SCREEN

May 2022

SCREEN Holdings Co., Ltd.

# FAQ on Earnings Presentation for FY2022/03

**1st. Q1-13, disclosed on May 12, 2022**

**2nd. Q14-18, disclosed on May 27, 2022**

| **1st. Q1-13, disclosed on May 12, 2022** | | |
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| Q1 | SPE | The operating income to net sales ratio was 21.6% in FY2022/03 2H but it is expected to decrease to 19.5% in FY2023/03 1H despite an increase in net sales. What kind of risks are behind this worsening of the margin? |
| A1 | | The operating income to net sales ratio in 4Q was better than our forecast. Specifically, there were many rushed orders/sales of parts, which helped improve our profit margin. In addition, funds earmarked to cover anticipated fixed costs were not all used in 4Q, raising the profit level. However, while a projected operating income to net sales ratio of 19.5% in FY2023/03 1H may seem somewhat conservative, we assume that the mobility of human resources will improve as pandemic restrictions are relaxed and expect a normal level of fixed costs, which can be expected to place downward pressure on profits. |
| Q2 | HD | In light of the revised target figures for the medium-term management plan Value Up 2023 that will be presented with the 1Q results (end of July, 2022), how do you plan to assess this three-month period? |
| A2 | | With this round of capital investment, we will complete the new $S^3$-4 factory (scheduled to start operations in January 2023) in this fiscal year (FY2023/03), which will enable SPE to contribute as much as ¥420.0 bn to consolidated net sales. We are currently conducting a carefully detailed internal analysis on how much sales will increase after the factory begins operations. Because the scale of future investments will be determined based on this analysis, it will take time to conduct an assessment. |
| Q3 | HD/SPE | Regarding profitability improvement, what are your thoughts on the SPE variable cost ratio in FY2023/03? In addition, how will you accommodate recent increases in costs for parts and materials? How will you narrow down low-profit business in FY2023/03? |
| A3 | | • Although actual costs for parts and materials are increasing, we think that those increases will be offset by the already planned value engineering (VE) and cost reductions. SPE accounts for most of the content of the profit analysis (p. 25 of the presentation) with a ¥1.0 bn increase in profitability. We will also continue decreasing variable costs for SPE, but the real situation shows that the upward pressure on the cost of parts and materials will be stronger than that. Nevertheless, we think we can absorb that amount through cost reductions going forward.<br>• Regarding low-profit businesses, we will continue to take necessary measures and |

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| | | conduct reviews going forward. In particular, regarding R&D, we will effectively invest in areas connected to future business and promote them based on our relationships with customers and external organizations. |
| Q4 | SPE | The expected growth in sales in FY2023/03 pretty much corresponds to the projected WFE growth. Is this a conservative estimate? |
| A4 | | It is not necessarily a conservative estimate. We forecast that SCREEN will actually somewhat overperform the WFE market because we are strong in foundry and logic. Our production slot is already set for the period up to 3Q, so it is pretty rigid. From 4Q onward, $S^3$-4 will begin contributing to sales, so around from March 2023 we will be incorporating that effect. |
| Q5 | SPE | What is the reason behind the large difference in projected operating profit for FY2023/03 1H and 2H? |
| A5 | | The makeup of our customer base is now pretty clear, and that mix has led to this difference. We realize that we should do something to improve the situation, but we will first strive to steadily achieve our targets. |
| Q6 | SPE | What is your current view of the WFE market, SPE net sales, and the operating income to net sales ratio in CY2023? |
| A6 | | Regarding CY2023, general survey organizations and various companies expect somewhat of a decline. Our stance, however, is that we will proactively invest in our areas of strength, namely, logic and foundry, and therefore expect net sales in CY2023 to be on par with or better than in CY2022, although we will need to maintain a watchful eye going forward. |
| Q7 | SPE | You expect orders exceeding ¥100.0 bn per quarter to continue going forward. Will there be differences in each quarter depending on the application or region? Will parts shortages have an impact on delivery? |
| A7 | | • Regarding orders, foundry is strong, and logic will be seen at an appropriate level of investment. We think these two areas will be major drivers. As explained in our guidance for WFE, we see investment increasing for all applications.<br>• The parts and materials shortages were already prominent in FY2022/03, and the situation has only become graver. Nevertheless, we were able to achieve our sales plan by quickly sharing our forecasts with suppliers and working to secure early procurement. We will continue these activities in FY2023/03 and strive to achieve our plan while minimizing the effects of parts and materials shortages. |
| Q8 | HD/SPE | What are your capital investment plans regarding scale and amortization for FY2023/03 and CY2023? |
| A8 | | • We expect the investment in $S^3$-4 to be around ¥12.0 billion. The portion recorded as depreciation and amortization will be in full effect (increase) from FY2024/03. We are currently carefully studying future investments, so please wait for 1Q results (end of July, 2022 ).<br>• Depreciation and amortization in FY2024/03 will be somewhat higher (up around a few billion yen) than our forecast for FY2023/03 (¥10.2 billion). |

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| Q9 | HD | Regarding fixed costs in FY2023/03, what changes do you expect for each half (1H, 2H)? |
| A9 | | In terms of ratios, we foresee 2H being almost twice as high as 1H. |
| Q10 | SPE | When $S^3$-4 starts operations, will that improve profitability? |
| A10 | | It will. Because we will transfer the tower verification processes being conducted at $S^3$-3 to $S^3$-4, the assembly area at $S^3$-3 will expand. Although we are still running calculations, we expect this to boost production and contribute to improved efficiency. The majority of these effects will contribute to FY2024/03 results. |
| Q11 | SPE | What is the competition situation like? |
| A11 | | External survey organizations have already released market share analyses for the previous year, and we lost some points. In single wafer cleaning, it seems competitor companies expanded sales for DRAM customers requiring special drying processes. In batch cleaning, we weren't able to fully secure the market share we had in the previous year in some parts of Taiwan and China. At the same time, the largest South Korean DRAM maker, to which SCREEN has had small exposure, was heavily invested in, and their subsidiary manufacturers benefited from the resulting increased demand. We recognize that we will steadily maintain POR (process of record), in such areas as foundry and logic, U.S. memories, and domestic NAND, and our presence in leading-edge areas is increasing due to growing cleaning needs related to miniaturization. Going forward, we will see the effects of strengthening our initiatives for MOL and BEOL, and we should recover market share over the medium term. |
| Q12 | SPE | The WFE forecast increased 5% from the previous one. Was there a change in your view of applications for the three-month period? |
| A12 | | In such strong areas as foundry and logic, we expect to achieve our targets ahead of the FY2024/03 plan. Regarding memory, investments in miniaturization will continue for DRAM and in multi-layered count for NAND, improving year-on-year results by a similar level. |
| Q13 | FT | In FT, the sales composition (product mix) is changing. Was there a significant change in the situation? |
| A13 | | Currently, the impact of the Shanghai lockdown is significant. Unloading ships at the Port of Shanghai is not possible, and FPD projects in China will likely be delayed, resulting in a harsh sales forecast. We expect 1Q sales to be especially challenging. This impact has already been incorporated into today's results forecast figures. |
| **2nd. Q14-18, disclosed on May 27, 2022** | | |
| Q14 | GA | Going forward, how will the business transfer of subsidiaries affect GA's business? |
| A14 | | Net sales will likely fall around 10% year on year by business transfer. However, that will lower the break-even point, meaning it will be easier to make a profit moving ahead. |
| Q15 | GA | What is the forecast going forward? |

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| A15 | | Despite concerns of a continued parts shortage in the new fiscal year, we will concentrate resources in the focus area of POD, including labels, and expect to be able to enhance profit margins. We aim to secure stable sales and profits through recurring businesses, such as ink and services, which accompany sales of new equipment. |
| Q16 | PE | The strong performance is a continuation from the previous fiscal year as well. What is driving it? |
| A16 | | Businesses are still going well for package market in China, Taiwan, South Korea, and Japan. One another factor behind this is the miniaturization of SoC substrates. |
| Q17 | PE | With such good market conditions, why have sales forecasts for the new fiscal year not increased much? And why is the profit margin lower? |
| A17 | | Although inquiries and orders are strong, performance will be affected by the parts shortage. In terms of profit margins, R&D expenses will increase year on year due to growth investments for the future. |
| Q18 | PE | What has the response been to your new products? |
| A18 | | We have gotten very positive responses to our new products (Ledia Twin, Ledia 7), and we can expect them to further contribute to sales going forward. |

**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