# Annual Report 2019

SCREEN Group

Year ended March 31, 2019

# Value Creation by the SCREEN Group

As a manufacturer of production equipment, the SCREEN Group contributes to customers' businesses while providing ongoing value to customers, shareholders, investors, and other stakeholders through its business activities.

In addition to supporting the IoT-driven society that is being developed through the value created by customers' products and services like semiconductors, printed materials, displays, and printed circuit boards (PCBs), we're committed to resolving social issues and to realizing both a sustainable society with a rising standard of living and happiness for all humankind.

## Sustained value creation

### Main social issues

- Climate change
- Aging, declining population
- Changes in the work environment
- Low productivity
- Developing advanced social infrastructure

### Invested capital (Fiscal year ended March 31, 2019)

**Financial capital**

**Net sales: ¥364.2 billion**
(up 7.3% year-on-year)
**Operating income: ¥29.6 billion**
(down 30.6% year-on-year)

**Human capital**

**Customer-oriented development, design, procurement, manufacture, sales and service capabilities**

**Number of employees (consolidated): 6,099**
Overseas: 2,497 (up 6.2% year-on-year)
Japan: 3,602 (up 3.4% year-on-year)

**Manufactured and intellectual capital**

**Business locations (number of consolidated subsidiaries)**
Overseas: 30 companies (increased by 6, compared to FY2016)
Japan: 27 companies (increased by 1, compared to FY2016)

**Growth investment**
**Capital expenditures: ¥24.0 billion**
(up 66.9% year-on-year)
**R&D expenses: ¥22.8 billion**
(up 9.5% year-on-year)

**Number of patents held: 5,132**
Overseas: 2,900 (increased by 776, compared to FY2016)
Japan: 2,232 (increased by 134, compared to FY2016)

**Social and relationship capital**

**Participation in consortiums and partnerships with universities and other entities**
10 instances (based on publicly available information)

**Relationships of trust with customers and suppliers worldwide**

### Businesses

R&D, Design > Procurement, Manufacturing > Marketing, Sales > Products / Field support

- **SE** Semiconductor Production Equipment Business
- **GA** Graphic Arts Equipment Business
- **FT** Display Production Equipment and Coater Business
- **PE** PCB-Related Equipment Business

**New business areas**
Energy (FT)
Inspection & measurement
Life sciences

### Basis for value creation

**Human resources**

**Corporate Philosophy**
Sharing the Future　Human Resource Development　The Pursuit of Technology

**Medium-term Management Plan / Management Grand Design**

**CSR Charter / Code of Conduct**

### Value provided to stakeholders

**Customers**

**"Process Innovation"**
Contributing to customers' businesses

- Advanced, leading-edge technologies
- Improved productivity and quality
- Reduced environmental impacts

**Shareholders and investors**
Enhanced shareholder returns and ESG management

**Suppliers**
Mutual growth through open and fair procurement

**Local communities and society**
Employment creation, technological and industrial development, reduction of environmental impacts

**Employees**
Motivating workplaces, promotion of health and productivity management

IoT
AI
Cyber security
Autonomous cars
Electric vehicles
Smartphones
5G Others

**Solving social issues and realizing both a sustainable society with a rising standard of living and happiness for all humankind.**


The SCREEN Group's six material issues related to the SDGs p. 20

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## Corporate Philosophy

| | |
|---|---|
| Sharing the Future | Earning the trust and meeting the expectations of society, while keeping an eye on the future |
| Human Resource Development | Developing human resource through better work |
| The Pursuit of Technology | Pursuing original technology and mixing it with existing technology |

## Founder's Credo

"Shi Kou Ten Kai"

"Shi Kou Ten Kai" can be written in Japanese (思考展開), it 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?"


- The following abbreviations are sometimes used for business segments / company names when they are mentioned in this report:
  HD = SCREEN Holdings Co., Ltd. SE = Semiconductor production equipment business / SCREEN Semiconductor Solutions Co., Ltd.
  GA = Graphic arts equipment business / SCREEN Graphic Solutions Co., Ltd.
  FT = Display production equipment and coater business / SCREEN Finetech Solutions Co., Ltd.
  PE = PCB-related equipment business / SCREEN PE Solutions Co., Ltd.
- The names or abbreviations of the business segments are those used as of March 31, 2019.
- All years shown are for the accounting year ending March 31 of the year shown. For example, "fiscal year ended March 31, 2019" or "FY2019" means the period from April 1, 2018 to March 31, 2019.



## To Our Stakeholders

### Pursuing greater corporate value through stronger group management under a new president and management structure

On June 25, 2019, Toshio Hiroe succeeded Eiji Kakiuchi as Representative Director, President, Member of the Board, CEO of SCREEN Holdings, and Mr. Kakiuchi took up the position of Representative Director, Chairman, Member of the Board.

During Mr. Kakiuchi's tenure as president, we faced a number of challenges, including complying with a new corporate governance code for the stock market as well as adapting to such major socio-economic changes as rising nationalism, a declining workforce population, and the digital transformation of society. Amidst all of this, we pressed ahead with business-strengthening efforts, revenue structure reforms, new business creation, and other corporate value-enhancing initiatives. As a result, revenues and profits increased for five consecutive periods through the fiscal year ended March 31, 2018. Our four core businesses have all continued to maintain operating surpluses up through the fiscal year ended March 31, 2019. In terms of balance sheet, our equity has doubled. For the fiscal year ended March 31, 2017, we were able for the first time since its founding to operate without bank borrowing. Such achievements are unprecedented in our 76-year history and represent tremendous milestones of progress.

At the same time, however, we have twice revised our sales and profit estimates downward for the fiscal year ended March 31, 2019. We sincerely apologize for the concern and inconvenience to our shareholders and all other stakeholders. Moving forward, Mr. Kakiuchi as Chairman and chairman of the Board of Directors will facilitate improved Group-wide corporate governance as well as promote industry-academia-government collaborations, while Mr. Hiroe as President and CEO will facilitate business-specific growth and enhancement targeting improved profitability. Collectively, these efforts are aimed at taking the SCREEN Group to the next stage of growth in our continued pursuit of greater corporate value.

Nevertheless, even as we change our management structure, we hope there will be no change in the level of guidance and support that you, our stakeholders, provide.

**Eiji Kakiuchi**
Representative Director
Chairman, Member of the Board
SCREEN Holdings Co., Ltd.

**Toshio Hiroe**
Representative Director
President, Member of the Board
Chief Executive Officer
SCREEN Holdings Co., Ltd.

# Questions for the New President

## Toshio Hiroe

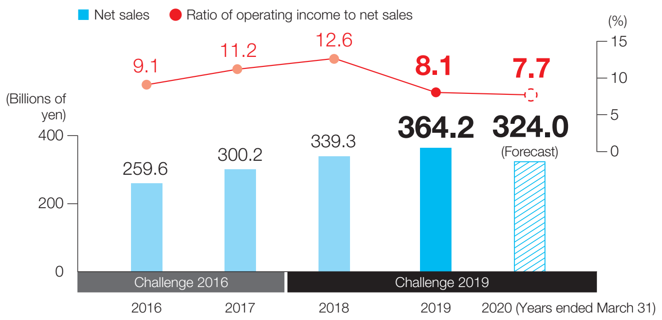
Representative Director
President
Member of the Board
Chief Executive Officer

### Q1. Please provide a summary of the drop in performance for the fiscal year ended March 31, 2019.

This year was an extremely difficult year compared with the five years that came before it. In the annual report released exactly one year ago, Chairman Kakiuchi (who was CEO at the time) stated that "in the second year of the current three-year medium-term management plan Challenge 2019 (hereinafter, medium-term plan), we foresee ourselves achieving operating income ratio of 13% or above—one of the plan's targets—a year ahead of schedule," and he predicted that the SCREEN Group would experience steady growth. However, factors such as supply chain confusion in our core SE business negatively impacted performance and skewed results below what we had projected. For this we sincerely apologize. Moving forward, we want first and foremost to improve earnings and, towards that end, will pursue more direct involvement of HD in performance management of business operating companies. This is the approach that Chairman Kakiuchi also advocates.

Therefore, starting in the current fiscal year, with the aim of strengthening corporate governance we have restructured the member composition of the business operating companies' Boards of Directors to make possible deeper and more meaningful discussion. We have also focused on strengthening corporate auditing. Previously, auditing of the major business operating companies was carried out mainly by members of the HD Finance & Accounting Department. Now, we have unified the system so that HD Group Audit Department plays the role of auditing. The Group Audit Department is under the direct supervision of Chairman Kakiuchi, who oversees governance management. These improvements should allow us to achieve a boost in auditing efficiency and quality.

**Consolidated Performance Summary (Year ended March 31, 2019)**




### Q2. What is your outlook for the fiscal year ending March 31, 2020, which is the final year of the medium-term plan, and what sort of year do you expect?

In terms of medium-term plan targets, we are still safely on track to achieving our target of consolidated annual net sales of approximately 300.0 billion yen. However, with regard to achieving an operating income ratio in the final year of the plan of 13% or above and an ROE of approximately 15%, we face harsh circumstances that present us with significant hurdles. Nevertheless, we are striving to get as close as possible.

One particularly urgent challenge is rebuilding the SE profit structure, which we saw deteriorate during the previous fiscal year. We have entered the period where we must formulate our next medium-term plan for the medium term, which is my major mission as CEO.

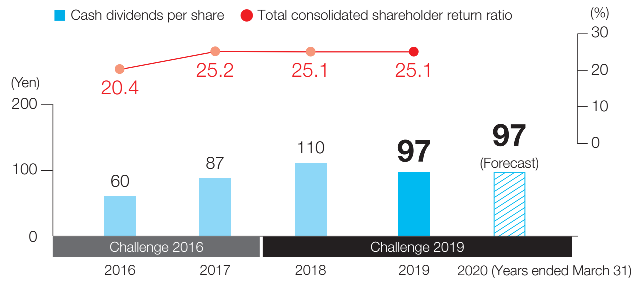
For the current fiscal year, our focus is on course correction towards profitability while changing our business portfolio, including new business establishment, to achieve sustainable growth. Also, with the current trade tensions between the U.S. and China, the major volatility of the market, and various other business risks in mind, I believe that it is essential that we focus on cultivating our adaptability to change.

### Q3. What are your thoughts and policies on shareholder returns?

There is no change in the policy of our current medium-term plan to maintain a total consolidated shareholder return ratio of 25% or above. And while I understand there are calls for a more flexible share buy-back scheme, our paramount concern now is the invigoration of earning power in our main business and ensuring that it is fundamentally structured for sustainable cash flow creation. Success in this will ultimately contribute to better returns for shareholders and all other stakeholders. We also need to focus on future growth investment, including M&A, and are therefore pursuing a balanced management approach.

At present, our equity ratio is on the same level as the Japanese manufacturing industry average, but based on profitability and other factors, our long-term issuer rating by Japan Credit Rating Agency (JCR) remains "BBB+ (Stable)". Given the volatility of our industry, and from the standpoint of ensuring capital liquidity, I believe it is important to improve an equity ratio to 50% or more.

**Total Consolidated Shareholder Return Ratio**




Note: The above figures were calculated based on a one-for-five consolidation of common stock on October 1, 2016.

### Q4. What are your policies regarding engagement with shareholders and investors?

We treat engagement as an extremely important opportunity to help shareholders and investors understand our approach to business. Chairman Kakiuchi, who was our previous CEO, put exceptional importance on dialogue with shareholders and investors, saying that he found engagement and dialogue to be a good source of ideas and feedback to be applied in our business decisions. This is my view also. At the same time, however, we also use engagement as an opportunity to help stakeholders think about our business with more than a short-term, quarterly perspective but also a half-yearly, yearly, and even longer-term perspective.

Since the previous fiscal year, we have actively sought out shareholder engagement opportunities. We are strengthening our activities through dialogue with voting representatives and ESG investment representatives, during which we actively disclose non-financial information, including our management policies and philosophy, and—among other things—build a platform for communicating our long-term growth and sustainability potential.

### Q5. What are your thoughts about value creation by the SCREEN Group?

With the world currently grappling with global warming and other climate change-related challenges, the United Nations has adopted a list of SDGs, which the SCREEN Group supports and is working towards by helping address the social issues that they represent. In addition, we find ourselves amid a dramatically changing society filled with a host of challenges that must be overcome, including a declining workforce resulting from Japan's low birth rate and aging population, changing work styles (changes in the work environment), the transition to a low-carbon society, and the development of advanced social infrastructure driven by IoT and other technologies. The solutions to many of these challenges will rely on semiconductors, displays, printed circuit boards (PCBs), printed materials, and other items produced in the business areas where we are involved.

As a B2B business, SCREEN's stance towards helping address social issues is to do so via our customers' business activities. Hence, our corporate value stems fundamentally from how we contribute to those activities. For both management and employees, it is our happy mission to put our accumulated technological strength and know-how to use in each of our business areas for the sake of addressing social issues. And to fulfill this important mission, it is essential that we be flexible and adaptable in response to the changing demand trends in society.

### Q6. You are the first president since the founder to come from an engineering background. How does this background inform your plans and aspirations for SCREEN?

I see marketing as an important factor in the management of technology (MOT). Thus, I want to bolster our marketing strength across the entire Group. To identify projected growth areas, to determine who to partner with to achieve synergy, and to then efficiently invest our resources, I want to rebuild the marketing functions of HD and each business operating company and to expand the scope of our growth business (expand our main business in line with our founder's credo "Shi Kou Ten Kai" of developing new ideas and approaches in business, refer to p. 3). Instead of resting on our laurels as the company with the top global market share, it is my strong belief that we must add new business pillars and revise our business portfolio to ensure it is rock solid.

Our aim is to pursue greater corporate value by ensuring business operating companies pursue operations optimized to their situation while also optimizing the SCREEN Group as a whole.

# Three-year Medium-term Management Plan Challenge 2019 [FY2018 – 2020]

The business environment surrounding the SCREEN Group is subject to constant, rapid change. This environment demands speed and innovation, but it also constantly presents business opportunities, and by paying careful attention to risk awareness and avoidance, we can enjoy sustained market growth. The Group will strive to strengthen its earnings structure and financial base while aiming for the growth and qualitative improvement of the Group itself. At the same time, it will work to ensure the generation of sustainable profit and shareholder returns.

## Progress made toward targets in the fiscal year ended March 31, 2019

| 1. Expand Sales | 2. Maintain and Improve Profitability | 3. Maintain and Improve Capital Efficiency |
|---|---|---|
| Consolidated annual net sales | Operating income ratio in the final year of the plan | ROE |
| Approx. ¥300 billion | 13% or above | Approx. 15% |
| ¥364.2 billion | Operating income ratio 8.1% | ROE 10.3% |

## Main initiatives and their status

### 1. Improve the net sales break-even point ratio in existing businesses

Control the net sales break-even point in response to sales fluctuations.

- During the previous fiscal year (ended March 31, 2019), fixed costs increased as a result of performing proactive investment in personnel, R&D, production facilities, and other areas in order to ensure the Group can firmly capitalize on growth opportunities aimed at future market expansion. However, because the variable cost ratio did not decrease as projected, the net sales break-even point ratio increased.
- With regard to lowering the variable cost ratio, we are aiming for improvement not only by reducing the costs within each manufacturing process but also through revision of production methods, active facilitation of intercommunication, enhancement of product competitiveness, and other approaches.

### 2. Establish earnings platforms in peripheral areas based on the production equipment business

Further strengthen after-sales services, including modifications (and including consumables businesses in GA field).

- After-sales services for all four core businesses is being strengthened, and there is an upward trend in income from sources other than main equipment sales.
- We will continue to bolster the scope of its after-sales services and products.

### 3. Aggressively invest in growth while maintaining financial discipline

Explore opportunities for and implement effective M&A. Under a strategy of open innovation, explore opportunities for and implement such measures as collaboration and business alliances with research institutes and other companies, as well as investment in and support for venture capitals.

- A challenge is bolstering the Group's ability to generate operating cash flow as an investment resource. Increased inventory from the previous fiscal year, notes and accounts receivable including electronically recorded monetary claims, etc., will be converted to cash as soon as possible, while the working capital efficiency will be improved by shortening product lead times and other initiatives.

The SCREEN Group is focused on meeting medium-term management plan targets via five main initiatives. We are currently working on strengthening efforts aimed at addressing our most immediate challenges, namely reducing the variable cost ratio and controlling inventory, as we continue to grow and improve the quality of the Group.

**Yoshihisa Ishikawa**
HD Senior Corporate Officer
Chief Officer of Corporate Strategy

### 4. Advance CSR management with an emphasis on ESG[*1]

E: Creating environmental value and contributing to the reduction of carbon emissions and recycling of resources at the societal level
S: Ensuring opportunities for decent work and creating social value
G: Implementing a system of both passive and active governance while disclosing ESG information

- We strategically pursue ESG as part of a comprehensive risk management approach focused on achieving sustained Group growth[*2].

*1 ESG stands for "Environmental," "Social," and "Governance."
*2 Learn more about our ESG initiatives in the "Sustainability" section of this report starting on p. 17.

### 5. Enhance shareholder returns

Aim for a total consolidated shareholder return ratio of 25% or above

- Shareholder return was 25.1% in the previous fiscal year. For the current period, as well, SCREEN will maintain its return policy while balancing growth investment with shareholder returns.



# Message from the CFO / Message from the CTO

## Recover profit ratio and improve cash flow

In the fiscal year ended March 31, 2019, supply chain management (SCM) was in a chaotic state. With the rapidly expanded SE production process as the limiting factor, cost reduction efforts have not progressed due to prioritizing the meeting of delivery deadlines. This has prompted a worsening of the variable cost ratio. In addition, other factors such as fixed cost increases accompanying strategic human resource investment overseas have had a broad, negative impact on our operating income ratio.

Also, with the chaotic state of SCM, inventory increases have created a working capital burden which, at the end of the third quarter, turned the net cash situation of the prior two years and three months into a net debt situation.

With regard to our financial base, however, we have compressed our debts in order to slim down total assets (including compressing usance with suppliers), resulting in an equity ratio of 47.0%, which is just shy of our key target of 50.0%.

For the broad increase in capital investment (such as new plant construction in Hikone) carried out during the fiscal year ended March 31, 2019, we utilized low-cost, flexible financing (issuance of 30.0 billion yen of convertible bonds in June 2018) and have maintained a "BBB+ Stable" rating from the Japan Credit Rating Agency (JCR).

Sales have expanded rapidly under the current medium-term management plan, but the effects of the current semiconductor market adjustment have caused us to project lower revenue and profit for the fiscal year ending March 31, 2020. We see the current situation as a good opportunity to rebuild our earnings structure and cultivate our resiliency for when the market recovers. Thus, we are focused on recovering our profit ratio and improving cash flow as quickly as possible, enhancing our capital efficiency and getting as close as possible to the target values established in our current medium-term management plan.

## Creating innovation that addresses social issues

In all business areas, the SCREEN Group provides the market with world-class equipment while pursuing technology that will distinguish the Group even further from its competitors. For example, we are developing systems technology that sends big data gathered from real-world sensors to virtual space, where that data is analyzed by AI and provided as feedback to real-world equipment, eliminating the need for manually analyzing vast amounts of data from equipment. This improves system autonomy and cuts down greatly on equipment adjustment and inspection processes. We have also enhanced cell observation system functionality, which utilizes AI deep learning-driven image processing, allowing us to produce innovative brain tumor diagnostic imaging technology.

Additionally, we have developed inkjet printer equipment suited to flexible packaging, a new, 3D printer optical element and optical head, and a variety of other technology and equipment. Moreover, together with universities and other members of a research network that extends beyond the SCREEN Group, we are engaged in cross-sector, open innovation that has brought forth decorative printing of cosmetic bottles, internal-organ perfusion[*1], organ fabrication systems, and a variety of other innovative applications. Through open innovation, we are creating new applications and also strengthening development capacity and cultivating human resources. In July 2019, we hosted Engineering EXPO 2019[*2], an engineering symposium, which will serve as a new, ongoing initiative. At future symposiums we will invite engineers from outside the SCREEN Group who will contribute to more fruitful debate and discussion.

Moving forward, we will put our corporate philosophy of "Sharing the Future," "Human Resource Development," and "The Pursuit of Technology" into practice by producing innovation that will foster corporate activity and help address the challenges facing society.

*1 Perfusion: to pass liquid through a blood vessel
*2 Engineers from the various SCREEN Group companies come together to debate, discuss, and share information on common topics.

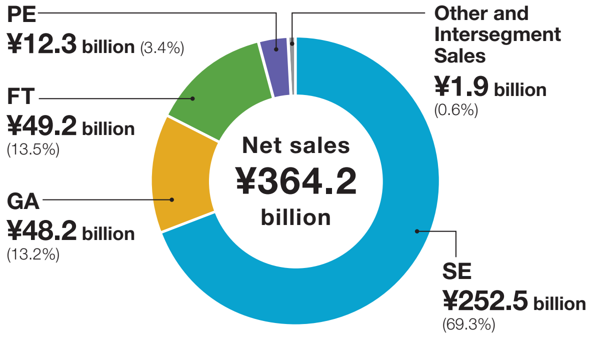
**Yoichi Kondo**
HD Managing Director
Member of the Board
Chief Financial Officer

**Soichi Nadahara**
HD Managing Director
Member of the Board
Chief Technology Officer

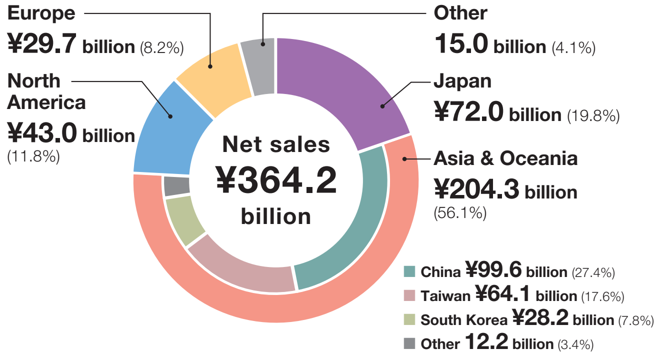
# At a Glance

## Net Sales

### By Segment (Fiscal year ended March 31, 2019)




### By Region (Fiscal year ended March 31, 2019)



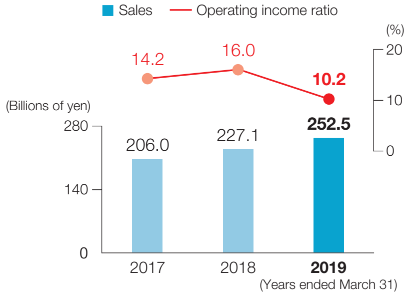

## SE / Semiconductor Production Equipment Business
## SCREEN Semiconductor Solutions Co., Ltd.

SU-3300
Single Wafer Cleaning Equipment

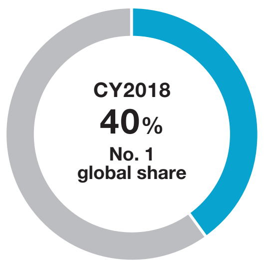
Provides equipment for surface processing, a crucial part of circuit formation on silicon wafers for semiconductor devices. Processing includes cleaning, coating / developing and annealing. Handles a wide range of customer needs connected with the use of increasingly miniaturization in leading-edge processes and IoT-related equipment (200 mm) in all device-related fields, thereby contributing to improved quality and productivity.

- Results for the fiscal year ended March 31, 2019: Compared with the previous fiscal period, revenue to memory and logic grew, revenue to foundries remained solid, and revenue of IoT-related equipment (200 mm) also showed healthy growth. With regard to operating income, there was a significant decline in profit as a result of such factors as a higher variable cost ratio and increased fixed costs, such as personnel costs accompanying sales expansion.
- In terms of market outlook, medium-to-long-term growth is projected, despite the current market adjustment caused by curbed investment in memory.
- Moving forward, stronger supply chain management, design standardization, stronger after-sales services (around 20%–25%), and the new automated factory infrastructure will be utilized to boost profitability and achieve a growth rate above the market average.
- In addition to joint development with imec, Leti, IBM Albany Nanotech, and other research institutions, a collaborative agreement has been concluded with Shiga University in the field of data science, through which mutual human resource development and joint research is being undertaken.

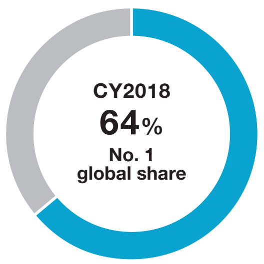
**Segment Sales and Operating Income Ratio**



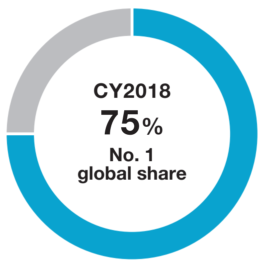

**Market Share for Single Wafer Cleaning Equipment***




**Market Share for Batch-type Cleaning Equipment***




**Market Share for Spin Scrubbers***




*Source: Gartner, Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2018, Bob Johnson et al., 24 April 2019 (Revenue From Shipments based). Chart created by SCREEN based on Gartner research Revenue from Shipments of Single-Wafer Processors, Wet Stations and Scrubber Worldwide 2018

Note: All statements in this report attributable to Gartner represent SCREEN's interpretation of data, research opinion or viewpoints published as part of a syndicated subscription service by Gartner, Inc., and have not been reviewed by Gartner. Each Gartner publication speaks as of its original publication date and not as of the date of this report. The opinions expressed in Gartner publications are not representations of fact, and are subject to change without notice.



## GA / Graphic Arts Equipment Business
## SCREEN Graphic Solutions Co., Ltd.

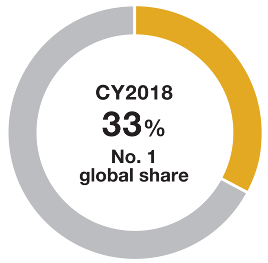
PlateRite Ultima 24000N
CTP Equipment

Provides various graphic arts equipment and services. Maintained the top market share in CTP*1 thanks to efforts taken to adapt to changes in the market; also worked to expand POD*2 sales in order to capitalize on projected market growth.

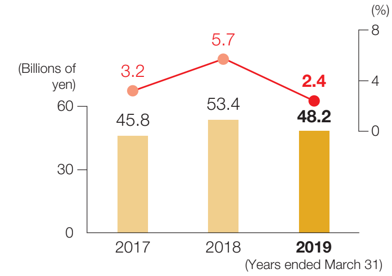
- Results for the fiscal year ended March 31, 2019: Compared with the previous fiscal period, POD direct sales and sales of ink and other related business increased. However, CTP and POD OEM sales declined, resulting in lower revenue and profits.
- Currently transitioning from a business restructuring phase into an earning power strengthening phase. In order to boost earning power, the ongoing growth in POD sales will be enhanced through a greater emphasis on direct sales and an even higher sales ratio for after-sales services, especially ink, at the 30% level.

*1 CTP: Stands for "computer to plate". Production equipment for offset printing. A method for creating printing plates through direct output of the data to be printed from a computer to the printing plates.
*2 POD: Stands for "print on demand". Printing of the number of copies needed when they are needed using a digital printer.
*3 Market share is based on the total of all product types. 2018, according to a SCREEN survey (calendar year).

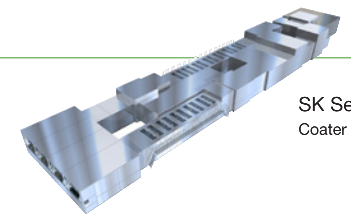
**Market Share for CTP Equipment*3**




**Segment Sales and Operating Income Ratio**




## FT / Display Production Equipment and Coater Business
## SCREEN Finetech Solutions Co., Ltd.



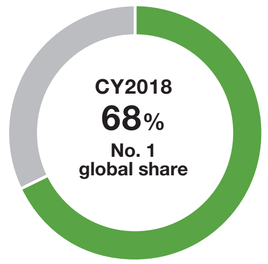
SK Series
Coater / Developer

Establishes a sustainable business portfolio built from the sale of various devices and services utilized in display manufacturing, as well as from an expanded focus on applying coating technology to the development of coating equipment business (new business).

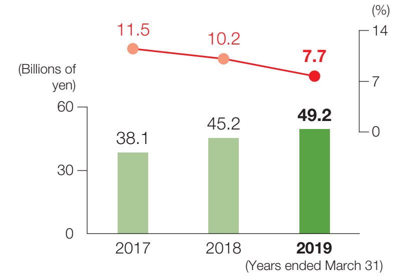
- Results for the fiscal year ended March 31, 2019: Compared with the previous fiscal period, revenue for small and medium-sized equipment increased (particularly for OLED, which constituted more than 40% of sales for the entire year). However, factors such as increased fixed costs and losses from inventory asset devaluation resulted in decreased profit. New business increased by more than 50% compared with the previous fiscal period (over 10% of sales for the entire year).
- Moving forward, the scope of display production equipment business will continue to be expanded (such as with touchscreen applications) while greater sales from new business are sought.
- Profitability will be improved by streamlining production systems and sites.

* Market share is based on the number of products ordered. 2018, according to a SCREEN survey (calendar year).

**Market Share for Coater/Developers for Displays***




**Segment Sales and Operating Income Ratio**




## PE / PCB-related Equipment Business
## SCREEN PE Solutions Co., Ltd.

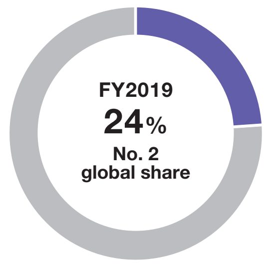
Ledia6 / 6H
Direct Imaging System

Provides exposure system and inspection system and services utilized in PCB (printed circuit board) manufacturing. Exposure equipment (direct imaging equipment) is used to perform direct imaging of circuit patterns, while inspection equipment is used in circuit defect detection and PCB inspection. Through the application of image processing technology and direct imaging technology, these products contribute to increased productivity for customers.

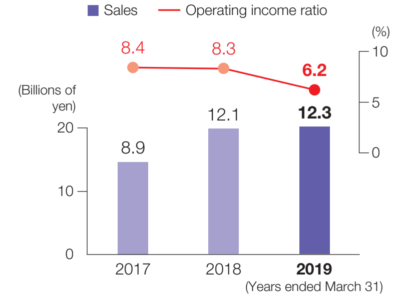
- Results for the fiscal year ended March 31, 2019: Revenue increased compared with the previous fiscal period despite a slowdown in smartphone-related investment during the latter half of the period. Sales exceeded 10.0 billion yen for a second consecutive fiscal period.
- Direct imaging system, inspection system (AI-equipped), etc., geared towards automotive-related and 5G applications is being cultivated to boost product power during the next period of market growth.

*Source: Sangyo Times, Inc. Electronic Device Industry News May 31, 2019 (6). (on a fiscal year basis)

**Market Share for Direct Imaging System***




**Segment Sales and Operating Income Ratio**



Special Feature 1

## Top Management Roundtable*

# Corporate Governance for Sustained Value Creation

A new SCREEN Group management structure has been established.
The chairman and president of SCREEN Holdings sat down together with the presidents of the main business operating companies (SE, GA, FT, and PE) to discuss the aims of the new management structure, how corporate governance is being strengthened, and what the SCREEN Group as a whole is doing to achieve sustained value creation.

* Held in May 2019

## Fostering Improved Communication

Mr. Kakiuchi: It was five years ago in October 2014 that the SCREEN Group transitioned to a holding company (HD) structure. In the years since, we have revisited the discussions that we had prior to the transition, reviewing what we had envisioned, including the concerns and expected outcomes, as we sought to find the right management structure for the Group. And while I don't think that the current structure is perfect and will never need adjustment, I can say that—based on the experiences of the past five years—the HD structure has certainly proven its worth in terms of strengthening business operations. My hope is that, under the new structure, there will be a greater focus on improvement on the operational side.

Mr. Hiroe: The key to improving the operational side and, thus, the HD structure is better dialogue with business operating companies. I would like to see the management structure strengthened in ways that facilitate communication, as well as the ability to provide prompt feedback.

Mr. Kakiuchi: Under the HD structure, operating business companies have the clear responsibility and authority to pursue business expansion and to improve their earning power. In other words, their mission is to pursue "individual optimization" of their own business. I want improved communication between HD and the operating business companies to be a fundamental aspect of the individual optimization process.

Mr. Goto, SE: In preparation for the establishment of this new management structure, we have opened SE general meetings for Mr. Hiroe to attend as an observer. Previously, we would send meeting reports to HD with essential information after the fact, but we are more and more including top HD management in the meetings themselves. Of course we still maintain our independence as a business operating company, but by working in conjunction with HD, we have access to a great deal of functional resources and support. We are doing our utmost to achieve better business efficiency by capitalizing on the benefits of the HD structure while pursuing individually optimized business.

Mr. Hiroe: Since my appointment as president, I have had opportunities for direct dialogue with not only the management at SE but at the other operating business companies as well. I have no intention of interfering with the companies' autonomy. What I want is to discuss ideas and, as much as possible, offer them the full support of HD.

## Business Development under the New Structure

Mr. Goto, SE: During the previous fiscal period (year ended March 31, 2019), confusion in the SE supply chain management (SCM) system caused our business performance to take a sudden and drastic downturn which, in turn, negatively impacted all SCREEN Group stakeholders. In order to reestablish ourselves, we are working with outside consultants on full-scale initiatives aimed at improving our profitability.

In terms of the external environment, the market is currently experiencing an adjustment in terms of investment in memory. Although it is expected to recover in the latter half of the fiscal year ending March 31, 2020, there is a complexity of factors to look at, such as the lateness of the recovery. Still, looking ahead to the medium and long term, there is no doubt that AI, IoT, and other developments will ensure the growth of the semiconductor market. This is where our focus lies, and we are working on R&D and human resource development aimed at ensuring we maintain our top share in the cleaning equipment market. With regard to earnings, our goal in the near future is to have an operating income ratio of at least 20%, which would put us among the top companies in the world in our industry.

Mr. Shima, FT: At FT, as well, we are working to cultivate new initiatives and structures that will enable us to succeed in our mission to grow our earnings. Currently, we are expanding new business, such as coater business, for which future growth is expected. Meanwhile, despite the extremely tight price competition facing our existing business, thanks to improvements in our production systems and sites, as well as other factors, our G8 and higher (LCD*1) and G6 (OLED*2) equipment business is steadily improving profitability. We can see how the reforms promoted by Mr. Hiroe (Former chairman and president of FT) are bearing fruit. Take, for example, the emphasis on after-sales services. China is a particularly large market for us, and, among other things, we are thinking of establishing a sales and service head office in Shanghai as a way to help us continue expanding sales while generating new profits.

Mr. Hiroe: With regard to improving profitability, I want to see a return as soon as possible to an operating income ratio of 15% or higher for SE—which is where they were at in the fiscal period before last—and 10% or higher for FT. Towards that end, HD is offering them its full support.

I attended the kick-off meeting at GA for the current fiscal period (year ending March 31, 2020), and their emphasis was on after-

*1 LCD: Liquid crystal displays
*2 OLED: Organic light emitting diode displays

sales services business, particularly with regard to ink sales. I was impressed by their palpable commitment to further growing their ink business through collaborative consultation with customers about system operation and how to optimize the operation rate of those systems.

Mr. Kakita, GA: Our ink-jet business is close to 15 years old now. Business from ink-related products and support now accounts for around 30% of our sales. And we want to increase that percentage even more, moving forward. We feel that expanding our after-sales services helps contribute to more stable operations and improved cash flow. For these reasons, we are adding to our hardware sales, such as with POD direct sales, and expanding after-sales services centered on ink business, all as part of a strategy to improve both revenues and profits.

Mr. Yamamoto, PE: During the latter half of the year ended March 31, 2019, PE struggled with the sudden slowdown in growth of the smartphone substrate market. However, the situation is expected to change as automotive-related investment grows and the move to 5G applications continues. Our plan is to focus more than ever on development investment so that we can produce products tailored to market needs.

## Strengthening Corporate Governance Further with a Revitalized Board of Directors and with Corporate Auditors

Mr. Kakiuchi: Under this new management structure, the size of business operating companies' boards of directors has been reduced significantly. This was done to improve the effectiveness of these boards, and the decision was made after careful discussion between two part-time HD directors and the directors of the business operating companies. Since the last fiscal period, HD has employed the help of an outside third party in analyzing and evaluating the effectiveness of the Board of Directors, and we have shared those results with those both inside and outside the company. I strongly encourage the business operating companies to also look into ways of improving the effectiveness of, and even revitalizing, their boards.

Mr. Yamamoto, PE: PE is smaller compared with the other business operating companies and, as such, has fewer voting and reporting matters to handle. This means that we can engage in more detailed discussion about our business operations at board meetings. In that sense, our Board of Directors functions as a forum for communication and discussion.

Mr. Kakiuchi: For HD, the board meetings at each business operating company are valuable opportunities for us to learn about the president's ideas, plans for the future, and other important matters. I want to see these boards further invigorated and revitalized.

Mr. Goto, SE: SE is currently grappling with a number of urgent challenges stemming from the deterioration in performance that we experienced in the previous fiscal period (year ended March 31, 2019). For that reason alone, since the start of the current fiscal period we have invited Mr. Hiroe to our management meetings where he has helped us carefully examine the challenges we are facing in order to get a firm grasp on our current situation. His attendance has helped us to incorporate more substantive discussion into our Board of Directors meetings.

Mr. Kakiuchi: Our reforming of the Board of Directors has also involved strengthening the role of our corporate auditors. Prior to this, our corporate auditors were not being fully utilized within the framework of the Board of Directors, and in the case of SE, a two auditor system was instituted. For the future, we plan to institute a structure that puts greater emphasis on the role of auditors by ensuring all part-time corporate auditors, including Group company corporate auditors, come from the HD Group Audit Department.

Mr. Goto, SE: I feel that by ensuring that one of the corporate auditors is from HD, it will provide business operating companies with an outside perspective, something which is of great benefit from a governance standpoint.

Mr. Yamamoto, PE: I agree. Since the role of the corporate auditors is to provide a perspective that is somewhat removed from that of the company, I think that this is a good idea to incorporate into the reforms.

Mr. Hiroe: By including someone who is not part of the business organization as a corporate auditor, it provides us with objective opinions that contribute to stronger corporate governance. As Mr. Goto has said, the role of corporate auditor is very important, as it contributes to a better outside evaluation of our business.

## Incorporating Cross-functional Coordination between Group Companies to Achieve Group Optimization

Mr. Hiroe: Something which I have felt since my time as president and chairman of FT is that engineers should be allowed to interact a bit more flexibly to give them more opportunities for growth. Towards that end, I want HD to introduce more cross-functional coordination that will promote greater interaction among engineers from different business operating companies. Facilitating greater mobility among personnel will facilitate mutual encouragement and friendly rivalry, and this will benefit the business operating companies which, in turn, will lead to growth of the Group overall. I would also like to have the business operating companies contribute to discussion about what form technology development by HD should take. This isn't something that needs to be undertaken straight away, but I would like us to discuss what would be the most effective format.

Mr. Goto, SE: With the adoption of an HD structure, SE has been intently focused over the past five years on establishing independent organizations and functions, which means we already have somewhat of a framework for this in place. The next step is to cultivate closer relationships with other business operating companies. The personnel interaction and exchange mentioned by Mr. Hiroe will certainly be a help in that regard. Over half of SE personnel are employed in some technology-related capacity, which means we have a lot of human resources with technology-related potential to offer. How to draw out that potential is the next challenge we must consider. We must break out of the shell that we have built up over the past five years.

Mr. Yamamoto, PE: For PE, this is only the third year that we have been an independent business operating company, but already a distinct corporate culture has become set in place. We look forward to being part of HD's efforts to foster cross-functional collaboration between business operating companies, such as through personnel exchange (including HD R&D members), as it will bring in new blood, new business cycles, and innovation.

Mr. Shima, FT: At FT, we would have great difficulty adapting quickly to the demands of new business if we didn't have flexible access to the technological expertise and resources of HD and the other business operating companies, such as with regard to ink-jet and image processing technology. We look forward to seeing this cross-functional interaction become even more efficient.

## Adapting to a Changing External Environment through Business Model and Portfolio Transformation

Mr. Kakita, GA: GA is quite different from other business operating companies in terms of business content and market, and as a result is thought of as somewhat removed from the rest of the Group. However, with our current core business, POD, which involves directly selling hundreds of millions of yen of equipment and systems to large corporate customers, we have adopted a similar business model to that of SE and FT. This is particularly true with regard to our current focus on after-sales services, where we provide extremely close support to customers operating POD equipment around the clock. The business environment surrounding SE and FT at the moment is more severe than that surrounding GA, so I would appreciate it if we can interact and share with one another and HD about our approach to service provision.

Mr. Hiroe: New business establishment is also a key factor in improving corporate value. It is extremely important to expand one's business domain in existing growth areas as well as to venture into business areas that are completely different from our existing business but which are projected to grow. I want the SCREEN Group involved in both types of business. In the midst of the dramatic changes taking place within society, I want HD and all of the business operating companies to work together towards a strategy that combines our technological skills and resources in ways that ensure constant output tailored to the needs of the day and, ultimately, result in new business creation.

## Aiming for Sustainable Growth

Mr. Hiroe: Based on our corporate philosophy of "Sharing the Future," "Human Resource Development," and "The Pursuit of Technology," the SCREEN Group has a proven track record of using its business activities to address the challenges facing customers and society within a changing social and technological context. For us, such challenges represent opportunities for new business. In order to capitalize on such opportunities and achieve sustainable growth, I want to see the SCREEN Group put in place a corporate governance system that emphasizes communication.

Mr. Kakiuchi: Talking with everyone here today has given me a sense of the potential for innovation, which this new management system affords us. Moving forward, I will use my position as Chairman and chairman of the Board of Directors to facilitate stronger Group governance, industry-academia-government collaboration, and the implementation of initiatives aimed at improving our corporate value. On the business side, I want the business operating company presidents to work unwaveringly to achieve individual optimization and further growth of their company's business. On the HD side, I want to see President Hiroe work to achieve Group optimization, which includes the creation of new business. At present, I feel that we have achieved a well-balanced management mixture.

I am constantly reminded of the tremendous potential the SCREEN Group possesses. Echoing the sentiments expressed here today, I believed that by sharing our strengths with one another, we will steadily bring our corporate value up by one and then two levels. The fresh energy created by our new management structure will provide us with an even stronger impetus to tackles challenges. Let's all work towards sustainable growth across the entire Group.

Special Feature 2

## Leading-edge Semiconductor Production Equipment Factory

# Bringing $S^3$-3 Online

The leading-edge $S^3$-3* semiconductor production equipment factory (approx. 9.0 billion yen total cost) went online in January 2019 at the Hikone Plant in Hikone, Shiga Prefecture. This factory will primarily manufacture cleaning equipment. The name of the factory embodies the key concepts for production innovation: “Safety, Smart, Speed.” This factory provides improved efficiency to reduce both manpower needs and production lead time.

* With $S^3$-3 now online, the other existing factories have been renamed from FC-1 to $S^3$-1 and FC-2 to $S^3$-2 .

## Expand SCREEN’s present manufacturing capacity by around 150%.

$S^3$-3 is a five-story, steel building with a total floor area of around 12,500 $m^2$. As part of a more robust business continuity plan (BCP) and stronger business continuity management (BCM) in the event of disasters, the building has an earthquake-resistant, base-isolated structure, which utilizes a seismic isolation system to lessen the severity of shaking during earthquakes. The factory is also environmentally friendly; it consumes significantly less energy.

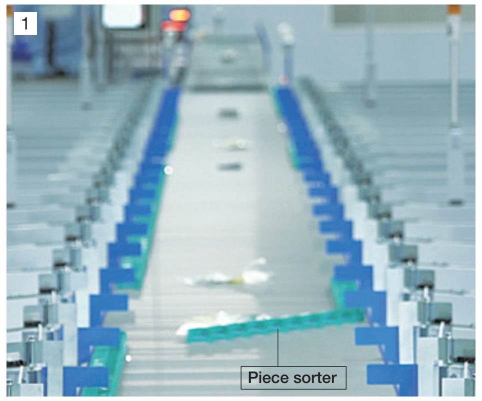
Also, a functional logistics system and a large-scale automated storage and retrieval system improve production efficiency. These help expand its present manufacturing capacity by around 150%. By making it possible to provide customers with even more timely and reliable supply of equipment, this factory helps strengthen the profitability and competitiveness of SCREEN’s semiconductor production equipment business.



## Automated Equipment Boosts Productivity

- Vertical conveyor system performs automated parts supply for each floor.
- Piece sorter system automatically sorts parts, thereby reducing sorting time by 50% compared with conventional systems.
- Overhead hoist transfer (OHT) system performs “just-in-time” delivery of essential parts to the assembly area. This improves production efficiency and saves space in the assembly area.
- Optimized working zones.
- State-of-the-art warehouse control system performs real-time management of an immense number of parts—from receiving to shipping—thereby greatly improving operational efficiency.

In light of expectations for sustained market growth,
we are using $S^3$-3 to achieve manufacturing innovation so that we can promptly meet customer needs.

1



2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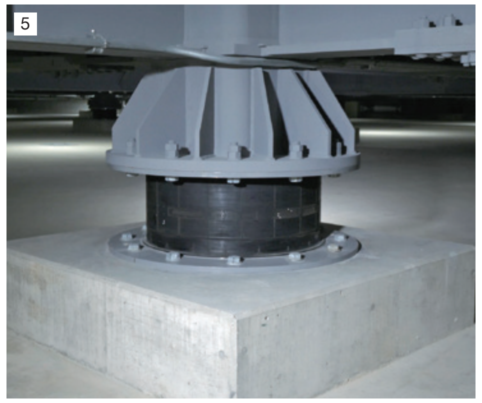


**1. Piece sorter**
Parts are carried along on a conveyor and sorted by the piece sorter at the necessary point

**2. Container stocker**
Automates container storage and warehouse storage / delivery

**3. OHT system**
Performs “just-in-time” delivery of essential parts

**4. Module inspection**
Performs inspection following unit assembly

**5. Base-isolation structure**

### Looking Forward to Future Growth

Despite the current market adjustment centered on memory devices, the semiconductor market is expected to experience solid growth in the medium to long term. In this sort of environment, what is demanded of semiconductor manufacturing equipment is shorter lead times and stable supply. We constructed this new factory so that we can respond to this projected market growth. To do so, we are boosting the production efficiency of equipment, which have become more complex over time due to increasingly diverse specifications, a growing number of parts, and other factors.

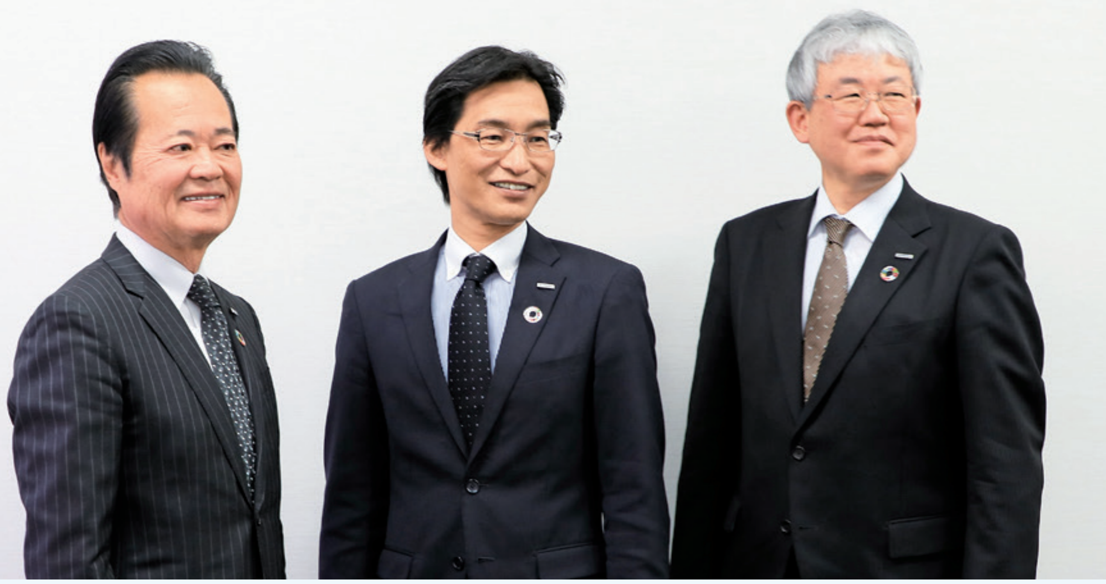
We are also investigating using robots to automate some processes, as well as drawing up plans to introduce AI. We want to use $S^3$-3 as a model factory whose production innovation can be applied to other manufacturing facilities.

Masato Goto
SE President

CSR Communication

# Pursuing Enhanced Corporate Value through Environmental Management

## – Business-driven Initiatives for the Realization of a Sustainable Society –



From left

**Makoto Yoda**
HD Director (Outside)
Member of the Board
(Advisor,
GS Yuasa Corporation)

**Hirofumi Yoshino**
FT Senior Corporate Officer
Vice President

**Masato Tanaka**
SE Corporate Officer
Senior Vice President
Senior General Manager
of Chemical Clean System
Operations
Track System Operations

Environmental management aimed at ensuring environmentally friendly business practices is becoming an increasingly important part of sustainable corporate growth. In this special feature, we look at how the SCREEN Group is integrating environmental management into its business, focusing specifically on SU-3200 / SU-3300 single wafer cleaning equipment, which received the in-house Green Value Award (GVA)*[1] for its contribution to reducing both customer CoO*[2] and environmental impact, and the RT Series roll-to-roll coater / dryer used in fuel cell and lithium-ion battery production.

*1 Green Value Award (GVA): An in-house award program that recognizes those sections within the SCREEN Group whose business activities, products, or services have made outstanding contributions to EHS (environment, health, and safety). Judging is carried out based on six criteria: innovativeness, originality, practicality, continuity, economic effect, and user evaluation.
*2 CoO (cost of ownership): A criterion used in evaluating the economic efficiency of semiconductor manufacturing capital investment and operations. Product cost is calculated based on the price, productivity, reliability, yield, etc., of the production equipment.

## Improving CoO Means Reduced Environmental Impact

Mr. Yoda: From what I understand, the SU-3200 and SU-3300 received the GVA in large part because they not only reduce customer CoO but also significantly reduce environmental impact. What were the factors that led to their development?
Mr. Tanaka: Miniaturization of semiconductor is continually being developed in order to increase how many integrated circuits can be accommodated per unit area. Miniaturization means changing the line width, and this creates a major challenge for semiconductor device manufacturers in the form of higher production costs. Of course, having a Miniaturization will improve productivity, but if the cost of chemicals and other expendables used in the production process, as well as electricity and other energy costs, cannot be lowered, the increased productivity will not lead to any improvement in the necessary CoO. Improving CoO helps improve energy-saving performance, which in turn leads to a reduction in environmental impact.

Mr. Yoda: This equipment is really revolutionary in terms of reducing liquid chemical waste.
Mr. Tanaka: When you miniaturization of the semiconductor, the amount of chemicals needed to remove all of the contaminants (mask material, dry process residue, particulate matter) from the wafer during the cleaning process increases significantly. And because sulfuric acid comprises a large percentage of the chemicals used, the cost of neutralizing the liquid chemical waste is also significant. With the SU-3200 and SU-3300, factors such as chemical temperature and cleaning method were optimized to reduce the amount of chemicals used, thereby contributing to an increase in productivity and energy-saving performance, which improved CoO by the amount demanded by the customer. We have also worked to reduce the amount of water that this equipment uses.
Mr. Yoda: My company manufactures lead-acid batteries, which also require sulfuric acid as part of the production process. So I truly understand just how much water, chemicals, and energy are required for post-process treatment of sulfuric acid waste. From a business standpoint, reducing the amount of sulfuric acid is a real win-win situation, as it both improves CoO and reduces environmental impact.
Mr. Tanaka: Customers have responded quite well, and this has resulted in a lot of orders. In terms of next-generation semiconductor manufacturing, the superior environmental performance of this equipment has earned it inclusion within the PoR (process of record [the core process for mass production]), which is a major accomplishment.

SU-3300
Single Wafer
Cleaning Equipment

www.screen.co.jp/spe/en/products/su-3300

RT-700F

RT Series
Roll-to-Roll Coater / Dryer

www.screen.co.jp/ft/en/products/rt-700_series

## Developing Systems That Facilitate Fuel Cell Innovation

Mr. Yoda: FT has also been developing environmentally friendly advancements to meet the evolving demands of display manufacturing.
Mr. Yoshino: The evolution of LCD panels in the display industry has increased glass size roughly 100-fold between the first generation (G1) and the current, 10th generation (G10). However, there has not been a comparable increase in energy required to run the display manufacturing equipment. Because ways to reduce water, chemicals, and electricity usage are continually being found, the 100-fold increase in screen size has required only about a two-fold increase in electrical power consumption and almost no increase in chemical usage. It is essential that we maintain an extremely cost-conscious mindset, and this sort of approach is also beneficial to the environment.
Mr. Yoda: The environmentally friendly initiatives undertaken by FT also extend to renewable energy promotion via its new business, specifically the development and launch of a roll-to-roll coater / dryer (RT Series), which facilitates fuel cell and lithium-ion battery manufacturing. How does the RT Series compare with conventional systems?
Mr. Yoshino: The RT Series comes in two varieties: one for lithium-ion batteries and one for fuel cells. The lithium-ion battery system takes up roughly 40% less space and uses roughly 20% less power than conventional systems. These benefits have been well received by customers, resulting in increasing sales. The fuel cell system is attracting significant interest thanks to the fact that it increases productivity roughly 10-fold compared to conventional systems. It is also being adopted for domestic-use fuel cell (ENE-FARM) manufacturing.
Mr. Yoda: Due to the fact that they emit no greenhouse gases, fuel cells are being touted as a game-changer that will make it possible to achieve the Paris Agreement's long-term target of keeping a global temperature rise well below 2°C above pre-industrial levels. However, a major obstacle to the widespread adoption of fuel cells is their production cost. Is it accurate to say that the RT Series helps to reduce that cost?
Mr. Yoshino: Yes. As manufacturers of systems and equipment offering superior productivity, we take great pride in our efforts to foster innovation that directly contributes to the creation of a fuel cell market.

## Towards the Creation of a Decarbonized Society

Mr. Yoda: A great deal of attention is being focused on electric automobiles as a means of reducing greenhouse gas emissions. However, electric vehicles alone will not be enough to achieve the Paris Agreement's targets. There will need to be significant reductions among the major greenhouse gas-producing industries, particularly the power industry. The SCREEN Group is working to not only reduce our own greenhouse gas emissions via our SDGs initiatives, we are also offering equipment on the market that contribute to increased production efficiency and reduced greenhouse gas emissions for the companies that use them. I think this is truly fantastic.

Mr. Tanaka: As a systems and equipment manufacturer, we pursue a CIP (continuous improvement process) that is aimed at developing a concrete roadmap for helping both ourselves and our customers deal with resource depletion, global warming, hazardous materials, and other challenges. The next generation of business is inextricably linked with the pursuit of environmental management, including reducing liquid chemical usage, promoting recycling, finding environmentally friendly substitutes, conserving energy, accommodating energy-efficiency product laws and regulations, and eliminating the use of prohibited materials.
Mr. Yoshino: In Europe and America they are implementing a renewable energy-driven power-to-gas approach to achieving a decarbonized society, which involves hydrogen purification, storage, and use. Widespread adoption of fuel cells is the key to making this approach work. I firmly believe that our systems, equipment, and technology can contribute to this significantly. We are working on developing systems and equipment that will boost productivity even further.
Mr. Yoda: The inventions and technologies of the 20th century have enriched society by making our lives easier, but they have also contributed to greater environmental contamination, such as the pollution created by microplastics. In the 21st century, we need an industrial revolution that will solve these problems of garbage and waste. The SCREEN Group is able to significantly contribute to the creation of a decarbonized society, and I expect that our efforts will only grow larger as time goes on.

This year's GVA-winning equipment, the SU-3200 and SU-3300, significantly reduce the environmental impact of the semiconductor manufacturing process. And the RT Series contributes to the realization of a decarbonized society by dramatically improving lithium-ion battery and fuel cell manufacturing productivity. Through the development of such equipment, the SCREEN Group is working hard to address ESG issues. And I believe that we will continue to make steady progress in addressing them thanks to the tireless efforts of each and every one of our employees and their commitment to meeting the exacting demands of our customers while helping to build a sustainable society. Consideration for the environment and for society when conducting business is a key aspect of corporate value. In areas of our business, I look forward to continuing to both meet and anticipate our customers' needs, to helping address environmental needs and other societal needs, and to discovering new business opportunities in doing so.

**Katsutoshi Oki**
HD Managing Director
Member of the Board
Chief Officer of Sustainability Promotion

# Advancing CSR Management

Under the corporate philosophy of "Sharing the Future," "Human Resource Development," and "The Pursuit of Technology," the SCREEN Group believes that fulfilling our corporate social responsibilities (CSR) means making significant, future-focused contributions to the sustainable development of society. Thus, we endeavor to be a good and responsible corporate citizen and to identify and pursue our material issues in environment, social, and corporate governance (ESG) in accordance with the United Nations Sustainable Development Goals (SDGs). In this way we seek to live up to the trust and expectations our stakeholders put in us and thereby contribute to the realization of a sustainable society.

## CSR Charter

The SCREEN Group has established a CSR Charter / Code of Conduct that sets forth the code of conduct that all group executives and employees should follow and includes principles of conduct based on our corporate philosophy. We are putting it into practice in areas including compliance, human rights, anti-corruption, product liability, and the supply chain, thereby fulfilling our social responsibility as a corporation and responding to the expectations of society. In addition, we provide ongoing training to SCREEN Group employees about the CSR Charter / Code of Conduct. Through this training, we are working to increase awareness of the importance of diversity, and of respect for diversity of factors such as nationality, race, faith, gender, and sexual orientation / gender identity.

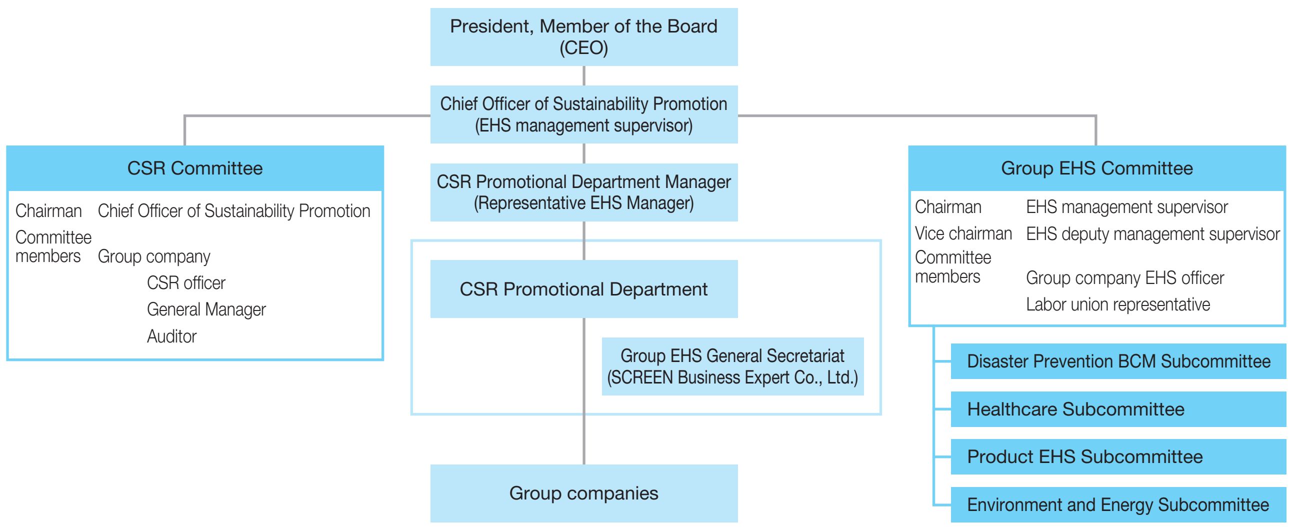
### SCREEN Group CSR Charter

1. Provision of Products and Services Beneficial to Society
2. Respect for Human Rights and Friendly Work Environment
3. Establishment of Friendly Environment for People and Our Planet
4. Sound and Effective Corporate Governance
5. Compliance with Laws and Regulations, and Standards of Ethics
6. Appropriate Management and Utilization of Information and Intellectual Property
7. Appropriate Disclosure of Company Information
8. Corporate Social Responsibility as Good Corporate Citizen
9. Exclusion of Anti-Social Forces

Note: These are just heading. Please refer to the following web page for details.

CSR Charter
www.screen.co.jp/en/sustainability/csr_charter

### CSR / EHS Structure




## Participation in the UN Global Compact

In October 2016, SCREEN Holdings signed the UN Global Compact, which is a United Nations initiative that comprises 10 principles in the four areas of human rights, labor, environment, and anti-corruption. CSR management has long been an important part of how we operate, and respecting global standards such as the UN Global Compact helps us to grow as a global company that is working towards the sustainable development of society.

## CSR / EHS Management Structure

A Chief Officer of Sustainability Promotion has been appointed within SCREEN Holdings. This person oversees CSR and EHS intended to ensure that maximum consideration is given to the environment, health, and safety when we develop our business activities, that we maintain initiatives that contribute to a sustainable society, and that we are working to improve the effectiveness and outcomes of these activities.

The CSR / EHS management structure revolves around quarterly meetings of the CSR Committee and Group EHS Committee. Each Group company appoints a CSR Officer who attends meetings of the CSR Committee where he or she will periodically share information as well as coordinate with other Group companies on priority measures and Group employee CSR awareness-raising efforts. In addition, subcommittees (Disaster Prevention BCM Subcommittee, Healthcare Subcommittee, Product EHS Subcommittee, and Environment and Energy Subcommittee) have been established under the Group EHS Committee to facilitate the integrated management of environmental, health, and safety activities.

## Identifying Material Issues in CSR

The SCREEN Group has established a CSR medium-term plan centered on ESG-focused CSR management, one of the key initiatives of our Challenge 2019 three-year medium-term management plan. In line with this CSR medium-term plan, we considered SDGs and other societal expectations, as well as many pressing environmental and social issues, and from these we identified priority material issues. In the course of this process, we put great emphasis on stakeholder dialogue, and on the three areas of "environment" (E), "social" (S), and "corporate governance" (G), in order to find those social issues with which we were most closely connected and which had an impact on achieving a sustainable society. "Environment" (E) is an area of particular importance, as we are working to achieve a 20% reduction in $CO_2$ emissions by FY2026, compare to emissions level at FY2014. This reduction includes emissions from our facilities as well as from product use by customers.

### Material Issues Identified in the CSR Medium-term Plan and Their Status as of FY2019

| Material Issues | SDGs | Vision for FY2020 | FY2019 | |
|---|---|---|---|---|
| | | | KPI (key performance indicators) | Results |
| E (Environment) Creating environmental value and contributing to to low carbon society and circular economy | | | | |
| Providing of products and services that contribute to reducing environmental impact | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | Contributing through businesses, reduce $CO_2$ emissions by providing ecofriendly products and services | Reduce $CO_2$ emissions from products<br>Reduce 6% compared with FY2014<br>Emission intensity of target: 765 t-$CO_2$/100 million yen | Reduced 12% compared with FY2014<br>Emission intensity of sales: 714 t-$CO_2$/100 million yen<br>Note: 8.6% increase from 684 t-$CO_2$/100 million yen for prior fiscal year (FY2018) |
| Proactive efforts for environmental conservation | 13 CLIMATE ACTION | Reducing the environmental impact of business activities and actively engaging in conservation activities in forest preservation and biodiversity | 1.Reduce $CO^2$ emissions<br>Reduce 5% compared with FY2014<br>Emission intensity of target: 8.69 t-$CO_2$/t<br>2.Forest preservation and biodiversity<br>・Full-scale participation in Kyoto Model Forest Association<br>・Kyoto Life and Culture Collaborative Rejuvenation Project<br>・Donations to Kyoto City Zoo, Lake Biwa Museum, etc. | 1.$CO_2$ emissions<br>・Reduced 34.7% compared with FY2014<br>・Emission intensity of Product shipments weight: 5.98 t-$CO_2$/t<br>Note: 11% reduction from 6.72 t-$CO_2$/t for prior fiscal year (FY2018)<br>2.Forest preservation and biodiversity<br>・Model Forest activities: Held four times a year; achieved carbon offsets of 8.47 t-$CO_2$/yr<br>・Kyoto Life and Culture Collaborative Rejuvenation Project: Rare plant cultivation plan, phase 2 (expansion landscaping) completed<br>・Other: Awarded 3 Stars in Shiga Prefecture Certification Program for Biodiversity Measures |
| S (Social) Offering decent work and creating social value | | | | |
| Ensuring health, and transforming ways of working to improve the quality of work | 8 DECENT WORK AND ECONOMIC GROWTH | 1.Each and every employee is healthy and active<br>2.Productivity and efficiency have been improved, and employees enjoy a good work-life balance | 1.Maintain a health and productivity management assessment level within the top 20%<br>2.Establish and work towards goals for the Work-style Reform Project | 1.In the results of a health and productivity management assessment, placed within the top 20%<br>Certified as an excellent corporation in health and productivity management, "White 500"<br>2.As part of the Project, established company-wide average total working hours<br>Progressed according to plan for target total working hours for FY2020 |
| Developing diverse human resources | 8 DECENT WORK AND ECONOMIC GROWTH | 1.Employees are proactive in designing their own careers<br>2.Approaches and development plans for nurturing the next generation of managers are in place | Implement personnel development plan | ・New SCREEN BUSINESS SCHOOL programs effectively utilized<br>・Attendance rate for target number of participants: 99% |
| Promoting CSR in the supply chain | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | A CSR code of conduct is being followed along the entire supply chain | Broad penetration of SCREEN Supplier Code of Conduct throughout the supply chain | ・Revision begun of SCREEN Supplier Code of Conduct based on RBA (Responsible Business Alliance) Code of Conduct<br>・Analysis carried out based on assessment evaluation from FY2018; problem suppliers asked to make improvements and to provide their improvement plans |
| Social contribution activities centered on coexistence, empathy, and nurturing of the next generation | 4 QUALITY EDUCATION *1 | 1.Continuously engaging in activities in 5 key areas*2, and SCREEN's characteristics are beginning to be widely recognized both inside and outside the Group<br>2.Activities in which many employees can participate are being deployed | 1.Promote social contribution activities that employees can participate in continuously<br>2.Check participants' level of satisfaction for each event; reach and maintain satisfaction of 70% or higher | 1.Confirmed concrete results of social contribution activities by 22 SCREEN Group companies<br>2.Completed questionnaire for 1st–4th sessions of Model Forest activities: Satisfaction level of 98% |
| G (Governance) Implementing a system of both passive and active governance while disclosing ESG information | | | | |
| Establishing internal control and risk management structures to support proactive governance | 8 DECENT WORK AND ECONOMIC GROWTH | 1.Internal controls that ensure the soundness and transparency of management are being properly implemented<br>2.Systematic risk management for achieving medium- to long-term corporate targets is in place | 1.Continue to satisfy internal governance audits required by related laws<br>2.Within the SCREEN Group, 100% usage of risk management sheets and risk mitigation effect | 1.Internal controls that ensure the soundness and transparency of management properly implemented<br>2.100% implementation of risk management sheet within the Group; however, procurement risks accompanying natural disasters became evident |
| | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | An effective internal whistleblowing system is in operation throughout the Group both in Japan and overseas | 1.100% resolution rate for reported issues<br>2.Investigate operational status of whistleblowing system and improve it | 1.100% resolution of reported issues<br>2.Semi-annual checks of persons in charge of harassment consultation office; trained new staff members<br>・Completed survey of whistleblowing systems for overseas subsidiaries<br>Began efforts to address and improve problems |
| Proactive disclosure and internal / external sharing of ESG information | 17 PARTNERSHIPS FOR THE GOALS | Nonfinancial information is being effectively disclosed and stakeholders are being proactively engaged with based on an accurate understanding and proper adherence to international CSR standards | 1.Publish integrated report (booklet, website)<br>2.Maintain RBA (formerly EICC) conformance<br>3.Implement CSR training in all departments: CSR Talks* implementation rate of 70% or higher<br>*CSR Talks are opportunities for discussion in each department about various CSR topics | 1.Published Annual Report 2018<br>・Pursued active dialogue with shareholders, investors, employees, and other stakeholders<br>・Redesigned website to facilitate effective ESG information disclosure<br>・Won Excellence Award at the 22nd Environmental Communication Awards<br>2.A continued RBA low risk rating<br>3.Held training to inculcate the CSR Charter and SDGs company-wide<br>・CSR Charter e-learning completion rate: 92%<br>・SDGs awareness questionnaire: SDGs understood by 85% of respondents<br>・CSR Talk implementation rate: 81% |

Managed via Group EHS management (green) Managed via personnel development management or Work-style Reform Working Group, etc. (yellow)

*1 The goals of related SDGs may change according to the content of social contribution activities.
*2 Indicates the five fields of Science and Education, Social Welfare, Sports and Culture, Environmental Conservation, and Community Contribution.

# Corporate Governance

## Directors and Auditors (As of July 1, 2019)

### 〈Directors〉

**Eiji Kakiuchi**
Representative Director
Chairman
Member of the Board

| | |
|---|---|
| April 1981 | Joined the Company |
| April 2005 | Corporate Officer |
| April 2006 | Senior Corporate Officer |
| April 2007 | Corporate Executive Officer |
| April 2011 | Chief Officer of IR, Security Export Control, GPS and Group G10 |
| June 2011 | Director |
| April 2014 | Representative Director, President, Member of the Board |
| April 2016 | Chief Executive Officer |
| June 2019 | Representative Director, Chairman, Member of the Board (Current) |

**Toshio Hiroe**
Representative Director
President
Member of the Board
Chief Executive Officer

| | |
|---|---|
| April 1983 | Joined the Company |
| April 2006 | Vice President, Semiconductor Equipment Company |
| April 2007 | Corporate Officer |
| October 2009 | Deputy General Manager, R&D Center |
| April 2011 | Senior Corporate Officer |
| April 2014 | President, FPD Equipment Company |
| August 2014 | President, SCREEN Finetech Solutions Co., Ltd. |
| April 2019 | Chairman, SCREEN Finetech Solutions Co., Ltd. |
| June 2019 | Representative Director, President, Member of the Board (Current) Chief Executive Officer (Current) |

**Katsutoshi Oki**
Managing Director
Member of the Board
Chief Officer of Sustainability Promotion

| | |
|---|---|
| April 1981 | Joined Nippon Life Insurance Company |
| March 2009 | General Manager, 2nd Corporate Relations Management Department, Nippon Life Insurance Company |
| April 2011 | Joined the Company Deputy General Manager, Business Service Center |
| April 2012 | Corporate Executive Officer |
| June 2013 | Director |
| June 2014 | Managing Director (Current) |
| October 2014 | Chief Officer of Corporate Strategy |
| April 2019 | Chief Officer of Sustainability Promotion (Current) |

**Soichi Nadahara**
Managing Director
Member of the Board
Chief Technology Officer

| | |
|---|---|
| April 1986 | Joined TOSHIBA CORPORATION |
| April 2001 | Group Manager, Processing Technology Promotion Center, Semiconductor Company, TOSHIBA CORPORATION |
| April 2004 | Joined the Company |
| October 2004 | Vice President, Semiconductor Equipment Company |
| April 2006 | Corporate Officer |
| April 2011 | Senior Corporate Officer |
| April 2013 | Chief Technology Officer (Current) |
| June 2014 | Managing Director (Current) |

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

| | |
|---|---|
| April 1982 | Joined The Bank of Tokyo, Limited. (Currently MUFG Bank, Ltd.) |
| June 2010 | Corporate Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Currently MUFG Bank, Ltd.) |
| June 2013 | Joined the Company Senior Corporate Officer |
| April 2014 | General Manager, General Administration Division |
| June 2014 | Managing Director (Current) Chief Financial Officer (Current) |

**Kimito Ando**
Managing Director
Member of the Board
General Affairs & Human Resources Strategy
Tokyo Representative

| | |
|---|---|
| April 1981 | Joined the Company |
| April 2006 | President, Human Resources Company |
| April 2011 | Corporate Officer |
| April 2014 | Senior Corporate Officer |
| August 2014 | Director, SCREEN Semiconductor Solutions Co., Ltd. |
| April 2016 | Corporate Executive Officer, SCREEN Semiconductor Solutions Co., Ltd. |
| June 2017 | Director Chief Officer of General Affairs & HR Strategy (Current) Chief Officer of Tokyo Representative (Current) |
| June 2019 | Managing Director (Current) |

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

| | |
|---|---|
| November 1979 | Joined TOSE CO., LTD. Head of Development Division, TOSE CO., LTD. |
| October 1985 | Director, TOSE CO., LTD. |
| February 1987 | President, TOSE CO., LTD. |
| September 2004 | President and CEO, TOSE CO., LTD. |
| June 2013 | Director of the Company (Current) |
| December 2015 | Chairman and CEO, TOSE CO., LTD. (Current) |
| June 2017 | Outside Director, Wacoal Holdings Corp. (Current) |

**Makoto Yoda**
Director (Outside)
Member of the Board
(Advisor, GS Yuasa Corporation)

| | |
|---|---|
| March 1972 | Joined Japan Storage Battery Co., Ltd. (Currently GS Yuasa International Ltd.) |
| June 2004 | President, GS Yuasa Power Supply Co., Ltd. (Currently GS Yuasa International Ltd.) |
| June 2006 | President, GS Yuasa Corporation |
| October 2007 | Chief Executive Officer, GS Yuasa Corporation |
| June 2015 | Chairman, GS Yuasa Corporation Chairman, GS Yuasa International Ltd. |
| May 2016 | Chairman, Kyoto Industrial Association, Inc. |
| June 2017 | Advisor, GS Yuasa Corporation (Current) |
| June 2018 | Director of the Company (Current) |

**Hidemi Takasu**
Director (Outside)
Member of the Board
(Substitute Corporate Auditor, Samco Inc.)

| | |
|---|---|
| March 1971 | Joined Toyo Electronics Industry Corporation (Currently ROHM Co., Ltd.) |
| June 1997 | Director and Deputy General Manager, ULSI Research & Development Headquarters, ROHM Co., Ltd. |
| June 2009 | Managing Director and General Manager, LSI General Headquarters, in charge of Research & Development Headquarters, ROHM Co., Ltd. |
| October 2009 | Managing Director and General Manager, Research & Development Headquarters, ROHM Co., Ltd. |
| May 2013 | Managing Director in charge of Quality and General Manager, Research & Development Headquarters, ROHM Co., Ltd. |
| July 2013 | Managing Director in charge of Business Creation and Quality, ROHM Co., Ltd. |
| August 2017 | Advisor, Samco Inc. |
| October 2018 | Substitute Corporate Auditor, Samco Inc. (Current) |
| June 2019 | Director of the Company (Current) |

### 〈Corporate Auditors〉

**Hirofumi Ota**
Senior Corporate Auditor

| | |
|---|---|
| April 1981 | Joined the Company |
| April 2005 | General Manager, Finance & Accounting Department, Accounting Company |
| April 2012 | General Manager, Finance & Accounting Group, Business Service Center |
| April 2014 | General Manager, Finance & Accounting Group, General Administration Division |
| October 2014 | General Manager, Finance & Accounting Department |
| April 2016 | Corporate Officer |
| June 2019 | Senior Corporate Auditor (Full-time; Current) |

**Akio Umeda**
Corporate Auditor

| | |
|---|---|
| April 1985 | Joined The Daiwa Bank, Ltd. (Currently Resona Bank, Ltd.) |
| October 2003 | General Manager, IR Office, Planning Division, Resona Holdings, Inc. |
| October 2005 | General Manager, Corporate Communications Division, Resona Holdings, Inc. |
| October 2009 | General Manager, Osaka Public Affairs Division, Resona Bank, Ltd. |
| April 2014 | Manager, Human Resources Division, Resona Bank, Ltd. |
| April 2015 | Joined the Company Assistant to Chief Officer of General Affairs & Human Resources |
| June 2015 | Corporate Auditor (Full-time; Current) |

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

| | |
|---|---|
| April 1978 | Joined The Shiga Bank, Ltd. |
| June 2009 | Director and General Manager, Osaka Branch of The Shiga Bank, Ltd. |
| June 2011 | Managing Director, The Shiga Bank, Ltd. |
| February 2014 | President and Representative Director, Shigagin Lease Capital Co., Ltd. (Current) |
| June 2014 | Corporate Auditor of the Company (Current) |

**Yoshio Nishi**
Corporate Auditor (Outside)
(Advisor, Kyoto Research Institute, Inc.)

| | |
|---|---|
| April 1976 | Joined The Bank of Kyoto, Ltd. |
| June 2005 | Director and General Manager, Corporate Planning Division of The Bank of Kyoto, Ltd. |
| June 2006 | Director and General Manager, Head Office Business Department of The Bank of Kyoto, Ltd. |
| June 2008 | Managing Director, The Bank of Kyoto, Ltd. |
| June 2014 | Representative Director and Senior Managing Director, The Bank of Kyoto, Ltd. |
| June 2015 | Chairman and Representative Director, Karasuma Shoji Co., Ltd. |
| June 2016 | Corporate Auditor of the Company (Current) |
| June 2017 | Chairman, Kyoto Research Institute, Inc. |
| June 2019 | Advisor, Kyoto Research Institute, Inc. (Current) |

Substitute Corporate Auditor (Outside)

**Tetsuo Kikkawa**
(President and Attorney-at-Law, Kyoto Mirai Law Firm)

| | |
|---|---|
| October 1979 | Passed the Bar Examination |
| April 1982 | Registered as an Attorney-at-Law with the Japan Federation of Bar Associations Joined Miyake Joint Partnership Law Office (Currently Miyake & Partners) |
| April 1986 | Established Masukawa & Kikkawa Joint Partnership Law Firm |
| April 1995 | Vice-chairman, Kyoto Bar Association |
| October 2002 | Established Kyoto Mirai Law Firm President and Attorney-at-Law, Kyoto Mirai Law Firm (Current) |
| April 2012 | Chairman, Kyoto Bar Association |

Note: The Company has reported all outside directors and outside corporate auditors to Tokyo Stock Exchange Group, Inc. as an independent director / auditor.

Under the corporate philosophy of "Sharing the Future," "Human Resource Development," and "The Pursuit of Technology," the SCREEN Group strives for enhanced corporate governance in its pursuit of transparency, soundness, and efficiency in management and with the goal of benefits for shareholders and all of its other stakeholders.

## Management and Executive System

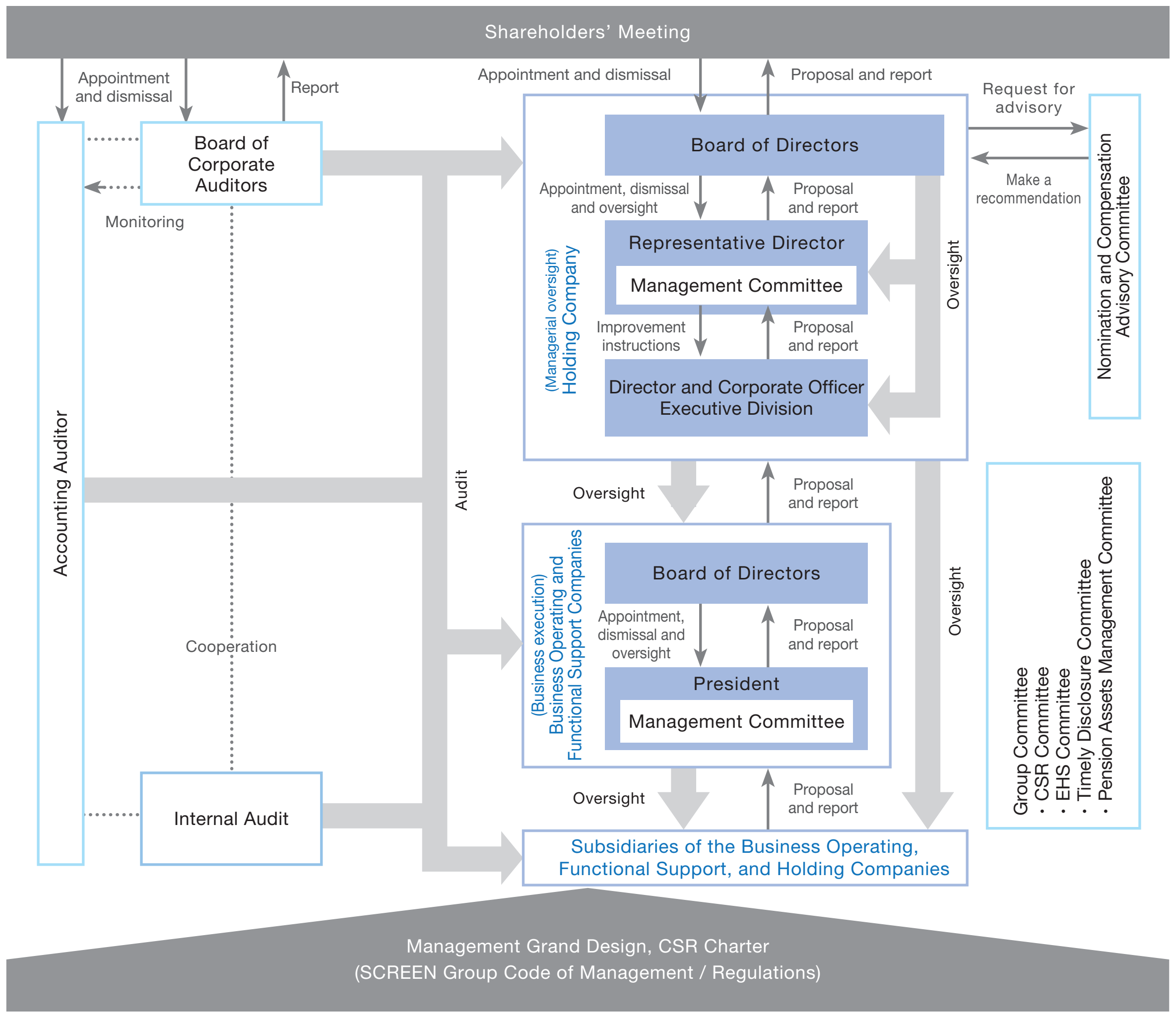
SCREEN Holdings takes the form of a company with a Board of Corporate Auditors and maintains a functional balance between enabling the Board of Directors to exert maximum efficiency and effectiveness and ensuring management oversight over the entire Group is securely in place. At present, it has a Board of Directors comprising nine directors (including three outside directors) and a Board of Corporate Auditors comprising four corporate auditors (including two outside corporate auditors).

As the highest decision-making organ of the Group management, the Board determines basic policies and strategies for Group management and important matters pertaining to business execution and exercises supervision over business execution, holding regular monthly meetings and additional meetings as necessary. The term of office of director is set at one year as the Company aims to clarify responsibilities of directors in addition to securing a management structure capable of quickly adapting to changes in the operating environment, and they are elected to office by shareholders annually at the Ordinary General Meeting of Shareholders.

The Company selects more than one-third of outside directors (there are currently three) in the Board of Directors with an eye to the functional enhancement of management oversight and the maintenance of management objectivity. The Company has also adopted a corporate officer system to promote faster, more efficient management. The Company also maintains the Management Committee. This body comprises the full-time directors, presidents of business operating companies and functional support companies, and officers whom the chairman of the Committee appoints. It meets more than once a month to deliberate matters related to management and to facilitate the decision making of the Board of Directors and representative directors.

Corporate Governance Report (updated on July 9, 2019)
www.screen.co.jp/download_file/get_file/20190709_CGR_E.pdf

● Corporate Governance Structure




## Management and Executive System for Business Operating Companies

The SCREEN Group has adopted a holding company structure made up of separate business operating companies to enable agile and bold business execution.

The Holding company determines the basic policies and strategies for Group management as well as the optimal allocation of management resources. In addition, it has management oversight over the business execution of each Group company, ensuring the functional segregation of business execution and oversight.

The business operating companies have also adopted a corporate officer system, which aims to clarify responsibilities and roles of officers, and to secure a management structure capable of quickly adapting to changes in the operating environment. In addition, each of these companies maintains a management committee to deliberate matters related to management and facilitate the decision making of the Board of Directors and representative directors.

## Board of Corporate Auditors

In general, the Board of Corporate Auditors (comprised of four corporate auditors, two of whom are outside auditors) holds periodic meetings twice a month. In addition, special meetings are held whenever necessary.

Corporate auditors attend important meetings, such as those of the Board of Directors and Management Committee, conduct periodic interviews with directors, corporate officers and others, review important approval documents and other materials, and carry out on-site audits of key business bases operated by SCREEN Holdings and other Group companies in Japan and overseas. Through all of this, corporate auditors help to ensure that directors are carrying out their duties in a manner that contributes to the longevity and sound, sustainable growth of the SCREEN Group.

## Appointment of Directors and Corporate Auditors, Dismissal of Directors

SCREEN Holdings has voluntarily chosen to establish a Nomination and Compensation Advisory Committee, which includes outside directors (the majority) and the chairman of the Board of Directors.

Regarding the nomination of candidates for director and corporate auditor positions, candidates are selected in accordance with SCREEN Holdings' "Criteria for Appointing Candidates for Directors and Corporate Auditors" and approved by the Board of Directors after seeking the advice of the Nomination and Compensation Advisory Committee.

Regarding the dismissal of directors, the Board of Directors may propose to dismiss an individual to whom one of the criteria apply after seeking the advice of the Nomination and Compensation Advisory Committee. Dismissal of said individual is then finalized at the shareholders meeting based on a resolution passed by the Board of Directors.

Criteria for Appointing Candidates for Directors and Corporate Auditors, and for Dismissing Directors
www.screen.co.jp/download_file/get_file/Election_HD_E.pdf

## 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 objective, bias-free management. Our company 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 outside corporate auditors (three outside directors and two outside corporate auditors) are registered with the Tokyo Stock Exchange as independent directors and corporate auditors.

In order to improve the effectiveness of Board of Directors meeting discussions, outside directors and outside corporate auditors are not only provided with substantive information beforehand about the topics for discussion at Board meetings, they are also provided with various information gathering and opinion exchange opportunities, such as opportunities to tour business sites of business operating companies and talk with management, or to engage in opinion exchange with outside directors and corporate auditors.

● Outside Directors and Outside Corporate Auditors (Fiscal year ended March 31, 2019)

| Name | Relation to the SCREEN Group | Group Contributions | Meeting Attendance |
|---|---|---|---|
| Outside Directors | | | |
| Shosaku Murayama<br>(Representative Director and President, iPS Portal, Inc.)<br>In office since June 2013 | iPS Portal is a business partner of the Group, as we outsource some sales-promotion-related work to it, 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 14/14 |
| Shigeru Saito<br>(Chairman and CEO, TOSE CO., LTD.)<br>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 14/14 |
| Makoto Yoda<br>(Advisor, GS Yuasa Corporation)<br>In office since June 2018 | No special relationship with the Group. | Provided opinions from a variety of perspectives based on a wealth of insight drawn from wide-ranging experience cultivated from many years in corporate management. | Board of Directors 14/14 |
| Outside Corporate Auditors | | | |
| Kenzaburo Nishikawa<br>(President and Representative Director, Shigagin Lease Capital Co., Ltd.)<br>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 14/14<br>Board of Corporate Auditors 25/25 |
| Yoshio Nishi*<br>(Advisor, Kyoto Research Institute, Inc.)<br>In office since June 2016 | 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 14/14<br>Board of Corporate Auditors 25/25 |

* In June 2019, Mr. Nishi retired from his post as Chairman of Kyoto Research Institute, Inc. and took up his current post.
Note: The attendance rate of inside directors to the Board of Directors meetings and that of inside corporate auditors to the Board of Corporate Auditors meetings were both 100%.

## Management Compensation

Directors' and corporate officers' compensation consists of three elements:
(1) Fixed compensation (a fixed amount paid each month)
(2) Performance-linked compensation (decided based on how well the annual targets were met); and
(3) Performance-linked stock compensation (decided based on how well the annual targets of the medium-term management plan were met). By more closely tying compensation with company performance, such that compensation increases with medium and long-term improvement in corporate value (shareholder value), this scheme strikes a balance between attracting and retaining management personnel and contributing to sustained corporate growth. In particular, the introduction of performance-linked stock compensation makes the link between the company's stock value and the compensation paid to directors and corporate officers clearer than ever, thereby focusing the attention of management personnel more keenly on contributing to greater performance and corporate value over the medium to long term.

Management compensation is determined by the Board of Directors based upon the recommendations of the Nomination and Compensation Advisory Committee, which includes outside directors (the majority) and the Chairman of the Board of Directors, while director compensation is determined by the Board of Directors based upon the total amount approved for director compensation at the Shareholders' Meeting.

Please note that outside directors receive only fixed compensation and performance-linked compensation. Also, corporate auditors receive only fixed compensation, which is determined by the Board of Corporate Auditors based upon the total amount approved for corporate auditor compensation at the Shareholders' Meeting.

The following policies are followed with regard to determining the proportion of compensation allocated to fixed compensation, performance-linked compensation, and performance-linked stock compensation.

- Fixed compensation is paid relative to responsibility of director in terms of business size that they are engaged in.
- Performance-linked compensation is paid less than half of fixed compensation.
- Performance-linked share compensation is designed to grant approximately 40% of fixed compensation at most. Its monetary value could change with fluctuations in share value.

Performance measurement is aimed at strengthening business foundations and, as such, relies on indicators like the ratio of sales to market growth, the operating income ratio, ROE, and the rate of progress for operating income relative to the three-year medium-term management plan (all on a consolidated basis). In addition, indicators in terms of internal control, governance, and environment and health and safety are introduced to enable the sustainable value enhancement of the Company. The amount of performance-linked compensation is determined on scoring achievement of each indicator.

Please note that SCREEN Holdings abolished its retirement benefit for directors in 2005.

● Total Amount of Compensation (by Type, Board Member Category), Number of Eligible Board Members (Fiscal year ended March 31, 2019)

| Category | Total amount of compensation (million yen) | Total amount for each type of compensation (million yen) | | | Number of eligible board members |
|---|---|---|---|---|---|
| | | Fixed compensation | Performance-linked compensation | Performance-linked stock compensation | |
| Directors (outside directors excluded) | 331 | 194 | 65 | 71 | 6 |
| Corporate auditors (outside corporate auditors excluded) | 43 | 43 | — | — | 2 |
| Outside directors* | 42 | 33 | 8 | — | 6 |

* The above includes one outside director who was retired at the time that the 77th Ordinary General Meeting of Shareholders concluded on June 26, 2018.

### Message from the New Outside Director (Dated June 25, 2019)

**Hidemi Takasu**
Director (Outside)
Substitute Corporate Auditor
Samco Inc.

### Contributing to Stronger Governance and Greater Corporate Value Thanks to an Eye for Change Cultivated in the Semiconductor and Healthcare Fields

Based on my 18 years of experience as a technology officer in the semiconductor and healthcare fields, I am very conscious of the role I must play in providing an outside perspective of the SCREEN Group, offering opinions and information from different angles and approaches that will ensure that easily overlooked change is not missed by those in the Group.

Society and technology are in the midst of significant and ongoing change, and companies that cannot adapt will not survive. I believe that traditional approaches will not enable companies to generate new technologies and businesses. Thus, it is important that SCREEN adopt an open innovation mindset motivated to actively explore unfamiliar fields to find new insights and technologies that can be used to foster innovation.

I will put my experience and perspective to use in cultivating a shared vision based on what stakeholders value, so that I can contribute to stronger governance and greater corporate value.



## Evaluation of the Effectiveness of the Board of Directors

To evaluate how it can contribute to making SCREEN's corporate governance function more effectively, every year the Board of Directors conducts an analysis and evaluation of its own effectiveness in which it identifies problems and works to attain improvement. An overview of the results is made public. In the fiscal year ended March 31, 2019, this analysis and evaluation was conducted by a third-party organization, with results confirming that the Board of Directors is functioning effectively overall.

Based on this analysis and evaluation, the Board of Directors formulates and executes measures for further improvement in order to ensure it improves its functions and contributes to ongoing growth and medium- to long-term improvements in corporate value.

Summary of Results of Evaluation of the Board of Directors' Effectiveness (May 8, 2019)
www.screen.co.jp/download_file/get_file/20190508_BME_E.pdf

## Compliance

### Compliance System

The SCREEN Group has established a CSR Charter / Code of Conduct that all group executives and employees should follow and includes principles of conduct based on our corporate philosophy. Based on the CSR Charter / Code of Conduct, the SCREEN Group will comply with all applicable laws and regulations, as well as standards of ethics in all relevant countries, and will conduct business activities in a fair and sensible manner. To this end, we have appointed a compliance officer in efforts to raise awareness of compliance and make it fully understood across the entire SCREEN Group. Our Legal & Compliance Department takes the lead in promoting abidance with international rules and each country's laws and regulations and offering compliance education.

The CSR Committee, chaired by the HD Representative Director, President, Member of the Board is held quarterly, with members comprising Chief Sustainability Promotion Officer, Chief Compliance Officer, CSR officers and CSR department General Managers of the business operating and functional support companies. At meetings, members confirm and share information on the state of compliance efforts at each company.

### Compliance Education

Through both classroom work and e-learning, newly graduated employees and mid-career hires receive education including compliance basics, job-level-specific classes, specialist classes, and classes on SCREEN Group's CSR Charter / Code of Conduct. Education also includes periodic classes on harassment prevention and on compliance with laws related to unfair competition, subcontracting, personal information protection, worker dispatching and insider trading.

### Whistleblowing System

We have established Internal Reporting Hotline, a whistleblowing system that helps to prevent improprieties through the early detection of harassment and suspected violations of corporate ethics and corporate regulations. Our global whistleblowing system has Hotlines in all SCREEN worldwide regions to accept inquiries from all Group employees, officers and employees of supplier companies. There are also rules in place regarding anonymity and privacy protection, as well as for ensuring that no one will be given unfair treatment for having used the whistleblowing system.

Periodic in-house audits are conducted on our compliance with laws and corporate ethics and on the Hotlines.

## Risk Management

In accordance with the SCREEN Group Risk Management Guidelines and Risk Management Operational Rules, we formulate and abide by basic policy that is shared and enforced throughout the entire group. Every year we update our list of key risks and propose and implement appropriate controls to reduce these risks. To lessen risks that could impact management, we have established a groupwide risk management structure comprising HD Representative Director, President, Member of the Board as the Risk Management Group Chief Officer, group company presidents as individual Risk Management Officers, and group company CSR officers as the Risk managers. Each department and group company determines risks and places them in categories such as Governance, Human Rights, Labor Practices, the Environment (including Climate Change), Fair Business Practices, Consumer Issues, and Community Engagement. We then evaluate these risks and come up with appropriate controls.

# Working Together with Our Stakeholders

The responsiveness of the SCREEN Group to the trust and expectations of its stakeholders is demonstrated through the various initiatives the Group undertakes for the sake of contributing to the realization of a sustainable society. In today's business environment, where factors such as the diversification of customer needs and the emergence of an increasingly sophisticated information society are accelerating the rate of change, we are working to improve the quality of our products and services through "Process Innovation", which supports our customers' success in their business activities.

## Improve Customer Satisfaction

### Quality Management System

In order to improve the quality of our products and services and, by extension, improve customer satisfaction, the SCREEN Group utilizes a quality management system that conforms to ISO 9001 standards. As of March 31, 2019, all Group business operating companies and 13 domestic and 4 overseas Group companies are ISO 9001 certified.

Compliance with regulations governing chemical substances in products is becoming an increasingly important customer focus, as attested by the 50% year-on-year increase in customer-submitted questionnaire items related to chemical regulations, particularly the EU's RoHS Directive and REACH Regulation. All SCREEN Group companies are working together under the Group EHS management system to ensure compliance.

In the fiscal year ended March 31, 2019, we released the SCREEN Group Green Procurement Standards for chemical substance controls in parts procurement by suppliers. It was updated with the 10 banned substances specified by the RoHS Directive. In addition, we have transitioned to the chemSHERPA IT system declaration format for contained chemical substance promoted by the Japanese Ministry of Economy, Trade and Industry.

SE received the "Excellent Performance in Wet Clean Equipment" award from Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC), the world's largest semiconductor manufacturing foundry*, which is based in Taiwan, at the 2018 Supply Chain Management Forum. TSMC praised the contribution that SE's cleaning equipment has made to leading-edge R&D 5 nm, as well as 7 nm ramp up support and ongoing cost reduction and energy-saving efforts.

*Foundry (consignment manufacturer): A manufacturer specializing in the fabrication of semiconductors. It is contracted by other companies that do not have a semiconductor fabrication plant to perform fabrication according to those companies' designs.

Improve Customer Satisfaction
Quality Management System
www.screen.co.jp/en/sustainability/society/customer

## Investor Relations: Constructive Dialogue with Shareholders and Investors

Through our investor relations (IR), we strive to give our shareholders and investors a greater understanding of the SCREEN Group by communicating our management, business, and financial position in a timely, accurate, and clear-cut manner. IR also provides a means for us to get opinions and other feedback from these investors that we use to maximize corporate value. Following earnings announcements and at conferences, our CEO, Chief Officer of Sustainability Promotion, CFO, and other top management members give interviews to and hold dialogue with our investors. In addition, in the fiscal year ended March 31, 2019 we began holding shareholder engagement aimed at voting representatives.

We also have a comprehensive range of IR publications, including Annual Reports, Fact Books, and Japanese language shareholder newsletters. On our website can be found information such as earnings presentation documents and product press releases. In May 2018, we increased the amount of information on earnings presentation documents and started releasing FAQs on these and other IR activities in a timely manner.

To ensure that as many shareholders as possible can attend our General Meeting of Shareholders, we schedule it to avoid conflicting with other companies' meeting dates, and we publicize and send out invitations well in advance. To help give shareholders a better understanding of our company, on the Japanese Notice of the Ordinary General Meeting of Shareholders for the June 2019 we provided information such as our basic concept on corporate governance, advance CSR management regarding a summary of the results of the evaluation of effectiveness of the Board of Directors. Individual and corporate shareholders can also exercise their voting rights online using a computer or smartphone, and institutional investors can do so via an Electronic Voting System Platform.

For overseas investors, we provide an English summarized version of the Notice of the General Meeting of Shareholders on TDnet (Timely Disclosure Network operated by the Tokyo Stock Exchange) and on our global website. Posting the Notice of the General Meeting of Shareholders and the voting results of the meeting on our website ensures maximum transparency.

Extraordinary Report: Voting Results of the 78th Ordinary General Meeting of Shareholders
www.screen.co.jp/download_file/get_file/ER78_190626.pdf (in Japanese only)

● Number of Dialogue-Based IR Activities (Fiscal year ended March 31, 2019)

- Earnings presentations: 4
- Meetings with institutional investors and analysts: Approximately 400
- Overseas IR activities: 4 (North America, Europe, and Asia)
- Institutional investor events, domestic conferences: 6
- Shareholder engagement aimed at voting representatives: 7
- Company briefings for individual investors: 16
- Plant tours for individual investors: 1



## Dialogue with Suppliers

### Conformance to the RBA Code of Conduct

The SCREEN Group is promoting conformance to the Responsible Business Alliance (RBA) Code of Conduct and takes the RBA-Online SAQ (self-assessment questionnaire) and achieves Low Risk on an ongoing basis.

### Promoting Conformance to the SCREEN Supplier Code of Conduct

The SCREEN Group formulated its SCREEN Supplier Code of Conduct in accordance with the RBA Code of Conduct. As a CSR code of conduct for the supply chain, it is available on our website for our suppliers to learn and abide by.

To determine our suppliers' level of conformance to the SCREEN Supplier Code of Conduct, we surveyed 60 SE suppliers in fiscal year ended March 31, 2017 and 70 major suppliers (companies such as not surveyed in previous fiscal year) in fiscal year ended March 31, 2018, focusing on risk items that had come up in previous surveys, such as human rights and labor issues. The results of both years' surveys showed a low awareness of harassment issues.

Based on the results of the fiscal year ended March 31, 2018 survey, we carried out a number of efforts, such as requesting that companies with numerous harassment-related problems take improvement measures and submit improvement plans. We also analyzed matters such as the risks regarding foreign, child, and youth laborers. However, we found no issues regarding slave labor, forced labor, or child labor.

### Conflict Minerals

The SCREEN Supplier Code of Conduct details our policy on conflict minerals. Since 2014, our supplier survey has had a section to determine whether suppliers are dealing in conflict minerals.

### Communication with Suppliers

At SCREEN, we create a variety of opportunities for dialogue with suppliers in order to forge stronger relationships built upon collaboration, trust, and mutual development. In the first quarter of each fiscal year, we provide our major suppliers with the SCREEN Group's financial statement, an overview of the Group's business situation, our medium-term business plan, and other relevant information. The 2018 SCREEN Holdings business policy briefing held on May 11, 2018 was attended by 206 of our major suppliers in commercial products, processed goods, design, software, and assembly. In the third quarter, all major Group business operating companies discussed their detailed business plans and engaged in information sharing with suppliers.

SCREEN Supplier Code of Conduct
www.screen.co.jp/download_file/get_file/SCREEN_Supplier_Code_of_Conduct_Ver.4.00e.pdf

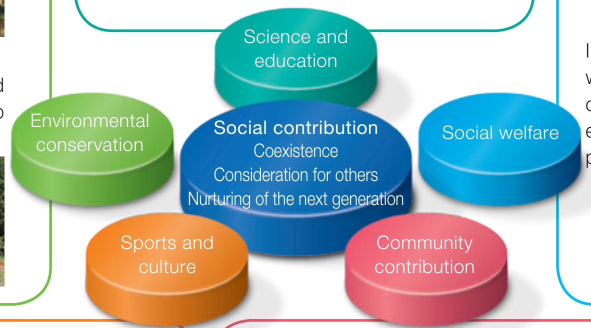
## Ongoing Social Contribution Activities

Founded on the concepts of coexistence, consideration for others, and nurturing of the next generation, the SCREEN Group carries out social contribution activities in five areas: Science and education, Social welfare, Sports and culture, Environmental conservation, and Community contribution.

We grow rare plant species native to Kyoto, for which we have been certified under the Kyoto Life and Culture Collaborative Rejuvenation Project of Kyoto City.

The SCREEN Group works to protect and maintain forests as a member of the Kyoto Model Forest Association.

We present the SCREEN Prize at the Science Inter-college Competition, an event organized by the Ministry of Education, Culture, Sports, Science and Technology that we jointly sponsor.




The SCREEN cafeteria invites facilities for the disabled to sell confectionary products that they made.

In South Korea, SCREEN helped with meal delivery, dish washing, and other services on five occasions at an elderly care facility catering to 2,000 people.

We help promote disabled sports by sponsoring the National Wheelchair Ekiden long-distance relay race held every year in Kyoto.

We hold periodic clean-ups of areas surrounding SCREEN Group sites. An outstanding example is our Hikone Plant, where employees have for many years been clearing the underbrush along local rivers as part of efforts to protect and beautify the environment.

Note: For details on these and other community service activities, see our Sustainability Data Book p. 6.

Sustainability Data Book 2019
www.screen.co.jp/download_file/get_file/SCREEN_SustainabilityDataBook2019e.pdf

# EHS Initiatives

One of the main initiatives of the SCREEN Group's Challenge 2019 three-year medium-term management plan is the promotion of CSR management focused on ESG. In line with that promotion, and linked to the CSR medium-term plan, we are implementing Green Value (GV) 21. We are managing "Environmental management (E)," "Health management (H)," and "Disaster prevention and Safety (S)" on an integrated basis as Group EHS management.

● Group EHS Management Framework


*Note: We are working to get the certification of ISO 45001, an occupational health and safety management standard published in 2018.

## Aiming for a 20% Reduction in Total $CO_2$ Emissions to Help Mitigate Global Warming

Use of products at the customer sites accounts for over 95% of the total $CO_2$ emissions in the product life cycle. In GV21 phase IV, we set a long-term goal of reducing total value chain $CO_2$ emissions (per unit of sales) by 20% by FY2026 compared with FY2014, and we are implementing wide-ranging measures toward that goal. The value-chain $CO_2$ emissions are total of facility $CO_2$ emissions (Scope 1+2) and such as use of sold products (Scope 3) combined.

Since the fiscal year ended March 31, 2018, we have undergone third-party verification of facility $CO_2$ emissions (Scope 1+2).

In the fiscal year ended March 31, 2019, we purchased 1,665 MWh of green energy certificates, equivalent to the annual power consumption of our headquarters, thus achieving $CO_2$ emissions from electricity-derived $CO_2$ of zero for the headquarters.

Note: Green energy certificate: Green energy is generated using natural energy that does not give off any $CO_2$ emissions. Acquisition of a green energy certificate shows that a company is using green energy.

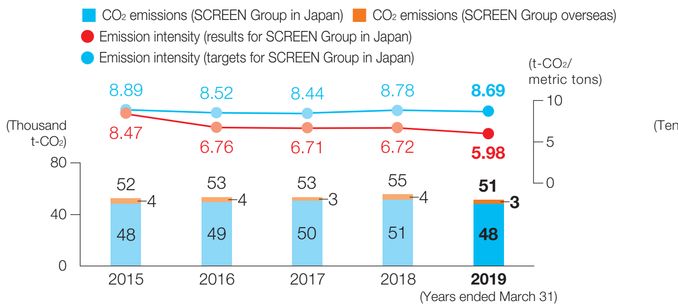
## Environmental Management: Environmental Conservation and Product EHS

### Environmental Conservation

We promote environmental conservation with the goal of biodiversity conservation including measures against water risks. In the fiscal year ended March 31, 2019, we received 3 Stars, the highest evaluation, in the Shiga Prefecture Certification Program for Biodiversity Measures.

The SCREEN Group's $CO_2$ emissions for the fiscal year ended March 31, 2019 were 50,566t-$CO_2$, thus achieving the target for emissions per unit weight of product shipments. Our Rakusai site reduced $CO_2$ emissions by 873 t-$CO_2$ thanks to efforts such as changing air conditioning methods.

**$CO_2$ Emissions and Emissions per Unit Weight of Product Shipments**



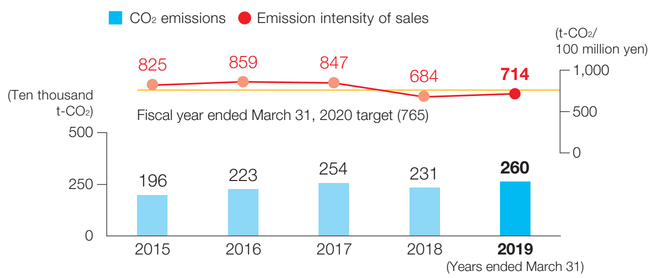

Note: The base year for the targets has been changed from the fiscal year ended March 31, 2018.

### Product EHS

In order to provide products that are considered safety and the global environment, we are working toward the goals "Contribute to curbing $CO_2$ emissions by products", "Expand sales of Green Products", "Train product safety experts", and "Comply with product-related laws and regulations.

$CO_2$ emissions from products shipped during the fiscal year ended March 31, 2019 are estimated at 2.6 million t-$CO_2$ for their 10-year-use period. This is a 12% improvement in terms of emission intensity compared with the fiscal year ended March 31, 2014. Green Products account for 94% of sales and reduced $CO_2$ emissions by an estimated 51,300 t-$CO_2$ in the same period.

**Product $CO_2$ Emissions**




Note: $CO_2$ emissions from products were calculated based on internal standards. The target was set in the fiscal year ended March 31, 2018.

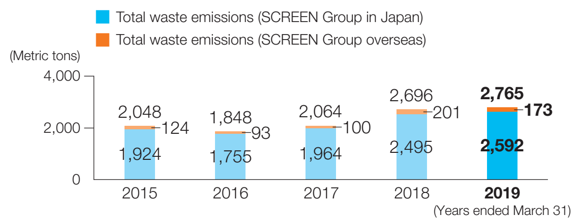
## Environmental Management: Waste Management and Responding to Water Risks

### Reduction of Waste Emissions

We are working to reduce waste by reusing it as valuable resources.

In GA, we developed the PrintSimulator, which assesses the output of digital printers, thus helping to dramatically reduce the amounts of paper and ink used. In the fiscal year ended March 31, 2019, the SCREEN Group had 2,765 metric tons of waste, thus achieving the target figure 201 kg/metric tons for emissions per unit weight of product shipments.

**Total Waste Emissions**



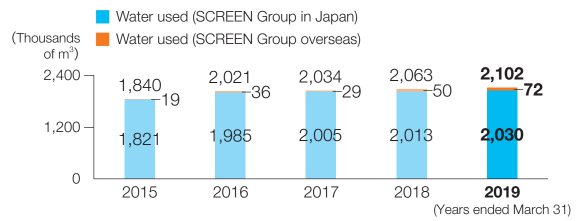

### Measures against Water Risks

As measures against water risks with regards to our business activities and our products, we conduct efforts such as reducing water usage, preserving water quality, and preventing disasters in natural water systems.

At SCREEN SPE Works Co., Ltd., we have cut water use by 35% by installing equipment to monitor the production of ultra-pure water and having QC circles work (small group improvement activities) to optimize the consumption of source water.

We have raised the usage efficiency of water resources and as a result the amount of water used has remained constant over the past five years.

**Water Used**

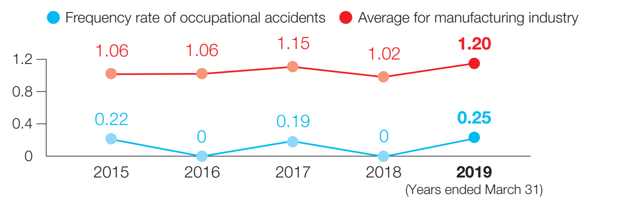



## Disaster Prevention and Safety: From Safety Management at Manufacturing Sites to BCP

### Health and Safety

At the SCREEN Group, we aim for zero occupational accidents that cause four or more working days to be lost. We are also striving to reduce the frequency rate of occupational accidents, and the number of points accumulated in the SCREEN Group's proprietary internal occupational accident point system.

**Frequency Rate of Occupational Accidents**




Note: Frequency rate = (No. of casualties/ Total work hours) x 1,000,000
No. of casualties due to occupational accidents for each 1,000,000 total hours of work.

### Disaster Prevention BCM

Aiming to strengthen our ability to respond in times of large-scale disasters, we have set forth the goals of improvement via practical drills and establishment of a management system for an emergency response headquarters. We conduct drills at least once a year, and we are working to ensure the operational establishment of the Bousaiz disaster information management system. In the fiscal year ended March 31, 2019, we established an emergency response headquarters that we used to respond to numerous natural disasters such as an earthquake in the north of Osaka Prefecture, an earthquake in Iburi, Hokkaido Prefecture, and a typhoon that temporarily halted our distribution system. We also launched a SCREEN Group disaster site (in Japanese only) where employees can view survival tips via their smartphones.


## Health Management: Creating a Lively Working Environment for Employees

At the SCREEN Group, in order to maintain a healthy workplace environment and to prevent illness, we are working on employees' health management through the goals we have set in reducing sick leave and making workplaces free of passive smoking.

**Rate of Sick Leave Days**


Note: Rate of sick leave days = Total number of sick leave days / employees' total number of prescribed work days x 100
New index established in the fiscal year ended March 31, 2018, for which we target a reduction compared with the previous fiscal year.

At the SCREEN Group, to promote employees' health, each year we hold a fitness campaign that focuses on themes that are close to home, such as walking, weight and blood pressure measurement, and the recording of sleep hours. This initiative is leading to a reduction in the rate of sick leave days.

Furthermore, for the fiscal year ended March 31, 2019, for the second consecutive year we received certification under the Certified Health and Productivity Management Organization Recognition Program (White 500) promoted by the Japanese Ministry of Economy, Trade, and Industry.

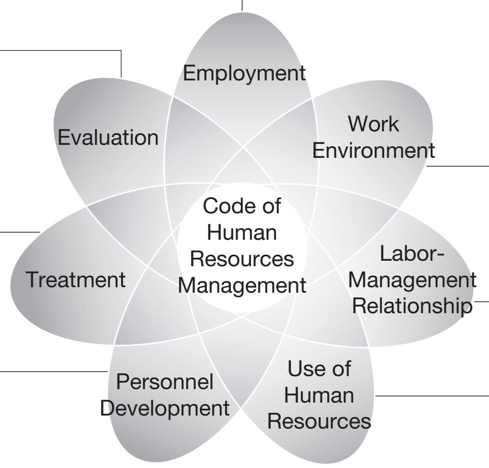
# Human Resource Management

The SCREEN Group has formulated basic policies in 7 fields of human resource management (see diagram below). These policies are in line with our corporate philosophy of "Sharing the Future," "Human Resource Development," and "The Pursuit of Technology," and founded on the pillars of our "CSR Charter / Code of Conduct" and "SCREEN Group Code of Management". Under these policies, we strive to create an environment where a diversity of employees can maximize their talents and enjoy rewarding work.

The SCREEN Group will perform fair and acceptable evaluations based on roles and job performance of each individual employee.

The SCREEN Group will promote fair treatment to reward contribution by each individual employee, reflecting the results of employee evaluations and corporate and sectional performance.

The SCREEN Group will support the career paths of each individual employee and develop diverse human resources in a systematic manner by enhancing programs and measures based on medium and long-term perspectives.




The SCREEN Group will endeavor to hire and maintain employees free from discrimination based upon race, color, ethnicity, religion, gender, sexual orientation, national origin, age, mental or physical disability and genetics.

The SCREEN Group will create and maintain a safe, hygienic and healthy work environment so that the employees can work comfortably and at ease.

The SCREEN Group will address the improvement of various labor related policies and the betterment of work environment through sincere discussions between labor and management.

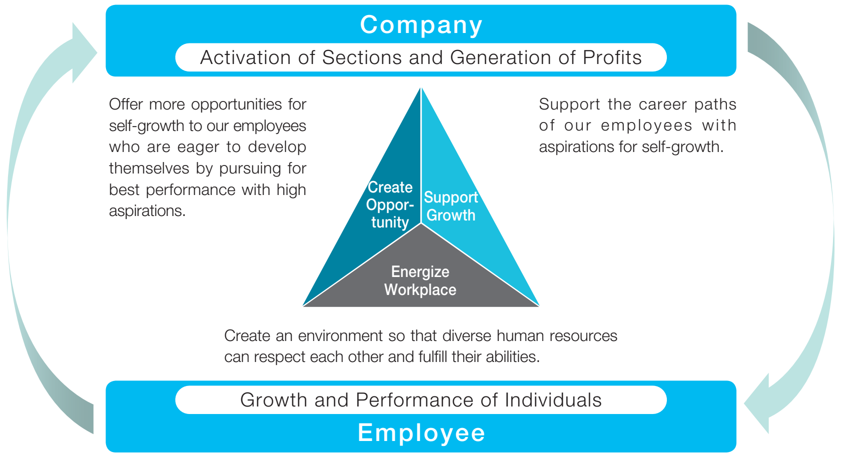
The SCREEN Group will actively utilize diverse human resources to help each individual employee fulfill his/her ability to a maximum extent.

## Personnel Development and Use of Human Resources

The SCREEN Group formulated its Basic Philosophy on developing human resources over the medium to long term. The Basic Philosophy states the concept and basic policies of personnel development and the ideal employee. By implementing the programs and measures that will bring the basic policies to fruition, we aim to promote the growth of all employees—the foundation for improving corporate value—and foster the next generation of management personnel.

● Concept of Personnel Development

Concept of Personnel Development is to show objectives for personnel development and relationship between "Company" and "Employee" based on the code.




○We will support the career paths of each individual employee by enhancing programs and measures based on medium and long-term perspectives.

○We will actively utilize diverse human resources to help each individual employees fulfill his/her ability to a maximum extent.

○We will aim to establish a structure by which our employees and companies can grow together organically.

● SCREEN BUSINESS SCHOOL

In order to put our basic policies of personnel development into action, we have established the SCREEN BUSINESS SCHOOL, which offers a wide range of educational and training programs tailored to different career levels and goals in order to empower employees in taking the initiative to better themselves. The scope of programs offered has steadily grown to encompass 11 new programs, including assertiveness training and coaching skills training. Around 350 people have already taken part in these new programs as of the fiscal year ended March 31, 2019. A total of 1,390 employees took part in these and existing programs.

SCREEN Group educational system
www.screen.co.jp/en/sustainability/society/employee



### New Employee Training

Upon joining the company, new employees receive three weeks of education and training on SCREEN employee attitude, basic knowledge, and skills conducted via lectures, practical work experience run by in-house and outside instructors, Zen meditation seminars, and other instructional sessions. After this, employees undergo specialized training to cultivate their business skill set. New employee follow-up training is also held at the end of the term to help new employees review their first year and to encourage further growth.

### Study Abroad and Business School Opportunities

Employees are provided with opportunities to further their professional education. These include study-abroad programs for engineers and overseas law school enrollment for those seeking to acquire qualifications to practice law in the United States. We also send promising employees to business school so that they can earn their MOT or MBA and, thereby, better contribute to the future business of the SCREEN Group.

### Cultivating Business Leaders

In order to cultivate the next generation of capable business leaders, we have established the Business Leader Training Course for managers and the Junior Business Leader Training Course for regular employees. These training programs involve multiple sessions throughout the year, including talks by directors/corporate officers, specialized lectures by outside instructors, and competitive business simulations carried out with employees from other companies. In addition to providing practical business knowledge, participants develop a more managerial outlook and the ability to think and act independently as business leaders. Both courses are held every year. As of the fiscal year ended March 31, 2019, there were 8 people enrolled in the Business Leader Training Course and 14 people enrolled in the Young Business Leader Training Course.

## Labor-Management Relationship

As a signatory to the United Nations Global Compact, SCREEN recognizes workers' freedom to organize and their right to engage in collective bargaining. As of March 31, 2019, 63% of all employees in SCREEN and its business operating and functional support companies held collective bargaining rights.

In addition to the semimonthly, regular labor-management negotiations, we host labor-management conferences when necessary to discuss a range of issues, as well as facilitate other opportunities for cultivating a relationship of constructive dialogue with labor unions.

## Evaluation and Treatment of Employees

The SCREEN Group performs fair and acceptable evaluations based on each employee's role and job performance. We also fairly reward employees for the contributions they have made based on corporate and sectional performance. We also hold periodic training for evaluators so that they can gain a deeper understanding of the goals-based management and evaluation methods that form the basis of their evaluations and treatment of employees. In addition, employees also do multi-faceted evaluations of their bosses, thus helping ensure that the evaluation process is a two-way street and that evaluations are appropriate.

## Building a Friendly Work Environment

● Work-Style Reform

Work-style reform is a crucial element to realizing our mission "Growth and qualitative improvement of the Group itself" under our Three-year Medium-term Management Plan Challenge 2019, and to further boosting the competitiveness of the SCREEN Group. To maximize the productivity and creativity of its human resources, the SCREEN Group is building a pleasant workplace where employees can perform their jobs in a healthy, safe, and stress-free environment.

● Improving Work-Life Balance

We strive to build and maintain an environment in which diverse employees can use their abilities to the fullest while carrying out home duties such as taking care of children or elderly family members.

Main work-life balance systems (as of April 2019)

| | |
|---|---|
| PitStop 5 paid leave | Employees who take less than 60% of their paid leave during a given year must take at least five consecutive days off in the following year. |
| Spouse childcare leave | Leave for employees to help wife care for infant after giving birth (paid leave; as a rule, mandatory). |
| Spouse-accompaniment leave | Leave for employees who want to accompany their spouse to an overseas posting (unpaid leave, limited time period). |
| Partial work at-home system | Work system allowing employees to do some of their work at home if they are pregnant, caring for elderly or sick family members or children, or undergoing medical treatment. |
| Minimum break between work days | System allowing employees to have a minimum number of hours between finishing work one day and starting work the next day (minimum of 9 hours). |
| Limited geographical region system | System limiting the work region for employees who cannot be transferred far away due to elderly/sick care or child care duties. |

| | |
|---|---|
| Subsidy for childcare, etc. | Subsidy to partially compensate for wages lost due to taking leave or working shorter hours to care for infants. |
| Subsidy for early return to work | Subsidy to pay for daycare and other expenses for employees making an early return to work after taking childcare leave. |
| Skills training for employees on childcare leave | Online learning program so employees can study while they are on childcare leave. |

| | |
|---|---|
| Subsidy for nursing care leave | Subsidy to partially compensate for wages lost due to taking leave or working shorter hours to care for elderly or sick family members. |
| Subsidy for nursing care equipment | Subsidy to partially pay for the purchase or rental of nursing care equipment. |
| Nursing care consultation | Dedicated staff provides consultation on company systems, government support, and private nursing care services. |
| Nursing care seminars | Seminars provide the basics on nursing care so that employees do not have to quit their jobs to care for elderly or sick family members. |

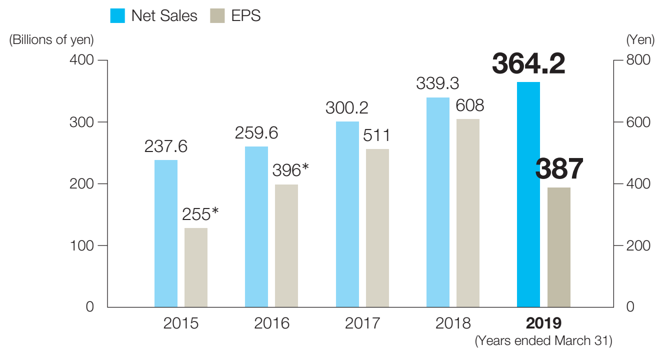
Note: Detailed data on human resource management can be found in the Sustainability Data Book (pages 1–3).

Sustainability Data Book 2019
www.screen.co.jp/download_file/get_file/SCREEN_SustainabilityDataBook2019e.pdf

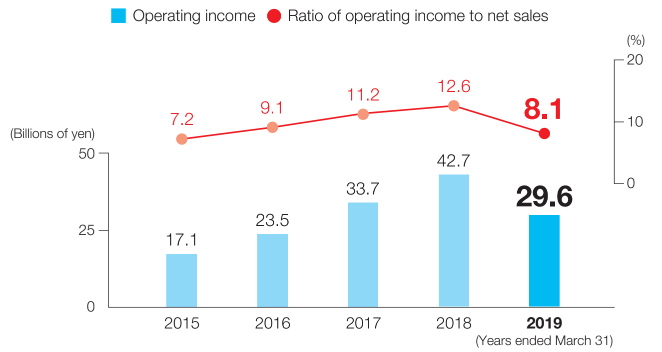
# Performance Highlights

## 〈Financial〉

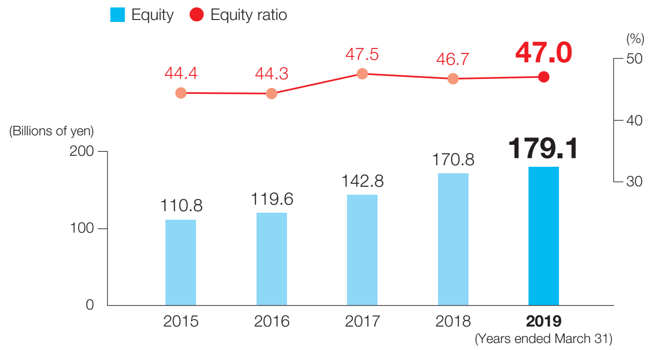
### Net Sales / EPS



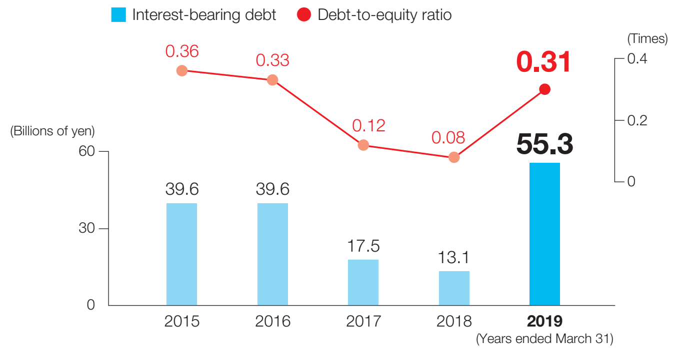

### Operating Income / Ratio of Operating Income to Net Sales



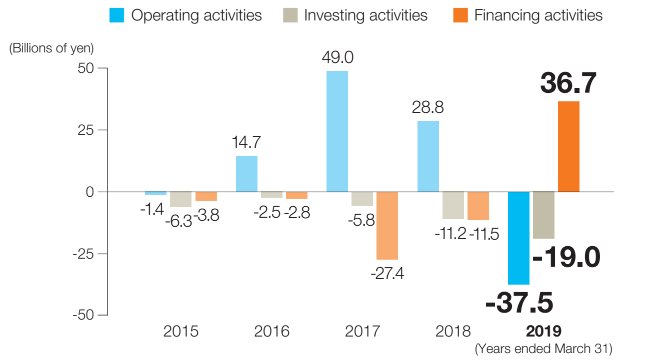

### Equity / Equity Ratio



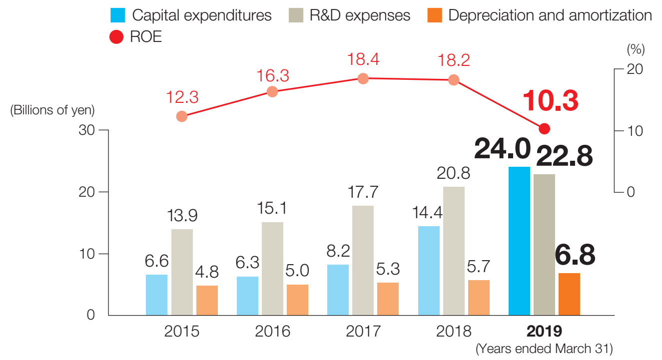

### Interest-bearing Debt / Debt-to-Equity Ratio



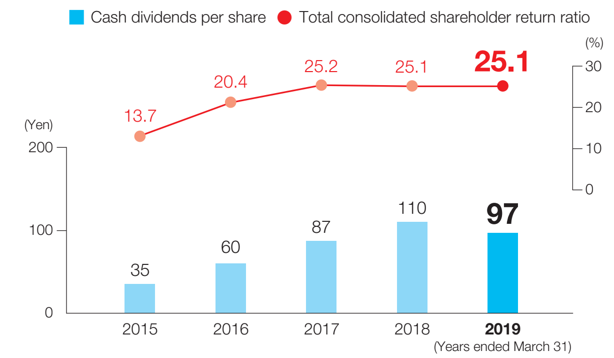

### Cash Flows



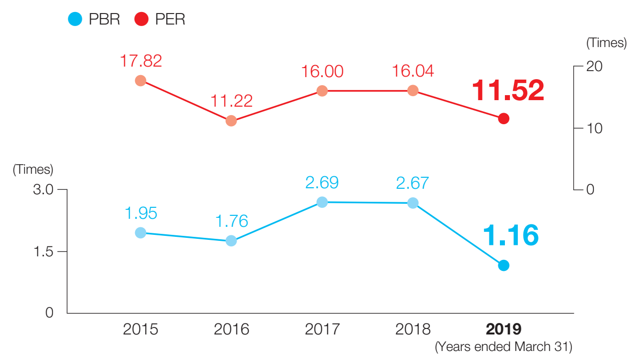

### ROE / Capital Expenditures / R&D Expenses / Depreciation and Amortization




### Cash Dividends per Share / Total Consolidated Shareholder Return Ratio




### PBR / PER

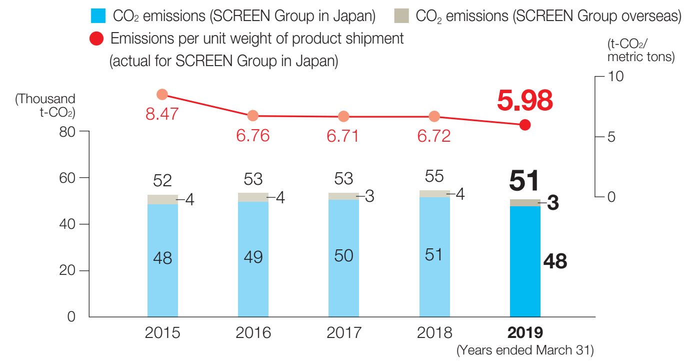



Note: The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Therefore, EPS (net income per share) of capital stock is calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2015.

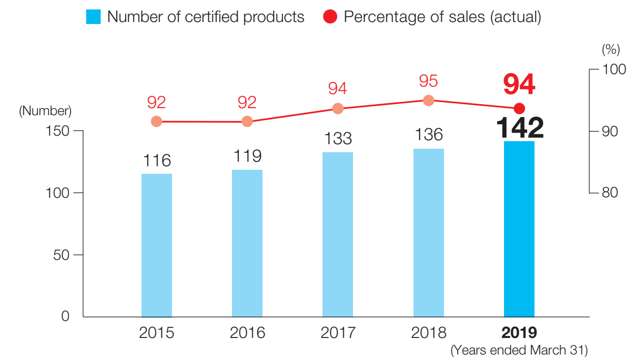
Fact Book 2019
www.screen.co.jp/en/ir/investor

## 〈Nonfinancial〉

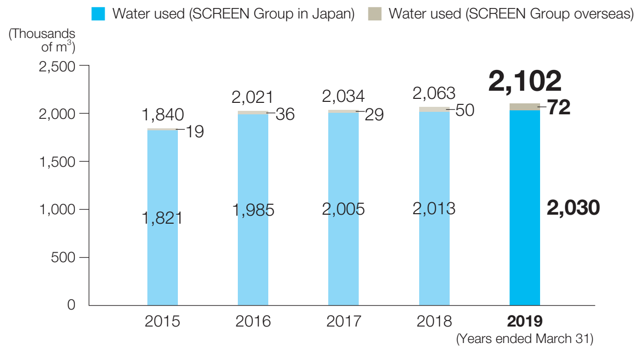
### $CO_2$ Emissions and Emissions per Unit of Weight of Product Shipment



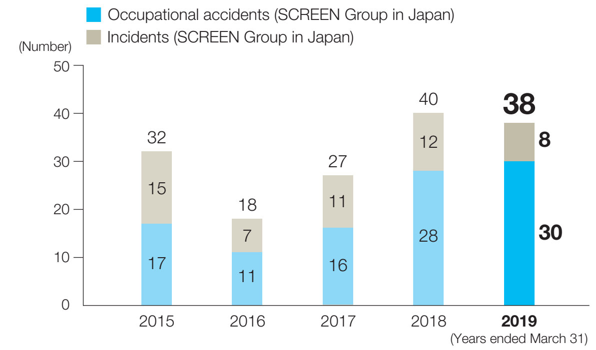

### Green Products as a Percentage of Sales



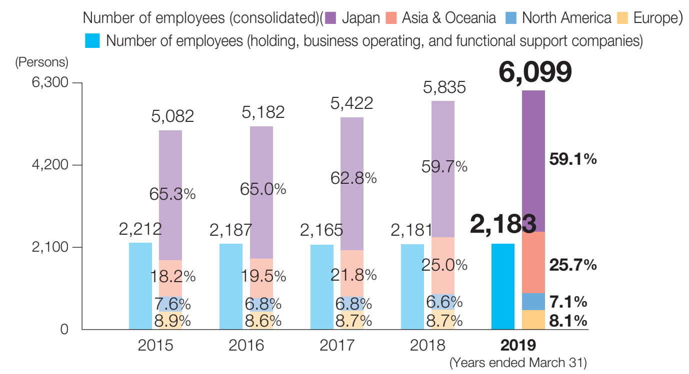

### Water Used



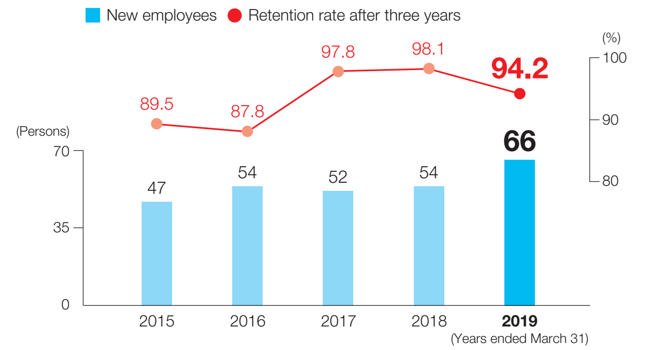

### Number of Occupational Accidents and Incidents



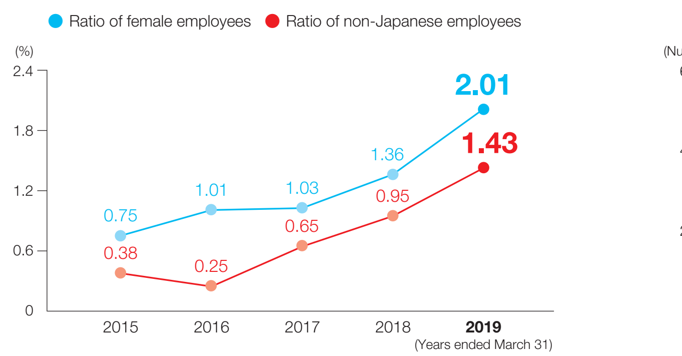

### Number of Employees



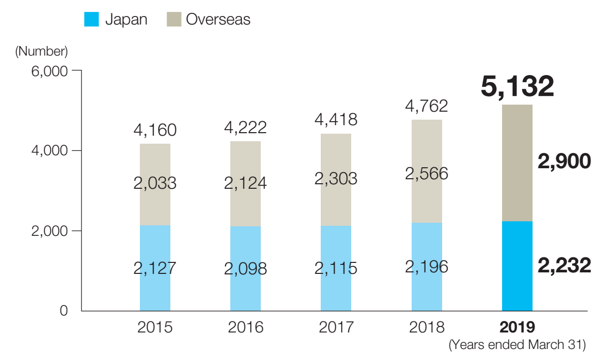

### Number of New Employees and Their Retention Rate After Three Years (Holding, business operating, and functional support companies)




### Ratio of Female and Non-Japanese Employees in Management Post (Holding, business operating, and functional support companies)




### Number of Patents Held (Holding, business operating, and functional support companies)




Note: Holding, business operating, and functional support companies refer to the following eight companies.
Holding company: SCREEN Holdings Co., Ltd.
Business operating companies: SCREEN Semiconductor Solutions Co., Ltd. / SCREEN Graphic Solutions Co., Ltd. / SCREEN Finetech Solutions Co., Ltd. / SCREEN PE Solutions Co., Ltd. / SCREEN Advanced System Solutions Co., Ltd.
Functional support companies: SCREEN Business Support Solutions Co., Ltd. / SCREEN IP Solutions Co., Ltd.
Data for fiscal years prior to the fiscal year ended March 31, 2018 include data for SCREEN Manufacturing Support Solutions Co., Ltd. (absorbed by SCREEN MFG Service Co., Ltd. in January 2019)

# Eleven-Year Trends in Key Financial and Nonfinancial Indicators

Consolidated Eleven-Year Summary
SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **For the Year:** | | | | | | | | | | | Millions of yen | Thousands of U.S. dollars |
| Net sales | **¥ 364,234** | ¥ 339,369 | ¥ 300,234 | ¥ 259,675 | ¥ 237,646 | ¥ 235,946 | ¥ 199,795 | ¥ 250,090 | ¥ 254,953 | ¥ 164,129 | ¥ 219,049 | **$ 3,281,387** |
| Cost of sales | **263,667** | 229,838 | 206,687 | 178,677 | 165,192 | 177,175 | 157,790 | 187,325 | 182,990 | 137,827 | 169,391 | **2,375,378** |
| Cost of sales to net sales (%) | **72.4%** | 67.7% | 68.8% | 68.8% | 69.5% | 75.1% | 79.0% | 74.9% | 71.8% | 84.0% | 77.3% | |
| Operating income (loss) | **¥ 29,645** | ¥ 42,725 | ¥ 33,732 | ¥ 23,557 | ¥ 17,168 | ¥ 8,903 | ¥ (4,833) | ¥ 13,498 | ¥ 26,811 | ¥ (14,046) | ¥ (4,510) | **$ 267,072** |
| Operating income to net sales (%) | **8.1%** | 12.6% | 11.2% | 9.1% | 7.2% | 3.8% | -2.4% | 5.4% | 10.5% | -8.6% | -2.1% | |
| Profit (loss) attributable to owners of parent | **¥ 18,059** | ¥ 28,507 | ¥ 24,169 | ¥ 18,816 | ¥ 12,122 | ¥ 5,419 | ¥(11,333) | ¥ 4,637 | ¥ 25,687 | ¥ (8,003) | ¥ (38,191) | **$ 162,694** |
| Comprehensive income | **13,425** | 34,934 | 28,011 | 11,567 | 24,018 | 14,262 | (6,031) | 4,192 | 22,576 | (5,257) | – | **120,946** |
| Depreciation and amortization | **6,883** | 5,708 | 5,398 | 5,030 | 4,880 | 4,101 | 4,731 | 4,986 | 5,805 | 7,012 | 8,414 | **62,009** |
| Cash flows from operating activities | **(37,534)** | 28,878 | 49,024 | 14,721 | (1,492) | 24,703 | (15,320) | 11,279 | 34,299 | 25,113 | (24,593) | **(338,144)** |
| Cash flows from investing activities | **(19,020)** | (11,230) | (5,860) | (2,558) | (6,318) | (4,201) | (5,768) | (4,162) | (2,191) | 6,885 | (6,921) | **(171,351)** |
| Cash flows from financing activities | **36,761** | (11,512) | (27,479) | (2,846) | (3,823) | (29,302) | 21,534 | (9,468) | (22,250) | (27,124) | 34,071 | **331,180** |
| Capital expenditures | **24,089** | 14,429 | 8,256 | 6,352 | 6,659 | 4,574 | 6,450 | 7,347 | 3,613 | 1,911 | 4,007 | **217,018** |
| R&D expenses | **22,825** | 20,837 | 17,794 | 15,166 | 13,972 | 12,274 | 12,685 | 13,889 | 12,130 | 11,615 | 16,073 | **205,631** |
| **Per Share of Capital Stock:** | | | | | | | | | | | Yen | U.S. dollars |
| Net income (loss) | **¥ 387.10** | ¥ 608.62 | ¥ 511.96 | ¥ 396.75 | ¥ 51.07 | ¥ 22.83 | ¥ (47.75) | ¥ 19.54 | ¥ 108.21 | ¥ (33.71) | ¥ (160.86) | **$ 3.49** |
| Net income — diluted | **370.66** | – | – | – | – | – | – | – | – | – | – | **3.34** |
| Cash dividends | **97.00** | 110.00 | 87.00 | 60.00 | 7.00 | 3.00 | – | 5.00 | 5.00 | – | – | **0.87** |
| Net assets | **3,838.90** | 3,661.96 | 3,040.79 | 2,533.41 | 467.13 | 364.23 | 321.24 | 379.44 | 367.00 | 272.15 | 292.12 | **34.58** |
| **At Year End:** | | | | | | | | | | | Millions of yen | Thousands of U.S. dollars |
| Total assets | **¥ 380,916** | ¥ 365,874 | ¥ 300,660 | ¥ 270,094 | ¥ 249,517 | ¥ 232,376 | ¥ 232,390 | ¥ 245,382 | ¥ 253,127 | ¥ 216,622 | ¥ 246,918 | **$ 3,431,676** |
| Return on total assets (%) | **4.8%** | 8.6% | 8.5% | 7.2% | 5.0% | 2.3% | -4.8% | 1.9% | 10.9% | -3.5% | -14.2% | |
| Current assets | **¥ 263,265** | ¥ 254,756 | ¥ 215,159 | ¥ 188,522 | ¥ 160,367 | ¥ 157,327 | ¥ 161,614 | ¥ 177,543 | ¥ 183,523 | ¥ 139,984 | ¥ 168,191 | **$ 2,371,757** |
| Net property, plant and equipment | **61,398** | 48,973 | 41,758 | 43,378 | 42,606 | 40,711 | 39,902 | 38,669 | 40,699 | 45,413 | 50,955 | **553,135** |
| Current liabilities | **160,852** | 175,509 | 135,576 | 120,857 | 92,750 | 114,367 | 120,014 | 123,223 | 148,132 | 93,874 | 132,431 | **1,449,117** |
| Long-term debt | **33,848** | 5,227 | 10,907 | 18,986 | 32,666 | 21,943 | 29,642 | 25,988 | 10,634 | 48,195 | 32,967 | **304,937** |
| Equity | **179,116** | 170,839 | 142,805 | 119,650 | 110,865 | 86,448 | 76,248 | 90,069 | 87,118 | 64,607 | 69,353 | **1,613,658** |
| Equity ratio (%) | **47.0%** | 46.7% | 47.5% | 44.3% | 44.4% | 37.2% | 32.8% | 36.7% | 34.4% | 29.8% | 28.1% | |
| Return on equity (%) | **10.3%** | 18.2% | 18.4% | 16.3% | 12.3% | 6.7% | -14.2% | 5.2% | 33.9% | -11.9% | -39.9% | |
| Capital stock | **¥ 54,045** | ¥ 54,045 | ¥ 54,045 | ¥ 54,045 | ¥ 54,045 | ¥ 54,045 | ¥ 54,045 | ¥ 54,045 | ¥ 54,045 | ¥ 54,045 | ¥ 54,045 | **$ 486,892** |
| Retained earnings | **130,274** | 117,359 | 92,937 | 71,602 | 54,448 | 41,824 | 36,405 | 55,440 | 26,418 | 731 | 8,734 | **1,173,640** |
| Number of shares issued (in thousands) | **50,795** | 50,795 | 50,795 | 50,795 | 253,974 | 253,974 | 253,974 | 253,974 | 253,974 | 253,974 | 253,974 | |
| Number of employees | **6,099** | 5,835 | 5,422 | 5,182 | 5,082 | 4,968 | 4,955 | 4,890 | 4,732 | 4,679 | 4,992 | |
| **Key Environmental Indicators** | | | | | | | | | | | | |
| $CO_2$ emissions (t-$CO_2$) | **50,566** | 54,776 | 53,357 | 52,523 | 52,625 | 53,810 | 48,600 | 37,858 | 31,312 | 29,993 | 39,164 | |
| Water used (thousands of $m^3$) | **2,102** | 2,063 | 2,034 | 2,021 | 1,840 | 2,034 | 2,151 | 2,113 | 2,084 | 1,918 | 2,381 | |
| Total waste emissions (metric tons) | **2,765** | 2,696 | 2,064 | 1,848 | 2,048 | 1,893 | 1,744 | 1,806 | 1,794 | 937 | 1,098 | |

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥111 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. 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, 2009.
5. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and the FT, 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.
6. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share of capital stock, cash dividends per share of capital stock, net assets per share of capital stock and number of shares issued are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.
7. The Company introduced a performance-linked share compensation system for directors and corporate officers from the fiscal year ended March 31, 2018. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the number of shares outstanding as of the fiscal year end for the purpose of calculating net assets per share of capital stock (99 thousand shares as of March 31, 2019 and 106 thousand shares as of March 31, 2018) and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share of capital stock (105 thousand shares for the year ended March 31, 2019 and 61 thousand shares for the year ended March 31, 2018).

# 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, which have been compiled in accordance with generally accepted accounting principles in Japan.

The U.S. dollar figures appearing in the financial statements have been translated from Japanese yen amounts for convenience only at the rate of ¥111 to US$1.00.

## Financial Position

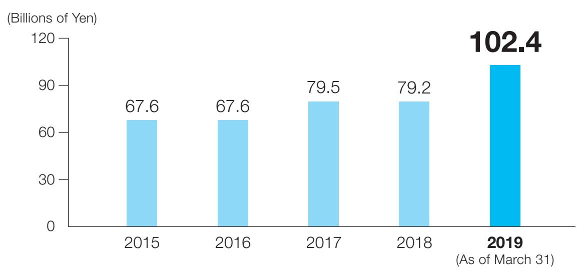
Total assets as of March 31, 2019 stood at ¥380,916 million, up ¥15,042 million, or 4.1%, from the previous fiscal year. This was due largely to an increase in trade receivables, inventories and property, plant, and equipment, despite a decrease in cash and time deposits and a decrease in investment securities due to a decline in the market value of stock held.

Total liabilities amounted to ¥201,782 million, up ¥6,788 million, or 3.5%, from the previous fiscal year. This was attributable mainly to the issuance of convertible bonds and an increase in loans, despite a decrease in trade notes and accounts payable.

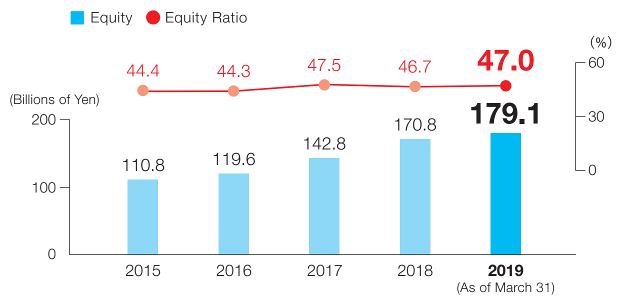
Total net assets amounted to ¥179,134 million, an increase of ¥8,254 million, or 4.8%, from March 31, 2018. This was due mainly to a recording of profit attributable to the owners of the parent, which offset factors such as a payout of cash dividends and a decrease in the valuation difference on available-for-sale securities due to a decline in market value of stock held.

As a result, the equity ratio as of March 31, 2019 was 47.0%.

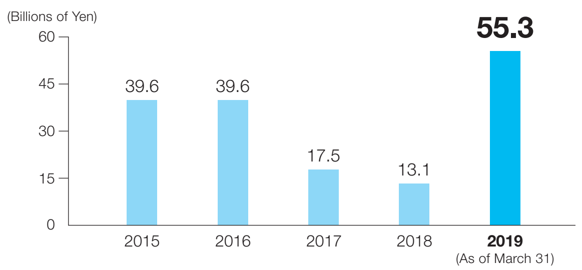
**Working Capital**



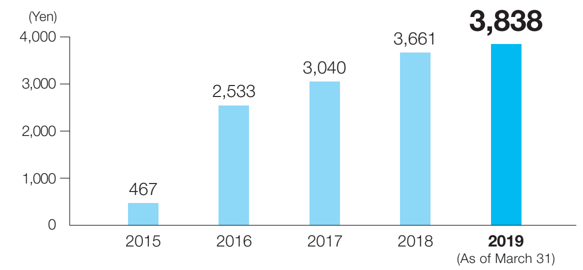

**Equity and Equity Ratio**




**Interest-Bearing Debt**




**Net Assets Per Share of Capital Stock**




| As of March 31, | Millions of yen 2019 | 2018 | 2017 | 2016 | 2015 | Thousands of U.S. dollars 2019 |
|---|---|---|---|---|---|---|
| Total assets | **¥ 380,916** | ¥ 365,874 | ¥ 300,660 | ¥ 270,094 | ¥ 249,517 | **$ 3,431,676** |
| Reportable Segment: SE | **222,393** | 205,196 | 163,899 | 132,524 | 114,733 | **2,003,540** |
| GA | **46,586** | 48,381 | 42,075 | 50,334 | 53,289 | **419,694** |
| FT | **33,046** | 36,238 | 31,826 | 28,372 | 20,624 | **297,712** |
| PE | **11,959** | 9,727 | 8,925 | – | – | **107,739** |
| Other | **9,843** | 10,546 | 9,054 | 6,637 | 4,979 | **88,676** |
| Adjustments | **57,089** | 55,786 | 44,881 | 52,227 | 55,892 | **514,315** |
| Working capital | **102,413** | 79,247 | 79,583 | 67,665 | 67,617 | **922,640** |
| Interest-bearing debt | **55,321** | 13,157 | 17,587 | 39,636 | 39,677 | **498,387** |
| Equity | **179,116** | 170,839 | 142,805 | 119,650 | 110,865 | **1,613,658** |
| Equity ratio (%) | **47.0%** | 46.7% | 47.5% | 44.3% | 44.4% | |
| Net assets per share of capital stock (yen) | **¥ 3,838.90** | ¥ 3,661.96 | ¥ 3,040.79 | ¥ 2,533.41 | ¥ 467.13 | **$ 34.58** |

Notes: 1. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net assets per share of capital stock are calculated based on the assumption that the consolidation of shares had been implemented since the beginning of the fiscal year ended March 31, 2016.
2. For the fiscal year ended March 31, 2016 and before, the former GP segment (including the PCB-related equipment business) are included within GA for the purposes of the above table.
3. The Company introduced a performance-linked share compensation system for directors and corporate officers from the fiscal year ended March 31, 2018. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the number of shares outstanding as of the fiscal year end for the purpose of calculating net assets per share of capital stock.

## Operating Results

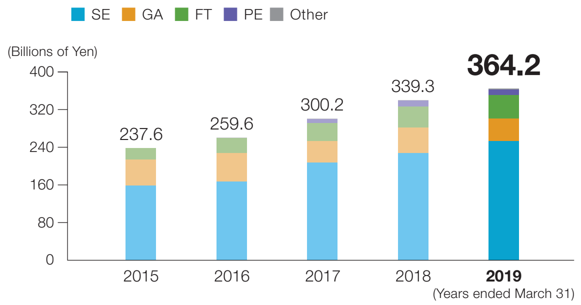
Consolidated net sales for the fiscal year ended March 31, 2019 rose ¥24,865 million year-on-year to ¥364,234 million.

However, operating income decreased by ¥13,080 million to ¥29,645 million. This was due mainly to a rise in the variable cost ratio as well as an increase in fixed costs such as the labor costs resulting from the enhancement and increased production of oversea subsidiaries in the semiconductor production equipment segment.

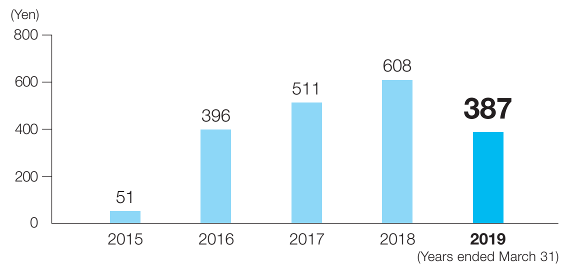
Profit attributable to the owners of the parent was ¥18,059 million, a decrease of ¥10,448 million from the previous fiscal year. Contributing factors included the recording of an impairment loss, and business structure improvement expenses in the graphic arts equipment segment.

Net income per share of capital stock decreased by ¥221.52 to ¥387.10 (net income per share of capital stock – diluted was ¥370.66), return on equity decreased by 7.9 percentage points from the previous fiscal year to 10.3%, and return on total assets decreased by 3.8 percentage points to 4.8%.

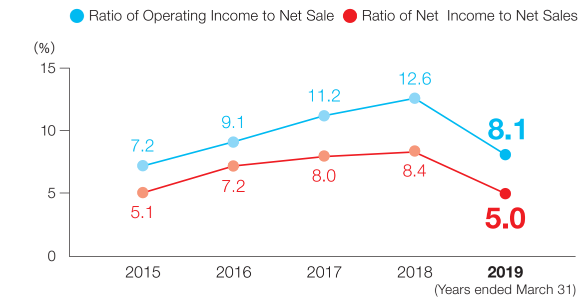
**Consolidated Net Sales by Reportable Segment**



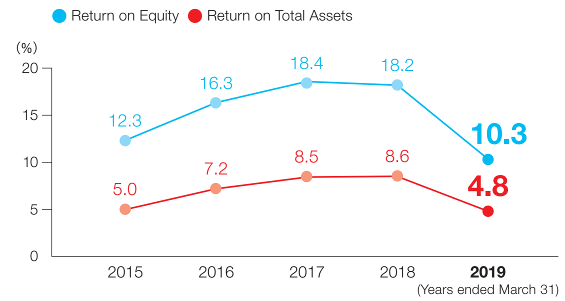

**Net Income Per Share of Capital Stock**




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




**Return on Equity and Return on Total Assets**




| Years ended March 31, | Millions of yen 2019 | 2018 | 2017 | 2016 | 2015 | Thousands of U.S. dollars 2019 |
|---|---|---|---|---|---|---|
| Net sales | **¥ 364,234** | ¥ 339,369 | ¥ 300,234 | ¥ 259,675 | ¥ 237,646 | **$ 3,281,387** |
| Gross profit | **¥ 100,567** | ¥ 109,531 | ¥ 93,547 | ¥ 80,998 | ¥ 72,454 | **$ 906,009** |
| Operating income | **¥ 29,645** | ¥ 42,725 | ¥ 33,732 | ¥ 23,557 | ¥ 17,168 | **$ 267,072** |
| Operating income to net sales (%) | **8.1%** | 12.6% | 11.2% | 9.1% | 7.2% | |
| Income before Income taxes | **¥ 27,730** | ¥ 41,952 | ¥ 31,055 | ¥ 23,943 | ¥ 15,782 | **$ 249,820** |
| Profit attributable to owners of parent | **¥ 18,059** | ¥ 28,507 | ¥ 24,169 | ¥ 18,816 | ¥ 12,122 | **$ 162,694** |
| Per share of capital stock (yen) | | | | | | |
| Net income | **¥ 387.10** | ¥ 608.62 | ¥ 511.96 | ¥ 396.75 | ¥ 51.07 | **$ 3.49** |
| Net income—diluted | **¥ 370.66** | – | – | – | – | **$ 3.34** |
| Return on equity (%) | **10.3%** | 18.2% | 18.4% | 16.3% | 12.3% | |
| Return on total assets (%) | **4.8%** | 8.6% | 8.5% | 7.2% | 5.0% | |

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. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share of capital stock is calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.
3. The Company has introduced a performance-linked share compensation system for directors and corporate officers from the fiscal year ended March 31, 2018. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share of capital stock.
4. Effective from the beginning of the current fiscal year, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) has been adopted. Under the new accounting standard, return on total assets pertaining to the fiscal year ended March 31, 2018 have been recalculated retrospectively.

## Segment Information

In the Semiconductor Production Equipment Segment, sales to memory manufacturers and logic device makers increased year-on-year, and sales to foundries grew steadily. By product, sales of batch-type cleaning equipment decreased, while single-wafer cleaning equipment and coater / developers increased. By region, sales to Taiwan fell but sales to China, Japan and North America grew. As a result, net sales in this segment reached ¥252,513 million, an increase of 11.1% from the previous period. Operating income fell to ¥25,842 million, a 28.8% year-on-year decrease, due to factors including a rise in the variable cost ratio and increases in fixed cost, such as personnel expenses, despite an expansion in sales.

In the Graphic Arts Equipment Segment, although overseas sales increased for print-on-demand (POD) equipment and after-sales services such as that for ink, factors such as a fall in sales of CTP equipment contributed to a 9.7% year-on-year net sales decrease to ¥48,218 million and a 62.8% decrease in operating income to ¥1,140 million.

In the Segment for Display Production Equipment and Coater Business, sales fell for production equipment for large-sized panels but rose for production equipment for small- and medium-sized panels. The result was net sales of ¥49,254 million, up 8.8% year-on-year. Despite an increase in sales, operating income in the segment fell by 17.9% year-on-year to ¥3,774 million due to factors including higher fixed costs and a loss on valuation of inventories.

In the Segment for Printed Circuit Board (PCB)-related Equipment, despite a drop in sales in South Korea and China, those in Taiwan increased. As a result, net sales in this segment amounted to ¥12,345 million, up 1.2% year-on-year. Despite a rise in sales, operating income fell to ¥770 million, a 24.0% decrease year-on-year, due mainly to rise in fixed costs.

**Net Sales and Income (Loss) in Reportable Segments**

| | | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|
| Years ended March 31, | | **2019** | 2018 | 2017 | 2016 | 2015 | **2019** |
| Net Sales | Reportable Segment: SE | **¥ 252,513** | ¥ 227,185 | ¥ 206,098 | ¥ 165,801 | ¥ 157,479 | **$ 2,274,892** |
| | GA | **48,218** | 53,414 | 45,830 | 61,280 | 55,707 | **434,396** |
| | FT | **49,254** | 45,286 | 38,104 | 31,590 | 23,774 | **443,730** |
| | PE | **12,345** | 12,194 | 8,918 | – | – | **111,216** |
| | Other | **2,048** | 1,620 | 1,453 | 1,085 | 770 | **18,450** |
| | Intersegment sales | **(144)** | (330) | (169) | (81) | (84) | **(1,297)** |
| | Consolidated | **¥ 364,234** | ¥ 339,369 | ¥ 300,234 | ¥ 259,675 | ¥ 237,646 | **$ 3,281,387** |
| Operating Income (Loss) | Reportable Segment: SE | **¥ 25,842** | ¥ 36,302 | ¥ 29,315 | ¥ 18,716 | ¥ 15,738 | **$ 232,811** |
| | GA | **1,140** | 3,061 | 1,472 | 3,169 | 2,840 | **10,270** |
| | FT | **3,774** | 4,599 | 4,392 | 2,748 | 339 | **34,000** |
| | PE | **770** | 1,014 | 752 | – | – | **6,937** |
| | Other | **(1,411)** | (1,554) | (1,453) | (1,138) | (805) | **(12,712)** |
| | Total | **¥ 30,115** | ¥ 43,422 | ¥ 34,478 | ¥ 23,495 | ¥ 18,112 | **$ 271,306** |
| | Adjustments | **(470)** | (697) | (746) | 62 | (944) | **(4,234)** |
| | Consolidated | **¥ 29,645** | ¥ 42,725 | ¥ 33,732 | ¥ 23,557 | ¥ 17,168 | **$ 267,072** |

Notes: 1. The SCREEN Group has created four business segments for reporting: Semiconductor Production Equipment Business (SE), Graphic Arts Equipment Business (GA), Display Production Equipment and Coater Business (FT), and PCB-Related Equipment Business (PE).
The products and services of each segment are as follows:
SE: Development, manufacturing, sale and maintenance services for semiconductor production equipment
GA: Development, manufacturing, sale and maintenance services for graphic arts equipment
FT: Development, manufacturing, sale and maintenance services for display production equipment and coater equipment
PE: Development, manufacturing, sale and maintenance services for PCB related equipment

(Changes in reportable segments)
EMD Corporation, which was included in the "Other" category, has been brought under the organization of SCREEN Finetech Solutions Co., Ltd. to unify operations. From the fiscal year ended March 31, 2019, EMD Corporation is included in the " FT " category.
In addition, the reportable segment originally named the Semiconductor Equipment business has been renamed to the Semiconductor Production Equipment Business. The change is only to the segment name and does not impact any segment information.
Segment information for the previous fiscal year has been prepared according to the reclassified segments and is presented under "Net Sales, Income (loss), Assets and Other amounts by Reportable Segment" for the fiscal year ended March 31, 2018.

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 detailed information on each reportable segment, see Note 9, "Segment Information."

## Cash Flows

Regarding cash flows from operating activities, net cash used in operating activities reached ¥37,534 million compared with that provided by operating activities of ¥28,878 million the previous year. Outflows such as a decrease in trade notes and accounts payable, income taxes paid, an increase in trade notes and accounts receivable and an increase in inventories exceeded inflows such as income before income taxes. Regarding cash flows from investing activities, net cash used in investing activities ¥19,020 million from ¥11,230 million in the previous fiscal year due to factors such as new plant construction and the purchase of property, plant, and equipment such as R&D equipment. Regarding cash flows from financing activities, while dividends were paid out, factors such as the issuance of convertible bonds and an increase in loans led to net cash provided by financing activities of ¥36,761 million, compared with net cash used in financing activities of ¥11,512 million in the previous fiscal year. As a result, cash and cash equivalents as of March 31, 2019 totaled ¥30,922 million, down ¥19,895 million from March 31, 2018.

| | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| Years ended March 31, | **2019** | 2018 | 2017 | 2016 | 2015 | **2019** |
| Cash flows from operating activities | **¥ (37,534)** | ¥ 28,878 | ¥ 49,024 | ¥ 14,721 | ¥ (1,492) | **$(338,144)** |
| Cash flows from investing activities | **(19,020)** | (11,230) | (5,860) | (2,558) | (6,318) | **(171,351)** |
| Cash flows from financing activities | **36,761** | (11,512) | (27,479) | (2,846) | (3,823) | **331,180** |
| Effect of exchange rate changes on cash and cash equivalents | **(102)** | (242) | (919) | (1,151) | 2,062 | **(919)** |
| Net increase (decrease) in cash and cash equivalents | **¥ (19,895)** | ¥ 5,894 | ¥ 14,766 | ¥ 8,166 | ¥ (9,571) | **$ (179,234)** |

## Analysis of Operating Results

### Net Sales

Net sales for the Group as a whole for the fiscal year ended March 31, 2019 reached ¥364,234 million, an increase of ¥24,865 million, or 7.3%, from the previous fiscal year.

### Operating Income

Operating income fell by ¥13,080 million, or 30.6% year-on-year, to ¥29,645 million. Although sales increased, this was offset by factors such as a rise in the variable cost ratio in the semiconductor production equipment segment and an increase in fixed costs, including personnel expenses, accompanying upgrading and capacity increases at overseas subsidiaries.

### Income Before Income Taxes

Other income and expenses decreased by ¥1,142 million year-on-year. A gain on the sale of noncurrent assets was offset by factors such as a loss on retirement of noncurrent assets, an impairment loss and business structure improvement expenses in the graphic arts equipment segment. As a result, income before income taxes fell by ¥14,222 million to ¥27,730 million.

### Profit Attributable to Owners of Parent

The total amount of income taxes decreased by ¥3,794 million year-on-year to ¥9,677 million. This was the result of factors including a fall in income before income taxes and an adjustment in income taxes deferred based on applying the Consolidated Taxation System starting in the following fiscal period as part of tax-effect accounting. As a result, profit attributable to the owners of the parent fell by ¥10,448 million to ¥18,059 million.

## Research and Development Expenses

At the SCREEN Group, we maintain a close relationship between SCREEN Holdings Co., Ltd. and the group companies, and through that fusion and the advancement of our core technologies of surface treatment, direct imaging and image processing, we actively pursue R&D initiatives from basic research through product development.

During the fiscal year ended March 31, 2019, in addition to our investment to expand and strengthen existing businesses, mainly in the semiconductor production equipment segment, we also actively promoted R&D in the fields of energy, inspection and measurement and life science for a total investment in R&D of ¥22,825 million. The Group's main R&D achievements in the fiscal year are described below.

In the Semiconductor Production Equipment Segment, we continued from the previous term the joint development with overseas research institutes of cutting-edge semiconductor processing. We developed new cleaning and drying techniques that have become necessary as technological advances lead to changing structures and materials for devices. We also conducted research into and system development for devices compatible with IoT and AI technologies and worked on making our business greener by reducing the use of chemicals and improving productivity. In addition, we conducted development towards next-generation processing to meet the needs of customers in areas such as memory, logic and foundries, and we improved the stability, productivity and cost efficiency of wafer cleaning equipment, coaters / developers and annealing equipment. Overall, R&D expenses in this segment for the year were ¥14,515 million.

In the Graphic Arts Equipment Segment, we continued from the previous term our joint development with a European company of high-speed, in-line digital printing solutions for the corrugated cardboard industry. We also developed the PT-R24000N series of CTP equipment, boasting superb productivity, cost effectiveness and energy efficiency and the newly developed TP-J520NX EN, the entry-level model of our TPJ520NX high-speed continuous-feed inkjet printer. For the current fiscal year, R&D expenses in this segment were ¥3,315 million.

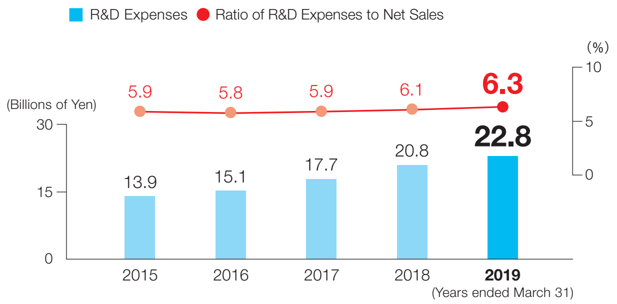
In the Segment for Display Production Equipment and Coater Business we developed the SK-3033G coater / developer system for high-definition processing of 10.5th-generation (2,940 x 3,370 mm) glass substrates—the world's largest. We also developed the RT-T700F tandem roll-to-roll coater / dryer, which can continuously coat onto and dry both sides of the electrode foil the individual materials for the negative and positive electrodes of lithium-ion rechargeable batteries. In this segment for the year, R&D expenses were ¥1,260 million.

In the PCB-related Equipment Segment we improved on the productivity of the Ledia6 series direct imaging system with the development of the Ledia6H series. Overall, our R&D expenses in this segment for the year were ¥1,023 million.

In addition to the R&D in the above segments, SCREEN Holdings also engaged in basic research and R&D related to new business fields. That sum reached ¥2,712 million for the fiscal year. In the life science field, we developed the OMNITO inkjet printing system for tablets with a superb space-saving design and cost effectiveness. In addition, we developed a function for our Cell3iMager duos, a system for the imaging and analysis of cellular morphologies. This function utilizes deep learning to evaluate differences in levels of cell characteristics.

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.

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




| | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| Years ended March 31, | **2019** | 2018 | 2017 | 2016 | 2015 | **2019** |
| R&D expenses | **¥ 22,825** | ¥20,837 | ¥17,794 | ¥15,166 | ¥13,972 | **$ 205,631** |
| R&D expenses to net sales (%) | **6.3%** | 6.1% | 5.9% | 5.8% | 5.9% | |

## Capital Expenditures and Depreciation and Amortization

For the year ended March 31, 2019, Group capital expenditures, including expenditures for intangible fixed assets, totaled ¥24,089 million.

In the Semiconductor Production Equipment Segment, capital expenditures amounted to ¥14,331 million, the majority of which were used for the reinforcement of R&D and manufacturing facilities for semiconductor production equipment.

Capital expenditures in the Graphic Arts Equipment Segment, totaling ¥969 million, centered on boosting R&D facilities for graphic arts equipment and upgrading core business systems.

In the segment for Display Production Equipment and Coater Business, capital expenditures were ¥739 million and centered on strengthening R&D and manufacturing facilities.

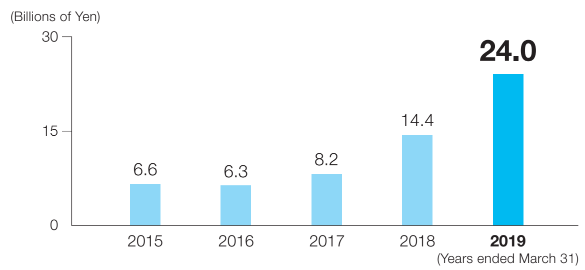
Capital expenditures in the PCB-related Equipment Segment were used for boosting R&D facilities for PCB-related equipment, among other things, and totaled ¥97 million.

Capital expenditures for other businesses were used for strengthening R&D facilities and totaled ¥315 million.

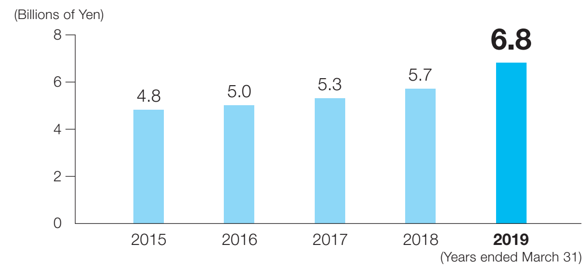
Corporate capital expenditures amounted to ¥7,638 million and included the construction of a new factory at the Hikone Plant.

Depreciation and amortization during the year came to ¥6,883 million, up ¥1,175 million, or 20.6%, from the previous fiscal year.

**Capital Expenditures**




**Depreciation and Amortization**




| | | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|
| Years ended March 31, | | **2019** | 2018 | 2017 | 2016 | 2015 | **2019** |
| Capital expenditures | | **¥ 24,089** | ¥ 14,429 | ¥ 8,256 | ¥ 6,352 | ¥ 6,659 | **$ 217,018** |
| Reportable Segment: | SE | **14,331** | 9,053 | 5,070 | 3,571 | 4,221 | **129,108** |
| | GA | **969** | 878 | 1,055 | 823 | 866 | **8,730** |
| | FT | **739** | 787 | 297 | 181 | 172 | **6,658** |
| | PE | **97** | 147 | 56 | – | – | **874** |
| Other | | **315** | 505 | 686 | 245 | 139 | **2,838** |
| Adjustments | | **7,638** | 3,059 | 1,092 | 1,532 | 1,261 | **68,810** |
| Depreciation and amortization | | **¥ 6,883** | ¥ 5,708 | ¥ 5,398 | ¥ 5,030 | ¥ 4,880 | **$ 62,009** |
| Reportable Segment: | SE | **3,853** | 3,052 | 2,602 | 2,490 | 2,620 | **34,712** |
| | GA | **581** | 492 | 624 | 646 | 625 | **5,234** |
| | FT | **213** | 148 | 102 | 88 | 59 | **1,919** |
| | PE | **53** | 14 | 64 | – | – | **477** |
| Other | | **363** | 412 | 344 | 185 | 119 | **3,270** |
| Adjustments | | **1,820** | 1,590 | 1,662 | 1,621 | 1,457 | **16,397** |

Note: For the fiscal year ended March 31, 2016 and before, the former Graphic and Precision Solutions (GP) Segment (including the PCB-rerated equipment business (PE)) are included within GA for the purposes of the above table.

## 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 an improvement in its break-even sales ratio so that it can consistently generate profits during market downturns. However, unexpectedly large market downturns could 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 pressure to increase production capacity and responding to trends in miniaturization 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 largescale 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 suspension 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 from losses of 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 earning structure, the Group is trying to enhance and invigorate its development capabilities by concentrating development themes in line with respective business strategies and sharing its technologies within the Group as well as expand its market share by timely introducing new products with the latest technologies in the market.
However, the extension of development periods could result in a delay in new product releases, which 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 with leading-edge technology, there is the risk that the Group could in the future become involved in intellectual property disputes that 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 SCREEN Group Rules for IT Management to strengthen the security of internal information systems and 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 thoroughly examines 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, the lawsuit could, depending on its outcome, have a material impact on the Group's financial condition and business performance.

### (10) 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 works 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.

### (11) 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.

### (12) 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 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. The Company currently has no loan based on a contract providing for such financial covenants.

### (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 and expected results and because of changes in 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 is taking measures to reduce the impact of retirement benefit obligations, investment returns worse than forecast 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 deductible temporary differences and loss carryforwards for tax purposes based on rational forecasts of future income taxes and its judgment of their recoverability. The Group reviews its assumptions on future income taxes based on factors such as changes in the management environment. A decision that some or all of these deferred tax assets are unrecoverable and that writing down the 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.

# Consolidated Balance Sheets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2019 and 2018

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| Assets | 2019 | 2018 | 2019 |
| **Current Assets:** | | | |
| Cash and cash equivalents (Note 11) | ¥ 30,922 | ¥ 50,817 | $ 278,577 |
| Time deposits (Note 11) | 1,271 | 2,297 | 11,450 |
| Notes and accounts receivable-trade (Note 11) | 100,835 | 85,407 | 908,423 |
| Allowance for doubtful receivables (Note 11) | (669) | (588) | (6,027) |
| Inventories (Note 7) | 116,803 | 106,322 | 1,052,279 |
| Other current assets | 14,103 | 10,501 | 127,055 |
| Total current assets | 263,265 | 254,756 | 2,371,757 |
| **Property, Plant and Equipment, at Cost:** | | | |
| Land | 9,475 | 9,662 | 85,360 |
| Buildings and structures | 59,622 | 53,308 | 537,135 |
| Machinery, equipment and other | 61,844 | 57,780 | 557,153 |
| Lease assets (Notes 3 and 8) | 4,908 | 5,025 | 44,216 |
| Construction in progress | 8,049 | 6,125 | 72,514 |
| Total property, plant and equipment | 143,898 | 131,900 | 1,296,378 |
| Accumulated depreciation | (82,500) | (82,927) | (743,243) |
| Net property, plant and equipment | 61,398 | 48,973 | 553,135 |
| **Investments and Other Assets:** | | | |
| Investment securities (Notes 11 and 13) | 37,083 | 41,480 | 334,081 |
| Lease assets (Notes 3 and 8) | 98 | 24 | 883 |
| Net defined benefit asset (Note 14) | 5,364 | 5,577 | 48,324 |
| Deferred tax assets (Note 4) | 3,754 | 6,849 | 33,820 |
| Other assets | 9,954 | 8,215 | 89,676 |
| Total investments and other assets | 56,253 | 62,145 | 506,784 |
| **Total Assets** | ¥380,916 | ¥365,874 | $ 3,431,676 |

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 | 2019 | 2018 | 2019 |
| **Current Liabilities:** | | | |
| Notes and accounts payable— | | | |
| Trade (Note 11) | ¥ 94,531 | ¥ 115,111 | $ 851,631 |
| Construction and other | 6,747 | 6,077 | 60,784 |
| Short-term debt (Notes 5 and 11) | 18,000 | – | 162,162 |
| Current portion of long-term debt (Notes 5 and 11) | 1,504 | 5,680 | 13,550 |
| Lease obligations (Notes 3, 5 and 11) | 450 | 391 | 4,054 |
| Accrued expenses | 7,830 | 7,887 | 70,541 |
| Income taxes payable | 4,365 | 9,651 | 39,324 |
| Provision for product warranties | 6,876 | 6,374 | 61,946 |
| Provision for bonuses | 2,618 | 4,204 | 23,586 |
| Provision for directors' bonuses | 155 | 220 | 1,396 |
| Provision for loss on order received | 74 | 58 | 667 |
| Other current liabilities | 17,702 | 19,856 | 159,476 |
| Total current liabilities | 160,852 | 175,509 | 1,449,117 |
| **Long-Term Liabilities:** | | | |
| Long-term debt (Notes 5 and 11) | 33,848 | 5,227 | 304,937 |
| Net defined benefit liability (Note 14) | 943 | 857 | 8,495 |
| Provision for directors' retirement benefits | 176 | 141 | 1,586 |
| Provision for stock payment | 34 | 28 | 306 |
| Provision for management board incentive plan trust | 39 | 46 | 351 |
| Lease obligations (Notes 3, 5 and 11) | 1,519 | 1,859 | 13,685 |
| Deferred tax liabilities (Note 4) | 3,641 | 10,488 | 32,802 |
| Asset retirement obligations | 67 | 57 | 604 |
| Other long-term liabilities | 663 | 782 | 5,973 |
| Total long-term liabilities | 40,930 | 19,485 | 368,739 |
| **Total Liabilities** | ¥ 201,782 | ¥ 194,994 | $ 1,817,856 |
| Contingent Liabilities (Note 10) | | | |
| **Net Assets (Note 6):** | | | |
| **Shareholders' Equity:** | | | |
| Capital stock | | | |
| Authorized—180,000,000 shares in 2019 and 2018 | | | |
| Issued—50,794,866 shares in 2019 and 2018 | 54,045 | 54,045 | 486,892 |
| Capital surplus | 4,488 | 4,546 | 40,432 |
| Retained earnings | 130,274 | 117,359 | 1,173,640 |
| Treasury stock, at cost 4,136,788 shares in 2019 and 4,142,444 shares in 2018 | (18,044) | (18,085) | (162,559) |
| Total shareholders' equity | 170,763 | 157,865 | 1,538,405 |
| **Accumulated Other Comprehensive Income:** | | | |
| Valuation difference on available-for-sale securities | 14,320 | 18,428 | 129,009 |
| Foreign currency translation adjustment | (5,345) | (4,716) | (48,152) |
| Remeasurements of defined benefit plans | (622) | (738) | (5,604) |
| Total accumulated other comprehensive income | 8,353 | 12,974 | 75,253 |
| **Non-controlling interests:** | | | |
| Non-controlling interests | 18 | 41 | 162 |
| Total net assets | 179,134 | 170,880 | 1,613,820 |
| **Total Liabilities and Net Assets** | ¥ 380,916 | ¥ 365,874 | $ 3,431,676 |

The number of shares of treasury stock of the company included 99 thousand shares as of March 31, 2019 and 106 thousand shares as of March 31, 2018 held by a trust related to a performance-linked share compensation system for directors and corporate officers.

# Consolidated Statements of Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Net Sales (Note 9) | **¥ 364,234** | ¥ 339,369 | **$ 3,281,387** |
| Cost of Sales | **263,667** | 229,838 | **2,375,378** |
| Gross profit | **100,567** | 109,531 | **906,009** |
| Selling, General and Administrative Expenses | **70,922** | 66,806 | **638,937** |
| Operating income (Note 9) | **29,645** | 42,725 | **267,072** |
| Other (Income) Expenses: | | | |
| Interest and dividend income | **(613)** | (599) | **(5,523)** |
| Interest expenses | **543** | 603 | **4,892** |
| Exchange loss on foreign currency transactions, net | **60** | 762 | **541** |
| Insurance income | **(459)** | (190) | **(4,135)** |
| Compensation income | **(23)** | (22) | **(207)** |
| Loss on retirement of non-current assets | **929** | 611 | **8,369** |
| Gain on sales of investment securities (Note 13) | **(445)** | (873) | **(4,009)** |
| Loss on valuation of investment securities | **62** | 167 | **559** |
| Business structure improvement expenses (Note 16) | **1,088** | – | **9,802** |
| Impairment loss (Note 15) | **844** | 77 | **7,604** |
| Gain on sales of non-current assets | **(717)** | (17) | **(6,459)** |
| Share of loss of entities accounted for using equity method | **111** | – | **1,000** |
| Other, net | **535** | 254 | **4,818** |
| Net other (income) expenses | **1,915** | 773 | **17,252** |
| Income before Income Taxes | **27,730** | 41,952 | **249,820** |
| Income Taxes (Note 4) | | | |
| Current | **11,298** | 13,389 | **101,784** |
| Deferred | **(1,621)** | 82 | **(14,604)** |
| Total income taxes | **9,677** | 13,471 | **87,180** |
| Profit | **18,053** | 28,481 | **162,640** |
| Profit Attributable to Non-controlling Interests | **(6)** | (26) | **(54)** |
| Profit Attributable to Owners of Parent | **¥ 18,059** | ¥ 28,507 | **$ 162,694** |

Per Share of Capital Stock:

| | Yen | | U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Net income | **¥ 387.10** | ¥ 608.62 | **$ 3.49** |
| Net income—diluted | **370.66** | – | **3.34** |
| Cash dividends, applicable to earnings for the year | **97.00** | 110.00 | **0.87** |

The Company introduced a performance-linked share compensation system for directors and corporate officers from the fiscal year ended March 31, 2018. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share of capital stock (104 thousand shares and 61 thousand shares for the years ended March 31, 2019 and 2018, respectively).
Net income-diluted for the fiscal year ended March 31, 2018 is not shown because there was no dilutive stock.
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, 2019 and 2018

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Profit | **¥ 18,053** | ¥ 28,481 | **$ 162,640** |
| Other Comprehensive Income (Note 2) | | | |
| Valuation difference on available-for-sale securities | **(4,108)** | 5,580 | **(37,009)** |
| Foreign currency translation adjustment | **(588)** | 198 | **(5,298)** |
| Remeasurements of defined benefit plans | **116** | 675 | **1,045** |
| Share of other comprehensive income of entities accounted for using equity method | **(48)** | – | **(432)** |
| Total other comprehensive income | **(4,628)** | 6,453 | **(41,694)** |
| Comprehensive Income | **¥ 13,425** | ¥ 34,934 | **$ 120,946** |
| Comprehensive income attributable to | | | |
| Owners of parent | **13,437** | 34,960 | **121,054** |
| Non-controlling interests | **(12)** | (26) | **(108)** |

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, 2019 and 2018

| | 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 adjustment | Remeasurements of defined benefit plans | Non-controlling interests | Total net assets |
| Balance at the Beginning of Fiscal 2018 | 50,795 | ¥ 54,045 | ¥ 4,600 | ¥ 92,937 | ¥ (15,300) | ¥ 12,847 | ¥ (4,911) | ¥ (1,413) | ¥ 111 | ¥ 142,916 |
| Profit attributable to owners of parent | – | – | – | 28,507 | – | – | – | – | – | 28,507 |
| Cash dividends paid, ¥87.00 per share | – | – | – | (4,085) | – | – | – | – | – | (4,085) |
| Valuation difference on available-for-sale securities | – | – | – | – | – | 5,581 | – | – | – | 5,581 |
| Foreign currency translation adjustment | – | – | – | – | – | – | 195 | – | – | 195 |
| Remeasurements of defined benefit plans | – | – | – | – | – | – | – | 675 | – | 675 |
| Acquisition of treasury stock | – | – | – | – | (2,785) | – | – | – | – | (2,785) |
| Disposal of treasury stock | – | – | – | – | – | – | – | – | – | – |
| Purchase of shares of consolidated subsidiaries' treasury stock | – | – | (54) | – | – | – | – | – | – | (54) |
| Other | – | – | – | – | – | – | – | – | (70) | (70) |
| Balance at the End of Fiscal 2018 | 50,795 | ¥ 54,045 | ¥ 4,546 | ¥ 117,359 | ¥ (18,085) | ¥ 18,428 | ¥ (4,716) | ¥ (738) | ¥ 41 | ¥ 170,880 |
| **Balance at the Beginning of Fiscal 2019** | **50,795** | **¥ 54,045** | **¥ 4,546** | **¥ 117,359** | **¥ (18,085)** | **¥ 18,428** | **¥ (4,716)** | **¥ (738)** | **¥ 41** | **¥ 170,880** |
| Profit attributable to owners of parent | – | – | – | 18,059 | – | – | – | – | – | 18,059 |
| Cash dividends paid, ¥110.00 per share | – | – | – | (5,144) | – | – | – | – | – | (5,144) |
| Valuation difference on available-for-sale securities | – | – | – | – | – | (4,108) | – | – | – | (4,108) |
| Foreign currency translation adjustment | – | – | – | – | – | – | (629) | – | – | (629) |
| Remeasurements of defined benefit plans | – | – | – | – | – | – | – | 116 | – | 116 |
| Acquisition of treasury stock | – | – | – | – | (5) | – | – | – | – | (5) |
| Disposal of treasury stock | – | – | 0 | – | 46 | – | – | – | – | 46 |
| Purchase of shares of consolidated subsidiaries' treasury stock | – | – | (58) | – | – | – | – | – | – | (58) |
| Other | – | – | – | – | – | – | – | – | (23) | (23) |
| **Balance at the End of Fiscal 2019** | **50,795** | **¥ 54,045** | **¥ 4,488** | **¥130,274** | **¥ (18,044)** | **¥ 14,320** | **¥ (5,345)** | **¥ (622)** | **¥ 18** | **¥ 179,134** |

| | 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 adjustment | Remeasurements of defined benefit plans | Non-controlling interests | Total net assets |
| **Balance at the Beginning of Fiscal 2019** | **$ 486,892** | **$ 40,955** | **$1,057,288** | **$ (162,928)** | **$ 166,018** | **$ (42,486)** | **$ (6,649)** | **$ 369** | **$ 1,539,459** |
| Profit attributable to owners of parent | – | – | 162,694 | – | – | – | – | – | 162,694 |
| Cash dividends paid, $0.99 per share | – | – | (46,342) | – | – | – | – | – | (46,342) |
| Valuation difference on available-for-sale securities | – | – | – | – | (37,009) | – | – | – | (37,009) |
| Foreign currency translation adjustment | – | – | – | – | – | (5,666) | – | – | (5,666) |
| Remeasurements of defined benefit plans | – | – | – | – | – | – | 1,045 | – | 1,045 |
| Acquisition of treasury stock | – | – | – | (45) | – | – | – | – | (45) |
| Disposal of treasury stock | – | 0 | – | 414 | – | – | – | – | 414 |
| Purchase of shares of consolidated subsidiaries' treasury stock | – | (523) | – | – | – | – | – | – | (523) |
| Other | – | – | – | – | – | – | – | (207) | (207) |
| **Balance at the End of Fiscal 2019** | **$ 486,892** | **$ 40,432** | **$ 1,173,640** | **$ (162,559)** | **$ 129,009** | **$ (48,152)** | **$ (5,604)** | **$ 162** | **$ 1,613,820** |

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, 2019 and 2018

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| **Cash Flows from Operating Activities:** | | | |
| Income before income taxes | ¥ 27,730 | ¥ 41,952 | $ 249,820 |
| Depreciation and amortization | 6,883 | 5,708 | 62,009 |
| Impairment loss | 844 | 77 | 7,604 |
| Loss (gain) on valuation of investment securities | 62 | 167 | 559 |
| Loss (gain) on sales of investment securities | (445) | (873) | (4,009) |
| Gain on sales of non-current assets | (717) | (17) | (6,459) |
| Loss on retirement of non-current assets | 929 | 611 | 8,369 |
| Share of loss (profit) of entities accounted for using equity method | 111 | – | 1,000 |
| Increase (decrease) in net defined benefit liability | 78 | (160) | 703 |
| Increase (decrease) in provision for bonuses | (1,586) | 799 | (14,288) |
| Increase (decrease) in provision for directors' bonuses | (65) | 137 | (586) |
| Increase (decrease) in provision for stock payment | 5 | 28 | 45 |
| Increase (decrease) in provision for management board incentive plan trust | (6) | 46 | (54) |
| Increase (decrease) in provision for product warranties | 509 | 611 | 4,586 |
| Increase (decrease) in provision for loss on order received | 16 | (30) | 144 |
| Interest and dividend income | (613) | (599) | (5,523) |
| Interest expenses | 543 | 603 | 4,892 |
| Decrease (increase) in trade notes and accounts receivable | (15,354) | (25,928) | (138,324) |
| Decrease (increase) in inventories | (13,236) | (17,391) | (119,243) |
| Decrease (increase) in other current assets | (569) | 441 | (5,126) |
| Increase (decrease) in trade notes and accounts payable | (21,069) | 30,011 | (189,811) |
| Increase (decrease) in other current liabilities | (2,871) | 3,486 | (25,865) |
| Other, net | 594 | 127 | 5,350 |
| Subtotal | (18,227) | 39,806 | (164,207) |
| Interest and dividend income received | 584 | 593 | 5,261 |
| Interest expenses paid | (546) | (596) | (4,919) |
| Contribution in connection with the shift to a defined contribution pension plan | (1) | (1) | (9) |
| Income taxes paid | (19,344) | (10,924) | (174,270) |
| Net cash provided by (used in) operating activities | (37,534) | 28,878 | (338,144) |
| **Cash Flows from Investing Activities:** | | | |
| Decrease (increase) in time deposits, net | 1,005 | 1,625 | 9,054 |
| Purchase of property, plant and equipment | (15,679) | (9,907) | (141,252) |
| Proceeds from sales of property, plant and equipment | 1,358 | 398 | 12,234 |
| Purchase of intangible assets | (4,185) | (1,926) | (37,703) |
| Purchase of investment securities | (2,041) | (826) | (18,387) |
| Proceeds from sales of investment securities | 864 | 1,549 | 7,784 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | – | (34) | – |
| Payments for transfer of business | – | (1,341) | – |
| Other, net | (342) | (768) | (3,081) |
| Net cash provided by (used in) investing activities | (19,020) | (11,230) | (171,351) |
| **Cash Flows from Financing Activities:** | | | |
| Net increase (decrease) in short-term debt | 18,000 | – | 162,162 |
| Repayments of long-term debt | (5,680) | (4,080) | (51,170) |
| Repayments of finance lease obligations | (404) | (413) | (3,640) |
| Proceeds from issuance of convertible bond-type bonds with share acquisition rights | 30,060 | – | 270,811 |
| Payments related to changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (98) | (0) | (883) |
| Proceeds from share issuance to non-controlling shareholders | 24 | – | 216 |
| Net decrease (increase) in treasury stock | (5) | (2,785) | (45) |
| Cash dividends paid | (5,136) | (4,069) | (46,271) |
| Purchase of treasury stock of consolidated subsidiaries | – | (165) | – |
| Net cash provided by (used in) financing activities | 36,761 | (11,512) | 331,180 |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | (102) | (242) | (919) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (19,895) | 5,894 | (179,234) |
| **Cash and Cash Equivalents at Beginning of Period** | 50,817 | 44,923 | 457,811 |
| **Cash and Cash Equivalents at End of Period** | ¥ 30,922 | ¥ 50,817 | $ 278,577 |

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, 2019 and 2018

## 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 four 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, 2019, which was ¥111 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 affiliated subsidiaries and significant 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 the foreign exchange rates prevailing as of the consolidated financial statement date and a net exchange loss or gain is included in net income. In addition, the assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates as of the respective financial statement dates, while revenue and expenses are translated into Japanese yen at the average exchange rates during the year. The resulting translation adjustments are reported as "foreign currency translation adjustments" in net assets, except for the portion belonging to non-controlling shareholders, which is included in "non-controlling interests" 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 and 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, its consolidated domestic subsidiaries and its consolidated overseas subsidiaries is computed mainly by the straight-line method. The estimated useful lives for buildings and structures and machinery and equipment are 2 to 60 years and 2 to 17 years, respectively. Maintenance and repairs, including minor renewals and betterments, are charged to expenses 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 to5 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 ¥22,825 million ($205,631 thousand) in 2019 and ¥20,837 million in 2018.

### (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 the amounts are not material, it is expensed in the year of the acquisition.

(l) Bond 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 certain consolidated subsidiaries provide provision for 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 benefit formula method is used to attribute expected benefit to periods up to the end of the fiscal year. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees (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 expected to accrue in or after the next fiscal year is provided to cover possible future losses related to orders received if future losses are expected and can be reasonably estimated.

(u) Provision for stock payment

Estimated amount of payments for shares corresponding to points granted to corporate officers are provided for the grant of shares to corporate officers by the trust based on in-house rules for the granting of shares for corporate officers.

(v) Provision for management board incentive plan trust

Estimated amount of payments for shares corresponding to points granted to directors are provided for the grant of shares to directors by the trust based on in-house rules for the granting of shares for directors.

(w) 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 and 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 long-term debt |

The Company executes and manages derivative transactions in accordance with established internal policies and specified limits on the amount 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.

(X) Application of the Consolidated Taxation System

The Commissioner of the National Tax Agency approved that the Company and its some domestic consolidated subsidiaries apply the Consolidated Taxation System from the fiscal year ending March 31, 2020. Therefore, the Company recognized tax effects on the application of the Consolidated Taxation System, based on the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ Practical Issues Task Force No. 5, January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidation Taxation System (Part 2)" (ASBJ Practical Issues Task Force No. 7, January 16, 2015).

(Accounting standards issued but not yet applied)

1.SCREEN Holdings Co., Ltd. and Domestic consolidated Subsidiaries

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published in May, 2014 "Revenues arising from contracts with customers (IFRS 15 at the IASB and Topic 606 at the FASB)."

Based on the circumstances to apply Topic 606 from the fiscal year beginning on or after December 15, 2017 and IFRS 15 from the fiscal year beginning on or after January 1, 2018, the Accounting Standards Board of Japan (ASBJ) developed comprehensive accounting standards for revenue recognition and published them together with application guidance. From the viewpoint of comparability between financial statements, which is one of the benefits of consistency with IFRS 15, and as a basic policy in developing accounting standards for revenue recognition by the ASBJ, the accounting standards were to be established incorporating the basic principles of IFRS 15 as the starting point. In addition, if there are items to be considered in practice conducted in Japan, alternative treatments are supposed to be added within a scope which does not impair comparability.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

2.Overseas consolidated subsidiaries

The following table shows major accounting standards issued but not yet applied that are newly established or revised as of March 31, 2019. The Company and its overseas subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

| Name of accounting standard | Overview | Planned date of application |
|---|---|---|
| Revenues arising from contracts with customers (U.S.GAAP ASU2014-09) | Revised accounting for revenue recognition | From the beginning of the fiscal year ending March 31, 2020 |
| Leases (IFRS16) | Revised accounting for leases | From the beginning of the fiscal year ending March 31, 2020 |
| Leases (U.S.GAAP ASU2016-02) | Revised accounting for leases | From the beginning of the fiscal year ending March 31, 2021 |

(Changes in presentation method)

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the fiscal year ended March 31, 2019, the Company and its domestic subsidiaries changed the presentation and related notes for deferred tax assets and deferred tax liabilities such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and "long-term liabilities," respectively. As a result, deferred tax assets of ¥6,730 million classified as "current assets" have been included in deferred tax assets (¥6,411 million) in "investments and other assets," and other liabilities of ¥20 million classified as "current liabilities" and deferred tax liabilities (¥299 million) classified as "long-term liabilities" have been decreased in the balance sheet as of the end of the previous fiscal year. In addition, as deferred tax assets and deferred tax liabilities related to the same tax authority are shown offset, total assets decreased by ¥319 million compared with the amounts that would have been reported without the change. The notes related to tax effect accounting additionally included those described in Notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting," which are required in Paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in Paragraph 7 of Statement No. 28.

(Additional Information)

(Arrangement to deliver company shares through a trust to directors and others)

The Company has introduced a performance-linked share compensation system (hereinafter referred to as "the System") for Directors (excluding outside directors) of the Company and its subsidiaries and Corporate Officers of the Company and its subsidiaries (hereinafter collectively referred to as "Directors and others") aimed at developing awareness of contributing to improving medium- to long-term business performance and enhancing corporate value. By making the link between the financial performance of the Company, its subsidiaries and stock value and the remuneration paid to directors and others more explicit, the System is intended to enable directors and others to not only enjoy the benefits of increases in the stock price but also bear the risk of decline in the stock price and to share the benefits and risks resulting from changes in stock price with shareholders.

(1) Overview

This System is a performance-linked share compensation system under which a trust established by the Company acquires shares of Company stock and delivers the shares through the trust based on points granted according to the rank and level of attainment of numerical targets related to management indicators according to stock issuance provisions determined by the Board of Directors of the Company and its subsidiaries. In principle, the time when the directors and others receive the shares of Company stock issued will be upon retirement.

(2) Company shares remaining in the trust

Shares of Company stock remaining in the trust are recorded as treasury stock in Net Assets based on the book value (excluding incidental expenses) of the trust. The book value of the treasury stock in question as of March 31, 2019 was ¥717 million ($6,459 thousand) and the number of shares was 99 thousand. The book value of the treasury stock in question as of March 31, 2018 was ¥764 million and the number of shares was 106 thousand.

## Note 2: 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, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Valuation difference on available-for-sale securities: | | | |
| Increase (decrease) during the year | **¥ (5,579)** | ¥ 9,132 | **$ (50,262)** |
| Reclassification adjustments | **(383)** | (873) | **(3,450)** |
| Subtotal, before tax | **(5,962)** | 8,259 | **(53,712)** |
| Tax (expense) or benefit | **1,854** | (2,679) | **16,703** |
| Subtotal, net of tax | **(4,108)** | 5,580 | **(37,009)** |
| Foreign currency translation adjustment: | | | |
| Increase (decrease) during the year | **(588)** | 198 | **(5,298)** |
| Remeasurements of defined benefit plans: | | | |
| Increase (decrease) during the year | **(658)** | 240 | **(5,928)** |
| Reclassification adjustments | **478** | 446 | **4,306** |
| Subtotal, before tax | **(180)** | 686 | **(1,622)** |
| Tax (expense) or benefit | **296** | (11) | **2,667** |
| Subtotal, net of tax | **116** | 675 | **1,045** |
| Share of other comprehensive income of entities accounted for using equity method: | | | |
| Increase(decrease) during the year | **(48)** | – | **(432)** |
| Total other comprehensive income | **¥ (4,628)** | ¥ 6,453 | **$ (41,694)** |

## Note 3: Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2019 and 2018 were as follows:

### Newly booked assets and liabilities related to finance leases

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Lease assets | **¥ 114** | ¥ 59 | **$ 1,027** |
| Lease obligations | **123** | 63 | **1,108** |

## Note 4: Income Taxes

The Company is subject to several taxes based on income with an aggregate statutory tax rate of approximately 30.5% in 2019 and 30.8% in 2018.

Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Deferred tax assets | | | |
| Loss on valuation of inventories | **¥ 3,117** | ¥ 2,600 | **$ 28,081** |
| Provision for product warranties | **2,045** | 1,903 | **18,423** |
| Accrued bonuses for employees / provision for bonuses | **1,398** | 1,752 | **12,595** |
| Unrealized income on inventories | **1,434** | 1,323 | **12,919** |
| Depreciation | **2,085** | 2,270 | **18,784** |
| Research and development expenses | **1,219** | 1,232 | **10,982** |
| Impairment loss | **1,190** | 1,153 | **10,721** |
| Net defined benefit liability | **46** | 297 | **414** |
| Net operating loss carryforwards (Note 2) | **10,997** | 14,900 | **99,072** |
| Other | **4,502** | 4,588 | **40,559** |
| Deferred tax assets – subtotal | **¥ 28,033** | ¥ 32,018 | **$ 252,550** |
| Valuation allowance for net operating loss carryforwards (Note 2) | **(9,477)** | – | **(85,378)** |
| Valuation allowance for deductible temporary differences | **(8,870)** | – | **(79,911)** |
| Valuation allowance – total (Note 1) | **(18,347)** | (24,088) | **(165,289)** |
| Total deferred tax assets | **¥ 9,686** | ¥ 7,930 | **$ 87,261** |
| Deferred tax liabilities | | | |
| Undistributed earnings of consolidated overseas subsidiaries | **(1,608)** | (1,803) | **(14,486)** |
| Valuation difference on available-for-sale securities | **(5,924)** | (7,778) | **(53,369)** |
| Net defined benefit asset | **(1,668)** | (1,958) | **(15,027)** |
| Other | **(373)** | (27) | **(3,361)** |
| Total deferred tax liabilities | **(9,573)** | (11,566) | **(86,243)** |
| Net deferred tax assets (liabilities) | **¥ 113** | ¥ (3,636) | **$ 1,018** |

Notes: 1. The reason for the decrease in valuation allowance is due mainly to the expiration of operating loss carryforwards.
2. Operating loss carryforwards and deferred tax assets by expiration periods.

For the year ended March 31, 2019 — Millions of yen

| | 2020 | 2021 | 2022 | 2023 | 2024 | "2025 and after" | Total |
|---|---|---|---|---|---|---|---|
| Operating loss carryforwards *1 | 31 | 2,342 | 3,030 | 13 | 828 | 4,753 | 10,997 |
| Valuation allowance | (18) | (1,137) | (3,017) | (0) | (814) | (4,491) | (9,477) |
| Net deferred tax assets | 13 | 1,205 | 13 | 13 | 14 | 262 | 1,520 |

Thousands of U.S. dollars

| | 2020 | 2021 | 2022 | 2023 | 2024 | "2025 and after" | Total |
|---|---|---|---|---|---|---|---|
| Operating loss carryforwards *1 | 279 | 21,099 | 27,297 | 117 | 7,459 | 42,821 | 99,072 |
| Valuation allowance | (162) | (10,243) | (27,180) | (0) | (7,333) | (40,460) | (85,378) |
| Net deferred tax assets | 117 | 10,856 | 117 | 117 | 126 | 2,361 | 13,694 |

*1 Net operating loss carryforwards shown in the above table is after multiplying the statutory tax rate.

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 year ended March 31, 2019 is set forth in the table below.

A reconciliation for the year ended March 31, 2018 is not shown because the difference was not greater than five percent of the aggregate statutory income tax rate.

| | **2019** | 2018 |
|---|---|---|
| Statutory income tax rate | **30.5%** | –% |
| Nondeductible expenses | **0.6** | – |
| Valuation allowance | **1.6** | – |
| Tax rate difference from parent company | **(2.5)** | – |
| Undistributed earnings of consolidated overseas subsidiaries | **(0.7)** | – |
| Tax unrecognized for unrealized profit on inventories | **1.7** | – |
| Consolidated overseas subsidiaries' withholding tax on dividends | **2.3** | – |
| Per capital levy | **0.9** | – |
| Other, net | **0.5** | – |
| Effective income tax rate | **34.9%** | –% |

## Note 5: Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt generally consists of short-term notes from banks. The average interest rate on these borrowings at March 31, 2019 was 0.4%. There was no short-term debt as of March 31, 2018.

Long-term debt and lease obligations as of March 31, 2019 and 2018 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| 0.35% to 0.97% loans from Japanese banks, due in installments through March 31, 2021 | | | |
| Secured | **¥ –** | ¥ – | **$ –** |
| Unsecured | **2,690** | 8,156 | **24,235** |
| 0.59% loans from a governmental institution, due in installments through March 31, 2021 | | | |
| Secured | **–** | – | **–** |
| Unsecured | **1,000** | 1,000 | **9,009** |
| 0.80% to 1.32% loans from an insurance company, due in installments through September 30, 2021 | | | |
| Secured | **–** | – | **–** |
| Unsecured | **1,537** | 1,751 | **13,847** |
| Euro yen zero coupon convertible bonds, due June 10, 2022 | | | |
| Secured | **–** | – | **–** |
| Unsecured | **15,059** | – | **135,667** |
| Euro yen zero coupon convertible bonds, due June 11, 2025 | | | |
| Secured | **–** | – | **–** |
| Unsecured | **15,066** | – | **135,730** |
| Lease obligations maturing serially through 2026 | | | |
| Secured | **–** | – | **–** |
| Unsecured | **1,969** | 2,250 | **17,739** |
| | **37,321** | 13,157 | **336,227** |
| Less amounts due within one year | **(1,954)** | (6,071) | **(17,604)** |
| Total | **¥ 35,367** | ¥ 7,086 | **$ 318,623** |

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, 2019, the total financing available under these contracts amounted to ¥30,000 million ($270,270 thousand), and no amount of these commitment lines had been used.

Euro yen zero coupon convertible bonds due 2022 with a gross amount of ¥15,000 million ($135,135 thousand) were convertible into shares of common stock of the Company at ¥11,578 ($104) per share and are exercisable from June 25, 2018 to May 27, 2022. Other convertible bonds due 2025 with a gross amount of ¥15,000 million ($135,135 thousand) were convertible into shares of common stock of the Company at ¥12,337 ($111) per share and are exercisable from June 25, 2018 to May 28, 2025.

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

| Years ended March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2021 | **¥ 4,126** | **$ 37,171** |
| 2022 | **540** | **4,865** |
| 2023 | **15,167** | **136,640** |
| 2024 and thereafter | **15,409** | **138,819** |
| Total | **¥ 35,242** | **$ 317,495** |

## Note 6: 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, 2019 was ¥370.66 ($3.34) per share. Diluted net income per share is not shown for the fiscal year ended March 31, 2018 because there was no dilutive stock.

At the annual shareholders' meeting held on June 25, 2019, the shareholders approved cash dividends of ¥97.00 ($0.87) per share, totaling ¥4,535 million ($40,856 thousand). The dividend payment was not accrued in the consolidated financial statements as of March 31, 2019 and is to be recognized within the period when the profit appropriation was approved by the shareholders.

Note: The total amount of dividends includes ¥10 million ($90 thousand) of dividends for 99 thousand shares of SCREEN Holdings Co., Ltd. held by a trust related to a performance-linked share compensation system for directors and corporate officers.

## Note 7: Inventories

Inventories as of March 31, 2019 and 2018 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Merchandise and finished goods | **¥ 61,861** | ¥ 51,303 | **$ 557,306** |
| Work in process | **37,557** | 44,263 | **338,351** |
| Raw materials and supplies | **17,385** | 10,756 | **156,622** |
| Total | **¥ 116,803** | ¥ 106,322 | **$ 1,052,279** |

## Note 8: Leases

### 1. Finance leases

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, 2019 and 2018 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 Production Equipment 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 |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Due within one year | **¥ 591** | ¥ 608 | **$ 5,324** |
| Due after one year | **1,208** | 948 | **10,883** |
| Total | **¥ 1,799** | ¥ 1,556 | **$ 16,207** |

## Note 9: Segment Information

### 1. General information about reportable segments

(1) Reportable segments

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

The Group utilizes a holding company structure under which it has established business operating companies organized by categories of products and services. Each business operating company establishes a comprehensive strategy and implements business activities related to the products and services it handles for both domestic and overseas markets.

Accordingly, the Group comprises four reportable segments based on business operating companies and organized by products and services. The four segments are as follows: Semiconductor Production Equipment Business (SE), Graphic Arts Equipment Business (GA), Display Production Equipment and Coater Business (FT) and PCB-Related Equipment Business (PE).

(2) Products and services of reportable segments

The SE segment develops and manufactures semiconductor production equipment and conducts sales and maintenance services. In the GA segment, graphic arts equipment is developed, manufactured, sold and maintained. The FT segment develops, manufactures and markets display production equipment and coater equipment and conducts maintenance services. In the PE segment, PCB-related equipment is developed, manufactured, sold and maintained.

(Changes in reportable segments)

EMD Corporation, which was included in the "Other" category, has been brought under the organization of SCREEN Finetech Solutions Co., Ltd. to unity operations. From the fiscal year ended March 31, 2019, EMD Corporation is included in the "FT" category. In addition, the Semiconductor Equipment Business (SE) is now the Semiconductor Production Equipment Business (SE).

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

The accounting methods applied to reportable 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

| As of and for the year ended March 31, 2019 | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | |
| | SE | GA | FT | PE | Others | Adjustments | Consolidated |
| Sales | | | | | | | |
| Sales to outside customers | ¥ 252,511 | ¥ 48,076 | ¥ 49,254 | ¥ 12,345 | ¥ 2,048 | ¥ – | ¥ 364,234 |
| Intersegment sales and transfers | 2 | 142 | – | – | 16,237 | (16,381) | – |
| Total | 252,513 | 48,218 | 49,254 | 12,345 | 18,285 | (16,381) | 364,234 |
| Segment income (loss) | ¥ 25,842 | ¥ 1,140 | ¥ 3,774 | ¥ 770 | ¥ (1,411) | ¥ (470) | ¥ 29,645 |
| Segment assets | ¥ 222,393 | ¥ 46,586 | ¥ 33,046 | ¥ 11,959 | ¥ 9,843 | ¥ 57,089 | ¥ 380,916 |
| Other | | | | | | | |
| Depreciation and amortization | 3,853 | 581 | 213 | 53 | 363 | 1,820 | 6,883 |
| Impairment loss | – | – | 796 | – | 48 | – | 844 |
| Capital expenditures | 14,331 | 969 | 739 | 97 | 315 | 7,638 | 24,089 |

| As of and for the year ended March 31, 2018 | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | |
| | SE | GA | FT | PE | Others | Adjustments | Consolidated |
| Sales | | | | | | | |
| Sales to outside customers | ¥ 227,182 | ¥ 53,221 | ¥ 45,214 | ¥ 12,132 | ¥ 1,620 | ¥ – | ¥ 339,369 |
| Intersegment sales and transfers | 3 | 193 | 72 | 62 | 15,137 | (15,467) | – |
| Total | 227,185 | 53,414 | 45,286 | 12,194 | 16,757 | (15,467) | 339,369 |
| Segment income (loss) | ¥ 36,302 | ¥ 3,061 | ¥ 4,599 | ¥ 1,014 | ¥ (1,554) | ¥ (697) | ¥ 42,725 |
| Segment assets | ¥ 205,196 | ¥ 48,381 | ¥ 36,238 | ¥ 9,727 | ¥ 10,546 | ¥ 55,786 | ¥ 365,874 |
| Other | | | | | | | |
| Depreciation and amortization | 3,052 | 492 | 148 | 14 | 412 | 1,590 | 5,708 |
| Impairment loss | – | – | – | – | 77 | – | 77 |
| Capital expenditures | 9,053 | 878 | 787 | 147 | 505 | 3,059 | 14,429 |

| As of and for the year ended March 31, 2019 | Thousands of U.S. dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | |
| | SE | GA | FT | PE | Others | Adjustments | Consolidated |
| Sales | | | | | | | |
| Sales to outside customers | $ 2,274,874 | $ 433,117 | $ 443,730 | $ 111,216 | $ 18,450 | $ – | $ 3,281,387 |
| Intersegment sales and transfers | 18 | 1,279 | – | – | 146,280 | (147,577) | – |
| Total | 2,274,892 | 434,396 | 443,730 | 111,216 | 164,730 | (147,577) | 3,281,387 |
| Segment income (loss) | $ 232,811 | $ 10,270 | $ 34,000 | $ 6,937 | $ (12,712) | $ (4,234) | $ 267,072 |
| Segment assets | $ 2,003,541 | $ 419,694 | $ 297,712 | $ 107,739 | $ 88,676 | $ 514,314 | $ 3,431,676 |
| Other | | | | | | | |
| Depreciation and amortization | 34,712 | 5,234 | 1,919 | 477 | 3,270 | 16,397 | 62,009 |
| Impairment loss | – | – | 7,172 | – | 432 | – | 7,604 |
| Capital expenditures | 129,108 | 8,730 | 6,658 | 874 | 2,838 | 68,810 | 217,018 |

Notes: 1. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in life science business and automotive parts inspection system and other, software development, planning and production of printed matter and other businesses.
2. Segment operating income (loss) adjustments of ¥(470) million ($(4,234) thousand) and ¥(697) million for the years ended March 31, 2019 and 2018, respectively, are the Company's profit (loss) not attributable to a reportable segment.
Segment assets adjustments of ¥57,089 million ($514,315 thousand) and ¥55,786 million for the years ended March 31, 2019 and 2018, respectively, are the corporate assets not apportioned to each reportable segment.
3. Segment income (loss) is reconciled with operating income (loss) in the consolidated statements of income.

<Related Information>

1. Information about geographic areas

(1) Net Sales

| Years ended March 31, | Millions of yen | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 |
| Japan | ¥ 72,055 | (19.8%) | ¥ 62,248 | (18.3%) | $ 649,144 |
| Taiwan | 64,105 | (17.6%) | 71,263 | (21.0%) | 577,523 |
| South Korea | 28,278 | (7.8%) | 40,571 | (12.0%) | 254,757 |
| China | 99,649 | (27.3%) | 74,166 | (21.9%) | 897,738 |
| United States | 42,846 | (11.8%) | 38,517 | (11.3%) | 386,000 |
| Europe | 29,724 | (8.1%) | 23,170 | (6.8%) | 267,784 |
| Others | 27,577 | (7.6%) | 29,434 | (8.7%) | 248,441 |
| Total | ¥ 364,234 | (100.0%) | ¥ 339,369 | (100.0%) | $ 3,281,387 |

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 exceeded 90% of the amount of property, plant and equipment on the consolidated balance sheet.

2. Information about major customers

| Year ended March 31, 2019 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Net sales | | |
| Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE) | ¥ 40,594 | $ 365,712 |

| Year ended March 31, 2018 | Millions of yen |
|---|---|
| Net sales | |
| Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE) | ¥ 48,131 |

## Note 10: Contingent Liabilities

As of March 31, 2019 and 2018, the Company and its consolidated subsidiaries were contingently liable for the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| As guarantors of | | | |
| Customers' business loans | ¥ 64 | – | $ 577 |
| Employees' housing loans | ¥ 17 | ¥ 26 | $ 153 |
| Total | ¥ 81 | ¥ 26 | $ 730 |

## Note 11: Financial Instruments

1. Qualitative information on financial instruments

(1) 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.

(2) Details of financial instruments used, risks and processes for risk management

| Financial instruments | Risks | Processes for risk management |
|---|---|---|
| Notes and accounts receivable-trade | 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 monitored. |
| Notes and accounts payable-trade, 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. |

Derivative transactions used by the Company consists of 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-(w) 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.

(3) Supplemental information on fair values

The contract amounts of the derivative transactions described in Note 12, *"Derivative Transactions,"* do not reflect the market risks of the derivative transactions themselves.

## 2. Fair values of financial instruments

As of March 31, 2019 and 2018, the book value and fair value of financial instruments and any differences between the book value and fair value are set forth in the table below. The table does not include financial instruments whose fair values were not readily determinable. (See Note 2.)

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | | 2019 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference | Book value | Fair value | Difference |
| (1) Cash, cash equivalents and time deposits | ¥ 32,193 | ¥ 32,193 | ¥ – | ¥ 53,114 | ¥ 53,114 | ¥ – | $ 290,027 | $ 290,027 | $ – |
| (2) Notes and accounts receivable-trade | 100,835 | | | 85,407 | | | 908,423 | | |
| Allowance for doubtful receivables (*1) | (669) | | | (588) | | | (6,027) | | |
| | ¥ 100,166 | ¥ 100,166 | ¥ – | 84,819 | 84,819 | ¥ – | 902,396 | 902,396 | $ – |
| (3) Investments securities Available-for-sale securities | 33,876 | 33,876 | – | 40,520 | 40,520 | – | 305,189 | 305,189 | – |
| Total assets | ¥ 166,235 | ¥ 166,235 | ¥ – | ¥ 178,453 | ¥ 178,453 | ¥ – | $ 1,497,612 | $ 1,497,612 | $ – |
| (1) Notes and accounts payable — trade | ¥ 94,531 | ¥ 94,531 | ¥ – | ¥ 115,111 | ¥ 115,111 | ¥ – | $ 851,631 | $ 851,631 | $ – |
| (2) Short-term debt | 18,000 | 18,000 | – | – | – | – | 162,162 | 162,162 | – |
| (3) Bonds | 30,125 | 28,966 | (1,159) | – | – | – | 271,397 | 260,955 | (10,442) |
| (4) Long-term loans | 5,227 | 5,228 | 1 | – | – | – | 47,090 | 47,099 | 9 |
| (5) Lease obligations | 1,969 | 2,921 | 952 | 2,250 | 3,568 | 1,318 | 17,738 | 26,315 | 8,577 |
| Total liabilities | ¥ 149,852 | ¥ 149,646 | ¥ (206) | ¥ 128,268 | ¥ 129,587 | ¥ 1,319 | $ 1,350,018 | $ 1,348,162 | $ (1,856) |
| Derivative transactions (*2) | | | | | | | | | |
| (1) Without application of hedge accounting | ¥ (31) | ¥ (31) | ¥ – | ¥ 56 | ¥ 56 | ¥ – | $ (279) | $ (279) | $ – |
| (2) With application of hedge accounting | – | – | – | – | – | – | – | – | – |
| Total derivative transactions | ¥ (31) | ¥ (31) | ¥ – | ¥ 56 | ¥ 56 | ¥ – | $ (279) | $ (279) | $ – |

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

Notes: 1. Method of estimating fair values of financial instruments and items regarding investments 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) Notes and accounts receivable-trade
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. As notes and accounts receivable-trade due within one year 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.

(3) Investments securities
The fair values of securities are based on market prices on the stock exchange. For information about securities classified by the purpose for which they are held, see Note 13, "Securities."

Liabilities

(1) Notes and accounts payable-trade and (2) Short-term debt
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.

(3) Bonds
The fair values of bonds with market prices are based on the market prices.

(4) Long-term loans
The fair values of long-term loans are based on the current value, which is the principal discounted with consideration for the length of time until repayment and credit risk.

(5) 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 12, "Derivative Transactions."

2. The book value of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Category | Book value | Book value | Book value |
| Non-listed equity securities | ¥ 3,208 | ¥ 960 | $ 28,901 |

Non-listed equity securities are not included in (3) "Investments in securities" as it is deemed to be exceedingly difficult to estimate the fair values.
The amount in the above table includes investments in nonconsolidated subsidiary in the amount of ¥17 million ($153 thousand) and accounted for based on the fair value in accordance with IFRS9 by an overseas consolidated subsidiary in 2019.

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

| | Millions of yen | | | | | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2018 | | | | 2019 | | | |
| | 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 | ¥ 32,173 | ¥ – | ¥ – | ¥ – | ¥ 53,092 | ¥ – | ¥ – | ¥ – | $ 289,847 | $ – | $ – | $ – |
| Notes and accounts receivable-trade | 100,835 | – | – | – | 85,407 | – | – | – | 908,423 | – | – | – |
| Investments securities-available-for-sale securities with maturities | – | – | – | – | – | – | – | – | – | – | – | – |
| Total | ¥ 133,008 | ¥ – | ¥ – | ¥ – | ¥ 138,499 | ¥ – | ¥ – | ¥ – | $1,198,270 | $ – | $ – | $ – |

4. Expected repayment amounts of long-term debt after the consolidated financial statements date
See Note 5, "Short-Term and Long-Term Debt."

# Note 12: Derivative Transactions

Outstanding derivative transactions as of March 31, 2019 and 2018 were as follows:

### 1. Derivative transactions for which hedge accounting has not been applied

Currency related

| | Millions of yen | | | | | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2018 | | | | 2019 | | | |
| | 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. dollar) | ¥ 6,940 | ¥ – | ¥ (40) | ¥ (40) | ¥ 6,662 | ¥ – | ¥ 177 | ¥ 177 | $ 62,523 | $ – | $ (360) | $ (360) |
| (Sell euro) | 4,010 | – | 8 | 8 | 3,187 | 837 | (119) | (119) | 36,126 | – | 72 | 72 |
| (Sell pound) | 794 | – | 1 | 1 | 886 | – | (2) | (2) | 7,153 | – | 9 | 9 |
| (Sell Singapore dollar) | – | – | – | – | 201 | – | (0) | (0) | – | – | – | – |
| Total | ¥ 11,744 | ¥ – | ¥ (31) | ¥ (31) | ¥ 10,936 | ¥ 837 | ¥ 56 | ¥ 56 | $ 105,802 | $ – | $ (279) | $ (279) |

Note: Method of estimating fair value
The fair values of exchange forward transactions as of March 31, 2019 and 2018 were estimated based on the prices presented by financial institutions.

### 2. Derivative transactions for which hedge accounting has been applied

(1) Currency related

| | | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | | | 2018 | | | 2019 | | |
| | Hedged items | Contracted amount | Portion exceeding one year | Fair value | Contracted amount | Portion exceeding one year | Fair value | Contracted amount | Portion exceeding one year | Fair value |
| Alternative method for forward foreign exchange contracts | | | | | | | | | | |
| (Sell U.S. dollar) | Accounts receivable | ¥ 88 | ¥ – | Note | ¥ 527 | ¥ – | Note | $ 793 | $ – | Note |
| (Sell euro) | Accounts receivable | 304 | – | – | – | – | – | 2,739 | – | – |
| Total | | ¥ 392 | ¥ – | Note | ¥ 527 | ¥ – | Note | $ 3,532 | $ – | Note |

Note: Forward foreign exchange contracts subject to the alternative method are accounted for together with accounts receivable as hedged items. Accordingly, their fair values are included in the fair values of accounts receivable.

(2) Interest rate related

| | | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | | | 2018 | | | 2019 | | |
| | Hedged items | Contracted amount | Portion exceeding one year | Fair value | Contracted amount | Portion exceeding one year | Fair value | Contracted amount | Portion exceeding one year | Fair value |
| Exceptional accounting for interest rate swap contracts | | | | | | | | | | |
| Fixed rate payment and variable rate receipt | Long-term loans | ¥ 420 | ¥ – | Note | ¥ 1,260 | ¥ 420 | Note | $ 3,784 | $ – | Note |

Note: Interest rate swap contracts subject to exceptional accounting treatment are accounted for together with long-term loans as hedged items. Accordingly, their fair values are included in the fair values of the long-term loans.

## Note 13: Securities

1. The following table summarizes acquisition costs and book values and any differences between the acquisition cost and book value of securities with available fair values as of March 31, 2019 and 2018:

Available-for-sale securities

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | | 2019 | | |
| | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference |
| Securities with book values exceeding acquisition costs: | | | | | | | | | |
| Equity securities | ¥ 11,860 | ¥ 32,101 | ¥ 20,241 | ¥ 12,257 | ¥ 38,708 | ¥ 26,451 | $ 106,847 | $ 289,198 | $ 182,351 |
| Others | – | – | – | – | – | – | – | – | – |
| Total | ¥ 11,860 | ¥ 32,101 | ¥ 20,241 | ¥ 12,257 | ¥ 38,708 | ¥ 26,451 | $ 106,847 | $ 289,198 | $ 182,351 |
| Securities with book values not exceeding acquisition costs: | | | | | | | | | |
| Equity securities | ¥ 2,063 | ¥ 1,775 | ¥ (288) | ¥ 2,054 | ¥ 1,812 | ¥ (242) | $ 18,586 | $ 15,991 | $ (2,595) |
| Others | – | – | – | – | – | – | – | – | – |
| Total | ¥ 2,063 | ¥ 1,775 | ¥ (288) | ¥ 2,054 | ¥ 1,812 | ¥ (242) | $ 18,586 | $ 15,991 | $ (2,595) |

2. Total sales of available-for-sale securities for the year ended March 31, 2019 amounted to ¥864 million ($7,784 thousand), and the related total gain amounted to ¥445 million ($4,009 thousand). Total sales of available-for-sale securities for the year ended March 31, 2018 amounted to ¥1,549 million, and the related total gain amounted to ¥873 million.

## Note 14: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2019 and 2018 was as follows:

1. Defined benefit plans

(1) Movements in retirement benefit obligations

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Balance at beginning of year | ¥ 33,640 | ¥ 33,181 | $ 303,063 |
| Service cost | 1,306 | 1,325 | 11,766 |
| Interest cost | 345 | 345 | 3,108 |
| Actuarial loss (gain) | (160) | (241) | (1,441) |
| Benefits paid | (1,435) | (1,179) | (12,928) |
| Other | 323 | 209 | 2,909 |
| Balance at end of year | ¥ 34,019 | ¥ 33,640 | $ 306,477 |

(2) Movements in plan assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Balance at beginning of year | ¥ 38,360 | ¥ 37,120 | $ 345,586 |
| Expected return on plan assets | 1,006 | 989 | 9,063 |
| Actuarial loss (gain) | (853) | 18 | (7,685) |
| Contributions paid by the employer | 1,053 | 1,033 | 9,486 |
| Benefits paid | (1,427) | (1,169) | (12,856) |
| Other | 301 | 369 | 2,712 |
| Balance at end of year | ¥ 38,440 | ¥ 38,360 | $ 346,306 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Funded retirement benefit obligations | ¥ 34,019 | ¥ 33,640 | $ 306,477 |
| Plan assets | 38,440 | 38,360 | 346,306 |
| | (4,421) | (4,720) | (39,829) |
| Unfunded retirement benefit obligations | – | 0 | – |
| Total net liability (asset) for retirement benefits | ¥ (4,421) | ¥ (4,720) | $ (39,829) |
| Net defined benefit liability | 943 | 857 | 8,495 |
| Net defined benefit asset | 5,364 | 5,577 | 48,324 |
| Total net liability (asset) for retirement benefits | ¥ (4,421) | ¥ (4,720) | $ (39,829) |

(4) Retirement benefit costs

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Service cost | ¥ 1,306 | ¥ 1,325 | $ 11,766 |
| Interest cost | 345 | 345 | 3,108 |
| Expected return on plan assets | (1,006) | (989) | (9,063) |
| Net actuarial loss amortization | 513 | 426 | 4,621 |
| Total retirement benefit costs | ¥ 1,158 | ¥ 1,107 | $ 10,432 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Actuarial gains and losses | ¥ (180) | ¥ 686 | $ (1,622) |
| Total balance | ¥ (180) | ¥ 686 | $ (1,622) |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Actuarial gains and losses that are yet to be recognized | ¥ (907) | ¥ (728) | $ (8,171) |
| Total balance | ¥ (907) | ¥ (728) | $ (8,171) |

(7) Plan assets

1. Plan assets comprise:

| | 2019 | 2018 |
|---|---|---|
| Bonds | 46% | 46% |
| Equity securities | 23% | 23% |
| Cash and cash equivalents | 4% | 2% |
| Life insurance company general accounts | 19% | 19% |
| Alternative | 8% | 10% |
| Total | 100% | 100% |

Note: Alternative is investment mainly for a multi-asset investment fund.

2. Long-term expected rate of return

Current and target asset allocations and 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, 2019 and 2018 were as follows:

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 1.1%~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 years ended March 31, 2019 and 2018 amounted to ¥966 million ($8,703 thousand) and ¥922 million, respectively.

## Note 15: Impairment of Fixed Assets

For the year ended March 31, 2019, the Company and its consolidated subsidiaries recorded impairment loss of ¥844 million ($7,604 thousand). A significant fixed asset included in this loss is listed in the table below.

For the year ended March 31, 2018, there was no significant impairment loss.

For the year ended March 31, 2019
(1) Assets for which impairment loss was recognized

| Location | Major use | Asset category | Impairment loss | |
|---|---|---|---|---|
| | | | Millions of yen | Thousands of U.S. dollars |
| SCREEN Laminatech Co., Ltd. Gose-shi, Nara | – | Goodwill | ¥ 796 | $ 7,171 |

(2) Background to recognition of impairment loss
The estimated future cash flows generated from the use of the groups of assets held by SCREEN Laminatech Co., Ltd. fell below the book values. Accordingly, the book values of the assets were reduced to their recoverable amounts, and the reductions were recorded as an impairment loss in other expenses.

(3) Grouping
For assessing fixed asset impairment, the SCREEN Group generally groups its assets at each company level. The Company and its consolidated subsidiaries group their idle assets by the individual asset.

(4) Calculation method for recoverable amounts
The recoverable amount of an asset group is caluculated by estimating the value in use and applying the discount rate of 8.52% to future cash flows.

## Note 16: Business Structure Improvement Expenses

Business structure improvement expenses in “Other Expenses” for the fiscal year ended March 31, 2019 comprised mainly additional retirement benefits of ¥428 million ($ 3,856 thousand), a lump sum payment for career changes of ¥356 million ($3,207 thousand) and loss on valuation of inventories of ¥275 million ($2,477 thousand). There was no business structure improvement expense in “Other Expenses” for the fiscal year ended March 31, 2018.

KPMG

**Independent Auditor’s Report**

To the Board of Directors 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, 2019, and the consolidated statement of income and 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 judgment, 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, 2019, 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, 2019 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*
July 26, 2019
Kyoto, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

# Basic Information

## Corporate Profile (As of July 1, 2019)

**Company Name:** SCREEN Holdings Co., Ltd.
**Established:** October 11, 1943
**Representative:** Eiji Kakiuchi, Chairman
Toshio Hiroe, President and CEO

**Capital:** ¥54.0 billion
**Number of Employees:** 6,099 employees
(consolidated; as of March 31, 2019)
**Main Sites:** Head Office, Rakusai (WHITE CANVAS RAKUSAI), Kumiyama, Yasu, Hikone, Taga, Shinagawa, Monzennakacho (WHITE CANVAS MON-NAKA)

## Consolidated Companies (As of March 31, 2019; company names as of July 1, 2019)

### Overseas

**North America**

SCREEN SPE USA, LLC / SCREEN GP Americas, LLC / Silicon Light Machines Corporation

**Europe**

SCREEN SPE Germany GmbH / Laser Systems & Solutions of Europe SASU / Inca Digital Printers Ltd. / SCREEN GP IJC Ltd. / SCREEN GP Europe B.V.

**Asia & Oceania**

SCREEN HD Korea Co., Ltd. / SCREEN GP China Co., Ltd. / SCREEN GP Shanghai Co., Ltd. / SCREEN GP Hangzhou Co., Ltd. / SCREEN GP Taiwan Co., Ltd. / SCREEN Electronics Shanghai Co., Ltd. / SCREEN SPE Taiwan Co., Ltd. / SCREEN SPE Singapore PTE. Ltd. / SCREEN SPE Korea Co., Ltd. / SCREEN Holdings Singapore PTE. Ltd./ SCREEN GP Australia PTY., Ltd. / SCREEN Finetech Solutions Shanghai Co., Ltd. / SCREEN FT Changshu Co., Ltd. / SCREEN FT Taiwan Co., Ltd. / Trivis Co., Ltd.

### Domestic

SCREEN Semiconductor Solutions Co., Ltd. / SCREEN SPE Tech Co., Ltd. / SCREEN SPE Service Co., Ltd. / SCREEN SPE Quartz Co., Ltd. / SCREEN SPE Works Co., Ltd. / SCREEN SPE SSERC Co., Ltd. / SCREEN Graphic Solutions Co., Ltd. / SCREEN GP Japan Co., Ltd. / SCREEN GP Service Japan East Co., Ltd. / SCREEN GP Service Japan West Co., Ltd. / SCREEN Finetech Solutions Co., Ltd. / FEBACS Co., Ltd. / SCREEN Laminatech Co., Ltd. / EMD Corporation / SCREEN PE Solutions Co., Ltd. / SCREEN PE Engineering Co., Ltd. / SCREEN Advanced System Solutions Co., Ltd. / SCREEN Business Support Solutions Co., Ltd. / SCREEN IP Solutions Co., Ltd.

15 other companies

## Stock Information (As of March 31, 2019)

### Stock Information

| | |
|---|---|
| **Authorized Number of Shares:** | 180,000,000 |
| **Number of Shares Issued:** | 50,794,866 |
| **Number of Shareholders:** | 14,350 |
| **Number of Shares Held by Non-Japanese Companies and Individuals:** | 9,257,268 (18.22%) |
| **Stock Listings:** | Tokyo Stock Exchange |
| **Code Number:** | 7735 |

### Major Shareholders

| | Number of shares (thousands) | Percentage of total shares issued (excluding treasury stock, %) |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 7,355 | 15.73 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 3,857 | 8.25 |
| Nippon Life Insurance Company | 1,830 | 3.91 |
| The Bank of Kyoto, Ltd. | 1,346 | 2.87 |
| JPMorgan Securities Japan Co., Ltd. | 1,096 | 2.34 |
| Resona Bank, Limited | 912 | 1.95 |
| SCREEN's Business Partners Shareholders' Association Synchronize | 897 | 1.92 |
| The Shiga Bank, Ltd. | 848 | 1.81 |
| MUFG Bank, Ltd. | 784 | 1.67 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 702 | 1.50 |

Note: SCREEN Holdings holds 4,037,488 shares of treasury stock (percentage of total number of shares outstanding: 7.94%) but is excluded from the list of major shareholders.

### Bank References

MUFG Bank, Ltd. / Resona Bank, Limited / The Bank of Kyoto, Ltd. / The Shiga Bank, Ltd. / Development Bank of Japan Inc.

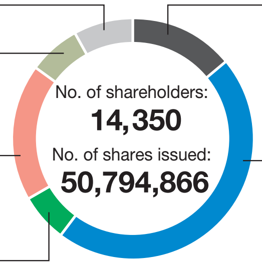
### Underwriter

Nomura Securities Co., Ltd.

### Sub-Underwriters

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

### Breakdown by Type of Shareholder




# About This Report

## Editorial Policy

Since FY2010 our Annual Reports have integrated financial and non-financial information for the purpose of more comprehensive reporting of our corporate activities from a medium- to long-term perspective. In compiling this report, we referred to the IIRC* "International Integrated Reporting Framework" and the "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation" (Guidance for Collaborative Value Creation) of the Japanese Ministry of Economy, Trade and Industry (METI).
Additional detailed information, including our Fact Book (which have financial information) and our Sustainability Data Book (which have non-financial information) is posted on our website.

* International Integrated Reporting Council

Guidance for Collaborative Value Creation

## Applicable Standards

CSR information is presented in accordance with the Core option of the GRI*1 Standards 2016. As an index of disclosure items, our website has a GRI Content Index*2.

*1 Global Reporting Initiative
*2 See the GRI Content Index (www.screen.co.jp/en/sustainability/gri)

## Scope of Coverage

This report covers SCREEN Holdings Co., Ltd. (holding company) and its consolidated companies (as of March 31, 2019).
Data that does not relate to these companies is presented in the form of footnotes.

## 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.
- 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.

## External Assessments

SCREEN Holdings Co., Ltd. is a constituent of the FTSE4Good Index Series, the FTSE Blossom Japan Index, the SNAM Sustainability Index, and the JPX-Nikkei Index 400. In addition, SCREEN was recognized under the 2019 Certified Health and Productivity Management Organization Recognition Program of Japan's METI, our second consecutive year of recognition under this program.

| FTSE4Good | FTSE Blossom Japan | Member of SNAM Sustainability Index 2019 | JPX-NIKKEI 400 | 2019 健康経営優良法人 Health and productivity ホワイト500 |
|---|---|---|---|---|
| Since 2004 | Since 2017 | Since 2018 | Since 2016 | Since 2018 |

## Website

SCREEN Holdings official website
www.screen.co.jp/en


Investor Relations
www.screen.co.jp/en/ir

- Annual Report
- Fact Book
- Sustainability Data Book
- GRI Content Index
- IR Library (Financial Reports, Presentations, etc.)
- IR News
- IR Calendar

Sustainability
www.screen.co.jp/en/sustainability

- Annual Report
- Sustainability Data Book
- GRI Content Index
- ISO Certification Status
- Approach to Sustainability / Materiality
- Environment / Society / Governance

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