

FAQ on Earnings Presentation for FY2024/03 2Q

First session: Q1-20, disclosed on November 1, 2023

Second session (Additional FAQs): Q21-23, disclosed on November 27, 2023.

First session: Q1-20, disclosed on November 1, 2023		
Q1	SPE	What is your current outlook regarding the demand in China in FY2025/03?
A1		We expect investment in China to remain robust even in FY2025/03. However, the ratio of sales to China is expected to decline from now, to a moderate range, to around 30%. (The abnormally high ratio compared to the market average this fiscal year is due to the carrying over of the order backlog from the previous fiscal year).
Q2	SPE	Do you expect the shifted deliveries for the foundry client's factory in the US, mentioned in the 1Q presentation, to be recorded as sales within this fiscal year? Has there been any change in the outlook for the investment trends in the advanced nodes, as well as your profit expectations, in FY2025/03?
A2		<ul style="list-style-type: none"> ● We will refrain from touching on specific clients. ● Overall, we are confident that we will achieve the 2H profit targets, even if there are some delivery shifts. ● Likewise, we are certain that investment in the advanced nodes to happen even if there may be a two-three months shift. ● There is no change in our expectation of sales and profit increase in FY2025/03.
Q3	SPE	What is your outlook of the WFE market in CY2024?
A3		We expect single digit percentages growth. We expect investment in advanced nodes to take place even in the memory application.
Q4	SPE	Regarding the investment trend in China, is there any concern of accelerated orders?
A4		Since the investments in China are focused on mature nodes, we believe they are backed by real demands and that this trend will continue for a while.
Q5	SPE	What is the reason for revising the full-year sales and profit projections upward?
A5		We have revised the projections upward as the robust demand in China will contribute to the improvement in both sales and profits. We are confident to achieve our sales targets as these projections are backed by real orders.
Q6	SPE	As for FY2025/03, what is the rationale for projecting profit improvement even though the ratio of sales to China is expected to decline, resulting in the change in the geographical mix?
A6		On the manufacturing side, we expect a further improvement in productivity due to the scheduled launch of S ³ -5. On the sales front, efforts are underway to add values to our equipment through various proposals. We expect the combination of these efforts will result in an overall profit increase.
Q7	SPE	Can we safely assume the sales to China during 2Q is around the JPY 50 billion range? How about 2H and FY2025/03?

A7		<ul style="list-style-type: none"> ● JPY 50 billion is a correct range with regard to the quarterly sales to China in 2Q as well as the expected quarterly sales to China during 2H. ● As for FY2025/03, the figure is expected to decline about 20% given the absence of order backlogs, which comprise a significant portion of sales this fiscal year.
Q8	SPE	How profitable is business in China compared to ordinary businesses?
A8		We cannot disclose the profitability figures. Nevertheless, high profitability of business in China can be seen from the fact that the operating margin was as high as 24.2% during 2Q, where the proportion of sales to China was extremely high.
Q9	SPE	Is the high operating margin during 2Q due to the high proportion of SU-3200 in the product mix? Or is it due to the high proportion of sales to China?
A9		Rather than the product mix (high proportion of SU-3200), the geographical mix contributed to the increased profitability.
Q10	SPE	Do you expect an increase in sales proportion of products for MOL and BEOL with the launch of advanced foundries in FY2025/03?
A10		For penetration in the MOL and BEOL fields, we will leverage the SU-3200 platform to continue adding values for our clients.
Q11	SPE	Regarding the Chinese market, please comment on the risk of a slowdown in investment in light of the current economic trends, the risk of imitation by local equipment manufacturers, and the competitive environment.
A11		<ul style="list-style-type: none"> ● We do not feel that there is a slowdown in investment at present. ● The risk of imitations will always be there. ● It is the strategic issue whether or not to broaden the scope of orders and venture into competition with local equipment manufacturers.
Q12	SPE	How much do you expect the environment-friendly hot-DIW supply unit released by your company to contribute to your business performance?
A12		Currently, our clients have begun to actively adopt these units. This type of environment-conscious proposal is one of the technologies that can appeal to clients for added value and could be linked to our competitive advantage.
Q13	SPE	How far in advance, in terms of shipment timing, are orders coming in for China projects?
A13		<ul style="list-style-type: none"> ● The lead time for equipment until delivery is currently about 6 months, and orders received up to the end of 2Q will be sold in the current fiscal year. Orders to be received after that will contribute to the sales in the next fiscal year. ● The orders for 3Q and 4Q are almost fixed, and sales for 1H of the next fiscal year are already quite visible.
Q14	SPE	Which application sales are likely to increase in the next fiscal year?
A14		Logic and foundry, which are our forte, will grow. Memory investment has been quite restrained this year but is expected to rise in the next fiscal year based on our view.
Q15	SPE	What is the status of orders and inquiries related to gate-all-around (GAA, next-generation transistor structure), and what is your outlook on profitability and market share increase?

A15		For cutting-edge devices, we are developing and evaluating our products through our pipeline with clients, and we recognize that we have had sufficient process of record (POR, process that forms the basis of mass production). In the business for leading-edge devices as well, we will seek to improve profitability through value-adding initiatives.
Q16	PE	Does PE's recently released direct imaging system, Ledia8F, aim at generative AI? And have the specs been disclosed yet?
A16		This system is a high-definition model capable of drawing finer line widths than the previous models. The target is not for generative AI, but mainly for printed circuit boards for data centers. Specifications will be disclosed when the system goes on sale in November.
Q17	SPE	What is the progress with the National Institute of Advanced Industrial Science and Technology (AIST) post-5G project?
A17		Joint development is ongoing. We are unable to disclose the progress of the project, but we would like to disclose it in due course.
Q18	SPE	What is the status of the newly established business for Japanese advanced chip manufacturers? What type of cleaning equipment will be used?
A18		<ul style="list-style-type: none"> ● Please allow me refrain from discussing specific client business. ● We plan to respond with equipment that matches the clients' requirements from among the models we have.
Q19	SPE	Does the Japanese government's support program for the semiconductor industry provide any support for SPE manufacturers?
A19		Currently, support program is mainly provided to device manufacturers. Although we have made requests to the Ministry of Economy, Trade and Industry (METI), we have not heard of any specific support plan for SPE manufacturers, except some development support and subsidies for some large-scale manufacturing facilities.
Q20	SPE	Do you have any concern about payment and cash flow risks with Chinese clients?
A20		Please allow me refrain from commenting on clients' financing situation.
Second session (Additional FAQs): Q20-23, disclosed on November 27, 2023		
Q21	GA	The performance in 1H looks strong, but why do you expect a weak forecast for 2H?
A21		There are worries about economic conditions in North America, which is expected to weaken in 2H of this fiscal year. The GA segment is highly economy linked, so we have a slightly conservative perception.
Q22	FT	The display market continues to face severe situation currently, and what is your future outlook?
A22		Currently, we are receiving orders that will lead to the sales for the next fiscal year, and the image of sales level are starting to get visible. Fixed costs have been reduced by transferring the energy business to HD's new business area, and if possible, we would like to aim for break even in the next fiscal year.
Q23	PE	What is your future outlook?
A23		It is expected to take more time to see a market recovery. Customer evaluations of new products are in progress, and we hope to receive orders for them when the market recovers.

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