

FAQ on Earnings Presentation for FY2024/03 3Q

First session: Q1-18, disclosed on February 1, 2024

Second session (Additional FAQs): Q19-21, disclosed on February 29, 2024

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Q1	SPE	While the WFE outlook for CY2024 is lower-single digit percentage growth, what is the growth outlook for SCREEN?
A1		We believe we can achieve growth in both sales and profits the next fiscal year. We received a high level of orders during 3Q and expect this trend to continue during 4Q. We expect our performance will be driven by the Chinese market as well as investment for miniaturization in Foundry and Logic.
Q2	SPE	What are the reasons for projecting a decrease in OP Margin in 4Q? What is the outlook for OP Margin in FY2025/03?
A2		<ul style="list-style-type: none"> • The high OP Margin in 3Q is due to the client/product mix, which was better than expected. This will return to the normal level in 4Q. Moreover, we are expecting costs in 4Q for delivering joint development equipment to clients for future process of record (POR, process that forms the basis of mass production) opportunities, which will negatively impact our profits. • We would refrain from commenting on specific figures for the next fiscal year OP Margin as we are still in the process of budget planning.
Q3	SPE	Concerning the modest growth outlook of WFE for CY2024, there is a comment that the recovery in Memory investment is lagging. Is there anything to offset this?
A3		We believe the Chinese market and investment for miniaturization will contribute to our profits.
Q4	SPE	Is there any change in the sales outlook for FY2025/03 presented in the IR Day on September 25, 2023 (Presentation of IR Day for FY2024/03 p. 24-25)?
A4		We still believe we can achieve both sales and profit increase in the next fiscal year, even given the current situation.
Q5	SPE	4Q sales is projected to increase significantly – doesn't it exceed your production capacity? (Is it feasible?) Also, are high levels of orders in 3Q due to the increased production capacity?
A5		<ul style="list-style-type: none"> • The projected sales for 4Q in fact exceed our current production capacity. This is due to the sales of deliverables waiting in inventory to be shipped to a certain clients, so there is no problem with production capacity. • The order volume is increasing in line with the increase in our production capacity.
Q6	ALL	FCF is increasing – is there any possibility of it being reflected in the direction of determining the shareholder return policy to be announced with the new medium-term management plan in the next fiscal year?

A6		The increase in cash is largely due to the advances received in SPE. This will shrink gradually as deliverables are shipped going forward. Meanwhile, we are working to shorten the payment schedule to our suppliers, which will also require cash. Moreover, we need to invest for next growth. We would like to consider the shareholder return policy in the next medium-term management plan incorporating all these points.
Q7	SPE	What about the WFE trends in CY2024 by application?
A7		We are expecting roughly the same level of growth in Foundry investment. We expect a slight decrease in Logic. We are expecting a rebound in Memory, which remained sluggish last year. We expect the same level of growth in the Imaging Device and Power Device. We project the same active level of investment to continue in the Chinese market.
Q8	SPE	How do you see the sustainability of the growth in the Chinese market? How about by application?
A8		We don't see any prominent trend by application. We believe both emerging and existing clients are making a solid amount of investment.
Q9	ALL	Regarding the FY2024/03 business forecast in the Presentation (p. 22), the "Other" segment in the sales and profits table looks like a buffer. Is that the case?
A9		The "Other" segment includes R&D expenses for HD-led projects. We are planning to utilize all of them as scheduled.
Q10	SPE	What is the progress on improving the ratio of fixed costs to sales?
A10		Fixed costs are increasing in line with sales growth. It will take some time, but we will make efforts to make further improvement. This will be one task for the next medium-term management plan.
Q11	SPE	How does your company's WFE outlook of 2024 growth differ from SEAJ's April 2024 – March 2025 outlook?
A11		Given the significant negative growth this fiscal year, it seems SEAJ projects a huge positive growth for the next fiscal year. The discrepancy is also partly due to the time lag between a calendar year and a fiscal year, which impacts the whole analysis. Another reason is probably due to the fact that SEAJ only analyzes on Japanese manufacturing equipment manufacturers.
Q12	SPE	How about the competitive situation?
A12		We do not expect there is any major changes in the competitive landscapes without major POR shifts. Growth in the next fiscal year will be in line with clients' investments and market growth.
Q13	SPE	Are there any positive factors for the 4Q OP Margin?
A13		In 3Q, we had an over-performing OP Margin due to a better-than-expected mix of products/clients, and we expect it will return back to a normal level in 4Q. Surely, we will make every effort to outperform.
Q14	ALL	What is your message at this point regarding the next medium-term management plan?

A14		We are currently working out with details of the medium-term management plan, and we will aim to increase corporate value more than ever. It will be a major milestone for achieving the major KPI targets* set forth in the Management Grand Design. *Released in Presentation of IR Day for FY2024/03 (p. 13-14) and Annual Report 2023 (p. 26, etc.)
Q15	SPE	Were there multiple factors for the high OP Margin in 3Q?
A15		Please allow me to refrain from commenting on business negotiations with individual clients. Nor were there anything specific factors by application.
Q16	SPE	You mentioned with regard to the Chinese market that an increase in investment is expected from existing clients in the next fiscal year, but will this affect your profitability?
A16		It is certainly true that profitability varies by client, though it remains constant when averaged over the full year, and this trend is not expected to change significantly. We are confident that we can improve the OP Margin through our efforts.
Q17	FT	What is the rationale behind the improvement in profitability?
A17		From the business perspective, the number of players in this field is decreasing. Fixed costs have been reduced by transferring the hydrogen-related businesses to HD and making it easier to control profitability.
Q18	SPE	I assume you are anticipating North American sales for Taiwanese companies in 4Q, but if it is shifted to the next fiscal year, how will you deal with it and what will make up this portion of sales?
A18		We refrain from commenting on individual clients. We expect to achieve 4Q sales target regardless of that.
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Q19	GA	What is your future market outlook?
A19		Until around 1Q of the next fiscal year, there will be holding-off buying before drupa, the industry's largest exhibition for the first time in eight years, making the situation challenging. It is anticipated that business negotiations will gradually become more active after the exhibition.
Q20	FT	What is the outlook for next year?
A20		We are currently receiving orders that will back up our sales for the next fiscal year, and we expect increased sales and a shift to profitability next year.
A21	PE	What is your outlook?
A21		As the business is linked to semiconductor equipment investment, 1H of the next fiscal year is expected to be sluggish. However, we expect a recovery in memory investment in the latter half of the year, then PE business will also recover.

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