business
FT = Display production equipment and coater business
PE = PCB-related equipment business