Annual Report 2017

SCREEN Group

Year ended March 31, 2017

Eyes on innovation

Throughout our long history, we have continued to seek out new possibilities and accept new challenges. This spirit of innovation has guided us in many different areas of business, from printing and electronics to energy and life sciences.

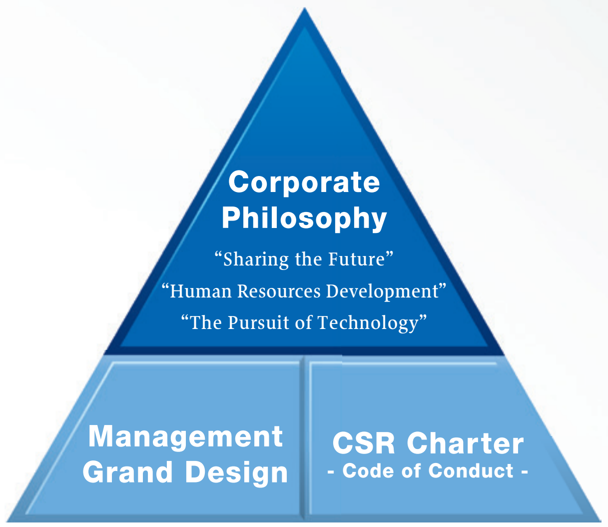
Our goal remains to create truly ground-breaking solutions that have never been seen before. As always, our eyes are focused on the future, and the tremendous potential it holds.

Corporate Philosophy

"Sharing the Future" — Earning the trust and meeting the expectations of society, while keeping an eye on the future

"Human Resource Development" — Developing human resource through better work

"The Pursuit of Technology" — Pursuing original technology and mixing it with existing technology



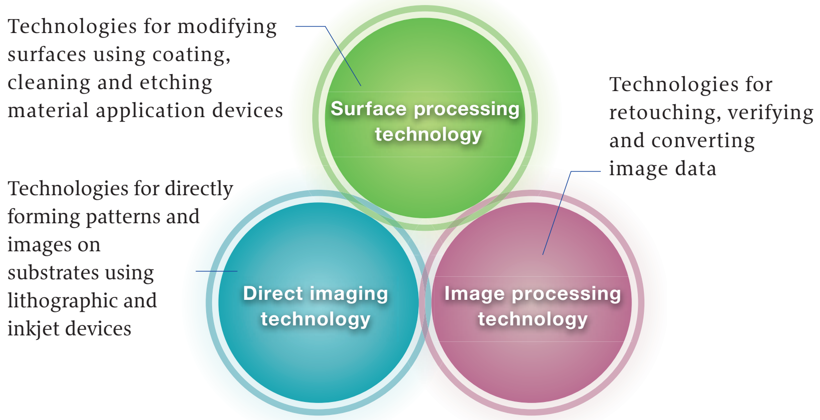
Management Grand Design

A vision of business which the SCREEN Group will develop and a long-term management plan to realize such vision based upon the motto, “Fit your needs, Fit your future”.

CSR Charter

This Charter describes the principles of action based on SCREEN’s corporate philosophy and establishes the standards for all officers and employees of the SCREEN Group to comply with pursuant to the “Code of Conduct”.

The SCREEN Group’s Three Core Technologies



Editorial Policy

Since fiscal 2010 our annual reports have integrated information on business activities and financial, social, and environmental performance for the purpose of more comprehensive reporting of our corporate activities. Additional detailed information is published on our website, along with a PDF version of the annual report, CSR data sheets,and a GRI content index.

Reference Guidelines

CSR information is presented using the standard disclosure categories prescribed in the fourth edition of the GRI* Sustainability Reporting Guidelines (G4).

* Global Reporting Initiative

Scope of Coverage

This report covers SCREEN Holdings Co., Ltd. (holding company) and its consolidated companies (as of March 31, 2017).

Data that does not relate to these companies is presented in the form of footnotes.

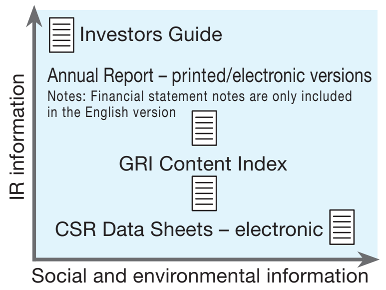
The following abbreviations are sometimes used for business segments when they are mentioned in this report:

SE = Semiconductor equipment business
GA = Graphic arts equipment business
FT = Display production equipment and coater business
PE = PCB-related equipment business
*GP = Former graphic arts equipment and PCB-related equipment business
(The PCB-related equipment business was spun off in April 2017.)

Disclaimer

- The plans, strategies, and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly due to such factors as social and economic conditions.
- All amounts shown in billions of yen are truncated to the nearest billion. Amounts shown in millions of yen are rounded to the nearest million yen.
- All years shown are for the accounting year ending March 31 of the year shown.

Reporting Structure



Website (http://www.screen.co.jp/eng)

We disclose a variety of IR, social and environmental information in addition to that mentioned above on our website.

External Assessments

SCREEN Holdings Co., Ltd. is a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan Index. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good Index Series and the FTSE Blossom Japan Index are used by a variety of market participants to create and assess responsible investment funds and other products.

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that SCREEN Holdings Co., Ltd. has been independently assessed and has satisfied the requirements to become a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan Index.

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Message from the President

As a New-Stage Corporate Group with Sales of ¥300 Billion, We Continue Taking on Challenges to Realize "Growth and Qualitative Improvement of the Group Itself"

Eiji Kakiuchi
President
Member of the Board
Chief Executive Officer

Fiscal 2017 Performance

The business conditions surrounding the SCREEN Group, in the semiconductor industry, capital investment in miniaturization by foundries picked up steam, reflecting strong demand for high-end smartphones and data centers for IoT-related big data processing. Capital investment among memory manufacturers, including that related to data servers and storage, also remained strong. In the FPD (flat panel display) business field, investment in large-sized LCD panels was brisk in China, as was capital investment in small- and medium-sized LCD panels in Japan, China and Taiwan.

Under these favorable circumstances, for Fiscal 2017, the year ended March 31, 2017, the SCREEN Group posted consolidated net sales of ¥300.2 billion, an increase of ¥40.5 billion, or 15.6%, from the previous fiscal year. Operating income grew ¥10.1 billion, or 43.2%, year on year to ¥33.7 billion, marking highest figure ever. The operating income ratio was 11.2%, which was also a record, and ordinary income amounted to ¥32.0 billion, up ¥8.8 billion, or 38.1%, year on year. Profit attributable to owners of the parent totaled ¥24.1 billion, up ¥5.3 billion, or 28.5%, compared with the previous fiscal year. As a result, we have achieved increases in sales and profit for four consecutive years.

Consolidated Performance Summary (Year ended March 31, 2017) (Billions of yen)

	Fiscal 2016	**Fiscal 2017**	Y on Y Difference	
Net Sales	259.6	**300.2**	40.5	15.6%
Operating Income	23.5	**33.7**	10.1	43.2%
Operating Income Ratio (%)	9.1	**11.2**	-	2.2pt
Ordinary Income	23.1	**32.0**	8.8	38.1%
Profit Attributable to Owners of Parent	18.8	**24.1**	5.3	28.5%

Q. Please give us a summary of the results of Challenge 2016, the previous three-year plan, and tell us about your strategy going forward?

Achieved goals of restructuring and strengthening our financial position Management structure reforms helped improve operating performance.

In terms of management structure reform, I think that our shift to a holding company structure played a major role in enabling us to achieve our targets. With each business now responsible not only for its earnings as an operating company, but also its balance sheet and cash flow, management responsibility became clearer, and this has also led to a change in the mindsets of employees. As a result, we were able to increase both revenues and profits for a fourth straight year.

Our previous medium-term plan contained three objectives: profit structure reform, financial structure enhancement, and new business creation. With regard to profit structure reform, SE and FT were the drivers behind our strong operating performance, and we succeeded in meeting the "10% or above" target for the operating income ratio for the final year of the plan. In fact, we surpassed it, achieving a figure of 11.2%, the highest ever. As for financial structure enhancement, we raised our equity ratio to 47.5% during the last year of the plan. In real terms, the ratio is actually 50%, as we decided to pass on the early repayment of some of our long-term debt, so I would say that we met our equity-ratio target, too.

New business creation, however, will be carried over to our new three-year medium-term management plan, Challenge 2019 (fiscal 2018-2020) as an ongoing task. Nevertheless, in the field of energy (FT), we boosted annual sales up to the ¥2-billion level, and as for other new businesses, we will be moving from the customer-feedback phase into the sales phase.

Q. Please tell us about the vision articulated in the new medium-term plan for the SCREEN Group's long-term growth.

By achieving challenging targets, we will realize "Growth and qualitative improvement of the Group itself"

The business environment surrounding the Group is becoming brighter. The SE market is enjoying robust capital investment for semiconductors especially in China, which is buoyed by the advancements in IoT and AI. The GA market expects printing process innovation, which will be brought about by growing demand for digital printing. The FT market will see an expansion of new applications, which is driven by mainly OLED and flexible displays, and the PE market is growing for automotive applications. Grabbing this great opportunity, we wish to realize growth of the Group itself in both qualitative and quantitative terms.

On the other hand, while our business environment is favorable, it is changing rapidly. To grow the Group even further, we need to adopt the spirit of a challenger and continuously take on various tasks. Under our new medium-term plan, we intend to maintain the profit structure and financial foundation that we have already established through the previous medium-term plan, while at the same time investing proactively for growth through such means as M&A.

Q. Please explain your views on the numerical targets in the new medium-term plan.

We will take action to achieve sustainable growth while maintaining the profit structure and financial base established under the previous medium-term plan

There are three numerical targets: (1) achieve fiscal year net sales of approximately ¥300 billion, (2) achieve an operating income ratio of 13% or above in the final year of the plan, and (3) achieve ROE of approximately 15%. Regarding (1), this has already been achieved in fiscal 2017, and it does not appear to be a particularly ambitious objective. That being said, in our 70 years of history as a company, we have only topped ¥300 billion in the past two years, so this is the first time to make maintaining this level of sales a goal. Keeping sales at that level every year for the next three years is actually a challenging task for the Group.

As for (2), the SE and FT businesses have already achieved a ratio of 15% or above in a quarter several times in the past, but for GA, which struggled last year, and PE, which has got off to a new start as an operating company, this target will be difficult to attain. So our first goal will be to make SE the driving force for increasing the ratio for the Group as a whole, with the ultimate objective of achieving a figure of 13% or above.

With regard to (3), during the previous medium-term plan, we set ourselves up to be able to maintain a figure of 10% or higher, so our goal is to keep it above the cost of capital on a sustained basis.

Q. You have included the "Advance CSR management with an emphasis on ESG" in the new medium-term plan. Would you please explain the SCREEN Group's actions in the area of CSR?

As a good corporate citizenship, it is important that we do what is naturally expected of us – and do it right.

Companies are members of society. Companies unable to do what is naturally expected of them in terms of environmental (E), social (S), and governance (G) will not be able to develop and grow in the future. In line with this view, we have positioned ESG as one of the main initiatives in the new medium-term plan. The U.N. Global Compact, which we signed during the previous fiscal year, organizes important issues in the form of a framework. We will now employ this framework to proactively disclose relevant information.

The new medium-term plan also calls for us to "ensure opportunities for decent work and creating social value." We will endeavor to establish an environment in which all employees can work safely, with peace of mind, and in good health, actively tackle social issues through business activities, and appreciate the joy of working. To that end, we are launching two Group-wide projects: personnel development, and work style reform.

And in the area of social contribution activities, we will continuously implement initiatives in a strategic and proactive fashion.

Q. Could you give us specifics about your ongoing efforts for the personnel development and work style reform?

We are nurturing a climate in which senior management and employees work together to train the next generation and building systems that can remain in place for the long term

We are revamping previous education systems and training programs in the form of "SCREEN BUSINESS SCHOOL." In addition to expanding educational programs for personnel at all levels, we are working to develop the next generation of managers as well as personnel with a managerial perspective. We will nurture a climate in which senior management and employees work together to train the next generation and focus on building systems that can remain in place for the long term.

To provide this sort of education, we need to make sure that employees have enough time to undertake it, and that's why we are taking on "work style reform." This will involve reviewing the diverse work styles of our employees, limiting total working hours (by boosting productivity), providing support to enable employees to balance their jobs with their childrearing and nursing care responsibilities, and attain a proper work-life balance. And if we are to grow into an even stronger company, another key task is to secure diverse human resources with various nationalities, beliefs, genders, and so on.

Q. Do you have a message for our stakeholders?

Striving to become a SCREEN Group that you all can trust

One of the main initiatives of the new medium-term plan is "Enhance shareholder returns." We aim for a total consolidated shareholder return ratio of 25% or above while continuing to invest in growth.

Going forward, the Group will continue to take on challenges with the goal of "Growth and qualitative improvement of the Group itself." And to gain the trust of our stakeholders, we will make the best to achieve fair information disclosure and encourage both senior management and employees to brace up for implementing the new medium-term plan.

Message from the CFO

Taking on the Challenge of Achieving Growth While Maintaining a Robust Financial Foundation

In the fiscal year ended March 31, 2017, we generated ¥49.0 billion in operating cash flow, which exceeded our operating income of ¥33.7 billion, and enabled us to maintain a net cash position throughout the fiscal year. Although our equity ratio is 47.5%, we actually achieved the target of 50% contained in Challenge 2016, our previous medium-term plan, and Japan Credit Rating Agency (JCR) increased our rating to "BBB+ (stable)." I believe that these achievements are the result of us being able to leverage the advantages of the switch to a holding-company structure to the full. Also, I think that because the issues facing each organization became more visible, the motivation to meet targets increased, which produced results and also helped raise confidence.

Under our new medium-term plan, Challenge 2019, we will maintain or increase the financial discipline established during the period of the previous plan as well as our credit rating, while at the same time investing aggressively for growth. I recognize that the financial targets we have set are quite challenging, so in addition to focusing more on working capital management with an emphasis on controlling receivables, inventory, and payables, we will strengthen our financial foundation and endeavor to increase our equity capital in order to establish a risk buffer.

Yoichi Kondo
Managing Director
Member of the Board
Chief Financial Officer

Message from the CTO

Progressing with Deploying and Deepening Core Technologies in Unexplored territory

Soichi Nadahara
Managing Director
Member of the Board
Chief Technology Officer

In addition to developing elemental technologies, our R&D departments have been working to deploy core technologies in four new business domains. Although issues with commercialization remain, we have made a lot of progress during this past year, and also succeeded in deepening the core technologies themselves. To give an example, in the area of cell morphological profiling, which is derived from image processing technology, one of SCREEN's core technologies, we have made the jump from conventional 2D monitoring to 3D by applying OCT* technology. In addition, multidimensional monitoring such as 4D monitoring, which incorporates the passage of time, has also become possible, and we have succeeded in deploying more advanced technology in the bioscience field. Besides success on the technology side, as a result of focusing aggressively on open innovation, we have stepped up communication with research institutes and universities both in Japan and overseas, and also with other spheres of activity by collaborating with other sectors, and have successfully developed human resources with breadth and insight as engineers, which is another big achievement of ours.

With technologies such as AI and IoT proliferating, we will not be bound to the technological fields we can see right in front of us. I want us to simultaneously search for technology and knowledge in a wide range of spheres and nurture creative engineers with expertise in diverse areas. Going forward, as a "growing R&D organization" that continuously delivers innovation, we will contribute to the growth of the SCREEN Group.

* OCT: optical coherence tomography

Three-year Medium-term Management Plan

Challenge 2019

[Fiscal 2018 - 2020]

Growth and qualitative improvement of the Group itself

The business environment surrounding the SCREEN Group is subject to constant, rapid change. While this environment demands speed and innovation, it also constantly presents business opportunities, and the overall market continues to grow. Given this, under Challenge 2019, the Group will maintain the earnings structure and financial base established under Challenge 2016, our previous medium-term management plan while aiming for the growth and qualitative improvement of the Group itself. At the same time, the Group will work to ensure the generation of sustainable profit and shareholder returns.

2016

Target 1

Profit Structure Reform

Achieve an operating income ratio of 10% or above in the final year

Achieved an operating income ratio of 11.2% for the Group as a whole

Target 2

Financial Structure Enhancement

Achieve an equity ratio of 50% or above by March 31, 2017

Achieved a real equity ratio of 50%

Target 3

New Business Creation

Generate profits in the four new business fields

Carried over to the next medium-term plan as an ongoing task

Energy (FT) achieved annual sales of more than ¥2 billion, but in the inspection and measurement, life science, and printed electronics businesses it has taken longer than anticipated to evaluate our products, which has caused a delay in commercialization.

2019

Target 1

Expand Sales

Consolidated annual net sales

approx. ¥300 billion

We will aim to achieve net sales at the ¥300-billion level in each of the three years of the plan. Sales have only exceeded ¥300 billion in the past two years, so we regard maintaining sales at this level for three years in a row as a challenge for achieving stable and sustainable growth.

Target 2

Maintain and Improve Profitability

Operating income ratio in the final year of the plan

13% or above

We have set this target on the assumption that not only SE and FT, but also GA and PE, will achieve an operating income ratio of over 10%.

Target 3

Maintain and Improve Capital Efficiency

ROE

approx. 15%

Taking into account the need to balance the total consolidated shareholder return ratio with investments in growth, we will aim for capital efficiency that will allow us to achieve ROE at the 15% level on a constant basis by steadily increasing net income.

Main Initiatives

1. **Improve the net sales break-even point ratio in existing businesses**
   Control the net sales break-even point in response to sales fluctuations.
2. **Establish earnings platforms in peripheral areas based on the production equipment business**
   Further strengthen after-sales businesses, including modifications (and including consumables businesses in the Graphic Arts field).
3. **Aggressively invest in growth while maintaining financial discipline**
   Explore opportunities for and implement effective M&A. Under a strategy of open innovation, explore opportunities for and implement such measures as collaboration and business alliances with research institutes and other companies, as well as investment in and support for venture capitals.
4. **Advance CSR management with an emphasis on ESG***
   E: Creating environmental value and contributing to the reduction of carbon emissions and recycling of resources at the societal level
   S: Ensuring opportunities for decent work and creating social value
   G: Implementing a system of both passive and active governance while disclosing ESG information
5. **Enhance shareholder returns**
   Aim for a total consolidated shareholder return ratio of 25% or above

*ESG stands for "Environmental," "Social," and "Governance."

Initiatives for Each Business

SE: Aim for a growth rate surpassing the market average

Market environment **Expects firm growth (around 5 to 10% annually over three years) to CY2019**

- Investment by foundries/logic chip makers toward the miniaturization for leading-edge nodes (10nm, 7nm, and smaller) will increase
- Increase in demand for 3D-NAND and DRAM bits growth
- Chinese market will get up to full speed in 2018

SCREEN **Aim to increase its market share in every device field, including cleaning equipment that has the largest global market share**

- Focus on the sales increase in the post-processing market as well as the memory field and the expansion in market share for annealing system
- In new fields, move into the advanced package field, which is expected to grow

GA: Carry out earnings structure reforms with the aim of expanding market share

Market environment **POD will expand in the commercial printing field. CTP will gradually decline.**

SCREEN **Maintain CTP sales and increase its share of consumable products including POD ink (for label/packaging or roll-fed inkjet printers)**

- Increase sales in the ink business, which is stable and expected to grow (invest in functional ink)
- Reform earnings structure while focusing on keeping inventory low

FT: Build a new business portfolio

Market environment **In the display market, the market for array coaters will shrink due to an oversupply of panels. In new business fields, investment will increase in lithium-ion batteries due to a rise in the number of electric vehicles**

SCREEN **In the display business, the new applications (OLEDs, flexible displays, automotive uses) will push up sales and broaden the scope of business**

- Expand new business areas, and reconfigure the business portfolio

PE: Boost market presence

Market environment **Smartphone replacement demand, with migration to models with higher functionality, will persist. The PCB market will grow 2 to 5% to CY2020 thanks to increased demand for IoT services and their use in the automobile, telecommunications, data storage, robotics, and health care industries**

SCREEN **Formed a business operating company in April 2017. Launch new products to expand sales and boosts its market presence**

New businesses: New challenges

Market environment **In the Life Science field, investment in research and development in such areas as drug discovery, regenerative medicine, and iPS cell treatments will be increased. In the automobile, inspection and measuring industry, demand for automation of visual inspection for forged parts and other will grow**

SCREEN **Strengthen its sales capabilities and expand its product lineup, targeting growth markets**

- Move into the sales growth phase based on positive feedback from client companies regarding equipment

Aim to Become a Sustainably Growing Corporate Group, Taking Advantage of the Favorable Business Environment

We succeeded in achieving the numerical targets of our previous medium-term plan: an operating income ratio of 10% or above and an equity ratio of 50% or above. I believe that the keys to this success were close communication with business operating companies and a joint effort with them to fully unleash their potential. Nevertheless, there are points we need to reflect on, such as the fact that we were only halfway successful in developing new businesses.

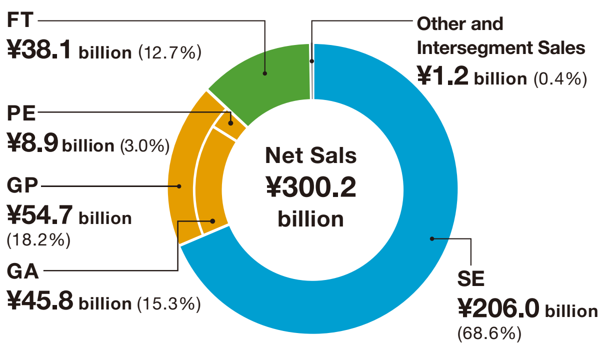
The previous medium-term plan did not contain a sales target, but under the new plan, in accordance with the concept of the "growth and qualitative improvement of the Group itself," we are targeting constant net sales of ¥300 billion while maintaining the profit structure and financial foundation established under the previous plan.

Currently, our mainstay semiconductor equipment business is buoyed by a business environment that is the best in the past ten years, and by taking advantage of these favorable conditions, we will continue creating new businesses for future growth and, in some cases, actively explore possibilities in M&A. At the same time, however, it will also be important to establish a structure that can respond swiftly to rapid changes in the macroeconomic environment and cope with the risk of sudden political and geopolitical events. We will also endeavor to maximize synergies from our initiatives in each of the ESG areas with the aim of further enhancing our corporate value. This fiscal year we will make communication with business operating companies and functional support companies even closer, and as the holding company, we will adapt flexibly and speedily to change.

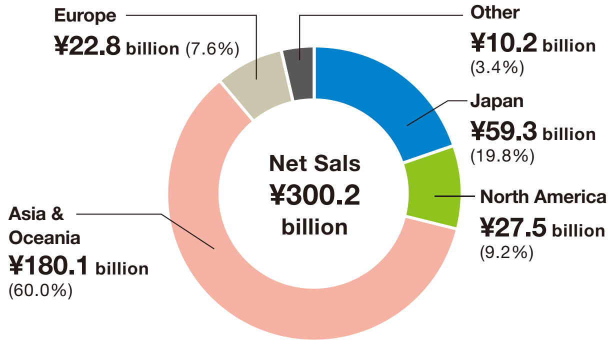
Katsutoshi Oki
Managing Director
Member of the Board
Chief Officer
of Corporate Strategy

〈Financial〉

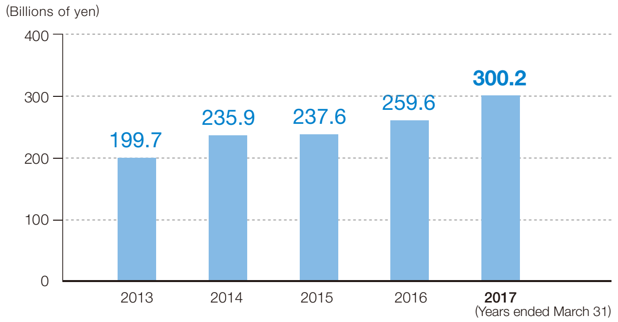
Sales by Segment (year ended March 31, 2017)



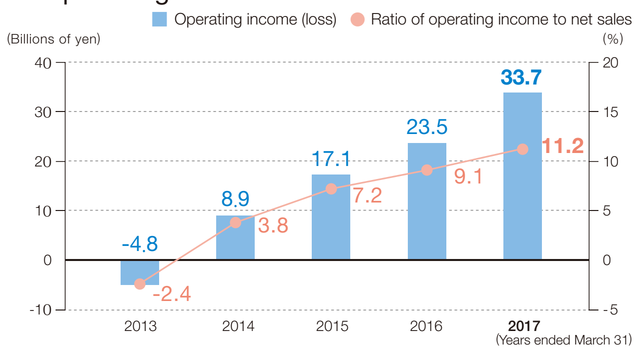
Sales by region (year ended March 31, 2017)



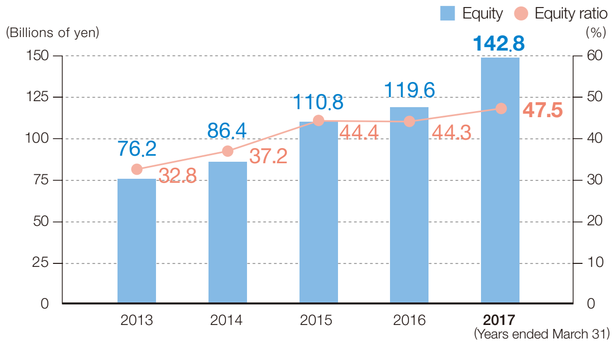
Net Sales



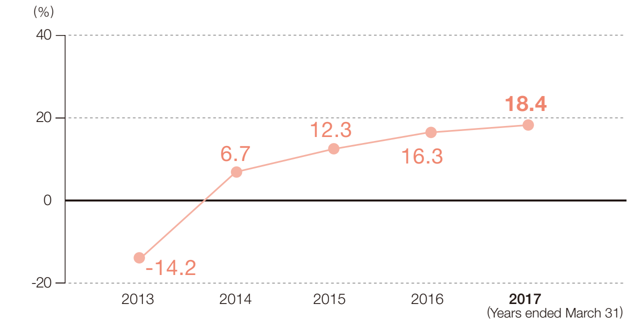
Operating Income (Loss) and Ratio of Operating Income to Net Sales



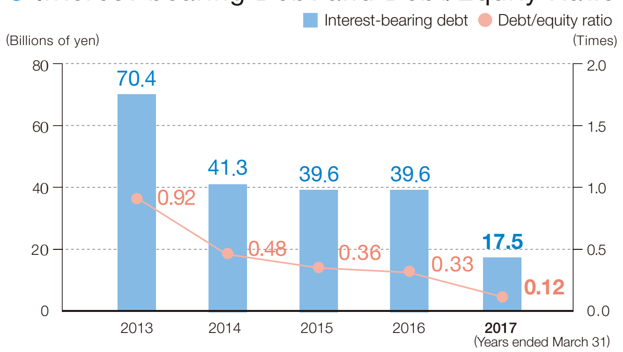
Equity and Equity Ratio



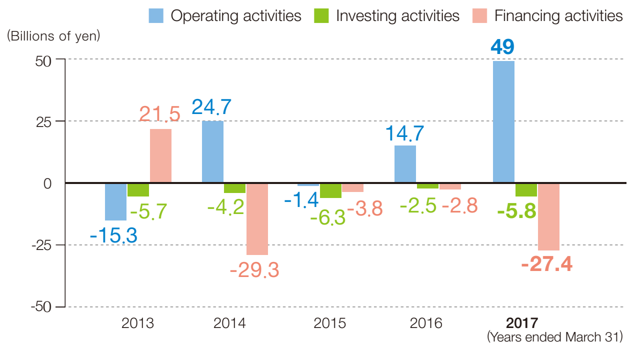
ROE



Interest-bearing Debt and Debt/Equity Ratio



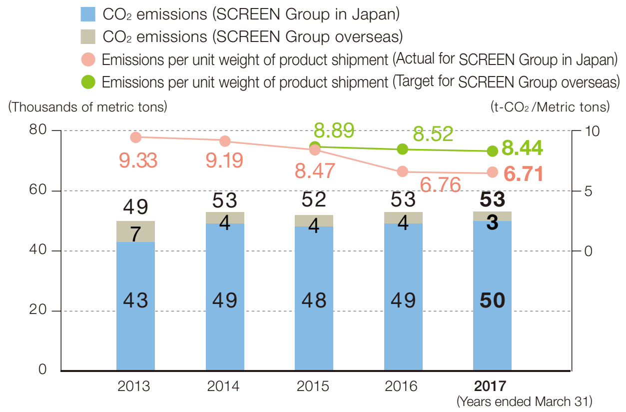
Cash Flows



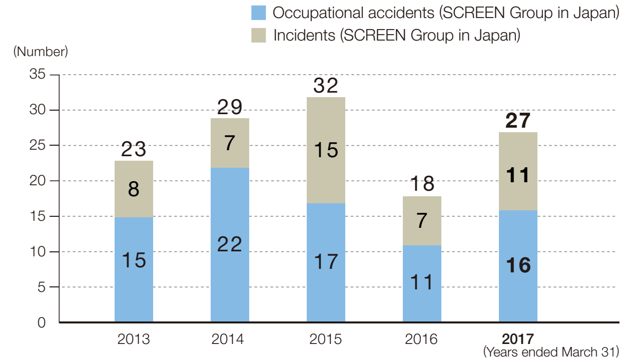
Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated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

〈Nonfinancial〉

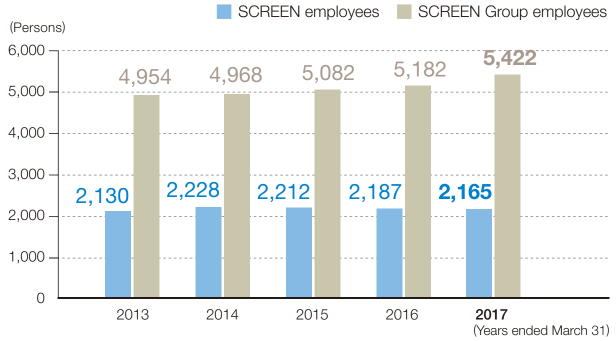
CO_2 Emissions and Emissions per Unit of Weight of Product Shipment



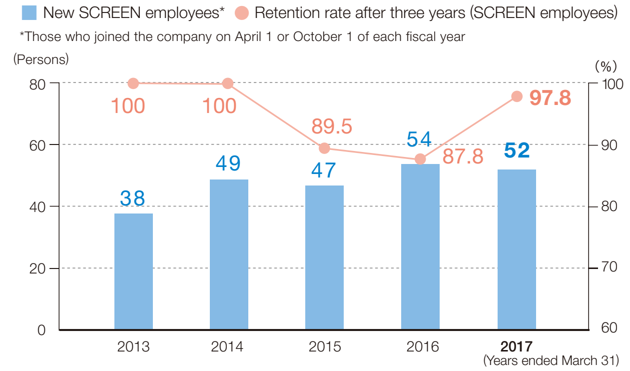
Number of Accidents



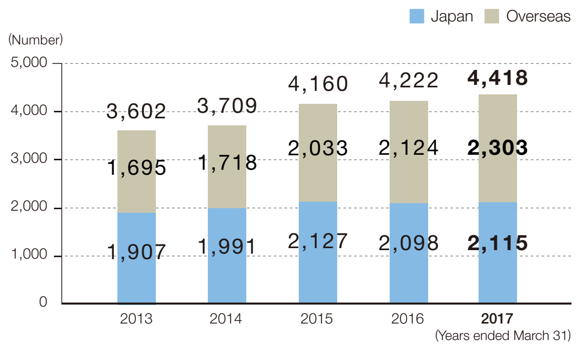
Number of Employees



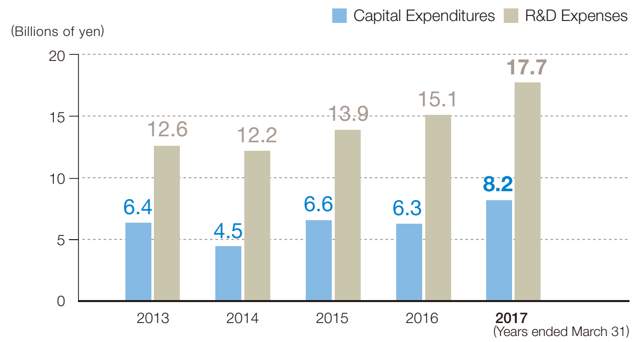
Number of New Employees and Their Retention Rate After Three Years



Number of Patents Held



Capital Expenditures and R&D Expenses



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

Eleven-Year Trends in Key Financial Indicators

Consolidated Eleven-Year Summary

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2017
For the Year:											Millions of yen	Thousands of U.S. dollars
Net sales	**¥ 300,234**	¥ 259,675	¥ 237,646	¥ 235,946	¥ 199,795	¥ 250,090	¥ 254,953	¥ 164,129	¥ 219,049	¥ 279,816	¥ 301,312	**$ 2,680,661**
Cost of sales	**206,687**	178,677	165,192	177,175	157,790	187,325	182,990	137,827	169,391	208,266	211,159	**1,845,420**
Cost of sales to net sales (%)	**68.8%**	68.8%	69.5%	75.1%	79.0%	74.9%	71.8%	84.0%	77.3%	74.4%	70.1%	
Operating income (loss)	**¥ 33,732**	¥ 23,557	¥ 17,168	¥ 8,903	¥ (4,833)	¥ 13,498	¥ 26,811	¥ (14,046)	¥ (4,510)	¥ 14,628	¥ 30,541	**$ 301,179**
Operating income to net sales (%)	**11.2%**	9.1%	7.2%	3.8%	-2.4%	5.4%	10.5%	-8.6%	-2.1%	5.2%	10.1%	
Profit attributable to owners of parent (loss)	**¥ 24,169**	¥ 18,816	¥ 12,122	¥ 5,419	¥ (11,333)	¥ 4,637	¥ 25,687	¥ (8,003)	¥ (38,191)	¥ 4,578	¥ 18,452	**$ 215,795**
Comprehensive income	**28,011**	11,567	24,018	14,262	(6,031)	4,192	22,576	(5,257)	–	–	–	**250,098**
Depreciation and amortization	**5,398**	5,030	4,880	4,101	4,731	4,986	5,805	7,012	8,414	5,563	4,113	**48,196**
Cash flows from operating activities	**49,024**	14,721	(1,492)	24,703	(15,320)	11,279	34,299	25,113	(24,593)	7,934	23,645	**437,714**
Cash flows from investing activities	**(5,860)**	(2,558)	(6,318)	(4,201)	(5,768)	(4,162)	(2,191)	6,885	(6,921)	(16,510)	(8,519)	**(52,321)**
Cash flows from financing activities	**(27,479)**	(2,846)	(3,823)	(29,302)	21,534	(9,468)	(22,250)	(27,124)	34,071	669	(8,875)	**(245,348)**
Capital expenditures	**8,256**	6,352	6,659	4,574	6,450	7,347	3,613	1,911	4,007	12,866	14,420	**73,714**
R&D expenses	**17,794**	15,166	13,972	12,274	12,685	13,889	12,130	11,615	16,073	16,248	16,884	**158,875**
Per Share of Capital Stock:											Yen	U.S. dollars
Net income (loss)	**¥ 511.96**	¥ 396.75	¥ 51.07	¥ 22.83	¥ (47.75)	¥ 19.54	¥ 108.21	¥ (33.71)	¥ (160.86)	¥ 18.81	¥ 74.05	**$ 4.57**
Net income—diluted	**–**	–	–	–	–	–	–	–	–	17.39	68.63	**–**
Cash dividends	**87.00**	60.00	7.00	3.00	–	5.00	5.00	–	–	10.00	15.00	**0.78**
Net assets	**3,040.79**	2,533.41	467.13	364.23	321.24	379.44	367.00	272.15	292.12	514.26	542.13	**27.15**
At Year End:											Millions of yen	Thousands of U.S. dollars
Total assets	**¥ 300,660**	¥ 270,094	¥ 249,517	¥ 232,376	¥ 232,390	¥ 245,382	¥ 253,127	¥ 216,622	¥ 246,918	¥ 291,114	¥ 319,519	**$ 2,684,464**
Return on total assets (%)	**8.5%**	7.2%	5.0%	2.3%	-4.8%	1.9%	10.9%	-3.5%	-14.2%	1.5%	6.3%	
Current assets	**¥ 215,159**	¥ 188,522	¥ 160,367	¥ 157,327	¥ 161,614	¥ 177,543	¥ 183,523	¥ 139,984	¥ 168,191	¥ 196,989	¥ 223,463	**$ 1,921,063**
Property, plant and equipment, net	**41,758**	43,378	42,606	40,711	39,902	38,669	40,699	45,413	50,955	49,069	42,346	**372,839**
Current liabilities	**135,576**	120,857	92,750	114,367	120,014	123,223	148,132	93,874	132,431	123,702	133,784	**1,210,500**
Long-term debt	**10,907**	18,986	32,666	21,943	29,642	25,988	10,634	48,195	32,967	40,644	43,900	**97,384**
Equity	**142,805**	119,650	110,865	86,448	76,248	90,069	87,118	64,607	69,353	122,094	133,062	**1,275,044**
Equity ratio (%)	**47.5%**	44.3%	44.4%	37.2%	32.8%	36.7%	34.4%	29.8%	28.1%	41.9%	41.6%	
Return on equity (%)	**18.4%**	16.3%	12.3%	6.7%	-14.2%	5.2%	33.9%	-11.9%	-39.9%	3.6%	14.2%	
Capital stock	**¥ 54,045**	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	**$ 482,545**
Retained earnings	**92,937**	71,602	54,448	41,824	36,405	55,440	26,418	731	8,734	49,390	48,497	**829,795**
Number of shares issued (in thousands)	**50,795**	50,795	253,974	253,974	253,974	253,974	253,974	253,974	253,974	253,974	253,974	
Number of employees	**5,422**	5,182	5,082	4,968	4,955	4,890	4,732	4,679	4,992	5,041	4,798	
Key Environmental Indicators												
CO_2 emissions (metric tons)	**53,357**	52,523	52,625	53,810	48,600	37,858	31,312	29,993	39,164	39,903	35,749	
Water used (thousand of m^3)	**2,034**	2,021	1,840	2,034	2,151	2,113	2,084	1,918	2,381	2,528	2,527	
Total waste discharged (metric tons)	**2,064**	1,848	2,048	1,893	1,744	1,806	1,794	937	1,098	1,313	1,501	

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥112 to US$1.00.
2. Net income (loss) per share of capital stock is calculated based on the weighted average number of shares outstanding during each term, excluding the Company's treasury stock. Fully diluted net income per share of capital stock is not shown for the years that net losses were recorded or no dilutive stock existed. Net assets per share of capital stock is calculated based on the fiscal year-end total number of shares outstanding, excluding the Company's treasury stock.
3. Return on total assets and return on equity are calculated on the basis of average total assets and average equity, respectively, at the current and previous fiscal year-ends.
4. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted. Under the new accounting standard, the above table includes comprehensive income, whereas these amounts are not shown before the years ended March 31, 2010.
5. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the Semiconductor Solutions (SE) segment and the Finetech Solutions (FT) segment, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.
6. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share of capital stock, cash dividends per share of capital stock, net assets per share of capital stock and number of shares issued are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

SCREEN Semiconductor Solutions Co., Ltd.

SE : Semiconductor equipment business

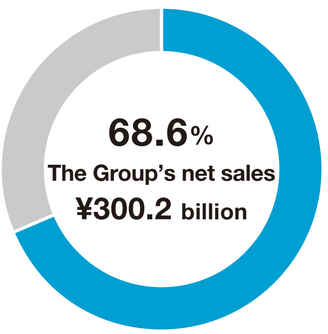
Business Overview

Provides equipment for the surface processing that is an essential part of circuit formation on silicon wafers for semiconductor devices. Processing includes cleaning, coating/developing and annealing.

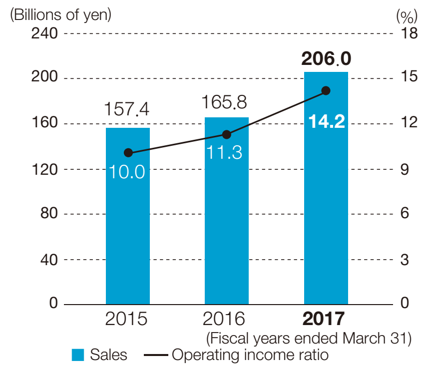
We Exceeded ¥200 billion in Sales on the Back of Favorable Market Conditions in the Semiconductor Sector!
Our Market Growth Rate Was the Highest in the Industry.
We Will Continue to Aim at Surpassing the Industry's Average Growth Rate.

Tadahiro Suhara
President, SCREEN Semiconductor Solutions Co., Ltd.

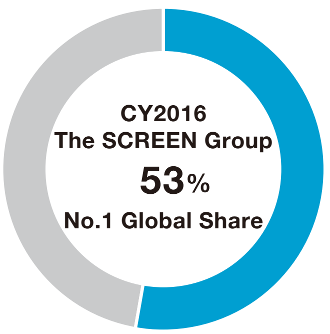
Share of Net Sales Fiscal Year Ended March 31, 2017



Segment Sales & Operating Income Ratio



Market Share for Single Wafer Cleaning Equipment*



Source: Gartner "Market Share: Semiconductor Wafer-Level Manufacturing Equipment, Worldwide, 2016," 31 March 2017
Chart created by SCREEN based on Gartner research Revenue from Shipments of Single-Wafer Processors worldwide 2016 Calendar year

Note: The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Annual Report) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

Terminology

- **Foundry:** A company that manufactures semiconductor devices on a contractual basis after obtaining semiconductor design data, masks, and manufacturing process requirements from fabless manufacturers etc.
- **Batch-type cleaning equipment:** Cleaning equipment that processes multiple wafers at once by soaking them in a chemical liquid etc.
- **Single wafer cleaning equipment:** Cleaning equipment that processes one wafer at a time by spraying it with a chemical liquid.

Q Please give us a summary of the fiscal year ended March 2017, in which you performed strongly, and tell us about the background to that strong performance.

During fiscal 2017, the year ended March 31, 2017, uses for semiconductor devices expanded away from just PCs and smartphones to encompass things like automobiles. Against that backdrop, we were able to implement measures that we have continued to implement until now as planned. These measures included shortening lead times and localizing the overseas field operations.

As a result, it was a record-breaking year for us. We booked sales of ¥206.0 billion - the first time the business has topped ¥200 billion in sales, while operating income was ¥29.3 billion, its highest figure ever. Cumulative orders received, meanwhile, amounted to a record high of more than ¥200 billion for the year.

Breaking our performance down by application, sales for investment in miniaturization increased by a large margin, while sales for 3D-NAND flash memory doubled. As a result, our mainstay product, single wafer cleaning equipment, increased its global market share by 13 points (it has now held the top spot for market share for 13 straight years), while sales of batch-type cleaning equipment doubled year on year. Our growth rate was the highest out of the world's top ten semiconductor production equipment manufacturers.

Looking ahead to future growth, we are actively developing new products. With regard to single wafer cleaning equipment, we have released the SU-3300, which offers high productivity and technology for handling miniaturization. As for annealing equipment, we have launched the LT-3100, which performs laser annealing, while in the field of direct imaging equipment, we have brought out the DW-3000 for PLP. Through these launches, we have expanded the business domains in which we operate as well as our product portfolio. Among these products, with the project to develop the SU-3300 we focused on reducing the development period, and we succeeded in making it far shorter than for similar products in the past. So fiscal 2017 was a year in which we could see a steady improvement in our business operations.

Q Please tell us about opportunities and risks for the business.

We are always exposed to the risk of change in the economic environment, and we cannot control this risk by ourselves, so while keeping it in mind, we focus on those things that we can control. For example, the start of investment in China represents a big opportunity, but unless we can secure adequate production capacity and a strong supply chain, it also constitutes a risk. So we're always going to be looking one step ahead and putting together a structure that allows us to steadily take advantage of opportunities.

Q Please give us your outlook for performance for fiscal 2018 and tell us what your next step is going to be.

By taking steps such as launching new products during the previous fiscal year, we've established a foothold for fiscal 2018, so we are going to continue to focus on increasing sales and market share for each application, such as with the SU-3300 single wafer cleaning equipment in the memory field.

In the area of development, in addition to shortening development times, we're going to continue collaborating with research institutes such as imec and Leti, and we're going to keep aiming to achieve a growth rate that is higher than the market average.

During the period of our new medium-term management plan, Challenge 2019 (fiscal 2018-2020), the semiconductor sector is expected to grow by at least 5% each year. We will be endeavoring to strengthen our position in such markets as 3D-NAND flash memory, for which demand is growing rapidly; logic devices, which are getting more and more miniaturized; and sensors, for which both uses and sales volume are increasing. We will also be putting together a competitive product lineup with an eye to making inroads in the Chinese market, in which investment is expected to expand.

Q What are the key measures you are going to implement to achieve the goals of the new medium-term plan?

The semiconductor business has a lot of potential, and the market is large. But because of that, competition is also intense. If we are to survive and thrive, we will need to increase our competitiveness, continuously benchmark excellent industry peers, and take our operations to a higher level.

One of the key measures we're going to be taking is to strengthen our organization. This fiscal year we've launched the Business Division, a new division to serve as a watchtower for monitoring the entire company. To meet the lofty expectations of customers in a short space of time, it's essential for everyone to share an awareness of the issues and tackle them together. High-caliber human resources are also vital for supporting the organization, and I believe that it's important for everyone to understand the importance of tackling issues as an organization, regardless of job type, and to be given the experience of success.

This year I've chosen "Be a driver to get result for ..." as our slogan. The "..." part is to be decided by each individual, who will slot their personal goal into it. Work is about more than just producing results. It's also important to make and keep promises. The key is for each person to acknowledge that, achieve a goal at each step, and first get a bronze medal, then a silver, and then a gold. Going forward, we will continue to put the customer first and expand the SE business.

Single wafer cleaning equipment
SU-3300

Terminology

- **Laser annealing equipment:** Equipment for annealing parts of the surface of a wafer for short periods of time using laser light in order to activate impurities.
- **3D-NAND:** A form of NAND flash memory with a three-dimensional structure.

SCREEN Graphic Solutions Co., Ltd.

GA: Graphic arts equipment business

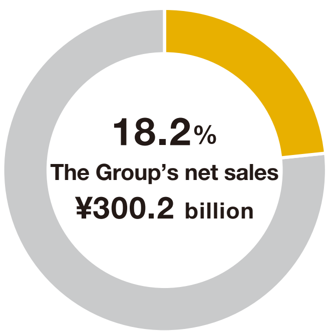
Note: On April 1, 2017 the name of the company was changed. (Former company name: SCREEN Graphic and Precision Solutions Co., Ltd.)

Business Overview Provides various graphic arts equipment and services

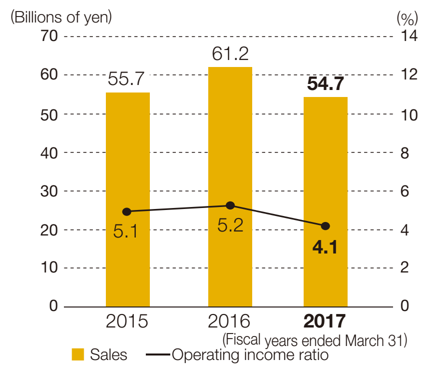
Maintaining CTP sales while strengthening direct sales of POD equipment
Also, transforming into a highly profitable segment

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

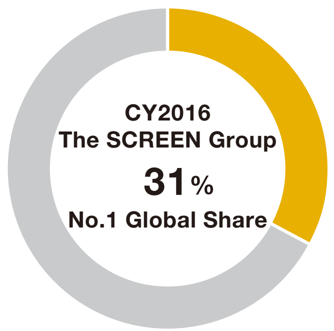
Share of Net Sales*1
Fiscal Year Ended March 31, 2017



Segment Sales & Operating Income Ratio*1



Market Share for CTP Equipment*2



*1 Until the year ended March 2017, the figures include graphic arts equipment and PCB-related equipment
*2 Market share is based on total sales for each equipment group. 2016, according to a SCREEN survey

Terminology

- **CTP:** Stands for "computer to plate." Production equipment for offset printing. A method for creating printing plates through direct output of the data to be printed from a computer to the printing plates.
- **POD:** Stands for "print on demand." Printing of the number of copies needed when they are needed using a digital printer.

Q Please give us a summary of fiscal 2017, the year ended March 31, 2017 and tell us about your corporate reorganization.

In the area of graphic arts equipment, we endeavored to make inroads in the POD-equipment market, but because of the impact of the strong yen, overseas sales declined, while domestic sales were lackluster. Sales of PCB-related equipment were flat. As a result, net sales in this segment declined by ¥6.5 billion year on year. Operating income also dropped by ¥0.9 billion. Profits had increased on a full-year basis for the previous three fiscal years, but in fisical 2017 both revenues and profits ended lower.

However, in June at Drupa (the world's largest trade fair for comprehensive printing equipment, held every four years), we unveiled some new products. These included the Truepress Jet520NX, a new type of roll-fed high-speed inkjet printer, and ink for coated paper. The products were well received, and have given us a firm footing for improving our earnings going forward. As a result, sales of POD equipment to North America increased, while the performance of the ink business ended more or less on target.

Regarding the business reorganization for the future, on April 1, 2017 the PCB-related equipment business was spun off as SCREEN PE Solutions Co., Ltd. We have clarified responsibility for each business and will be looking to boost earnings.

Q Please tell us about opportunities and risks for the business in fiscal 2018.

Market forecasts have the CTP market shrinking by 8% and the POD market growing by at least 10% each year as POD technology expands to encompass the commercial printing field. At present, however, POD equipment accounts for only a small proportion of the printer market in terms of volume. Therefore, with regard to CTP, we will increase the number of OEM customers and maintain sales. At the same time, we view the coming shift to POD as an opportunity, and intend to strengthen our sales capabilities with a particular focus on North America and Europe.

During fiscal 2017 we signed a strategic business contract with Komori Corporation, and expanded our direct sales network for POD equipment. In fiscal 2018 we will continue striving to boost sales through direct sales. After-sales business, including service and maintenance, and the supply of consumables such as ink, come along with the direct sales of POD equipment. So in addition to increasing the number of units sold, we will grow sales through after-sales business that can deliver profits over the long term.

To that end, we're going to need to employ more personnel overseas and expand the number of sales partners, so we're also going to be working on that.

Q What are the key measures you are going to implement to achieve the targets of the new medium-term plan?

First, to expand the business, we need to maintain sales of conventional CTP equipment while focusing on POD equipment, sales of which have the potential to grow. Among POD products, we will generate sales of roll-fed printers and step up our entry into the market for label/packaging printing. During fiscal 2017, we were able to deliver a state-of-the art digital label printer to Taiwan, which triggered our further development of the POD market. At the same time, we will be aiming to increase sales in the ink business which is expected to offer both stability and growth in the future.

Next, we will be keeping an eye on global developments such as IoT, strengthening our marketing, and leveraging our elemental technology to take on the challenge of entering new fields.

Finally, we will maintain the goal of transforming ourselves into a highly-profitable company. We will focus on trimming inventory, endeavor to generate cash, and reduce costs by design improvement, for example. Through these efforts, we will boost our profitability.

Roll-fed high-speed inkjet printing system
Truepress Jet520NX

SCREEN PE Solutions Co., Ltd.

We took over the PCB-related equipment business and got off to a fresh start as a business operating company in April 2017. We will pursue a speedy management in order to adapt to the rapidly changing business environment and swiftly provide customers with solutions. To achieve the targets of the new medium-term plan, we will be working to raise our presence in the market by, for example, boosting sales through the launch of new products.

Hitoshi Yamamoto
President, SCREEN PE Solutions Co., Ltd.

· Mainstay product

Direct imaging system
Ledia 6

Terminology

- **IoT:** Stands for "Internet of Things." A system whereby various "things" are connected to cloud services, servers, etc. via the Internet and control each other remotely through the exchange of information.

SCREEN Finetech Solutions Co., Ltd.

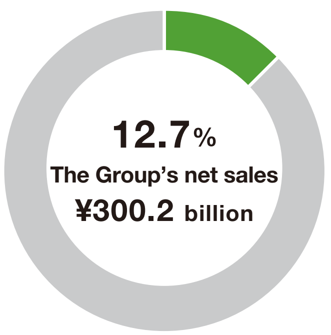
FT：Display production equipment and coater business

Business Overview **Provides a range of equipment and services for the manufacturing of displays used in such digital devices as TVs and smartphones. Also focusing on launching new businesses.**

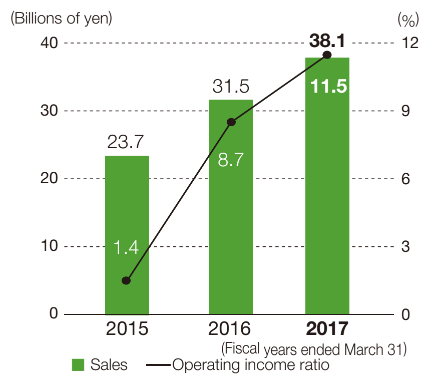
In the display business, we are focused on new applications.
Since the previous fiscal year, we have been pushing promising new businesses forward, and we will be building a new business portfolio that allows us to achieve sustainable growth.

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

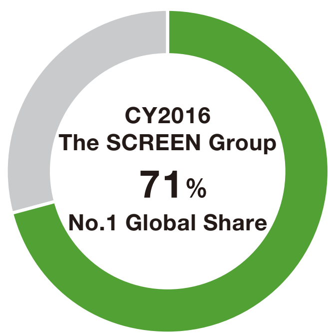
Share of Net Sales
Fiscal Year Ended March 31, 2017



Segment Sales & Operating Income Ratio



Market Share for Coater/ Developers for Displays*



Note: Market share is based on total sales for each equipment group.
2016, according to a SCREEN survey.

Q Please give us a summary of fiscal 2017, during which you performed even better than the previous year, when you also did very well.

Compared with fiscal 2016, sales of production equipment for large panels in China declined, but sales of production equipment for small and medium-sized panels in Japan and China/Taiwan grew substantially. Sales increased by ¥6.5 billion to ¥38.1 billion (20.6% rise year on year), and operating income jumped to ¥4.3 billion (59.8% increase year on year), and production equipment for both small/medium-sized and large panels contributed to the increase in earnings.

The high rate of increase in operating income was due to our efforts to transform our profit structure, which we began several years ago. We worked on making our equipment more competitive and reducing installation and set-up time, and this led to an improvement in cash flow. With regard to equipment manufacturing, we reduced costs and shortened lead times, and also focused on improving logistics, something that we had been doing for some time. All these initiatives produced results.

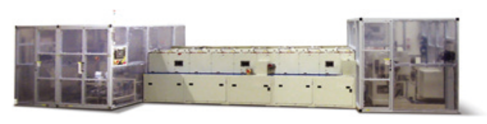
I also feel that the fact that sales from new businesses topped ¥2 billion for the first time is more proof of the success of these initiatives.

Q In light of, for example, sales of new products released during fiscal 2017, what changes in market trends are you anticipating and what are your plans for fiscal 2018?

In the display business, it is becoming clear that a major technological shift is underway, with traditional LCD technology being replaced by OLED technology. There is investment in larger, higher-definition televisions in order to offer 4K/8K resolution. In the smartphone arena, meanwhile, the main investments have been in the adoption of OLED technology for flexible displays. For automotive uses, a new application, it has become necessary to meet the demand for curved displays. We have been fast in responding to the trend toward flexible displays, and have released the SK-P series polyimide coating system for such flexible displays. During this fiscal year, we plan to continue launching new products in anticipation of market trends.

We also intend to accelerate the development of new businesses. We are focusing in particular on applications for the energy field, which is expected to see market expansion in the future, and during the previous year we released the RT series of coating and drying equipment for fuel cells in addition to the existing lithium-ion battery production system.

Coater/dryer
RT Series



Q Please tell us about opportunities and risks for the business

Next-generation displays, which will become increasingly diversified in the future, constitute a major business opportunity for our company, and we intend to meet our customers' mass-production needs. But to get customers to choose us, we need to differentiate our products. So going forward, we plan to identify and meet customer needs and offer solutions fast by beefing up our marketing.

On the manufacturing frontline, slowness in adopting IT can be a risk factor. So we will be further deploying IT to enable us to rapidly share discrete data output and feedback along the entire supply chain. We're also going to improve our QMS (quality management system) to ensure that we can stably come up with competitive products.

Q What key measures are you going to implement to achieve the targets of the new medium-term plan?

With overseas sales increasing in markets such as China and Taiwan, transportation costs constitute a big problem. So I think we need to overhaul our entire supply chain by, for example, building plants overseas and revamping our after-sales service. In other words, we need to put together a total manufacturing strategy that encompasses both domestic and overseas operations.

In the display business, we will be endeavoring to lift both sales and profits by releasing highly-competitive new products for new and diversifying technologies and applications. In July this year, we took over all business operations of FUK Co., Ltd. (a company with strength in assembly processing for display manufacturing), with which we began a partnership last year, and turned it into a new Group company called SCREEN Laminatech Co., Ltd. By adding the products of FUK Co., Ltd., such as abrasive cleaning systems and bonding systems to our product lineup, we will be expanding the scope of our business to take in assembly processing for display production. We will also expand new businesses such as lithium-ion battery and fuel cells with the goal of establishing a business portfolio for sustainable growth.

This fiscal year we will also be focusing on human resources development for future growth. We will provide opportunities for young employees to take on new challenges and create organizations in order to support the development of next-generation leaders with plenty of experience of success.

Our intention is to transform ourselves into a robust, challenge-embracing company that can invest aggressively for the future and seize opportunities in a timely fashion.

Terminology

- **OLED display:** A type of next-generation display made using organic materials that emit light when a voltage is applied. These displays offer such excellent features as thinness, lightness, low power consumption, fast response time, and high contrast.

Terminology

- **Polyimide:** A general term for a high molecular compound. It demonstrates extremely high mechanical strength, outstanding heat resistance and strong electrical insulation as well as excellent chemical resistance. Polyimide film is widely used in the flexible printed circuit boards for cameras and office automation devices, interlaminar insulation for electrical wiring and protective films for semiconductors.

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

Midori Higashida
Factory Product Engineering Department
Chemical Clean System Operations, Business Division
SCREEN Semiconductor Solutions Co.,Ltd.

Tomoko Yuge
CSR & Group Audit Department
SCREEN Holdings Co.,Ltd.

Eri Iwata
Human Resources and General Affairs Department
SEBACS Co.,Ltd.

Ryoko Abe
Finance & Accounting Department
SCREEN Holdings Co.,Ltd.

Ai Fujioka
Corporate Planning Department
SCREEN Holdings Co.,Ltd.

Keeping people at SCREEN for one, or even two, decades

Date May 30, 2017 Venue SCREEN Holdings Head Office

The SCREEN Group is striving to further improve working environments and proactively develop human resources, with the goal of offering "decent work," i.e. work that is fulfilling and appropriate for human beings. With the theme of "keeping people at SCREEN for one, or even two, decades," we brought together some female employees who are not only stakeholders, but are also pursuing a wide range of careers, to talk about working environments and human resources development within the SCREEN Group.

SCREEN's Climate for Nurturing the Next Generation

Minamishima: In the Personnel Development Plan "Basic Philosophy" based on a medium and long-term perspective," which we formulated last fiscal year, we declared a goal of "create an environment to train the next generation and developing diverse human resources together with all directors and employees." How do each of you feel about the climate for nurturing the next generation in your own workplaces?

Abe: I joined the Group in mid-career, and for the first time in my life I found myself working for a boss who I could really respect as the sort of person I myself would like to become. Following my boss around as I learned how to do my job, I felt more strongly than ever that I wanted to become even more useful through my work, to become someone that others rely on.

Yuge: I also recall that when I joined the Group, I wanted to get to grips with my job quickly so that I could emulate the more senior employees around me. Even if you're not particularly hungry to move up, I felt that SCREEN offers an environment and a climate in which if you master your job, if you work hard, you can take on various challenges.

Iwata: In the sense of nurturing the next generation, I want there to be more people who are a little bit aggressive, who take ownership and enjoy their work. To that end, I endeavor to get junior employees to join me as I work in a forward-looking manner to improve the working environment.

Higashida: In my workplace, too, there are also a lot of people who develop their skills by watching their seniors. But quite a few of them don't know what to do after that. So I think we need a development plan to provide support in that area.

Systems and Environments That Enable Diverse Human Resources to Demonstrate Their Potential

Minamishima: Another important task is to establish workplace environments in which a diverse range of different types of employees can work with peace of mind. How do you feel about SCREEN's systems and environments for supporting child-rearing and caring for elderly relatives?

Fujioka: When I started bringing up children and working at the same time, I began to rethink how to control my work and how to get help from people, and I think that enabled me to understand the situations that different people face. It became a major starting point for thinking about the company and what I wanted to do, and for coming up with the best approach.

Abe: I was also busy with my kids, and for several years I took advantage of a system we have in the company for limiting our working hours and working shorter days. I gained the understanding of people in my workplace and support from people around me, and this period proved to be an opportunity to have another think about my own career. The experiences I had then have made me feel that I want to contribute to the company in some way or another. I'm reminded of how grateful I was for SCREEN's support framework, which comprises various systems.

Higashida: It's the same for both men and women. In my workplace, there are quite a few male employees whose partners are also working as they raise their children. They all have a solid foundation as great workers who do a good job. But on the other hand, they all have different lifestyles, and there are periods when they want to prioritize their families and focus more on bringing up their children. I think that at those times their superiors need to think about what's the best sort of career to map out for them.

Yuge: I used to work in a section that was close to the manufacturing frontline, so I know that there are times when your work-life balance inevitably tilts toward the work side, such as when you're put in charge of a difficult product. Every department is working to improve the work-life balance and change ways of working, but the work performed by each department has its own characteristics, so I think each department is going to have to think for itself about how to implement such initiatives on the frontline.

Fujioka: In my case, I gained a range of experiences through my work once my children had got bigger and I wasn't so tied up with looking after them. Now I'm going to be sent overseas to get an MBA. When you know you're being counted on to succeed, you're going to do your best. Anyone would. I think that there's a lot you can achieve if you're willing to put in that bit of extra effort.

Keeping people at SCREEN for one, or even two, decades

Minamishima: The topic of this discussion is "keeping people at SCREEN for one, or even two, decades," but what do you think is needed to make SCREEN a corporate group which people can work at for a long time?

Iwata: I want to put together mechanisms and systems for enabling the personnel and general affairs department at SEBACS* to serve employees as individuals. My goal is to create mechanisms that convince all employees that the company has established and is administering, systems that review employees as fairly as possible and that enable them to move forward together. I hope that a decade or two from now I will have produced meaningful results through these systems.

Yuge: I think there should be a mechanism for actively rotating employees based on personal growth considerations. Personally, I was transferred from a manufacturing management department to the CSR department at Holdings, and I think that having the potential to work in various departments boosts the experience and skills of individuals.

Higashida: Though it might be difficult to achieve in a department in which high levels of expertise are required, I also think rotation is the best way to go. Personally, I motivate the young employees in my workplace by getting them to think about how they can take their competence to the next level. My goal is for these people to be in supervisory or managerial roles a decade or two from now.

Abe: Obviously, training programs and systems need to be in place, but I think another important factor in human resources development is to have people that others want to emulate. To achieve that, it is vital for the people higher up to think about how they can instill confidence in young employees and motivate them to succeed. I personally intend to give my subordinates and juniors tests that they need to overcome in order to get them to fully experience the joy of work.

Fujioka: A lot of my superiors are the sort of people that I'd like to become myself, and I've been lucky in that they've given me advice and played a big part in my growth. I think a good way of giving this sort of experience to more people would be to establish a mentoring system, whereby individuals, if they so choose, have the chance to consult with seniors and superiors in departments other than their own and receive career advice from them. I still only have Head Office experience, so I don't know anything about the manufacturing frontline. But if we had a mentoring system, I'd be able to obtain advice from and interact with people with frontline experience, and I think this would enable me to plug the gaps in my knowledge.

Minamishima: Listening to your opinions, I felt that with human resources development it's important to produce a lot of people who, like yourselves, achieve personal growth and augment the overall capabilities of the organization. I hope you'll work with me in developing diverse personnel who can provide a foundation for enhancing our value as an enterprise.

*SEBACS is a subsidiary of SCREEN Semiconductor Solutions Co., Ltd.

At this gathering, I felt that you have a foundation for acknowledging human-resource-related elements as integral to a company's strength, and for constructive dialog aimed at sharing and resolving issues.

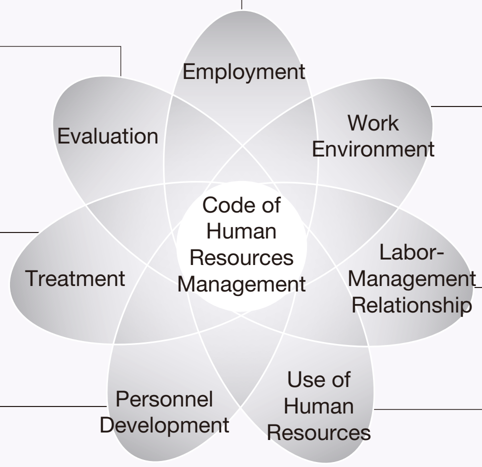
Human resources are a key factor in the enhancement of enterprise value, and are also vital component in ESG assessment. Going forward, your task will be to find ways of implementing the suggestions and reporting on the progress being made with them and the results they are delivering.

Based on principle of respecting employees that is enshrined in your company's CSR Charter, I think it will be important for you to continue with this kind of dialog in order to raise your value as an enterprise.

Etsuya Hirose
Managing Director
Head of ESG Research
QUICK Corporation

Code of Human Resources Management

SCREEN Group Code of Human Resources Management Basic Policies consist of views in seven fields with respect to human resources management.



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

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

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

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

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

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

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

Items Confirmed in the Stakeholder Dialog

Conventional education systems and training programs have tended to be a one-way process, focusing on things like the transfer of knowledge or the transmission of skills, but nowadays we need to impart a management approach that is medium- to long-term in outlook and broad in scope. It is also important to nurture managers who can develop the right sorts of people.

We must also be active in supplementing training programs that convey skills and knowledge with efforts to encourage employees themselves to take the initiative in self-development. Through today's dialog, I was reminded of how crucial it is to build programs under which personnel not only undergo training, but start by studying independently.

Obviously, this must be premised on a viewpoint that asks, "What do we need to do to ensure that people can remain people." We have 149 years of history since our foundation, but Japan has more companies that are over 200 years old than any other country in the world, and each of them has operated for so long based on their own philosophies. By adopting a style of management that properly embraces thinking as human beings, I am confident that the SCREEN Group can also continue to develop into the far future.

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

CSR Charter

The SCREEN Group established a CSR Charter that sets forth the code of conduct that all Group executives and employees should keep in mind by showing the principles of action based on the corporate philosophy of "Sharing the future", "Human resource development", and "The pursuit of technology" that embodies the spirit behind the company's foundation, compliance, and human rights; we will formulate action guidelines in relation to product responsibility and the supply chain, and these guidelines will be followed in fulfilment of our corporate social responsibility. In addition to complying with legal statutes, we seek to contribute to the sustainable development of society by satisfying the expectations of our stakeholders (customers, employees, shareholders, creditors, suppliers, local communities, administrative bodies, etc.) through highly ethical and transparent business conduct. In fiscal 2017, we implemented CSR Charter training for SCREEN Group employees worldwide, and achieved a 90.5% participation rate. The training forms part of our efforts to increase awareness and respect for the diversity of all people, including LGBT* individuals.

* LGBT stands for lesbian, gay, bisexual, and transgender.

● SCREEN Group's CSR Charter

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

New Medium-term CSR Plan

In April 2016 we performed a review of New Medium-term CSR Plan "Management Grand Design , which was formulated in 2014 as a vision for the Group's future that reflects the technologies it has built up since its founding, its relationships with society, society's expectations of the Group, and the social issues it must address going forward. Based on the findings from that review, we put together and began implementing a three-year plan, one of the components of which is to "Advance CSR management with an emphasis on ESG." With this in mind, we formulated and deployed within the SCREEN Group a new three-year CSR plan that takes into account a review of all the CSR activities we have pursued until now.

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

Based on the new three-year CSR plan, the SCREEN Group set about defining tasks of high materiality in the area of CSR by taking into account societal expectations, such as SDGs*, and social issues that we ought to be tackling going forward. When defining these high-materiality tasks, we reviewed what tasks meet what sorts of needs among stakeholders, assessed the appropriateness of tasks through stakeholder dialog from the standpoint of human resources management (which is currently our primary focus), and settled on the following nine high-materiality tasks as areas that we would concentrate on.

* SDGs refers to the sustainable development goals adopted by the United Nations.

● High-Materiality Tasks Selected

	High-Materiality Tasks	Vision for the Year Ending March 2020	SDGs
E (Environmental)	Creating environmental value and contributing to the reduction of carbon emissions and recycling of resources at the societal level		
	Provision of products and services that contribute to reducing environmental impact	・Contributing through businesses that, for example, reduce CO_2 emissions by providing eco-friendly products and services	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Proactive efforts for environmental conservation	・Reducing the environmental impact of business activities and actively engaging in conservation activities in areas such as forest preservation and biodiversity	13 CLIMATE ACTION
S (Social)	Offer decent work*1 and creating social value		
	Ensuring health, and transforming ways of working to improve the quality of work	・Each and every employee is healthy and active ・Productivity and efficiency have been improved, and employees enjoy a good work-life balance	8 DECENT WORK AND ECONOMIC GROWTH
	Developing diverse human resources	・Employees are proactive in designing their own careers ・Approaches and development plans for nurturing successors, including managers, are in place	8 DECENT WORK AND ECONOMIC GROWTH
	CSR supply chain promotion	・A CSR code of conduct is being followed along the entire supply chain	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Community service activities centered on coexistence, consideration, and the nurturing of the next generation	・Continuously engaging in activities in five key areas*2, and SCREEN's characteristics are beginning to be widely recognized both inside and outside the Group ・Activities in which many employees can participate are being deployed	4 QUALITY EDUCATION *3
G (Governance)	Implementing a system of both passive and active governance while disclosing ESG information		
	Establishment of internal-control and risk-management structures to support proactive governance	・Internal controls that ensure the soundness and transparency of management are being properly implemented ・Systematic risk management for achieving medium- to long-term corporate targets is in place	8 DECENT WORK AND ECONOMIC GROWTH
		・An effective internal whistleblowing system is in operation throughout the Group both in Japan and overseas	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Proactive disclosure and internal/external sharing of ESG information	・Nonfinancial information is being effectively disclosed and stakeholders are being proactively engaged with based on an accurate understanding and proper adherence to international CSR standards	17 PARTNERSHIPS FOR THE GOALS

*1 Decent work: fulfilling, human work
*2 Five key areas: science and education, sport and culture, social welfare, environmental conservation, and community contribution
*3 SDGs vary depending on the type of contribution to society.

Participation in the U.N. Global Compact

SCREEN Holdings has signed the U.N. Global Compact, a United Nations initiative that comprises ten principles in the four areas of human rights, labor, environment, and anti-corruption, and in October 2016 we were registered as a signatory by U.N. headquarters. The SCREEN Group has been pursuing CSR management for many years, and by respecting and adhering to these ten principles in these four areas with the aim of continuing to grow as a global enterprise, the entire Group will be working together to help achieve the sustainable development of society.

Group EHS Management

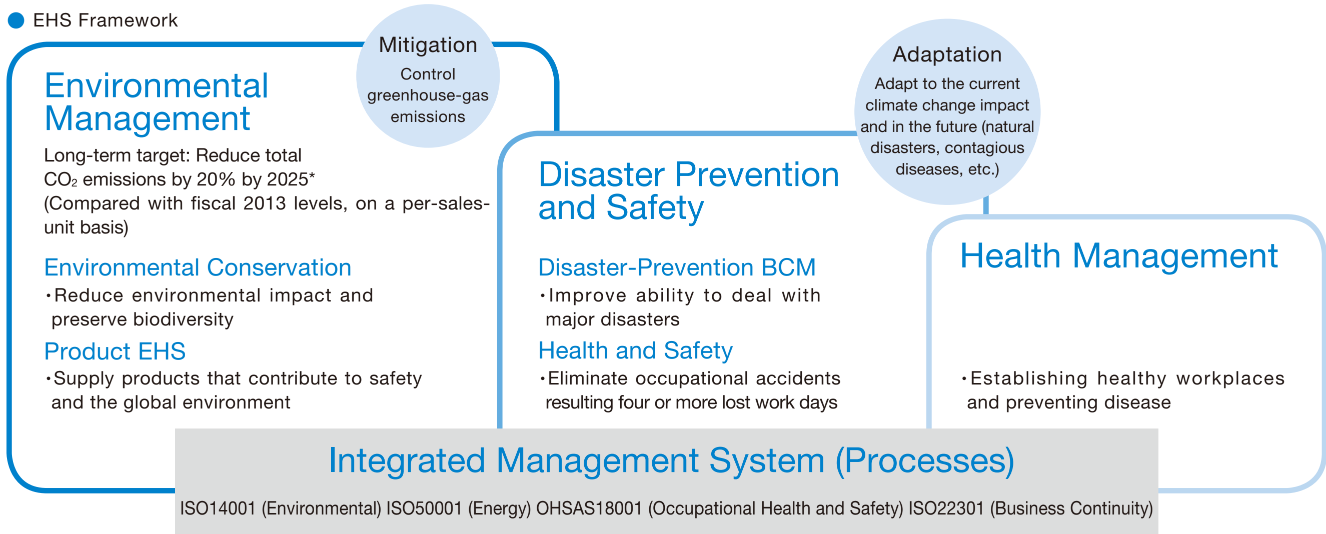
The SCREEN Group has obtained certification of four management systems and implements an integrated management system consisting of "Environmental management (E)", "Health management (H)" and "Disaster prevention and Safety (S)". We manage various risks and opportunities in a comprehensive manner. These risks and opportunities include climate change, the increasingly stringent international environmental regulations, an increasing need for products with low environmental impact, a rise in occupational safety risks as products become larger, the growing complexity in managing the health of workers as types of employment diversify, and the risk of businesses or the supply chain being interrupted due to natural disasters. In 2009 we formulated the Group's medium-term strategy for EHS initiatives, Green Value (GV) 21, which we have been implementing since then.

We achieved 11 of the 15 targets of the GV21 Phase III, a three-year program that ran until March 2017. We achieved most of the targets in the areas of environmental conservation and disaster prevention / business continuity, but failed to attain* some of the targets for occupational health and safety and health management.

In April 2017 we began executing Phase IV of GV21. As part of this program, we have formulated a new EHS framework (see figure below) that is based on the "promotion of CSR management with a focus on ESG," which is one of the pillars of our new three-year medium-term management plan. Also in April 2017, we revised the "Business Continuity and EHS Policy" to become the "SCREEN Group Environmental, Health and Safety Policy," and we formulated and began implementing the new "Biodiversity Action Guidelines."

* See p.31 for more details.

● EHS Framework



*The long-term total CO_2 emissions target for environmental management is the total of Scopes 1, 2, and 3, which are standards for the calculation and reporting of greenhouse-gas emissions

● GV21, Phase IV (Fiscal 2018-2020): Targets

Key Measures		Activities	Fiscal 2020 Targets
Environmental Management	Environmental Conservation	Reduce direct CO_2 emissions	Reduce unit rate by 6% or more*1
		Reduce energy usage (in crude-oil equivalent terms)	Reduce unit rate by 6% or more*1
		Reduce waste*2	Reduce unit rate by 6% or more*1
		Promote biodiversity conservation	Implement action plans Note: Includes measures for tackling water risks
	Product EHS	Contribute to curbing CO_2 emissions from products	Reduce unit rate by 6% or more*3
		Expand sales of products certified as environmentally friendly	Make such products account for at least 95% of sales Note: Internally certified green products
		Train experts in product safety	Certification rate of at least 2%*4 Note: Internally certified product safety experts
		Comply with product-related laws and regulations	Implement action plans (including substances contained in products, measures to tackle chemicals and gases)
Disaster prevention and safety	Health and safety	Achieve zero occupational accidents	Eliminate occupational accidents resulting four or more lost work days
		Reduce occupational accident points	Group as a whole: 250 points or less Note: Internal occupational accident points system
	Disaster-prevention BCM	Achieve improvements by providing training	Conduct practical drills at least once a year
		Firmly establish the system for operating response headquarters	Implement action plans Note: Including operation of Bousaiz*5
Health management	Health monitoring	Reduce sick leave	Achieve year-on-year reductions in the sick leave rate
		Promote elimination of passive smoking from workplaces	Implement action plans
Integrated EHS Management		Obtain certification for revised versions of management systems	Implement action plans
		Develop human resources to promote EHS	
		Establish an EHS information infrastructure	

*1 Compared with year to March 2014, per unit weight of product shipment *2 Waste = waste emissions – valvable resoueces *3 Compared with year to March 2014, per sales unit
*4 Certification rate = no. of certified persons / no. of designers *5 Bousaiz = information management system at the time of disasters

Environmental Conservation

The SCREEN Group views the tackling of environmental issues such as global warming and chemical pollution as a fundamental task for achieving the sustainable development of society, and the Group is working to reduce CO_2 emissions, cut waste, lessen the environmental impact of products, conserve energy/resources, and preserve biodiversity.

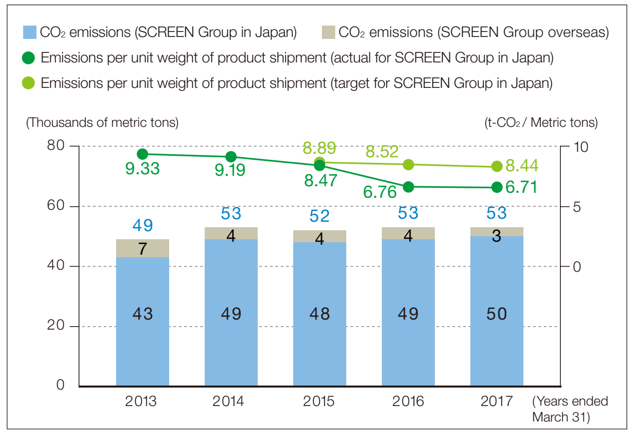
SCREEN Group CO_2 Emissions Rate by Product Life Cycle Stage

Reducing CO_2 Emissions from Our Businesses

The SCREEN Group's CO_2 emissions for the year ended March 2017 were 53,357 metric tons, representing a 1.6% increase on the previous year. However, the domestic Group reduced emissions by 19%, well above the GV21 Phase III annual target of reducing emissions per unit weight of product shipment to at least 3% below the baseline*1.

*1 Average for fiscal 2012-2014

● CO_2 Emissions and Emissions per Unit Weight of Product Shipment



Reducing waste

The SCREEN Group has long endeavored to reduce "external emissions*2," which includes valuable resources that are sold. During the year ended March 2017, the domestic Group generated waste amounting to 1,964 metric tons, representing an increase of 12% year-on-year. However, compared with the baseline, there was an 18% decline, easily meeting the GV21 Phase III annual target of reducing the volume of waste disposed of per unit weight of product shipment to at least 3% below the baseline*3.

*2 External emissions
Waste (recycled waste + combusted waste + buried waste) + valuable resources
*3 Average for fiscal 2012-2014
Trends in waste volume and water usage as well as GV21 Phase III results can be viewed on our website.

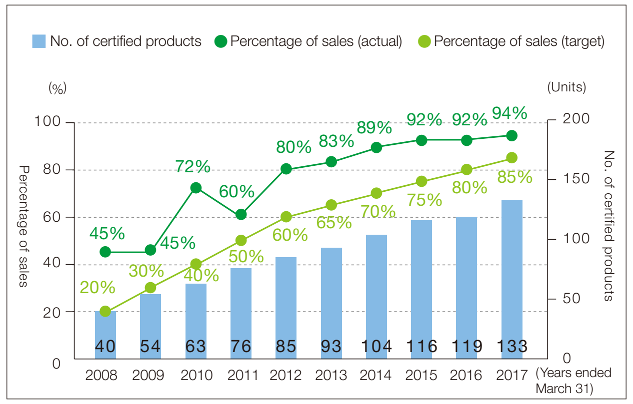
Trends with waste volume and water usage as well as GV21 Phase III results can be viewed on our website.

For more details, please see our website.
http://www.screen.co.jp/eng/csr/environment/index.html

Reducing Environmental Impact at Customer Sites

The SCREEN Group strives to develop products that help reduce environmental impact in order to actively contribute to its customers' environmental preservation efforts. Products that meet the Group's own assessment standards are certified as "Green Products," and are marketed as goods that offer strong environmental performance. In the year ended March 2017 these Green Products accounted for 94% of sales. Furthermore, 11 printing-equipment-related product lines have obtained high-level (three-star) green printing certification. The green printing certification system is based on voluntary environmental standards established by the Japan Federation of Printing Industries.

● Green Products as a Percentage of Sales



Reducing CO_2 Emissions When Products Are Used

Over the product lifecycle of the SCREEN Group's products, 95% of CO_2 emissions are generated when customers use them. We therefore endeavor to develop products that consume less energy, water, chemical liquids, etc. during use. In this way, we are working to reduce CO_2 emissions and achieve more efficient use of energy and resources throughout the product lifecycle (resource procurement, equipment manufacture, equipment transport, and use by customers).

The SCREEN Group established the basic policies with respect to human resources management as the code based on our corporate philosophies of “Sharing the Future”, “Human Resource Development” and “The Pursuit of Technology” in alignment with “SCREEN Group CSR Charter” and “SCREEN Group Code of Management”. And in accordance with this policy, we are striving to create an environment in which diverse employees can attain fulfillment from their work and each of them can fulfill his/her ability to a maximum extent.

Personnel Development

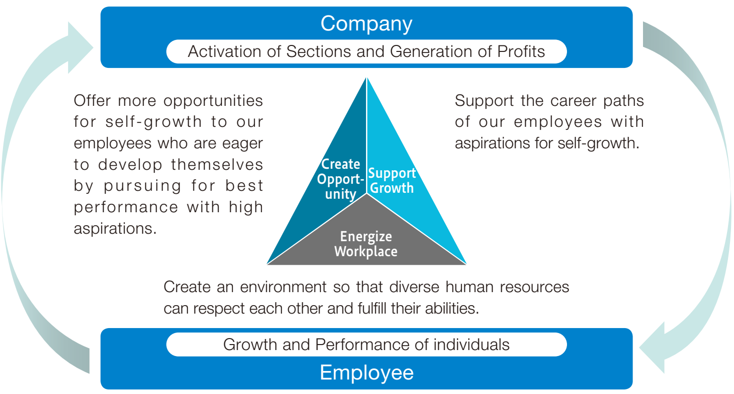
In fiscal 2016, the SCREEN Group established Personnel Development Plan “Basic Philosophy”, based on medium and long-term perspectives. The Basic Philosophy articulates a concept of personnel development, the definition of ideal personnel, and personnel development basic policies . By deploying systems and measures for realizing the basic policies , we aim to promote development of human resources in every rank, which are the source of enhancing corporate value, and develop next-generation directors and human resources with the views on group management to realize “Management Grand Design”.

Note: Personnel Development Plan “Basic Philosophy” initially applies to all employees of domestic SCREEN Group companies including subsidiaries and then will apply to employees of overseas companies step by step in consideration of compliance with laws and regulations of relevant countries.

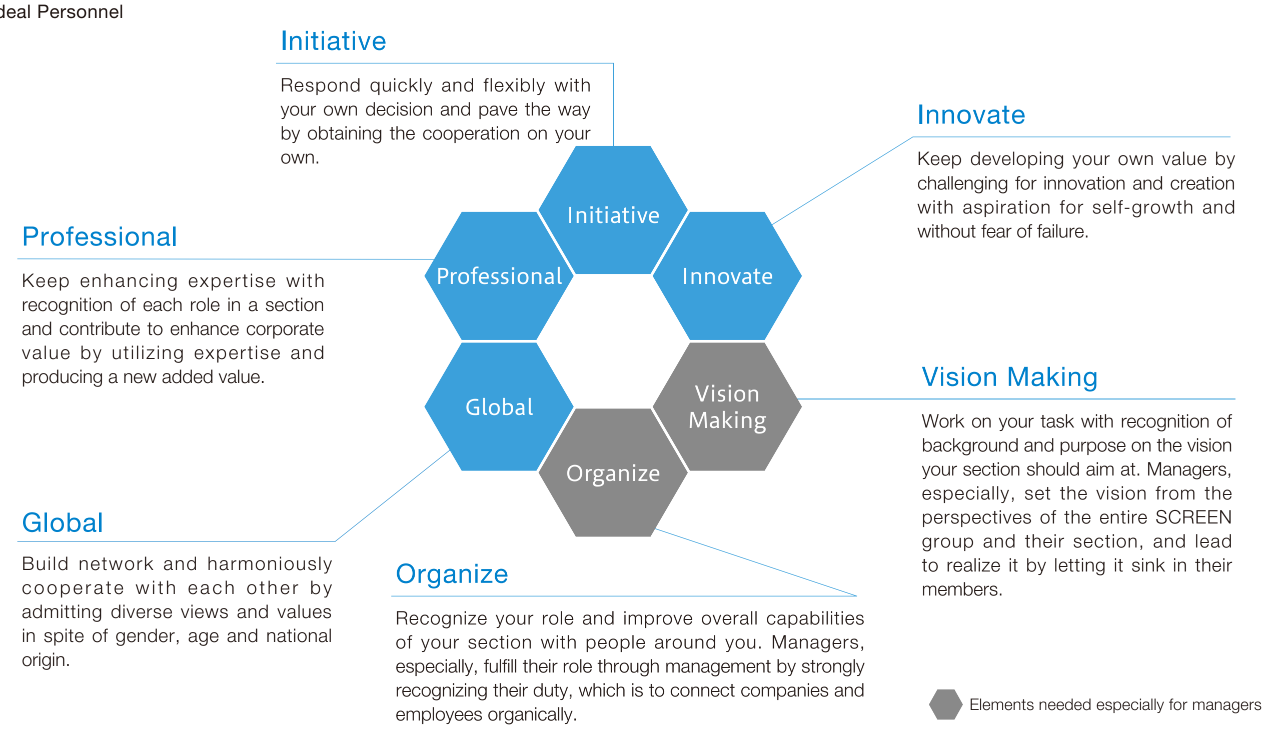
Concept of Personnel Development

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

- ○ We will support the career paths of each individual employee by enhancing programs and measures based on medium and long-term perspectives.
- ○ We will actively utilize diverse human resources to help each individual employees fulfill his/her ability to a maximum extent.
- ○ We will aim to establish a structure by which our employees and companies can grow together organically.



Ideal Personnel



Personnel Development Basic Policies

We have declared five basic policies, and are deploying systems and measures for their achievement.

01	Steadily develop human resources which are the source of strength of the SCREEN Group
02	Develop human resources which can create a new value by enhancing expertise
03	Develop human resources which can lead and activate sections by challenging for change depending on each role and quality
04	Develop human resources which can extend and integrate strength across sections with global views
05	Develop next-generation directors which can set and realize the vision by fusing sections and employees

Key Initiatives

- Revamp education systems and training programs and bring them together under the collective name of “SCREEN BUSINESS SCHOOL”
- Dispatch employees of SCREEN Holdings Co.,Ltd and major subsidiaries, particularly young and mid-career personnel, to study at graduate schools or research institutes in other fields to develop engineers in a strategic fashion
- Promote the hiring and development of human resources who can succeed globally and encourage interaction among personnel. Dispatch employees for overseas training, for overseas study, and to overseas research institutes, provide them with language training, bring employees of overseas Group companies to Japan for temporary assignments, accept international students as interns, etc.

Employment

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

Evaluation and Treatment

The SCREEN Group performs fair and acceptable evaluations based on roles and job performance. Equitable treatment that rewards each individual employee based on his/her evaluation and the performance of his/her company and section is also provided. This system is predicated on a firm commitment to discrimination-free remuneration and compliance with the remuneration-related laws of each country.

Employee-Employer Relations

As of March 31, 2017, labor union participation at SCREEN Holdings Co., Ltd. and major subsidiaries stands at 96.3%. Labor–management meetings with the labor union are held at least once a year (held six times in fiscal 2017) to discuss various issues pertaining to the working environment. Labor union members also attend Health and Safety Committee meetings, where we decide on annual occupational health and safety action plans to promote health and safety on an everyday basis. In principle, notices of the ratification of labor-management agreements concerning hiring and work conditions are posted at least one month in advance, and regular working-level negotiations are held twice a month.

Improving Work-Life Balance

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

Initiatives for Work-Life Balance

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

Initiatives in bold typeface are systems/measures that are unique to SCREEN

Occupational Health and Safety

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

We failed to meet the GV21 Phase III goals of eliminating accidents leading to four or more days of lost work and reducing the occurrence of accidents resulting in lost work globally. The expansion in our overseas sites has led to an increase in the number of occupational accidents involving overseas employees. For GV21 Phase IV*, we will continue working to eradicate occupational accidents.

* See p. 23 for the GV21 Phase IV targets.

Expanding Physical and Mental Health Management

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

With regard to mental health management, the Group conducts stress management checks, offers e-learning programs for self-care and line care, and provides counseling with industrial health staff as necessary. Individual support and consultations are also available from industrial health staff and through an external EAP (employee assistance program). The Group also has in place a reintegration program designed to help employees on leave due to mental health issues to quickly recover and return to work, and prevent the need for additional leave.

However, we failed to meet the GV21 Phase III goal of reducing the absenteeism rate for sickness. In GV21 Phase IV, we will be working not only to reduce the sick leave rate but also to eliminate passive smoking from workplaces.

● Results of GV21 Phase III (Fiscal 2015-2017)

Key Measures	Objective	Fiscal 2017 Target	Fiscal 2017 Result
Promote workplace health and safety	Eliminate accidents resulting in four or more lost work days	Zero accidents	Three accidents
	Reduce the number of accidents (worldwide) leading to lost work days	Ten or fewer such accidents (up to five in Japan and five overseas, including at customer sites)	13 such accidents (five in Japan and eight overseas)
	Reduce work days lost due to illness* * No. of employees who lose seven or more days in a given fiscal year (Apr. 1–Mar. 31) / no. of employees at the start of the fiscal year	Reduce by at least 10% compared with the baseline	1.6% reduction
	Implement thorough orderliness, cleanliness and education-related initiatives	Implement improvements based on potential hazard reports	2,078 potential hazard reports

ISO 9001-Based Quality Management

All Group business operating companies, as well as 15 domestic and overseas Group companies, are ISO 9001 certified. To maintain these certifications and increase customer satisfaction, we apply a quality management system that conforms to ISO 9001 to improve our products and services.

Awards

The SCREEN Group strives to provide beneficial products and services using its proprietary technology. The Group's products received praise and recognition from many customers in fiscal 2017. We will continue to contribute to society through our products and services.

Adoption Example / Name of Award	Given in Recognition of	Recipient
Use of Hiragino fonts on multilingual signs as part of the efforts to promote Kobe as an international city	Our fonts, which, thanks to their myriad of potential uses and attractive designs, have been used on information signs, expressway signs, televisions and mobile phone displays, etc., were selected as the fonts to be used in this promotional campaign	SCREEN Graphic Solutions Co., Ltd.
Regional Supplier Recognition Award from Texas Instruments Incorporated	Among the various suppliers to Texas Instruments Japan Limited, we were praised for the outstanding contribution we make to that company through our provision of equipment and services, and also for the fact that we are continuously enhancing that contribution. Our company was selected under the approval of Texas Instruments' global headquarters in Dallas	SCREEN Semiconductor Solutions Co., Ltd.
Technical Innovation Award from SK Hynix	We helped this company to significantly reduce defects and increase profitability by adding our Single SPM Process from Batch Clean to the 3D NAND Clean process	

Corporate Governance

The SCREEN Group has been working proactively to enhance corporate governance to further improve transparency, soundness, and efficiency in management and thus benefit all stakeholders. As part of Challenge 2019, our new medium-term management plan, we will be "Implementing a system of both passive and active governance."

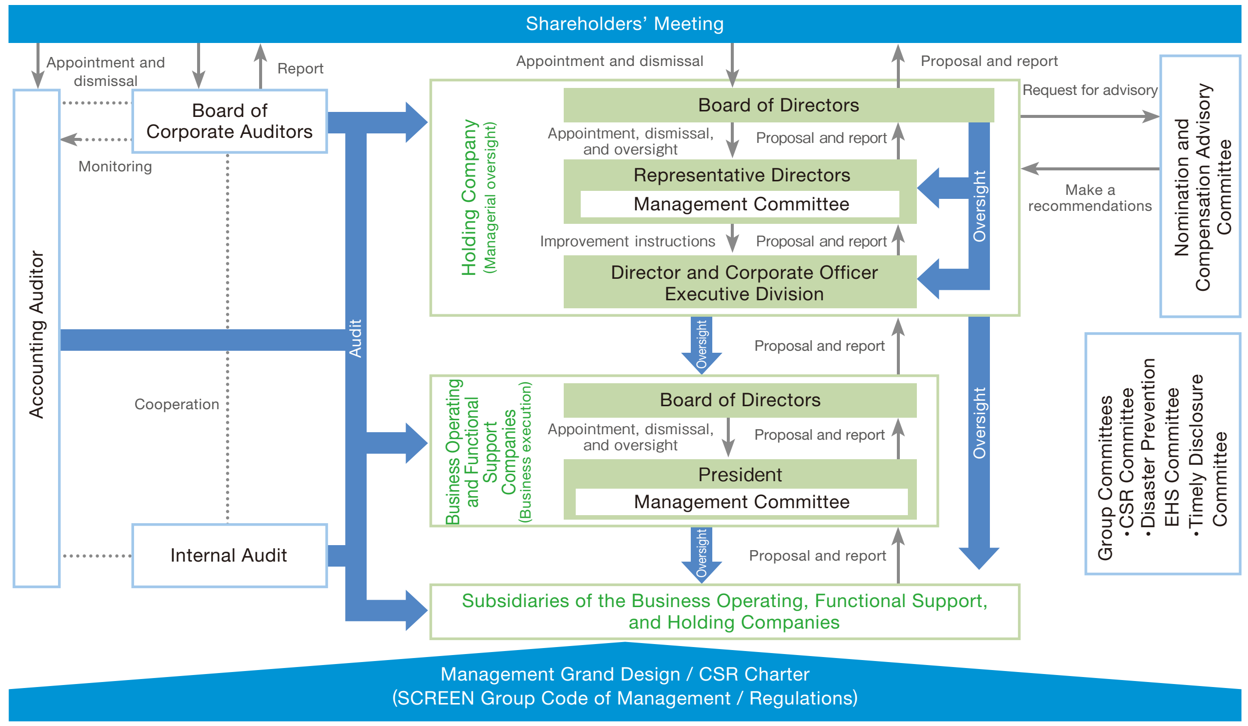
Management and Executive System

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

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

The Board of Directors includes three outside directors to improve its transparency and soundness, and to strengthen management oversight. The Company has adopted a corporate officer system to promote faster, more efficient management. The Management Committee, comprising the full-time directors and corporate officers, ordinarily meets twice a month to deliberate matters related to management and business execution and facilitate the decision making of the Board of Directors and representative directors. The presidents of the business operating and functional support companies (eight companies in total) also participate as needed.

● Corporate Governance Structure



Management and Executive System for Business Operating and Functional Support Companies

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

Board of Corporate Auditors

The Board of Corporate Auditors holds two regular meetings per month and additional meetings as necessary.

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

Responding to the Corporate Governance Code

The SCREEN Group has taken measures to respond to the June 2015 application of the Tokyo Stock Exchange's Corporate Governance Code. The Group's previous Compensation Advisory Committee has been reinforced and renamed the Nomination and Compensation Advisory Committee, and the selection of candidates for director and corporate auditor positions has also been made subject to advice. The Group has also more clearly specified the division of roles between the holding company and the business operating and functional support companies, as well as the selection criteria for directors and corporate auditors, including outside directors and corporate auditors. Under the Corporate Philosophy, the SCREEN Group works to implement a corporate governance system appropriate for its business structure, and to ensure timely disclosure. We will continue to pursue transparency, soundness, and efficiency as we aim for the overall benefit of all our stakeholders. A report on our corporate governance is also available on our website. (Japanese only)

Outside Directors and Outside Corporate Auditors

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

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

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

Criteria for Independence of Outside Directors and Outside Corporate Auditors
http://www.screen.co.jp/profile/20170509_Ind_Crit_E.pdf

Management Compensation

Directors' and corporate executive officers' compensation consists of two elements: cash compensation and stock compensation.

Cash compensation comprises two components: (1) fixed remuneration (a fixed amount paid each month) and (2) performance-based bonuses (decided based on annual performance). Stock compensation, meanwhile, takes the form of performance-based stock bonuses (decided based on the individual's position, annual performance, and the degree to which the targets specified in medium-term management plans are being achieved). Stock compensation was introduced with the aims of linking management compensation with the value of the company's shares and increasing motivation to achieve the performance targets contained in medium-term management plans. Another reason was that, by encouraging directors and corporate executive officers to hold shares in the company, they become more focused on enhancing our enterprise value in a sustainable fashion and more aware of our corporate performance and our stock price.

Management compensation is determined following deliberations after seeking advice from the Nomination and Compensation Advisory Committee, which comprises representative directors and outside directors. Please note that corporate auditors are paid only fixed remuneration, the amount of which is determined after deliberation by the Board of Corporate Auditors.

● Outside Directors and Outside Corporate Auditors (Fiscal 2017)

Name	Relation to the Group	Contributions	Attendance
Outside Directors			
Yoshio Tateishi (Honorary Chairman, OMRON Corporation) In office since June 2006	OMRON Corporation is a business partner of the Group, but the volume of trade is insignificant.	Provided opinions from various perspectives based on his deep insight fostered during years of management experience and his wide-ranging experience in the business community.	Board of Directors 16/16
Shosaku Murayama (Representative Director and President, iPS PORTAL, Inc.) In office since June 2013	iPS PORTAL, Inc. is a business partner of the Group, as we outsource some sales-promotion-related work to it, but the volume of trade is insignificant.	Provided insight from various perspectives based on the wealth and breadth of his experience at the Bank of Japan and other companies.	Board of Directors 16/16
Shigeru Saito (Chairman and CEO, TOSE CO., LTD.) In office since June 2013	No special relationship with the Group.	Provided insight from various perspectives based on the wealth of his experience in corporate management and elsewhere.	Board of Directors 16/16
Outside Corporate Auditors			
Tsutomu Tsutsumi*1 (Advisor, Kyoyu Shoji Co., Ltd.) In office from June 2012 to June 2016	No special relationship with the Group.	Provided insight from a neutral, objective perspective based on the wealth of his experience in corporate management and elsewhere.	Board of Directors 3/3 Board of Corporate Auditors 6/6
Kenzaburo Nishikawa (President and Representative Director, Shigagin Lease Capital Co., Ltd.) In office since June 2014	No special relationship with the Group.	Provided insight from a neutral, objective perspective based on the wealth of his experience in corporate management and elsewhere.	Board of Directors 16/16 Board of Corporate Auditors 25/25
Yoshio Nishi*2 (Chairman, Kyoto Research Institute, Inc.) In office since June 2016	No special relationship with the Group.	Provided insight from a neutral, objective perspective based on the wealth of his experience in corporate management and elsewhere。	Board of Directors 13/13 Board of Corporate Auditors 19/19

*1 In June 2017 Mr. Tsutsumi left his post as President and Representative Director of Kyoyu Shoji Co., Ltd. and assumed his current position
*2 In June 2017 Mr. Nishi left his post as Chairman and Representative Director of Karasuma Shoji Co., Ltd. and assumed his current position

Compliance and Risk Management

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

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

http://www.screen.co.jp/eng/csr/management/risk.html

Disclosure Policy

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

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

Disclosure Policy
http://www.screen.co.jp/eng/ir/disclosure_policy.html

Dialogue with Shareholders

The aim of our investor relations (IR) activities is to communicate our vision, business conditions, and financial position in a precise, timely, and clear-cut fashion to shareholders and investors, while aiming to make the most of the feedback received from them to improve company management and thereby achieve the sustained enhancement of our corporate value. We publish an annual report, investors' guide, and quarterly Japanese-language shareholder newsletter, and our website contains IR information such as explanations of our operating results as well as information on product releases. Through these initiatives, we are endeavoring to achieve proper disclosure.

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

IR Information
http://www.screen.co.jp/eng/ir/index.html

Number of Dialogue-Based IR Activities (Fiscal 2017)

- Earnings presentations: 4
- Meetings with institutional investors/analysts: Approximately 400
- Overseas IR activities: 3 (North America, Europe, and Asia)
- Institutional investor events, domestic conferences: 8
- Plant tours for institutional investors: 2
- Corporate presentations for individual investors: 13
- Plant tours for individual investors: 1

Main Community Contribution Activities

Support for the development and education of the next generation	The SCREEN Group supports the development and education of the next generation by providing various learning experiences. For example, we offer facility tours for elementary, junior high, and high school students, and provide work experience opportunities. We also run workshops at the Kyoto Manufacturing Expo and present the SCREEN Prize at the Science Inter-college Competition, an event organized by the Ministry of Education, Culture, Sports, Science and Technology that we jointly sponsor. Overseas, the Group also sponsors a robot technology competition in New York.	
Interaction with the local community	SCREEN Holdings Co.,Ltd employees carried parade floats and volunteered in a waste reduction campaign at the Gion Festival, one of Japan's three most famous annual festivals, thus deepening ties with the community. We are also a corporate sponsor of the Biwako Museum, a "feeding-cost supporter" of Kyoto City Zoo, and a joint sponsor of a project to relocate a model of the Heian-kyo Rajomon Gate to an area in front of Kyoto Station.	
Social benefit activities	The SCREEN Group participates in the "Table for Two" project, which provides money to help pay for school meals for children in developing countries, while confectionery produced at facilities for the disabled is sold in the employee cafeteria as a way of supporting employment for people with disabilities. We have also begun exhibiting pictures supplied by an NPO called Tensai-Art Kyoto inside our facilities. These works of art illustrate the high level of creativity and artistry of people with disabilities. At our facilities in South Korea, we perform a range of activities to benefit children, low-income families, the sick, and others. Facilities in Israel make donations, including of food, for families in need. These facilities also donate to an organization for the visually impaired and volunteers help out at the organization's facilities.	
Cleanup activities	The SCREEN Group regularly holds clean-up activities in the areas around all its facilities. The Group also joins local people in clean-ups around Lake Biwa and river areas in Takamiya-cho, Hikone City. Furthermore, the Group provides assistance in the area of forest maintenance as a member of the Kyoto Model Forest Association.	

Our outside directors have made recommendations, from an objective standpoint, as to how we can improve SCREEN's governance and enhance its value as an corporate group.

Striving to Continuously Raise Corporate Value

I believe that the purpose of the Board of Directors is to continuously increase the value of the corporate group. Governance provides a means of achieving this, but I'm conscious that it's not the be-all and end-all, so I focus on discharging a supervisory role that enhances the effectiveness of governance. Personnel and compensation are especially important areas for monitoring, and I intend to continue targeting my efforts on ensuring that the Nomination and Compensation Advisory Committee functions as intended.

To evaluate the effectiveness of the Board of Directors, reflecting its actual circumstances, it is important that all the directors who will actually deliberate on issues at meetings of the Board start by settling on a policy for how meetings will be conducted and by determining key issues, and then, at the end of the fiscal year, take the results of self-assessments into account and follow the same cycle during the next fiscal year in order to increase effectiveness.

I intend to continue to utilize my many years of management experience to proactively offer opinions that could only come from an outside director, and thereby contribute to enhancing the value of the corporate group on a continuous basis.

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

Looking Forward to Discussing the Development of New Businesses

As an outside director, I base my decisions on two dimensions. The first involves checking whether decisions made by the Board are not overly shaped by what the industry or SCREEN mistakenly believes to be common sense, and whether decisions are not departures from what is considered common sense in society. The second involves checking whether internal systems are functioning properly. To make the right decisions, the Board needs to be given accurate information, and I believe that SCREEN operates a governance system that has been put together with great care. Factors such as the detailed rules on responsibility and authority that have been established by the Group attest to this.

An ongoing task from the previous medium-term management plan is to establish new businesses. With SCREEN's mainstay businesses currently performing strongly, it is important that investments in new businesses are made now in order to nurture shoots for the future. I intend to use meetings of the Board as opportunities to discuss issues such as whether certain businesses should be maintained or not, while examining the balance between investment contents and periods.

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

Motivating Employees and Enabling them to Unleash their Potential

For SCREEN, which has Group companies all over the world, the governance of Group companies is going to become increasingly important. Business practices, laws, regulations, etc. differ from country to country, and risks must be hedged accordingly. To that end, I believe it is vital that the SCREEN Holdings mindset reaches the employees of Group companies, and that more rigorous checks are performed.

Furthermore, to increase the value of the Group over the long term, personnel development is going to be crucial. SCREEN has formulated a new personnel development plan, and robust systems have been put in place, but it's going to be important to adapt them to different job types and ages. The video game software company that I run has a diverse range of employees, and has taken a variety of ingenious measures for boosting motivation and maintaining a work-life balance. I intend to employ such insights as I make recommendations to the Board.

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

Directors

Eiji Kakiuchi
President
Member of the Board
Chief Executive Officer

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

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

Soichi Nadahara
Managing Director
Member of the Board
Chief Technology Officer

Yoichi Kondo
Managing Director
Member of the Board
Chief Financial Officer

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

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

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

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

Corporate Auditors

Tatsuo Miyawaki
Senior Corporate Auditor

Akio Umeda
Corporate Auditor

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

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

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

Message from the Chairman Emeritus

In the fiscal year ended March 31, 2017, which was the final year of the "Challenge 2016" medium-term management plan, SCREEN Holdings performed strongly, chalking up its highest ever figure for operating income. Under the leadership of President Kakiuchi, we have made a start towards realizing the "growth and qualitative improvement of the Group itself," basic concept of our new medium-term management plan: Challenge 2019. With the SCREEN Group performing well, and the holdings structure now firmly established, I took the opportunity to step down as a director, having served on the Board for 40 years.

Although I've taken a step back from the frontline of management, as Chairman Emeritus, I hope to be of some use in fostering unity among the 50 domestic and overseas companies that comprise the Group. I also intend to step up my external activities, working to develop our industry, which made me the person I am, nurture startup firms, and so on. By contributing to society in this way, I hope to play a part in our CSR management.

I would like to express my deepest gratitude to all our stakeholders, who have supported me as a director for four decades, and I ask for your continued support and encouragement for the SCREEN Group going forward.

Akira Ishida
Chairman Emeritus
SCREEN Holdings Co., Ltd.

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Management's Discussion and Analysis

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

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

Operating Results

Dollar figures are translated, for convenience only, at the rate of ¥112 to US$1.00.

Sales

Consolidated net sales for fiscal 2017, ended March 31, 2017, rose 15.6% year on year to ¥300,234 million.

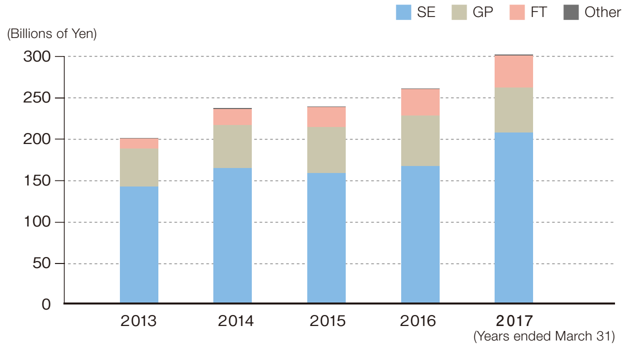
In the Semiconductor Solutions (SE) segment, sales to foundries jumped significantly year on year and those to memory manufacturers also remained strong. By product, sales of single-wafer cleaning equipment increased substantially, reflecting an increase in capital investment by customers in miniaturization, and sales of batch-type cleaning equipment continued to rise.

In the Graphic and Precision Solutions (GP) segment, despite our efforts to further penetrate the print on demand (POD) equipment market, sales of graphic arts equipment decreased year on year reflecting a decrease in overseas sales due to the appreciation of the yen during the period as well as stagnant sales in Japan. Sales of printed circuit board (PCB)-related equipment were roughly flat year on year.

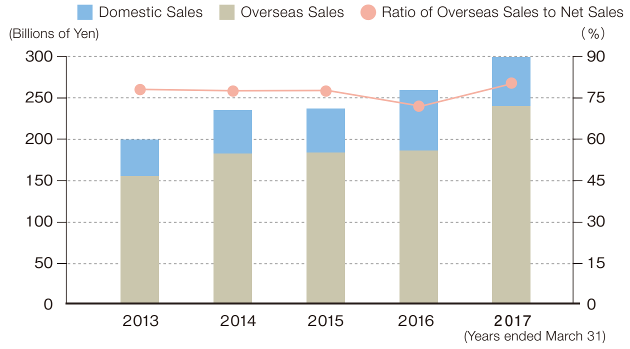
In the Finetech Solutions (FT) segment, while sales in China of production equipment for large-sized LCD panels declined year on year, those in Japan, China and Taiwan of production equipment for small- and medium-sized LCD panels increased year on year.

Total overseas sales rose by ¥54,402 million, or 29.2%, year on year to ¥240,848 million. The ratio of overseas sales to consolidated net sales increased 8.4 percentage points to 80.2%. In North America, sales in the SE segment decreased, resulting in regional sales of ¥27,543 million, down 24.0% year on year. In Asia & Oceania, sales rose in the SE segment, leading regional sales to climb 42.2% year on year to ¥180,171 million. In Europe, while sales in the GP segment plunged, those in the SE segment rose, leading to regional sales of ¥22,873 million, up 13.5%. In other regions, net sales surged 206.3% year on year to ¥10,261 million.

Consolidated Net Sales by Reportable Segment



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



Cost of Sales and SGA Expenses

The ratio of cost of sales to net sales during the fiscal year under review remained flat from the previous fiscal year at 68.8%, due to an increase in sales which offset the increase in R&D expenses. Selling, general and administrative (SGA) expenses increased by ¥2,374 million, or 4.1%, year on year to ¥59,815 million, due to increases in R&D expenses and personnel costs as a result of the reinforcement of overseas bases. The ratio of SGA expenses to net sales improved from 22.1% to 19.9% in the fiscal year under review, reflecting the increase in net sales which more than offset the increase in SGA expenses.

As a result, operating income rose ¥10,175 million year on year to ¥33,732 million.

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2017**	2016	2015	2014	2013	**2017**
Net sales	**¥300,234**	¥259,675	¥237,646	¥235,946	¥199,795	**$2,680,661**
Cost of sales	**206,687**	178,677	165,192	177,175	157,790	**1,845,420**
Cost of sales to net sales (%)	**68.8%**	68.8%	69.5%	75.1%	79.0%	
Gross profit	**¥ 93,547**	¥ 80,998	¥ 72,454	¥ 58,771	¥ 42,005	**$ 835,241**
SGA expenses	**59,815**	57,441	55,286	49,868	46,838	**534,062**
SGA expenses to net sales (%)	**19.9%**	22.1%	23.3%	21.1%	23.4%	

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

Research and Development Expenses

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

During the year under review, the Group invested ¥17,794 million in R&D. We invested mainly in reinforcing and expanding existing businesses, particularly those in the SE segment, as well as in aggressive R&D for new business creation in the new business fields of life science, inspection and measurement, and printed electronics.

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

With regard to the SE segment, focusing on the development of ultra-miniaturization technologies to create IC circuits, the Group continued joint development with overseas research institutions of cutting-edge semiconductor processes, including cleaning, wet etching, lithography (coater/developers), and razor annealing. Also, to meet customer demands, including those for higher stability, productivity and cost efficiency as well as compatibility with next-generation processes, we developed the SU-3300 single-wafer cleaning equipment which has delivered high performance, addressing challenges such as the suppression of pattern collapse and the removal of microscopic particles and at the same time realizing further reduction of total cost. Moreover, in response to the laminating of semiconductor chips and the Fan-Out technology, we developed DW-3000 for PLP, a direct imaging exposure system for large-sized LCD panels, which has enabled optimal exposure by realizing the highest resolution in the world for FOPLP (Fan-Out Panel Level Packaging) in the area of assembly and testing processes for semiconductors. This segment's R&D expenses amounted to ¥9,068 million.

In the GP segment, with regard to graphic arts equipment, the Group partnered with a European company on the joint development of high-speed in-line-type digital printing solutions for the corrugated cardboard industry. The segment also advanced product development aimed at further improving the speed and resolution of PCB-related equipment to expand its lineup of direct imaging equipment. This segment's R&D expenses amounted to ¥3,802 million.

In the FT segment, we developed a technology for directly coating and drying electrode catalysts for electrolyte membranes used in fuel cells in the energy field. Using this technology, we developed the RT series, fuel cell production equipment that enables continuous production of membranes with catalyst layers using the roll-to-roll method, thus realizing significant improvement of productivity and reduction of production cost. This segment's R&D expenses amounted to ¥1,214 million.

In addition to the above segments, SCREEN Holdings Co., Ltd. also engaged in basic research and R&D related to new business fields. R&D expenses in these areas amounted to ¥3,710 million.

In the life science field, the Group developed a system that enables efficient manufacturing of organ models for surgeries. In addition, we developed MED64 Presto, a high-throughput recording system for extracellular field potential, which is expected to contribute to drug discovery screening and assessment of drug efficacy by using iPS/ES cell-derived neurons and cardiomyocytes.

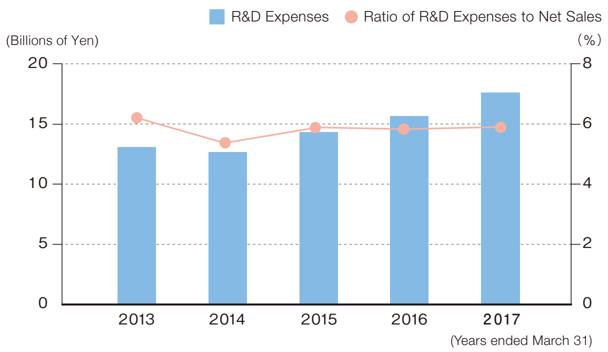
In the inspection and measurement field, we developed an automatic optical inspection system that can contribute to the enhancement of quality and productivity by automatically detecting minute scratching on the several dozen micrometer scale for cold forged automobile components for which safety is critical as they are used in key parts of automobiles such as transmission.

In the printed electronics field, the Group continued the efforts from the previous fiscal year to develop engraving technology that allows easy line formation in one pass when forming complex circuits with multiple line widths.

Meanwhile, as a result of the spinning off of a business operation from the Company, SCREEN Advanced System Solutions Co., Ltd. began business operations on October 1, 2016 in order to expand its software-based systems business.

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

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



	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2017**	2016	2015	2014	2013	**2017**
R&D expenses	**¥17,794**	¥15,166	¥13,972	¥12,274	¥12,685	**$158,875**
R&D expenses to net sales (%)	**5.9%**	5.8%	5.9%	5.2%	6.3%	

Segment Information

In the SE segment, sales to foundries jumped significantly year on year, and those to memory manufacturers also remained robust. By product, sales of single-wafer cleaning equipment increased substantially, reflecting the capital investment by customers in miniaturization, and sales of batch-type cleaning equipment continued to rise. By region, while sales in Japan and North America fell, sales in Asia, mainly in Taiwan and China, recorded a significant increase. As a result, net sales in this segment amounted to ¥206,098 million, up 24.3% year on year. Operating income in this segment came to ¥29,315 million, up 56.6% from the previous fiscal year, reflecting an increase in net sales despite an increase in personnel costs in line with a rise in R&D expenses and the reinforcement of overseas bases.

In the GP segment, sales of graphic arts equipment decreased year on year due to a decrease in overseas sales reflecting the effect of the appreciation of the yen during the period as well as stagnant sales in Japan, despite our efforts to further penetrate the print on demand (POD) equipment market. Sales of printed circuit board (PCB)-related equipment were roughly flat year on year. As a result, net sales in this segment declined to ¥54,748 million, down 10.7% year on year. Despite our efforts to reduce variable cost, the segment posted operating income of ¥2,224 million, down 29.8% from the previous fiscal year, due mainly to the decrease in net income.

The FT segment, while sales of production equipment for large-sized LCD panels in China decreased year on year, those of production equipment for small- and medium-sized LCD panels in Japan, China and Taiwan grew from the previous fiscal year. As a result, this segment posted net sales of ¥38,104 million, up 20.6% year on year, and operating income of ¥4,392 million, up 59.8% year on year.

Earnings Analysis

Net sales for the Group as a whole rose ¥40,559 million, or 15.6%, year on year to ¥300,234 million as a result of increases in sales in the SE and FT segments despite a decrease in sales in the GP segment, as described above.

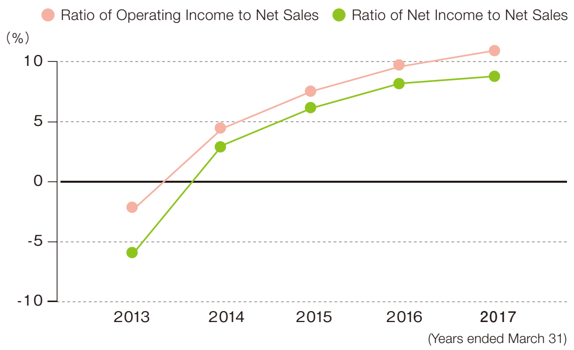
Operating income came to ¥33,732 million, up ¥10,175 million year on year due to the increase in sales and improvement in the variable cost ratio, despite the increase in fixed costs, including personnel costs and R&D expenses. The ratio of operating income to net sales improved 2.1 percentage points from the previous fiscal year to 11.2%.

There was a ¥3,063 million deterioration in net other income and expenses from a net other income in the preceding fiscal year to net other expenses of ¥2,677 million in the year under review. This was largely attributable to the recording of impairment loss on non-current assets and loss on retirement of non-current assets, despite gain on sales of investment securities, reflecting the sale of held stocks.

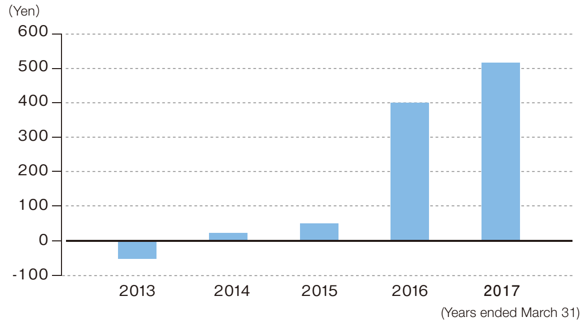
Income before income taxes was ¥31,055 million, up ¥7,112 million year on year, and profit attributable to owners of parent was ¥24,169 million, up ¥5,353 million. The ratio of profit attributable to owners of parent to net sales improved 0.9 percentage points from the previous term to 8.1%.

Net income per share of common stock was ¥511.96, an improvement of ¥115.21 from the previous fiscal year, and return on equity improved 2.1 percentage points from the previous term to 18.4%. Return on total assets improved 1.3 percentage points from the previous term to 8.5%.

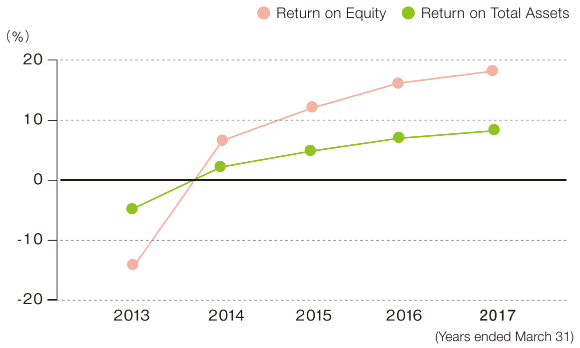
● Ratio of Operating Income to Net Sales and Ratio of Net Income to Net Sales



● Net Income Per Share of Capital Stock



● Return on Equity and Return on Total Assets



Years ended March 31,	Millions of yen 2017	2016	2015	2014	2013	Thousands of U.S. dollars 2017
Operating income (loss)	**¥33,732**	¥23,557	¥17,168	¥8,903	¥ (4,833)	**$301,179**
Operating income to net sales (%)	**11.2%**	9.1%	7.2%	3.8%	-2.4%	
Profit (loss) attributable to owners of parent	**¥24,169**	¥18,816	¥12,122	¥5,419	¥(11,333)	**$215,795**
Net income to net sales (%)	**8.1%**	7.2%	5.1%	2.3%	-5.7%	
Per share of capital stock (yen)						
Net income (loss)	**¥511.96**	¥396.75	¥ 51.07	¥22.83	¥ (47.75)	**$ 4.57**
Net income—diluted	**–**	–	–	–	–	**–**
Return on equity (%)	**18.4%**	16.3%	12.3%	6.7%	-14.2%	
Return on total assets (%)	**8.5%**	7.2%	5.0%	2.3%	-4.8%	

Notes: 1. Return on equity and return on total assets are calculated on the basis of average equity and average total assets, respectively, for the current and previous fiscal year-ends.
2. Effective from the fiscal year ended March 31, 2014, for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.
3. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share of capital stock is calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

Financial Position and Liquidity

Assets, Liabilities, and Net Assets

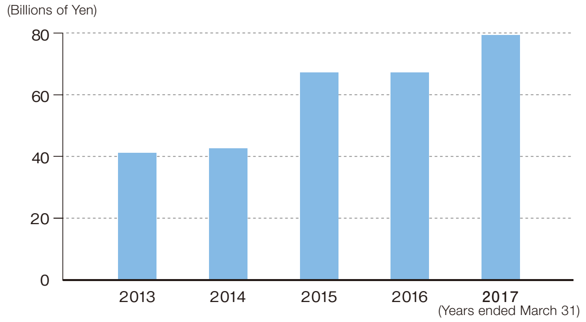
Total assets as of March 31, 2017 stood at ¥300,660 million, an increase of ¥30,566 million, or 11.3%, compared with March 31, 2016. This was largely due to increases in cash and time deposits and inventories, despite a decrease in trade notes and accounts receivable.

Total liabilities amounted to ¥157,744 million, up ¥7,939 million, or 5.3%, compared with the end of the previous fiscal year. This was mainly attributable to increases in trade notes and accounts payable and advances received, despite a decrease in interest-bearing debt. Interest-bearing debt decreased ¥22,049 million, or 55.6%, from March 31, 2016 to ¥17,587 million. Net interest-bearing debt, or interest-bearing debt minus cash and time deposits, decreased ¥38,510 million compared with the previous fiscal year-end to negative (net cash position of) ¥31,246 million due to a significant improvement in cash flows from operating activities.

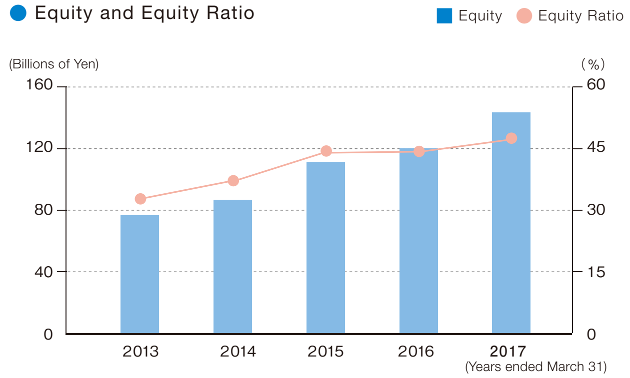
Total net assets amounted to ¥142,916 million, up ¥22,627 million, or 18.8%, from March 31, 2016. This was mainly attributable to increases in retained earnings as a result of the recording of profit attributable to owners of parent and valuation difference on available-for-sale securities.

As a result, the equity ratio as of March 31, 2017 was 47.5%.

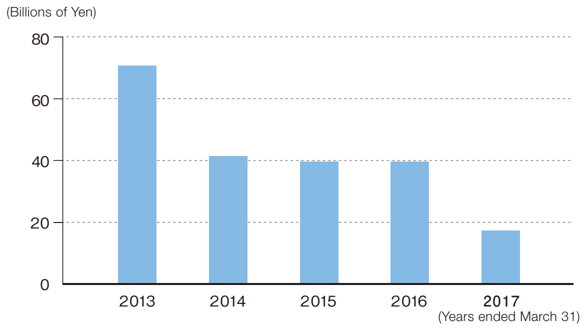
● Working Capital



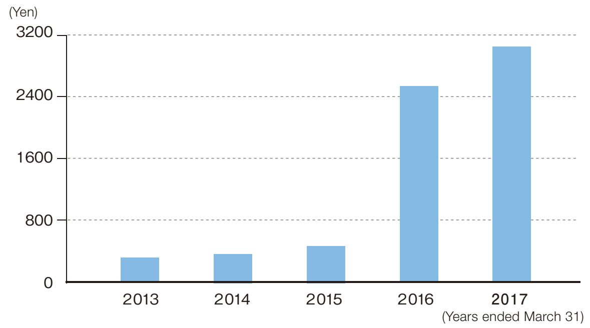
● Equity and Equity Ratio



● Interest-Bearing Debt



● Net Assets Per Share of Capital Stock



As of March 31,	Millions of yen 2017	2016	2015	2014	2013	Thousands of U.S. dollars 2017
Total assets	**¥ 300,660**	¥ 270,094	¥ 249,517	¥ 232,376	¥ 232,390	**$ 2,684,464**
Reportable Segment: SE	**163,899**	132,524	114,733	119,015	117,714	**1,463,384**
GP	**51,000**	50,334	53,289	48,963	46,653	**455,357**
FT	**31,826**	28,372	20,624	13,664	13,428	**284,161**
Other	**9,054**	6,637	4,979	3,566	4,043	**80,839**
Adjustments	**44,881**	52,227	55,892	47,168	50,552	**400,723**
Working capital	**79,583**	67,665	67,617	42,960	41,600	**710,563**
Interest-bearing debt	**17,587**	39,636	39,677	41,375	70,443	**157,027**
Equity	**142,805**	119,650	110,865	86,448	76,248	**1,275,044**
Equity ratio (%)	**47.5%**	44.3%	44.4%	37.2%	32.8%	
Net assets per share of capital stock (yen)	**¥3,040.79**	¥ 2,533.41	¥ 467.13	¥ 364.23	¥ 321.24	**$ 27.15**

Notes: 1. Effective from the fiscal year ended March 31, 2014, for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.
2. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net assets per share of capital stock are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

Capital Expenditures and Depreciation and Amortization

For the year ended March 31, 2017, Group capital expenditures, including expenditures for intangible fixed assets, totaled ¥8,256 million.

In the SE segment, capital expenditures, centered on R&D and manufacturing facilities for semiconductor production equipment, amounted to ¥5,070 million.

Capital expenditures in the GP segment, centered on R&D and manufacturing facilities for graphic arts equipment, were ¥1,111 million.

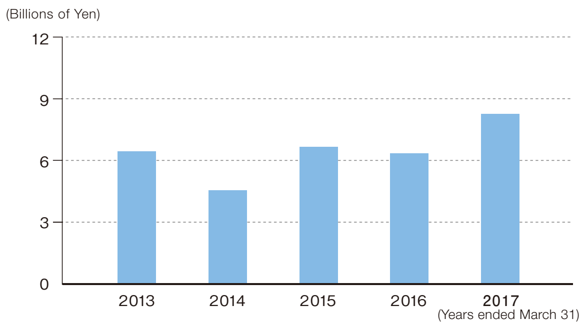
In the FT segment, capital expenditures, invested mainly in R&D and other facilities for FPD production equipment, totaled ¥297 million.

Capital expenditures for other businesses, which went mainly to R&D facilities, came to ¥686 million.

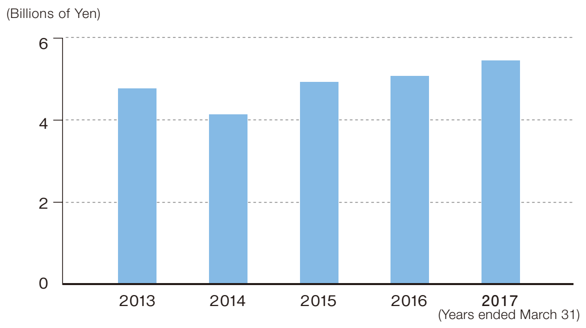
On a Groupwide basis, capital expenditures, centered on core business systems, amounted to ¥1,092 million.

Depreciation and amortization during the year came to ¥5,398 million, up ¥368 million, or 7.3%, from the previous fiscal year.

● Capital Expenditures



● Depreciation and Amortization



	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2017**	2016	2015	2014	2013	**2017**
Capital expenditures	**¥ 8,256**	¥ 6,352	¥ 6,659	¥ 4,574	¥ 6,450	**$ 73,714**
Reportable Segment: SE	**5,070**	3,571	4,221	2,224	4,238	**45,268**
GP	**1,111**	823	866	868	899	**9,920**
FT	**297**	181	172	86	132	**2,652**
Other	**686**	245	139	206	154	**6,124**
Adjustments	**1,092**	1,532	1,261	1,190	1,027	**9,750**
Depreciation and amortization	**¥ 5,398**	¥ 5,030	¥ 4,880	¥ 4,101	¥ 4,731	**$ 48,196**
Reportable Segment: SE	**2,602**	2,490	2,620	2,542	2,970	**23,232**
GP	**688**	646	625	485	407	**6,143**
FT	**102**	88	59	80	79	**911**
Other	**344**	185	119	110	103	**3,071**
Adjustments	**1,662**	1,621	1,457	884	1,172	**14,839**

Cash Flows

Cash flows during the fiscal year ended March 31, 2017, were as follows.

Net cash provided by operating activities significantly increased to ¥49,024 million, compared with ¥14,721 million provided by operating activities in the previous fiscal year. This was because a decrease in trade notes and accounts receivable, increases in trade notes and accounts payable and advances received, and other inflows surpassed an increase in inventories and other cash outflows.

Net cash used in investing activities amounted to ¥5,860 million, compared with ¥2,558 million used in investing activities in the previous fiscal year. This was attributable to the purchase of property, plant and equipment, such as equipment for R&D.

Net cash used in financing activities amounted to ¥27,479 million, compared with ¥2,846 million used in financing activities in the previous fiscal year. This was attributable mainly to the redemption of bonds, repayments of long-term debt, cash dividends paid and the acquisition of treasury stock.

As a result, cash and cash equivalents as of March 31, 2017, totaled ¥44,923 million, up ¥14,766 million from March 31, 2016.

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2017**	2016	2015	2014	2013	**2017**
Cash flows from operating activities	**¥ 49,024**	¥ 14,721	¥(1,492)	¥ 24,703	¥(15,320)	**$ 437,714**
Cash flows from investing activities	**(5,860)**	(2,558)	(6,318)	(4,201)	(5,768)	**(52,321)**
Cash flows from financing activities	**(27,479)**	(2,846)	(3,823)	(29,302)	21,534	**(245,348)**
Effect of exchange rate changes on cash and cash equivalents	**(919)**	(1,151)	2,062	2,335	1,949	**(8,206)**
Net increase (decrease) in cash and cash equivalents	**¥ 14,766**	¥ 8,166	¥(9,571)	¥ (6,465)	¥ 2,395	**$ 131,839**

Risk Factors

(1)Semiconductor and FPD market trends

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

(2)Concentration of transactions with specific customers

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

(3)Concentration of production sites

The SCREEN Group's domestic manufacturing sites are concentrated in the Kyoto and Shiga regions, and a 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 halting of operations at a production site as a result of such a disaster could have a material impact on the Group's financial condition and business performance.

(4)Product quality

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

(5)New product development

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

(6) Intellectual property rights

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

(7)Information security

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

(8)Corporate acquisitions and capital participation

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

(9)Major lawsuits

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

(10)Interest rate fluctuations

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

(11)Procurement of funds

Certain loan contracts of the Company provide for financial covenants regarding its consolidated net assets at the end of each fiscal year and its consolidated ordinary income (loss) of each fiscal year. If these covenants were to be breached and the financial institutions required repayment, the Company could be forced to forfeit the benefit of time in relation to such loans. In such a case, the Company could also forfeit the benefit of time in relation to its bonds and other loans. If the Company forfeits the benefit of time for its loans and incurs the obligation to make a lump-sum repayment, it could have a material impact on the Group's financial condition.The Company currently has no loan based on a contract providing for financial covenants.

(12)Exchange rate fluctuations

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

(13)Retirement benefit obligations

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

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

(14)Impact of impairment accounting

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

(15)Recoverability of deferred tax assets

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

(16)Other risks

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

Segment Information

Net Sales and Income (Loss) in Reportable Segments

		Millions of yen					Thousands of U.S. dollars
Years ended March 31,		**2017**	2016	2015	2014	2013	**2017**
Net Sales	Reportable Segment: SE	**¥ 206,098**	¥ 165,801	¥ 157,479	¥ 163,132	¥ 140,690	**$ 1,840,161**
	GP	**54,748**	61,280	55,707	52,156	46,324	**488,821**
	FT	**38,104**	31,590	23,774	19,850	12,042	**340,214**
	Other	**1,453**	1,085	770	808	739	**12,973**
	Intersegment sales	**(169)**	(81)	(84)	–	–	**(1,508)**
	Consolidated	**¥ 300,234**	¥ 259,675	¥ 237,646	¥ 235,946	¥ 199,795	**$ 2,680,661**
Operating Income (Loss)	Reportable Segment: SE	**¥ 29,315**	¥ 18,716	¥ 15,738	¥ 8,760	¥ (3,753)	**$ 261,741**
	GP	**2,224**	3,169	2,840	2,768	1,475	**19,857**
	FT	**4,392**	2,748	339	(422)	(836)	**39,214**
	Other	**(1,453)**	(1,138)	(805)	(652)	(158)	**(12,972)**
	Total	**¥ 34,478**	¥ 23,495	¥ 18,112	¥ 10,454	¥ (3,272)	**$ 307,840**
	Adjustments	**(746)**	62	(944)	(1,551)	(1,561)	**(6,661)**
	Consolidated	**¥ 33,732**	¥ 23,557	¥ 17,168	¥ 8,903	¥ (4,833)	**$ 301,179**

Notes: 1. The SCREEN Group has created three business segments for reporting: "Semiconductor Solutions (SE)," "Graphic and Precision Solutions (GP)," and "Finetech Solutions (FT)."
The products and services of each segment are as follows:
SE: Development, manufacturing, sale, and maintenance services of semiconductor production equipment
GP: Development, manufacturing, sale, and maintenance services of graphic arts equipment and PCB related equipment
FT: Development, manufacturing, sale, and maintenance services of FPD production equipment and others
2. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in life science business and other, software development, planning and production of printed matter and other businesses.
3. For more information such as details of each reportable segment, see Note 9, "Segment Information."
4. Effective from the fiscal year ended March 31, 2014, for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Domestic Sales and Overseas Sales

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2017**	2016	2015	2014	2013	**2017**
Domestic sales	**¥ 59,386**	¥ 73,229	¥ 53,483	¥ 53,300	¥ 44,109	**$ 530,232**
Overseas sales	**240,848**	186,446	184,163	182,646	155,686	**2,150,429**
North America	**27,543**	36,219	52,992	47,094	45,185	**245,920**
Asia & Oceania	**180,171**	126,717	92,321	111,555	80,395	**1,608,670**
Europe	**22,873**	20,160	36,829	21,914	19,227	**204,223**
Others	**10,261**	3,350	2,021	2,083	10,879	**91,616**
Ratio of overseas sales to net sales (%)	**80.2%**	71.8%	77.5%	77.4%	77.9%	
Net sales	**¥ 300,234**	¥ 259,675	¥ 237,646	¥ 235,946	¥ 199,795	**$ 2,680,661**

Notes: 1. Sales to customers in Japan by the Company and its consolidated subsidiaries.
2. Sales to customers outside Japan by the Company and its consolidated subsidiaries.
3. For information by geographic area, see Note 9, "Segment Information."
4. Effective from the fiscal year ended March 31, 2014, for main unit sales in the SE and FT segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Consolidated Balance Sheets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
Assets	2017	2016	2017
Current Assets:			
Cash and cash equivalents (Note 11)	¥ 44,923	¥ 30,157	$ 401,098
Time deposits (Note 11)	3,910	2,215	34,911
Trade notes and accounts receivable (Note 11)	59,152	67,587	528,143
Allowance for doubtful receivables (Note 11)	(569)	(789)	(5,080)
Inventories (Note 7)	91,721	76,663	818,938
Deferred tax assets (Note 4)	5,972	5,156	53,321
Prepaid expenses and other	10,050	7,563	89,732
Total current assets	215,159	188,522	1,921,063
Property, Plant and Equipment, at Cost:			
Land	9,554	9,766	85,304
Buildings and structures	52,604	53,578	469,679
Machinery, equipment and other	51,732	50,895	461,892
Lease assets (Notes 3 and 8)	6,426	6,613	57,375
Construction in progress	1,886	1,074	16,839
Total property, plant and equipment	122,202	121,926	1,091,089
Accumulated depreciation	(80,444)	(78,548)	(718,250)
Net property, plant and equipment	41,758	43,378	372,839
Investments and Other Assets:			
Investment securities (Notes 11 and 13)	33,205	28,540	296,473
Lease assets (Notes 3 and 8)	36	34	321
Net defined benefit asset (Note 14)	4,703	4,280	41,991
Deferred tax assets (Note 4)	536	496	4,786
Other assets	5,263	4,844	46,991
Total investments and other assets	43,743	38,194	390,562
Total Assets	¥300,660	¥270,094	$2,684,464

The accompanying notes to the consolidated financial statements are an integral part of these statements.
The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Shares of authorized capital stock, issued capital stock and treasury stock are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

	Millions of yen		Thousands of U.S. dollars
Liabilities and Net Assets	2017	2016	2017
Current Liabilities:			
Current portion of long-term debt (Notes 5 and 11)	¥ 4,080	¥ 17,680	$ 36,429
Lease obligations (Notes 3 and 11)	405	411	3,616
Notes and accounts payable—			
Trade (Note 11)	84,302	70,060	752,696
Construction and other	3,801	3,415	33,938
Accrued expenses	7,234	7,708	64,589
Income taxes payable	6,509	4,430	58,116
Provision for product warranties	5,761	4,564	51,438
Provision for bonuses	3,405	1,044	30,402
Provision for directors' bonuses	82	73	732
Provision for loss on order received	89	2	795
Other current liabilities	19,908	11,470	177,749
Total current liabilities	135,576	120,857	1,210,500
Long-Term Liabilities:			
Long-term debt (Notes 5 and 11)	10,907	18,986	97,384
Net defined benefit liability (Note 14)	764	737	6,821
Provision for directors' retirement benefits	130	103	1,161
Lease obligations (Notes 3 and 11)	2,195	2,559	19,598
Deferred tax liabilities (Note 4)	7,349	5,989	65,616
Asset retirement obligations	49	49	438
Other long-term liabilities	774	525	6,911
Total long-term liabilities	22,168	28,948	197,929
Contingent Liabilities (Note 10)			
Net Assets (Note 6):			
Shareholders' Equity:			
Capital stock			
Authorized—180,000,000 shares in 2017 and 2016			
Issued—50,794,866 shares in 2017 and 2016	54,045	54,045	482,545
Capital surplus	4,600	4,583	41,071
Retained earnings	92,937	71,602	829,795
Treasury stock, at cost 3,831,798 shares in 2017 and 3,566,169 shares in 2016	(15,300)	(13,273)	(136,607)
Total shareholders' equity	136,282	116,957	1,216,804
Accumulated Other Comprehensive Income:			
Valuation difference on available-for-sale securities	12,847	8,364	114,705
Foreign currency translation adjustment	(4,911)	(3,910)	(43,849)
Remeasurements of defined benefit plans	(1,413)	(1,761)	(12,616)
Total accumulated other comprehensive income	6,523	2,693	58,240
Non-controlling interests:			
Non-controlling interests	111	639	991
Total net assets	142,916	120,289	1,276,035
Total Liabilities and Net Assets	¥ 300,660	¥ 270,094	$ 2,684,464

Consolidated Statements of Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net Sales (Note 9)	**¥ 300,234**	¥ 259,675	**$ 2,680,661**
Cost of Sales (Note 9)	**206,687**	178,677	**1,845,420**
Gross profit	**93,547**	80,998	**835,241**
Selling, General and Administrative Expenses	**59,815**	57,441	**534,062**
Operating income (Note 9)	**33,732**	23,557	**301,179**
Other (Income) Expenses:			
Interest and dividend income	**(563)**	(661)	**(5,027)**
Interest expenses	**819**	1,095	**7,313**
Exchange loss on foreign currency transactions, net	**314**	253	**2,804**
Compensation income	**(130)**	(179)	**(1,161)**
Subsidy income	**(45)**	(308)	**(402)**
Loss on retirement of non-current assets	**1,232**	302	**11,000**
Gain on sales of investment securities (Note 11)	**(1,065)**	(993)	**(9,509)**
Loss on valuation of investment securities	**173**	1	**1,545**
Impairment loss (Note 15)	**1,856**	227	**16,571**
Other, net	**86**	(123)	**768**
Net other (income) expenses	**2,677**	(386)	**23,902**
Income before Income Taxes	**31,055**	23,943	**277,277**
Income Taxes (Note 4)			
Current	**8,192**	5,922	**73,143**
Deferred	**(1,323)**	(923)	**(11,812)**
Total income taxes	**6,869**	4,999	**61,331**
Profit	**24,186**	18,944	**215,946**
Profit Attributable to Non-controlling Interests	**17**	128	**151**
Profit Attributable to Owners of Parent	**¥ 24,169**	¥ 18,816	**$ 215,795**

Per Share of Capital Stock:

	Yen		U.S. dollars
	2017	2016	**2017**
Net income	**¥ 511.96**	¥ 396.75	**$ 4.57**
Net income—diluted	**–**	–	**–**
Cash dividends, applicable to earnings for the year	**87.00**	60.00	**0.78**

The accompanying notes to the consolidated financial statements are an integral part of these statements.
The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share of capital stock and cash dividends per share of capital stock are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

Consolidated Statements of Comprehensive Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Profit	**¥ 24,186**	¥ 18,944	**$ 215,946**
Other Comprehensive Income (Note 2)			
Valuation difference on available-for-sale securities	**4,483**	(4,223)	**40,027**
Foreign currency translation adjustment	**(1,006)**	(2,533)	**(8,982)**
Remeasurements of defined benefit plans	**348**	(621)	**3,107**
Total other comprehensive income	**3,825**	(7,377)	**34,152**
Comprehensive Income	**¥ 28,011**	¥ 11,567	**$ 250,098**
Comprehensive income attributable to			
Owners of parent	**27,999**	11,456	**249,991**
Non-controlling interests	**12**	111	**107**

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, 2017 and 2016

	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	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at the Beginning of Fiscal 2016	50,795	¥ 54,045	¥ 4,583	¥ 54,448	¥(12,263)	¥ 12,586	¥ (1,394)	¥(1,140)	¥ 648	¥111,513
Profit attributable to owners of parent	–	–	–	18,816	–	–	–	–	–	18,816
Cash dividends paid, ¥7.00 per share	–	–	–	(1,662)	–	–	–	–	–	(1,662)
Valuation difference on available-for-sale securities	–	–	–	–	–	(4,222)	–	–	–	(4,222)
Foreign currency translation adjustments	–	–	–	–	–	–	(2,516)	–	–	(2,516)
Remeasurements of defined benefit plans	–	–	–	–	–	–	–	(621)	–	(621)
Acquisition of treasury stock	–	–	–	–	(1,010)	–	–	–	–	(1,010)
Other	–	–	–	–	–	–	–	–	(9)	(9)
Balance at the End of Fiscal 2016	50,795	¥ 54,045	¥ 4,583	¥ 71,602	¥(13,273)	¥ 8,364	¥ (3,910)	¥ (1,761)	¥ 639	¥ 120,289
Balance at the Beginning of Fiscal 2017	**50,795**	**¥ 54,045**	**¥ 4,583**	**¥ 71,602**	**¥ (13,273)**	**¥ 8,364**	**¥ (3,910)**	**¥ (1,761)**	**¥ 639**	**¥ 120,289**
Profit attributable to owners of parent	–	–	–	24,169	–	–	–	–	–	24,169
Cash dividends paid, ¥60.00 per share	–	–	–	(2,834)	–	–	–	–	–	(2,834)
Valuation difference on available-for-sale securities	–	–	–	–	–	4,483	–	–	–	4,483
Foreign currency translation adjustments	–	–	–	–	–	–	(1,001)	–	–	(1,001)
Remeasurements of defined benefit plans	–	–	–	–	–	–	–	348	–	348
Acquisition of treasury stock	–	–	–	–	(2,027)	–	–	–	–	(2,027)
Disposal of treasury stock	–	–	0	–	0	–	–	–	–	0
Purchase of shares of consolidated subsidiaries treasury stock	–	–	(2)	–	–	–	–	–	–	(2)
Purchase of shares of consolidated subisidiaries	–	–	19	–	–	–	–	–	–	19
Other	–	–	–	–	–	–	–	–	(528)	(528)
Balance at the End of Fiscal 2017	**50,795**	**¥ 54,045**	**¥ 4,600**	**¥ 92,937**	**¥ (15,300)**	**¥ 12,847**	**¥ (4,911)**	**¥ (1,413)**	**¥ 111**	**¥142,916**

	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	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at the Beginning of Fiscal 2017	**$482,545**	**$40,920**	**$639,304**	**$(118,509)**	**$ 74,679**	**$(34,912)**	**$(15,723)**	**$5,705**	**$1,074,009**
Profit attributable to owners of parent	–	–	215,795	–	–	–	–	–	215,795
Cash dividends paid, $0.54 per share	–	–	(25,304)	–	–	–	–	–	(25,304)
Valuation difference on available-for-sale securities	–	–	–	–	40,026	–	–	–	40,026
Foreign currency translation adjustments	–	–	–	–	–	(8,937)	–	–	(8,937)
Remeasurements of defined benefit plans	–	–	–	–	–	–	3,107	–	3,107
Acquisition of treasury stock	–	–	–	(18,098)	–	–	–	–	(18,098)
Disposal of treasury stock	–	0	–	0	–	–	–	–	0
Purchase of shares of consolidated subsidiaries treasury stock	–	(18)	–	–	–	–	–	–	(18)
Purchase of shares of consolidated subisidiaries	–	169	–	–	–	–	–	–	169
Other	–	–	–	–	–	–	–	(4,714)	(4,714)
Balance at the End of Fiscal 2017	**$482,545**	**$41,071**	**$ 829,795**	**$(136,607)**	**$114,705**	**$ (43,849)**	**$ (12,616)**	**$ 991**	**$ 1,276,035**

The accompanying notes to the consolidated financial statements are an integral part of these statements.
The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Shares of issued capital stock are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

Consolidated Statements of Cash Flows

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 31,055**	¥ 23,943	**$277,277**
Depreciation and amortization	**5,398**	5,030	**48,196**
Impairment loss	**1,856**	227	**16,571**
Loss (gain) on valuation of investment securities	**173**	1	**1,545**
Loss (gain) on sales of investment securities	**(1,065)**	(993)	**(9,509)**
Loss on retirement of non-current assets	**1,232**	302	**11,000**
Increase (decrease) in net defined benefit liability	**(12)**	(113)	**(107)**
Increase (decrease) in provision for bonuses	**2,361**	1,044	**21,080**
Increase (decrease) in provision for directors' bonuses	**10**	(54)	**89**
Increase (decrease) in provision for product warranties	**1,190**	45	**10,625**
Increase (decrease) in provision for loss on order received	**86**	(16)	**768**
Interest and dividend income	**(563)**	(661)	**(5,027)**
Interest expenses	**819**	1,095	**7,313**
Decrease (increase) in trade notes and accounts receivable	**8,175**	(12,919)	**72,991**
Decrease (increase) in inventories	**(16,397)**	(8,536)	**(146,402)**
Decrease (increase) in other current assets	**(1,534)**	(1,506)	**(13,696)**
Increase (decrease) in trade notes and accounts payable	**14,683**	8,551	**131,098**
Increase (decrease) in other current liabilities	**8,921**	4,046	**79,652**
Other, net	**342**	288	**3,053**
Subtotal	**56,730**	19,774	**506,517**
Interest and dividend income received	**564**	675	**5,036**
Interest expenses paid	**(876)**	(1,097)	**(7,821)**
Contribution in connection with the shift to a defined contribution pension plan	**(0)**	(0)	**(0)**
Income taxes paid	**(7,394)**	(4,631)	**(66,018)**
Net cash provided by (used in) operating activities	**49,024**	14,721	**437,714**
Cash Flows from Investing Activities:			
Decrease (increase) in time deposits, net	**(1,708)**	1,176	**(15,250)**
Purchase of property, plant and equipment	**(5,497)**	(5,458)	**(49,080)**
Proceeds from sales of property, plant and equipment	**313**	97	**2,795**
Purchase of investment securities	**(193)**	(20)	**(1,723)**
Proceeds from sales of investment securities	**2,733**	2,510	**24,402**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**–**	(23)	**–**
Other, net	**(1,508)**	(840)	**(13,465)**
Net cash used in investing activities	**(5,860)**	(2,558)	**(52,321)**
Cash Flows from Financing Activities:			
Proceeds from long-term debt	**1,000**	4,000	**8,929**
Repayments of long-term debt	**(9,080)**	(3,680)	**(81,071)**
Repayments of finance lease obligations	**(415)**	(398)	**(3,705)**
Redemption of bonds	**(13,600)**	–	**(121,429)**
Decrease (increase) in treasury stock, net	**(2,027)**	(1,010)	**(18,098)**
Cash dividends paid	**(2,834)**	(1,662)	**(25,304)**
Cash dividends paid to non-controlling interests	**(3)**	(96)	**(27)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(513)**	–	**(4,580)**
Purchase of treasury shares of subsidiaries	**(7)**	–	**(63)**
Net cash used in financing activities	**(27,479)**	(2,846)	**(245,348)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(919)**	(1,151)	**(8,206)**
Net Increase (Decrease) in Cash and Cash Equivalents	**14,766**	8,166	**131,839**
Cash and Cash Equivalents at Beginning of Year	**30,157**	21,991	**269,259**
Cash and Cash Equivalents at End of Year	**¥ 44,923**	¥ 30,157	**$401,098**

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, 2017 and 2016

Note 1: Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accounts of the consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the four specified items as applicable. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. Certain Japanese yen amounts in the accompanying consolidated financial statements have been translated into U.S. dollar amounts solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2017, which was ¥112 to U.S. $1.00. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at this or any other rate of exchange. Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation.

(b) Principles of consolidation

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

(c) Translation of foreign currencies

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

(d) Inventories

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

(e) Securities

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

(f) Depreciation

Depreciation of property, plant and equipment of the Company, 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 income as incurred. Leased assets related to finance lease transactions in which ownership transfers to the lessee are depreciated in the same manner as owned property, plant and equipment. Leased assets related to finance lease transactions in which ownership does not transfer are depreciated on a straight-line basis, with the lease periods as the useful life and no residual value.

(g) Impairment of fixed assets

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

(h) Software

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

(i) Research and development

Expenses related to research and development are charged to income as incurred and amounted to ¥17,794 million ($158,875 thousand) in 2017 and ¥15,166 million in 2016.

(j) Cash and cash equivalents

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

(k)Goodwill

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over a period of five years. However, when no significant difference in the amounts exists, it is expensed in the year of the acquisition.

(l)Bonds issue costs

Bonds issue costs are charged to expenses as incurred.

(m)Income taxes

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

(n)Allowance for doubtful receivables

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

(o)Provision for bonuses

The Company and certain consolidated subsidiaries provide provision for employees' bonuses based on the estimated amounts of payments to be accrued in the fiscal year.

(p)Provision for directors' bonuses

Certain consolidated subsidiaries provide provision for directors' bonuses based on the estimated amounts of payments for the fiscal year.

(q)Employees' severance and retirement benefits

The Company and its consolidated subsidiaries provide funded or unfunded defined benefit plans and defined contribution plans for employees' severance and retirement benefits. The Company and certain consolidated domestic subsidiaries have a cash balance plan in defined benefit pension plans combined with defined contribution pension plans. Certain consolidated domestic subsidiaries have unfunded lump-sum payment plans. Certain consolidated overseas subsidiaries have defined contribution plans. In calculating retirement benefit obligations, the method of attributing expected benefit to periods up to the end of the fiscal year is based on a benefit formula basis. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees (mainly 13 years) commencing with the following period.

(r)Retirement benefits for directors and corporate auditors

Certain consolidated subsidiaries have unfunded retirement and termination allowance plans for directors and statutory auditors. The amounts required under the plans have been fully accrued.

(s)Provision for product warranties

The Company and certain consolidated subsidiaries provide for estimated product warranty costs for the warranty period after product delivery based on actual payments in the past.

(t)Provision for loss on order received

Estimated loss accrued in or after the next fiscal year is provided to cover possible future loss related to orders received if future losses is expected and can be reasonably estimated. (If the net sales value is negative after calculations based on the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006), the amounts are provided for as provision for loss on order received.)

(u)Derivatives and hedge accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. When a forward foreign exchange contract meets certain conditions, the hedged item is stated at the forward exchange contract rate. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. The Company uses forward foreign exchange contracts, interest rate swap contracts and interest rate cap contracts only for the purpose of mitigating future risk of fluctuation in foreign currency exchange rates and interest rates. In terms of forward foreign exchange contracts, the Company uses them within the amounts of foreign currency receivables and authorized forecast transactions. The following table summarizes the derivative financial instruments used in hedge accounting and the related hedged items.

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

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

(Additional information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company and its consolidated domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

Note 2: Consolidated Statements of Comprehensive Income

Amounts reclassified as net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	**¥7,352**	¥(5,336)	**$65,643**
Reclassification adjustments	**(1,065)**	(993)	**(9,509)**
Subtotal, before tax	**6,287**	(6,329)	**56,134**
Tax (expense) or benefit	**(1,804)**	2,106	**(16,107)**
Subtotal, net of tax	**4,483**	(4,223)	**40,027**
Foreign currency translation adjustment:			
Increase (decrease) during the year	**(1,006)**	(2,533)	**(8,982)**
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	**(73)**	(874)	**(652)**
Reclassification adjustments	**421**	253	**3,759**
Subtotal, before tax	**348**	(621)	**3,107**
Tax (expense) or benefit	**–**	–	**–**
Subtotal, net of tax	**348**	(621)	**3,107**
Total other comprehensive income	**¥3,825**	¥(7,377)	**$34,152**

Note 3 : Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2017 and 2016 were as follows:

Newly booked assets and liabilities related to finance leases

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Lease assets	**¥ 40**	¥ 37	**$ 357**
Lease obligations	**44**	38	**393**

Note 4 : Income Taxes

The Company is subject to several taxes based on income with an aggregate statutory tax rate of approximately 30.8% in 2017 and 33.0% in 2016. As of March 31, 2017, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥47,809 million ($426,866 thousand), which were available to offset the respective future taxable incomes of these companies. Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets (current)			
Accrued bonuses for employees/ provision for bonuses	**¥ 1,560**	¥ 1,133	**$ 13,929**
Loss on valuation of inventories	**2,810**	2,396	**25,089**
Provision for product warranties	**1,723**	1,310	**15,384**
Unrealized income on inventories	**1,082**	1,153	**9,661**
Other	**2,309**	2,351	**20,615**
Valuation allowance	**(3,502)**	(3,181)	**(31,268)**
Deferred tax liabilities (current)			
Adjustment of allowance for doubtful accounts and other	**(11)**	(9)	**(97)**
Net deferred tax assets (current)	**¥ 5,971**	¥ 5,153	**$ 53,313**
Deferred tax assets (noncurrent)			
Net operating loss carryforwards	**¥ 14,760**	¥ 18,224	**$ 131,786**
Research and development expenses	**1,248**	1,236	**11,143**
Depreciation	**1,597**	1,163	**14,259**
Impairment loss	**1,361**	786	**12,152**
Net defined benefit liability	**491**	585	**4,384**
Other	**2,509**	2,095	**22,401**
Valuation allowance	**(20,596)**	(22,949)	**(183,893)**
Deferred tax liabilities (noncurrent)			
Undistributed earnings of consolidated overseas subsidiaries	**(1,156)**	(1,477)	**(10,321)**
Valuation difference on available-for-sale securities	**(5,105)**	(3,291)	**(45,580)**
Net defined benefit asset	**(1,918)**	(1,860)	**(17,125)**
Other	**(4)**	(5)	**(36)**
Net deferred tax liabilities (noncurrent)	**¥ (6,813)**	¥ (5,493)	**$ (60,830)**

A reconciliation of the aggregate statutory income tax rate and the effective income tax rate as a percentage of income before income taxes for the years ended March 31, 2017 and 2016 was as follows:

	2017	2016
Statutory income tax rate	**30.8%**	33.0%
Nondeductible expenses	**0.3**	0.6
Valuation allowance	**(6.0)**	(12.3)
Tax rate difference from parent company	**(1.9)**	(2.1)
Undistributed earnings of consolidated overseas subsidiaries	**(1.0)**	(0.1)
Consolidated overseas subsidiaries' source of dividends	**0.9**	1.7
Other, net	**(1.0)**	0.1
Effective income tax rate	**22.1%**	20.9%

Note 5 : Short-Term and Long-Term Debt

Short-term debt generally consists of short-term notes from banks. There was no short-term debt as of March 31,2017 and 2016.

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
0.35% to 1.69% loans from Japanese banks, due in installments through 2021			
Secured	**¥ –**	¥ –	**$ –**
Unsecured	**10,622**	18,087	**94,840**
0.59% to 1.58% loans from a governmental institution, due in installments through 2021			
Secured	**–**	–	**–**
Unsecured	**1,800**	2,600	**16,071**
0.80% to 1.59% loans from an insurance company, due in installments through 2021			
Secured	**–**	–	**–**
Unsecured	**2,565**	2,379	**22,902**
2.00% unsecured notes, due June 7, 2016	**–**	8,600	**–**
1.34% unsecured notes, due September 26, 2016	**–**	5,000	**–**
Total	**14,987**	36,666	**133,813**
Current portion of long-term debt shown in current liabilities	**(4,080)**	(17,680)	**(36,429)**
Long-term debt, less current portion	**¥ 10,907**	¥ 18,986	**$ 97,384**

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

The Company has contracts for commitment lines by which banks are bound to extend loans up to a prearranged amount upon request. As of March 31, 2017, the total financing available under these contracts amounted to ¥30,000 million ($267,857 thousand), and no amount of these commitment lines had been used.

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

Years ended March 31	Millions of yen	Thousands of U.S. dollars
2019	**¥ 5,680**	**$ 50,714**
2020	**1,504**	**13,429**
2021	**3,614**	**32,268**
2022	**109**	**973**
2023 and thereafter	**–**	**–**
Total	**¥ 10,907**	**$ 97,384**

Note 6 : Net Assets and Per Share Data

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

Net income per share is based on the weighted average number of shares of capital stock outstanding. Diluted net income per share is computed using the weighted average number of shares after assuming conversion of all dilutive convertible notes and the exercise of all outstanding stock acquisition rights. Diluted net income per share of capital stock for the fiscal year ended March 31, 2017 is not shown because there was no dilutive stock. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Cash dividends per share are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016. At the annual shareholders' meeting held on June 27, 2017, the shareholders approved cash dividends of ¥87.00 ($0.78) per share, totaling ¥4,086 million ($36,482 thousand). The application had not been accrued in the consolidated financial statements as of March 31, 2017. Such appropriations are recognized in the period in which they are approved by the shareholders.

Note 7 : Inventories

Inventories as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Merchandise and finished goods	**¥ 50,771**	¥ 40,956	**$ 453,313**
Work in process	**32,943**	28,657	**294,134**
Raw materials and supplies	**8,007**	7,020	**71,491**
Total	**¥ 91,721**	¥ 76,633	**$ 818,938**

Note 8 : Leases

1. Finance leases

A. Information relating to finance leases for which the ownership of the leased assets is considered to be transferred to the lessee as of and for the years ended March 31, 2017 and 2016 was as follows:

(As lessee)

1) Description of leased assets

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

2) Depreciation method for leased assets

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

B. Information related to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2017 and 2016 was as follows:

(As lessee)

1) Description of leased assets

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

2) Depreciation method for leased assets

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

2. Operating leases

(As lessee)

Future minimum lease payments as lessee:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Due within one year	**¥ 626**	¥ 429	**$ 5,589**
Due after one year	**962**	688	**8,590**
Total	**¥1,588**	¥ 1,117	**$ 14,179**

Note 9 : Segment Information

1. General information about reportable segments

(1) Calculation method for reportable segments

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

Under a holding company structure, the Company has the business operating companies categorized as product or service segments. Each business operating company plans and executes overall business plans in their specific areas of operation.

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

(2) Products and services of reportable segments

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

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

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

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

	Millions of yen					
	Reportable segment					
As of and for the year ended March 31, 2017	SE	GP	FT	Others	Adjustments	Consolidated
Sales						
Sales to outside customers	**¥ 205,989**	**¥ 54,697**	**¥ 38,095**	**¥ 1,453**	**¥ –**	**¥ 300,234**
Intersegment sales and transfers	**109**	**51**	**9**	**13,353**	**(13,522)**	**–**
Total	**206,098**	**54,748**	**38,104**	**14,806**	**(13,522)**	**300,234**
Segment income (loss)	**¥ 29,315**	**¥ 2,224**	**¥ 4,392**	**¥(1,453)**	**¥ (746)**	**¥ 33,732**
Segment assets	**¥ 163,899**	**¥ 51,000**	**¥ 31,826**	**¥ 9,054**	**¥ 44,881**	**¥ 300,660**
Other						
Depreciation and amortization	**2,602**	**688**	**102**	**344**	**1,662**	**5,398**
Impairment loss	**–**	**1,753**	**–**	**–**	**103**	**1,856**
Capital expenditures	**5,070**	**1,111**	**297**	**686**	**1,092**	**8,256**

	Millions of yen					
	Reportable segment					
As of and for the year ended March 31, 2016	SE	GP	FT	Others	Adjustments	Consolidated
Sales						
Sales to outside customers	¥165,801	¥ 61,231	¥ 31,558	¥ 1,085	¥ –	¥ 259,675
Intersegment sales and transfers	0	49	32	11,553	(11,634)	–
Total	165,801	61,280	31,590	12,638	(11,634)	259,675
Segment income (loss)	¥ 18,716	¥ 3,169	¥ 2,748	¥ (1,138)	¥ 62	¥ 23,557
Segment assets	¥132,524	¥ 50,334	¥ 28,372	¥ 6,637	¥ 52,227	¥ 270,094
Other						
Depreciation and amortization	2,490	646	88	185	1,621	5,030
Impairment loss	113	–	–	–	114	227
Capital expenditures	3,571	823	181	245	1,532	6,352

	Thousands of U.S. dollars					
	Reportable segment					
As of and for the year ended March 31, 2017	SE	GP	FT	Others	Adjustments	Consolidated
Sales						
Sales to outside customers	**$ 1,839,188**	**$ 488,366**	**$ 340,134**	**$ 12,973**	**$ –**	**$ 2,680,661**
Intersegment sales and transfers	**973**	**455**	**80**	**119,224**	**(120,732)**	**–**
Total	**1,840,161**	**488,821**	**340,214**	**132,197**	**(120,732)**	**2,680,661**
Segment income (loss)	**$ 261,741**	**$ 19,857**	**$ 39,214**	**$ (12,972)**	**$ (6,661)**	**$ 301,179**
Segment assets	**$ 1,463,384**	**$ 455,357**	**$ 284,161**	**$ 80,839**	**$ 400,723**	**$ 2,684,464**
Other						
Depreciation and amortization	**23,232**	**6,143**	**911**	**3,071**	**14,839**	**48,196**
Impairment loss	**–**	**15,652**	**–**	**–**	**919**	**16,571**
Capital expenditures	**45,268**	**9,920**	**2,652**	**6,124**	**9,750**	**73,714**

Notes: 1. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in life science business and other, software development, planning and production of printed matter and other businesses.

2. Segment operating income (loss) adjustments of ¥(746) million ($(6,661) thousand) and ¥62 million for the years ended March 31, 2017 and 2016 are the Company's profit (loss) not attributable to reportable segment.

Segment assets adjustments of ¥44,881 million ($400,723 thousand) and ¥52,227 million for the year ended March 31, 2017 and 2016, respectively, are the corporate assets not apportioned to each reportable segment.

3. Segment income (loss) is adjusted with operating income (loss) under consolidated statements of operations.

<Related Information>

1. Information about geographic areas

(1) Net Sales

	Millions of yen				Thousands of U.S. dollars
Years ended March 31,	**2017**		2016		**2017**
Japan	**¥ 59,386**	**(19.8%)**	¥ 73,229	(28.2%)	**$ 530,232**
Taiwan	**93,749**	**(31.2%)**	65,576	(25.2%)	**837,045**
South Korea	**20,509**	**(6.8%)**	20,666	(8.0%)	**183,116**
China	**49,981**	**(16.7%)**	31,996	(12.3%)	**446,259**
United States	**27,246**	**(9.1%)**	35,733	(13.8%)	**243,268**
Europe	**22,873**	**(7.6%)**	20,160	(7.8%)	**204,223**
Other	**26,490**	**(8.8%)**	12,315	(4.7%)	**236,518**
Total	**¥ 300,234**	**(100.0%)**	¥ 259,675	(100.0%)	**$ 2,680,661**

Notes: 1. Net sales are categorized by country or geographic area based on the location of the customer.

2. The numbers shown in parentheses are component ratios.

(2) Property, plant and equipment

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

2. Information about major customers

Year ended March 31, 2017	Millions of yen	Thousands of U.S. dollars
Net sales		
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	**¥ 71,860**	**$ 641,607**

Year ended March 31, 2016	Millions of yen
Net sales	
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥35,337

Note 10: Contingent Liabilities

As of March 31, 2017 and 2016, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
As guarantors of			
Employees' housing loans	**¥ 37**	¥ 66	**$ 330**
Trade notes receivable endorsed	**47**	47	**420**
Total	**¥ 84**	¥ 113	**$ 750**

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

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

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

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

C. Supplemental information on fair values

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

2. Fair values of financial instruments

As of March 31, 2017 and 2016, the book value and fair value of financial instruments and any differences between these figures are set forth in the table below. The table does not include financial instruments whose fair values were not readily determinable. (See Note 3, "Consolidated Statements of Cash Flows.")

	Millions of yen						Thousands of U.S. dollars		
	2017			2016			**2017**		
Years ended March 31,	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	**¥ 48,833**	**¥48,833**	**¥–**	¥ 32,372	¥ 32,372	¥ –	**$ 436,009**	**$ 436,009**	**$ –**
(2) Trade notes and accounts receivable	**59,152**	**59,154**		67,587	67,589		**528,143**	**528,160**	
Allowance for doubtful receivables (*1)	**(569)**	**(569)**		(789)	(789)		**(5,080)**	**(5,080)**	
	58,583	**58,585**	**2**	66,798	66,800	2	**523,063**	**523,080**	**17**
(3) Investments in securities Available-for-sale securities	**32,368**	**32,368**	**–**	27,717	27,717	–	**289,000**	**289,000**	**–**
Total assets	**¥ 139,784**	**¥ 139,786**	**2**	¥ 126,887	¥ 126,889	2	**$ 1,248,072**	**$1,248,089**	**$ 17**
(1) Notes and accounts payable—trade	**¥ 84,302**	**¥ 84,302**	**–**	¥ 70,060	¥ 70,060	–	**$ 752,696**	**$ 752,696**	**$ –**
(2) Long-term debt	**14,987**	**15,041**	**54**	36,666	37,051	385	**133,813**	**134,295**	**482**
(3) Lease obligations	**2,600**	**4,332**	**1,732**	2,970	4,699	1,729	**23,214**	**38,679**	**15,465**
Total liabilities	**¥ 101,889**	**¥ 103,675**	**¥ 1,786**	¥ 109,696	¥ 111,810	¥ 2,114	**$ 909,723**	**$ 925,670**	**$15,947**
Derivative transactions (*2)									
(1) Without application of hedge accounting	**¥ (218)**	**¥ (218)**	**¥ –**	¥ 130	¥ 130	¥ –	**$ (1,946)**	**$ (1,946)**	**$ –**
(2) With application of hedge accounting	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Total derivative transactions	**¥ (218)**	**¥ (218)**	**¥ –**	¥ 130	¥ 130	¥ –	**$ (1,946)**	**$ (1,946)**	**$ –**

(*1) Allowance for doubtful receivables recorded for trade notes and accounts receivable is subtracted.

(*2) Net assets and liabilities incurred by derivative transactions are shown in net figures, and items whose total amounts are liabilities are indicated in parentheses.

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

Assets

(1) Cash, cash equivalents and time deposits

As these assets are settled on a short-term basis, their fair values are approximately equal to their book values. For this reason, their fair values are reported based on their applicable book values

(2) Trade notes and accounts receivable

The fair values of these assets are based on the current value classified by length of time until settlement and discounted with consideration for the length of time until settlement and credit risk.

(3) Investments in securities

The fair values of securities are based on market prices on the stock exchange. For information about securities classified by purpose, see Note 13, "Securities."

Liabilities

(1) Notes and accounts payable-trade

As these liabilities are settled on a short-term basis, their fair values are approximately equal to their book values. For this reason, their fair values are reported based on their applicable book values.

(2) Long-term debt

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

(3) Lease obligations

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

Derivative transactions

See Note 12, "Derivative Transactions."

2. The book values of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Category	Book value	Book value	Book value
Non-listed equity securities	**¥ 837**	¥ 823	**$ 7,473**

The amount in the above table includes investments in nonconsolidated subsidiary of ¥6 million ($54 thousand). These items do not have market prices and are deemed to require excessive cost to estimate the future cash flows. Therefore, they are not included in (3) "Investments in securities" as it is deemed to be exceedingly difficult to estimate the fair values.

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

	Millions of yen								Thousands of U.S. dollars			
	2017				2016				**2017**			
	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	**¥ 48,812**	**¥ –**	**¥ –**	**¥ –**	¥32,352	¥ –	¥ –	¥ –	**$ 435,821**	**$ –**	**$ –**	**$ –**
Trade notes and accounts receivable	**58,682**	**470**	**–**	**–**	67,117	470	–	–	**523,947**	**4,196**	**–**	**–**
Investments in securities—available-for-sale securities with maturities	**–**	**–**	**–**	**–**	–	–	–	–	**–**	**–**	**–**	**–**
Total	**¥107,494**	**¥ 470**	**¥ –**	**¥ –**	¥99,469	¥470	¥ –	¥ –	**$ 959,768**	**$ 4,196**	**$ –**	**$ –**

4. Expected repayment amounts of long-term debt after the consolidated financial statements date

See Note 5, "Short-Term and Long-Term Debt."

Note 12: Derivative Transactions

Outstanding derivative transactions as of March 31, 2017 and 2016 were as follows:

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

Currency related

	Millions of yen								Thousands of U.S. dollars			
	2017				2016				2017			
Years ended March 31,	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Sell–U.S. dollars)	¥4,739	¥ –	¥(151)	¥(151)	¥4,808	¥ –	¥158	¥158	$42,313	$–	$(1,347)	$(1,347)
(Sell–Euro)	2,910	837	(63)	(63)	1,922	–	6	6	25,982	7,473	(563)	(563)
(Sell–Pound)	208	–	(2)	(2)	–	–	–	–	1,857	–	(18)	(18)
(Sell-Australian dollars)	42	–	(1)	(1)	102	–	(1)	(1)	375	–	(9)	(9)
(Sell–Singapore dollars)	240	–	(1)	(1)	329	–	(3)	(3)	2,143	–	(9)	(9)
Total	¥8,139	¥837	¥(218)	¥(218)	¥7,161	¥ –	¥160	¥160	$72,670	$7,473	$(1,946)	$(1,946)

Notes: Method of estimating fair value

The fair values of exchange forward transactions as of March 31, 2017 and 2016 were estimated based on the prices presented by financial institutions.

	Millions of yen								Thousands of U.S. dollars			
	2017				2016				2017			
Years ended March 31,	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Buy-U.S. dollars)	¥ –	¥ –	¥ –	¥ –	¥616	¥ –	¥(30)	¥(30)	$ –	$ –	$ –	$ –
Total	¥ –	¥ –	¥ –	¥ –	¥616	¥ –	¥(30)	¥(30)	$ –	$ –	$ –	$ –

Note: Method of estimating fair value

The fair values of exchange forward transactions as of March 31, 2016 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		
		2017			2016			2017		
Years ended March 31,	Hedged items	Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value
Alternative method for forward foreign exchange contracts										
(Sell–U.S. dollars)	Accounts receivable	¥ 56	¥ –	Note	¥1,179	¥ –	Note	$ 500	$ –	Note
(Sell–Euro)	Accounts receivable	217	–	Note	–	–	Note	1,938	–	Note
Total		¥ 273	¥ –	Note	¥1,179	¥ –	Note	$ 2,438	$ –	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

		Millions of yen						Thousands of U.S. dollars		
		2017			2016			2017		
Years ended March 31,	Hedged items	Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value
Exceptional accounting for interest rate swap contracts										
Fixed rate payments and variable rate receipts	Long-term loans	¥ 2,100	¥ 1,260	Note	¥2,940	¥2,100	Note	$ 18,750	$ 11,250	Note

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

Note 13: Securities

1. The following table summarizes acquisition costs and book values and any differences between these amounts of securities with available fair values as of March 31, 2017 and 2016:

Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2017			2016			2017		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	¥12,788	¥30,881	¥18,093	¥14,050	¥26,122	¥12,072	$114,178	$275,723	$161,545
Others	–	–	–	–	–	–	–	–	–
Total	¥12,788	¥30,881	¥18,093	¥14,050	¥26,122	¥12,072	$114,178	$275,723	$161,545
Other securities:									
Equity securities	¥ 1,633	¥ 1,487	¥ (146)	¥ 2,012	¥ 1,595	¥ (417)	$ 14,581	$ 13,277	$ (1,304)
Others	–	–	–	–	–	–	–	–	–
Total	¥ 1,633	¥ 1,487	¥ (146)	¥ 2,012	¥ 1,595	¥ (417)	$ 14,581	$ 13,277	$ (1,304)

2. Total sales of available-for-sale securities for the year ended March 31, 2017 amounted to ¥2,733 million ($24,402 thousand), and the related total gain and loss amounted to ¥1,065 million ($9,509 thousand) and ¥0 million ($0 thousand), respectively. Total sales of available-for-sale securities for the year ended March 31, 2016 amounted to ¥2,510 million, and the related total gain and loss amounted to ¥1,006 million and ¥13 million, respectively.

Note 14: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2017 and 2016 was as follows:

1. Defined benefit plans

(1) Movements in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥32,601**	¥32,012	**$291,080**
Service cost	**1,507**	1,468	**13,455**
Interest cost	**341**	341	**3,045**
Actuarial loss (gain)	**(336)**	(272)	**(3,000)**
Benefits paid	**(1,023)**	(1,108)	**(9,134)**
Other	**91**	160	**813**
Balance at end of year	**¥33,181**	¥32,601	**$296,259**

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥36,143**	¥36,043	**$322,705**
Expected return on plan assets	**971**	977	**8,670**
Actuarial loss (gain)	**(426)**	(1,124)	**(3,804)**
Contributions paid by the employer	**1,176**	1,179	**10,500**
Benefits paid	**(1,002)**	(1,080)	**(8,946)**
Other	**258**	149	**2,304**
Balance at end of year	**¥37,120**	¥36,144	**$331,429**

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded retirement benefit obligations	**¥33,164**	¥32,581	**$296,107**
Plan assets	**37,120**	36,144	**331,429**
	(3,956)	(3,563)	**(35,322)**
Unfunded retirement benefit obligations	**17**	20	**152**
Total net liability (asset) for retirement benefits	**¥(3,939)**	¥ (3,543)	**$(35,170)**
Net defined benefit liability	**764**	737	**6,821**
Net defined benefit asset	**4,703**	4,280	**41,991**
Total net liability (asset) for retirement benefits	**¥(3,939)**	¥ (3,543)	**$(35,170)**

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥1,507**	¥1,468	**$13,455**
Interest cost	**341**	341	**3,045**
Expected return on plan assets	**(971)**	(977)	**(8,670)**
Net actuarial loss amortization	**437**	233	**3,902**
Total retirement benefit costs	**¥1,314**	¥1,065	**$11,732**

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Actuarial gains and losses	**¥348**	¥(621)	**$3,107**
Total balance	**¥348**	¥(621)	**$3,107**

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Actuarial gains and losses that are yet to be recognized	**¥(1,413)**	¥(1,761)	**$(12,616)**
Total balance	**¥(1,413)**	¥(1,761)	**$(12,616)**

(7) Plan assets

1. Plan assets comprise:

	2017	2016
Bonds	**46%**	56%
Equity securities	**22%**	21%
Cash and cash equivalents	**4%**	3%
Life insurance company general accounts	**20%**	20%
Alternative	**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, 2017 and 2016 were as follows:

	2017	2016
Discount rate	**0.9%~1.3%**	0.9%~1.3%
Long-term expected rate of return	**3.0%**	3.0%

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

2. Defined contribution plans

Contributions paid by the Company and its consolidated subsidiaries to defined contribution plans for the fiscal year ended March 31, 2017 and 2016 amounted to ¥700 million ($6,250 thousand) and ¥734 million, respectively.

Note 15: Impairment of Fixed Assets

For the year ended March 31, 2017, the Company and its consolidated subsidiaries recorded impairment loss of ¥1,856 million ($16,571 thousand). Significant properties included in this loss are listed in the table below.

(1) Assets for which impairment loss was recognized

Location	Major use	Asset category	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Kumiyama-cho, Kuze-gun, Kyoto, etc.	Operating assets	Machinery and equipment, etc.	¥1,753	$15,652

(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 and Precision Solutions Co., Ltd. fell below book values, and accordingly the book values of the assets were reduced to their recoverable amount, and the reduction was 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	¥ 26	$ 232
Machinery, equipment and other	1,405	12,545
Lease assets	2	18
Investments and other assets		
Other assets	320	2,857
Total	¥1,753	$ 15,652

(4) Grouping

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

(5) Calculation method for recoverable amounts

The recoverable amounts of business assets are based on net sales values, and assets which are deemed difficult to be sold or converted to a different use are assessed at zero.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated income statement, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SCREEN Holdings Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 27, 2017
Kyoto, Japan

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

Corporate Overview (As of March 31, 2017)

Company Name: SCREEN Holdings Co., Ltd.

Established: October 11, 1943

Representatives: Eiji Kakiuchi, President and CEO
Shin Minamishima, Senior Managing Director

Capital: ¥54 billion

Employees: 5,422 employees (consolidated)

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

Consolidated Companies (As of March 31, 2017)

Overseas

North America

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

Europe

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

Asia & Oceania

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

Domestic

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

Stock Information (As of March 31, 2017)

Stock Information

Authorized Number of Shares:	180,000,000
Number of Shares Issued:	50,794,866
Number of Shareholders:	9,374
Number of Shares Held by Non-Japanese Companies and Individuals:	12,623,911 (24.85%)
Listings:	Tokyo
Code Number:	7735

Note: SCREEN Holdings holds 3,831,798 shares of treasury stock (7.54%) but is excluded from the list of major shareholders below.

Bank References

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

Underwriter

Nomura Securities Co., Ltd.

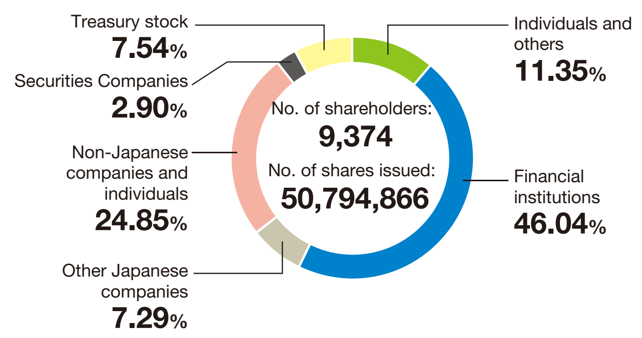
Sub-Underwriters

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

Major Shareholders

	Number of shares (thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,207	12.22
Japan Trustee Services Bank, Ltd. (Trust Account)	4,302	8.46
Nippon Life Insurance Company	1,830	3.60
The Bank of Kyoto, Ltd.	1,346	2.65
SCREEN's Business Partners Shareholders' Association Synchronize	913	1.79
Resona Bank, Ltd.	912	1.79
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	865	1.70
The Shiga Bank, Ltd.	848	1.67
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	784	1.54
Japan Trustee Services Bank, Ltd. (Trust Account 5)	753	1.48

Breakdown by Type of Shareholder



SCREEN Holdings Co., Ltd.

Tenjinkita-machi 1-1, Teranouchi-agaru 4-chome, Horikawa-dori,
Kamigyo-ku, Kyoto 602-8585, Japan

TEL: +81-75-414-7233 FAX: +81-75-414-7687

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