

FAQ on Earnings Presentation for FY2022 1Q

1st. Q1-18, disclosed on July 29, 2021

2nd. Q19-25, disclosed on September 6, 2021

1st. Q1-18, disclosed on July 29, 2021		
Q1	SPE	Margins improved in FY2022/03 1Q despite a decrease in revenue, what circumstances made that possible? Even with the increase in production in FY2022/3 2H, can these margins still be maintained?
A1		In FY2022/03 1Q, the utilization rate of S ³ -3 steadily rose, and the effects of that are gradually emerging. Our product mix in sales was also good. Regarding 2H margins, in our planning we treat some strategic investments as fixed costs, but we believe we can achieve the operating income we are currently committed to while boosting capacity.
Q2	SPE	What is the forecast for orders going forward?
A2		In FY2022/03 2Q, we expect orders to be on par with or exceed the 1Q level. In 3Q, the level could be similar to 1Q. As for 4Q, which is a new fiscal year for some of our customers (FY with a January-March 1Q), the forecast remains unclear, but it should begin to firm up during 2Q.
Q3	SPE	SPE margins seem to be improving due to higher sales, but what is your take?
A3		That's not the only thing improving margins. We are currently assessing whether we can further shorten production lead times at S ³ -3 and raise production efficiency without upping the number of workers. In addition, we are taking a look at extending hours of operation carefully (which would entail an increase in staff, however).
Q4	SPE	What is the path to achieving the 20% operating income to net sales ratio target of the medium-term management plan (hereinafter, "the mid-term-plan")?
A4		We need to not only improve production but also review unprofitable business and increase highly profitable after-sales services. These are our medium- to long-term initiatives (which will show their effects in the latter half of the mid-term-plan).
Q5	SPE	Profitability of legacy nodes sales might be good, but what is the forecast moving forward regarding their contribution ratio against total sales?
A5		As you said, their profitability is good, especially for 200 mm. The "Power Device" and "Others" on the sales graph mostly comprise the order ratio for legacy nodes ("other" includes after-sales services).
Q6	SPE	Regarding the 2Q order forecast, could you explain the trend in applications?
A6		We assume the trend in order applications will be roughly the same as that for 1Q.
Q7	SPE	What was the main factor that led you to upwardly revise the CY2021 forecast for WFE? In addition, which applications are leading the market in CY2022?
A7		Because customers have been able to flesh their investment plans out since the last

		forecast (presentation in May), we have upwardly revised the CY2021 WFE forecast. Summing up our customers' forecasts, we see an overall increase in all applications. As for the WFE forecast for CY2022, NAND might appear a bit flat, but with logic and foundries augmenting the results, we expect over 5% growth compared with this CY.
Q8	SPE	It feels rare to revise full-year forecast upward in 1Q. What was the reason?
A8		In addition to 1Q orders being stronger than expected, the outlook for 2Q orders began looking strong concretely, and we expect to realize those orders as sales in 2H.
Q9	SPE	Following the research presentation by IC Knowledge the other day, there was much discussion surrounding the estimation that, due to the adoption of EUVs, decreasing multi-patterning may result decreasing the number of cleaning processes. What are your thoughts on this?
A9		The number of steps will decrease with the adoption of EUV, but I don't think cleaning processes will decrease. There are cleaning processes that are required with EUVs, such as cleaning the backside and around the bevels, and I think that will offset the effect of fewer steps.
Q10	SPE	Looking at the 1H and 2H sales and profit forecasts, am I right in thinking that a bit more profit could be generated in 2H?
A10		2H forecast figures were based on higher fixed costs and the customer mix, so I think they are reasonable.
Q11	SPE	[Regarding the FY2022/03 full-year forecast,] The increase in fixed costs of ¥2.5 bn [comparing the July forecast to the May forecast] is largely due to SPE, but will it increase incrementally from 2Q?
A11		Because production will increase in 2Q, we expect an increase. We forecast an increase in overseas staff and payroll-related expenses due to increased production. Note: The wording used here is a bit different than that used during the presentation. We added a supplementary explanation to help readers understand.
Q12	SPE	Can you elaborate on the expected 5% WFE increase next year (CY2022)?
A13		Regarding the detailed market breakdown [by application and other factors], we are currently conducting a detailed analysis in-house, but we do not consider the 5% increase in WFE to mean a 5% increase in cleaning equipment.
Q14	SPE	[Due to the growth of WFE, in FY2023/03] what is your approach to management, such as controlling rising fixed costs to handle the increase in production?
A14		We are currently assessing whether we need further capital investment if we are to exceed the current production capacity of the Hikone plant. I think we can make an announcement by the end of this fiscal year.
Q15	SPE	Amid rising orders, is there no shortage of materials and human resources?
A15		As explained in the discussion about the previous quarter's results, we have already secured enough materials for 1H. We procure materials from suppliers while disclosing to them our long-term forecasts, and there currently are no big problems. We are increasing resources thickly, also diverting FT' resources.
Q16	SPE	As business in China increases, there have been reports of defaults by specific company,

		so is there no risks of being unable to collect trade receivables or of overlapping orders?
A16		Each business is being conducted based upon appropriate order conditions with customers, and there are currently no problems.
Q17	SPE	It appears that sales for FY2022/03 were revised upward by a lower percentage than that used in upwardly revising WFE. Is that right?
A17		A major contributor to the growth in WFE is investment related to EUV and equipment-related to etching and stacking. We recognize that compared with this, the growth in cleaning equipment is relatively small.
Q18	SPE	If an unprofitable business restructured or legacy node orders increase, do you expect profitability to improve?
A18		The profitability of legacy node orders for SCREEN is good, especially for 200mm (Frontier Products), and contributes to profits. In addition, there are projects under way that are making good progress in restructuring unprofitable businesses, but the fruits of that labor will be harvested from the next fiscal year onward.
2nd. Q19-25, disclosed on September 6, 2021		
Q19	GA	1Q orders were strong, exceeding ¥10 bn, but what is the outlook moving forward?
A19		<ul style="list-style-type: none"> · We have seen a recovery in demand for POD in Europe and the United States and are paying close attention to customer investment trends caused by the COVID-19 pandemic. · We incorporate surging transport-related costs as risks into our performance forecast and are taking measures to avoid these risks as much as possible.
Q20	GA	The RB (recurring business) ratio appears stable, but what is the forecast moving forward?
A20		Results have remained strong, especially for ink, and for the full year we expect around 40% to 45% to GA consolidated sales forecast.
Q21	FT	What was the reason for lowering the forecast for the current fiscal year?
A21		The timing of orders for OLED projects for China was pushed back.
Q22	FT	What is the trend in orders from 2Q on?
A22		We expect a fair amount of liquid crystal projects in 2Q or 3Q. (Additional investment due to rising prices for TV panels.)
Q23	FT	What is the performance trend going forward?
A23		<ul style="list-style-type: none"> · In light of the current order backlog, although we expect a tough situation for sales both in the current and next fiscal year, we will work diligently to stay in the black. · In the long term, we have high expectations for businesses related to energy and for OLEDs for large TVs.
Q24	PE	In the current fiscal year, the forecast calls for strong operating income, but what is the current situation?
A24		<ul style="list-style-type: none"> · The market environment is good with strong demand and inquiries, including for 5G and packages. · Although sales compared to other segments are not very high at present, we forecast that operating income will be firm at around ¥1 billion. The post-sales ratio is stable, and we think there is still room for profit to rise.

Q25	PE	What is the forecast going forward?
A25		We think that the market environment will remain good for the time being. The post-sales ratio is stable, and we think there is still room for profit to rise.

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