SCREEN

Annual Report 2021

Year ended March 31, 2021

Financial Section

SCREEN Group (Integrated Report)

Management's Discussion and Analysis

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

This section provides an analysis of the consolidated financial statements for SCREEN Holdings Co., Ltd. and its consolidated subsidiaries. This consolidated financial statement has been prepared in accordance with accounting standards generally accepted as fair and reasonable 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

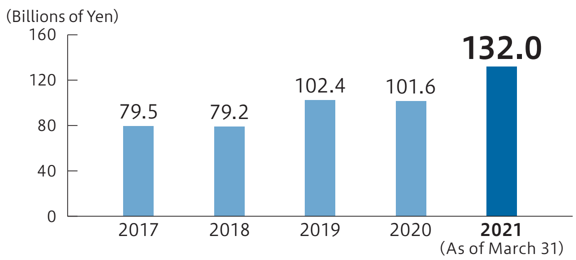
Total assets as of March 31, 2021, stood at ¥382,632 million, up ¥34,667 million, or 10.0%, from the previous fiscal year. This was due largely to increases in cash and time deposits and investment securities as a result of a rise in the market value of shares held.

Total liabilities amounted to ¥174,084 million, up ¥262 million, or 0.2%, from the previous fiscal year. This was attributable mainly to increases in accounts payable and advances received, despite a decrease in short-term loans.

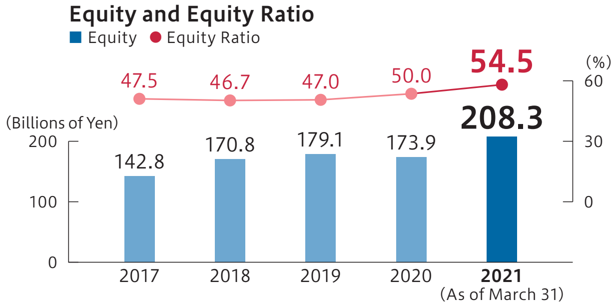
Total net assets amounted to ¥208,548 million, an increase of ¥34,405 million, or 19.8%, from March 31, 2020. This was attributable mainly to an increase in valuation difference on available-for-sale securities resulting from an increase in the market value of shares held and recording of profit attributable to owners of parent which combined to offset dividend payments.

As a result, the equity ratio as of March 31, 2021 was 54.5%.

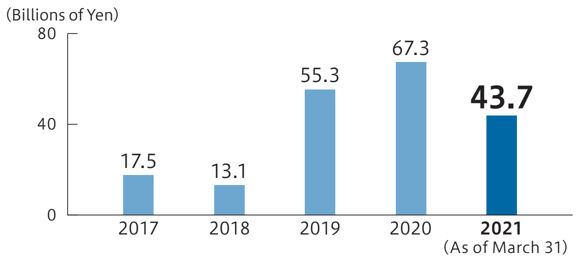
Working Capital



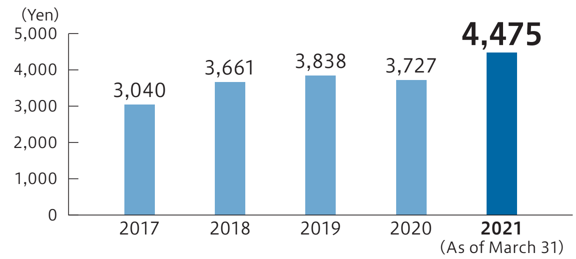
Equity and Equity Ratio



Interest-Bearing Debt



Net Assets Per Share



	Millions of yen					Thousands of U.S. dollars
As of March 31,	**2021**	2020	2019	2018	2017	**2021**
Total assets	**¥ 382,632**	¥ 347,965	¥ 380,916	¥ 365,874	¥ 300,660	**$ 3,447,135**
Reportable Segment: SPE	**207,244**	197,316	222,394	205,196	163,899	**1,867,063**
GA	**42,169**	43,574	46,586	48,381	42,075	**379,901**
FT	**30,472**	35,907	33,046	36,238	31,826	**274,523**
PE	**10,234**	9,483	11,959	9,727	8,925	**92,198**
Other	**7,988**	7,602	9,843	10,546	9,054	**71,964**
Adjustments	**84,525**	54,083	57,089	55,786	44,881	**761,486**
Working capital	**132,019**	101,664	102,413	79,247	79,583	**1,189,360**
Interest-bearing debt	**43,782**	67,302	55,321	13,157	17,587	**394,432**
Equity	**208,380**	173,942	179,116	170,839	142,805	**1,877,297**
Equity ratio (%)	**54.5%**	50.0%	47.0%	46.7%	47.5%	
Net assets per share (yen)	**¥ 4,475.17**	¥ 3,727.10	¥ 3,838.90	¥ 3,661.96	¥ 3,040.79	**$ 40.32**

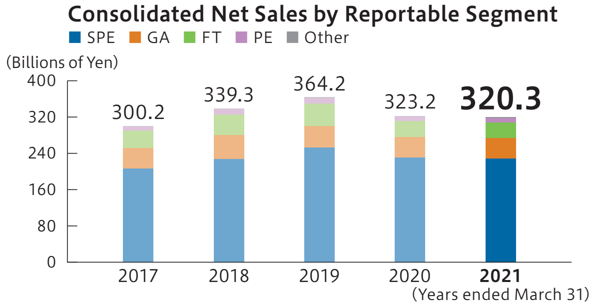
Note: The Company has introduced a performance-linked share compensation system for directors and corporate officers. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the number of shares outstanding as of the fiscal year end for the purpose of calculating net assets per share.

Operating Results

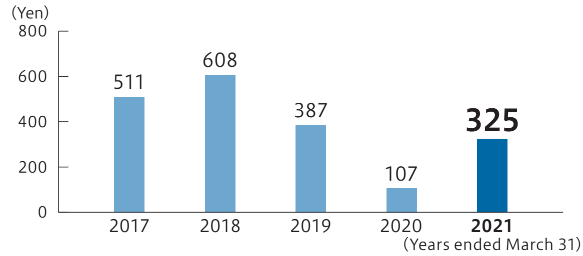
Net sales for the consolidated fiscal year ended March 31, 2021 were ¥320,322 million, which was a decrease of ¥2,927 million, or 0.9%, from the previous fiscal year. Operating income increased ¥11,931 million, or 95.0%, from the previous fiscal year to ¥24,493 million. This was due mainly to improvements in profitability and controls on fixed costs, which combined to offset a decline in sales. Profit attributable to owners of parent was ¥15,165 million, an increase of ¥10,154 million, or 202.7%, from the previous fiscal year. Contributing factors included a recorded impairment loss on non-current assets.

Net income per share increased by ¥217.84 to ¥325.21 (net income per share – diluted was ¥308.17), return on equity increased by 5.1 percentage points from the previous fiscal year to 7.9%, and return on total assets increased by 2.8 percentage points to 4.2%.

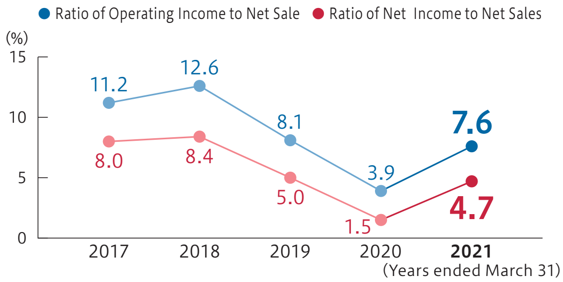
Consolidated Net Sales by Reportable Segment



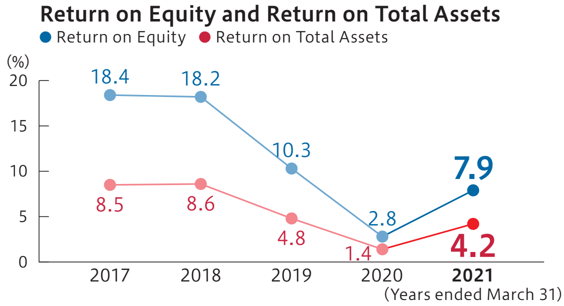
Net Income Per Share



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



Return on Equity and Return on Total Assets



	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2021**	2020	2019	2018	2017	**2021**
Net sales	**¥ 320,322**	¥ 323,249	¥ 364,234	¥ 339,369	¥ 300,234	**$ 2,885,784**
Gross profit	**¥ 88,012**	¥ 76,569	¥ 100,567	¥ 109,531	¥ 93,547	**$ 792,901**
Operating income	**¥ 24,493**	¥ 12,562	¥ 29,645	¥ 42,725	¥ 33,732	**$ 220,658**
Operating income to net sales (%)	**7.6%**	3.9%	8.1%	12.6%	11.2%	
Income before Income taxes	**¥ 20,673**	¥ 8,579	¥ 27,730	¥ 41,952	¥ 31,055	**$ 186,244**
Profit attributable to owners of parent	**¥ 15,165**	¥ 5,011	¥ 18,059	¥ 28,507	¥ 24,169	**$ 136,622**
Per share information (yen)						
Net income	**¥ 325.21**	¥ 107.37	¥ 387.10	¥ 608.62	¥ 511.96	**$ 2.93**
Net income—diluted	**¥ 308.17**	¥ 101.47	¥ 370.66	–	–	**$ 2.78**
Return on equity (%)	**7.9%**	2.8%	10.3%	18.2%	18.4%	
Return on total assets (%)	**4.2%**	1.4%	4.8%	8.6%	8.5%	

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 has introduced a performance-linked share compensation system for directors and corporate officers. 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.
3. Effective from Fiscal 2019, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) 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 foundries and memory manufacturers rose, while sales to logic device manufacturers fell. By region, sales to Taiwan and North America fell, but sales to China and sales in the domestic Japanese market rose. As a result, net sales in this segment reached ¥235,554 million, an increase of 2.2% from the previous period. Operating income rose to ¥26,000 million, a 61.1% year-on-year increase, due mainly to significant improvements in profitability.

In the Graphic Arts Equipment Segment, sales fell 17.9% year-on-year to ¥37,403 as equipment sales contracted due to a pandemic-driven macroeconomic slowdown. Operating income fell to ¥536 million, a 63.0% year-on-year decline, as controls on fixed costs failed to compensate for a decrease in sales and other factors.

In the Display Production Equipment and Coater Business Segment, sales fell 1.3% year-on-year to ¥34,721 million as a decline in sales of production equipment for large-sized LCD panels caused in part by restrictions on travel during the pandemic offset growth in sales of production equipment for small and medium-sized OLED panels. Operating income totaled ¥435 million (compared with an operating loss of ¥2,569 million in the previous fiscal year) as improvements in profitability and other factors offset a decline in sales.

In the Printed Circuit Board (PCB)-related Equipment Segment, sales rose 3.7% from the previous fiscal year to ¥10,430 million due to growth in sales of direct imaging systems fueled by factors including expanding utilization of 5G technologies. With regard to operating income, growth in sales and controls on fixed costs and other factors produced operating income of ¥773 million (compared with an operating loss of ¥259 million in the previous fiscal year).

Net Sales and Income (Loss) in Reportable Segments

		Millions of yen					Thousands of U.S. dollars
Years ended March 31,		**2021**	2020	2019	2018	2017	**2021**
Net Sales	Reportable Segment: SPE	**¥ 235,554**	¥ 230,501	¥ 252,513	¥ 227,185	¥ 206,098	**$ 2,122,108**
	GA	**37,403**	45,553	48,218	53,414	45,830	**336,964**
	FT	**34,721**	35,179	49,254	45,286	38,104	**312,802**
	PE	**10,430**	10,054	12,345	12,194	8,918	**93,964**
	Other	**2,379**	2,008	2,048	1,620	1,453	**21,432**
	Intersegment sales	**(165)**	(46)	(144)	(330)	(169)	**(1,486)**
	Consolidated	**¥ 320,322**	¥ 323,249	¥ 364,234	¥ 339,369	¥ 300,234	**$ 2,885,784**
Operating Income (Loss)	Reportable Segment: SPE	**¥ 26,000**	¥ 16,136	¥ 25,842	¥ 36,302	¥ 29,315	**$ 234,234**
	GA	**536**	1,450	1,140	3,061	1,472	**4,829**
	FT	**435**	(2,569)	3,774	4,599	4,392	**3,919**
	PE	**773**	(259)	770	1,014	752	**6,964**
	Other	**(697)**	(1,493)	(1,411)	(1,554)	(1,453)	**(6,279)**
	Total	**¥ 27,047**	¥ 13,265	¥ 30,115	¥ 43,422	¥ 34,478	**$ 243,667**
	Adjustments	**(2,554)**	(703)	(470)	(697)	(746)	**(23,009)**
	Consolidated	**¥ 24,493**	¥ 12,562	¥ 29,645	¥ 42,725	¥ 33,732	**$ 220,658**

Notes: 1. The SCREEN Group has created four business segments for reporting: Semiconductor Production Equipment Business (SPE), 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:
SPE: Development, manufacturing, sale, and maintenance services of semiconductor production equipment
GA: Development, manufacturing, sale, and maintenance services of graphic arts equipment
FT: Development, manufacturing, sale, and maintenance services of display production equipment and coater equipment
PE: Development, manufacturing, sale, and maintenance services of PCB related equipment
2. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business and inspection system for in-vehicle components, 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

The following is a discussion of the cash flows of the Group for the consolidated fiscal year ended March 31, 2021.

Regarding cash flows from operating activities, inflows from factors including income before income taxes, decreases in inventories and depreciation and amortization surpassed outflows such as an increase in trade receivables, resulting in a net inflow of ¥57,205 million (compared with a net inflow of ¥11,812 million for the previous fiscal year).

Regarding cash flows for investing activities, net cash used in investing activities totaled ¥6,243 million (compared with net out flow of ¥11,294 million in the previous fiscal year) and went largely towards the purchase of property, plant, and equipment, such as R&D equipment.

Regarding cash flows from financing activities, factors including the repayment of short-term debt and payments of dividends resulted in a net outflow of ¥27,071 million (compared with a net inflow of ¥4,928 million in the previous fiscal year).

As a result, cash and cash equivalents as of March 31, 2021 totaled ¥60,744 million, up ¥25,224 million from March 31, 2020.

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2021**	2020	2019	2018	2017	**2021**
Cash flows from operating activities	**¥ 57,205**	¥ 11,812	¥ (37,534)	¥ 28,878	¥ 49,024	**$ 515,360**
Cash flows from investing activities	**(6,243)**	(11,294)	(19,020)	(11,230)	(5,860)	**(56,243)**
Cash flows from financing activities	**(27,071)**	4,928	36,761	(11,512)	(27,479)	**(243,883)**
Effect of exchange rate changes on cash and cash equivalents	**1,333**	(848)	(102)	(242)	(919)	**12,009**
Net increase (decrease) in cash and cash equivalents	**¥ 25,224**	¥ 4,598	¥ (19,895)	¥ 5,894	¥ 14,766	**$ 227,243**

Analysis of Operating Results

Net Sales

Net sales for the Group as a whole for the fiscal year ended March 31, 2021 reached ¥320,322 million, a decrease of ¥2,927 million, or 0.9%, from the previous fiscal year.

Operating Income

Operating income increased ¥11,931 million, or 95.0%, from the previous consolidated fiscal year to ¥24,493 million. This was due mainly to factors such as improved profitability and controls on fixed costs which offset a decline in sales.

Income Before Income Taxes

With regard to other income and expenses, net other expenses fell ¥163 million year-on-year as a decline in loss on the valuation of investment securities offset an increase in impairment loss.

As a result, income before income taxes rose ¥12,094 million, or 141.0%, to ¥20,673 million.

Profit Attributable to Owners of Parent

The total amount of income taxes rose ¥1,947 million to ¥5,542 million as a result of increased income before income taxes, among other factors.

As a result, profit attributable to owners of parent rose ¥10,154 million, or 202.7%, to ¥15,165 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, 2021, 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 ¥21,506 million.

The Group's main R&D achievements in the fiscal year are described below.

In the Semiconductor Production Equipment Segment, we developed the SB-3300, a system for washing the bottom surface of wafers that combines chemical etching and washing functions with a brush-based physical washing function; the SP-2100, which can process compound wafers used in vehicles, power devices and other applications as well as wafers ranging from 3 to 8 inches in size, and the SS-3300S, which combines a new platform that can accommodate up to 16 chambers with a dual-transport system to deliver processing capacity that ranks it among the industry's best-performing products in its category. We also worked to improve performance in technologies related to advanced devices, including devices for washing, drying, coating, heat treatment, direct imaging and equipment control. We continue to pursue joint research with overseas research institutions into state-of-the-art processes in a variety of fields.

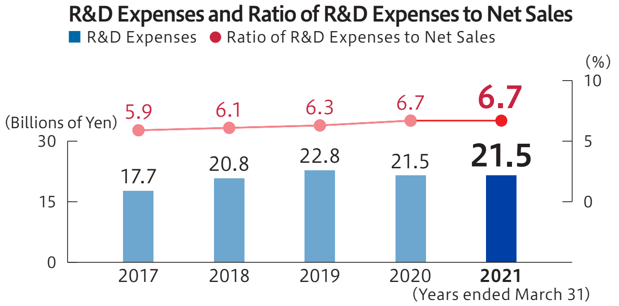
In the Graphic Arts Equipment Segment, we drew on technology fostered through the Truepress Jet520HD series to develop the Truepress Jet520HD mono, which delivers high-resolution monochrome printing at 1200 × 1200 dpi. We also released the Truepress Jet L350UV SAI series, which is designed for use in the sticker and label industry.

In the Segment for Display Production Equipment and Coater Business, we developed the SK-F1500H, a coater/developer for use in color filter coating formation processes in the OLED industry, where manufacturers are making progress in foldable and rollable designs.

In the PCB-related Equipment Segment, we developed the Ledia Twin, a high-productivity direct imaging system designed for use with printed circuit boards.

In addition to the above segments, the SCREEN Group continued basic research and R&D related to new business fields while embarking on a new program of R&D that cuts horizontally across its organization. In the life sciences field, we developed the BEVERSA, a UV inkjet-type aluminum roll printer designed for use with PTP sheets, which are used for tablet and capsule packaging. We also developed the Cell3iMager duos2, a new cell morphology analysis and imaging system. In the inkjet printing field, we developed the Truepress PAC830F, a high-speed, water-based inkjet printer designed for use with soft packaging that delivers industry-leading printing speeds of 75 meters per minute and resolution of 1200 × 1200 dpi. In the software development field, we developed new functionality for our PinnAR AR navigation app and released indoor navigation functionality for Shinjuku Station, Tokyo.

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



Years ended March 31,	Millions of yen 2021	2020	2019	2018	2017	Thousands of U.S. dollars 2021
R&D expenses	¥ **21,506**	¥ 21,525	¥ 22,825	¥ 20,837	¥ 17,794	$ **193,748**
Reportable Segment: SPE	**12,356**	12,674	14,515	12,158	9,068	**111,315**
GA	**2,689**	3,228	3,315	2,998	2,933	**24,225**
FT	**1,185**	1,167	1,260	1,265	1,214	**10,676**
PE	**493**	910	1,023	676	869	**4,441**
Other	**4,783**	3,546	2,712	3,740	3,710	**43,091**
R&D expenses to net sales (%)	**6.7%**	6.7%	6.3%	6.1%	5.9%	

Capital Expenditures and Depreciation and Amortization

For the year ended March 31, 2021, Group capital expenditures, including expenditures for intangible non-current assets, totaled ¥7,843 million.

In the Semiconductor Production Equipment Segment, capital expenditures amounted to ¥3,058 million, the majority of which was used to strengthen R&D and manufacturing facilities.

Capital expenditures in the Graphic Arts Equipment Segment, totaling ¥537 million, centered on strengthening R&D and manufacturing facilities.

In the segment for Display Production Equipment and Coater Business, capital expenditures were ¥987 million and centered on strengthening R&D and manufacturing facilities.

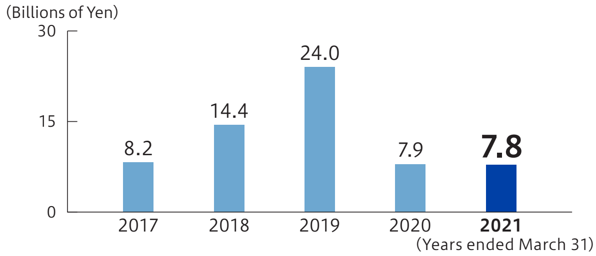
Capital expenditures in the PCB-related Equipment Segment were used for boosting R&D facilities for PCB-related equipment, among other things, and totaled ¥193 million.

Capital expenditures for other businesses, totaling ¥364 million, centered on strengthening R&D and manufacturing facilities.

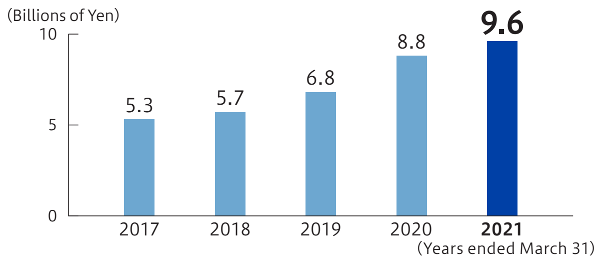
Corporate capital expenditures amounted to ¥2,704 million and centered on facilities and equipment at the Hikone Plant.

Depreciation and amortization during the year came to ¥9,628 million, up ¥768 million, or 8.7%, from the previous fiscal year.

Capital Expenditures



Depreciation and Amortization



	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2021**	2020	2019	2018	2017	**2021**
Capital expenditures	**¥ 7,843**	¥ 7,985	¥ 24,089	¥ 14,429	¥ 8,256	**$ 70,658**
Reportable Segment: SPE	**3,058**	3,740	14,331	9,053	5,070	**27,550**
GA	**537**	742	969	878	1,055	**4,838**
FT	**987**	1,123	739	787	297	**8,892**
PE	**193**	144	97	147	56	**1,739**
Other	**364**	325	315	505	686	**3,279**
Adjustments	**2,704**	1,911	7,638	3,059	1,092	**24,360**
Depreciation and amortization	**¥ 9,628**	¥ 8,860	¥ 6,883	¥ 5,708	¥ 5,398	**$ 86,739**
Reportable Segment: SPE	**5,933**	4,996	3,853	3,052	2,602	**53,450**
GA	**606**	925	581	492	624	**5,459**
FT	**502**	353	213	148	102	**4,523**
PE	**93**	138	53	14	64	**838**
Other	**261**	321	363	412	344	**2,350**
Adjustments	**2,233**	2,127	1,820	1,590	1,662	**20,119**

Significant accounting estimates and assumptions

The consolidated financial statements of the SCREEN Group have been prepared in accordance with accounting standards generally accepted as fair and reasonable in Japan. The significant accounting policies employed in the preparation of these consolidated financial statements can be found in "Notes to Consolidated Financial Statements – Note 1: Summary of Significant Accounting and Reporting Policies."
In addition, for those consolidated financial statement items that require accounting estimates, a reasonable estimate and decision is made for each based upon past performance and relevant current matters. However, because estimates are inherently uncertain, the predicted and actual results may differ.

The significant accounting estimates and assumptions employed in the preparation of these consolidated financial statements which have a risk of materially impacting the consolidated financial statements for the consolidated fiscal year ending March 31, 2022 can be found in "Notes to Consolidated Financial Statements - Note 1: Summary of Significant Accounting and Reporting Policies in Significant Accounting Estimates."

a. Impairment of non-current assets

As a rule, when the SCREEN Group applies impairment accounting, each company is treated as one group. Also, idle assets not used for business are grouped by each property. The recoverable value of relevant asset groups is assessed based on future cash flows, discount rates, net selling prices, and other assumptions. However, it is possible that future trends in property value and business performance may produce impairment losses in the next fiscal year and beyond.

b. Retirement benefit obligations

Retirement benefit costs and obligations of the SCREEN Group are calculated with mathematically based assumptions, such as the discount rate and the expected rate of return on pension assets. In the event that these assumptions or the long-term expected rate of return on pension assets differ from actual results or they are changed, this may significantly affect retirement benefit costs and obligations in the next fiscal year and beyond.

Business and Other Risks

In accordance with the SCREEN Group Risk Management Guidelines and other relevant in-house rules, the SCREEN Group is engaged in initiatives aimed at identifying and mitigating business risk, and SCREEN Holdings Co., Ltd., as the holding company, has in place a system for assessing the status of risk management for the entire Group.

Risk Management Structure

In order to mitigate risk with the potential to negatively impact the SCREEN Group's corporate value, we have established a risk management structure, which includes the SCREEN Holdings President as the Group Risk Management Chief Officer, the Chief Officer of Sustainability Promotion as the Group Risk Management Officer, and the presidents of each SCREEN Group company as Risk General Managers.

Specifically, we established a Group Risk Management Committee, which is responsible for identifying big-picture risks for the SCREEN Group as a whole, identifying those which are critical risks, and setting the direction of risk management action to be taken. We adopt a "three lines of defense" approach: the first line of defense is the Group business operating companies; the second is the holding company organizations and functional support companies; and the third is the auditing department. In line with this we designate individual risk managers and management roles and establish a governance structure for sharing risk-related information between operations sites and senior management.

Management has determined that the major risks listed below could have a material impact on the Group's financial position, business performance and cash flows. Forward-looking statements in this report reflect the current judgment of the Group at the time the financial report was issued.

(1) Risks related to external factors

Geopolitical risks

Although trade friction between the U.S. and China is not having a significant impact on the SCREEN Group's performance at the present time, sales to customers in China account for more than 30% of all revenue. Should a further deterioration in the two countries' relations make it difficult to ship products to China, the resulting decline in the Group's sales could have a material impact on profits and other aspects of the Group's business performance.

Risks related to exchange rate and interest rate fluctuations

As the SCREEN 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, rapid fluctuations in exchange rates could have a material impact on profits and other aspects of the Group's business performance.

All the Group's interest-bearing debt as of the end of the fiscal year was fixed-rate debt and not subject to interest rate fluctuation risk. Nevertheless, interest rate fluctuations affecting new fund procurement at variable interest rates could have a material impact on profits and other aspects of the Group's business performance.

(2) Risks related to industry trends

Risks related to 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, an unexpectedly large market downturn and accompanying decline in sales could have a material impact on profits and other aspects of the Group's business performance.

Risks involving technologies and products

In order to strengthen its earning structure, the SCREEN Group is working to enhance and invigorate its development capabilities while expanding its market share through the timely introduction of new products featuring the latest technologies, for example by focusing on areas of development that align with its business strategies, sharing technologies among Group companies and making efficient use of outside technological resources. However, a longer development pipeline that led to delays in new product releases and triggered a decline in sales could have a material impact on profits and other aspects of the Group's business performance.

Risks related to the concentration of business transactions among specific customers

The SCREEN Group delivers production equipment to leading semiconductor manufacturers in Japan and overseas. However, as pressure to increase production capacity and respond 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, trends in capital investment by these specific customers and our receipt of orders from them could have a material impact on profits and other aspects of the Group's business performance by triggering a decline in sales.

Going forward, the Group will continue to supply optimal solutions to the evolving semiconductor industry by developing and manufacturing competitive equipment that contributes to the establishment of production processes for next-generation devices.

Risks related to supply chains

Based on lessons learned from large-scale disasters and supply chain interruptions, the SCREEN Group endeavors to put in place complementary production systems that incorporate and manage domestic and overseas production sites, as well as parts suppliers, in order to prevent significant damage to our business. At the same time, demand for equipment in the Semiconductor Production Equipment Segment is growing rapidly. In the event that a supply crunch were to prevent us from obtaining key parts and materials from suppliers in a timely manner or that we were to encounter impediments to securing products from the partners to which we outsource the manufacture of parts and materials, interruptions to the Group's production activities, soaring material costs and other adverse developments could have a material impact on sales, profits and other aspects of the Group's business performance.

(3) Risks related to fair business practices

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 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. Nonetheless, compliance violations, lawsuits, intellectual property disputes arising from rights violations and other issues related to the Group's business activities could have a material impact on profits and other aspects of the Group's business performance.

(4) Risks related to continuity of business

Risks related to natural disasters

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 ability to continue operating.

Risks related to procurement of funds

Certain loan contracts of the SCREEN Group 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. All contractual financial covenants have been met and none are expected to inhibit the Group's operations or funding plans.However, if these covenants were to be breached and the financial institutions required repayment, the Group could be forced to forfeit the benefit of the loan term in relation to such loans. In such an occurrence, the Group could forfeit the benefit of the term in relation to its bonds and other loans. If the Group forfeits such benefit for a loan and incurs an obligation to make a lump-sum repayment, it could have a material impact on the Group's ability to continue operating.

Risks related to global pandemics

The SCREEN Group has created a Disaster Response Headquarters chaired by the president and CEO and local task forces in Japan and overseas to spearhead its response to the COVID-19 pandemic, which has been given designated infectious disease status by the Japanese government. We continue to take various actions to respond to this challenge, including collecting information about measures for addressing the virus and about employee and partner infections. The Semiconductor Production Equipment Segment, which comprises the core business of the SCREEN Group, remains stable in terms of equipment production and shipment, while equipment installation and adjustment is being handled as much as possible by local staff in each country. As a result, at this time, we expect the impact of COVID-19 to be minor. Nevertheless, the continued spread of the disease or a lengthening of the pandemic could have a negative impact on the Group's operating results or the continuity of its business operations.

Risks related to information security

In the course of its business operations, the SCREEN 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 executives and employees to comply with in their business operations, seeking to reinforce information management. However, leaks of information due to unauthorized access or interruptions in the normal operation of internal information systems or other reasons that precipitate a loss of societal trust or trigger an extended halt in operations could have a material impact on the Group's ability to continue to operate.

(5) Risks related to product quality and safety

The SCREEN Group has created a quality management system based on the international standard governing quality management systems (ISO 9001) and is working to enhance the quality of its products and services. Nevertheless, if a product defect should lead to a large-scale recall or product liability resulting from losses sustained by a customer, the Group could incur significant additional expenses and suffer a decrease in trust. Such cases could have a material impact on sales, profits and other aspects of the Group's business performance.

(6) Risks related to efforts to reduce environmental impacts

Reflecting rising demand for low-environmental-impact products, increasingly rigorous international environmental regulations and growing work safety risks posed by the trend toward ever-larger products, the SCREEN Group is working to ensure it can provide safe, environmentally friendly products by contributing to the curbing of CO2 emissions by products, increasing the number of products that comply with environmental standards and regulations, training product safety experts and complying with product-related laws and regulations. Nonetheless, failure of products to comply with environmental regulations due to reasons such as the slow progress in such initiatives could have a material impact on profits and other aspects of the Group's business performance by triggering a decline in the Group's sales.

Consolidated Balance Sheets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
Assets	**2021**	2020	**2021**
Current Assets:			
Cash and cash equivalents (Note 11)	**¥ 60,744**	¥ 35,520	**$ 547,243**
Time deposits (Note 11)	**1,983**	2,251	**17,865**
Notes and accounts receivable-trade (Note 11)	**86,537**	82,758	**779,613**
Allowance for doubtful receivables (Note 11)	**(971)**	(701)	**(8,748)**
Inventories (Note 7)	**95,679**	106,260	**861,973**
Other current assets	**8,915**	12,455	**80,315**
Total current assets	**252,887**	238,543	**2,278,261**
Property, Plant and Equipment, at Cost:			
Land	**9,796**	9,460	**88,252**
Buildings and structures	**61,820**	59,999	**556,937**
Machinery, equipment and other (Note 15)	**70,789**	67,541	**637,739**
Lease assets (Notes 3 and 8)	**4,873**	4,885	**43,901**
Construction in progress	**3,136**	7,094	**28,252**
Total property, plant and equipment	**150,414**	148,979	**1,355,081**
Accumulated depreciation	**(93,359)**	(88,085)	**(841,072)**
Net property, plant and equipment	**57,055**	60,894	**514,009**
Investments and Other Assets:			
Investment securities (Notes 11 and 13)	**53,991**	30,586	**486,405**
Lease assets (Notes 3 and 8)	**67**	90	**604**
Net defined benefit asset (Note 14)	**7,495**	4,366	**67,523**
Deferred tax assets (Note 4)	**3,433**	4,981	**30,928**
Other assets (Note 15)	**7,704**	8,505	**69,405**
Total investments and other assets	**72,690**	48,528	**654,865**
Total Assets	**¥ 382,632**	¥ 347,965	**$ 3,447,135**

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

Liabilities and Net Assets	Millions of yen 2021	2020	Thousands of U.S. dollars 2021
Current Liabilities:			
Notes and accounts payable—			
Trade (Note 11)	**¥ 73,416**	¥ 66,395	**$ 661,405**
Construction and other	**3,776**	3,675	**34,018**
Short-term debt (Notes 5 and 11)	**–**	30,000	**–**
Current portion of long-term debt (Notes 5 and 11)	**109**	3,614	**982**
Lease obligations (Notes 3, 5 and 11)	**1,259**	1,211	**11,342**
Accrued expenses	**7,876**	7,156	**70,955**
Income taxes payable	**3,320**	2,227	**29,910**
Provision for product warranties	**7,054**	6,787	**63,550**
Provision for bonuses	**2,425**	1,201	**21,847**
Provision for directors' bonuses	**179**	123	**1,613**
Provision for loss on order received	**136**	312	**1,225**
Other current liabilities	**21,318**	14,178	**192,054**
Total current liabilities	**120,868**	136,879	**1,088,901**
Long-Term Liabilities:			
Long-term debt (Notes 5 and 11)	**40,067**	30,205	**360,964**
Net defined benefit liability (Note 14)	**1,183**	1,016	**10,658**
Lease obligations (Notes 3, 5 and 11)	**2,347**	2,272	**21,144**
Deferred tax liabilities (Note 4)	**8,599**	2,376	**77,468**
Asset retirement obligations	**67**	65	**604**
Provision for directors' retirement benefits	**197**	182	**1,775**
Provision for stock payment	**25**	44	**225**
Provision for management board incentive plan trust	**24**	43	**216**
Other long-term liabilities	**707**	740	**6,369**
Total long-term liabilities	**53,216**	36,943	**479,423**
Total Liabilities	**¥ 174,084**	¥ 173,822	**$ 1,568,324**
Contingent Liabilities (Note 10)			
Net Assets (Note 6):			
Shareholders' Equity:			
Capital stock			
Authorized—180,000,000 shares in 2021 and 2020			
Issued—50,794,866 shares in 2021 and 2020	**54,045**	54,045	**486,892**
Capital surplus	**4,488**	4,488	**40,432**
Retained earnings	**144,670**	130,908	**1,303,333**
Treasury stock, at cost	**(18,591)**	(17,962)	**(167,486)**
4,231,050 shares in 2021 and 4,125,447 shares in 2020			
Total shareholders' equity	**184,612**	171,479	**1,663,171**
Accumulated Other Comprehensive Income:			
Valuation difference on available-for-sale securities	**27,435**	10,842	**247,162**
Foreign currency translation adjustment	**(4,329)**	(7,135)	**(39,000)**
Remeasurements of defined benefit plans	**662**	(1,244)	**5,964**
Total accumulated other comprehensive income	**23,768**	2,463	**214,126**
Non-controlling interests:			
Non-controlling interests	**168**	201	**1,514**
Total net assets	**208,548**	174,143	**1,878,811**
Total Liabilities and Net Assets	**¥ 382,632**	¥ 347,965	**$ 3,447,135**

The number of shares of treasury stock of the company included 192 thousand shares as of March 31, 2021 and 88 thousand shares as of March 31, 2020 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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Net Sales (Note 9)	**¥ 320,322**	¥ 323,249	**$ 2,885,784**
Cost of Sales	**232,310**	246,680	**2,092,883**
Gross profit	**88,012**	76,569	**792,901**
Selling, General and Administrative Expenses	**63,519**	64,007	**572,243**
Operating income (Note 9)	**24,493**	12,562	**220,658**
Other (Income) Expenses:			
Interest and dividend income	**(603)**	(660)	**(5,432)**
Interest expenses	**499**	559	**4,495**
Exchange loss on foreign currency transactions, net	**825**	297	**7,432**
Subsidy income	**(432)**	(83)	**(3,892)**
Loss on retirement of non-current assets	**769**	380	**6,928**
Gain on sales of investment securities (Note 13)	**(15)**	(333)	**(135)**
Loss on valuation of investment securities	**19**	1,814	**171**
Impairment loss (Note 15)	**2,044**	1,576	**18,414**
Share of loss of entities accounted for using equity method	**439**	492	**3,955**
Other, net	**275**	(59)	**2,478**
Net other (income) expenses	**3,820**	3,983	**34,414**
Income Before Income Taxes	**20,673**	8,579	**186,244**
Income Taxes (Note 4)			
Current	**5,682**	4,486	**51,189**
Deferred	**(140)**	(891)	**(1,260)**
Total income taxes	**5,542**	3,595	**49,929**
Profit	**15,131**	4,984	**136,315**
Profit Attributable to Non-controlling Interests	**(34)**	(27)	**(307)**
Profit Attributable to Owners of Parent	**¥ 15,165**	¥ 5,011	**$ 136,622**

Per Share Information:

	Yen		U.S. dollars
	2021	2020	**2021**
Net income	**¥ 325.21**	¥ 107.37	**$ 2.93**
Net income—diluted	**308.17**	101.47	**2.78**
Cash dividends, applicable to earnings for the year	**90.00**	30.00	**0.81**

The Company introduced a performance-linked share compensation system for directors and corporate officers. 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 (125 and 91 thousand shares for the years ended March 31, 2021 and 2020, respectively).
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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Profit	**¥ 15,131**	¥ 4,984	**$ 136,315**
Other Comprehensive Income (Note 2)			
Valuation difference on available-for-sale securities	**16,594**	(3,478)	**149,495**
Foreign currency translation adjustment	**2,802**	(1,770)	**25,244**
Remeasurements of defined benefit plans	**1,906**	(622)	**17,171**
Share of other comprehensive income of entities accounted for using equity method	**5**	(21)	**45**
Total other comprehensive income	**21,307**	(5,891)	**191,955**
Comprehensive Income	**¥ 36,438**	¥ (907)	**$ 328,270**
Comprehensive income attributable to			
Owners of parent	**36,471**	(880)	**328,567**
Non-controlling interests	**(33)**	(27)	**(297)**

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, 2021 and 2020

	Millions of yen									
		Shareholders' equity				Accumulated other comprehensive income				
	Shares of issued capital stock (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at the Beginning of Fiscal 2020	50,795	¥ 54,045	¥ 4,488	¥ 130,274	¥ (18,044)	¥ 14,320	¥ (5,345)	¥ (622)	¥ 18	¥ 179,134
Cumulative effects of changes in accounting policies	—	—	—	¥ **159**	—	—	—	—	—	¥ **159**
Currently stated balance, as of the beginning of the current period	**50,795**	**¥ 54,045**	**¥ 4,488**	**¥ 130,433**	**¥ (18,044)**	**¥ 14,320**	**¥ (5,345)**	**¥ (622)**	**¥ 18**	**¥ 179,293**
Profit attributable to owners of parent	—	—	—	5,011	—	—	—	—	—	5,011
Cash dividends paid, ¥97.00 per share	—	—	—	(4,536)	—	—	—	—	—	(4,536)
Valuation difference on available-for-sale securities	—	—	—	—	—	(3,478)	—	—	—	(3,478)
Foreign currency translation adjustment	—	—	—	—	—	—	(1,790)	—	—	(1,790)
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	(622)	—	(622)
Acquisition of treasury stock	—	—	—	—	(3)	—	—	—	—	(3)
Disposal of treasury stock	—	—	0	—	85	—	—	—	—	85
Other	—	—	—	—	—	—	—	—	183	183
Balance at the End of Fiscal 2020	50,795	¥ 54,045	¥ 4,488	¥ 130,908	¥ (17,962)	¥ 10,842	¥ (7,135)	¥ (1,244)	¥ 201	¥ 174,143
Balance at the Beginning of Fiscal 2021	**50,795**	**¥ 54,045**	**¥ 4,488**	**¥ 130,908**	**¥ (17,962)**	**¥ 10,842**	**¥ (7,135)**	**¥ (1,244)**	**¥ 201**	**¥ 174,143**
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Currently stated balance, as of the beginning of the current period	**50,795**	**¥ 54,045**	**¥ 4,488**	**¥ 130,908**	**¥ (17,962)**	**¥ 10,842**	**¥ (7,135)**	**¥ (1,244)**	**¥ 201**	**¥ 174,143**
Profit attributable to owners of parent	—	—	—	**15,165**	—	—	—	—	—	**15,165**
Cash dividends paid, ¥30.00 per share	—	—	—	**(1,403)**	—	—	—	—	—	**(1,403)**
Valuation difference on available-for-sale securities	—	—	—	—	—	**16,593**	—	—	—	**16,593**
Foreign currency translation adjustment	—	—	—	—	—	—	**2,806**	—	—	**2,806**
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	**1,906**	—	**1,906**
Acquisition of treasury stock	—	—	—	—	**(683)**	—	—	—	—	**(683)**
Disposal of treasury stock	—	—	—	—	**54**	—	—	—	—	**54**
Other	—	—	—	—	—	—	—	—	**(33)**	**(33)**
Balance at the End of Fiscal 2021	**50,795**	**¥ 54,045**	**¥ 4,488**	**¥ 144,670**	**¥ (18,591)**	**¥ 27,435**	**¥ (4,329)**	**¥ 662**	**¥ 168**	**¥ 208,548**

	Thousands of U.S. dollars								
	Shareholders' equity				Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at the Beginning of Fiscal 2021	**$ 486,892**	**$ 40,432**	**$ 1,179,351**	**$ (161,820)**	**$ 97,676**	**$ (64,279)**	**$ (11,207)**	**$ 1,811**	**$ 1,568,856**
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—
Currently stated balance, as of the beginning of the current period	**$ 486,892**	**$ 40,432**	**$ 1,179,351**	**$ (161,820)**	**$ 97,676**	**$ (64,279)**	**$ (11,207)**	**$ 1,811**	**$ 1,568,856**
Profit attributable to owners of parent	—	—	**136,622**	—	—	—	—	—	**136,622**
Cash dividends paid, $0.27 per share	—	—	**(12,640)**	—	—	—	—	—	**(12,640)**
Valuation difference on available-for-sale securities	—	—	—	—	**149,486**	—	—	—	**149,486**
Foreign currency translation adjustment	—	—	—	—	—	**25,279**	—	—	**25,279**
Remeasurements of defined benefit plans	—	—	—	—	—	—	**17,171**	—	**17,171**
Acquisition of treasury stock	—	—	—	**(6,152)**	—	—	—	—	**(6,152)**
Disposal of treasury stock	—	—	—	**486**	—	—	—	—	**486**
Other	—	—	—	—	—	—	—	**(297)**	**(297)**
Balance at the End of Fiscal 2021	**$ 486,892**	**$ 40,432**	**$ 1,303,333**	**$ (167,486)**	**$ 247,162**	**$ (39,000)**	**$ 5,964**	**$ 1,514**	**$ 1,878,811**

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 20,673**	¥ 8,579	**$ 186,243**
Depreciation and amortization	**9,628**	8,860	**86,739**
Impairment loss	**2,044**	1,576	**18,414**
Loss (gain) on valuation of investment securities	**19**	1,814	**171**
Loss (gain) on sales of investment securities	**(15)**	(333)	**(135)**
Loss on retirement of non-current assets	**745**	380	**6,712**
Share of loss (profit) of entities accounted for using equity method	**439**	492	**3,955**
Increase (decrease) in net defined benefit liability	**(292)**	153	**(2,631)**
Increase (decrease) in provision for bonuses	**1,224**	(1,417)	**11,027**
Increase (decrease) in provision for directors' bonuses	**55**	(31)	**495**
Increase (decrease) in provision for stock payment	**(18)**	10	**(162)**
Increase (decrease) in provision for management board incentive plan trust	**(19)**	3	**(171)**
Increase (decrease) in provision for product warranties	**237**	(76)	**2,135**
Increase (decrease) in provision for loss on order received	**(175)**	238	**(1,577)**
Interest and dividend income	**(603)**	(660)	**(5,432)**
Interest expenses	**499**	559	**4,495**
Decrease (increase) in trade notes and accounts receivable	**(2,920)**	17,580	**(26,306)**
Decrease (increase) in inventories	**12,067**	9,383	**108,712**
Decrease (increase) in other current assets	**(372)**	1,234	**(3,351)**
Increase (decrease) in trade notes and accounts payable	**7,318**	(25,239)	**65,928**
Increase (decrease) in other current liabilities	**7,234**	(6,021)	**65,171**
Other, net	**52**	982	**469**
Subtotal	**57,820**	18,066	**520,901**
Interest and dividend income received	**578**	630	**5,207**
Interest expenses paid	**(508)**	(555)	**(4,577)**
Contribution in connection with the shift to a defined contribution pension plan	**–**	(1)	**–**
Income taxes paid	**(685)**	(6,328)	**(6,171)**
Net cash provided by (used in) operating activities	**57,205**	11,812	**515,360**
Cash Flows from Investing Activities:			
Decrease (increase) in time deposits, net	**409**	(1,090)	**3,685**
Purchase of property, plant and equipment	**(5,391)**	(9,114)	**(48,568)**
Proceeds from sales of property, plant and equipment	**96**	93	**865**
Purchase of intangible assets	**(1,327)**	(1,277)	**(11,955)**
Purchase of investment securities	**(213)**	(476)	**(1,919)**
Proceeds from sales of investment securities	**50**	591	**450**
Other, net	**133**	(21)	**1,199**
Net cash provided by (used in) investing activities	**(6,243)**	(11,294)	**(56,243)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term debt	**(30,000)**	12,000	**(270,270)**
Proceeds from long-term debt	**10,000**	–	**90,090**
Repayments of long-term debt	**(3,614)**	(1,504)	**(32,559)**
Repayments of finance lease obligations	**(1,351)**	(1,244)	**(12,171)**
Proceeds from share issuance to non-controlling shareholders	**–**	210	**–**
Net decrease (increase) in treasury stock	**(690)**	(3)	**(6,216)**
Cash dividends paid	**(1,416)**	(4,531)	**(12,757)**
Net cash provided by (used in) financing activities	**(27,071)**	4,928	**(243,883)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**1,333**	(848)	**12,009**
Net Increase (Decrease) in Cash and Cash Equivalents	**25,224**	4,598	**227,243**
Cash and Cash Equivalents at Beginning of Period	**35,520**	30,922	**320,000**
Cash and Cash Equivalents at End of Period	**¥ 60,744**	¥ 35,520	**$ 547,243**

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, 2021 and 2020

Note 1: Summary of Significant Accounting and Reporting Policies

a. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the five specified items as applicable. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Certain Japanese yen amounts in the accompanying consolidated financial statements have been translated into U.S. dollar amounts solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2021, 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 regards 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.

Right of use assets

The financial statements of certain overseas consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS), and IFRS 16 "Leases" (hereinafter, "IFRS 16") has been adopted. Under IFRS 16, lessees generally recognize all leases as assets and liabilities on the balance sheet, and capitalized right of use assets are depreciated on a straight-line basis using the useful life of the assets or the lease periods, whichever is shorter, as the useful life with no residual value. Also, for Lease Transaction Relationships, lease transactions based on IFRS 16 are classified as "1. Finance leases, etc." in Note 8: Leases.

g. Impairment of non-current assets

The Company and its consolidated subsidiaries evaluate the book value of non-current assets for impairment. If the book value of a non-current 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 to 5 years for internal use software and 3 years for software for sale).

i. Research and development

Expenses related to research and development are charged to income as incurred and amounted to ¥21,506 million ($193,748 thousand) in 2021 and ¥21,525 million in 2020.

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. Bonds issue costs

Bonds issue costs are charged to expenses as incurred.

m. Income taxes

The Company and its consolidated subsidiaries record deferred tax assets and liabilities on loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes by using the asset-liability approach.

n. Allowance for doubtful receivables

An allowance for doubtful receivables is provided to cover possible losses on collection. The Company and its consolidated domestic subsidiaries provide the allowance for doubtful receivables by adding individually estimated uncollectible amounts of specific items to an amount based on the actual rate of past uncollected receivables. The consolidated overseas subsidiaries provide the allowance for doubtful receivables based mainly on the estimated uncollectible amounts of specific receivables.

o. Provision for bonuses

The Company and 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 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 belong to a multi-employer corporate pension fund system. 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 12 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

Certain consolidated subsidiaries provide for estimated product warranty costs for the warranty period after product sales 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 amounts 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 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 receivables and payables denominated in foreign currencies 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	Receivables and payables denominated in foreign currencies
Interest rate swap contracts	Interest on short-term and long-term debt

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

Application of the Consolidated Taxation System

The Company and its some domestic consolidated subsidiaries applied the Consolidated Taxation System.

Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system

Having regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

Significant accounting estimates

In preparing the consolidated financial statements for items that require accounting estimates, an estimate is made for each based on consideration of past performance and relevant current matters.
Of the accounting estimates included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2021, the following items are considered to have a significant impact on the consolidated financial statements for the fiscal year ending March 31, 2022.
1. Valuation of finished goods and work in process in the Semiconductor Production Equipment Business
(1) Amounts included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2021
Inventories : ¥95,679 million
The above amounts include ¥21,526 million in finished goods and ¥21,598 million in work in process for SCREEN Semiconductor Solutions Co., Ltd., which operates the Semiconductor Production Equipment Business.
(2) Information on the nature of significant accounting estimates for identified items
In principle, loss on valuation of inventories is reported for the finished goods and work in process whenever the net selling price is less than the carrying amount.
However, for the Inventories that are uncertain about the future salability due to outside of the normal operating cycle, the Company applies to them a valuation method that reduces the carrying amount to the estimated disposal value for which the probability of conversion to parts or materials and other factors are taken into account in order to reflect their reduced profitability.
The process of identifying Semiconductor Production Equipment Business finished goods and work in process with uncertainty about the future salability and estimating disposal value that takes into account the probability of conversion to parts or materials and other factors is based on considerations including sales results for past fiscal years and the consolidated fiscal year ended March 31, 2021, along with forecasts for the demand for semiconductor production equipment and investment plans announced by customers.
In the event that the assumptions used in the above estimates need to be changed due to changes in demand in the semiconductor industry in which the Group's businesses operate, this may have a significant affect on the amounts recognized in the consolidated financial statements for the consolidated fiscal year ending March 31, 2022.

2. Recoverability of deferred tax assets
(1) Amounts included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2021
Deferred tax assets: ¥3,433 million / Deferred tax liabilities: ¥8,599 million
The balances of deferred tax assets and valuation allowances related to operating loss carryforwards included in the above amounts are described in "Note 4: Income Taxes."
(2) Information on the nature of significant accounting estimates for identified items
The Company and certain consolidated subsidiaries which have adopted the consolidated taxation system assess the recoverability of deferred tax assets related to corporate taxes and regional corporate taxes based on reasonable estimates of future consolidated income.
The estimated amounts of future consolidated income are based on the currently available outlook for each company adopting the consolidated taxation system at the time of preparation of the consolidated financial statements.
In the event that these assumptions used in the above estimates need to be changed, such as when fluctuating economic conditions create future uncertainty, it is possible that this will significantly affect the amounts recognized in the consolidated financial statements for the consolidated fiscal year ending March 31, 2022.
3. Provision for product warranties
(1) Amounts included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2021
Provision for product warranties: ¥7,054 million
(2) Information on the nature of significant accounting estimates for identified items
Certain consolidated subsidiaries record estimated after-sales service expenses during the warranty period after the sale of equipment as a provision for product warranties.
Estimated after-sales service expenses are based on actual payments in the past and other data. However, in the event that product defects lead to large-scale recalls or product liability claims that expose customers to financial losses, this may significantly affect the amounts recognized in the consolidated financial statements for the consolidated fiscal year ending March 31, 2022.

(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 31, 2020)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)
(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 "Revenue 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 the 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.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)
(1) Overview
The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have provided detailed guidance with almost the same contents for fair value measurement (IFRS 13 Fair Value Measurement by IFRS and Fair Value Measurement Topic 820 by U.S. GAAP). In relation, the Accounting Standards Board of Japan (ASBJ) published "Accounting Standard for Fair Value Measurement" and other standards as a result of initiatives concerning mainly promoting the consistency between Japanese and international accounting standards regarding guidance for fair value measurement and required disclosures.
The basic objective of the ASBJ in developing this accounting standard for fair value measurement was to enhance comparability between financial statements of Japanese and foreign entities through a unified measuring method. Accordingly, the accounting standard fundamentally incorporates the basic policies of IFRS 13. In addition, when there are items that should be considered to reflect the present practices in Japan, exceptional treatments have been established for certain items to the extent that comparability is not impaired significantly.
(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 is major accounting standards issued but not yet applied that is newly established or revised by March 31, 2021.
Furthermore, 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
Leases (U.S.GAAP ASU2016-02)	Revised accounting for lease	From the beginning of the fiscal year ending March 31, 2023

(Changes in presentation method)
(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")
The Company and its subsidiaries adopted ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year. Therefore, notes on significant accounting estimates are included in the consolidated financial statements.
The notes do not include information for the prior consolidated fiscal year, in accordance with the transitional provision set out in

Paragraph 11 of the accounting standard.

(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 as well as 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 linkage between the financial performance of the Company and 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 to bear the risk of declines in the stock price and to share the benefits and risks resulting from changes in stock price with shareholders.

(1) Overview
The 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 the 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 will receive the shares of Company stock issued is upon retirement of the Directors and others.
(2) Company shares remaining in the trust
Shares of Company stock remaining in the trust are recorded as treasury stock in the Net Assets section based on book value (excluding incidental expenses) of the trust. The book value of the treasury stock in question for the year ended March 31, 2021 was ¥1,253 million and the number of shares was 192 thousand shares. The book value of the treasury stock in question for the year ended March 31, 2020 was ¥632 million and the number of shares was 88 thousand shares.

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 fiscal years and the tax effects for each component of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	**¥ 23,680**	¥ (4,807)	**$ 213,333**
Reclassification adjustments	**(25)**	(43)	**(225)**
Subtotal, before tax	**23,655**	(4,850)	**213,108**
Tax benefit (expense)	**(7,061)**	1,372	**(63,613)**
Subtotal, net of tax	**16,594**	(3,478)	**149,495**
Foreign currency translation adjustment:			
Increase (decrease) during the year	**2,802**	(1,770)	**25,243**
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	**2,336**	(1,603)	**21,045**
Reclassification adjustments	**452**	687	**4,072**
Subtotal, before tax	**2,788**	(916)	**25,117**
Tax benefit (expense)	**(882)**	294	**(7,946)**
Subtotal, net of tax	**1,906**	(622)	**17,171**
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	**5**	(21)	**45**
Total other comprehensive income	**¥ 21,307**	¥ (5,891)	**$ 191,954**

Note 3: Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2021 and 2020 were as follows:

Newly booked assets and liabilities related to finance leases

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Lease assets	**¥ 1,356**	¥ 914	**$ 12,216**
Lease obligations	**1,358**	918	**12,234**

Note 4: Income Taxes

The Company is subject to several taxes based on income with a statutory tax rate of approximately 30.5% in 2021 and 2020. Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Deferred tax assets			
Loss on valuation of inventories	**¥ 5,217**	¥ 4,831	**$ 47,000**
Provision for product warranties	**2,153**	2,050	**19,396**
Accrued bonuses for employees / provision for bonuses	**1,336**	968	**12,036**
Unrealized income on inventories	**1,237**	794	**11,144**
Depreciation	**2,375**	2,230	**21,396**
Research and development expenses	**1,167**	1,218	**10,514**
Impairment loss	**2,024**	1,601	**18,234**
Net defined benefit liability	**143**	40	**1,288**
Net operating loss carryforwards (Note)	**10,405**	11,463	**93,739**
Other	**4,784**	4,568	**43,100**
Deferred tax assets-subtotal	**¥ 30,841**	¥ 29,763	**$ 277,847**
Valuation allowance for net operating loss carryforwards (Note)	**(8,541)**	(8,763)	**(76,946)**
Valuation allowance for deductible temporary differences	**(11,006)**	(10,377)	**(99,153)**
Valuation allowance – total	**(19,547)**	(19,140)	**(176,099)**
Total deferred tax assets	**¥ 11,294**	¥ 10,623	**$ 101,748**
Deferred tax liabilities			
Undistributed earnings of consolidated overseas subsidiaries	**(2,180)**	(1,817)	**(19,640)**
Valuation difference on available-for-sale securities	**(11,614)**	(4,553)	**(104,631)**
Net defined benefit asset	**(2,379)**	(1,301)	**(21,432)**
Other	**(287)**	(347)	**(2,586)**
Total deferred tax liabilities	**(16,460)**	(8,018)	**(148,289)**
Net deferred tax assets (liabilities)	**¥ (5,166)**	¥ 2,605	**$ (46,541)**

Note: Operating loss carryforwards and deferred tax assets by expiration periods.

For the year ended March 31, 2021

Millions of yen	2022	2023	2024	2025	2026	2027 and after	Total
Operating loss carryforwards*1	3,061	13	824	428	653	5,426	10,405
Valuation allowance	(1,374)	(0)	(812)	(415)	(641)	(5,299)	(8,541)
Net deferred tax assets	1,687	13	12	13	12	127	1,864

Thousands of U.S. dollars	2022	2023	2024	2025	2026	2027 and after	Total
Operating loss carryforwards*1	27,577	117	7,423	3,856	5,883	48,883	93,739
Valuation allowance	(12,378)	(0)	(7,315)	(3,739)	(5,775)	(47,739)	(76,946)
Net deferred tax assets	15,199	117	108	117	108	1,144	16,793

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

For the year ended March 31, 2020

Millions of yen	2021	2022	2023	2024	2025	2026 and after	Total
Operating loss carryforwards*1	1,826	3,029	13	826	434	5,335	11,463
Valuation allowance	(403)	(2,156)	(0)	(812)	(419)	(4,973)	(8,763)
Net deferred tax assets	1,423	873	13	14	15	362	2,700

Thousands of U.S. dollars	2021	2022	2023	2024	2025	2026 and after	Total
Operating loss carryforwards*1	16,752	27,789	119	7,578	3,982	48,945	105,165
Valuation allowance	(3,697)	(19,780)	(0)	(7,450)	(3,844)	(45,623)	(80,394)
Net deferred tax assets	13,055	8,009	119	128	138	3,322	24,771

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

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the year ended March 31, 2021 and 2020 is set forth in the table below.

	2021	2020
Statutory tax rate	**30.5 %**	30.5 %
Nondeductible expenses	**0.3**	2.2
Valuation allowance	**1.9**	8.5
Tax credits	**(1.7)**	(1.4)
Tax rate difference from parent company	**(4.6)**	(12.2)
Undistributed earnings of consolidated overseas subsidiaries	**1.8**	2.4
Tax unrecognized for unrealized profit on inventories	**(4.1)**	4.0
Consolidated overseas subsidiaries' withholding tax on dividends	**2.0**	3.8
Per capital levy	**1.2**	3.1
Other, net	**(0.5)**	1.0
Effective tax rate	**26.8 %**	41.9 %

(Change in Presentation of Financial Statements)
Tax credits included in Other, net for the previous consolidated fiscal year have been separately presented from this consolidated fiscal year due to increased materiality.
In order to reflect the change in presentation of the financial statements, reclassification of the previous consolidated fiscal year has been made accordingly.
As a result, Other, net of (0.4)% presented in the consolidated statements for the previous consolidated fiscal year has been reclassified as Tax credits of (1.4)% and Other, net of 1.0%.

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

Short-term debt consists generally of borrowings from banks. There was no short-term debt as of March 31, 2021. The average interest rate on the borrowings at March 31, 2020 was 0.4%.

Long-term debt and lease obligations as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
0.30% loans from Japanese banks, due in installments through March 29, 2024			
Secured	¥ –	¥ –	$ –
Unsecured	**9,000**	1,400	**81,081**
0.30% loan from a governmental institution, due March 29, 2024			
Secured	–	–	–
Unsecured	**1,000**	1,000	**9,009**
1.32% loans from an insurance company, due in installments through September 30, 2021			
Secured	–	–	–
Unsecured	**109**	1,323	**982**
Euro yen zero coupon convertible bonds, due June 10, 2022			
Secured	–	–	–
Unsecured	**15,022**	15,041	**135,333**
Euro yen zero coupon convertible bonds, due June 11, 2025			
Secured	–	–	–
Unsecured	**15,045**	15,055	**135,541**
Lease obligations maturing serially through 2026			
Secured	–	–	–
Unsecured	**3,606**	3,483	**32,486**
Subtotal	**43,782**	37,302	**394,432**
Less amounts due within one year	**(1,368)**	(4,825)	**(12,324)**
Total	**¥ 42,414**	¥ 32,477	**$ 382,108**

In Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that additional securities 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 or 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, 2021, the total financing available under these contracts amounted to ¥60,000 million ($540,541 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 execisable from June 25, 2018 to May 28, 2025.

The following table represents the balance of long-term debt maturity:

Years ended March 31	Millions of yen	Thousands of U.S. dollars
2023	**¥ 15,637**	**$ 140,874**
2024	**10,556**	**95,099**
2025	**542**	**4,883**
2026 and thereafter	**15,612**	**140,649**
Total	**¥ 42,347**	**$ 381,505**

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 standalone 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 was ¥308.17 ($2.78) and ¥101.47 ($0.93) for the fiscal year ended March 31, 2021 and 2020, respectively. At the annual shareholders' meeting held on June 24, 2021, the shareholders approved cash dividends of ¥90.00 ($0.81) per share, totaling ¥4,208 million ($37,910 thousand). The dividend payment was not accrued in the consolidated financial statements as of March 31, 2021 and is recognized when it has been approved by shareholders.

Note: The total amount of dividends includes ¥17 million ($153 thousand) of dividends for 192 thousand shares of the Company 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, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Merchandise and finished goods	**¥ 49,445**	¥ 54,243	**$ 445,450**
Work in process	**34,075**	36,469	**306,982**
Raw materials and supplies	**12,159**	15,548	**109,541**
Total	**¥ 95,679**	¥ 106,260	**$ 861,973**

Note 8: Leases

1. Finance leases etc.

Information related to finance leases, excluding those leases where the ownership of the leased assets is considered to be transferred to the lessee, for the company and North American subsidiaries and right of use assets for subsidiaries which apply the IFRS, as of and for the years ended March 31, 2021 and 2020 were as follows:

(As lessee)

1) Description of leased assets

1. Tangible non-current assets: Mainly buildings
2. Intangible non-current 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
	2021	2020	**2021**
Due within one year	**¥ 338**	¥ 222	**$ 3,045**
Due after one year	**445**	596	**4,009**
Total	**¥ 783**	¥ 818	**$ 7,054**

Note: Lease transactions which apply IFRS16 and recognized assets and liabilities on the consolidated balance sheet are not included.

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 SCREEN 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 (SPE), 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 SPE 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.

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 represents operating income. Intersegment sales 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, 2021	Millions of yen: Reportable segment SPE	GA	FT	PE	Others	Adjustments	Consolidated
Sales							
Sales to outside customers	¥ 235,498	¥ 37,298	¥ 34,721	¥ 10,426	¥ 2,379	¥ –	¥ 320,322
Intersegment sales and transfers	56	105	–	4	13,077	(13,242)	–
Total	235,554	37,403	34,721	10,430	15,456	(13,242)	320,322
Segment income (loss)	¥ 26,000	¥ 536	¥ 435	¥ 773	¥ (697)	¥ (2,554)	¥ 24,493
Segment assets	¥ 207,244	¥ 42,169	¥ 30,472	¥ 10,234	¥ 7,988	¥ 84,525	¥ 382,632
Other							
Depreciation and amortization	5,933	606	502	93	261	2,233	9,628
Impairment loss	–	221	1,705	118	–	–	2,044
Capital expenditures	3,058	537	987	193	364	2,704	7,843

As of and for the year ended March 31, 2020	Millions of yen: Reportable segment SPE	GA	FT	PE	Others	Adjustments	Consolidated
Sales							
Sales to outside customers	¥ 230,496	¥ 45,512	¥ 35,179	¥ 10,054	¥ 2,008	¥ –	¥ 323,249
Intersegment sales and transfers	5	41	–	–	12,953	(12,999)	–
Total	230,501	45,553	35,179	10,054	14,961	(12,999)	323,249
Segment income (loss)	¥ 16,136	¥ 1,450	¥ (2,569)	¥ (259)	¥ (1,493)	¥ (703)	¥ 12,562
Segment assets	¥ 197,316	¥ 43,574	¥ 35,907	¥ 9,483	¥ 7,602	¥ 54,083	¥ 347,965
Other							
Depreciation and amortization	4,996	925	353	138	321	2,127	8,860
Impairment loss	–	1,185	205	162	24	–	1,576
Capital expenditures	3,740	742	1,123	144	326	1,910	7,985

As of and for the year ended March 31, 2021	Thousands of U.S. dollars: Reportable segment SPE	GA	FT	PE	Others	Adjustments	Consolidated
Sales							
Sales to outside customers	$ 2,121,604	$ 336,018	$ 312,802	$ 93,928	$ 21,432	$ –	$ 2,885,784
Intersegment sales and transfers	504	946	–	36	117,811	(119,297)	–
Total	2,122,108	336,964	312,802	93,964	139,243	(119,297)	2,885,784
Segment income (loss)	$ 234,234	$ 4,829	$ 3,919	$ 6,964	$ (6,279)	$ (23,009)	$ 220,658
Segment assets	$ 1,867,063	$ 379,901	$ 274,523	$ 92,198	$ 71,964	$ 761,486	$ 3,447,135
Other							
Depreciation and amortization	53,450	5,459	4,523	838	2,350	20,119	86,739
Impairment loss	–	1,991	15,360	1,063	–	–	18,414
Capital expenditures	27,550	4,838	8,892	1,739	3,279	24,360	70,658

Notes: 1. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business and automotive parts inspection systems and other, software development, planning and production of printed matter and other businesses.
2. Segment operating income (loss) adjustments of ¥(2,554) million ($(23,009) thousand) and ¥(703) million for the years ended March 31, 2021 and 2020, respectively, are the Company's profit (loss) not attributable to a reportable segment. Segment assets adjustments of ¥84,525 million ($761,486 thousand) and ¥54,083 million for the years ended March 31, 2021 and 2020, 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

	Millions of yen: 2021		2020		Thousands of U.S. dollars: 2021
Japan	¥ 71,979	(22.5%)	¥ 71,747	(22.2%)	$ 648,459
Taiwan	57,780	(18.0%)	76,518	(23.7%)	520,541
South Korea	24,758	(7.7%)	14,872	(4.6%)	223,045
China	98,198	(30.7%)	71,498	(22.1%)	884,667
United States	34,860	(10.9%)	52,099	(16.1%)	314,054
Europe	16,488	(5.1%)	22,823	(7.1%)	148,541
Others	16,259	(5.1%)	13,692	(4.2%)	146,477
Total	¥ 320,322	(100.0%)	¥ 323,249	(100.0%)	$ 2,885,784

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

(2) Property, plant and equipment

	Millions of yen				Thousands of U.S. dollars
	2021		2020		2021
Japan	¥ 49,235	(86.3%)	¥ 54,523	(89.5%)	$ 443,559
Asia	3,393	(5.9%)	3,477	(5.7%)	30,567
North America	1,069	(1.9%)	416	(0.7%)	9,631
Europe	3,298	(5.8%)	2,420	(4.0%)	29,711
Others	60	(0.1%)	58	(0.1%)	541
Total	¥ 57,055	(100.0%)	¥ 60,894	(100.0%)	$ 514,009

Note: The numbers shown in parentheses are component ratios.

2. Information about major customers

Year ended March 31, 2021	Millions of yen	Thousands of U.S.dollars
Net sales		
Taiwan Semiconductor Manufacturing Company, Ltd. (related segment: SPE)	¥ 47,815	$ 430,766

Year ended March 31, 2020	Millions of yen
Net sales	
Taiwan Semiconductor Manufacturing Company, Ltd. (related segment: SPE)	¥ 57,717
Intel Corporation (related segment: SPE)	¥ 34,218

Note 10: Contingent Liabilities

As of March 31, 2021 and 2020, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
As guarantors of			
Customers' business loans	¥ 60	¥ 59	$ 541
Employees' housing loans	¥ 6	¥ 10	$ 54
Total	¥ 66	¥ 69	$ 595

Note 11: Financial Instruments

1. Qualitative information on financial instruments

A. Qualitative information on financial instruments

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

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

Financial instruments	Risks	Processes for risk management
Notes and accounts receivable - trade	Credit risk of clients	The amounts outstanding are managed by client and due date. Also, the financial condition of the clients is monitored.
Receivables and payables denominated in foreign currencies	Risk of fluctuation in foreign currency exchange rates	The risk is hedged by forward foreign exchange contracts on certain portions of the receivables or payables.
Investments in securities	Risk of fluctuation in market prices	The fair values of the instruments and financial conditions of issuers are regularly monitored. Holding status is continuously reviewed in consideration of the market conditions and transaction relationship with the issuing companies.
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 interest rate swaps.

Derivative transactions used by the SCREEN Group consist of forward foreign exchange contracts and interest rate swap contracts are used only 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, valuation of hedge effectiveness and management of derivative transactions, see Note 1, "Summary of Significant Accounting and Reporting Policies - (w) Derivatives and hedge accounting." The SCREEN Group believes that its credit risk is insignificant as the counterparties to its derivative transactions are limited to creditable financial institutions.

C. Supplemental information on fair values

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

2. Fair values of financial instruments

As of March 31, 2021 and 2020, 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		
	2021			2020			2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 62,727	¥ 62,727	¥ –	¥ 37,770	¥ 37,770	¥ –	$ 565,108	$ 565,108	$ –
(2) Notes and accounts receivable - trade	86,537	86,537	–	82,758	82,738	(20)	779,613	779,613	–
Allowance for doubtful receivables(*1)	(971)	(971)	–	(701)	(701)	–	(8,748)	(8,748)	–
	85,566	85,566	¥ –	82,057	82,037	¥ (20)	770,865	770,865	$ –
(3) Investments in securities									
Available-for-sale securities	52,883	52,883	–	29,043	29,043	–	476,423	476,423	–
Total assets	¥ 201,176	¥ 201,176	¥ –	¥ 148,870	¥ 148,850	¥ (20)	$1,812,396	$1,812,396	$ –
(1) Notes and accounts payable — trade	¥ 73,416	¥ 73,416	¥ –	¥ 66,395	¥ 66,395	¥ –	$ 661,405	$ 661,405	$ –
(2) Short-term debt	–	–	–	30,000	30,000	–	–	–	–
(3) Bonds	30,067	32,210	2,143	30,096	29,449	(647)	270,875	290,181	19,306
(4) Long-term loans	10,109	10,106	(3)	3,723	3,723	–	91,072	91,045	(27)
(5) Lease obligations	3,606	4,022	416	3,483	4,122	639	32,486	36,234	3,748
Total liabilities	¥ 117,198	¥ 119,754	¥ 2,556	¥ 133,697	¥ 133,689	¥ (8)	$1,055,838	$1,078,865	$ 23,027
Derivative transactions(*2)									
(1) Without hedge accounting	¥ (409)	¥ (409)	¥ –	¥ (40)	¥ (40)	¥ –	$ (3,685)	$ (3,685)	$ –
(2) With hedge accounting	–	–	–	–	–	–	–	–	–
Total derivative transactions	¥ (409)	¥ (409)	¥ –	¥ (40)	¥ (40)	¥ –	$ (3,685)	$ (3,685)	$ –

(*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 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 vaule 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 exchanges. 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Category	Book value	Book value	Book value
Non-listed equity securities	¥ 1,108	¥ 1,543	$ 9.982

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 subsidiaries in the amount of ¥45 million ($405 thousand).

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

	Millions of yen								Thousands of U.S. dollars			
	2021				2020				2021			
	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	¥ 62,710	¥ –	¥ –	¥ –	¥ 37,753	¥ –	¥ –	¥ –	$ 564,955	$ –	$ –	$ –
Notes and accounts receivable - trade	86,537	–	–	–	81,250	1,508	–	–	779,613	–	–	–
Investments in securities - available-for-sale securities with maturities	–	–	–	–	–	–	–	–	–	–	–	–
Total	¥ 149,247	¥ –	¥ –	¥ –	¥ 119,003	¥ 1,508	¥ –	¥ –	$1,344,568	$ –	$ –	$ –

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

Note 12: Derivative Transactions

Outstanding derivative transactions as of March 31, 2021 and 2020 were as follows:

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

Currency related

	Millions of yen								Thousands of U.S. dollars			
	2021				2020				**2021**			
	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)	**¥ 4,290**	**¥ –**	**¥ (203)**	**¥ (203)**	¥ 4,868	¥ –	¥ (35)	¥ (35)	**$ 38,649**	**$ –**	**$ (1,829)**	**$ (1,829)**
(Sell–Euro)	**3,923**	**–**	**(196)**	**(196)**	4,334	–	9	9	**35,342**	**–**	**(1,766)**	**(1,766)**
(Sell–Pound)	**447**	**–**	**(9)**	**(9)**	384	–	(14)	(14)	**4,027**	**–**	**(81)**	**(81)**
(Buy–Euro)	**935**	**–**	**(1)**	**(1)**	–	–	–	–	**8,423**	**–**	**(9)**	**(9)**
Total	**¥ 9,595**	**¥ –**	**¥ (409)**	**¥ (409)**	¥ 9,586	¥ –	¥ (40)	¥ (40)	**$ 86,441**	**$ –**	**$ (3,685)**	**$ (3,685)**

Note: Method of estimating fair value
The fair values of exchange forward transactions as of March 31, 2021 and 2020 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		
		2021			2020			**2021**		
	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
Forward foreign exchange contracts subject to the alternative method										
(Sell–U.S. dollar)	Accounts receivable	**¥ 894**	**¥ –**	**Note**	¥ 247	¥ –	Note	**$ 8,054**	**$ –**	**Note**
(Sell–Euro)	Accounts receivable	**141**	**–**	**Note**	228	–	Note	**1,270**	**–**	**Note**
Total		**¥ 1,035**	**¥ –**	**Note**	¥ 475	¥ –	Note	**$ 9,324**	**$ –**	**Note**

Note: Forward foreign exchange contracts subject to 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

For the current fiscal year (as of March 31, 2021)
Not applicable.

For the previous fiscal year (as of March 31, 2020)
Not applicable.

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, 2021 and 2020:

Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2021			2020			**2021**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	**¥11,948**	**¥51,360**	**¥39,412**	¥11,351	¥27,214	¥15,863	**$107,640**	**$462,703**	**$355,063**
Others	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Total	**¥11,948**	**¥51,360**	**¥39,412**	¥11,351	¥27,214	¥15,863	**$107,640**	**$462,703**	**$355,063**
Securities with book values not exceeding acquisition costs:									
Equity securities	**¥ 1,886**	**¥ 1,523**	**¥ (363)**	¥ 2,298	¥ 1,829	¥ (469)	**$ 16,991**	**$ 13,721**	**$ (3,270)**
Others	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Total	**¥ 1,886**	**¥ 1,523**	**¥ (363)**	¥ 2,298	¥ 1,829	¥ (469)	**$ 16,991**	**$ 13,721**	**$ (3,270)**

2.Total sales of available-for-sale securities for the year ended March 31, 2021 amounted to ¥50 million ($450 thousand), and the related total gain and loss amounted to ¥25 million ($225 thousand) and ¥10 million ($90 thousand), respectively.
Total sales of available-for-sale securities for the year ended March 31, 2020 amounted to ¥591 million, and the related total gain amounted to ¥333 million.

Note 14: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2021 and 2020 was as follows:

1. Defined benefit plans
(1) Changes in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at beginning of year	**¥ 33,537**	¥ 34,019	**$ 302,135**
Service cost	**1,314**	1,267	**11,837**
Interest cost	**332**	335	**2,991**
Actuarial loss (gain)	**(42)**	(443)	**(378)**
Benefits paid	**(1,754)**	(1,899)	**(15,802)**
Other	**65**	258	**586**
Balance at end of year	**¥ 33,452**	¥ 33,537	**$ 301,369**

(2) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at beginning of year	**¥ 36,888**	¥ 38,440	**$ 332,325**
Expected return on plan assets	**926**	963	**8,342**
Actuarial loss (gain)	**2,258**	(2,107)	**20,342**
Contributions paid by the employer	**1,022**	1,038	**9,207**
Benefits paid	**(1,754)**	(1,899)	**(15,802)**
Other	**424**	452	**3,820**
Balance at end of year	**¥ 39,764**	¥ 36,887	**$ 358,234**

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Funded retirement benefit obligations	**¥ 33,452**	¥ 33,537	**$ 301,369**
Plan assets	**39,764**	36,887	**358,234**
Total net liability (asset) for retirement benefits	**¥ (6,312)**	¥ (3,350)	**$ (56,865)**
Net defined benefit liability	**1,183**	1,016	**10,658**
Net defined benefit asset	**7,495**	4,366	**67,523**
Total net liability (asset) for retirement benefits	**¥ (6,312)**	¥ (3,350)	**$ (56,865)**

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Service cost	**¥ 1,314**	¥ 1,267	**$ 11,838**
Interest cost	**332**	335	**2,991**
Expected return on plan assets	**(926)**	(963)	**(8,342)**
Net actuarial loss amortization	**488**	749	**4,396**
Total retirement benefit costs	**¥ 1,208**	¥ 1,388	**$ 10,883**

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Actuarial gains and losses	**¥ 2,788**	¥ (916)	**$ 25,117**
Total balance	**¥ 2,788**	¥ (916)	**$ 25,117**

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Actuarial gains and losses that are yet to be recognized	**¥ 964**	¥ (1,823)	**$ 8,685**
Total balance	**¥ 964**	¥ (1,823)	**$ 8,685**

(7) Plan assets

1. Plan assets comprise:

	2021	2020
Bonds	**45%**	49%
Equity securities	**25%**	19%
Cash and cash equivalents	**4%**	4%
Life insurance company general accounts	**18%**	20%
Alternative	**8%**	8%
Total	**100%**	100%

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

2. Long-term expected rate of return

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

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2021 and 2020 were as follows:

	2021	2020
Discount rate	**1.1% ~ 1.3%**	1.1% ~ 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, 2021 and 2020 amounted to ¥1,096 million ($9,874 thousand) and ¥1,141 million, respectively.

Note 15: Impairment of Non-current Assets

For the year ended March 31, 2021, The SCREEN Group recorded impairment loss of ¥2,044 million ($18,414 thousand). A significant non-current asset included in this loss is listed in the table below.

For the year ended March 31, 2021
(1) Assets for which impairment loss was recognized

Location	Major use	Asset category	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
SCREEN Finetech Solutions Co.,Ltd. Hikone-shi, Shiga	Operating assets	Machinery, equipment and other, etc.	¥ 1,705	$ 15,360

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

(3) Breakdown of impairment loss

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment		
Buildings and structures	¥ 63	$ 568
Machinery, equipment and other	1,405	12,658
Investments and other assets		
Other assets	237	2,134
Total	¥ 1,705	$ 15,360

(4) Grouping
To assess non-current asset impairment, the group generally classifies its assets into groups at each company level. The Company and its consolidated subsidiaries group their idle assets by the individual asset.

(5) Calculation method for recoverable amounts
The recoverable amount of an operating assets is measured by the net selling price and is calculated by estimates, such as the estimated selling price. In addition, the assets that are difficult to sell or convert to other uses have a recoverable amount of zero and are evaluated by the memorandum value.

For the year ended March 31, 2020, The SCREEN Group recorded impairment loss of ¥1,576 million ($14,459 thousand). A significant non-current asset included in this loss is listed in the table below.

For the year ended March 31, 2020
(1) Assets for which impairment loss was recognized

Location	Major use	Asset category	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
SCREEN Graphic Solutions Co.,Ltd. Kumiyama-cho,Kuze-gun, Kyoto	Operating assets	Other assets, etc.	¥ 1,185	$ 10,872

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

(3) Breakdown of impairment loss

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment		
Buildings and structures	¥ 89	$ 817
Machinery, equipment and other	442	4,055
Investments and other assets		
Other assets	654	6,000
Total	¥ 1,185	$ 10,872

(4) Grouping
To assess non-current asset impairment, the group generally classifies its assets into groups at each company level. The Company and its consolidated subsidiaries group their idle assets by the individual asset.

(5) Calculation method for recoverable amounts
The recoverable amount of an operating assets is measured by the net selling price and the assets that are difficult to sell or convert to other uses have a recoverable amount of zero and are evaluated by the memorandum value.

Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the valuation of finished goods and work in process in SCREEN Semiconductor Solutions Co., Ltd.

The key audit matter	How the matter was addressed in our audit
As described in Note 1, "Summary of Significant Accounting and Reporting Policies, Significant accounting estimates, 1. valuation of finished goods and work in process in the Semiconductor Production Equipment Business", included in inventories of ¥95,679 million reported on the consolidated balance sheet of SCREEN Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2021, were finished goods of ¥21,526 million and work in process of ¥21,598 million related to SCREEN	The primary procedures we performed to assess the reasonableness of the valuation of the Inventories included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of internal controls relevant to the valuation of the Inventories. In this assessment, we focused our testing on the general and application controls of the relevant IT systems that ensure the accuracy and completeness of the amount of the Inventories classified in each aging

Semiconductor Solutions Co., Ltd. ("SPE") within the Semiconductor Production Equipment Business segment, which amounted to ¥43,124 million and represented 11% of total assets in the consolidated financial statements. In principle, loss on valuation of inventories is reported for the finished goods and work in process in the Semiconductor Production Equipment Business (hereinafter called the "Inventories.") whenever the net selling price is less than the carrying amount. However, for the Inventories that are uncertain about the future salability due to outside of the normal operating cycle, the Company applies to them a valuation method that reduces the carrying amount to the estimated disposal value for which the probability of conversion to parts or materials and other factors are taken into account in order to reflect their reduced profitability. The semiconductor market to which SPE belongs is subject to wild ups and downs. Sometimes the market grows substantially driven by rapid technological innovation, and other times it faces the stagnation caused by the deterioration in the supply-demand balance. For this reason, significant management's judgment was involved in the identification of the Inventories with uncertainty about the future salability and the estimate of the disposal value for which the probability of conversion to parts or materials and other factors are taken into account. We, therefore, determined that our assessment of the reasonableness of the valuation of the Inventories was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	category in the inventory lists based on a period from the start of the manufacturing, as management relied on the inventory lists to identify the Inventories with the uncertainty about the future salability. (2) Identification of the Inventories with the uncertainty about the future salability In order to assess the reasonableness of key assumptions adopted by management in identifying the Inventories with the uncertainty about the future salability that were subject to reducing the carrying amount, we performed the following procedures: (i) assessed the appropriateness of the judgment on the salability of the Inventories using demand forecasts of semiconductor production equipment published by external organizations and investment plans disclosed by customers as a reference; and (ii) assessed the consistency of management's judgment with our understanding of each of the Inventories and the sales history of the previous and current fiscal years by inquiring of management about the basis of management's judgment on the salability of each of the Inventories and inspecting the relevant records or documents. (3) Assessment of the reasonableness of the estimated amount of reduction in the carrying amount In order to assess the reasonableness of the estimated amount of reduction in the carrying amount for the Inventories that were subject to reducing their carrying amount, we performed the following procedures: (i) compared the write-down rates used to calculate the amount of reduction in the carrying amount with the average actual rate of loss from disposal of the Inventories in the previous and current fiscal years; and (ii) assessed the accuracy of the calculation for the amount of the reduction in the carrying amount through recalculation.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Tomoyuki Ono
Designated Engagement Partner
Certified Public Accountant

Yohei Onishi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Kyoto Office, Japan
July 28, 2021

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

SCREEN Holdings Co., Ltd.

Tenjinkita-machi 1-1, Teranouchi-agaru 4-chome, Horikawa-dori,
Kamigyo-ku, Kyoto 602-8585, Japan
Contact: PR & IR Department
Tel: +81-75-414-7233
www.screen.co.jp/en/contact/ir

IR-FS2021_2021.10 R1_Yu