SCREEN

Annual Report 2016

Fit your needs, Fit your future

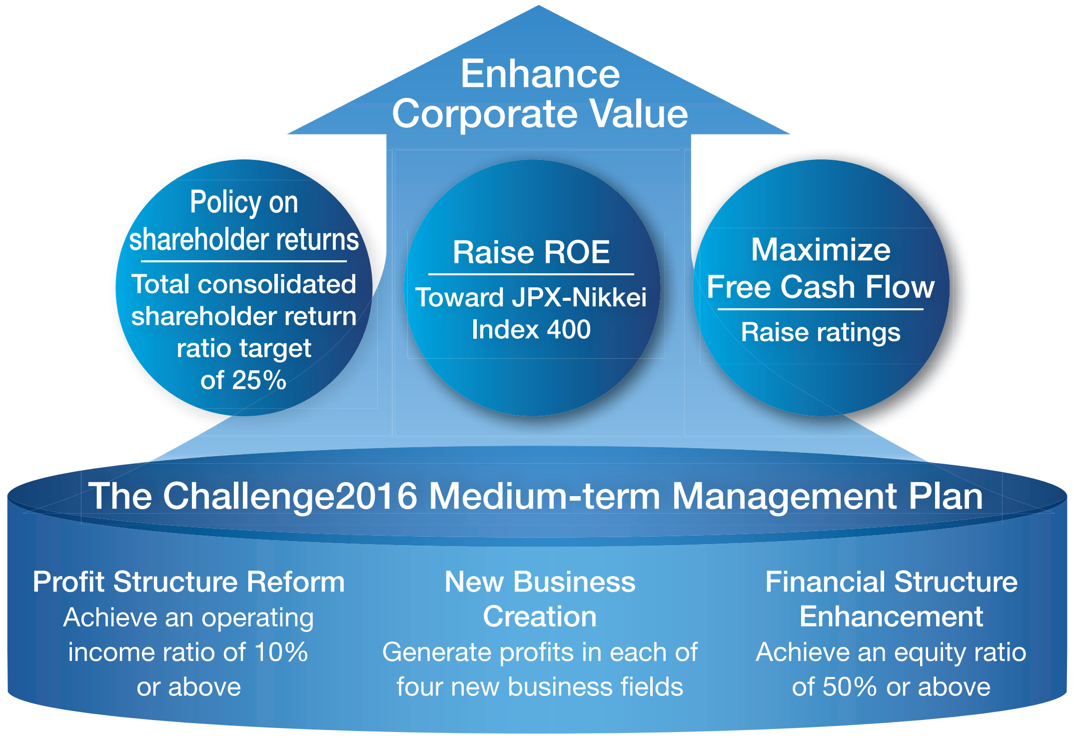
SCREEN Group
Year ended March 31, 2016

Challenge—Creating a Brighter Future

Starting with our first photographic glass screens,
a spirit of continuous innovation has led our business fields into printing,
electronics and various new areas.
Our cutting-edge solutions open up a brighter future.

The Challenge2016 Medium-Term Management Plan

Under Challenge2016, its medium-term management plan for the three-year period of fiscal 2015 through 2017, the SCREEN Group is striving to achieve its long-term goal of establishing a stable earnings structure.



Contents

SCREEN Holdings is a member of the FTSE4Good Index, an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.

FTSE4Good

Fostering Trust to Create Growth

Right now, a shift up to a higher level is required from the SCREEN Group. I have felt this strongly ever since taking the position of president in April 2014. Looking at the SCREEN Group's history, we have evolved from making screens for photoengraving to creating graphic arts equipment, expanded our business into the electronics industry with semiconductors and LCDs, and taken these businesses global.

And yet it seems that we have not found adequate solutions to the particular challenges posed by the rapidly changing industries in which we operate. To address this shortcoming, in October 2014 we transitioned to the holding company structure, and since then we have been steadily advancing structural reforms. As a result of these efforts, I think major gears have begun to turn in earnest in the direction that we need to move.

To maintain and add to this momentum, it is essential that we achieve the three goals of the Challenge2016 medium-term management plan: Profit Structure Reform, New Business Creation, and Financial Structure Enhancement. To do so, we need to encourage the understanding and penetration our management philosophy along with the plan throughout the Group, while we in management must continue to strive determinedly toward the achievement of these goals and reinforce the mechanisms for realizing the plan.

Our employees now share a new awareness of the importance of taking on new challenges. We have turned our attention from our immediate situation toward the medium and long term, and we are beginning to take action. By demonstrating such accomplishments to our stakeholders, we intend to build a new level of trust in the SCREEN Group. Working together as a united Group, we will move forward and toward the next stage in our evolution.

Eiji Kakiuchi
President
Member of the Board
Chief Executive Officer
SCREEN Holdings Co., Ltd.

Bold and Nimble Management to Achieve Sustainable Growth

In April 2016, I stepped down as representative director. Going forward, as chairman, I will provide guidance and oversight to the SCREEN Group as it aims for further growth.

The history of the SCREEN Group is one of constantly taking on new challenges and embracing change alongside our stakeholders. Under our founder's credo, Shi Kou Ten Kai,* we have repeatedly revamped our business portfolio, aiming for innovation as we expand existing business and create new business, and reworked our management structure. The past two years, in particular, have seen innovation in management, with the switch to the holding company structure, the implementation of the Challenge2016 medium-term management plan, and a change in representatives, all aimed at reaching even greater heights.

Technological innovation in the SCREEN Group's business areas continues to accelerate; the more it does, the more opportunities there are for growth. To precisely grasp these opportunities, we are taking on new business creation using open innovation, including the possibility of M&As. Today, our new businesses are beginning to germinate and grow in areas where we have never before operated. These include the fields of energy, in such areas as lithium-ion batteries and fuel cells, as well as life science, in areas related to iPS cells and pharmaceutical R&D.

To continue this latest shift and extension of our main businesses, it is essential that the holding company provide strong governance and employees throughout the Group, including those at business operating and functional support companies, maintain a strong sense of personal responsibly toward the achievement of the goals of Challenge2016. Furthermore, in part to push such innovation even further, fostering the next generation of human resources is also extremely important, and we must invest in such efforts.

We are now at an important turning point for building a strong future. I intend to keep this at the forefront of my mind as I look to the big picture even while diligently dealing with immediate tasks. In this way, we will achieve agile, bold management.

* "Shi Kou Ten Kai" can be written two ways in Japanese (思考展開 or 志高転改), each with a different meaning reflecting a distinct side of the Group's philosophy. Shi Kou Ten Kai written as 思考展開 refers to the strong will to bravely strive for the creation of new businesses and products, constantly thinking, "How can we connect new ideas to SCREEN's technologies and products?" and "Is there anything that can be done better?" "Shi Kou Ten Kai" written as 志高転改 refers to the spirit of reform that continues to promote innovation and improvement in an age of rapid change, pursues the best results with high aspirations, and strives to further improve corporate value.

Akira Ishida
Chairman of the Board
SCREEN Holdings Co., Ltd.

Becoming a Company Composed of Active Thinkers

I was both honored and humbled to assume the position of representative in April 2016. The SCREEN Group is currently advancing reforms aimed at achieving the goals of Challenge2016. We are strengthening our resolve to not let the drive toward change die out with the close of the medium-term management plan, but to continue as we go forward. In line with our corporate philosophy of "Sharing the future," "Human resource development," and "The pursuit of technology," throughout the Group we are now seeing positive momentum focused building our future. We are working to ensure that these efforts continue unflaggingly and lead to ongoing development.

Taking a closer look at our corporate philosophy, I believe that the idea of "Sharing the future" guides us as individuals toward long-term thinking as part of the overall Group. "The pursuit of technology" refers to the pursuit of new technologies and their combination with existing technologies, the force that has driven changes in our portfolio, even as we maintain the size of our existing core businesses, since our founding.

"Human resource development," meanwhile, is my most important task in my role as head of CSR management. Before employees are members of a company, they are individuals, and it is my strong desire that each of these individuals maintains a strong awareness of ethics and takes the initiative to think and act for themselves accordingly. Based on this viewpoint, we are focusing on cultivating human resources as a key task in fiscal 2017. In this regard, I am sure that the CSR Charter, our basic guidelines for these efforts, will be useful throughout the global Group. To thoroughly implement these principles among our employees around the world, we are working to spread awareness of the CSR charter and our corporate philosophy by providing the same level of training and educational opportunities in all regions.

As we move forward, I will do my utmost to help a corporate culture of strong ethical awareness take firm root so that we can evolve into a corporate group with even greater value.

Shin Minamishima
Senior Managing Director
Member of the Board
Chief Officer of CSR Management
SCREEN Holdings Co., Ltd.

Eiji Kakiuchi
President
Member of the Board
Chief Executive Officer

Fiscal 2016 Performance

With regard to the business conditions surrounding the SCREEN Group in fiscal 2016, ended March 31, 2016, in the semiconductor industry, capital investment among memory manufacturers was firm, backed by increasing demand for high-capacity data servers. In addition, reflecting expanding demand for IoT-related electronic devices for automobiles and other applications, the market for equipment for sub-200 mm wafers showed signs of growth in demand. With regard to the graphic arts equipment industry, demand in the Japanese market continued to recover. In the FPD business field, investment in large-sized LCD panels for televisions increased in China, as did investment in small- and medium-sized LCD panels in Taiwan and Japan.

Under these favorable circumstances, the SCREEN Group posted consolidated net sales of ¥259.6 billion for fiscal 2016, an increase of ¥22.0 billion, or 9.3%, from the previous fiscal year. Operating income grew ¥6.3 billion, or 37.2%, year on year to a strong ¥23.5 billion, surpassing ¥20 billion for the first time in five years. The operating income to net sales ratio was 9.1%, and ordinary income amounted to ¥23.1 billion, up ¥7.0 billion, or 44.0%, year on year. Profit attributable to owners of parent totaled ¥18.8 billion, up ¥6.6 billion, or 55.2%, compared with the previous fiscal year. We have thus achieved increases in sales and profit for three consecutive years and are well within sight of our 10% operating income to net sales ratio target, a major goal set for the final year of Challenge2016, our current medium-term management plan covering fiscal 2015–2017.

Q1 More than a year has passed since the transition to the holding company structure. What has changed?

Under Challenge2016, we have made steady progress and have implemented management structure reforms. Specifically, In October 2014, which was in the first year of the plan, we transitioned to the holding company structure. The next year, in November 2015, we announced our in-depth response to the Corporate Governance Code, aiming to promote transparency, soundness, and efficiency while aware of the need for management structure reforms. Then, in April 2016, we overhauled the Company's executive system, which included enhancing the corporate officer system.

Due to these changes to the management structure, at each business execution site we are seeing steady improvement in the speed of decision making as well as the mindsets of those involved. We also strengthened the oversight functions of the holding company, which is now advancing various initiatives to strengthen and optimize Groupwide governance. By transitioning to the holding company structure, we have been better able to follow developments at all our business sites, more finely monitor business management, and respond faster when necessary. As a result, in fiscal 2017, the current and final year of the medium-term plan, we are beginning to see the fruits of our structural reforms taking shape.

Since my appointment as president two years ago, I have been aware of the urgent need to steadily strengthen the fundamentals that support the Group's growth. Without the reinforcement of profitability and the financial structure laid out under the medium-term management plan, there is no future growth. To achieve this reinforcement, it is important to clearly define the processes by which management and employees will carry out their respective commitments. I believe that only by combining and maximizing our strengths can we fulfill these commitments. It is vital that both employees and those of us in management seek to actively take on new challenges. It is precisely that energy that will make our businesses stronger.

Q2 Please tell us your thoughts about the medium-term management plan and its progress.

For the SCREEN Group to grow, I think it is necessary to balance its long-term vision with short- and medium-term initiatives. The current medium-term management plan, established under our long-term vision, serves in part as a bridge to the next medium-term plan. I think that a very important task for us under the current plan is to first fulfill our commitment to our stakeholders to earn a greater level of trust. Awareness of the importance of this is growing within the Group, and in fiscal 2016, we achieved increases in revenue and profit for a third consecutive period. Moreover, the operating income to net sales ratio grew steadily, bringing us within range of the final goals of the plan.

Another major goal of the current medium-term management plan is to develop into a Group that generates stable profit even when the market environment changes. This entails raising profitability, strengthening our financial base, and diversifying our business portfolio by accelerating new business development. By doing so, I hope to position the Group for even greater growth under the next medium-term management plan.

Q3 What can you tell us about SCREEN's initiatives aimed at medium- and long-term growth?

Seeking to make strong businesses even stronger, we are investing actively in development in existing business areas that already boast numerous products with top global market shares. This involves stepping up our focus on creating new technologies and bringing in new businesses and technologies from adjacent business areas.

Over the Group's long history, we have expanded our business areas by pursing technological innovation and diversification. I believe that such initiatives are expressions of the very essence of the SCREEN Group as encapsulated in our Corporate Philosophy as "The Pursuit of Technology.

Over the medium to long term, I think it will be vital to diversify our business portfolio by growing new businesses and further expanding our core businesses. To do so, rather than depending solely on our own technologies, resources, and ideas, we will need to strengthen cooperation with other companies. We are therefore considering revising our existing business model while actively employing M&As, alliances, and other such means to support growth going forward.

Q4 What kinds of new business initiatives are you advancing?

I believe that new business creation is a natural result of the SCREEN Group's essential stance of expanding its business areas by diversifying its technologies. The center of each of our new businesses is existing core Group technology. By extending our basic technologies into different areas and applications, we are focusing on creating new markets and finding new contact points with customers in domains where we had not previously been involved. Examples of such new areas include businesses that serve pharma companies in the life science field and forged component inspection equipment businesses that target automotive component manufacturers. These forays into new areas demonstrate exactly what I mean by the diversification of applications of Group technologies.

We have now just reached the point of having released products in all four of our new business fields. There have been differences between the new fields regarding the speed of commercialization, but, having gone through the process of receiving and responding to exacting customer evaluations, all have now entered the sales phase. I feel that, through technological and sales channel cooperation with other companies as well as M&As, we have moved our new businesses a real step forward.

I believe that there is still ample room to broaden the use of SCREEN's basic technologies as we continue these efforts.

Q5 What are your thoughts about business opportunity and risk?

The nature and number of business opportunities that a company may come across depend greatly on its ability to create businesses, including by diversifying the applications of its core technologies, and on its having the marketing capabilities to spot areas where this can be effective. To ensure that we don't let business chances slip by, we are working to strengthen marketing capabilities within the Group by, for example, better utilizing specialized resources overseas. I think that stronger marketing is indispensable not only for expanding new businesses, but also in such areas as collaboration with other companies and M&As.

In terms of risk, in addition to the obvious risks posed by the shifting macro economy, there are the risks that come with changes in the market environments of the semiconductor and FPD industries. To hedge against such risks, we are improving the precision of our conventional monitoring of advance indicators and increasing the frequency of monitoring in order to strengthen our ability to foresee downturns in both the business environment and our results. This is closely related to our efforts to lower the break-even point in sales.

Q6 What are the SCREEN Group's CSR-related tasks as it aims for further growth?

The SCREEN Group currently has over 5,000 employees worldwide, with more than 30% based overseas. The Group as a whole is supported by employees who are diverse in terms of race, nationality, religion, gender, sexual orientation, age, and many other factors. As such, I believe that strengthening compliance among all Group employees, including those overseas, is an important task.

Another of the Group's main roles is to contribute to social development through technology and products. Leveraging the comprehensive strength of our diverse employees in various regions, we seek to fulfill this responsibility and thereby enhance our corporate value.

Q7 Is there anything else you would like to share with stakeholders?

I'd like to thank our stakeholders for their support as we transition from a phase of structural reform to one of growth.

With regard to our policy on shareholder returns, in March 2015, we made our first ever announcement of a target ratio for total consolidated shareholder returns, setting it at 25%. We have received varying feedback about this number from shareholders and investors. Before addressing that, I would like to reach the target we have set. Going forward, while securing the resources necessary to grow our businesses and withstand rapid changes in the business environment, we may execute share buybacks as we seek to return profits to shareholders in a balanced, optimal way.

Though the current medium-term management plan, we are realizing structural reforms and changing ways of thinking, and I am confident that we have made a real step forward. I look forward to showing that the SCREEN Group is one that continually takes on new challenges and strives for sustainable growth.

Building a Solid Financial Base Resilient to Shifts in the External Environment

Yoichi Kondo
Managing Director, Member of the Board
Chief Financial Officer

Q Please tell us about your fiscal 2016 initiatives and their results.

Disciplined Financial Management has Improved Profitability Groupwide

To pursue our goals under the Challenge2016 medium-term management plan of an operating income to net sales ratio of 10% or above and an equity ratio of 50% or above, we focused on strengthening earnings power. Results of these efforts have steadily begun to appear.

A major factor in this progress has been the successful implementation of financial management. In particular, the business operating companies have taken a greater responsibility for not just profit and loss, but also the balance sheets, and we have been effective in clearly identifying issues and priorities.

The first half of the fiscal year saw economic turmoil in Greece and China, and orders in the semiconductor industry weakened. Recognizing the potential risks posed by these circumstances, we took preventive measures that included reducing inventories. Fortunately, our situation never became as serious as it could have been, thanks to the Group's proactive, anticipatory management and response.

Growth in orders received and profits, is often accompanied by inflation of receivables, inventories, and trade notes and accounts payable. We will therefore carefully monitor the business environment so that we can react swiftly and control such items at appropriate levels.

The current fiscal year is also the final year of the medium-term management plan, so we will continue to work to generate cash for use in the Group's next growth push. In part because our mainstay semiconductor equipment business operates in a cyclical market, we are aiming to secure greater liquidity to ensure preparedness for any unexpected developments. At present, the cash conversion cycle is improving, and we are focusing on maximizing free cash flow and enhancing asset management efficiency. This year, we expect to finally achieve a net cash position, a goal that we have been working toward for some time.

Q What is your financial management policy for fiscal 2017?

Focusing on the Balance Sheets while Aiming for a 50% Equity Ratio

Our equity ratio at the end of March 2016 was 44.3%, largely unchanged from a year earlier. With regard to monetary value, however, shareholder's equity reached approximately ¥120 billion, finally returning to the pre-financial crisis level. In fiscal 2017, our management of inventories and trade accounts payable at business operating companies will be even more thorough. Also, with regard to financing, we will seek to anticipate and act ahead of changes in the market. I expect that these measures will put our goal of a 50% equity ratio within reach.

Q Lastly, do you have any other message for stakeholders?

Continuing Reforms to Maintain a Strong Financial Base

Through our activities in fiscal 2016, I think we have shown that we are committed to keeping the promises we make. In fiscal 2017, we aim to attain the final goals of the medium-term management plan. We will therefore keep a close eye on exchange rate fluctuations and the global economy while building a strong financial base that can weather rapid changes in the macro economy and our business environment, seeking to put our stakeholders at ease by staying vigilant and pursuing further reforms.

Targets and Performance		Operating income ratio	Equity ratio
	Medium-term Targets	10% or above	50% or above
	As of March 31, 2016	9.1%	44.3%

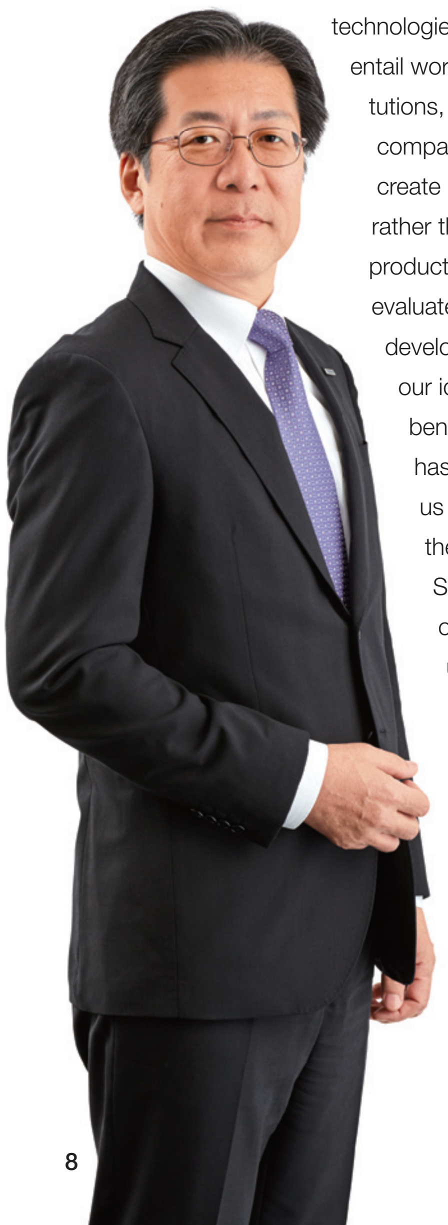
Aiming for Business Expansion, Drawing on our Researchers' Drive for Research

Q | Please give an overview of fiscal 2016 from an R&D perspective.

Achieving SCREEN's Technological Potential

In fiscal 2016, our R&D departments not only further advanced SCREEN's basic technologies, they promoted open innovation aimed at developing technologies across a variety of fields to meet needs expected to emerge as a result of social change.

For example, in our collaborative research with RIKEN and Organ Technologies, Inc., aimed at creating next-generation systems and equipment for organ perfusion culture, we combined know-how cultivated in our semiconductor production equipment business with organ culture technologies. Such projects, which entail working with research institutions, academia, and other companies, have allowed us to create an environment where, rather than stopping after a product is completed, we can evaluate the products we have developed to better pursue our ideas. One of the great benefits of this approach has been that it has helped us to see and understand the possibilities of not just SCREEN's core technologies, but the as-yet unexplored possibilities that lie in applications of these technologies. I am confident that this kind of work will provide footholds for creating new businesses.



Soichi Nadahara
Managing Director
Member of the Board
Chief Technology Officer (CTO)

Q | What do you think are the major challenges going forward?

Generating Added Value for Equipment and Products

In fiscal 2016, we released products in each of our four new business fields. We are now in a phase in which we are collaborating with customers to make further improvements and adjustments for mass production. In the current fiscal year, we are working to expand applications for products to increase added value, strengthen their competitiveness, and expand markets to increase their use.

As we go forward, continuing to advance open innovation and basic research, we will look toward development outside the scope of our current products in the four new business fields and allocate human resources appropriately.

Q | Please tell us about your approach to human resource development.

Supporting Wide-Ranging New Initiatives and Cultivating Potential

First of all, I want to make sure that we value and make the most of our researchers' passion for research. That's why we are working to create environments that facilitate ambitious and creative research spanning wide-ranging specializations, seeking to cultivate researchers who are adept in two or three different fields. We have also been increasingly involved in academic conferences and collaborative research in recent years, and, as a result of such involvement with the outside world, we have seen real improvement in our researchers' abilities.

I think that if our researchers can see the actual devices on the market resulting from the technologies they helped develop, they will understand, concretely, the meaningfulness of their own work, and this will help raise motivation and expand the curiosity they bring to their research. I hope to continue to cultivate the potential of all the employees and help them achieve further growth.

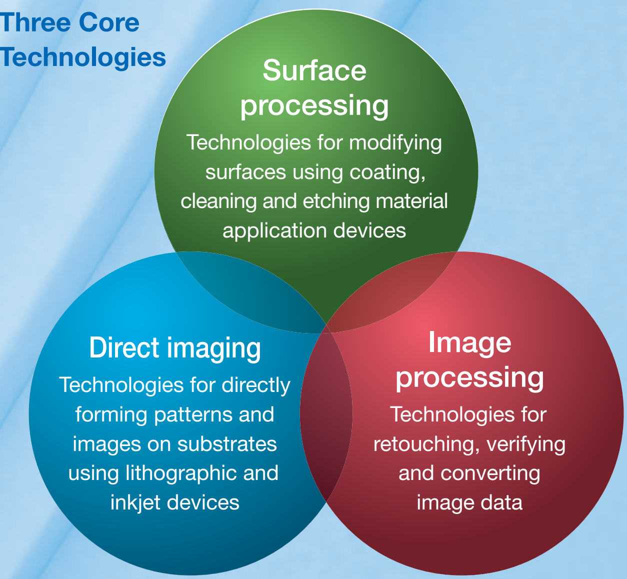
Creating New Businesses Targeting Growth Markets

In the year ended March 31, 2016, we were pleased to release the products we developed in each of our new business fields. I believe that this accomplishment is attributable to the unflagging determination and strong will to take on new challenges of everyone involved in development in these fields.

Entering new markets is not at all easy. However, new businesses are established by continually striving to live up to the trust and expectations of the customers that have chosen our products. Knowing this, we will continue advancing new business development to raise the level of our products and deliver even greater customer satisfaction.

Masahiro Joshi
Senior Corporate Officer
Chief Officer of New Businesses

Three Core Technologies



Main Initiatives

Energy

Developing Production Facilities for Lithium Ion Batteries and Fuel Cells

SCREEN Finetech Solutions Co., Ltd. has applied high-precision coating technologies for manufacturing displays together with WEB transfer technologies to develop roll to roll coater/dryers (the RT series) for use in manufacturing lithium ion and other secondary batteries. These products are being delivered to production sites around the world. In production equipment for fuel cells, SCREEN's proprietary direct coating and process technologies have garnered praise. We have received orders for mass-production lines and are advancing production targeting delivery by the end of 2016.

Roll to roll coater/dryer for fuel cells

In addition to such wet coating equipment, we have also begun sales of dry coating equipment equipped with proprietary vacuum deposition technology and are planning to expand into other markets, such as architectural materials.

Life Science

Acquired a Manufacturer of Scientific Analytical instruments for iPS Cell-Related Fields

In this field, we are focusing mainly on the Cell³iMager, a three-dimensional cell culture scanner that can rapidly measure and analyze cell growth and changes in morphology without the use of reagents, and on the DP-i3000 inkjet pharmaceutical tablet printer.

Furthermore, the SCREEN Group announced the acquisition of Alpha MED Scientific Inc. in February 2016. This company makes systems that measure extracellular field potential for drug candidate safety assessments using iPS cell-derived cardiomyocytes and neurons. The acquisition has helped to accelerate the Group's business development into the areas of pharmaceutical R&D and regenerative medicine, in which there are great expectations regarding the application of iPS cells.

Inspection and Measurement

A Lineup of Innovative Inspection Equipment

By applying semiconductor- and printed circuit board-related visual inspection technologies with proprietary image processing technologies, we are developing inspection equipment that achieves unprecedented high resolution. As a result of these efforts, we released the IM-3100 automatic optical inspection system for forged automobile components in November 2015 and the IM-4100 automatic optical inspection system for assembled components in June 2016. With these and other products, we are meeting a wide range of inspection needs. (As of July 2016, the two above products are available only in Japan.)

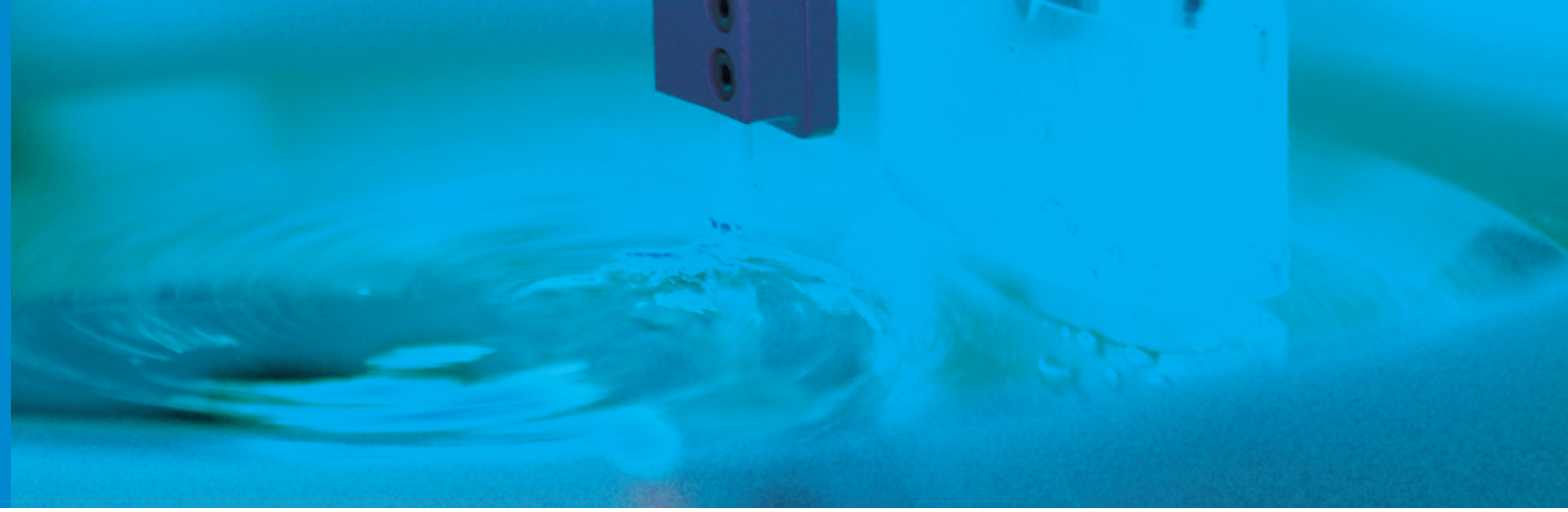
IM-4100

Printed Electronics (PtE)

Making the Mass Production of Circuits Possible with the UP-5000S

We have developed printing technology that enables the simplified batch formation of even complex electronic circuits. In January 2016, we released the UP-5000S ultra precision printing system for PtE using this technology (available only in Japan as of July 2016). This equipment has enabled the mass production of highly detailed circuits that until now were very difficult to form using existing PtE technologies.

UP-5000S



SCREEN Semiconductor Solutions Co., Ltd.

Semiconductor Solutions (SE) Segment

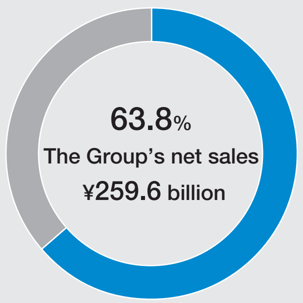
Tadahiro Suhara

President, SCREEN Semiconductor Solutions Co., Ltd.

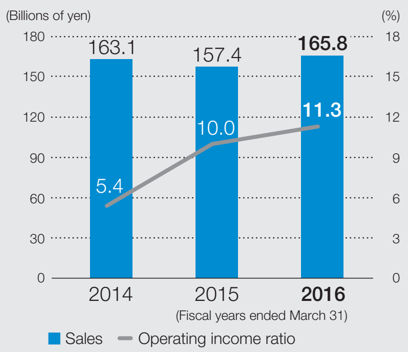
Business Overview: SCREEN Semiconductor Solutions Co., Ltd. provides equipment for the surface processing that is an essential part of circuit formation on silicon wafers for semiconductor devices. Processing includes cleaning, coating/developing and annealing.

Share of Net Sales

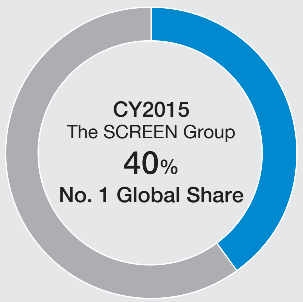
Fiscal Year Ended March 31, 2016



Segment Sales & Operating Income Ratio



Market Share for Single-Wafer Cleaning Equipment*



* Source: Gartner "Market Share: Semiconductor Wafer-Level Manufacturing Equipment, Worldwide, 2015,"
31 March 2016
Chart created by SCREEN based on Gartner research
Revenue from Shipments of Single-Wafer Processors, worldwide 2015
Calendar year

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Q1: Please tell us about the overall segment results for fiscal 2016.

Overall Performance Was Strong, Reflecting Our Steady Efforts Thus Far
We Will Not Be Content, However, and Aim Even Higher

We achieved favorable results in fiscal 2016, the year ended March 31, 2016. This was the result of the measures we have been steadily implementing over the past three years. We committed to our plans and achieved success.

Looking at sales by application, sales to logic chip manufacturers and foundries were down from the previous fiscal year but those to memory and image sensor manufacturers were up. By product, overall sales of cleaning equipment rose year on year, reflecting sales of our mainstay SU-3200 single-wafer cleaning system and a brisk market for batch-type cleaning equipment due to increased capital investment in memory. In addition, sales of Frontier Project products for sub-200mm wafers, especially coater/developers, increased. As a result, segment net sales amounted to ¥165.8 billion, up 5.3% year on year. Operating income in this segment came to ¥18.7 billion, up 18.9% from the previous fiscal year. This was due largely to an improvement in the variable cost ratio as a result of ongoing improvements in design and manufacturing that offset an increase in such fixed costs as R&D expenses, including in the areas of equipment enhancement and new platform creation, as well as increased personnel costs overseas as a result of exchange rate fluctuations.

Q2: What kind of performance do you expect for fiscal 2017?

Launching New Products in Each Field

During fiscal 2017, we plan to launch new products in every one of our business fields, from our core cleaning equipment business to coater/developers. We are also working on mass production equipment for products that employ cutting-edge miniaturization technologies. In BEOL processes, we are using the SU-3200 system as a base to extend applications, and in the area of assembly and testing processes, we are working to meet growing demand for direct imaging equipment.

In terms of the market environment, capital investment in the miniaturization of logic chips and foundry products, areas of strength for us, is currently up from the previous fiscal year. Looking at memory chips, investment in mass production of 3D-NAND is also firm.

With regard to investment in China, recently a hot topic in the semiconductor industry, while we are not yet seeing volume on par with that of the display business, we expect growth going forward among both existing and new customers. In this environment, it will be more important than ever to continue offering apt solutions to the technological and cost-related problems that our customers face. I think that such initiatives, backed by our know-how and technologies developed mainly in wafer cleaning, will serve as a strength for us.

To improve profitability, we will step up equipment standardization. At the same time, we are advancing a project aimed at shortening the product development cycle to about one quarter of its current length. As for localization of overseas field operations, we expect to be able to offer service in all our global business areas by the end of the fiscal year.

Q3: What is your next step under the current medium-term management plan?

Shifting from Revising Operations to Maximizing Results

From a medium- and long-term perspective, improving daily operations and linking these changes to tangible results is, of course, important. To that end, we have been working to improve profitability by strategically standardizing equipment and are considering various other measures, including renovating our IT infrastructure in order to shorten our income management period from monthly to weekly.

In another bid to boost profitability, we are building a more strategic, efficient development framework for forward-looking development based on customer needs, aiming to maximize the results of development efforts. Though this initiative, we are shifting to a more proposal-oriented business structure to reinforce competitiveness.

From a management perspective, I hope to emphasize the creation of new applications and the achievement of a strong presence in the markets for especially promising applications. To achieve this, it is essential to change the way each and every one of our employees thinks. We are therefore working to share monthly information on business goals, status, and issues throughout the company and to promote the greater permeation of a shared recognition of the importance of putting customers first. By doing so, we will build trust with customers and reinforce the business structure to be more profitable. We aim to be the benchmark of excellence in the industry that other companies look to.

Terminology

- **Single-wafer cleaning equipment**
  Cleaning equipment that processes one wafer at a time.
- **BEOL**
  In semiconductor manufacturing, FEOL processes refer to the substrate processes preceding the formation of integrated circuit chips on the wafer, while BEOL processes refer to the wiring processes afterward.
- **Batch-type cleaning equipment**
  Cleaning equipment that processes multiple wafers at once.
- **3D-NAND**
  A form of flash memory with a three-dimensional structure.

SCREEN Graphic and Precision Solutions Co., Ltd.

Graphic and Precision Solutions (GP) Segment

Tsuneo Baba
President, SCREEN Graphic and Precision Solutions Co., Ltd.

Business Overview: SCREEN Graphic and Precision Solutions Co., Ltd. encompasses the graphic arts equipment business, which provides a range of equipment and services for use in printing processes, and the printed circuit board (PCB)-related equipment business, which provides equipment and services for manufacturing printed circuit boards for mounting and wiring electronic components.

Q1: Please tell us about the overall segment results for fiscal 2016.

A Third Straight Year of Increased Sales and Profits, with Signs of Replacement Demand in Europe

In graphic arts equipment, as a result of efforts to further penetrate the print on demand (POD) equipment market as well as the depreciation of the yen, sales of POD and computer-to-plate (CTP) equipment increased year on year. Furthermore, sales in China and the rest of Asia picked up and included multiple orders received for cutting-edge POD equipment from a major publishing group in China. Sales of PCB-related equipment were roughly flat year on year, as sales of mainstay direct imaging systems fell in Japan, but performance improved in China.

As a result, net sales in this segment came to ¥61.2 billion, up 10.0% year on year. Despite a rise in the variable cost ratio due to changes in the product mix and an increase in fixed costs, including R&D expenses and personnel costs, segment operating income grew 11.6% year on year to ¥3.1 billion thanks to the increase in net sales. We thus achieved our third consecutive year of growth in both sales and profit.

Q2: What are you doing to improve operating income?

Still Only Halfway to Becoming a High-Profit Company, We Must Fundamentally Reexamine our Approach

During fiscal 2016, improvement in operating income, which had been an issue, was less than robust. Becoming a high-profit company thus remains a task for us in fiscal 2017.

To cut costs, we need to significantly reduce both fixed and variable costs, and have created new project teams to do so. Each team is working to nail down the business tasks it needs to address in terms of key performance indicator (KPI) targets, and is implementing exacting, KPI-centered management. To achieve our targets in fiscal 2017, I think that we must fundamentally reexamine our previous approach and initiatives as we move forward.

Q3: Please tell us about your specific initiatives for fiscal 2017.

Focusing on Strengthening Overseas Sales through Business Alliances and Automotive-Related Needs in PCB-Related Equipment

In the graphic arts equipment business, looking to effectively combine our sales forces, we entered into a strategic business contract with Komori Corporation, which enjoys an established reputation in the area of offset printing presses, in both North America and Europe. This has enlarged our POD equipment sales network, and we expect it to contribute to both sales and profit. In June 2016, we exhibited at drupa, the world's largest comprehensive printing equipment exhibition, held every four years in Dusseldorf, Germany. At the event, we presented our new CTP, POD, and ink products as well as our new TRUST Service Desk service system, which utilizes internet of things (IoT) and cloud computing technologies. By rebuilding our after-sales businesses, to realize excellent earnings power, we aim to further improve both customer satisfaction and profitability.

Furthermore, in the PCB-related equipment business, with demand for automotive-use products growing, we expect to see rising sales of both our mainstay Ledia direct imaging systems and inspection equipment.

Q4: In April 2016, you became president of SCREEN GP. What do you see as the company's greatest medium- and long-term challenges?

We Must Keep up with Rapid Change, Advancing Business with Foresight and Speed

The main challenge we now face is to expand sales. Our sales area and range of products are broad, so to grow sales, we will need to develop sophisticated information in each business and area in order to customize our sales approach for each. Strengthening our worldwide marketing in order to more precisely gauge demand and stay ahead of issues is also extremely important.

In the graphic arts equipment business, we are accelerating our entry into packaging and adhesive label printing, areas which are undergoing digitization. We intend to further strengthen our after-sales businesses, such as those involved in the sale of ink, other consumables, and components, as well as support services. Furthermore, we will step up cooperation with other companies and product development.

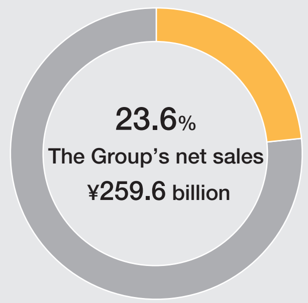
In PCB-related equipment, we aim to introduce new equipment for manufacturing products used in automobiles, demand for which is expected to rise, and expand our sales channels. While anticipating the changes that will hold the keys to growth and future market needs, we will work with various partners to swiftly promote product development and expand sales channels.

Terminology

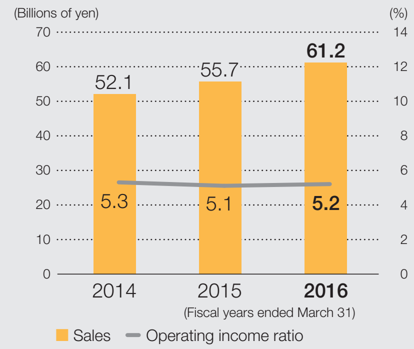
- **CTP**
  A method for creating printing plates through direct output from a computer to printing plates.
- **POD**
  Printing of the number of copies needed when they are needed.
- **Printed circuit board**
  A substrate made of resin or other materials on which metal lines are printed to support and connect electronic components and integrated circuits.
- **Direct imaging systems**
  Equipment that directly plots (exposes) circuit patterns at high speed and high definition. By eliminating masking, these systems greatly increase productivity.

Share of Net Sales

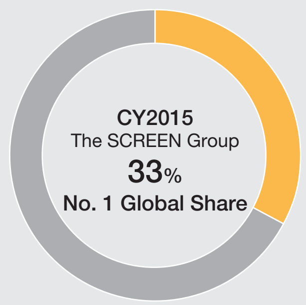
Fiscal Year Ended March 31, 2016



Segment Sales & Operating Income Ratio



Market Share of CTP Equipment



Note: Market share is based on total sales for each equipment group 2015, according to a SCREEN survey.

SCREEN Finetech Solutions Co., Ltd.

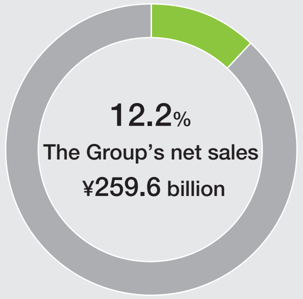
Finetech Solutions (FT) Segment

Toshio Hiroe
President, SCREEN Finetech Solutions Co., Ltd.

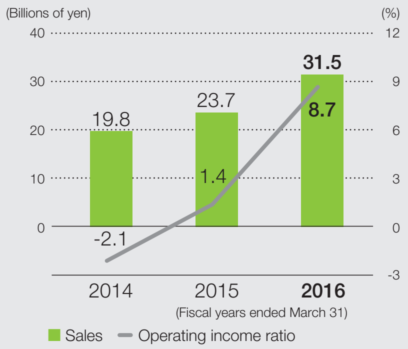
Business Overview: SCREEN Finetech Solutions Co., Ltd. provides a range of equipment and services for the manufacturing of displays used in such digital devices as LCD TVs and smartphones.

Share of Net Sales

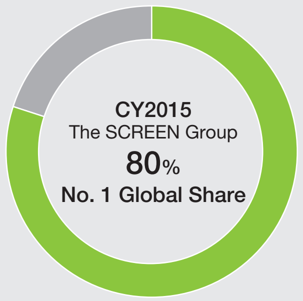
Fiscal Year Ended March 31, 2016



Segment Sales & Operating Income Ratio



Market Share of Coater/Developers



Note: Market share is based on total sales for each equipment group 2015, according to a SCREEN survey.

Q1: Fiscal 2016 results were favorable. Please tell us about your progress in improving profitability.

Dynamic Structural Reforms Contributing to Profit

Our performance during the year under review, particularly in our display-related business, was extremely favorable. Sales of production equipment for large-sized LCD panels increased significantly in China, as did sales of production equipment for small- and medium-sized LCD panels in Taiwan and Japan. As a result, segment net sales rose ¥7.8 billion, or 32.9%, year on year to ¥31.5 billion. Operating income, boosted by the rise in sales, jumped up to ¥2.7 billion from ¥0.3 billion in the previous fiscal year. In terms of improving profitability, we continued efforts to improve the variable cost ratio through value engineering. Furthermore, in fiscal 2016, we expanded the range of reforms to encompass the entire supply chain, including standardization, consideration of unit price revisions, logistics, and off-site assembly.

In particular, regarding product delivery, we developed a framework for shipping each unit directly to a customer site, reducing the burden of pre-assembly, from the second unit onward. This has greatly reduced costs and helped shrink lead times. As the next step, we are working toward direct shipment from even the first unit. To reduce fixed costs, we are working to improve profit by consolidating our sites and optimizing personnel allocation.

Q2: Please tell us about your plans for fiscal 2017.

Clearing the 10% Operating Income Ratio Mark

Structural reforms and growth strategies are the two core aspects of management. We are implementing structural reforms while laying the foundations for the future. For example, as part of cash management, we are continuing such risk hedging measures as taking advances from customers when they place orders for display production equipment, which has a manufacturing lead time of more than 10 months. Furthermore, we are working to speed up delivery and inspection, seeking to reduce installation and set-up time by around 25% year on year in fiscal 2017. We also plan to make revisions at production sites to increase profitability.

In terms of businesses, we are aiming to enter assembly processing in display manufacturing in collaboration with a new business partner. We are also accelerating new business initiatives, mainly in the area of deposition technologies. We are aiming to achieve an operating income ratio of 10% for the year, in line with the Challenge2016 target, and to build a framework that will consistently yield a ratio of over 10% every year.

Q3: Please tell us about progress in new businesses.

Applying Deposition Technologies to Expanding Existing Business and Creating New Business

In our dry deposition business, in March 2016, we established new deposition technology for creating high-performance coatings based on our unique low-inductance antenna (LIA) plasma vacuum deposition technology. We are now creating products that employ this technology and expanding into new markets, including that for architectural materials, which is expected to grow in the run-up to the 2020 Tokyo Olympics. In our wet deposition business, we are developing products in the energy field, mainly for lithium ion batteries and fuel cells. Demand for lithium ion batteries is expected to see particular growth as the global use of electric cars and buses, drones, and robots increases, and we will seek to help meet that demand.

Q4: Please tell us about the nurturing of new businesses to drive longer term growth.

Providing Equipment for Next-Generation Displays

OLED display technology is gaining attention for its usefulness in creating flexible displays. In March 2016, SCREEN launched the SK-P Series polyimide coating systems for such flexible displays.

Furthermore, in light of the growing importance of the IoT and anticipating growing demand for displays used in vehicles, we have entered a comprehensive business partnership with FUK Co., Ltd., a company with a solid reputation in assembly processing in display manufacturing for its abrasive cleaning and cover glass bonding equipment. We will work to leverage synergies with FUK and apply our proprietary deposition technologies to contribute to the mass production of increasingly diverse next-generation displays.

Terminology

- **VE**
  Short for value engineering. A method to increase the value of products and services by optimizing the balance of function and costs.
- **LIA plasma vacuum deposition technology**
  Technology that uses small antennae with a special structure to generate uniform, high-density plasma for low-damage deposition on substrates.
- **OLED Display**
  A type of next-generation display made using organic materials that emit light when a voltage is applied. These displays offer such excellent features as thinness, lightness, low power consumption, fast response time, and high contrast.
- **Polyimide**
  Flexible substrates made with polyimide are thin, lightweight, and bendable, and therefore promising for such applications as wearable devices, electronic paper, and displays used in automobiles.
- **Wet deposition, dry deposition**
  Wet deposition forms films by applying coatings of chemical solutions. Dry deposition refers to technologies to form films through plasma enhanced chemical vapor deposition in vacuum conditions.

Corporate Governance

Under its Corporate Philosophy, the SCREEN Group strives to enhance corporate governance to further improve transparency, soundness, and efficiency in management and thus benefit shareholders and all stakeholders.

Corporate Governance System

Management and Executive System

The SCREEN Group takes the form of a company with a board of corporate auditors. The Group strives to ensure that the board maintains a balanced perspective for maximum efficiency and effectiveness while strengthening its management oversight over the entire Group. Currently, the Board of Directors comprises nine directors, and the Board of Corporate Auditors comprises four corporate auditors.

The Board of Directors decides and approves the Group's basic management policy, basic strategy, and important matters related to business execution, in addition to overseeing business execution. The board holds regular monthly meetings and additional meetings as necessary. To clarify the responsibilities of directors and promote an operational structure that is able to rapidly respond to changes in the business environment, the term of office for said directors is set at one year, and they are elected to office by shareholders annually at the General Meeting of Shareholders.

The Board of Directors includes three outside directors to improve its transparency and soundness as well as strengthen management oversight. The Company has adopted a corporate officer system to promote faster, more efficient management.

Furthermore, the Management Committee, comprising the full-time directors and corporate officers, ordinarily meets twice a month to deliberate matters related to management and business execution and facilitate the decision making of the Board of Directors and representative directors. The presidents of the business operating and functional support companies (five companies in total) also participate as needed.

Management and Executive System for Business Operating and Functional Support Companies

To clarify management oversight and business execution roles, in April 2016 the Group business operating and functional support companies adopted corporate officer systems like that in place at SCREEN Holdings Co., Ltd. By clearly defining the responsibilities and authority of the business operating and functional support companies, we are building a system that facilitates nimble and bold decision making. In addition, as at the holding company, each of these companies maintains a management committee to deliberate matters related to management and facilitates the decision making of their respective boards of directors and representative directors.

Board of Corporate Auditors

The Board of Corporate Auditors holds two regular meetings per month and additional meetings as necessary. The corporate auditors monitor the business execution of the directors to help ensure that the Company is being run in a sound, sustainable manner that is aimed at sustainable growth. Corporate auditors attend such important meetings as those of the Board of Directors and Management Committee and conduct inquiries using periodic hearings and reports on the directors' business execution. They also review documents related to major decisions and conduct on-site audits of the Company's headquarters and the Group's major business sites, including overseas locations.

Outside Directors and Outside Corporate Auditors

Outside directors and outside corporate auditors are selected based on experience and expertise, with the aim of drawing on a variety of perspectives to ensure the objectivity of management.

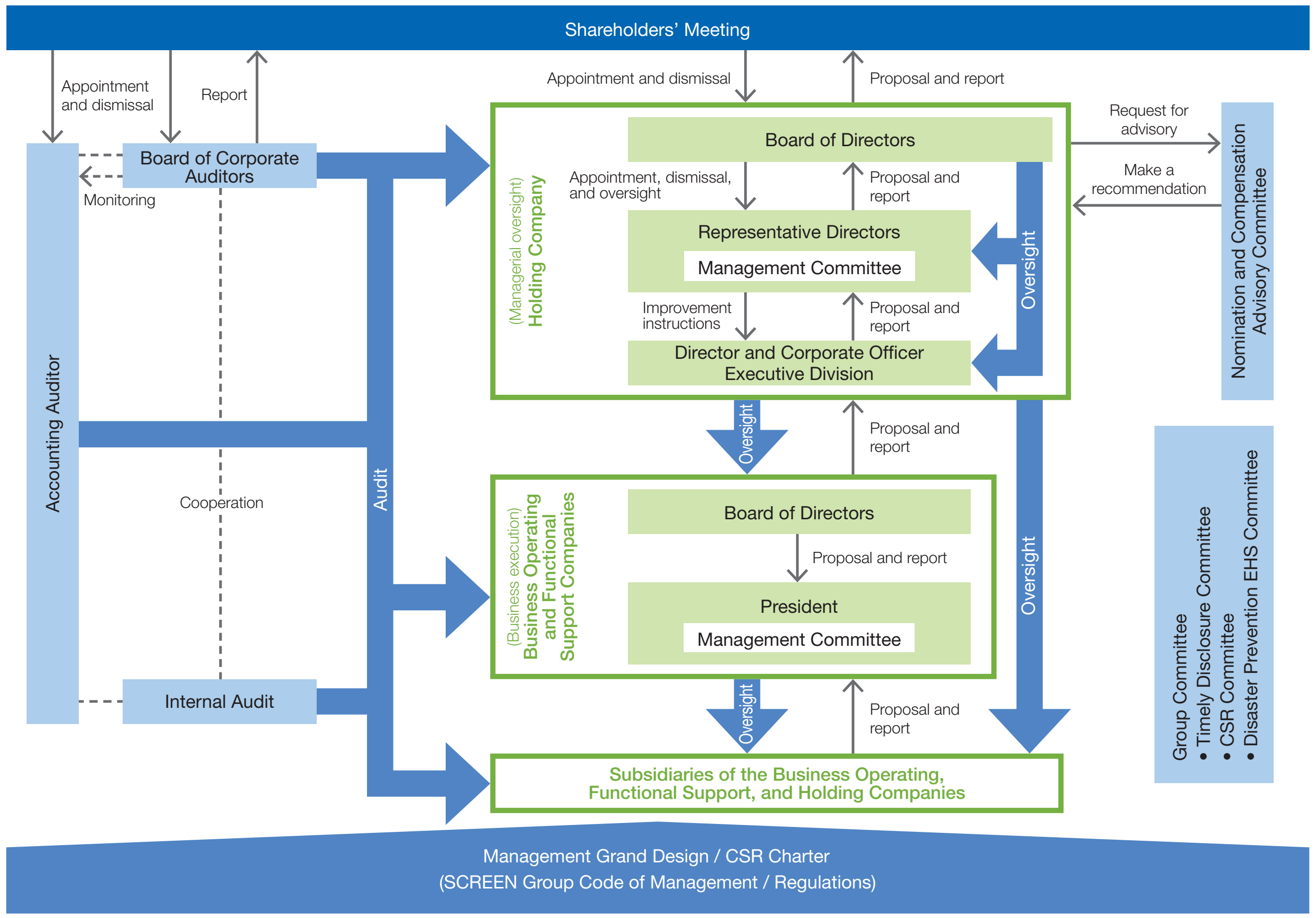
The Group works to ensure the independence of the outside directors and outside corporate auditors, applying the Tokyo Stock Exchange's standards of independence as well as the Group's own Criteria for Independence of Outside Directors and Outside Corporate Auditors. All five outside directors and corporate auditors are registered with the Tokyo Stock Exchange as independent directors and corporate auditors.

To maximize the efficacy of Board of Director's meetings, the outside directors and corporate auditors are provided with information and explanations of proposals to be discussed ahead of time.

Management Compensation

Directors' compensation consists of three elements: (i) fixed remuneration, (ii) stock allowances (for the purchase of shares of treasury stock) and (iii) performance-based bonuses (decided based on the degree to which annual performance targets are achieved). These amounts are calculated based on a compensation table (created using the amounts paid out by 13 other listed companies of similar size as a benchmark) with the advice of outside specialists. The amounts are decided by resolution of the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee, which comprises the representative directors

Corporate Governance Structure



Outside Directors and Outside Corporate Auditors (fiscal year ended March 31, 2016)

Name	Relation to the Group	Contributions	Attendance
Outside Directors			
Yoshio Tateishi (Honorary Chairman, OMRON Corporation) In office since June 2006	OMRON Corporation is a business partner of the Group, but the volume of trade is insignificant	Provided opinions from various perspectives based on his deep insight fostered during years of management experience and his wide-ranging experience in the business community.	Board of Directors 14/16
Shosaku Murayama (Representative Director and President, iPS PORTAL, Inc.) In office since June 2013	iPS PORTAL, Inc. is a business partner of the Group, but the volume of trade is insignificant	Provided insight from various perspectives based on the wealth and breadth of his experience at the Bank of Japan and other companies.	Board of Directors 15/16
Shigeru Saito (Chairman and CEO, TOSE CO., LTD.) In office since June 2013	No special relationship with the Group	Provided insight from various perspectives based on the wealth of his experience in corporate management and elsewhere.	Board of Directors 15/16
Outside Corporate Auditors			
Tsutomu Tsutsumi (President and Representative Director, Kyoyu Shoji Co., Ltd.) In office since June 2012	No special relationship with the Group	Provided insight from a neutral, objective perspective based on the wealth of his experience in corporate management and elsewhere.	Board of Directors 15/16 Board of Corporate Auditors 23/24
Kenzaburo Nishikawa (President and Representative Director, Shigagin Lease Capital Co., Ltd.) In office since June 2014	No special relationship with the Group	Provided insight from a neutral, objective perspective based on the wealth of his experience in corporate management and elsewhere.	Board of Directors 13/13* Board of Corporate Auditors 24/24

* Board of Directors Meetings held after July 2015

New Outside Corporate Auditor		
Yoshio Nishi (Chairman and Representative Director, Karasuma Shoji Co., Ltd.) In office since June 2016	No special relationship with the Group	Expected to provide insight from a neutral, objective perspective based on the wealth of his experience in corporate management and elsewhere.

and outside directors, such that the total compensation paid to all directors is within the scope decided by the General Meeting of Shareholders. Outside directors' compensation does not include stock allowances, while corporate auditors' compensation consists of fixed remuneration only.

Regarding the compensation of full-time directors, although the Company abolished its retirement benefit system in 2005, it has adopted a stock allowance scheme to create incentives to improve performance and stock price over the medium- to long-term.

Internal Control Systems

Systems to Ensure the Appropriateness of Operations

The SCREEN Group systematically ensures the appropriateness of business execution, supported by rules and structures to promote proper and efficient management and operations, well-defined business processes and a risk management system.

Internal Control of Financial Reporting

We maintain internal control with regard to financial reporting in accordance with the SCREEN Group Internal Control Design Principles. The Group Audit Department evaluates the maintenance and operation of the control system, thereby ensuring trustworthy reporting.

Responding to the Corporate Governance Code

The SCREEN Group has taken measures to respond to the June 2015 application of the Tokyo Stock Exchange's Corporate Governance Code. The Group's previous Compensation Advisory Committee has been reinforced and renamed the Nomination and Compensation Advisory Committee. Furthermore, the Group has implemented evaluations of the Board of Directors' effectiveness, and the board monitors the status of important strategic stocks held. The Group has also more clearly specified the division of roles between the holding company and the business operating and functional support companies as well as the selection criteria for directors and corporate auditors, including outside directors and corporate auditors.

Under its Corporate Philosophy, the SCREEN Group works to implement a corporate governance system appropriate for its business structure and to ensure timely disclosure. We will continue to pursue transparency, soundness, and efficiency as we aim for the overall benefit of all our stakeholders.

Disclosure Policy

Based on the principle of "Appropriate Disclosure of Company Information" laid out in the SCREEN Group CSR Charter, the SCREEN Group has established and published the SCREEN Group Disclosure Policy, aimed at helping shareholders, investors, and all stakeholders better understand the Group. The disclosure policy serves as a foundation for efforts to ensure that disclosure that is transparent, fair, ongoing, timely, and appropriate.

The SCREEN Group will continue to actively disclose information considered to be useful for facilitating constructive dialogue with shareholders and investors.

Dialogue with Shareholders

Our basic policy in investor relations (IR) is to communicate our vision, business conditions, and financial position in a precise, timely, and clear-cut fashion, while aiming to make the most of the feedback from our shareholders and investors to improve Company management and thereby achieve the sustained enhancement of our corporate value.

In the fiscal year ended March 31, 2016, we continued efforts to enhance dialogue-based IR.

We also continue to provide disclosure to shareholders and investors through our annual report, investors' guide, and quarterly Japanese-language shareholder newsletter. Our IR website contains our disclosure policy, reference materials, news, and schedules and provides answers to frequently asked questions.

We avoid scheduling the General Meeting of Shareholders on days when other companies' meetings tend to be concentrated and send out invitations to the meeting well in advance to maximize the number of shareholders who can attend. Individual and corporate shareholders can also exercise their voting rights via the internet, and institutional investors can do so via an electronic voting platform. For overseas investors, we provide a summary version of the invitation in English on TDnet (the Timely Disclosure network operated by the Tokyo Stock Exchange) and on our website. Furthermore, we post the invitation to the General Meeting of Shareholders as well as the voting results on our website to ensure the transparency of the meeting.

Number of Dialogue-Based IR Activities (Fiscal year ended March 31, 2016)

- Earnings presentations: 4
- Meetings with institutional investors/analysts: Approximately 400
- Overseas IR activities: 2 (North America and Europe)
- Institutional investor events, domestic conferences: 7
- Plant tours for institutional investors: 2
- Corporate presentations for individual investors: 14

Directors and Auditors

(As of June 28, 2016)

SCREEN Holdings, Co., Ltd.

Directors


Akira Ishida
Chairman of the Board


Eiji Kakiuchi
President
Member of the Board
Chief Executive Officer


Shin Minamishima
Senior Managing Director
Member of the Board
Chief Officer of CSR Management


Katsutoshi Oki
Managing Director
Member of the Board
Chief Officer of Corporate Strategy


Soichi Nadahara
Managing Director
Member of the Board
Chief Technology Officer


Yoichi Kondo
Managing Director
Member of the Board
Chief Financial Officer


Yoshio Tateishi
Director
Member of the Board
(Honorary Chairman, OMRON Corporation)


Shosaku Murayama
Director
Member of the Board
(Representative Director and President, iPS PORTAL, Inc.)


Shigeru Saito
Director
Member of the Board
(Chairman and CEO, TOSE CO., LTD.)

Corporate Auditors


Tatsuo Miyawaki
Senior Corporate Auditor


Akio Umeda
Corporate Auditor


Kenzaburo Nishikawa
Corporate Auditor
(President and Representative Director, Shigagin Lease Capital Co., Ltd.)


Yoshio Nishi
Corporate Auditor
(Chairman and Representative Director, Karasuma Shoji Co., Ltd.)

Substitute Corporate Auditor: Tetsuo Kikkawa (President and Attorney-at-Law, Kyoto Mirai Law Firm)

Directors of Business Operating Companies and Functional Support Companies

SCREEN Semiconductor Solutions Co., Ltd.


Tadahiro Suhara
Representative Director
President


Masato Goto
Director
Corporate Executive Officer


Olivier Vatel
Director
Corporate Executive Officer

SCREEN Graphic and Precision Solutions Co., Ltd.


Tsuneo Baba
Representative Director
President


Tetsuo Hirose
Director
Senior Corporate Executive Officer

SCREEN Finetech Solutions Co., Ltd.


Toshio Hiroe
Representative Director
President

SCREEN Manufacturing Support Solutions Co., Ltd.


Katsumi Shimaji
Representative Director
President

SCREEN Business Support Solutions Co., Ltd.


Tadashi Kawarabayashi
Representative Director
President

To ensure the continuous improvement of corporate value, the SCREEN Group has appointed outside directors since 2000.

The outside directors have important responsibilities spanning various fields, including corporate management. At SCREEN, these directors contribute to constructive debate and discussion on the Board of Directors based on their wealth of insight and experience.

Our current outside directors, Yoshio Tateishi, Shosaku Murayama, and Shigeru Saito, have each offered comments from their individual perspectives on their roles as outside directors as well as the Group's transformation thus far and how it can increase its corporate value going forward.

Yoshio Tateishi

April 1963	Joined TATEISI ELECTRONICS CO. (Now OMRON Corporation)
June 1987	President and CEO, OMRON TATEISI ELECTRONICS CO.
June 2003	Chairman and Representative Director, OMRON Corporation
June 2006	Director of the Company (current position)
May 2007	Chairman, Kyoto Chamber of Commerce and Industry (current position)
June 2011	Honorary Chairman, OMRON Corporation (current position)

Strengthening Oversight to Continuously Raise Corporate Value

For the Board of Directors, strengthening corporate governance is important but, ultimately, just a means to an end; the board's true purpose, we mustn't forget, is to continuously increase corporate value. As an outside director, I therefore give weight to oversight functions that serve to increase the effectiveness of corporate governance with a focus on sustained improvement of corporate value. To this end, the monitoring of personnel and compensation is especially important. I make particular efforts to ensure that the Nomination and Compensation Advisory Committee, established in November 2015, functions as intended.

Currently, important business execution issues include promising growth fields related to the internet of things (IoT), in which SCREEN is expanding sales, and iPS cells, in which the Group is involved through new businesses. For operations in these fields to grow as business pillars, the Group will need to create business models based on customer value, a matter of greatest importance. By customer value, I mean not just the value provided to the purchasers of SCREEN products, but the value provided to the users of the end products and services created using SCREEN products as well as the value provided to society as a whole.

I intend to utilize my many years of management experience to offer opinions from my particular position outside the Group on such matters as strategic themes that require major investment, engaging actively in the discussion of the accuracy of expected returns.

Shosaku Murayama

April 1972	Joined Bank of Japan
February 1981	Economist, Representative Office in New York, Bank of Japan
March 2002	President and CEO, Teikoku Seiyaku Co., Ltd.
June 2002	Outside Director, SHIKOKU CHEMICALS CORPORATION
June 2011	President and CEO, iPS Academia Japan, Inc.
June 2013	Director of the Company (current position)
June 2014	Outside Director, TOHO HOLDINGS CO., LTD. (current position)
July 2014	Representative Director and President, iPS PORTAL, Inc. (current position)

Supporting Growth from an Outside Perspective

There are two things I try hard to do as an outside director. The first is to help make sure that SCREEN's employees and management do not become so caught up in the Company's unique way of thinking and culture that they drift away from what the wider world agrees on as common sense. The second is to apply my own experience and insight in the financial and pharmaceutical industries to SCREEN's management, particularly the life science field. As part of the Board of Directors, I endeavor to actively speak up from an objective perspective, including about things that might be difficult for employees within the Group to address.

I have never worked for a production equipment manufacturer, but I think that, insofar as R&D is critical to both, production equipment manufacturers and pharmaceutical companies aren't so different. SCREEN has been successful in deeply developing and further specializing in its existing business areas. The key to growth going forward will thus be expanding its core technologies into new fields in line with changing needs. To do this, I think it is important to invest management resources in development and market research, support open-ended research, and create environments that support the passion of the Group's researchers.

Going forward, I will work to employ my full knowledge, experience, and business contact network in whatever ways I can to help the SCREEN Group maintain strong performance by supporting new businesses as well as through active R&D, steady cost-cutting, and the improvement of governance.

Shigeru Saito

November 1979	Joined TOSE CO., LTD. Head of Development Division, TOSE CO., LTD.
February 1987	President, TOSE CO., LTD.
September 2004	President and CEO, TOSE CO., LTD.
June 2013	Director of the Company (current position)
December 2015	Chairman and CEO, TOSE CO., LTD. (current position)

Aiming for Growth by Aligning Business Vectors with Social Trends

When thinking about the growth of companies in industries with cyclical markets, I focus on two things: utilizing information resources to even out results and ensuring that employees thoroughly understand the company and are working toward the same goals.

Like SCREEN, the company I head is subject to major cyclical ups and downs. By focusing of gathering, analyzing, and controlling information, we have been able to smooth out the hills and valleys somewhat, and, as a result, have remained profitable for the 36 years since our founding. I regard passing along this know-how as part of my role at as external director. Early in my time with SCREEN, I suggested the creation of a specialized analytical unit within the Group. I believe that it is important to maintain robust information networks to control information while keeping tabs on trends in the wider world in order to optimally allocate management resources and make decisions for the medium and long term.

Aligning everyone's vectors of progress is fundamental to corporate growth. Internal explanations and education on company policy are important to achieving such unity, but also effective is using various media from outside the company to instill a consistent corporate mindset. It is also important to ensure that stakeholders more broadly understand this orientation. If a company can do this, it will naturally grow stronger.

Going forward, I hope to continue to utilize my specialized knowledge in the content industry to provide suggestions and advice to SCREEN from a variety of angles as we look together toward the future.

Carrying on the founder's credo and in line with our corporate philosophy of "Sharing the future," "Human resource development," and "The pursuit of technology," the SCREEN Group strives to fulfill its corporate social responsibility (CSR) by putting into practice the core values expressed in its CSR Charter in areas including compliance, respect for human rights, product responsibility, and supply chain management. In addition to complying with legal statutes, we seek to contribute to the sustainable development of society by satisfying the expectations of our stakeholders, including shareholders and investors, customers, suppliers, employees, local communities, creditors, and administrative bodies, through highly moral and transparent business conduct.

We implement CSR Charter training for SCREEN Group employees worldwide, and have achieved a 100% participation rate. The training is part of efforts to increase awareness and respect for the diversity of all people, including LGBT individuals.

The SCREEN Group's Priority Issues—Selecting Tasks of High Materiality

On April 1, 2014, the SCREEN Group formulated the Management Grand Design, a vision for the Group's future that reflects the technologies it has built up since its founding, its relationships with society, society's expectations of it, and the social issues it must address going forward. The Management Grand Design provided the base on which we created our three-year medium-term management plan. Within the scope of this plan, we have identified high-materiality items to be addressed through a three-year CSR plan.

High-Materiality CSR Tasks

A. Provision of products and services of value to society (p.28 Quality Management etc.)
B. Promotion of CSR awareness (p.22 SCREEN Group's CSR etc.)
C. Promotion of appropriate transactions (p.22 Compliance and Risk Management etc.)
D. Ensuring compliance (p.22 Compliance and Risk Management etc.)
E. Respect for human rights/ Proper use and development of human resources (p.22 CSR Charter, p.26 Human Resource Evaluation and Development etc.)
F. Creation of work environments that are people- and earth-friendly (p.23 Business Continuity and EHS Management etc.)
G. Appropriate disclosure of corporate information (p.22 Compliance and Risk Management etc.)
H. Maintenance and efficient use of Group assets (p.16 Corporate Governance etc.)
I. Promotion of business continuity initiatives (p.23 Business Continuity and EHS Management etc.)
J. Contribution to society as a corporate citizen (p.29 Local Community Relations etc.)

Compliance and Risk Management

Throughout the Group, we promote sound corporate activities in line with the SCREEN Group CSR Charter. Overseas, Group companies work with local lawyers to understand laws, identify compliance issues, and work toward improvement.

The SCREEN Group has established a Groupwide risk management structure to alleviate risks that could impact the Group's businesses. Within this structure, the holding company's president acts as the topmost risk manager and the CSR & Group Audit Department serve as the secretariat. Details regarding trade secret management methods are available on our website.

For information on other main initiatives, please visit our website.

Compliance-Related Initiatives

Compliance	Product Responsibility
Promotion framework and training	Appropriate information provision
Security export control	Response to chemical substance regulations
Prevention of anti-competitive behavior and corruption	**Supply Chains**
Respect for Human Rights	Response to the EICC
Inclusion in CSR Charter	Conflict minerals
Supplier surveys	Supplier surveys
	BCM

Business Continuity and EHS Management

Following the Great East Japan Earthquake, the SCREEN Group positioned business continuity management (BCM) as a priority issue, launching its first initiatives in 2012. From the fiscal year ended March 31, 2015, the Group has integrated its previous environmental, occupational health and safety (EHS) management systems with business continuity management (BCM) under a new business continuity and EHS management system. The Group now advances initiatives in these areas under a common SCREEN Group Business Continuity and EHS Policy.

In line with the enhancement of business continuity and EHS management, the Group is implementing BCM-related initiatives as a pillar of Phase III of the Group's medium-term strategy for EHS initiatives, Green Value (GV) 21. The Group will continue to comprehensively manage risks and opportunities under the business continuity and EHS management system.

GV 21, Phase III: Long-Term Commitment

Green Products & Technology

Develop technologies and products that help reduce environmental impact

- Reduce the environmental impact of our products at customer sites by 50% by March 31, 2017 and by 65% by March 31, 2021* (compared with levels for the year ended March 31, 2010)
  * In accordance with the International Technology Roadmap for Semiconductors (ITRS) 2013
- Comply with green procurement standards (eliminate or replace all prohibited substances in products; respond to REACH and RoHS)

Safety & Health

Promote workplace health and safety

- Eliminate incidents resulting in four or more days of lost work
- Reduce illness-related absences

Green Fab & Office

Greening and saving energy at factories and offices

Reduce CO_2 emissions resulting from energy use by 3% by March 31, 2017, and by 7% by March 31, 2021 (on a per unit basis compared with a baseline set based on levels recorded in the fiscal years ended March 31, 2012 through 2014)

Business Continuity and EHS Management

Establishing disaster prevention and business recovery systems

- Acquire BCMS (ISO 22301) certification and integrate our management systems into a High-Level Structure (HLS)
- Improve capacity to respond to and recover from large-scale disasters

Green Value (GV) 21, Phase III (Fiscal 2015-Fiscal 2017): Targets

Key Measures	Objective	Fiscal 2017 Targets
Develop technologies and products that help reduce environmental impact	Reduce environmental impact of our products at customer sites	Reduce energy consumption* (including energy use for water and utilities) by 50% or more compared with fiscal 2010 * Performance basis
	Increase share of sales accounted for by Green Products	At least 85% share of sales
	Comply with Green Procurement Standards	Green procurement rate of 98% or above (Eliminate the use of all prohibited substances; replace substances designated as restricted substances within three years of said designation)
	Promote green technology	Increase the number of environment-related inventions by 30% or more compared with fiscal 2013
Preserve the environment and conserve energy at factories and offices	Reduce emissions of CO_2 attributable to energy use	Reduce emissions per unit weight of product shipment at least 3% compared with the baseline
	Reduce waste emissions	Reduce emissions per unit weight of product shipment at least 3% compared with the baseline
	Promote environmental management	Implement and promote the Green Value Award
		Improve management of chemicals and gases
Promote workplace health and safety	Eliminate accidents resulting in four or more lost workdays	Zero accidents
	Globally reduce the number of accidents leading to lost work days	Ten or fewer such accidents (up to five in Japan and five overseas, including at customer sites)
	Reduce work days lost due to illness* * The number of employees who lose seven or more days in a given fiscal year (Apr. 1–Mar. 31)	Reduce by at least 10% compared with the baseline
	Implement thorough orderliness, cleanliness and education-related initiatives	Implement improvements based on potential hazard reports
Improve emergency response and business recovery systems	Acquire certification for business continuity management system (BCMS)	Acquire ISO 22301 certification (expected within fiscal 2015)
	Improve capacity to respond to and recover from large-scale disasters	Response rate to safety confirmation drills* of 95% or higher * Response rate=number of respondents/number of employees solicited for response (within seven hours of incident)
		Conduct practical drills once or more per year

Notes: 1. Fiscal years from April 1, 2014 to March 31, 2017. Fiscal 2016 is the fiscal year ended March 31, 2016.
2. Baseline is the three-year average of the fiscal years from April 1, 2011 to March 31, 2014.
3. Results for fiscal 2016 are available on our website.
4. Targets were revised in fiscal 2015.

Environmental Conservation

The SCREEN Group is committed to reducing the life cycle CO_2 emissions of its products (emissions due to resource procurement, equipment manufacturing, equipment transport, and use by customers) as well as its own energy and resource use.

SCREEN Group CO_2 Emissions by Product Life Cycle Stage

Resource Procurement	Equipment Manufacturing	Equipment Transport	Use by Customers
2%	2%	0.03%	95%

Highlight

Reducing the Environmental Impact of Our Businesses

Operational improvements to heating and cooling systems and boilers at the production building of the SCREEN Group's Yasu Plant, which manufactures printed circuit board-related equipment, led to a 15% year-on-year reduction in the plant's total annual CO_2 emissions.

-15%

Reducing the Environmental Impact of Our Businesses

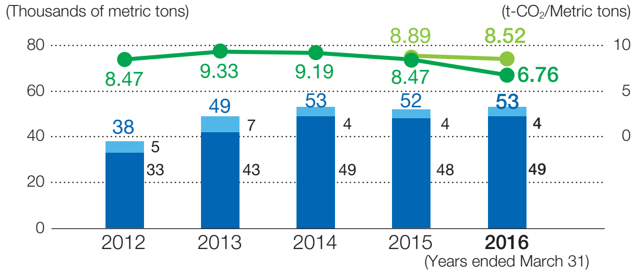
Operational improvements to heating and cooling systems and boilers at the production building of SCREEN Group's Yasu Plant, which manufactures printed circuit board-related equipment, led to a year-on-year reduction in CO_2 emissions of 466 metric tons in fiscal 2016. 15% of the Yasu Plant's total reduction in CO_2 emissions for the year can be attributed to this decrease.

The SCREEN Group's CO_2 emissions in fiscal 2016 amounted to 52,523 metric tons, roughly unchanged from the previous fiscal year.

In fiscal 2016, we accomplished our target for the domestic Group of reducing CO_2 emissions per unit weight of product shipment to at least 2% below the baseline.*

* The baseline is the three-year average of the fiscal years from April 1, 2011 to March 31, 2014.

CO_2 Emissions and Emissions per Unit Weight of Product Shipment



■ CO_2 emissions (SCREEN Group in Japan) ■ CO_2 emissions (SCREEN Group overseas)
● Emissions per unit weight of product shipment (actual for SCREEN Group in Japan)
● Emissions per unit weight of product shipment (target for SCREEN Group in Japan)

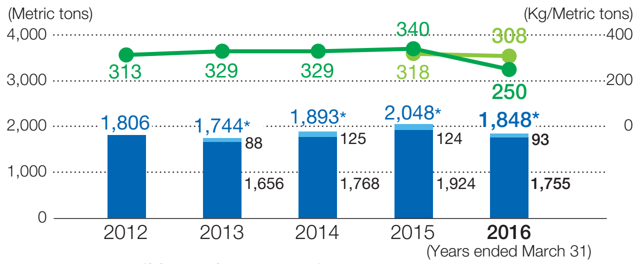
Reducing Waste

During the fiscal year ended March 31, 2016, the Group generated waste amounting to 1,848 metric tons, down 9% year on year. Disposal of equipment in the Semiconductor Solutions segment decreased.

During the fiscal year ended March 31, 2016, the domestic Group met its annual target of reducing the volume of waste disposed of per unit weight of product shipment to at least 2% below the baseline.

* The baseline is the three-year average of the fiscal years from April 1, 2011 to March 31, 2014.

Volume of Waste and Waste per Unit Weight of Product Shipment



■ Volume of waste (SCREEN Group in Japan)
■ Volume of waste (SCREEN Group overseas)
● Waste per unit weight of product shipment (actual for SCREEN Group in Japan)
● Waste per unit weight of product shipment (target for SCREEN Group in Japan)
* Includes the overseas SCREEN Group from the fiscal year ended March 31, 2013.

Information on water usage is available on our website.

Highlight

Reducing Environmental Impact at Customer Sites

The Ledia 5 direct imaging system for printed circuit boards received the Japan Machinery Federation Chairman's Award in the Japan Machinery Federation's 2015 Energy-Efficient Machinery Awards. The system uses 56% less electricity than previous models.

-56%

Contributing to Customers' Environmental Preservation Efforts

The SCREEN Group strives to develop technologies and products that help reduce environmental impact and thus to actively contribute to its customers' environmental preservation efforts.

Ledia 5

Reducing CO_2 Emissions from the Use of Our Products

The SCREEN Group works to reduce the energy, water, and chemical solutions needed during the use of its products. In this way, we seek to meet increasing societal demand to reduce CO_2 emissions and resource use throughout the supply chain.

For example, 95% of our wafer cleaning equipment's life cycle CO_2 emissions occur during customer use, so we are promoting the development of equipment that uses less water and cuts processing time in order to reduce the total CO_2 emissions of our products

Highlight

Reducing Environmental Impact at Customer Sites

The PlateRite 4600Z thermal plate recorder released in March 2016 uses 40% less electricity than previous models.

-40%

Green Printing Certification

In our graphic arts equipment business, we are working to reduce environmental impact and promote recycling in the three areas of materials procurement, production, and use. As of March 31, 2016, 11 of our products in this business have received the maximum three-star green printing certification.*

* Green printing certification: A certification system based on a set of voluntary printing industry environmental standards run by the Japan Federation of Printing Industries.

Newly Certified Product

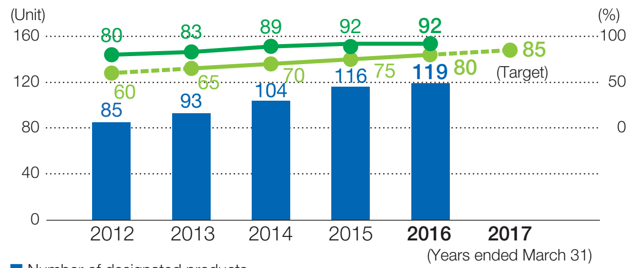
- PlateRite 4600Z/S/E

Expanding Sales of Green Products

Among the Group's products, those meeting its own stringent criteria related to environmental performance are designated "Green Products." We are working to expand sales of such products. For details on the environmental performance of individual products, please refer to the Green Products section of the SCREEN Group CSR website.

In fiscal 2016, Green Products accounted for 92% of the Group's net sales.

Green Products as a Percentage of Sales and the Number of Designated Products



■ Number of designated products
● Percentage of sales (actual) ● Percentage of sales (target)

Human Resource and Labor Management

One of our most important priorities is to promote workplace health and safety, and we strive to provide a workplace that enables diverse employees to maximize their potential.

Work-life balance initiatives: 16
Five new initiatives were begun in fiscal 2016.

Return rate of employees who took childrearing leave: 90%
10 employees took childrearing leave in fiscal 2016.

Highlight

Human Resource Development Initiatives

To strengthen development of globally oriented human resources, the Group offers opportunities for overseas training and study abroad as well as short-term employee dispatches to overseas Group companies.

Employment and Remuneration

The SCREEN Group respects fundamental human rights and strives to ensure hiring free of discrimination based on race, skin color, ethnicity, religion, gender, sexual orientation, country of origin, age, physical or mental disability, or genetic traits.

The Group uses compensation that reflects individual contributions and corporate performance to reward employees who exercise their abilities to the fullest and engage ambitiously with their work. This system is predicated on a firm commitment to discrimination-free remuneration and compliance with the remuneration-related laws of each country.

Human Resource Evaluation and Development

The SCREEN Group believes that people are the foundation of successful business. We therefore apply a long-term perspective to implement frameworks and measures aimed at helping each individual grow and systematically developing diverse human resources. We use fair and reasonable evaluations based on job roles to create frameworks that allow individuals and the SCREEN Group to grow together.

For example, we offer opportunities for younger employees to take graduate courses, work temporarily in research institutions in fields outside their specialty, or receive structured technical training. Through these and other efforts, we seek to cultivate broad perspectives and to pass on the engineering mindset to our younger employees.

Reinforcing Globally Oriented Recruitment and Skills Development

Business activities overseas are becoming ever more important. We are therefore working to recruit and train globally oriented individuals and facilitate the global exchange of people in our workplaces.

Main Initiatives

- Overseas training/study abroad
  Study abroad at business and law schools in the United States (Columbia University, UCLA and others)
  Short-term dispatch to overseas group companies
- Dispatching young researchers to overseas research institutions
  IMEC, Stanford University, and others
- Training to improve foreign language skills (with specific instruction for different positions, skills levels and goals)
- Encouraging temporary transfers of employees from overseas Group companies to Japan
- Accepting students studying abroad in Japan as interns

Work-Life Balance

SCREEN Holdings Co., Ltd. and its major subsidiaries strive to maintain an environment that fosters individuality among their personnel and allows employees to fully utilize their talents regardless of changes accompanying different life stages.

Main Initiatives in Fiscal 2016

Flextime system (for all regular employees)
Program wherein those taking less than 50% of their paid leave during a given year must take at least five consecutive days off in the following year.
Childrearing leave program (extendable until the child reaches 18 months)
Reduced working hours system for those engaged in childrearing (daily work hours reduced by up to two hours a day until children reach third grade)
Limits on work outside normal work hours and late at night for those engaged in childrearing (until children reach the third grade)
New professional career track established in 2015 allowing those unable to relocate due to childrearing or nursing responsibilities to work in a specified area
Provision of online skills development programs for employees on childrearing leave
Subsidies, including daycare cost coverage, for employees who have recently returned to the workplace from childrearing leave
Launch of system allowing employees with childrearing or nursing care responsibilities to do some of their work from home
Subsidies related to childrearing (partial compensation for reduced wages due to leave or reduced working hours for childrearing)
Systems for leave and reduced working hours for nursing care (for up to a total of 365 days)
Nursing-care working hours (exemption from work outside normal hours for up to 12 months upon request)
Consultation point for issues related to nursing care
Subsidies related to nursing care (partial compensation for reduced wages due to leave or reduced working hours for nursing care)
Nursing care equipment subsidy system (partial subsidies for the purchase or rental of nursing care equipment)
Online mental health consultation service

: New initiatives begun in fiscal 2016

Employee-Employer Relations

As of March 31, 2016, labor union participation at SCREEN Holdings Co., Ltd. and major subsidiaries stands at 97.3%. Labor–management meetings with the labor union are held at least once a year (held six times in fiscal 2016) to discuss various issues pertaining to the working environment. Labor union members also attend Health and Safety Committee meetings, where we decide on annual occupational health and safety action plans to promote health and safety on an everyday basis.

In principle, notices of the ratification of labor-management agreements concerning hiring and work conditions are posted at least one month in advance, and regular working-level negotiations are held twice a month.

Occupational Health and Safety

All SCREEN Group companies in Japan conduct initiatives based on the Group's OHSAS 18001-compliant Occupational Health and Safety Management System. These activities include assessing risks, executing preemptive health and safety reviews, inspecting heavy load operations, and enhancing training for operators and supervisors with limited experience. We are reinforcing our occupational health and safety management activities overseas, as well.

For GV 21, Phase III, we are working toward goals related to globally eliminating accidents leading to lost work and implementing a new health management system. (Please refer to "GV 21, Phase III: Targets" on page 23.)

Expanding Physical and Mental Health Management

The SCREEN Group works to ensure that all employees, including those stationed overseas, receive health check-ups. We have achieved a near 100% check-up rate for Group employees in Japan. In order to achieve the same target among overseas employees, we have created health check-up plans and send check-up reminders to employees on a regular basis.

With regard to mental health management, the Group conducts stress management checks in line with updated legal requirements, promotes self-care, works to improve working environments, implements e-learning, and provides counseling with industrial health staff as necessary.

The Group also has in place a reintegration program designed to help employees on leave due to mental health issues quickly recover and return to work and prevent the need for additional leave.

Quality Management

Highlight

Quality Improvement Initiatives

- In fiscal 2016, SCREEN Group products and services received praise from multiple customers and industry groups.
- SCREEN Group company Laser Systems & Solutions of Europe SASU newly acquired ISO 9001 quality management system certification.

ISO 9001-Based Quality Management

All Group business operating companies as well as seventeen domestic and overseas Group companies are ISO 9001 certified. To maintain these certifications and increase customer satisfaction, we apply a quality management system that conforms to ISO 9001 to improve our products and services.

Initiatives at the Business Operating Companies

Each of the business operating companies has established and uses a quality management policy that is updated as necessary.

More details about these initiatives are available on our website.

SCREEN Semiconductor Solutions Co., Ltd.	Operating a new design evaluation system
	Operating a quality management improvement evaluation system
SCREEN Graphic and Precision Solutions Co., Ltd.	Beginning reforms to update quality management system for current needs
	Providing services at customer facilities as a trusted, regular provider
SCREEN Finetech Solutions Co., Ltd.	Reforming quality management system to promote awareness of quality, cost, and delivery

Awards

The SCREEN Group strives to provide beneficial products and services using its proprietary technology. The Group's products received praise and recognition from many customers in fiscal 2016. We will continue to contribute to society through our products and services.

Award	Given in Recognition of	Recipient
Grand Prix in the semiconductor production equipment division of the 2015 Semiconductor of the Year awards given by SangyoTimes, Inc.	The highly even coating technology of the 80EX Spray Coater photoresist coating system	SCREEN Semiconductor Solutions Co., Ltd.
Excellent Performance Award for Clean and Track Equipment given by TSMC, one of the largest semiconductor foundries in the world	Improvements in cleaning equipment and achievement of cost-efficient coater/developer productivity as well as the results of cutting-edge R&D and overall equipment excellence	
Japan Machinery Federation Chairman's Award in the 36th Energy-Efficient Machinery Awards given by the Japan Machinery Federation	Technology that flexibly accommodates customer needs, including the development and application of technology to reduce electricity consumption and freely control the wavelength output level of printed circuit boards	SCREEN Graphic and Precision Solutions Co., Ltd.
Preferred Quality Supplier (PQS) Award given by Intel Corporation	Wafer cleaning equipment, annealing equipment, services related to semiconductor manufacturing, and playing a leading role in the industry	SCREEN Semiconductor Solutions Co., Ltd.

Local Community Relations

Highlight

Social Contribution Activities

In addition to social contribution activities in Japan, the SCREEN Group carries out activities related to social welfare and environmental beautification in South Korea, the United States, Israel, and other locations overseas.

Public Policy and Relations with Administrative Institutions and Political Bodies

SCREEN Holding Co., Ltd. and major subsidiaries are members of the Semiconductor Equipment Association of Japan (SEAJ) and other organizations that make policy recommendations to support the growth of the semiconductor production equipment, FPD production equipment, and printing equipment industries. We also participate in various organizations aimed at promoting corporate and industrial development in Kyoto, where our headquarters is located.

During the fiscal year ended March 31, 2016, we received subsidies and other financial benefits from governments totaling ¥284 million.

Managing the Impact of Our Businesses on Local Communities

The Group conducts internal assessments of departments and Group companies that include monitoring of the environmental and social impact of our business activities on local communities. We strive toward the appropriate management of our impact on the environment under our EHS management system. To this end, we employ such means as employee training and facility-related countermeasures.

In the fiscal year ended March 31, 2016, we recorded no incidents in which our operations had negative environmental or social impacts on local communities. There were also no economic effects resulting from the relocation of business sites or changes in our businesses.

Ongoing Community Contribution Activities, Including Education-Related Activities

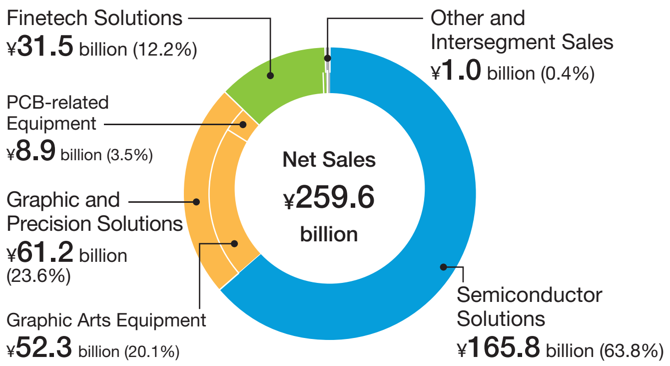
Contributing to industrial development through innovation and returning profits to society are fundamental to the Group's efforts to forge relationships of trust with the community. At the level of each business site, we work to contribute to the community on an ongoing basis through such activities as inviting schoolchildren and students to site tours.

Major Community Contribution Activities

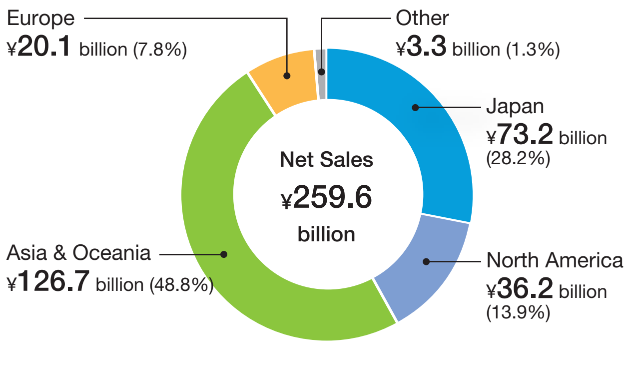
Support for the development and education of the next generation	The SCREEN Group supports the development and education of the next generation by providing various learning experiences, including facility tours and work experience events for elementary, junior high, and high school students. The Group also sponsors a robot technology competition in New York.
Interaction with the local community	SCREEN Holdings employees carried parade floats and volunteered in a garbage elimination campaign at the Gion Festival, one of Japan's three most famous festivals, thus deepening ties with the community.
Social benefit activities	The SCREEN Group participates in efforts to raise money to support children in developing countries and employees volunteer at events at facilities for the disabled as part of its support for the employment of people with disabilities. At our facilities in South Korea, we perform a range of activities to benefit children, low-income families, the sick, and others. Facilities in Israel make donations, including of food, for families in need. These facilities also donate to an organization of the visually impaired and volunteers help out at the organization's facilities.
Cleanup activities	The SCREEN Group regularly holds clean-up activities in the areas around all its facilities. The Group also conducts clean-ups around Lake Biwa and river areas in Takamiya-cho, Hikone.

Performance Highlights

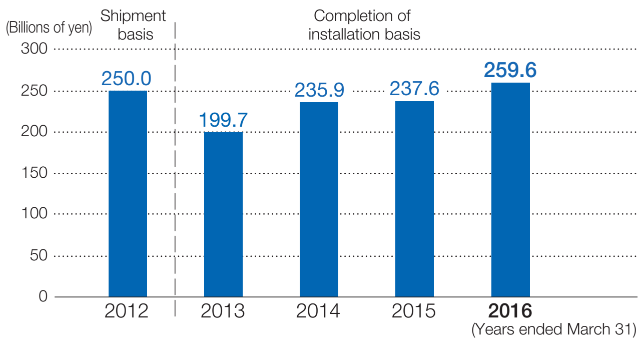
Sales by Segment (fiscal year ended March 31, 2016)



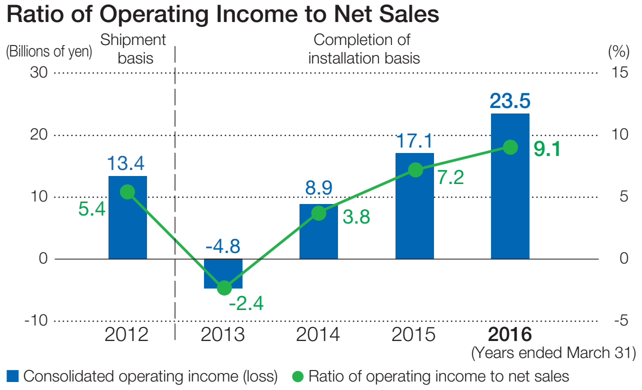
Sales by Region (fiscal year ended March 31, 2016)



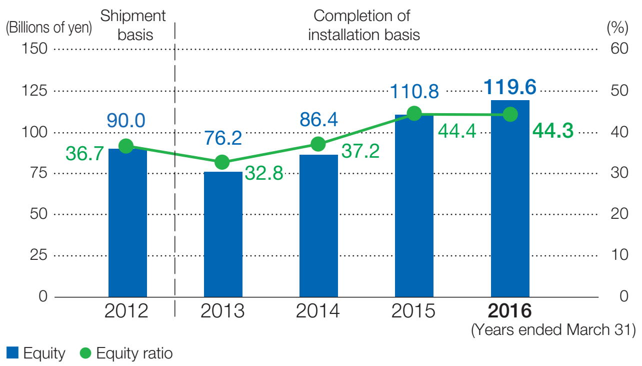
Consolidated Net Sales



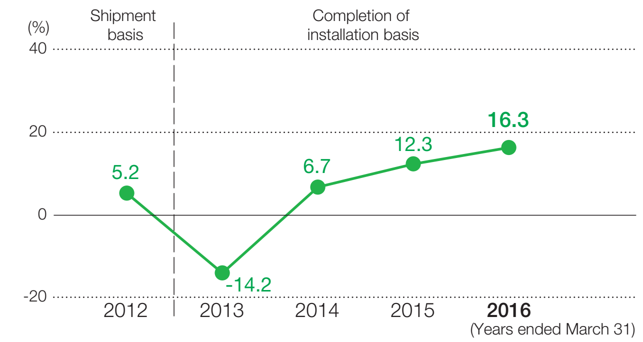
Consolidated Operating Income (Loss) and Ratio of Operating Income to Net Sales



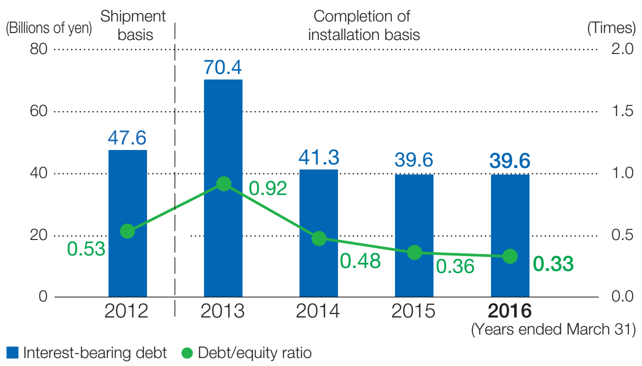
Equity and Equity Ratio



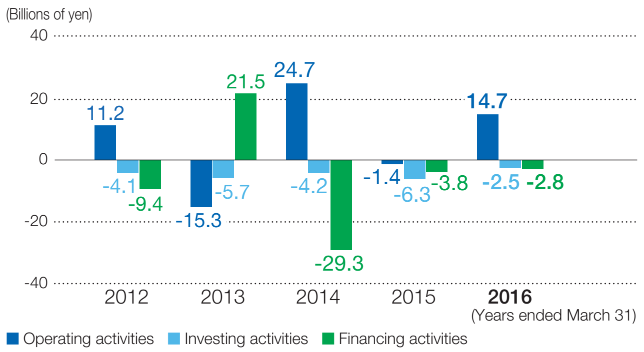
ROE



Interest-bearing Debt and Debt/Equity Ratio

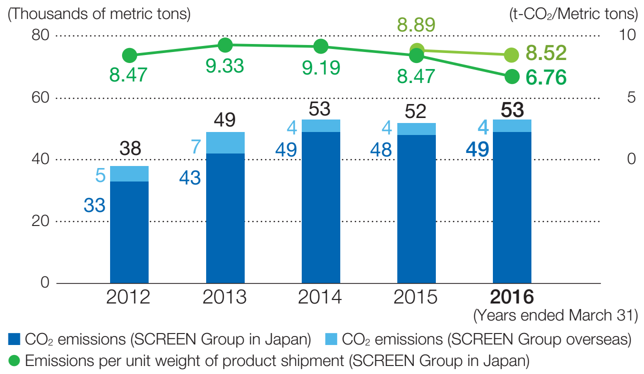


Cash Flows

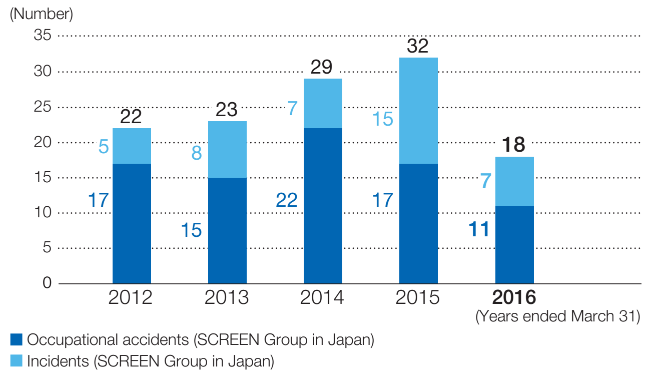


Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the Semiconductor Solutions segment and the Finetech Solutions segment, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

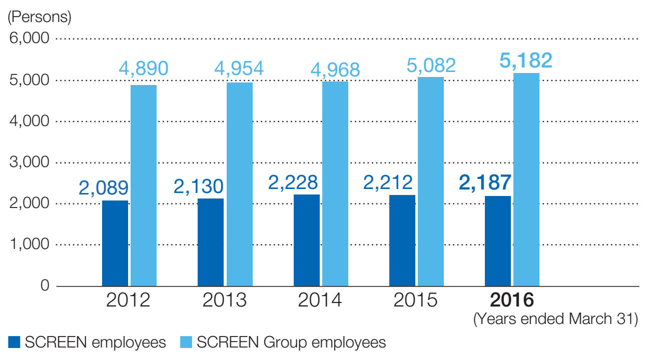
CO_2 Emissions and Emissions per Unit of Weight of Product Shipment



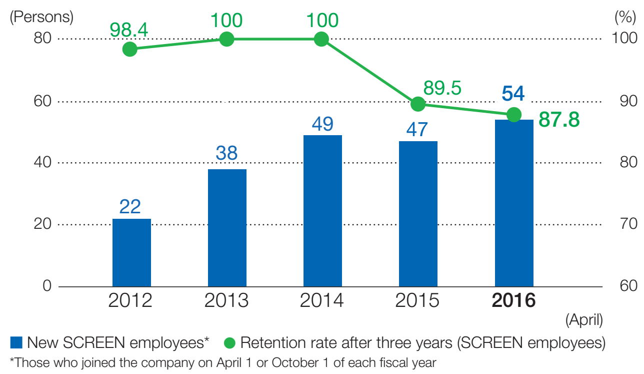
Number of Accidents



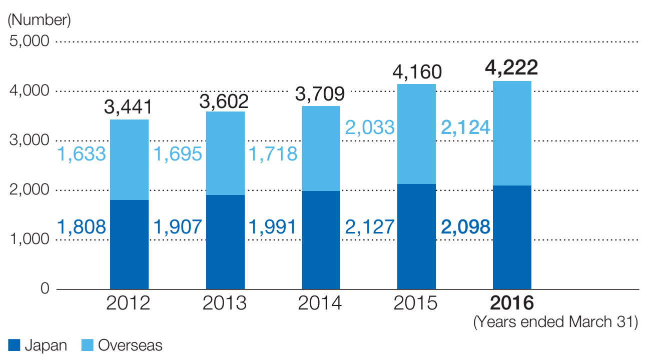
Number of Employees



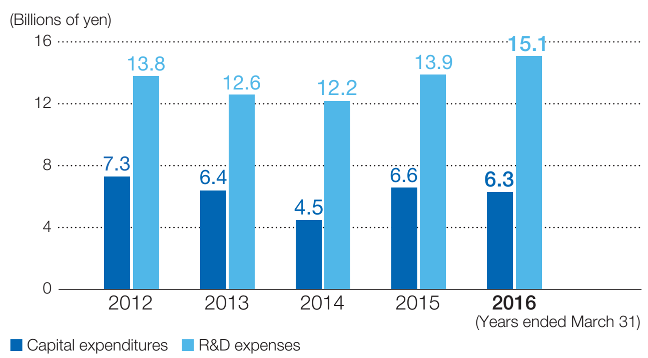
Number of New Employees and Their Retention Rate After Three Years



Number of Patents Held



Capital Expenditures and R&D Expenses



Note: SCREEN employees refer to those employed by SCREEN Holdings Co., Ltd., SCREEN Semiconductor Solutions Co., Ltd., SCREEN Graphic and Precision Solutions Co., Ltd., SCREEN Finetech Solutions Co., Ltd., SCREEN Manufacturing Support Solutions Co., Ltd. and SCREEN Business Support Solutions Co., Ltd.

Eleven-Year Trends in Key Financial Indicators

Consolidated Eleven-Year Summary

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2016
For the Year:											Millions of yen	Thousands of U.S. dollars
Net sales	**¥259,675**	¥237,646	¥235,946	¥199,795	¥250,090	¥254,953	¥164,129	¥219,049	¥279,816	¥301,312	¥246,534	**$2,298,009**
Cost of sales	**178,677**	165,192	177,175	157,790	187,325	182,990	137,827	169,391	208,266	211,159	173,628	**1,581,213**
Cost of sales to net sales (%)	**68.8%**	69.5%	75.1%	79.0%	74.9%	71.8%	84.0%	77.3%	74.4%	70.1%	70.4%	
Operating income (loss)	**¥ 23,557**	¥ 17,168	¥ 8,903	¥ (4,833)	¥ 13,498	¥ 26,811	¥ (14,046)	¥ (4,510)	¥ 14,628	¥ 30,541	¥ 18,568	**$ 208,469**
Operating income to net sales (%)	**9.1%**	7.2%	3.8%	-2.4%	5.4%	10.5%	-8.6%	-2.1%	5.2%	10.1%	7.5%	
Profit (loss) attributable to owners of parent	**¥ 18,816**	¥ 12,122	¥ 5,419	¥ (11,333)	¥ 4,637	¥ 25,687	¥ (8,003)	¥ (38,191)	¥ 4,578	¥ 18,452	¥ 15,236	**$ 166,513**
Comprehensive income	**11,567**	24,018	14,262	(6,031)	4,192	22,576	(5,257)	—	—	—	—	**102,363**
Depreciation and amortization	**5,030**	4,880	4,101	4,731	4,986	5,805	7,012	8,414	5,563	4,113	3,823	**44,513**
Cash flows from operating activities	**14,721**	(1,492)	24,703	(15,320)	11,279	34,299	25,113	(24,593)	7,934	23,645	14,906	**130,274**
Cash flows from investing activities	**(2,558)**	(6,318)	(4,201)	(5,768)	(4,162)	(2,191)	6,885	(6,921)	(16,510)	(8,519)	(7,482)	**(22,637)**
Cash flows from financing activities	**(2,846)**	(3,823)	(29,302)	21,534	(9,468)	(22,250)	(27,124)	34,071	669	(8,875)	(13,442)	**(25,186)**
Capital expenditures	**6,352**	6,659	4,574	6,450	7,347	3,613	1,911	4,007	12,866	14,420	5,906	**56,212**
R&D expenses	**15,166**	13,972	12,274	12,685	13,889	12,130	11,615	16,073	16,248	16,884	13,269	**134,212**
Per Share of Capital Stock:											Yen	U.S. dollars
Net income (loss)	**¥ 79.35**	¥ 51.07	¥ 22.83	¥ (47.75)	¥ 19.54	¥ 108.21	¥ (33.71)	¥ (160.86)	¥ 18.81	¥ 74.05	¥ 60.66	**$ 0.70**
Net income—diluted	**—**	—	—	—	—	—	—	—	17.39	68.63	55.81	**—**
Cash dividends	**12.00**	7.00	3.00	—	5.00	5.00	—	—	10.00	15.00	10.00	**0.11**
Net assets	**506.68**	467.13	364.23	321.24	379.44	367.00	272.15	292.12	514.26	542.13	500.30	**4.48**
At Year-end:											Millions of yen	Thousands of U.S. dollars
Total assets	**¥270,094**	¥249,517	¥232,376	¥232,390	¥245,382	¥253,127	¥216,622	¥246,918	¥291,114	¥319,519	¥270,238	**$2,390,212**
Return on total assets (%)	**7.2%**	5.0%	2.3%	-4.8%	1.9%	10.9%	-3.5%	-14.2%	1.5%	6.3%	5.8%	
Current assets	**¥188,522**	¥160,367	¥157,327	¥161,614	¥177,543	¥183,523	¥139,984	¥168,191	¥196,989	¥223,463	¥181,077	**$1,668,336**
Property, plant and equipment, net	**43,378**	42,606	40,711	39,902	38,669	40,699	45,413	50,955	49,069	42,346	36,096	**383,876**
Current liabilities	**120,857**	92,750	114,367	120,014	123,223	148,132	93,874	132,431	123,702	133,784	106,134	**1,069,531**
Long-term debt	**18,986**	32,666	21,943	29,642	25,988	10,634	48,195	32,967	40,644	43,900	24,674	**168,018**
Equity	**119,650**	110,865	86,448	76,248	90,069	87,118	64,607	69,353	122,094	133,062	126,392	**1,058,849**
Equity ratio (%)	**44.3%**	44.4%	37.2%	32.8%	36.7%	34.4%	29.8%	28.1%	41.9%	41.6%	46.8%	
Return on equity (%)	**16.3%**	12.3%	6.7%	-14.2%	5.2%	33.9%	-11.9%	-39.9%	3.6%	14.2%	13.5%	
Capital stock	**¥ 54,045**	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 53,999	**$ 478,274**
Retained earnings (deficit)	**71,602**	54,448	41,824	36,405	55,440	26,418	731	8,734	49,390	48,497	32,536	**633,646**
Number of shares issued (in thousands)	**253,974**	253,974	253,974	253,974	253,974	253,974	253,974	253,974	253,974	253,974	253,792	
Number of employees	**5,182**	5,082	4,968	4,955	4,890	4,732	4,679	4,992	5,041	4,798	4,672	

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥113 to US$1.00.
2. Net income (loss) per share of capital stock is calculated based on the weighted average number of shares outstanding during each term, excluding the Company's treasury stock. Fully diluted net income per share of capital stock is not shown for the years that net losses were recorded or no dilutive stock existed. Net assets per share of capital stock is calculated based on the fiscal year-end total number of shares outstanding, excluding the Company's treasury stock.
3. Return on total assets and return on equity are calculated on the basis of average total assets and average equity, respectively, at the current and previous fiscal year-ends.
4. Equity in the above table represents the total of shareholders' equity and accumulated other comprehensive income in the consolidated balance sheets. This is due to the adoption of the new accounting standards for presentation of net assets in the balance sheet, which require former shareholders' equity and non-controlling interests to be presented as net assets, and net assets to be classified as shareholders' equity, accumulated other comprehensive income and non-controlling interests. Under the new accounting standards, the net assets section includes deferred hedge income and loss, net of taxes, which was previously included in the assets or liabilities section without considering the related income tax effects. The accompanying consolidated financial statements after the year ended March 31, 2006 have been prepared in accordance with the new accounting standards, whereas the statements for the previous years are presented pursuant to the previous presentation rules.
5. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted. Under the new accounting standard, the above table includes comprehensive income whereas these amounts are not shown before the years ended March 31, 2010.
6. Effective from the fiscal year ended March 31, 2014, for main unit sales in the Semiconductor Solutions (SE) segment and the Finetech Solutions (FT) segment, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Financial Section

Contents

Management's Discussion and Analysis

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
Fiscal Years Ended March 31

This section provides an analysis of the Group's consolidated financial statements. The consolidated financial statements are compiled in accordance with generally accepted accounting principles in Japan.

Operating Results

Dollar figures are translated, for convenience only, at the rate of ¥113 to US$1.00.

Sales

Consolidated net sales for fiscal 2016, ended March 31, 2016, rose 9.3% year on year to ¥259,675 million.

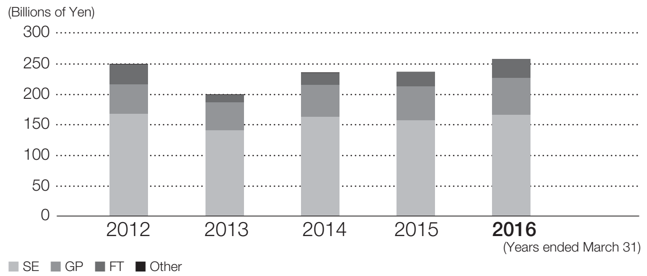
In the Semiconductor Solutions (SE) segment, sales to logic chip manufacturers and foundries decreased year on year, but those to memory and image sensor manufacturers went up. By product, overall sales of cleaning equipment were up year on year, reflecting strong sales of batch-type equipment. Sales of coater/developers for sub-200 mm wafers also increased.

In the Graphic and Precision Solutions (GP) segment, due to increased sales in Japan as a result of efforts to further penetrate the print on demand (POD) equipment market as well as the depreciation of the yen, sales of graphic arts equipment increased year on year. Sales of printed circuit board (PCB)-related equipment were roughly flat year on year, as sales of mainstay direct imaging systems grew in China but fell in Japan.

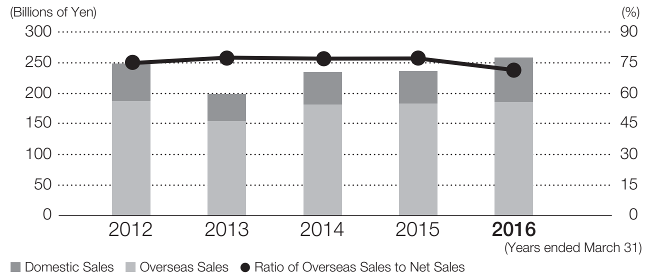
In the Finetech Solutions (FT) segment, sales in Taiwan and Japan of production equipment for small- and medium-sized LCD panels increased significantly year on year.

Total overseas sales rose ¥2,283 million, or 1.2%, year on year to ¥186,446 million. The ratio of overseas sales to consolidated net sales fell 5.7 percentage points to 71.8%. In North America, sales in the SE segment decreased, resulting in regional sales of ¥36,219 million, down 31.7% year on year. In Asia & Oceania, sales rose in the SE and FT segments, leading regional sales to climb 37.3% year on year to ¥126,717 million. In Europe, while sales in the GP segment rose, those in the SE segment fell, leading to regional sales of ¥20,160 million, down 45.3% year on year. In other regions, net sales rose 65.8% year on year to ¥3,350 million.

Consolidated Net Sales by Reportable Segment



Domestic Sales, Overseas Sales and Ratio of Overseas Sales to Net Sales



Cost of Sales and SGA Expenses

The cost of sales improved due to the increase in sales and reductions in variable costs made to boost profitability, among other factors, despite increases in such fixed costs as R&D expenses and personnel costs. As a result, the ratio of cost of sales to net sales fell from 69.5% in the previous fiscal year to 68.8% during the year under review. In spite of cost-cutting efforts, selling, general and administrative (SGA) expenses increased ¥2,155 million, or 3.9%, year on year to ¥57,441 million due to increased personnel costs and R&D expenses. The ratio of SGA expenses to net sales improved from 23.3% in the previous fiscal year to 22.1% in the fiscal year under review, reflecting the increase in net sales, even as SGA expenses also grew.

As a result, operating income rose ¥6,389 million year on year to ¥23,557 million.

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2016**	2015	2014	2013	2012	**2016**
Net sales	**¥259,675**	¥237,646	¥235,946	¥199,795	¥250,090	**$2,298,009**
Cost of sales	**178,677**	165,192	177,175	157,790	187,325	**1,581,213**
Cost of sales to net sales (%)	**68.8%**	69.5%	75.1%	79.0%	74.9%	
Gross profit	**¥ 80,998**	¥ 72,454	¥ 58,771	¥ 42,005	¥ 62,765	**$ 716,796**
SGA expenses	**57,441**	55,286	49,868	46,838	49,267	**508,327**
SGA expenses to net sales (%)	**22.1%**	23.3%	21.1%	23.4%	19.7%	

Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Research and Development Expenses

At the SCREEN Group, we maintain close relationships between SCREEN Holdings Co., Ltd. and Group companies to foster the combination and application of the diverse technologies that are key to photolithography, including cleaning, coating, image processing, optical systems, and inspection and measurement technologies. This approach enables us to launch aggressive R&D initiatives spanning basic research through product development.

On April 1, 2015, a new organization was launched within SCREEN Holdings Co., Ltd., bringing together R&D, sales, and marketing functions at WHITE CANVAS RAKUSAI, one of the Group's R&D sites, to accelerate the formation of businesses in new fields.

During the year under review, the Group invested ¥15,166 million in R&D. We invested mainly in reinforcing and expanding existing businesses, particularly those in the SE segment, as well as in aggressive R&D for new business creation in the new business fields of life science, inspection and measurement, printed electronics, and energy.

The Group's main R&D achievements in the fiscal year under review are as follows.

With regard to the SE segment, focusing on the development of ultra-miniaturization technologies to create IC circuits with line widths of under seven nanometers, the Group continued joint development with overseas research institutions of cutting-edge semiconductor processes, including cleaning, wet etching, and lithography (coater/developers). Also, to meet customer demand, including for higher productivity and compatibility with next-generation processes, we worked to further increase the speed and functionality of the SU-3200 single wafer cleaner. In light of the growing importance of the Internet of Things (IoT) and power devices, the SE segment is targeting 200mm wafer processes through its "Frontier Project," under which it is developing equipment for a wide range of sensors, inverters, and analog devices. This segment's R&D expenses amounted to ¥7,115 million.

In the GP segment, with regard to graphic arts equipment, the Group advanced development aimed at further improving the speed, resolution, and functionality of its roll inkjet printing presses that can accommodate variable data printing. The segment also advanced product development of PCB-related equipment to expand its lineup of direct imaging equipment. This segment's R&D expenses amounted to ¥3,885 million.

In the FT segment, we developed the SK-P series, a new coating system designed for the mass production of OLED and other high-quality flexible displays. The SK-P series rapidly coats substrates of up to 1,500 by 1,850 mm (so called sixth-generation substrates) with thin, even layers of highly adhesive polyimide material while minimizing air bubbles and contaminants. The Group also commercialized the VC series vacuum chemical vapor deposition (CVD) equipment and VS series vacuum sputtering equipment. Compatible with the Group's proprietary low-inductance antenna (LIA) plasma vacuum deposition technology, this equipment is equipped with deposition technology to form high-performance films that provide such new added value features as damage protection and ornamental processing for various materials. This segment's R&D expenses amounted to ¥980 million.

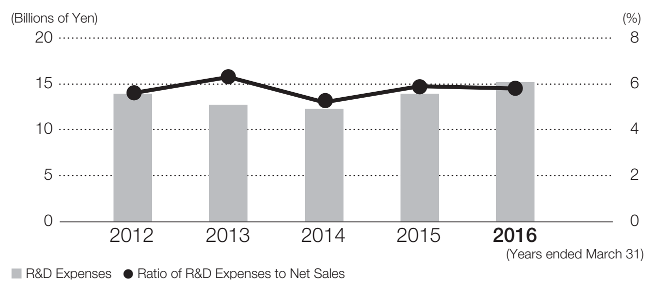
In addition to the above segments, SCREEN Holdings Co., Ltd. also engaged in basic research and R&D related to new business fields. R&D expenses in these areas amounted to ¥3,186 million.

In the life science field, the Group developed the Cell³iMager duos, a cell morphology analysis imaging system that allows both quantitative analysis of cell cultures and changes in morphology as well as high-definition imaging comparable to biological microscopes. The system requires no reagents and can be used with both flat and three-dimensional cell cultures. It is expected to be highly useful in the areas of drug discovery research and regenerative medicine.

We also began full-scale collaborative research with a national research institution aimed at creating systems and equipment for next-generation organ perfusion culture that enables long-term storage and function restoration of excised organs for transplantation. Furthermore, the SCREEN Group acquired Alpha MED Scientific Inc., which makes systems that measure extracellular field potential for drug candidate safety assessments using iPS cell-derived cardiomyocytes and neurons. Through these efforts, we are working to expand our life science business.

In the inspection and measurement field, we developed the IM-4100 automatic optical inspection system for assembled components. Designed for mixed production systems producing multiple types of assembled components, this system can perform complete inspection to automatically detect missing parts or assembly errors. We also began development of new lighting that enables more flexible imaging to improve the capabilities of inspection equipment.

R&D Expenses and Ratio of R&D Expenses to Net Sales



In the printed electronics field, the Group combined its proprietary technologies with gravure offset printing to establish an engraving technology that allows easy line formation in one pass, without the need for repeated printing, even when forming complex circuits with multiple line widths. Based on this technology, we developed ultra precision gravure offset printing plates and the UP-5000S ultra precision gravure offset flatbed printing system.

On March 25, 2016, the Company established a wholly owned subsidiary as a preparatory successor company. On October 1, 2016, this company will become the successor of certain software development businesses of the Company through a demerger and thereafter work to expand said businesses.

Note that basic research expenses are, in principle, allocated to their respective segments and calculated as part of segment income or loss reported under Segment Information.

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2016**	2015	2014	2013	2012	**2016**
R&D expenses	**¥15,166**	¥13,972	¥12,274	¥12,685	¥13,889	**$134,212**
R&D expenses to net sales (%)	**5.8%**	5.9%	5.2%	6.3%	5.6%	

Segment Information

In the SE segment, sales to logic chip manufacturers and foundries decreased year on year, but those to memory and image sensor manufacturers went up. By product, overall sales of cleaning equipment were up year on year, reflecting strong sales of batch-type cleaning equipment. Sales of coater/developers for sub-200 mm wafers also increased. By region, sales in the United States and Europe fell, but sales in Taiwan and Japan rose. As a result, net sales in this segment amounted to ¥165,801 million, up 5.3% year on year. Operating income in this segment came to ¥18,716 million, up 18.9% from the previous fiscal year, reflecting an improvement in the variable cost ratio and the increase in net sales, despite an increase in fixed costs, including R&D expenses and personnel costs.

In the GP segment, due to increased sales in Japan as a result of efforts to further penetrate the print on demand (POD) equipment market as well as the depreciation of the yen, sales of graphic arts equipment increased year on year. Sales of printed circuit board (PCB)-related equipment were roughly flat year on year, as sales of mainstay direct imaging systems grew in China but fell in Japan. As a result, net sales in this segment came to ¥61,280 million, up 10.0% year on year. Despite a rise in the variable cost ratio due to changes in the product mix and an increase in fixed costs, including R&D expenses and personnel costs, the segment posted operating income of ¥3,169 million, an increase of 11.6% from the previous fiscal year, thanks to the increase in net sales.

In the FT segment, sales of production equipment for small- and medium-sized LCD panels in Taiwan and Japan increased significantly year on year. As a result, net sales in this segment amounted to ¥31,590 million, up ¥7,816 million, or 32.9%, year on year. Reflecting the increase in net sales, this segment posted operating income of ¥2,748 million, a significant increase from the ¥339 million recorded in the previous fiscal year.

Earnings Analysis

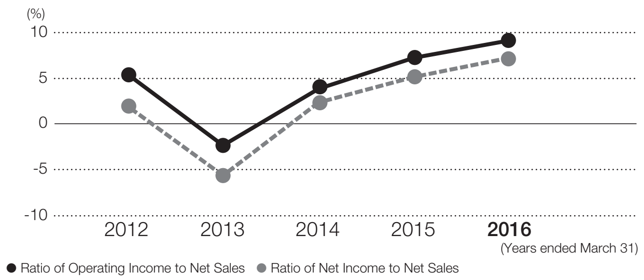
Reflecting the across-the-board increases in sales in the SE, GP, and FT segments, net sales for the Group as a whole rose ¥22,029 million, or 9.3%, year on year to ¥259,675 million. Operating income came to ¥23,557 million, up ¥6,389 million year on year due to the increase in sales and improvement in the variable cost ratio, despite the increase in fixed costs, including personnel costs and R&D expenses. The ratio of operating income to net sales improved 1.9 percentage points from the previous fiscal year to 9.1%.

There was a ¥1,772 million turnaround in net other income and expenses from a net expense in the preceding fiscal year to net income of ¥386 million in the year under review. This was largely attributable to gain on sales of investment securities, reflecting the sale of held stocks.

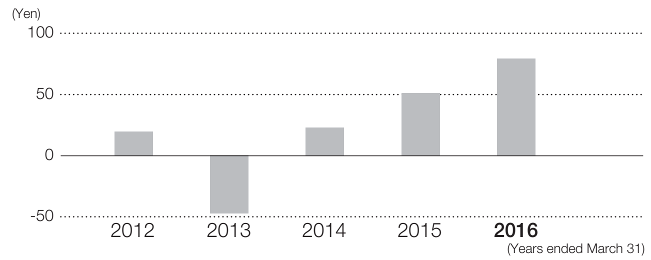
Income before income taxes was ¥23,943 million, up ¥8,161 million year on year, and profit attributable to owners of parent was ¥18,816 million, up ¥6,694 million. The ratio of profit attributable to owners of parent to net sales improved 2.1 percentage points from the previous term to 7.2%.

Net income per share of common stock was ¥79.35, an improvement of ¥28.28 compared with the previous fiscal year, and return on equity improved 4.0 percentage points from the previous term to 16.3%. Return on total assets improved 2.2 percentage points from the previous term to 7.2%.

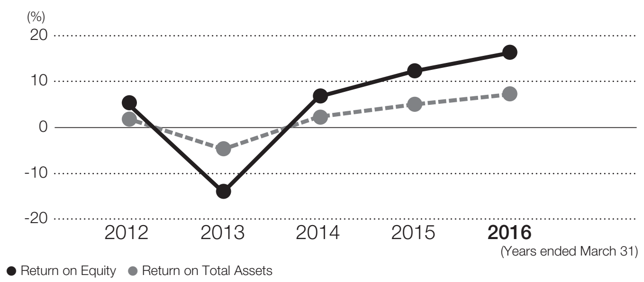
Ratio of Operating Income to Net Sales and Ratio of Net Income to Net Sales



Net Income Per Share of Capital Stock



Return on Equity and Return on Total Assets



	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2016**	2015	2014	2013	2012	**2016**
Operating income (loss)	**¥23,557**	¥17,168	¥8,903	¥ (4,833)	¥13,498	**$208,469**
Operating income to net sales (%)	**9.1%**	7.2%	3.8%	-2.4%	5.4%	
Profit (loss) attributable to owners of parent	**¥18,816**	¥12,122	¥5,419	¥(11,333)	¥ 4,637	**$166,513**
Net income to net sales (%)	**7.2%**	5.1%	2.3%	-5.7%	1.9%	
Per share of capital stock (yen)						
Net income (loss)	**¥ 79.35**	¥ 51.07	¥22.83	¥ (47.75)	¥ 19.54	**$ 0.70**
Net income—diluted	**—**	—	—	—	—	**—**
Return on equity (%)	**16.3%**	12.3%	6.7%	-14.2%	5.2%	
Return on total assets (%)	**7.2%**	5.0%	2.3%	-4.8%	1.9%	

Notes: 1. Return on equity and return on total assets are calculated on the basis of average equity and average total assets, respectively, for the current and previous fiscal year-ends.
2. Effective from the fiscal year ended March 31, 2014, for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Financial Position and Liquidity

Assets, Liabilities, and Net Assets

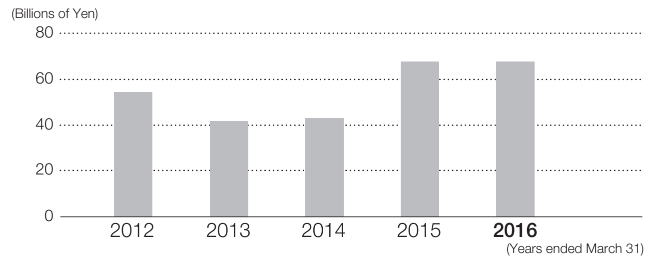
Total assets as of March 31, 2016 stood at ¥270,094 million, an increase of ¥20,577 million, or 8.2%, compared with March 31, 2015. This was largely due to increases in trade notes and accounts receivable and cash and time deposits, despite a decrease in investment securities.

Total liabilities amounted to ¥149,805 million, up ¥11,801 million, or 8.6%, compared with the end of the previous fiscal year. This was mainly attributable to increases in trade notes and accounts payable and advances received. Interest-bearing debt decreased ¥41 million, or 0.1%, from March 31, 2015 to ¥39,636 million. Net interest-bearing debt, or interest-bearing debt minus cash and time deposits, decreased ¥6,773 million compared with the previous fiscal year-end to ¥7,264 million.

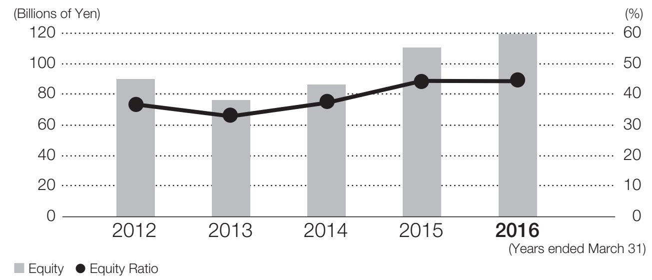
Total net assets amounted to ¥120,289 million, up ¥8,776 million, or 7.9%, from March 31, 2015. This was mainly attributable to the increase in retained earnings as a result of the recording of profit attributable to owners of parent, despite decreases in valuation difference on available-for-sale securities and foreign currency translation adjustment due to decreases in the market values of held stocks and the appreciation of the yen.

As a result, the equity ratio as of March 31, 2016 was 44.3%.

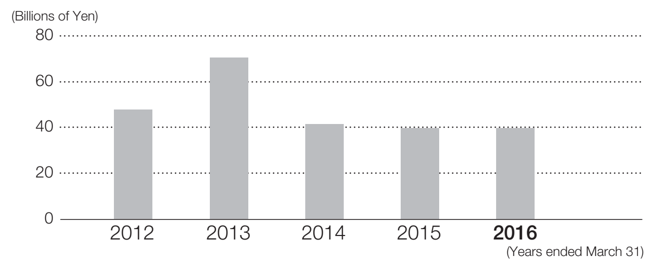
Working Capital



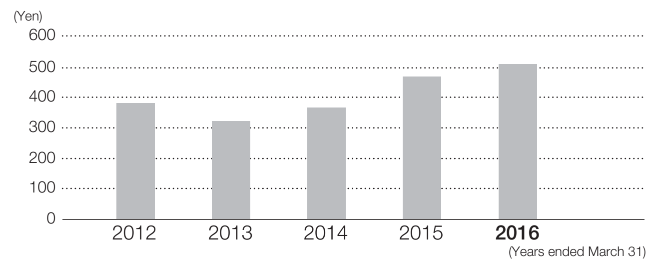
Equity and Equity Ratio



Interest-Bearing Debt



Net Assets Per Share of Capital Stock



	Millions of yen					Thousands of U.S. dollars
As of March 31,	**2016**	2015	2014	2013	2012	**2016**
Total assets	**¥270,094**	¥249,517	¥232,376	¥232,390	¥245,382	**$2,390,212**
Reportable Segment: SE	**132,524**	114,733	119,015	117,714	133,927	**1,172,779**
GP	**50,334**	53,289	48,963	46,653	41,226	**445,434**
FT	**28,372**	20,624	13,664	13,428	15,662	**251,080**
Other	**6,637**	4,979	3,566	4,043	4,763	**58,733**
Adjustments	**52,227**	55,892	47,168	50,552	49,804	**462,186**
Working capital	**67,665**	67,617	42,960	41,600	54,320	**598,805**
Interest-bearing debt	**39,636**	39,677	41,375	70,443	47,676	**350,761**
Equity	**119,650**	110,865	86,448	76,248	90,069	**1,058,849**
Equity ratio (%)	**44.3%**	44.4%	37.2%	32.8%	36.7%	
Net assets per share of capital stock (yen)	**¥ 506.68**	¥ 467.13	¥ 364.23	¥ 321.24	¥ 379.44	**$ 4.48**

Note: Effective from the fiscal year ended March 31, 2014, for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Capital Expenditures and Depreciation and Amortization

For the year ended March 31, 2016, Group capital expenditures, including expenditures for intangible fixed assets, totaled ¥6,352 million.

In the SE segment, capital expenditures, centered on R&D and manufacturing facilities for semiconductor production equipment, amounted to ¥3,571 million.

Capital expenditures in the GP segment, centered on R&D and manufacturing facilities for graphic arts equipment, were ¥823 million.

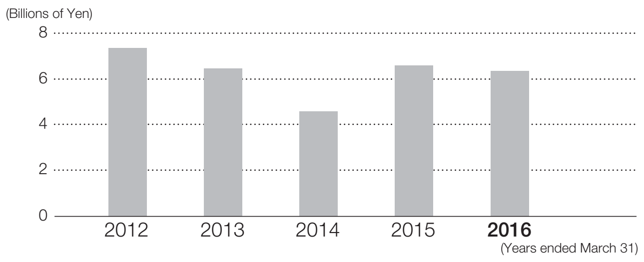
In the FT segment, capital expenditures, invested mainly in R&D and other facilities for FPD production equipment, totaled ¥181 million.

Capital expenditures for other businesses, which went mainly to R&D facilities, came to ¥245 million.

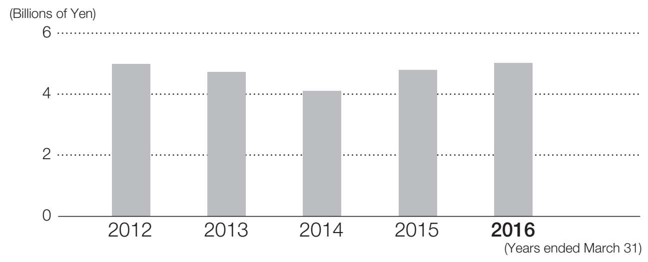
On a Groupwide basis, capital expenditures, centered on core business systems and facilities related to our business site in Kumamoto, Japan, amounted to ¥1,532 million.

Depreciation and amortization during the year came to ¥5,030 million, up ¥150 million, or 3.1%, from the previous fiscal year.

Capital Expenditures



Depreciation and Amortization



	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2016**	2015	2014	2013	2012	**2016**
Capital expenditures	**¥6,352**	¥6,659	¥4,574	¥6,450	¥7,347	**$56,212**
Reportable Segment: SE	**3,571**	4,221	2,224	4,238	2,951	**31,602**
GP	**823**	866	868	899	1,041	**7,283**
FT	**181**	172	86	132	448	**1,602**
Other	**245**	139	206	154	114	**2,167**
Adjustments	**1,532**	1,261	1,190	1,027	2,793	**13,558**
Depreciation and amortization	**¥5,030**	¥4,880	¥4,101	¥4,731	¥4,986	**$44,513**
Reportable Segment: SE	**2,490**	2,620	2,542	2,970	3,204	**22,035**
GP	**646**	625	485	407	310	**5,717**
FT	**88**	59	80	79	329	**779**
Other	**185**	119	110	103	112	**1,637**
Adjustments	**1,621**	1,457	884	1,172	1,031	**14,345**

Cash Flows

Cash flows during the fiscal year ended March 31, 2016, were as follows.

Net cash provided by operating activities came to ¥14,721 million, compared with ¥1,492 million used in operating activities in the previous fiscal year. This was because income before income taxes, increases in trade notes and accounts payable and advances received, and other inflows surpassed such cash outflows as increases in trade notes and accounts receivable and inventories.

Net cash used in investing activities amounted to ¥2,558 million, compared with ¥6,318 million used in investing activities in the previous fiscal year. This was attributable to the purchase of property, plant and equipment, such as equipment for R&D, which was partially offset by the sale of investment securities.

Net cash used in financing activities amounted to ¥2,846 million, compared with ¥3,823 million used in financing activities in the previous fiscal year. This was attributable mainly to cash dividends paid and the acquisition of treasury stock.

As a result, cash and cash equivalents as of March 31, 2016, totaled ¥30,157 million, up ¥8,166 million from March 31, 2015.

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2016**	2015	2014	2013	2012	**2016**
Cash flows from operating activities	**¥14,721**	¥(1,492)	¥24,703	¥(15,320)	¥11,279	**$130,274**
Cash flows from investing activities	**(2,558)**	(6,318)	(4,201)	(5,768)	(4,162)	**(22,637)**
Cash flows from financing activities	**(2,846)**	(3,823)	(29,302)	21,534	(9,468)	**(25,186)**
Effect of exchange rate changes on cash and cash equivalents	**(1,151)**	2,062	2,335	1,949	(400)	**(10,186)**
Net increase (decrease) in cash and cash equivalents	**¥ 8,166**	¥(9,571)	¥ (6,465)	¥ 2,395	¥ (2,751)	**$ 72,265**

Risk Factors

(1) Semiconductor and FPD market trends

While the semiconductor and FPD markets have recorded significant growth on rapid technological innovation, they are also susceptible to deterioration in market supply-demand balance which leads to cyclical upturns and downturns. Given such market conditions, the SCREEN Group is promoting business portfolio reform so that it can consistently generate profits during market downturns. However, unexpectedly large market downturns can have a material impact on the Group's financial condition and business performance.

(2) Concentration of transactions with specific customers

The SCREEN Group delivers production equipment to leading semiconductor manufacturers in Japan and overseas. However, as raising production capacity and responding to miniaturization trends in this industry requires huge capital investments, certain leading manufacturers are consolidating. Accordingly, the Group's sales are tending to concentrate on specific customers. As a result, fluctuations in capital investments and orders by these specific customers could have a material impact on the Group's financial condition and business performance.

(3) Concentration of production sites

The SCREEN Group's domestic manufacturing sites are concentrated in the Kyoto and Shiga regions, and a large-scale earthquake or other disaster affecting this area could seriously damage the Group's operations. To minimize the potential for loss and ensure continuation or early resumption of business operations, the Group has been promoting business continuity management (BCM). However, the halting of operations at a production site as a result of such a disaster could have a material impact on the Group's financial condition and business performance.

(4) Product quality

The SCREEN Group has created its quality management system on the basis of standards for quality management systems (ISO 9001) and works to enhance the quality of its products and services. Nevertheless, if a product defect should arise and lead to a large-scale recall or product liability resulting in losses to a customer, the Group could incur significant additional expenses and suffer a decrease in trust, prompting a decline in sales. Such cases could have a material impact on the Group's financial condition and business performance.

(5) New product development

In order to strengthen its earnings structure by expanding market share, the Group is working to concentrate development themes in line with the respective strategies of each in-house company to share technologies held within the Group and effectively utilize external technology resources to strengthen and invigorate its development capabilities in the timely introduction of products that incorporate the latest technologies. This notwithstanding, extended development periods could result in delays in new product releases that could have a material impact on the Group's financial condition and business performance.

(6) Intellectual property rights

Over the years the Group has striven to introduce into the market products utilizing the latest technologies and has created various proprietary technologies within each business division. In addition, the Group has worked to establish and protect its intellectual property rights under related intellectual property laws and in contracts with other companies. However, given the increasing complexity of intellectual property rights in leading-edge technology fields, there is the risk that the Group could in the future become involved in intellectual property disputes and that such disputes could have a material impact on the Group's financial condition and business performance.

(7) Information security

In the course of its business operations, the Group handles various personal, customer and technological information. The Group has established Network System Management Regulations to strengthen the security of internal information systems as well as the SCREEN Group CSR Charter, which establishes a Code of Conduct for all Group employees to comply with in their business operations, seeking to reinforce information management. However, unforeseen leaks of confidential information could have a material impact on the Group's financial condition and business performance.

(8) Corporate acquisitions and capital participation

The Group may engage in corporate acquisitions or capital participation in other companies as part of its business strategy. While the Group will thoroughly examine each specific project before taking action, business plans may not proceed as originally planned after an acquisition or a business alliance is concluded, and this could have a material impact on the Group's financial condition and business performance.

(9) Major lawsuits

The SCREEN Group could become the target of a lawsuit for a variety of reasons related to its business activities. If the Group were to become the subject of a major lawsuit, said lawsuit could, depending on its outcome, have a material impact on the Group's financial condition and business performance.

(10) Interest rate fluctuations

All the Group's interest-bearing debt as of the end of the fiscal year was fixed-rate debt and was, therefore, not subject to interest rate fluctuation risk. Nevertheless, the Group's financial condition and business performance could be materially affected by the impact of interest rate fluctuations on new fund procurement at variable interest rates.

(11) Procurement of funds

Certain loan contracts of the Company provide for financial covenants regarding its consolidated net assets at the end of each fiscal year and its consolidated ordinary income (loss) of each fiscal year. If these covenants were to be breached and the financial institutions required repayment, the Company could be forced to forfeit the benefit of time in relation to such loans. In such a case, the Company could also forfeit the benefit of time in relation to its bonds and other loans. If the Company forfeits the benefit of time for its loans and incurs the obligation to make a lump-sum repayment, it could have a material impact on the Group's financial condition.

(12) Exchange rate fluctuations

As the Group has a high overseas sales ratio, we make a proactive effort to avoid exchange rate risks on export sales by conducting transactions denominated in yen. However, some transactions are denominated in foreign currencies. While the Group is working to minimize the impact of exchange rate fluctuations by using forward exchange contracts and other measures to minimize the impact on its business performance, rapid fluctuations in exchange rates could have a material impact on the Group's financial condition and business performance.

(13) Retirement benefit obligations

The Group calculates accrued pension and severance costs based on assumed discount rates set by actuarial calculations and on expected returns on pension asset investments. If differences arise between actual results and assumed costs, changes in assumed parameters and/or declines in pension fund returns, the recognition of future costs and the recording of benefit obligations could be affected.

While the Group is working through a conversion from a qualified retirement pension system to a cash balance plan and a defined contribution plan and taking other measures to reduce the impact of retirement benefit obligations, worse than forecasted investment returns and other factors could have a material impact on the Group's financial condition and business performance.

(14) Impact of impairment accounting

Due to the application of impairment accounting for fixed assets, future trends in property prices and the earnings outlook for the business could have a material impact on the Group's financial condition and business performance.

(15) Recoverability of deferred tax assets

The SCREEN Group records deferred tax assets against temporary differences due to future losses and loss carryforwards for tax purposes based on rational forecasts of future income taxes and its judgments of their recoverability. The Group reviews its assumptions on future income taxes based on such factors as changes in the management environment. A resulting decision that some or all of these deferred tax assets are unrecoverable and that the writing down of deferred tax assets is necessary could have a material impact on the Group's financial condition and business performance.

(16) Other risks

In addition to the above described risks, the Group's business operations are affected, as are those of other companies, by risks of the global and domestic political environment, the economic environment, natural disasters such as earthquakes and floods, wars, terrorism, epidemics, stock markets, commodity markets, regulations by government, etc., the supply systems of business associates and employment conditions. Adverse developments in any of the above areas could, therefore, have a material impact on the Group's financial condition and business performance.

Segment Information

Net Sales and Income (Loss) in Reportable Segments

		Millions of yen					Thousands of U.S. dollars
Years ended March 31,		**2016**	2015	2014	2013	2012	**2016**
Net Sales	Reportable Segment: SE	**¥165,801**	¥157,479	¥163,132	¥140,690	¥167,593	**$1,467,265**
	GP	**61,280**	55,707	52,156	46,324	49,164	**542,301**
	FT	**31,590**	23,774	19,850	12,042	32,611	**279,558**
	Other	**1,085**	770	808	739	722	**9,603**
	Intersegment sales	**(81)**	(84)	—	—	—	**(718)**
	Consolidated	**¥259,675**	¥237,646	¥235,946	¥199,795	¥250,090	**$2,298,009**
Operating Income (Loss)	Reportable Segment: SE	**¥ 18,716**	¥ 15,738	¥ 8,760	¥ (3,753)	¥ 13,628	**$ 165,628**
	GP	**3,169**	2,840	2,768	1,475	2,305	**28,044**
	FT	**2,748**	339	(422)	(836)	(1,217)	**24,319**
	Other	**(1,138)**	(805)	(652)	(158)	3	**(10,071)**
	Total	**¥ 23,495**	¥ 18,112	¥ 10,454	¥ (3,272)	¥ 14,719	**$ 207,920**
	Adjustments	**62**	(944)	(1,551)	(1,561)	(1,221)	**549**
	Consolidated	**¥ 23,557**	¥ 17,168	¥ 8,903	¥ (4,833)	¥ 13,498	**$ 208,469**

Notes: 1. The SCREEN Group has created three business segments for reporting: "Semiconductor Solutions (SE)," "Graphic and Precision Solutions (GP)," and "Finetech Solutions (FT)."
The products and services of each segment are as follows:
SE: Development, manufacturing, sale, and maintenance services of semiconductor production equipment
GP: Development, manufacturing, sale, and maintenance services of graphic arts equipment and PCB related equipment
FT: Development, manufacturing, sale, and maintenance services of FPD production equipment
2. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in life science business and other, software development, planning and production of printed matter and other businesses.
3 For more information such as details of each reportable segment, see Note 7, "Segment Information."
4. Effective from the fiscal year ended March 31, 2014, for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Domestic Sales and Overseas Sales

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2016**	2015	2014	2013	2012	**2016**
Domestic sales	**¥ 73,229**	¥ 53,483	¥ 53,300	¥ 44,109	¥ 62,135	**$ 648,044**
Overseas sales	**186,446**	184,163	182,646	155,686	187,955	**1,649,965**
North America	**36,219**	52,992	47,094	45,185	53,479	**320,522**
Asia & Oceania	**126,717**	92,321	111,555	80,395	92,063	**1,121,389**
Europe	**20,160**	36,829	21,914	19,227	26,138	**178,407**
Others	**3,350**	2,021	2,083	10,879	16,275	**29,647**
Ratio of overseas sales to net sales (%)	**71.8%**	77.5%	77.4%	77.9%	75.2%	
Net sales	**¥259,675**	¥237,646	¥235,946	¥199,795	¥250,090	**$2,298,009**

Notes: 1. Sales to customers in Japan by the Company and its consolidated subsidiaries.
2. Sales to customers outside Japan by the Company and its consolidated subsidiaries.
3. For information by geographic area, see Note 7, "Segment Information."
4. Effective from the fiscal year ended March 31, 2014, for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Consolidated Balance Sheets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
Assets	**2016**	2015	**2016**
Current Assets:			
Cash and cash equivalents (Note 9)	¥ 30,157	¥ 21,991	$ 266,876
Time deposits (Note 9)	2,215	3,650	19,602
Trade notes and accounts receivable (Note 9)	67,587	55,054	598,115
Allowance for doubtful receivables (Note 9)	(789)	(795)	(6,982)
Inventories	76,633	70,311	678,168
Deferred tax assets (Note 3)	5,156	4,793	45,628
Prepaid expenses and other	7,563	5,363	66,929
Total current assets	188,522	160,367	1,668,336
Property, Plant and Equipment, at Cost:			
Land	9,766	9,939	86,425
Buildings and structures	53,578	52,804	474,142
Machinery, equipment and other	50,895	49,810	450,398
Lease assets	6,613	6,705	58,522
Construction in progress	1,074	1,470	9,504
Total property, plant and equipment	121,926	120,728	1,078,991
Accumulated depreciation	(78,548)	(78,122)	(695,115)
Net property, plant and equipment	43,378	42,606	383,876
Investments and Other Assets:			
Investment securities (Notes 9 and 11)	28,540	36,346	252,566
Investments in unconsolidated subsidiaries and affiliated companies (Notes 9 and 11)	—	39	—
Lease assets (Notes 2 and 6)	34	38	301
Net defined benefit asset (Note 12)	4,280	4,748	37,876
Deferred tax assets (Note 3)	496	292	4,389
Other assets	4,844	5,081	42,868
Total investments and other assets	38,194	46,544	338,000
Total Assets	¥270,094	¥249,517	$2,390,212

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
Liabilities and Net Assets	**2016**	2015	**2016**
Current Liabilities:			
Current portion of long-term debt (Notes 4 and 9)	¥ 17,680	¥ 3,680	$ 156,460
Lease obligations (Notes 2 and 9)	411	397	3,637
Notes and accounts payable—			
Trade (Note 9)	70,060	62,382	620,000
Construction and other	3,415	3,839	30,221
Accrued expenses	7,708	7,879	68,212
Income taxes payable	4,430	2,375	39,204
Provision for product warranties	4,564	4,557	40,389
Provision for bonuses	1,044	—	9,239
Provision for directors' bonuses	73	126	646
Provision for loss on order received	2	18	18
Other current liabilities	11,470	7,497	101,505
Total current liabilities	120,857	92,750	1,069,531
Long-Term Liabilities:			
Long-term debt (Notes 4 and 9)	18,986	32,666	168,018
Net defined benefit liability (Note 12)	737	716	6,522
Provision for directors' retirement benefits	103	114	912
Lease obligations (Notes 2 and 9)	2,559	2,934	22,646
Deferred tax liabilities (Note 3)	5,989	8,357	53,000
Asset retirement obligations	49	49	434
Other long-term liabilities	525	418	4,645
Total long-term liabilities	28,948	45,254	256,177
Contingent Liabilities (Note 8)			
Net Assets (Note 5):			
Shareholders' Equity:			
Capital stock			
Authorized—900,000,000 shares in 2016 and 2015			
Issued—253,974,333 shares in 2016 and 2015	54,045	54,045	478,274
Capital surplus	4,583	4,583	40,558
Retained earnings	71,602	54,448	633,646
Treasury stock, at cost 17,830,849 shares in 2016 and 16,642,614 shares in 2015	(13,273)	(12,263)	(117,460)
Total shareholders' equity	116,957	100,813	1,035,018
Accumulated Other Comprehensive Income:			
Valuation difference on available-for-sale securities	8,364	12,586	74,018
Foreign currency translation adjustment	(3,910)	(1,394)	(34,603)
Remeasurements of defined benefit plans	(1,761)	(1,140)	(15,584)
Total accumulated other comprehensive income	2,693	10,052	23,831
Non-controlling interests:			
Non-controlling interests	639	648	5,655
Total net assets	120,289	111,513	1,064,504
Total Liabilities and Net Assets	¥270,094	¥249,517	$2,390,212

Consolidated Statements of Operations

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net Sales (Note 7)	¥259,675	¥237,646	$2,298,009
Cost of Sales (Note 7)	178,677	165,192	1,581,213
Gross profit	80,998	72,454	716,796
Selling, General and Administrative Expenses	57,441	55,286	508,327
Operating income (Note 7)	23,557	17,168	208,469
Other (Income) Expenses:			
Interest and dividend income	(661)	(620)	(5,850)
Interest expenses	1,095	1,020	9,690
Exchange loss on foreign currency transactions, net	253	851	2,239
House rent income	(170)	(208)	(1,504)
Compensation income	(179)	(70)	(1,584)
Subsidy income	(308)	(110)	(2,726)
Loss on retirement of non-current assets	302	146	2,673
Gain on sales of investment securities (Note 9)	(993)	(91)	(8,788)
Gain on bargain purchase	—	(181)	—
Loss on valuation of investment securities	1	—	9
Office transfer expenses	—	364	—
Impairment loss	227	181	2,009
Loss on valuation of investments in capital	—	41	—
Other, net	47	63	416
Net other (income) expenses	(386)	1,386	(3,416)
Income before Income Taxes	23,943	15,782	211,885
Income Taxes (Note 3)			
Current	5,922	3,419	52,407
Deferred	(923)	163	(8,168)
Total income taxes	4,999	3,582	44,239
Profit	18,944	12,200	167,646
Profit Attributable to Non-controlling Interests	128	78	1,133
Profit Attributable to Owners of Parent	¥ 18,816	¥ 12,122	$ 166,513

Per Share of Capital Stock:

	Yen		U.S. dollars
	2016	2015	2016
Net income	¥ 79.35	¥ 51.07	$ 0.70
Net income—diluted	—	—	—
Cash dividends, applicable to earnings for the year	12.00	7.00	0.11

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Profit	¥18,944	¥12,200	$167,646
Other Comprehensive Income (Note 13)			
Valuation difference on available-for-sale securities	(4,223)	5,498	(37,372)
Foreign currency translation adjustment	(2,533)	3,452	(22,415)
Remeasurements of defined benefit plans	(621)	2,868	(5,496)
Total other comprehensive income	(7,377)	11,818	(65,283)
Comprehensive Income (Note 13)	¥11,567	¥24,018	$102,363
Comprehensive income attributable to			
Owners of parent	11,456	23,926	101,381
Non-controlling interests	111	92	982

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

		Millions of yen								
		Shareholders' equity				Accumulated other comprehensive income				
	Shares of issued capital stock (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at the beginning of fiscal 2015	253,974	¥54,045	¥4,583	¥41,824	¥(12,251)	¥ 7,089	¥(4,834)	¥(4,008)	¥649	¥ 87,097
Cumulative effects of changes in accounting policies	—	—	—	1,214	—	—	—	—	—	1,214
Currently stated balance, as of beginning of current period	253,974	¥54,045	¥4,583	¥43,038	¥(12,251)	¥ 7,089	¥(4,834)	¥(4,008)	¥649	¥ 88,311
Profit attributable to owners of parent	—	—	—	12,122	—	—	—	—	—	12,122
Cash dividends paid, ¥3.00 per share	—	—	—	(712)	—	—	—	—	—	(712)
Valuation difference on available-for-sale securities	—	—	—	—	—	5,497	—	—	—	5,497
Foreign currency translation adjustments	—	—	—	—	—	—	3,440	—	—	3,440
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	2,868	—	2,868
Acquisition of treasury stock	—	—	—	—	(12)	—	—	—	—	(12)
Other	—	—	—	—	—	—	—	—	(1)	(1)
Balance at the end of fiscal 2015	253,974	¥54,045	¥4,583	¥54,448	¥(12,263)	¥12,586	¥(1,394)	¥(1,140)	¥648	¥111,513
Balance at the Beginning of Fiscal 2016	253,974	¥54,045	¥4,583	¥54,448	¥(12,263)	¥12,586	¥(1,394)	¥(1,140)	¥648	¥111,513
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Currently stated balance, as of beginning of current period	253,974	¥54,045	¥4,583	¥54,448	¥(12,263)	¥12,586	¥(1,394)	¥(1,140)	¥648	¥111,513
Profit attributable to owners of parent	—	—	—	18,816	—	—	—	—	—	18,816
Cash dividends paid, ¥7.00 per share	—	—	—	(1,662)	—	—	—	—	—	(1,662)
Valuation difference on available-for-sale securities	—	—	—	—	—	(4,222)	—	—	—	(4,222)
Foreign currency translation adjustments	—	—	—	—	—	—	(2,516)	—	—	(2,516)
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	(621)	—	(621)
Acquisition of treasury stock	—	—	—	—	(1,010)	—	—	—	—	(1,010)
Other	—	—	—	—	—	—	—	—	(9)	(9)
Balance at the End of Fiscal 2016	253,974	¥54,045	¥4,583	¥71,602	¥(13,273)	¥ 8,364	¥(3,910)	¥(1,761)	¥639	¥120,289

	Thousands of U.S. dollars								
	Shareholders' equity				Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at the Beginning of Fiscal 2016	$478,274	$40,558	$481,841	$(108,522)	$111,381	$(12,338)	$(10,088)	$5,735	$ 986,841
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—
Currently stated balance, as of beginning of current period	$478,274	$40,558	$481,841	$(108,522)	$111,381	$(12,338)	$(10,088)	$5,735	$ 986,841
Profit attributable to owners of parent	—	—	166,513	—	—	—	—	—	166,513
Cash dividends paid, $0.06 per share	—	—	(14,708)	—	—	—	—	—	(14,708)
Valuation difference on available-for-sale securities	—	—	—	—	(37,363)	—	—	—	(37,363)
Foreign currency translation adjustments	—	—	—	—	—	(22,265)	—	—	(22,265)
Remeasurements of defined benefit plans	—	—	—	—	—	—	(5,496)	—	(5,496)
Acquisition of treasury stock	—	—	—	(8,938)	—	—	—	—	(8,938)
Other	—	—	—	—	—	—	—	(80)	(80)
Balance at the End of Fiscal 2016	$478,274	$40,558	$633,646	$(117,460)	$ 74,018	$(34,603)	$(15,584)	$5,655	$1,064,504

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash Flows from Operating Activities:			
Income before income taxes	¥23,943	¥15,782	$211,885
Depreciation and amortization	5,030	4,880	44,513
Impairment loss	227	181	2,009
Loss (gain) on valuation of investment securities	1	—	9
Loss (gain) on sales of investment securities	(993)	(91)	(8,788)
Loss on valuation of investments in capital	—	41	—
Gain on bargain purchase	—	(181)	—
Office transfer expenses	—	364	—
Loss on retirement of non-current assets	302	146	2,673
Increase (decrease) in net defined benefit liability	(113)	(328)	(1,000)
Increase (decrease) in provision for bonuses	1,044	—	9,239
Increase (decrease) in provision for directors' bonuses	(54)	71	(478)
Increase (decrease) in provision for product warranties	45	(514)	398
Increase (decrease) in provision for loss on order received	(16)	(557)	(142)
Interest and dividend income	(661)	(620)	(5,850)
Interest expenses	1,095	1,020	9,690
Decrease (increase) in trade notes and accounts receivable	(12,919)	(9,168)	(114,327)
Decrease (increase) in inventories	(8,536)	1,248	(75,540)
Decrease (increase) in other current assets	(1,506)	(1,219)	(13,327)
Increase (decrease) in trade notes and accounts payable	8,551	(5,993)	75,673
Increase (decrease) in other current liabilities	4,046	(3,125)	35,805
Other, net	288	(713)	2,549
Subtotal	19,774	1,224	174,991
Interest and dividend income received	675	614	5,973
Interest expenses paid	(1,097)	(1,024)	(9,708)
Contribution in connection with the shift to a defined contribution pension plan	(0)	(1)	(0)
Income taxes paid	(4,631)	(2,305)	(40,982)
Net cash provided by (used in) operating activities	14,721	(1,492)	130,274
Cash Flows from Investing Activities:			
Decrease (increase) in time deposits, net	1,176	(660)	10,407
Purchase of property, plant and equipment	(5,458)	(4,655)	(48,301)
Proceeds from sales of property, plant and equipment	97	22	858
Purchase of investment securities	(20)	(200)	(177)
Proceeds from sales of investment securities	2,510	105	22,212
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(23)	—	(204)
Purchase of treasury shares of subsidiaries	—	(102)	—
Other, net	(840)	(828)	(7,432)
Net cash used in investing activities	(2,558)	(6,318)	(22,637)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debt, net	—	(102)	—
Proceeds from long-term debt	4,000	15,400	35,398
Repayments of long-term debt	(3,680)	(3,251)	(32,566)
Repayments of finance lease obligations	(398)	(1,142)	(3,522)
Redemption of bonds	—	(14,000)	—
Decrease (increase) in treasury stock, net	(1,010)	(11)	(8,938)
Cash dividends paid	(1,662)	(712)	(14,708)
Cash dividends paid to non-controlling interests	(96)	(5)	(850)
Net cash used in financing activities	(2,846)	(3,823)	(25,186)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,151)	2,062	(10,186)
Net Increase (Decrease) in Cash and Cash Equivalents	8,166	(9,571)	72,265
Cash and Cash Equivalents at Beginning of Year	21,991	31,562	194,611
Cash and Cash Equivalents at End of Year	¥30,157	¥21,991	$266,876

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

Note 1: Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accounts of the consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the five specified items as applicable. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. Certain Japanese yen amounts in the accompanying consolidated financial statements have been translated into U.S. dollar amounts solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2016, which was ¥113 to U.S. $1.00. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at this or any other rate of exchange. Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control by the Company. Investments in unconsolidated subsidiaries are accounted for by the equity method.

(c) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates. Except for shareholders' equity accounts, which are translated at historical rates, balance sheets of the consolidated overseas subsidiaries are translated into Japanese yen at year-end rates. Except for transactions with the Company, which are translated at rates used by the Company, income statements of the consolidated overseas subsidiaries are translated at average rates. The resulting translation adjustments are presented as foreign currency translation adjustments in net assets.

(d) Inventories

The Company and its consolidated domestic subsidiaries state the value of inventories mainly by either the first-in, first-out method or the specific identification method. With regard to the amounts stated in the balance sheet, the book value devaluation method is used to write down the value of inventory in the event of a decline in profitability. Consolidated overseas subsidiaries state inventories mainly at the lower of cost or net realizable value either by the first-in, first-out method or the specific identification method.

(e) Securities

The Company and its consolidated subsidiaries classify securities as "available-for-sale securities." Available-for-sale securities with available fair values are stated at fair value. Unrealized holding gains (losses) on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sales of such securities are computed using moving average cost. Other securities with no available fair values are stated at moving average cost.

(f) Depreciation

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed primarily by the straight-line method. Depreciation of property, plant and equipment of the consolidated overseas subsidiaries is computed mainly by the straight-line method. The estimated useful lives are as follows: Buildings and structures 2-60 years Machinery and equipment 2-70 years Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred. Leased assets related to finance lease transactions in which ownership transfers to the lessee are depreciated in the same manner as owned property, plant and equipment. Leased assets related to finance lease transactions in which ownership does not transfer are depreciated on a straight-line basis, with the lease periods as the useful life and no residual value.

(g) Impairment of fixed assets

The Company and its consolidated subsidiaries evaluate the book value of fixed assets for impairment. If the book value of a fixed asset is impaired, the amount by which the book value exceeds the recoverable amount is recognized as impairment loss.

(h) Software

Software, included in "Other assets," is amortized using the straight-line method over its estimated useful life (3-5 years for internal use software and 3 years for software for sale).

(i) Research and development

Expenses related to research and development are charged to income as incurred and amounted to ¥15,166 million ($134,212 thousand) in 2016 and ¥13,972 million in 2015.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits placed with banks on demand or with maturities of three months or less.

(k) Goodwill
Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over a period of five years. However, when no significant difference in the amounts exists, it is expensed in the year of the acquisition.
(l) Bonds issue costs
Bonds issue costs are charged to expenses as incurred.
(m) Income taxes
The Company and its consolidated subsidiaries record deferred tax assets and liabilities on loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes by using the asset/ liability approach.
(n) Allowance for doubtful receivables
An allowance for doubtful receivables is provided to cover possible losses on collection. The Company and its consolidated domestic subsidiaries provide the allowance for doubtful receivables by adding individually estimated uncollectible amounts of specific items to an amount based on the actual rate of past uncollected receivables. The consolidated overseas subsidiaries provide the allowance for doubtful receivables based mainly on the estimated uncollectible amounts of specific receivables.
(o) Provision for bonuses
The Company and its consolidated subsidiaries provide provision for certain employees' bonuses based on the estimated amounts of payments to be accrued in the fiscal year.
(p) Provision for directors' bonuses
Certain consolidated subsidiaries provide provision for directors' bonuses based on the estimated amounts of payments for the fiscal year.
(q) Employees' severance and retirement benefits
The Company and its consolidated subsidiaries provide funded or unfunded defined benefit plans and defined contribution plans for employees' severance and retirement benefits. The Company and certain consolidated domestic subsidiaries have a cash balance plan in defined benefit pension plans combined with defined contribution pension plans. Certain consolidated domestic subsidiaries have unfunded lump- sum payment plans. Certain consolidated overseas subsidiaries have defined contribution plans. In calculating retirement benefit obligations, the method of attributing expected benefit to periods up to the end of the fiscal year is based on a benefit formula basis. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years (mainly 13 years) commencing with the following period.
(r) Retirement benefits for directors and corporate auditors
Certain consolidated subsidiaries have unfunded retirement and termination allowance plans for directors and statutory auditors. The amounts required under the plans have been fully accrued.
(s) Provision for product warranties
The Company and certain consolidated subsidiaries provide for estimated product warranty costs for the warranty period after product delivery based on actual payments in the past.
(t) Provision for loss on order received
Estimated loss accrued in or after the next fiscal year is provided to cover possible future loss related to orders received if future losses is expected and can be reasonably estimated. (If the net sales value is negative after calculations based on the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006), the amounts are provided for as provision for loss on order received.)
(u) Derivatives and hedge accounting
If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. When a forward foreign exchange contract meets certain conditions, the hedged item is stated at the forward exchange contract rate. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company uses forward foreign exchange contracts, interest rate swap contracts and interest rate cap contracts only for the purpose of mitigating future risk of fluctuation in foreign currency exchange rates and interest rates. In terms of forward foreign exchange contracts, the Company uses them within the amounts of foreign currency receivables and authorized forecast transactions. The following table summarizes the derivative financial instruments used in hedge accounting and the related hedged items.

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency receivables
Interest rate swap contracts	Interest on short-term and long-term debt

The Company executes and manages derivative transactions in accordance with established internal policies and specified limits on the amounts of derivative transactions allowed. The derivative transactions are reported to and approved by the Board of Directors. The Company evaluates hedge effectiveness semiannually by comparing the cumulative changes in the hedging derivative instruments and the items hedged.

(Changes of accounting policies)
(Adoption of revised accounting standard for business combinations, etc.)
Effective from the fiscal year ended March 31, 2016, SCREEN Holdings and its consolidated domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards"). As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests." Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No. 21, Article 44-5 (4) of Statement No. 22 and Article 57-4 (4) of Statement No. 7 with application from the beginning of the fiscal year ended March 31, 2016 prospectively.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

The effect of this change on the consolidated financial statements is immaterial.

(Accounting standards issued but not yet applied)
"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No. 26")
(1) Overview
Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:
1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2017
(3) Effects of application of the Guidance
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" on the consolidated financial statements.

Note 2: Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2016 and 2015 were as follows:

Newly booked assets and liabilities related to finance leases

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Lease assets	**¥37**	¥1,118	**$327**
Lease obligations	**38**	1,398	**336**

Note 3: Income Taxes

The Company is subject to several taxes based on income with an aggregate statutory tax rate of approximately 33.0% in 2016 and 35.5% in 2015. As of March 31, 2016, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥60,655 million ($536,770 thousand), which were available to offset the respective future taxable incomes of these companies.

Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets (current)			
Accrued bonuses for employees/ Provision for bonuses	¥ 1,133	¥ 996	$ 10,027
Loss on valuation of inventories	2,396	2,607	21,204
Provision for product warranties	1,310	1,398	11,593
Unrealized income on inventories	1,153	353	102,204
Other	2,351	2,532	20,803
Valuation allowance	(3,181)	(3,087)	(28,150)
Deferred tax liabilities (current)			
Adjustment of allowance for doubtful accounts and other	(9)	(15)	(79)
Net deferred tax assets (current)	¥ 5,153	¥ 4,784	$ 45,602
Deferred tax assets (noncurrent)			
Net operating loss carryforwards	¥18,224	¥23,727	$161,274
Research and development expenses	1,236	1,371	10,938
Depreciation	1,163	1,074	10,292
Net defined benefit liability	585	403	5,177
Other	2,881	3,043	25,495
Valuation allowance	(22,949)	(28,864)	(203,088)
Deferred tax liabilities (noncurrent)			
Undistributed earnings of consolidated overseas subsidiaries	(1,477)	(1,504)	(13,071)
Valuation difference on available-for-sale securities	(3,291)	(5,381)	(29,124)
Net defined benefit asset	(1,860)	(1,875)	(16,460)
Other	(5)	(59)	(44)
Net deferred tax liabilities (noncurrent)	¥ (5,493)	¥ (8,065)	$ (48,611)

A reconciliation of the aggregate statutory income tax rate and the effective income tax rate as a percentage of income before income taxes for the years ended March 31, 2016 and 2015 was as follows:

	2016	2015
Statutory income tax rate	33.0%	35.5%
Nondeductible expenses	0.6	0.9
Valuation allowance	(12.3)	(15.6)
Effect of changes in tax rates	0.5	0.6
Tax rate difference from parent company	(2.1)	(3.7)
Undistributed earnings of consolidated overseas subsidiaries	(0.1)	2.7
Consolidated overseas subsidiaries' source of dividends	1.7	1.4
Other, net	(0.4)	0.9
Effective income tax rate	20.9%	22.7%

(Additional information)

On March 29, 2016, amendments to the Japanese tax regulations were enacted in the Diet. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 are changed from 32.2% for the fiscal year ended March 31, 2016 to 30.8% and 30.5%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) and net deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥202 million ($1,788 thousand) and ¥271 million ($2,398 thousand), respectively, and deferred income taxes and valuation difference on available-for-sale securities increased by ¥114 million ($1,009 thousand) and ¥183 million ($1,619 thousand), respectively, compared with the amounts that would have been reported without the changes.

In addition, following the revised system for the carryforward of net tax losses, the maximum amount of deduction will be equivalent to 60% of the amount of income before carryforward for the fiscal year beginning on April 1, 2016, 55% for the fiscal year beginning on April 1, 2017 and 50% for the fiscal year beginning on after April 1, 2018. As a result of this change, deferred tax assets decreased by ¥25 million ($221 thousand), and deferred income taxes increased by the same amount.

Note 4: Short-Term and Long-Term Debt

Short-term debt generally consists of short-term notes from banks. There was no short-term debt as of March 31,2016 and 2015.

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
0.35% to 1.69% loans from Japanese banks, due in installments through 2021			
Secured	¥ —	¥—	$ —
Unsecured	18,087	17,153	160,062
0.59% to 1.58% loans from a governmental institution, due in installments through 2021			
Secured	—	—	—
Unsecured	2,600	2,400	23,009
1.32% to 1.59% loans from an insurance company, due in installments through 2021			
Secured	—	—	—
Unsecured	2,379	3,193	21,053
2.00% unsecured notes, due June 7, 2016	8,600	8,600	76,106
1.34% unsecured notes, due September 26, 2016	5,000	5,000	44,248
Total	36,666	36,346	324,478
Current portion of long-term debt shown in current liabilities	(17,680)	(3,680)	(156,460)
Long-term debt, less current portion	¥18,986	¥32,666	$168,018

As is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that additional security and guarantees for present and future indebtedness will be given upon request by the bank and that any collateral so furnished will be applicable to all indebtedness to that bank. In addition, the agreements provide that the bank has the right to offset cash deposited against any long-term or short-term debt that becomes due and, in case of default and certain other specified events, against all other debts payable to the bank. To date, the Company has not received any such requests from its banks.

The Company has contracts for commitment lines by which banks are bound to extend loans up to a prearranged amount upon request. As of March 31, 2016, the total financing available under these contracts amounted to ¥30,000 million ($265,487 thousand), and no amount of these commitment lines had been used.

The aggregate annual maturities of long-term debt are as follows:

Years ended March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 4,079	$ 36,097
2019	5,680	50,265
2020	6,504	57,558
2021	2,614	23,133
2022 and thereafter	109	965
Total	¥18,986	$168,018

Note 5: Net Assets and Per Share Data

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus. Under the Japanese Corporate Law (the "Law"), in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, and are potentially available for dividends. Both of these appropriations generally require a resolution of the shareholders' meeting.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations. Net income per share is based on the weighted average number of shares of capital stock outstanding. Diluted net income per share is computed using the weighted average number of shares after assuming conversion of all dilutive convertible notes and the exercise of all outstanding stock acquisition rights. Diluted net income per share of capital stock for the fiscal year ended March 31, 2016 is not shown because there was no dilutive stock. At the annual shareholders' meeting held on June 28, 2016, the shareholders approved cash dividends of ¥12.00 ($0.11) per share, totaling ¥2,834 million ($25,080 thousand). The application had not been accrued in the consolidated financial statements as of March 31, 2016. Such appropriations are recognized in the period in which they are approved by the shareholders.

Note 6: Leases

1. Finance leases

A. Information relating to finance leases for which the ownership of the leased assets is considered to be transferred to the lessee as of and for the years ended March 31, 2016 and 2015 was as follows:

(As lessee)

1) Description of leased assets

1. Tangible fixed assets: Mainly the production facilities in the Semiconductor Solutions business ("Machinery, equipment and other")
2. Intangible fixed assets: Software

2) Depreciation method for leased assets

As described in Note 1, *"Summary of Significant Accounting and Reporting Policies, (f) Depreciation"*

B. Information related to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2016 and 2015 was as follows:

(As lessee)

1) Description of leased assets

1. Tangible fixed assets: Mainly the production facilities and the R&D facilities in the Semiconductor Solutions business ("Buildings and structures"and "Machinery, equipment and other")
2. Intangible fixed assets: Software

2) Depreciation method for leased assets

As described in Note 1, *"Summary of Significant Accounting and Reporting Policies, (f) Depreciation"*

2. Operating leases

(As lessee)

Future minimum lease payments as lessee:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥ 429**	¥304	**$3,796**
Due after one year	**688**	576	**6,089**
Total	**¥1,117**	¥880	**$9,885**

Note 7: Segment Information

1. General information about reportable segments

(1) Calculation method for reportable segments

The SCREEN Group's reportable segments are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results.

Effective October 1, 2014, the Company changed to a holding company structure. The internal companies categorized as product or service segments underwent a company split and became Group subsidiaries. These subsidiaries inherit the internal companies' functions, including planning and execution of overall business plans in their specific areas of operation.

Consequently, the SCREEN Group has created three business segments for reporting: the Semiconductor Solutions (SE) segment, the Graphic and Precision Solutions (GP) segment and the Finetech Solutions (FT) segment, categorized by products based on the above subsidiaries.

(2) Products and services of reportable segments

The SE segment develops and manufactures semiconductor production equipment and conducts sales and maintenance services. In the GP segment, graphic arts equipment and PCB related equipment are developed, manufactured, sold and maintained. The FT segment develops, manufactures, and markets FPD production equipment and others and conducts maintenance services.

2. Basis of measurement about reportable segment income (loss), segment assets and other material items

The accounting methods applied to reported business segments are identical with those stated in Note 1, "Summary of Significant Accounting and Reporting Policies." Income for each reportable segment reflects operating income. Intersegment revenues and transfers are calculated based on market prices.

3. Information about reportable segment income (loss), segment assets and other material items

	Millions of yen					
	Reportable segment					
As of and for the year ended March 31, 2016	SE	GP	FT	Others	Adjustments	Consolidated
Sales						
Sales to outside customers	**¥165,801**	**¥61,231**	**¥31,558**	**¥ 1,085**	**¥ —**	**¥259,675**
Intersegment sales and transfers	**0**	**49**	**32**	**11,553**	**(11,634)**	**—**
Total	**165,801**	**61,280**	**31,590**	**12,638**	**(11,634)**	**259,675**
Segment income (loss)	**¥ 18,716**	**¥ 3,169**	**¥ 2,748**	**¥ (1,138)**	**¥ 62**	**¥ 23,557**
Segment assets	**¥132,524**	**¥50,334**	**¥28,372**	**¥ 6,637**	**¥52,227**	**¥270,094**
Other						
Depreciation and amortization	**2,490**	**646**	**88**	**185**	**1,621**	**5,030**
Capital expenditures	**3,571**	**823**	**181**	**245**	**1,532**	**6,352**

	Millions of yen					
	Reportable segment					
As of and for the year ended March 31, 2015	SE	GP	FT	Others	Adjustments	Consolidated
Sales						
Sales to outside customers	¥157,478	¥55,677	¥23,721	¥ 770	¥ —	¥237,646
Intersegment sales and transfers	1	30	53	9,612	(9,696)	—
Total	¥157,479	¥55,707	¥23,774	¥10,382	¥ (9,696)	¥237,646
Segment income (loss)	¥ 15,738	¥ 2,840	¥ 339	¥ (805)	¥ (944)	¥ 17,168
Segment assets	¥114,733	¥53,289	¥20,624	¥ 4,979	¥55,892	¥249,517
Other						
Depreciation and amortization	2,620	625	59	119	1,457	4,880
Capital expenditures	4,221	866	172	139	1,261	6,659

	Thousands of U.S. dollars					
	Reportable segment					
As of and for the year ended March 31, 2016	SE	GP	FT	Others	Adjustments	Consolidated
Sales						
Sales to outside customers	**$1,467,265**	**$541,867**	**$279,274**	**$ 9,603**	**$ —**	**$2,298,009**
Intersegment sales and transfers	**0**	**434**	**284**	**102,238**	**(102,956)**	**—**
Total	**1,467,265**	**542,301**	**279,558**	**111,841**	**(102,956)**	**2,298,009**
Segment income (loss)	**$ 165,628**	**$ 28,044**	**$ 24,319**	**$ (10,071)**	**$ 549**	**$ 208,469**
Segment assets	**$1,172,779**	**$445,434**	**$251,080**	**$ 58,733**	**$ 462,186**	**$2,390,212**
Other						
Depreciation and amortization	**22,035**	**5,717**	**779**	**1,637**	**14,345**	**44,513**
Capital expenditures	**31,602**	**7,283**	**1,602**	**2,167**	**13,558**	**56,212**

Notes: 1. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in life science business and other, software development, planning and production of printed matter and other businesses.
2. Segment operating income (loss) adjustments of ¥62 million ($549 thousand) for the year ended March 31, 2016 are the Company's profit (loss) not attributable to reportable segment. Segment operating income (loss) adjustments of ¥(944) million for the year ended March 31, 2015 are the corporate profit (loss) not attributable to each reportable segment. Corporate profit (loss) consists mainly of general and administrative expenses not attributable to segments.
Segment assets adjustments of ¥52,227 million ($462,186 thousand) and ¥55,892 for the year ended March 31, 2016 and 2015, respectively, are the corporate assets not apportioned to each reportable segment.
3. Segment income (loss) is adjusted with operating income (loss) under consolidated statements of operations.

<Related Information>

1. Information about geographic areas

(1) Net Sales

	Millions of yen				Thousands of U.S. dollars
Years ended March 31,	**2016**		2015		**2016**
Japan	**¥ 73,229**	**(28.2%)**	¥ 53,483	(22.5%)	**$ 648,044**
Taiwan	**65,576**	**(25.2%)**	45,448	(19.1%)	**580,319**
South Korea	**20,666**	**(8.0%)**	11,309	(4.8%)	**182,885**
China	**31,996**	**(12.3%)**	29,010	(12.2%)	**283,150**
United States	**35,733**	**(13.8%)**	52,291	(22.0%)	**316,221**
Europe	**20,160**	**(7.8%)**	36,829	(15.5%)	**178,407**
Others	**12,315**	**(4.7%)**	9,276	(3.9%)	**108,983**
Total	**¥259,675**	**(100.0%)**	¥237,646	(100.0%)	**$2,298,009**

Notes: 1. Net sales are categorized by country or geographic area based on the location of the customer.
2. The numbers shown in parentheses are component ratios.

(2) Property, plant and equipment

Information about property, plant and equipment by geographic area is omitted because the amount of fixed assets held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

2. Information about major customers

Year ended March 31, 2016	Millions of yen	Thousands of U.S. dollars
Net sales		
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥35,337	$312,717

Year ended March 31, 2015	Millions of yen
Net sales	
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥30,218

Note 8: Contingent Liabilities

As of March 31, 2016 and 2015, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
As guarantors of			
Customers' lease payments	¥ —	¥ 1	$ —
Employees' housing loans	66	94	584
Trade notes receivable endorsed	47	50	416
Liquidation of receivables with recourse	—	81	—
Total	¥113	¥226	$1,000

Note 9: Financial Instruments

1. Qualitative information on financial instruments

A. Qualitative information on financial instruments

The SCREEN Group procures funds necessary to conduct business by means such as loans from financial institutions and the issuance of bonds in accordance with annual funding plans. Investments of capital are limited to instruments that satisfy safety and liquidity requirements. Derivative transactions are used only to hedge financial risk such as the risk of fluctuations in exchange rates and interest rates. Speculative transactions are not undertaken.

B. Details of financial instruments used, risks and processes for risk management

Financial instruments	Risks	Processes for risk management
Trade notes and accounts receivable	Credit risk of clients	The amounts outstanding are managed for each client and by due date. Also, the financial condition of the clients is monitored.
Accounts receivable denominated in foreign currency	Risk of fluctuation in foreign currency exchange rates	The risk is hedged by using forward foreign exchange contracts on certain portions of the receivables.
Investments in securities	Risk of fluctuation in market prices	The fair values of the instruments and financial conditions of issuers are regularly monitored.
Trade notes and accounts payable, loans, bonds and lease obligations	Liquidity risk	Funding plans are prepared and renewed, and a certain level of liquidity on hand is maintained.
Portion of loans	Risk of fluctuation in interest rates	The risk is hedged by using interest rate swaps.

The derivative transactions which the Company uses are forward foreign exchange contracts and interest rate swap contracts and are only used for the purpose of mitigating risks of fluctuation in foreign currency exchange rates and interest rates. For information about hedging instruments, hedged items, hedging policies, evaluation of hedge effectiveness and management of derivative transactions, see Note 1, "Summary of Significant Accounting and Reporting Policies (t) Derivatives and hedge accounting." The Company believes that its credit risk is insignificant as the counterparties to its derivative transactions are limited to creditable financial institutions.

C. Supplemental information on fair values

The contract amounts of the derivative transactions described in Note 10, *"Derivative Transactions,"* do not reflect the market risks of the derivative transactions themselves.

2. Fair values of financial instruments

As of March 31, 2016 and 2015, the book value and fair value of financial instruments and the differences between these figures are set forth in the table below. The table does not include financial instruments whose fair values were not readily determinable. (See Note 2, "Consolidated Statements of Cash Flows.")

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
Years ended March 31,	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 32,372	¥ 32,372	¥ —	¥ 25,641	¥ 25,641	¥ —	$ 286,478	$ 286,478	$ —
(2) Trade notes and accounts receivable	67,587	67,589		55,054	55,054		598,115	598,132	
Allowance for doubtful receivables (*1)	(789)	(789)		(795)	(795)		(6,982)	(6,982)	
	66,798	66,800	2	54,259	54,259	(0)	591,133	591,150	17
(3) Investments in securities									
Available-for-sale securities	27,717	27,717	—	35,521	35,521	—	245,283	245,283	—
Total assets	¥126,887	¥126,889	¥ 2	¥115,421	¥115,421	¥ (0)	$1,122,894	$1,122,911	$ 17
(1) Notes and accounts payable—trade	¥ 70,060	¥ 70,060	¥ —	¥ 62,382	¥ 62,382	¥ —	$ 620,000	$ 620,000	$ —
(2) Long-term debt	36,666	37,051	385	36,346	36,553	207	324,478	327,885	3,407
(3) Lease obligations	2,970	4,699	1,729	3,331	5,356	2,025	26,283	41,584	15,301
Total liabilities	¥109,696	¥111,810	¥2,114	¥102,059	¥104,291	¥2,232	$ 970,761	$ 989,469	$18,708
Derivative transactions (*2)									
(1) Without application of hedge accounting	¥ 130	¥ 130	¥ —	¥ (13)	¥ (13)	¥ —	$ 1,151	$ 1,151	$ —
(2) With application of hedge accounting	—	—	—	—	—	—	—	—	—
Total derivative transactions	¥ 130	¥ 130	¥ —	¥ (13)	¥ (13)	¥ —	$ 1,151	$ 1,151	$ —

(*1) Allowance for doubtful receivables recorded for trade notes and accounts receivable is subtracted.
(*2) Net assets and liabilities incurred by derivative transactions are shown in net figures, and items whose total amounts are liabilities are indicated in parentheses.

Notes: 1. Method of estimating fair values of financial instruments and items regarding investment in securities, and derivative transactions

Assets

(1) Cash, cash equivalents and time deposits
As these assets are settled on a short-term basis, their fair values are approximately equal to their book values. For this reason, their fair values are reported based on their applicable book values

(2) Trade notes and accounts receivable
The fair values of these assets are based on the current value classified by length of time until settlement and discounted with consideration for the length of time until settlement and credit risk.

(3) Investments in securities
The fair values of securities are based on market prices on the stock exchange. For information about securities classified by purpose, see Note 11, "Securities."

Liabilities

(1) Notes and accounts payable -trade
As these liabilities are settled on a short-term basis, their fair values are approximately equal to their book values. For this reason, their fair values are reported based on their applicable book values.

(2) Long-term debt
The fair values of bonds are based on the "Reference Statistical Prices [Yields] for OTC Bond Transactions" released by Japan Securities Dealers Association. The fair values of other long-term debt are based on the current value, which is the principal discounted with consideration for the length of time until repayment and credit risk.

(3) Lease obligations
The fair values of lease obligations are based on the current value, which is the principal discounted with consideration for the length of the remaining period of lease obligation and credit risk.

Derivative transactions

See Note 10, "Derivative Transactions."

2. The book value of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Category	Book value	Book value	Book value
Non-listed equity securities	¥823	¥864	$7,283

The amount as of March 31, 2015 in the above table includes investments in unconsolidated subsidiary of ¥39 million. These items do not have market prices and are deemed to require excessive cost to estimate the future cash flows. Therefore, they are not included in (4) "Investments in securities" as it is deemed to be exceedingly difficult to estimate the fair values.

3. Expected redemption amounts of receivables and securities with maturities after the consolidated financial statement date

	Millions of yen								Thousands of U.S. dollars			
	2016				2015				2016			
	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years
Cash, cash equivalents and time deposits	¥32,352	¥ —	¥—	¥—	¥25,617	¥ —	¥—	¥—	$286,301	$ —	$—	$—
Trade notes and accounts receivable	67,117	470	—	—	54,862	192	—	—	593,956	4,159	—	—
Investments in securities—available-for-sale securities with maturities	—	—	—	—	—	—	—	—	—	—	—	—
Total	¥99,469	¥470	¥—	¥—	¥80,479	¥192	¥—	¥—	$880,257	$4,159	$—	$—

4. Expected repayment amounts of long-term debt after the consolidated financial statements date
See Note 4, "Short-Term and Long-Term Debt."

Note 10: Derivative Transactions

Outstanding derivative transactions as of March 31, 2016 and 2015 were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2016				2015				2016			
Years ended March 31,	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Sell–U.S. dollars)	¥4,808	¥—	¥158	¥158	¥4,485	¥—	¥(80)	¥(80)	$42,549	$—	$1,398	$1,398
(Sell–Euro)	1,922	—	6	6	1,608	—	58	58	17,009	—	53	53
(Sell–Australian dollars)	102	—	(1)	(1)	—	—	—	—	903	—	(9)	(9)
(Sell–Singapore dollars)	329	—	(3)	(3)	—	—	—	—	2,911	—	(26)	(26)
Total	¥7,161	¥—	¥160	¥160	¥6,093	¥—	¥(22)	¥(22)	$63,372	$—	$1,416	$1,416

Notes: 1. Method of estimating fair value
The fair values of exchange forward transactions as of March 31, 2016 and 2015 were estimated based on the prices presented by financial institutions.
2. The above table does not list derivative transactions for which hedge accounting has been applied.

	Millions of yen								Thousands of U.S. dollars			
	2016				2015				2016			
Years ended March 31,	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Buy–U.S. dollars)	¥616	¥—	¥(30)	¥(30)	¥1,911	¥—	¥9	¥9	$5,451	$—	$(265)	$(265)
Total	¥616	¥—	¥(30)	¥(30)	¥1,911	¥—	¥9	¥9	$5,451	$—	$(265)	$(265)

Notes: 1. Method of estimating fair value
The fair values of exchange forward transactions as of March 31, 2016 and 2015 were estimated based on the prices presented by financial institutions.
2. The above table does not list derivative transactions for which hedge accounting has been applied.

Note 11: Securities

1. The following table summarizes acquisition costs and book values and any differences between these amounts of securities with available fair values as of March 31, 2016 and 2015:

Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	¥14,050	¥26,122	¥12,072	¥15,704	¥33,816	¥18,112	$124,336	$231,168	$106,832
Others	—	—	—	—	—	—	—	—	—
Total	¥14,050	¥26,122	¥12,072	¥15,704	¥33,816	¥18,112	$124,336	$231,168	$106,832
Other securities:									
Equity securities	¥ 2,012	¥ 1,595	¥ (417)	¥ 1,833	¥ 1,705	¥ (128)	$ 17,805	$ 14,115	$ (3,690)
Others	—	—	—	—	—	—	—	—	—
Total	¥ 2,012	¥ 1,595	¥ (417)	¥ 1,833	¥ 1,705	¥ (128)	$ 17,805	$ 14,115	$ (3,690)

2. Total sales of available-for-sale securities for the year ended March 31, 2016 amounted to ¥2,510 million ($22,212 thousand), and the related total gain and loss amounted to ¥1,006 million ($8,903 thousand) and ¥13 million ($115 thousand), respectively. Total sales of available-for-sale securities for the year ended March 31, 2015 amounted to ¥105 million, and the related total gain amounted to ¥91 million.

Note 12: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2016 and 2015 was as follows:

1. Defined benefit plans

(1) Movements in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥32,012	¥32,949	$283,292
Cumulative effects of changes in accounting policies	—	(1,881)	—
Currently stated balance, at beginning of year	32,012	31,068	283,292
Service cost	1,468	1,796	12,991
Interest cost	341	369	3,018
Actuarial loss (gain)	(272)	(329)	(2,407)
Benefits paid	(1,108)	(1,231)	(9,805)
Other	160	339	1,416
Balance at end of year	¥32,601	¥32,012	$288,505

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥36,043	¥31,858	$318,965
Expected return on plan assets	977	893	8,646
Actuarial loss (gain)	(1,124)	1,392	(9,947)
Contributions paid by the employer	1,179	2,615	10,434
Benefits paid	(1,080)	(1,201)	(9,558)
Other	149	486	1,3109
Balance at end of year	¥36,144	¥36,043	$319,859

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥32,581	¥31,993	$288,328
Plan assets	36,144	36,043	319,859
	(3,563)	(4,050)	(31,531)
Unfunded retirement benefit obligations	20	18	177
Total net liability (asset) for retirement benefits	¥ (3,543)	¥ (4,032)	$ (31,354)
Net defined benefit liability	737	716	6,522
Net defined benefit asset	4,280	4,748	37,876
Total net liability (asset) for retirement benefits	¥ (3,543)	¥ (4,032)	$ (31,354)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥1,468	¥1,796	$12,991
Interest cost	341	369	3,018
Expected return on plan assets	(977)	(893)	(8,646)
Net actuarial loss amortization	233	1,147	2,062
Total retirement benefit costs	¥1,065	¥2,419	$ 9,425

(5) Remeasurements of defined benefit plans in other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Actuarial gains and losses	¥(621)	¥2,868	$(5,496)
Total balance	¥(621)	¥2,868	$(5,496)

(6) Remeasurements of defined benefit plans in accumulated comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Actuarial gains and losses that are yet to be recognized	¥(1,761)	¥(1,140)	$(15,584)
Total balance	¥(1,761)	¥(1,140)	$(15,584)

(7) Plan assets

1. Plan assets comprise:

	2016	2015
Bonds	56%	50%
Equity securities	21%	28%
Cash and cash equivalents	3%	3%
Life insurance company general accounts	20%	19%
Total	100%	100%

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	0.9%~1.3%	0.9%~1.3%
Long-term expected rate of return	3.0%	3.0%

The Group does not take into account an expected pay raise rate in calculating retirement benefit costs.

2. Defined contribution plans

Contributions paid by the Company and its consolidated subsidiaries to defined contribution plans for the fiscal year ended March 31, 2016 and 2015 amounted to ¥734 million ($6,496 thousand) and ¥719 million, respectively.

Note 13: Consolidated Statements of Comprehensive Income

Amounts reclassified as net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥(5,336)	¥ 7,585	$(47,221)
Reclassification adjustments	(993)	(91)	(8,788)
Subtotal, before tax	(6,329)	7,494	(56,009)
Tax (expense) or benefit	2,106	(1,996)	18,637
Subtotal, net of tax	(4,223)	5,498	(37,372)
Foreign currency translation adjustment:			
Increase (decrease) during the year	(2,533)	3,452	(22,415)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(874)	1,974	(7,735)
Reclassification adjustments	253	894	2,239
Subtotal, before tax	(621)	2,868	(5,496)
Tax (expense) or benefit	—	—	—
Subtotal, net of tax	(621)	2,868	(5,496)
Total other comprehensive income	¥(7,377)	¥11,818	$(65,283)

Note 14: Significant Subsequent Events

(Reverse share split etc.)

The Company passed a resolution at the Board of Directors meeting held on May 10, 2016 to submit proposals for a reverse share split (a one-for-five consolidation of shares) and a change in the number of shares per share unit (a change from 1,000 shares to 100 shares) to the 75th Ordinary General Meeting of Shareholders held on June 28, 2016, and the two proposals were approved by the Ordinary General Meeting of Shareholders.

(1) Purpose of reverse share split

The Japanese stock exchanges collectively announced the "Action Plan for Consolidating Trading Units," which aims to standardize the trading units for common stock issued by all listed domestic corporations at 100 shares, with the plan's transition period being set to expire on October 1, 2018.

As a corporation listed on the Tokyo Stock Exchange, the Company respects the objectives of the plan and has thus decided to change the number of shares per share unit, or trading unit, for its stock from 1,000 shares to 100 shares. In addition, the Company will execute a reverse share split with an eye to realizing the level of investment unit (50,000 yen or more and less than 500,000 yen) that is considered desirable by the stock exchange.

(2) Details of reverse share split

(i) Class of shares subject to reverse share split

Common stock

(ii) Method and consolidation ratio of reverse share split

Based on the number of shares held by shareholders listed in the final shareholders' register as of September 30, 2016, every five shares will be consolidated into one share. The reverse share split will be effective on October 1, 2016.

(iii) Decrease in number of shares due to reverse share split

Total number of outstanding shares before reverse share split (as of March 31, 2016)	253,974,333
Decrease in number of shares due to reverse share split	203,179,467
Total number of outstanding shares after reverse share split	50,794,866

Note: "Decrease in number of shares due to reverse share split" and "Total number of outstanding shares after reverse share split" are based on theoretical figures calculated using "Total number of outstanding shares before reverse share split" and the consolidation ratio described in the preceding note (ii).

(3) Impact of reverse share split

The reverse share split will decrease the total number of outstanding shares to one-fifth of the current number. However, as the Company's net asset and other value will remain unchanged, the value of net assets per share will increase by the same proportion. Therefore, the asset value of the Company's shares will not change, unless such value is exposed to changes in stock market conditions or other factors.

(4) Handling of fractional shares of less than one share

In cases where fractional shares of less than one share are created through the reverse share split, the Company will dispose of all such shares in accordance with the Japanese Company Law and will reimburse the proceeds therefrom to the former holders of such fractional shares in amounts proportional to the former holdings of said shareholders.

(5) Total number of authorized shares as of the effective date for reverse share split

As the total number of outstanding shares is expected to decrease due to the reverse share split, the Company will optimize the total number of authorized shares by proportionally decreasing the number of such shares (one-fifth shares) in conjunction with the effective date of reverse share split (October 1, 2016).

Total number of authorized shares prior to change	900,000,000
Total number of authorized shares after change (as of October 1, 2016)	180,000,000

(6) Impact on per share data

Per share data as of and for the years ended March 31, 2016 and 2015, calculated based on the assumption that reverse share split had been carried out at the beginning of the year ended March 31, 2015, is as follows.

	Yen		U.S. dollars
	2016	2015	2016
Net assets per share of capital stock	¥2,533.41	¥2,335.65	$22.42
Basic earnings per share	396.75	255.37	3.51

Note: Fully diluted basic earnings per share are not shown because there was no dilutive stock.

To the Board of SCREEN Holdings Co., Ltd.:

We have audited the accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SCREEN Holdings Co., Ltd. and its consolidated subsidiaries as at March 31, 2016, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 28, 2016
Kyoto, Japan

Corporate Data / Consolidated Companies / Stock Information / Editorial Policy and Reporting Structure

Corporate Data (As of March 31, 2016)

Company Name: SCREEN Holdings Co., Ltd.
Established: October 11, 1943
Representatives Eiji Kakiuchi, President and CEO
Shin Minamishima, Senior Managing Director
(Appointed April 1, 2016)
Capital: ¥54 billion

Employees: 5,182 employees (Consolidated)
Major Business and Manufacturing Sites: Head Office, Rakusai (WHITE CANVAS RAKUSAI), Kumiyama, Yasu, Hikone, Taga, Shinagawa, Kudan and Monzennakacho (WHITE CANVAS MON-NAKA), Kumamoto

Consolidated Companies (As of March 31, 2016)

Overseas

North America
SCREEN SPE USA, LLC / SCREEN GP Americas, LLC / Silicon Light Machines Corporation / SCREEN North America Holdings, Inc.

Europe
SCREEN SPE Germany GmbH / SCREEN SPE Ireland Ltd. / SCREEN SPE France SARL / SCREEN SPE Italy S.R.L. / SCREEN SPE Israel Ltd. / Laser Systems & Solutions of Europe SASU / Inca Digital Printers LTD. / SCREEN GP IJC Ltd. / SCREEN GP Europe B.V. / Dainippon Screen Unterstützungskasse GmbH

Asia & Oceania
SCREEN Electronics Shanghai Co., Ltd. / SCREEN SPE Taiwan Co., Ltd. / SCREEN HD Singapore PTE. Ltd. / SCREEN GP China Co., Ltd. / SCREEN GP Shanghai Co., Ltd. / SCREEN GP Hangzhou Co., Ltd. / SCREEN HD Korea Co., Ltd. / SCREEN GP Taiwan Co., Ltd. / SCREEN GP Australia PTY., Ltd. / SCREEN FT Taiwan Co., Ltd.

Domestic

SCREEN Semiconductor Solutions Co., Ltd. / Tech In Tech Co., Ltd. / SEBACS Co., Ltd. / Quartz Lead Co., Ltd. / FASSE Co., Ltd. / Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd. / SCREEN Graphic and Precision Solutions Co., Ltd. / Media Technology Japan Co., Ltd. / MT Service Japan East Co., Ltd. / MT Service Japan West Co., Ltd. / MEBACS Co., Ltd. / SCREEN Finetech Solutions Co., Ltd. / FEBACS Co., Ltd. / SCREEN Manufacturing Support Solutions Co., Ltd. / TRANSUP Japan Co., Ltd. / SCREEN Kumamoto Co., Ltd. / SCREEN Business Support Solutions Co., Ltd. / Tec Communications Co., Ltd. / INITOUT Japan Co., Ltd. / Link Ring Japan Co., Ltd. / GERANT Co., Ltd. / S. Ten Nines Kyoto Co., Ltd. / EMD Corporation / Alpha MED Scientific Inc. / two other companies

Stock Information (As of March 31, 2016)

Stock Information

Authorized Number of Shares: 900,000,000
Number of Shares Issued: 253,974,333
Number of Shareholders: 10,833
Number of Shares Held by Non-Japanese Companies and Individuals: 59,202,919 (23.31%)
Listings: Tokyo
Code Number: 7735

Major Shareholders

Major Shareholders	Number of shares (thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,250	10.72
Japan Trustee Services Bank, Ltd. (Trust Account)	20,547	8.09
Nippon Life Insurance Company	9,153	3.60
The Bank of Kyoto, Ltd.	6,730	2.65
STATE STREET BANK AND TRUST COMPANY 505001	5,758	2.26
STATE STREET BANK AND TRUST COMPANY 505223	4,930	1.94
SCREEN's Business Partners Shareholders' Association Synchronize	4,770	1.87
Resona Bank, Limited	4,562	1.79
The Shiga Bank, Ltd.	4,241	1.67
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,987	1.56

Bank References

The Bank of Tokyo-Mitsubishi UFJ, Ltd. / Resona Bank, Ltd. / The Bank of Kyoto, Ltd. / The Shiga Bank, Ltd. / Development Bank of Japan Inc.

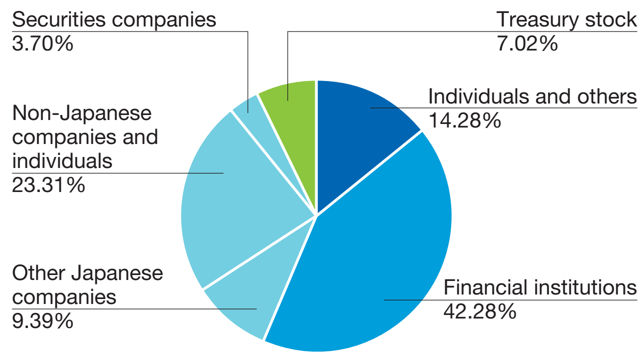
Underwriter

Nomura Securities Co., Ltd.

Sub-Underwriters

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. / Daiwa Securities Co. Ltd.

Breakdown by Type of Shareholder

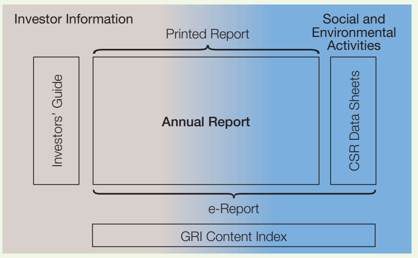


Editorial Policy

Our annual reports integrate information on business activities and financial, social, and environmental performance for the purpose of more comprehensive reporting of our corporate activities. Additional detailed information is published on our website, along with a PDF version of the annual report, CSR data sheets, and a GRI content index.

We provide CSR-related information using the Global Reporting Initiative G4 Sustainability Reporting Guidelines.

Reporting Structure



Website (http://www.screen.co.jp/eng)
We disclose a variety of IR, social and environmental information in addition to that mentioned above on our website.

Disclaimer

The plans, strategies, and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly due to such factors as social and economic conditions.

Notes: 1. All amounts shown in billions of yen are truncated to the nearest billion. Amounts shown in millions of yen are rounded to the nearest million yen.
2. All years shown are for the accounting year ending March 31 of the year shown.

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