SCREEN

Annual Report 2018

SCREEN Group

Year ended March 31, 2018

Value Creation by the SCREEN Group

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

In addition to supporting the IoT-driven society that is being developed through the value created by customer products like semiconductors, printed materials, displays, and print circuit board(PCB)s, we're committed to resolving social issues and to realizing both a sustainable society with a rising standard of living and human happy future.

Sustained value creation

Invested capital (Fiscal year ended March 31, 2018)

Financial capital

- Net sales: ¥339.3 billion
- Free cash flow: ¥17.6 billion

Human capital

- Customer-oriented development, design, procurement, manufacture, sales and service capabilities
- Number of employees (consolidated): 5,835
  Overseas: 2,351 (up 16.4% year-on-year)
  Japan: 3,484 (up 2.4% year-on-year)

Manufactured and intellectual capital

- Business locations (number of consolidated subsidiaries)
  Overseas: 29 companies (increased by 6, compared to fiscal 2015)
  Japan: 28 companies (increased by 4, compared to fiscal 2015)
- Growth investment
  Capital expenditures: ¥14.4 billion
  (up 74.8% year-on-year)
  R&D expenses: ¥20.8 billion
  (up 17.1% year-on-year)
- Number of patents held: 4,762
  Overseas: 2,566 (increased by 533, compared to fiscal 2015)
  Japan: 2,196 (increased by 69, compared to fiscal 2015)

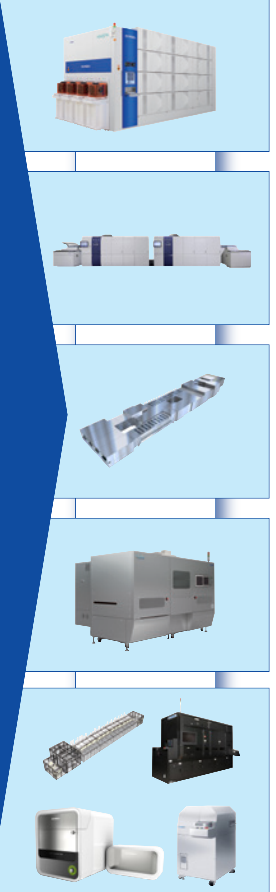
Social and relationship capital

- Participation in consortiums and partnerships with universities and other entities
  8 instances (based on publicly available information)
- Relationships of trust with customers and suppliers worldwide

Businesses

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

- **SE** Semiconductor production equipment business
- **GA** Graphic arts equipment business
- **FT** Display production equipment and coater business
- **PE** PCB-related equipment business



New business areas

Energy (FT)
Inspection & measurement
Life sciences

Basis for value creation

Human resources

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

Medium-term management plan / long-term vision

CSR Charter / Code of Conduct

Value provided to stakeholders

Customers

"Process Innovation"

Contributing to customers' manufacturing

- Advanced, state-of-the-art technologies
- Improved productivity and quality
- Reduced environmental impacts

Shareholders and investors
Enhanced shareholder returns

Suppliers
Mutual growth through open and fair procurement

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

Employees
Motivating workplaces

IoT
AI
Autonomous cars
Electric vehicles
Smartphones
Others

Solving social issues and realizing both a sustainable society with a rising standard of living and human happy future

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

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Value Creation and Business Strategy

Overview of Performance

Sustainability

Data Section

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

SE = Semiconductor production equipment business GA = Graphic arts equipment business
FT = Display production equipment and coater business PE = PCB-related equipment business

- The names of the business segments in the Financial Section (p.35–66) are those used as of March 31, 2018.
- All years shown are for the accounting year ending March 31 of the year shown. For example, "fiscal year ended March 31, 2018" means the period from April 1, 2017 to March 31, 2018.

Invest in Growth to Raise Corporate Value

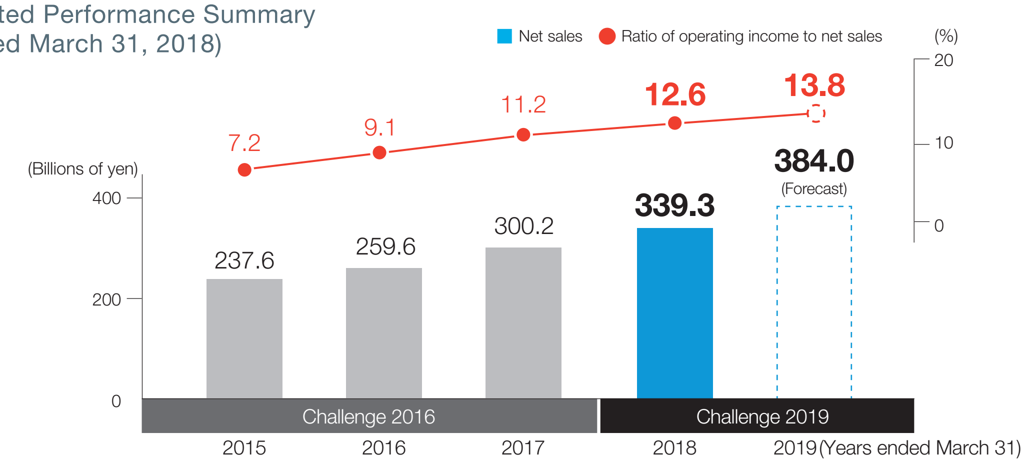
Eiji Kakiuchi
President
Member of the Board
Chief Executive Officer

Q.How would you sum up the fiscal year ended March 31, 2018?

Fiscal 2018 was a fruitful year. With the help of a favorable market environment for SE, we increased both revenues and profits for a five consecutive fiscal years. While the SE continued to be the engine of our overall growth, I am pleased to report that all segments (SE, GA, FT, and PE) were able to increase revenues and profits over the previous fiscal year.

Under our Challenge 2019 three-year medium-term management plan (hereinafter, medium-term plan) beginning in April 2017, our goal is to maintain approximately ¥300 billion in annual net sales and raise ratio of operating income to net sales in the final year to 13% or above, with an ROE in approximately 15% over the period. In fiscal 2018, the first year of Challenge 2019, we succeeded in meeting our numerical targets, with net sales of ¥339.3 billion, a ratio of operating income to net sales of 12.6%, and an ROE of 18.2%.

Consolidated Performance Summary
(Year ended March 31, 2018)



Q.Following a successful fiscal 2018, you are forecasting increased revenues and profits for fiscal year ending March 31, 2019 as well. How do you plan to achieve this?

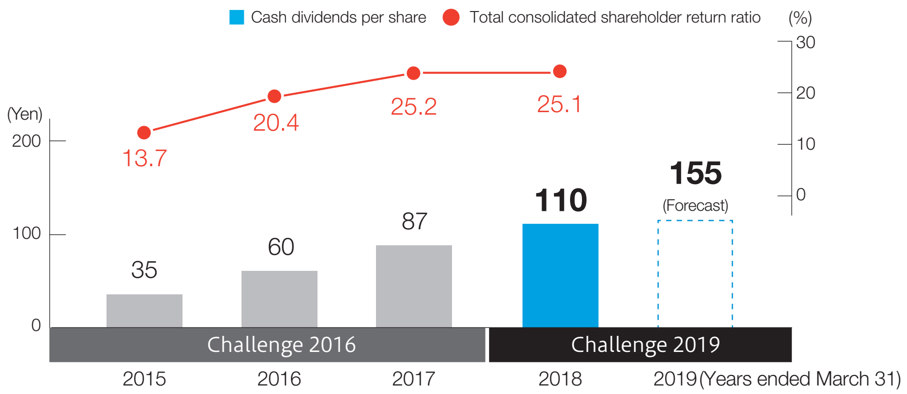
In fiscal 2019, the second year of the current medium-term plan, we foresee ourselves achieving an Ratio of operating income to net sales of 13% or above—one of the plan's targets—a year ahead of schedule. Our SE and FT have already reached 10% or above and we expect to see GA and PE hit the next level of growth.

In the market for our mainstay SE, we foresee a good fiscal year, especially for memory products, thanks to high demand from data centers and in the fields of AI and IoT. In the semiconductor market, we are witnessing historic growth, as some say, the market is undergoing a "super cycle." In the semiconductor wafer fab equipment (WFE) market, growth has continued for the past five years. Even if around 2019 brings a slight adjustment, we expect sales to remain above the high $50 billion level. With our sights set firmly on this market growth, this fiscal year we will expand manufacturing sites, reinforce IT, and step up capital investment and R&D. All of this constitutes growth investment aimed at boosting profitability.

Q.What are your thoughts and policies on shareholder returns?

Our target under Challenge 2019 is a total consolidated shareholder return ratio of 25% or above. I still don't believe the dividend payout ratio is high enough, but if we continue to invest in growth and raise the corporate value, I hope we can respond to the expectations of shareholders and investors. We intend to balance an increase in shareholder returns with investment in growth.

Total Consolidated Shareholder Return Ratio



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

Q.In June 2018, you issued ¥30 billion in convertible bonds. Could you explain the background?

Of all the ways to procure funds, we chose an efficient method called zero coupon bonds, which allows us to respond flexibly to changes in the future management environment. You may be wondering why we are procuring funds at this point in time when we have positive net cash. The reason is that this fiscal year we are putting funds procured through convertible bonds mainly into capital investment and R&D while holding on to our cash on hand. At the same time, we have formulated a scheme that takes into account a range of criteria that will allow us to minimize dilution concerns when converting the bonds. By investing our recently procured funds, we are boosting corporate value.

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

Dialogue with shareholders and investors is indispensable to managing a company and therefore a high priority for SCREEN. Although I am in my seventh fiscal year of being involved in investor relations (IR), including a two-year stint as director of IR before becoming president, I still feel strongly about the importance of investor relations. I am grateful to our shareholders, investors, and analysts for how they have given me new ideas and opened my eyes to discoveries that we can use in running our business.

I hope to continue dialogue with shareholders and other investors at every possible opportunity. In addition, this fiscal year I want to discuss ways to improve corporate governance with people in charge of shareholder voting rights.

Q.A big issue these days is environmental, social, and governance (ESG) practices. What are your thoughts on ESG?

ESG is one of the pillars of management and it is one of our key focuses as we continue to strive for sustainable growth. As a production equipment manufacturer, we have for years put the environment front and center in running our business and in developing new products. We are fortunate to count many world-class companies among our customers, and this is a key reason for our EHS* activities.

Apart from the "E" (environmental) of ESG, what we do regarding "S" (social) and "G" (governance) is harder for the public to see. This is why I feel it is more important than ever for us to disclose information in a fair and open manner so that the public can understand exactly what we do.

We have declared that we will incorporate into our business the 10 principles in the four areas of human rights, labor, environment, and anti-corruption put forth by the United Nations Global Compact. We are also earnestly working toward the 17 sustainable development goals (SDGs) adopted by the UN, in particular prioritizing six of these SDGs as the entire SCREEN Group works together to help society progress in a sustainable manner.

For example, one of the SDGs concerns decent work, and we have been striving towards this goal by promoting work style reform over the past several years. Besides simply shortening working hours, we are taking creative measures to make each day's jobs more efficient and revamp work processes. We are also striving to create a better working environment by expanding the scope of partial telecommuting, which until now has been limited.

Another example is the SCREEN Business School that we launched two years ago, where instructors, including myself, train personnel at all levels in order to foster the next generation of managers.

Q.In 2018, SCREEN celebrates the 150th anniversary of its foundation and the 75th anniversary since its establishment. Tell us about the company's future aspirations.

There are some companies that have been in business for more than 200 years. I believe that a diverse range of human resources is more important than ever in ensuring a company's sustainable growth. People of diverse nationalities, races, beliefs, and genders are crucial to invigorating a company. I have learned this firsthand thanks to my experience interacting with people all over the world in my early years at SCREEN, when work took me to places such as the U.S., the Netherlands, Latin America, and Russia. I believe that fostering diversity in human resources leads to stronger management.

We will continue boosting corporate value and responding flexibly to the market environment, but to do so we still have much to do to improve our governance; for example, make the Board of Directors more effective, increase the proportion of outside directors, and diversify our workforce. We will continue to earn the trust of our stakeholders by having all employees and executives work together while we step up efforts to disclose information fairly. We in the SCREEN Group ask for your continued support and encouragement.

* EHS: Environmental management (E), health management (H), and disaster prevention and safety (S)

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. This environment demands speed and innovation, but it also constantly presents business opportunities, and by paying careful attention to risk awareness and avoidance, we see the overall market as continuing to grow. Given this, under the three-year medium-term management plan called Challenge 2019 (from here on referred to as medium-term plan), the Group will maintain the earnings structure and financial base established under our previous medium-term plan, Challenge 2016, 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.

Targets

1. Expand Sales	2. Maintain and Improve Profitability	3. Maintain and Improve Capital Efficiency
Consolidated annual net sales	Operating income ratio in the final year of the plan	ROE
Approx.¥300 billion	13% or above	Approx.15%
Achieved in the first fiscal year (for two consecutive terms)	Within sight of achieving this one year early	Achieved in the first fiscal year (for three consecutive terms)

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 service including modifications (and including consumables businesses in GA 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
   * ESG stands for "Environmental," "Social," and "Governance."
5. Enhance shareholder returns
   Aim for a total consolidated shareholder return ratio of 25% or above

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

Achieving Results Beyond Expectations to Spur Us Towards Reaching Planned Targets

In the fiscal year ended March 31, 2018, the first year of medium-term plan, we gained momentum towards reaching planned targets as we achieved results beyond expectations: net sales of ¥339.3 billion, an operating income ratio of 12.6%, and an ROE of 18.2%. We also saw an overall improvement in profitability, with the SE, which accounts for two-thirds of net sales, the driving force and new business in the FT moving into the black in its seventh year of business. However, we still have work to do in the GA and the PE, where the operating income ratio stalled at less than 10%.

While keeping a close watch on rising interest rates in the U.S. and on the changing economy, we are striving to reach management targets we set for the fiscal year ended March 31, 2018: achieve a growth rate beyond that of the market, and raise our operating income ratio. We are striving to achieve group-wide growth on two fronts. Internally, we aim to diversify our business while expanding the scope of our existing businesses by releasing new products and entering new fields. Externally, we are looking at taking on new management resources through M&A and investments in other companies.

Furthermore, for the fiscal year ended March 31, 2019, we plan to more than double capital investment to ¥31 billion and increase R&D expenses to ¥25 billion (up ¥5 billion over the previous year). And we will strive to ensure that these investments lead to increased earnings in the form of reducing the net sales break-even point ratio and lowering the cost of manufacturing.

Yoichi Kondo
Managing Director
Member of the Board
Chief Financial Officer

Message from the CFO

Aggressively Invest in Growth While Maintaining Financial Discipline and Boosting Our Credit Rating

In the fiscal year ended March 31, 2018, we increased our operating income ratio, mainly in the SE, and shortened our cash conversion cycle. With ample cash on hand, our success in investing in future growth is one of the highlights of this fiscal year.

In June 2018, we issued ¥30 billion in convertible bonds (¥15 billion each in four- and seven-year bonds). The aim is to amass cash reserves sufficient enough to allow us to act quickly upon future growth opportunities and to create a cash buffer that will allow us to deal with sudden changes in the business environment. When asked why we are procuring at this particular time when we have net cash, I say that now is the perfect time to do so because we can take advantage of the favorable market environment and our strong business performance in order to be ready for future opportunities. We have been able to take the initiative in carrying out flexible, effective cash procurement.

We will continue to maintain financial discipline while aiming to earn higher credit ratings. Our next target is a Japan Credit Rating Agency (JCR) rating of "A." We are continuing to shoot for an equity ratio of over 50%. We also want to boost our financial strength in order to survive an economic crisis of the scale of the 2008 global financial crisis. To this end, we will increase our liquidity on hand, shorten our payable turnover period, and strengthen our balance sheets. In addition, investment in growth requires that we tighten our operations by carrying out decision-making that considers the cost of capital and clarifies the hurdle rate.

Soichi Nadahara
Managing Director
Member of the Board
Chief Technology Officer

Message from the CTO

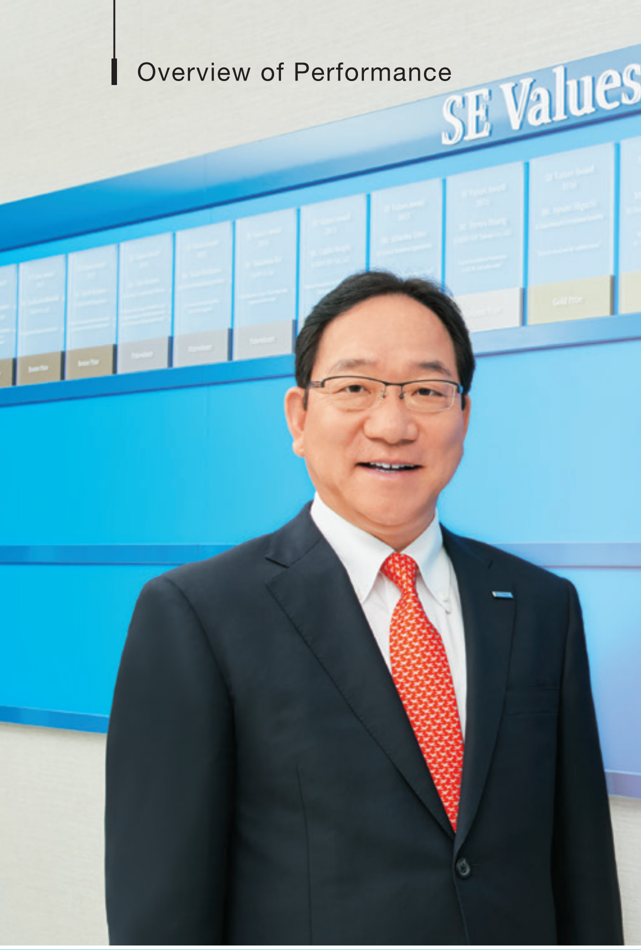
Broaden Our Field of Vision, Ascertain Technological Trends, Deploy Our Technology

R&D this year mostly proceeded as planned. For example, in the life science field, we released to the market the Cell^{3}iMager Estier optical coherence tomography instrument that allows non-invasive*1 3D analysis of cells and biological tissue. Also, we greatly broadened our contact with medical institutions via a model infant heart and a next-generation internal-organ perfusion*2 system.

Now, in a period that is being described as VUCA*3, circumstances are that R&D has to cover a lot of topics and it is difficult to clearly forecast what will occur three or more years from now. If a new business model emerges from companies such as GAFA (Google, Apple, Facebook, Amazon), it is possible that existing technology could, in one stroke, become a mere shell. It is vital that we do not miss the wave of technological revolution, so we will ascertain technological trends and take steps such as constantly updating our company's technological portfolio and roadmap. In particular, regarding AI, which will be the keystone for all technological innovation, to what degree our company can incorporate it into our equipment, manufacturing technology, and R&D, will be a huge key to determining our future.

In the fiscal year ending March 31, 2019, we will continue our commitment to training engineers, and encourage them to have new experience other outside. Their abilities will not improve if they don't test their skills in the big ocean. Going forward, it will be very important for engineers to broaden their outlook and their territory and not limit themselves to their own fields of specialty. Accordingly, we want to extend external alliances, also with overseas companies, in future, too.

*1 Non-invasive techniques eliminate the potential for damaging organisms and ensure the homeostasis of their internal environment is not disturbed.
*2 Perfusion: to pass liquid through a blood vessel
*3 VUCA: volatility, uncertainty, complexity, ambiguity



SE: Semiconductor Production equipment business

SCREEN Semiconductor Solutions Co., Ltd.

Provides equipment for surface processing, a crucial part of circuit formation on silicon wafers for semiconductor devices. Processing includes cleaning, coating/developing, and annealing.

- Achieved record highs for net sales and operating income in a robust semiconductor market.
- Finalized plans for construction of a new factory at the Hikone Plant. Increased production capacity and production efficiency.
- Aim to further boost profitability by standardizing design, strengthening after-sales service, and taking advantage of the new automated factory.

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

Q Could you please sum up the fiscal year ended March 31, 2018?

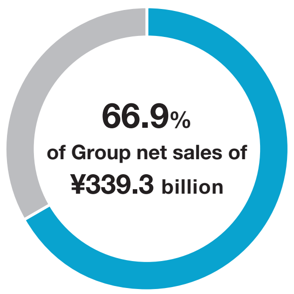
I think we can say that the semiconductor market was booming this past year. Besides conventional electronic equipment, use of semiconductor devices has expanded into areas such as automotive, finance, medicine, and social infrastructure, a trend that I think signals the start of a new growth cycle for the semiconductor industry. We received orders of at least ¥50 billion for each of the past seven consecutive quarters, with third-quarter orders of ¥88.3 billion in particular exemplifying this robust trend.

For the fiscal year as a whole, we set records with net sales of ¥227.1 billion and operating income of ¥36.3 billion. The operating income ratio for the year was 16.0%, but a fourth-quarter figure 19.6% shows that we are capable of reaching 20% or higher.

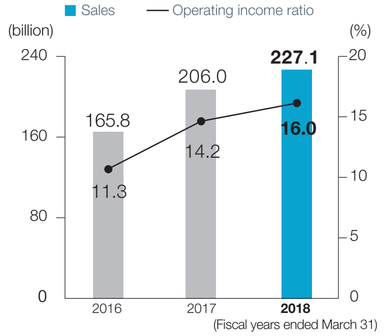
Q Despite the strong performance, are there any areas where you see room for improvement?

Although normal business operations are going smoothly overall, I believe that we can do better in balancing out sales among regions. For example, South Korea is a huge market where there is plenty of room for us to grow. With regards to operating income ratio, we have to admit that we could have done better than the 16% mark we recorded in the fiscal year ended March 31, 2018. We hope to accelerate the rise in operating income ratio while increasing sales.

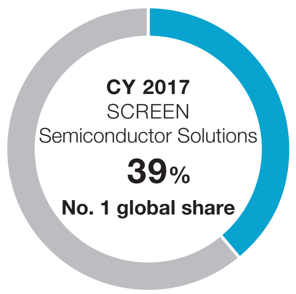
Share of Net Sales
(Fiscal Year Ended March 31, 2018)



Segment Sales and Operating Income Ratio



Market Share for
Single Wafer Cleaning Equipment*



*Source: Gartner, Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2017, 18 April 2018
Chart created by SCREEN based on Gartner research "Revenue from Shipments of Single-Wafer Processors, Worldwide, 2017"

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

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.

New Arrival

CW-2000
Compact Wet Station

LA-3100
Flash Lamp Annealing Equipment

Q Tell us about the measures you are taking in fiscal 2019 to achieve goals such as further raising operating income.

The upstream portion of the manufacturing process has a major impact on cost, and this is where we are working to standardize design. By using our know-how, I think we can incorporate customer demands into development and create a lineup of standardized modules. This will allow us to respond to individual customer needs while at the same time reducing lead time.

Through this manufacturing-centered approach, in fiscal 2019 we are making the supply chain a top priority by revamping our organization and further bolstering our supply chain management.

Q The new factory at the Hikone Plant is scheduled for completion in December 2018. What are the goals of this factory?

With the semiconductor market said to be on the upswing, equipment manufacturers are responsible for securing enough production capacity to meet our customers' volume needs. The Taga Plant, which began operating at full capacity in June 2018, is meeting our current customer demand until the new factory goes online in fiscal 2020 to respond to further increases in market demand.

But the new factory will offer more than just increased capacity; its automated equipment will help us improve production efficiency and profitability. Prior to the opening of the new factory, a portion of its equipment has been installed in the Taga Plant, where it is being be used to establish an automated production system before being moved to the Hikone Plant. This will help give us a competitive edge.

Q What is your performance forecast for this fiscal year, and what is important to reaching this forecast?

Investment in memory devices such as DRAM and 3D-NAND has been the market drivers in fiscal 2019, so we can expect to see even more investment in logics and foundries than last year. And with demand for power devices booming, we are focusing on increasing sales of these devices for use in cleaning equipment and other products. Looking at individual regions, we see increasing sales in South Korea and China, and a continuing strong performance in Taiwan.

Looking at new products and new business areas, we expect major growth in annealing equipment. In addition to new flash lamp annealing equipment products, we are making a full-scale market entry with laser annealing equipment made by LASSE (formerly Exico), which we acquired four years ago. Amidst increasing miniaturization, annealing is a crucial process in determining device characteristics. I believe its growing importance means expanding sales for us.

On the development front, we are enjoying a growing presence in next-generation semiconductor development, thanks to ongoing joint development with research institutes such as imec, Leti, and Albany Nanotech, and recently launched joint development with Taiwan's National Tsing Hua University.

We are also seeking faster response to customer demands by forming alliances in various fields. For example, in March 2018 we entered into a distribution and support agreement with ion implant platform manufacturer Axcelis Technologies, Inc., which will accelerate our entry into new product areas.

Q Tell us about your company's key measures, and the accompanying opportunities and risks.

We are bolstering after-sales service as one key measure in raising profitability. In the newly formed dedicated company department, staff are coming up with proposals that benefit our customers in the form of improved product performance, stable operation, and high productivity. In addition, by developing inexpensive spare parts that offer greater performance and durability, we are increasing our sales and profits. After-sales service account for about 25% of total sales, and we are aiming to expand after-sales services ratio, even while increasing whole sales.

Strengthening the organization and training human resources are two more ongoing key measures. By creating opportunities for frank discussion between myself and middle management, I am trying to help them understand my own philosophy.

We have created an educational system for new employees that helps them acquire the skills they need for their jobs through comprehensive training sessions every few years. There are also plenty of opportunities for our employees to raise their skills through internship programs at universities around the world.

Finally, I am aware of the hidden risks that occur when management decisions are made too late. This alone is reason for us to continue to prioritize quick decision-making, ever-better products, and an expanding product portfolio.

SCREEN's Product Lineup Covers Various Semiconductor Manufacturing Processes

Semiconductors are becoming indispensable to our lives: they are at the heart of the appliances and consumer electronics that communicate with each other over the Internet in today's age of IoT. SE has a competitive lineup of products that boost performance and productivity in semiconductor manufacturing, a claim that is backed up by our steady and increasing market share in numerous semiconductor devices.
Semiconductor manufacturing involves numerous cleaning steps that contribute to improving the yield rate. Cleaning is so important, in fact, that it accounts for about 30% of the entire process.

Our cleaning equipment (single wafer, batch-type, spin scrubber) is widely used in FEOL*, the front-end wafer process of semiconductor fabrication. In addition to our cleaning equipment, we have been improving our offerings in products for the front-end wafer process of production such as inspection/measuring equipment and annealing equipment, and products for the latter stages. In the state-of-the-art field called advanced packaging, we have released the DW-6000 Direct Imaging System for Panel Level Packages, which achieves 2.0-µm high-resolution imaging, the highest level in the industry.

*FEOL: Front End of Line (transistor-forming process)

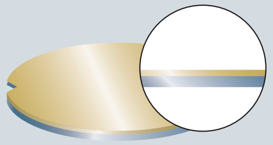
Front-end Wafer Process

Cleaning

The silicon wafers that form the base of the semiconductor are cleaned. Even a slight contamination of a wafer will cause defects in the circuit. Therefore, chemical agents are used to remove all contamination, from ultra-fine particles to minute amounts of organic (oil, etc.) or metallic residues generated in the production process, or unwanted natural oxide layers generated due to exposure to air.

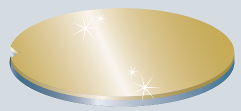
- FC-3100 Batch-type Cleaning Equipment
- SU-3200/SU-3300 Single Wafer Cleaning Equipment

FC-3100



Film Deposition

A thin film that will become the circuit material is formed on the wafer. There are a number of ways to form these films, including chemical vapor deposition (CVD), sputtering, and thermal oxidation.

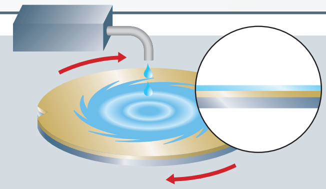


Post-Deposition Cleaning

Minute particles adhering to the wafer after film deposition are removed using brushes, Nanospray, or other physical cleaning methods.

- SS-3100/SS-3200 Spin Scrubber
- SU-3200/SU-3300
  Single Wafer Cleaning Equipment

SS-3200

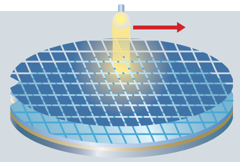


Resist Coating

The wafer surface is coated with resist (photosensitive chemical). The wafer is then spun, causing a uniform layer of resist to be formed on its surface by centrifugal force.

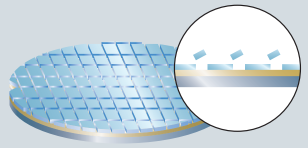
- DT-3000 Coater/Developer

DT-3000



Exposure

The wafer is exposed using short-wavelength, deep-ultraviolet radiation projected through a mask on which the circuit pattern has been formed. Only the areas of the resist layer that are exposed to the light undergo a structural change, thereby transferring the pattern to the wafer. There are a variety of exposure units, including steppers, which expose several chips at a time, and scanners, which expose the wafer using a slit through which light is projected onto the wafer.

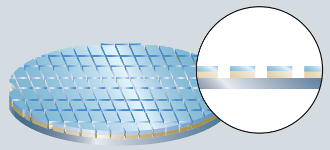


Development

After exposure, the wafer is sprayed with developer to form a resist pattern. The remaining resist areas become the mask for the next process, etching, and that resist pattern becomes the pattern on the layer below.

- DT-3000 Coater/Developer

DT-3000

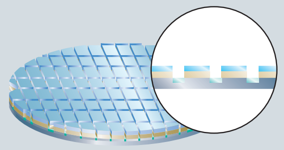


Etching

There are two kinds of etching. In wet etching, the thin film is dissolved using a chemical solution such as hydrofluoric acid or phosphoric acid. In dry etching, it is removed using reactive ions or gas.

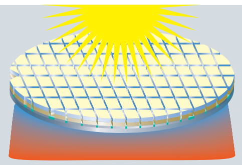
- SU-3200/SU-3300
  Single Wafer Cleaning Equipment
- FC-3100 Batch-type Cleaning Equipment

SU-3300



Implantation of Impurities

In order to give the silicon substrate semiconducting properties, impurities such as phosphor or boron ions are implanted in the wafers.



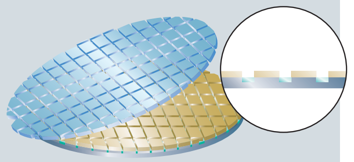
Activation

Activation is performed by heating the substrate instantaneously using a laser or flash lamps. These tools are able to activate the doped ions without diffusion. Instantaneous activation, measured in microseconds, is required to create the micro transistors on the substrate.

- LT-3100 Laser Annealing Equipment
- LA-3100 Flash Lamp Annealing Equipment

LT-3100

LA-3100



Resist Stripping

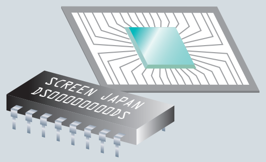
Resist can be stripped off in one of two ways: using chemicals to remove the resist; or by ashing, which removes the resist by inducing a chemical reaction using gases. If ashing is used to remove the resist, the wafer is cleaned afterwards.

- SU-3200/SU-3300
  Single Wafer Cleaning Equipment
- FC-3100
  Batch-type Cleaning Equipment

SU-3300

These processes are repeated

Packaging Process



Inspection/Assembly

After the wafer processes are finished, the wafer is separated into individual chips (dicing). These chips are connected to a metal frame called a lead frame using metal wire (wire bonding) and then enclosed in ceramic or epoxy resin material (packaging).

- DW-6000 Direct Imaging Equipment for Panel Level Packages
  (Carries out exposure of the photo-sensitive material on the panel surface)

DW-6000

FT: Display production equipment and coater business

SCREEN Finetech Solutions Co., Ltd.

Provides a range of equipment and services for the manufacturing of displays used in digital devices, including TVs and smartphones. While the company's main business is production equipment for displays and after-sales service, it also focuses on developing new businesses.

- Achieved large increase in net sales, with operating income ratio above 10%.
- New factories in Hikone, Japan and Changshu, China to go onstream this year and contribute to structural reform of manufacturing.
- Aim to dramatically boost net sales and profits in new businesses.

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

Q Could you please sum up the fiscal year ended March 31, 2018?

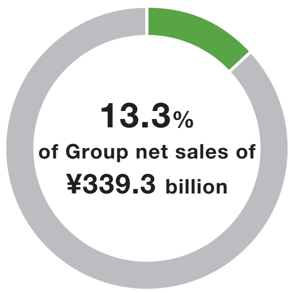
It was a good year for the display business and new businesses. With market conditions favorable, sales were up in production equipment for large panels in China and production equipment for OLEDs in South Korea and China. The result was net sales of ¥45.2 billion, a significant year-on-year rise. As for operating income, in July 2017 we established SCREEN Laminatech Co., Ltd. (which took over the businesses of FUK Co., Ltd.). Despite the goodwill from Laminatech's establishment and strategic orders resulting exerting downward pressure on profits, as a result of factors including an increase in sales and efforts over the past several years in the area of profit structure reform, we maintained an operating income ratio of over 10%, exceeding our beginning-of-term forecast. We were able to increase sales of production equipment for 8th-generation-and-larger LCD panels and turn a profit for the first time in new business areas (such as production equipment for lithium-ion batteries). These and other factors helped us increase profit.

Q Tell us about the latest market trends and your company's plans for fiscal 2019.

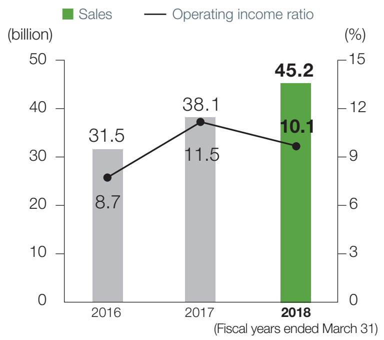
Our original prediction for the display business was that heading toward 2019, the LCD market would shrink and the OLED market (particularly small- and medium-sized panels) would expand. However, this forecast is changing. In LCDs, investment continues in production equipment for 10.5th-generation large TV panels, but meanwhile OLED manufacturers are holding off on new investment as they work to solve technical issues such as improving the yield ratio in the manufacturing process. That being said, many customers are eager to invest in flexible displays such as OLEDs, and because of this we foresee a demand increase down the road. In order to restart investment, our company plans to boost technical development prowess so that we can respond to customer needs.

In the display business this fiscal year, we aim to expand our lineup of production equipment for OLEDs and other products and turn a profit for the second year in a row in new businesses. A key target for our highly profitable after-sales services is to have it account for 20% of net sales as a whole.

Share of Net Sales
(Fiscal Year Ended March 31, 2018)



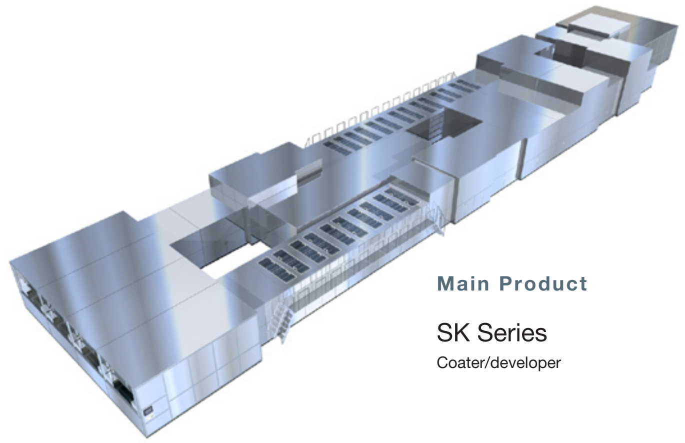
Segment Sales and Operating Income Ratio



Market Share for Coater/Developers for Displays*

* Market share is based on total sales for each equipment group. 2017, according to a SCREEN survey (calendar year).

Terminology
- OLED display: A type of 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.



Main Product

SK Series
Coater/developer

Q Tell us about the new factory at the Hikone Plant, scheduled for completion in October 2018, and the new factory in Changshu, China. Why are you building these factories and what will they achieve?

The main purpose of both these factories is structural reform, but they have differing functions. At Hikone, based on customer evaluations, we will specialize in developing elemental technologies and designing equipment, and we will accumulate production technology prowess through the manufacture of high-value-added key units. In Changshu, we are aiming to build a system for manufacturing products other than key units as we dramatically alter the supply chain. We are working to realize a line assembly for production equipment that our Chinese customers will install in the future.

The production equipment handled by our production size is getting gradually larger. Having production sites in Japan and in China, a major customer market, will give us the ability to respond flexibly to any coming changes in the market situation and to provide customers with further value.

Q Where is your company heading in the medium-to-long term, and what risks and opportunities do you foresee?

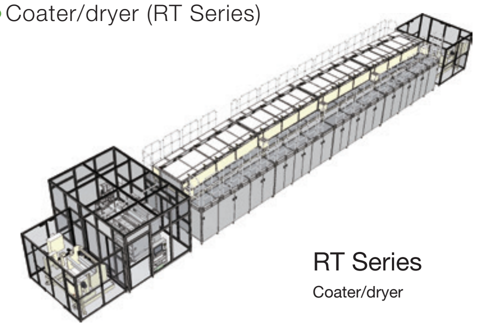
In the display industry, I see a continuation of the major trend of a shift from LCDs to OLED/flexible displays. Flexible displays hold great promise for in-vehicle applications in particular, and for this to become a reality, OLED technology will be indispensable. Our company is determined to meet market needs for flexible displays, and to this end we will expand our lineup of production equipment and expand our business.

We have a long history of taking on challenges in new business fields, and today the market requires technological innovation. I sense that customers have come to recognize our technological advantages over other companies in the new products we offer. We must make the most of this opportunity and make it our mission to shift to a sustainable business portfolio in the medium term. Diversifying business has its risks, but if we give ourselves more choices in where we invest our management resources, it will provide opportunities for business growth.

Amidst this revolution in technology and business, I hope we can stimulate our company and foster an environment in which employees can reach their potential and come up with innovations.

Equipment Lineup for New Business Fields

Production equipment for Lithium-ion Batteries
- Coater/dryer (RT Series)



RT Series
Coater/dryer

Production equipment for Flexible Displays
- Polyimide coating system (SK-P Series)
- Lamination equipment (RL Series, SL Series)

Dry coating equipment
- LIA plasma CVD equipment (VC Series)
- LIA sputter equipment (VS Series)

GA: Graphic arts equipment business

SCREEN Graphic Solutions Co., Ltd.

Provides various graphic arts equipment and services.

- Achieved higher revenue and profit year on year by expanding sales of POD equipment and after-sales service.
- To respond quickly to varying market needs, introduced a business administration division system according to product.
- Profitability improved in the area of package printing, where we solidified our position and increased sales.

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

Q Could you please sum up the fiscal year ended March 31, 2018?

Fiscal 2018 we produced a good result as both revenue and income increased compared to the previous term, to net sales of ¥53.4 billion and operating income of ¥3.0 billion. However, the operating income ratio was 5.7%, which is low compared with other businesses. We recognize that we have further room for improvement ahead of us. As for our business content, in line with the market prediction from several years ago for a gentle fall in CTP and a rising trend for POD, CTP sales declined, while POD sales grew, mainly at various overseas bases. Also, sales and profit increased due to reinforcement of after-sales service, like ink and maintenance contracts, for which stable earnings can be anticipated.

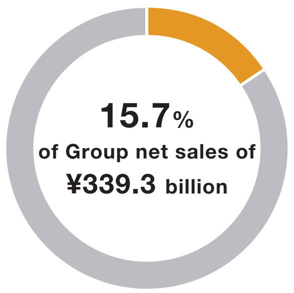
Q Tell us about the outlook and strategy going forward.

For our company right now, increasing our sales is very important for improving earnings. To do that, from fiscal 2019, we have introduced a business administration division system that divides development, sales, and other functions vertically by product. These will be specialized units that respond swiftly to the differing market needs for CTP and POD. Under this structure, as well as expanding sales of each device, we also aim to boost the sales ratio of after-sales service to more than 30%. Via these initiatives, we aim to achieve an operating income ratio of 10% in the third year of our three-year medium-term management plan, which ends in March 2020.

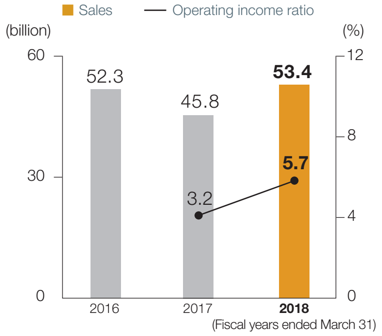
Q What are the opportunities and risks for the business?

We expect business opportunities to increase as a result of adjustments to create a proactive sales structure. Furthermore, in the growth area of POD, particularly because we foresee gains in package printing, how we can develop our business in this field is a challenge that lies ahead. Also, in the high-focus area of ink, regarding the well-received SC Ink (ink for coated paper), which has won awards in Europe, U.S., and Japan, we feel that even further differentiation is possible.

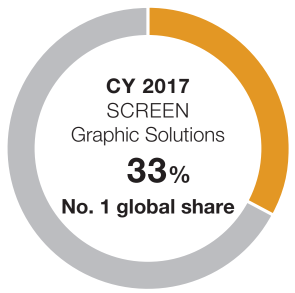
Share of Net Sales*1
(Fiscal Year Ended March 31, 2018)



Segment Sales and Operating Income Ratio*1



Market Share for CTP Equipment*2



*1 The operating income ratio is not shown because until fiscal 2016 (fiscal year ended March 31, 2016), GA was a sub-segment.
*2 Market share is based on total sales for each equipment group. 2017, according to a SCREEN survey (calendar year).

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.

PE: PCB-related equipment business

SCREEN PE Solutions Co., Ltd.

Provides direct imaging equipment for the production of PCBs, as well as inspection equipment and services, among other products. In April 2017, we became an independent business operating company.

- Net sales topped ¥10 billion for the first time thanks to orders from major smartphone suppliers.
- Aim to increase sales and improve profit ratio by expanding the lineup of direct imaging equipment and inspection equipment.
- Make differentiation our forte by advancing development of new equipment.

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

Q Could you please sum up the fiscal year ended March 31, 2018?

I feel that we achieved good results for the first fiscal year after becoming an independent company, with net sales topping the key ¥10 billion mark to reach ¥12.1 billion. Sales of leading direct imaging equipment were good, and via orders from major smartphone suppliers in countries such as South Korea and Taiwan, we were also able to improve our market presence. Although the operating income ratio didn't reach 10%, operating income exceeded the initial estimate to reach ¥1.0 billion.

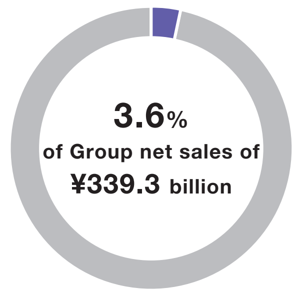
Q Tell us about the outlook and strategy going forward.

Among our direct imaging equipment, in June we released the new model LANZAN, which is compatible with the MSAP method of next-generation circuit pattern formation. Also, among our inspection equipment, too, with the new model MIYABI, to which an AI function has been added, and also via joint development with our South Korean subsidiary TRIVIS, we aim to expand our product lineup and boost the sales ratio of inspection equipment to around 20%. In fiscal 2019, due to factors such as an increase in R&D costs, it will be difficult to improve the rate of return, but, among our goals, we aim to increase the sales ratio for the highly profitable area of services and parts to 30%, and we will work toward an operating income ratio above the 10% mark for fiscal 2020.

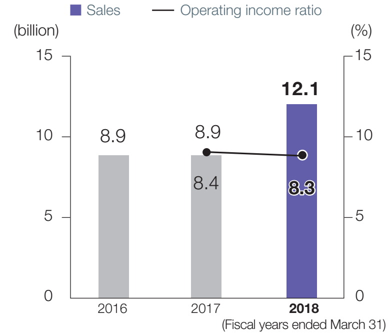
Q What are the opportunities and risks for the business?

At present, we expect the electronics industry to continue to expand due to factors such as increased demand for large circuit boards for IoT and automotive applications and for base station servers aimed at next-generation 5G networks. Within that trend, we must keep up with technical advances in the production methods of PCBs and in materials and exposure methods, if we are to avoid a big business risk. Accordingly, we consider it to be even more important now to thoroughly understand the demands of our customers.

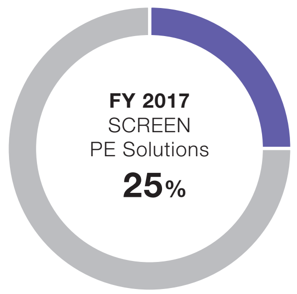
Share of Net Sales*1
(Fiscal Year Ended March 31, 2018)



Segment Sales and Operating Income Ratio*1



Market Share for Direct Imaging Systems*2



*1 The operating income ratio is not shown because until fiscal 2016 (fiscal year ended March 31, 2016), PE was a sub-segment.
*2 Source: Sangyo Times, Inc. Electronic Device Industry News May 31, 2018 (6). (on a fiscal year basis)

Terminology
- MSAP: Stands for "modified semi-additive process." A pattern formation method that is expected to become the mainstream next-generation technology in line with size reduction and miniaturization of main circuit boards.
- 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.

Nobuaki Okita
Core Engineering Section 5 Track System Operations
Product Engineer Department
Business Division
SCREEN Semiconductor Solutions Co., Ltd.

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

Norimichi Kikuchi
Assistant Manager,
Safety & Quality Control Department,
SEBACS Co., Ltd.

Award-winning Products

SS-3100
Exhaust-free Spin Scrubber

SEBAPRON
Chemical-resistant Apron

Aiming to Be a Sustainable, Development-centered Company
~Green Value Awards~

In 2012, the SCREEN Group launched the Green Value Awards (GVA), an in-house program to honor sections of the SCREEN Group that make outstanding contributions to EHS (environment, health, and safety). In this special feature, we speak with the key players behind two initiatives that were awarded the fiscal 2018 EHS Management Award. They talk about how SCREEN can be a company that creates value together with customers and solves social issues.

- SS-3100 exhaust-free spin scrubber (semiconductor cleaning equipment) www.screen.co.jp/eng/spe/products/ss-3100/
- SEBAPRON chemical-resistant apron www.sebacs.co.jp/products/sebapron (Japanese only)

GVA Assessment Standard | To win a GVA, business activities, products, and services are judged on six criteria from the standpoint of EHS innovativeness, originality, practicality, difficulty/effort/continuity, economic effect, and user evaluations.

Contributing to Industry as a Whole

Ando: The GVA was launched in 2012 with the goal of advancing and disseminating EHS activities. Each year brings an increasingly higher level of entries to this award. The two winners of the fiscal 2018 EHS Management Award were recognized for their particularly outstanding contributions to industry as a whole. Can you tell us what inspired you take on this challenge and how you brought it to fruition?

Okita: The idea for the exhaust-free spin scrubber came up when customers asked us if there were some way to reduce the amount of exhaust from the machine. But if we reduced the amount of exhaust, what would take its place and perform the same role? That's where we came up with the idea of cleaning and circulating the exhaust inside the machine so that it could be reused. When we tried this, we found that it actually worked well. We then fleshed out the idea and eventually arrived at the product.

Kikuchi: The origins of our development of the safety apron go back about 10 years. I borrowed a protective apron from a customer during on-site work, but a liquid chemical got on my skin, and that's when I realized there was a safety problem. We at SEBACS realized that we needed to find safety wear that protected us, so we set out looking for such a product. However, the only products we could find on the market covered the entire body, were heavy and difficult to work in, and made you sweat a lot. It was then that we realized that we could only protect ourselves if we made a new product ourselves.

Ando: So, how did you go about developing protective clothing that would be easy for you to work in?
Kikuchi: The Safety Department and Development Department of SEBACS joined forces. We also got ideas from the activities of our Health and Safety Committee and our company's hazard simulation training. After much trial and error, we came up with the SEBAPRON chemical-resistant apron, a product light and comfortable enough to wear for long periods of work without getting tired.
Ando: So, improvement suggestion activity for incident to the creation of a new product! SEBAPRON has earned the praise of many customers and has helped raise the level of safety in the industry as a whole.

The Fruits of EHS Activities

Ando: You managed to bring the concept of the exhaust-free spin scrubber to market, but that's not all. The realization of this product will lead to even more business as demand for environmentally friendly products continues to grow. What have you gained from development of this product?
Okita: I got involved in this project in my third year after I joined SCREEN Semiconductor Solutions. It was the first time that I worked as one of the main members of a development project. At times, I wondered if the product would come to fruition. I learned many things along the way, but I think the main one was the importance of dispelling stereotypes that exhaust is simply something to be disposed of. I also learned how important it is to change the way of thinking in developing a product.
Ando: The exhaust-free spin scrubber was also awarded under Frontier Gate, a SCREEN in-house technology presentation held since 1986. This shows that it is a well-conceived, technically advanced development.
SEBACS won a fiscal 2017 GVA for its BCP (business continuity plan) activity during the Kumamoto earthquakes in 2016. The fiscal 2018 award—the company's second time GVA in a row—protection tools was evaluated in a different effort from the previous one. What have you gained from the 2017 GVA?
Kikuchi: I work in the Safety & Quality Control Department, doing EHS-related work with site workers and customers. This award gives the entire company the stimulus and motivation to come up with new EHS initiatives and protective gear.

Creating Shared Value to Solve Social Issues

Ando: Looking at the SDGs that the SCREEN Group is tackling, the exhaust-free spin scrubber is directly related to SDG Goal 9, which says: "Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes." The SEBAPRON chemical-resistant apron is in line with SDG 8, which states, "Protect labor rights and promote safe and secure working environments of all workers." I am pleased that SEBACS is able to use its business to provide a product that solves environmental and social issues.

Okita: Currently, we are delivering products individually to our customers. However, in future when customers build new factories, exhaust-free machines can replace all existing equipment. This will bring significant improvements in reducing exhaust-treatment facilities, cutting air conditioning costs, and lessening CO_2 emissions throughout an entire factory. In addition, we have earned high praise, including being awarded Best Suppliers award from customers.
Kikuchi: We have been working on the SEBAPRON to improve chemical-resistant apron ever since it was developed 10 years ago. Starting from the product's first model, we have continued to improve it, giving it greater breathability, for example, as we incorporate customer opinions, incident reports, and employee opinions. Even today, we continue to listen to what kind of products customers wish for, so there is still plenty of room to evolve.
Ando: In business, it used to be good enough to simply concentrate on providing customers with better quality and cutting costs. But today, it's crucial for a company to solve issues for society as a whole. In society, we share common values with our customers. We call working together with customers to realize value "creating shared value." Pouring our energy into creating shared value is linked to SDGs and CSR activities. We will continue to conduct a wide range of activities, including taking part in awards programs, so that we can be a sustainable, development-centered company.

In the early days of the GVA, most of the entries were related to reducing environmental impact through, for example, energy efficiency. In recent years, however, there have been more environmentally and safety conscious products and services; an example is the Ledia5 direct imaging system, which does not use a mercury lamp. The two GVA products highlighted in this special feature are superb examples of using the development of new products to provide solutions to social issues faced by customers.
SCREEN is a development-centered company that strives to make products that solve the environmental and social issues faced by stakeholders, including customers, local communities, and employees. We will continue taking our development efforts to the next level.

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

Advance CSR Management with an Emphasis on ESG

Under the corporate philosophy of "Sharing the Future," "Human Resource Development," and "The Pursuit of Technology," the SCREEN Group as a whole—while respecting international frameworks and rules and principles of conduct in accordance with industry standards and through the application of our CSR Charter / Code of Conduct—is working to soundly apply and improve governance. In our business activities, as well as economic considerations, we also consider our actions from an environmental and a social angle, and by acting in accordance with the SDGs (Sustainable Development Goals) that have been adopted by the United Nations and have received global agreement, we hope to contribute to the sustainable development of society.

CSR Charter

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

CSR Charter
www.screen.co.jp/eng/csr/csr_charter.html

● SCREEN Group CSR Charter

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

CSR Medium-term Plan

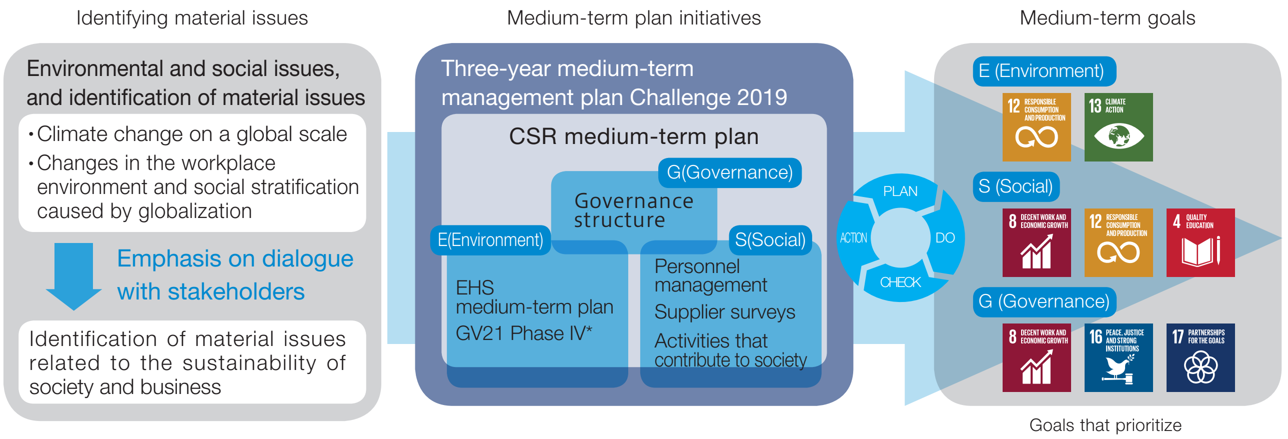
In 2014, the SCREEN Group established the "Management Grand Design," based on the technologies and connections with society that the company has built up since its founding, as well as society's expectations of the group and the social issues it must address going forward. We periodically verify and reexamine the Management Grand Design, which lays out the grand design for our proper future manifestation and how to achieve it. Based on this, we put together the Challenge 2019 three-year medium-term management plan, one of the key policy initiatives of which is "Advance CSR management with an emphasis on ESG." Based on that initiative, we determined the CSR Medium-term Plan, and we are implementing initiatives based on that plan.

Participation in the UN Global Compact

In October 2016, SCREEN Holdings signed the UN Global Compact, which is a United Nations initiative that comprises 10 principles in the four areas of human rights, labor, environment, and anti-corruption. The SCREEN Group has been pursuing CSR management for many years, but to continue to grow as a global corporation, we respect global standards such as the Global Compact and are working toward the sustainable development of society.

WE SUPPORT
UN GLOBAL COMPACT

● CSR Medium-term Plan Achievement Scheme



Goals that prioritize a sustainable society

* EHS medium-term plan GV21 Phase IV established medium-term goals and a plan for environmental management (E), health management, (H) and disaster prevention and safety (S) (see p. 27).

Identifying Material Issues in CSR

At the SCREEN Group, under the CSR medium-term plan, we have identified material issues out of the various environmental and social problems that we ought to be tackling by taking into account societal expectations, such as SDGs. When identifying these material issues, we attached great importance to our dialogue with stakeholders, and for the three fields of Environment (E), Social (S), and Governance (G), we selected issues that our company affects, and issues that influence our company, and decided to focus on them. In particular, in the area of Environment, we are working to reduce our total CO_2 emissions by 20% by fiscal 2026, compared with those as of fiscal 2014.

● Material Issues Identified in the CSR Medium-term Plan and Their Status as of the fiscal 2018

Material Issues	SDGs	Vision for the fiscal 2020	Status as of the fiscal 2018	
			KPI (key performance indicators)	Results
E (Environment) Creating environmental value and contributing to the reduction of carbon emissions and recycling of resources at the societal level				
Providing of products and services that contribute to reducing environmental impact	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Contributing through businesses that, for example, reduce CO_2 emissions by providing eco-friendly products and services	Contribute via products to CO_2 emissions control goal for fiscal 2020: Reduce 6% or more in emission intensity of sales compared with fiscal 2014 (GV21 Phase IV)	16% reduction in emission intensity of sales* *Amount of CO_2 emitted to generate ¥100 million in sales
Proactive efforts for environmental conservation	13 CLIMATE ACTION	Reducing the environmental impact of business activities and actively engaging in conservation activities in areas such as forest preservation and biodiversity	1. Reduce CO_2 emissions goal for fiscal 2018: Reduce 4% or more in emission intensity of shipment volume (GV21 Phase IV) 2. Conserve biodiversity (No numerical target has been set. Created and carried out plan.)	1. 27% reduction in emission intensity of shipment volume* *Amount of CO_2 emitted from business activities for each ton of shipments 2. Certified under Kyoto Life and Culture Collaborative Rejuvenation Project Created a flowerbed of rare plants at the head office Joined agreement on forest conservation Began environmental conservation activities at the SCREEN Forest in Kameoka, Kyoto Prefecture
S (Social) Offering decent work and creating social value				
Ensuring health, and transforming ways of working to improve the quality of work	8 DECENT WORK AND ECONOMIC GROWTH	1. Each and every employee is healthy and active 2. Productivity and efficiency have been improved, and employees enjoy a good work-life balance	1. Maintain a health management assessment level within the top 20% 2. Set goals for the Work-style Reform Project	1. In the results of a health management assessment, placed in the 20%–40% range Recognized as an excellent corporation in health management, or part of the "White 500" 2. Launched the Work-style Reform Project, set target range for total actual working hours, reformed our personnel system Additional adjustment of the personnel system: family-support paid leave, child-rearing support leave, spouse childcare leave, between-shifts interval of 9 hours or more
Developing diverse human resources	8 DECENT WORK AND ECONOMIC GROWTH	1. Employees are proactive in designing their own careers 2. Approaches and development plans for nurturing the next generation of managers are in place	Implement personnel development plan	Attendance rate of 98% at SCREEN BUSINESS SCHOOL compared with target number of employees
Promoting CSR in the supply chain	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	A CSR code of conduct is being followed along the entire supply chain	Conduct supply chain self-assessments, solve problems	In January 2018, requested 75 suppliers to conduct self-assessments, received 93.3% response rate, and point average was 76.2%
Social contribution activities centered on coexistence, empathy, and nurturing of the next generation	4 QUALITY EDUCATION *1	1. Continuously engaging in activities in 5 key areas*2, and SCREEN's characteristics are beginning to be widely recognized both inside and outside the Group 2. Activities in which many employees can participate are being deployed	1. Establish social contribution activities that employees can participate in continuously 2. Check participants' level of satisfaction for each event; reach and maintain satisfaction of 70% or higher	1. Drafted a plan for a model forest initiative. Began forest conservation activity in March 2018 2. Received a satisfaction rate of 98% on a questionnaire from employees who participated in the March model forest initiative For the Kyoto Manufacturing Hall of Fame and Workshop Study program, 96.1% of children who participated responded in a questionnaire that they enjoyed the program (No. of responses: 280 students from 12 schools)
G (Governance) Governance from both proactive and reactive approaches / Disclosing ESG informations				
Establishing internal control and risk management structures to support proactive governance	8 DECENT WORK AND ECONOMIC GROWTH	1. Internal controls that ensure the soundness and transparency of management are being properly implemented 2. Systematic risk management for achieving medium- to long-term corporate targets is in place	1. Continue to satisfy internal governance audits required by related laws 2. Within the SCREEN Group, 100% usage of risk management sheets and risk mitigation effect	1. Carried out audits as planned; continued to satisfy audits 2. Within the SCREEN Group, 100% usage of risk management sheets and absence of any large risks that could have affected business
	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	An effective internal whistleblowing system is in operation throughout the Group both in Japan and overseas	1. 100% resolution rate on issues raised 2. Investigate operational status of whistleblowing system and improve it	1. 100% resolution of issues 2. Semi-annual checks of persons in charge of harassment consultation office, training of new
Proactive disclosure and internal/external sharing of ESG information	17 PARTNERSHIPS FOR THE GOALS	Nonfinancial information is being effectively disclosed and stakeholders are being proactively engaged with based on an accurate understanding and proper adherence to international CSR standards	1. Publish integrated report (booklet, website) 2. Maintain RBA (formerly EICC) conformance 3. Continuous employee training by each department through methods such as e-learning and CSR Talks (discussion of CSR-related topics held each quarter); CSR Talk implementation rate of 70% or more	1. Identified material issues in ESG, disclosed them in Annual Report 2017, active dialogue with stakeholders such as employee, shareholders, and investors 2. A continued RBA low risk rating 3. E-learning completion rate: 86.5% CSR Talk implementation rate: 81.8%

Managed via group EHS management (GV21 Phase IV: see p. 27) Managed via personnel development management or Work-style Reform Working Group, etc.

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

Governance from Both Proactive and Reactive Approaches

The SCREEN Group has been working actively to enhance corporate governance to further improve transparency, soundness, and efficiency in management and thus benefit all stakeholders. To further strengthen our business foundation, we are taking both proactive and reactive approaches to corporate governance under three-year medium-term management plan Challenge 2019.

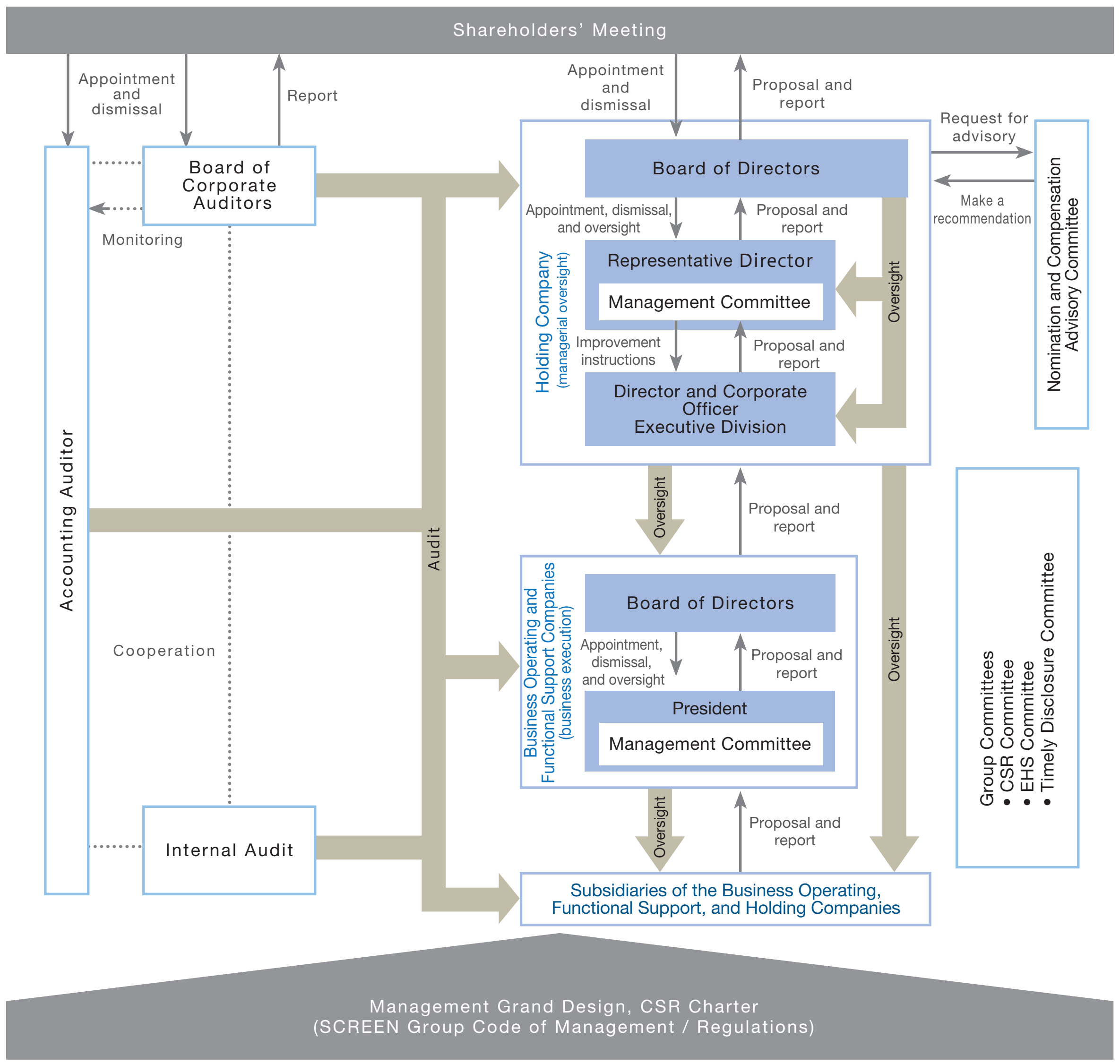
Management and Executive System

The SCREEN Group takes the form of a company with a board of corporate auditors under the Companies Act of Japan. This system maintains a balanced perspective to allow the Board of Directors to exert maximum efficiency and effectiveness, while having management oversight over the entire Group securely in place. 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 policies, basic strategies, 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 holding company. 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 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. The SCREEN Group is responding to the Corporate Governance Code on an ongoing basis, such as disclosing more information behind the selection of directors and corporate auditors and providing more information to independent outside directors. We will continue to pursue transparency, soundness, and efficiency as we aim for the overall benefit of all our stakeholders.

Corporate Governance Report (July 6, 2018)
www.screen.co.jp/profile/20180706_CGR_J.pdf (in 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
www.screen.co.jp/eng/profile/20170509_Ind_Crit_E.pdf

● Outside Directors and Outside Corporate Auditors (Fiscal year ended March 31, 2018)

Name	Relation to the SCREEN Group	Contributions	Meeting Attendance
Outside Directors			
Yoshio Tateishi (Honorary Chairman, OMRON Corporation) In office from June 2006 to June 2018	OMRON is a business partner of the Group, but the volume of trade is insignificant.	Provided opinions from various perspectives based on his deep insight fostered during years of management experience and his wide-ranging experience in the business community.	Board of Directors 14/14
Shosaku Murayama (Representative Director and President, iPS Portal, Inc.) In office since June 2013	iPS Portal is a business partner of the Group, as we outsource some sales-promotion-related work to it, but the volume of trade is insignificant.	Provided insight from various perspectives based on the wealth and breadth of his experience at the Bank of Japan and other companies.	Board of Directors 14/14
Shigeru Saito (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 14/14
Outside Corporate Auditors			
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 14/14 Board of Corporate Auditors 25/25
Yoshio Nishi (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 14/14 Board of Corporate Auditors 25/25

Note: The attendance rate of inside directors to the Board of Directors meetings and that of inside corporate auditors to the Board of Corporate Auditors meetings were both 100%.

Management Compensation

Directors' and corporate officers' compensation consists of three elements:
(1) Fixed compensation (a fixed amount paid each month)
(2) Performance-linked stock compensation (decided based on how well the annual targets were met); and
(3) Performance-linked stock compensation (decided based on how well the annual targets of the medium-term management plan were met).

The performance-linked stock compensation plan clarifies the linkage between the company's stock value and the compensation paid to directors and corporate officers. This serves to raise awareness of contributing to medium-to long-term business performance and enhancing corporate value.

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 compensation, the amount of which is determined after deliberation by the Board of Corporate Auditors.

Note: Outside directors are paid fixed compensation and performance-linked compensation.

● Total Amount of Compensation (by Type, Board Member Category), Number of Eligible Board Members (Fiscal 2018)

Category	Total amount of compensation (million yen)	Total amount for each type of compensation (million yen)			Number of eligible board members
		Fixed compensation	Performance-linked compensation	Performance-linked stock compensation	
Directors (outside directors excluded)*	372	219	86	66	7
Corporate auditors (outside corporate auditors excluded)	42	42	–	–	2
Outside directors	41	32	9	–	5

* The number of eligible board members and the amount of compensation include a director who retired as of June 27, 2017.

Evaluation of the Effectiveness of the Board of Directors

The SCREEN Board of Directors conducted an analysis and evaluation* of the effectiveness of the Board of Directors for fiscal year ended March 31, 2018. As a result, it was found that the composition of the board was effective in carrying out its operations. It was also revealed that outside directors and outside corporate auditors have been well informed and kept up to date by management on the company's situation, and that opportunities for dialogue have been secured.

* The objective of the analysis and evaluation is to boost the functions and effectiveness of the Board of Directors and raise corporate value. A questionnaire was given to the directors and corporate auditors to seek their evaluations and opinions on the composition of the Board of Directors, how it is run, on the provision of information to outside directors, and other items.

Summery of the Results of the Evaluation on Effectiveness of Board of Directors (May 8, 2018)
www.screen.co.jp/eng/ir/news/pdf/20180508_BME_E.pdf

Message from the New Outside Director

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

Contributing to Raising Corporate Value by Dealing with Unseen Risks That Accompany Change

I was appointed as an outside director as of June 26, 2018. SCREEN's businesses, products, and markets differ greatly from those of the company I headed previously. However, I find we share a common requisite as companies that strive for sustainable growth: to keep on changing without falling behind changes in the business environment. Meanwhile, change is always accompanied by risks. From a governance perspective, one of the crucial points in business management is to accurately determine whether a change means an opportunity or a risk. It is especially vital to prepare measures against unseen, hidden risks, rather than against visible risks, which can be easily offset. It is in this area where I hope to contribute the most by drawing on my experiences and knowledge so that SCREEN can achieve further results and enhance corporate value.

Directors and Auditors (As of July 1, 2018)

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

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.)

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

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)

Being a Responsible Corporate Citizen

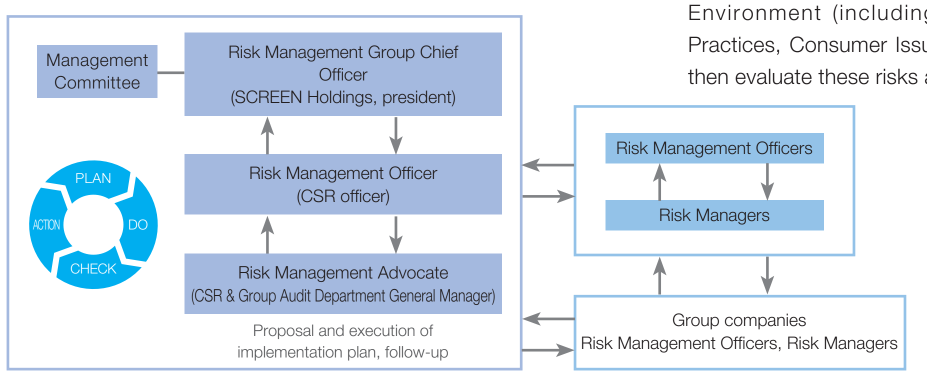
The SCREEN Group strives to be a responsible corporate citizen by abiding by society's norms and contributing to the sustainable development of society.

Compliance and Risk Management

Compliance

Under the SCREEN Group's CSR Charter / Code of Conduct, the SCREEN Group ingrains a code of conduct into the hearts and minds of directors, corporate officers, and all employees so that we can operate SCREEN in a fair and transparent manner. Our CSR Committee, which is chaired by SCREEN Holdings' president and made up of CSR officer from the business operating and functional support companies and CSR department heads, meets quarterly to share information and to confirm that the entire group is in compliance. At overseas group companies, internal audits are conducted to determine the level of compliance and find and solve problems.

● Risk Management Structure



Risk Management

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

Investor Relations: Constructive Dialogue with Shareholders and Investors

Through our investor relations (IR), we strive to give our shareholders and investors a greater understanding of the SCREEN Group by communicating our management, business, and financial position in a timely, accurate, and clear-cut manner. IR also provides a means for us to get opinions and other feedback from these stakeholders that we use to maximize corporate value. Following earnings announcements and at conferences, our CEO, corporate strategy director, CFO and other top management members give interviews to and hold dialogue with our stakeholders.

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

To ensure that as many shareholders as possible can attend our General Meeting of Shareholders, we schedule it to avoid conflicting with other companies' meeting dates and we send out invitations well in advance to maximize the number of shareholders who can attend. Individual and corporate shareholders can also exercise their voting rights online using a computer or smartphone, and institutional investors can do so via an Electronic Voting System Platform.

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

Number of Dialogue-Based IR Activities (Fiscal 2018)

- Earnings presentations: 4
- Meetings with institutional investors and analysts: Approximately 400
- Overseas IR activities: 3 (North America, Europe, and Asia)
- Institutional investor events, domestic conferences: 7
- Plant tours for institutional investors: 1
- Company briefings for individual investors: 15
- Plant tours for individual investors: 1

Supply Chain Management

Compliance with RBA Code of Conduct (Formerly EICC)

The SCREEN Group, mainly in the SE, complies with the Responsible Business Alliance (RBA) Code of Conduct* so that it can accurately determine and minimize risk on an ongoing basis.

* The Electronic Industry Code of Conduct (EICC) was renamed the RBA Code of Conduct in October 2017 and expanded to cover all industries and not just the electronics industry.

Promoting Compliance with the SCREEN Supplier Code of Conduct

The SCREEN Group formulated its SCREEN Supplier Code of Conduct in 2013 in compliance with the EICC (now the RBA Code of Conduct). As a code of conduct for the supply chain, it is available on our website for our suppliers to learn and abide by.

To determine our suppliers' level of compliance with the SCREEN Supplier Code of Conduct, we surveyed 60 SE suppliers in fiscal 2017 and 70 major suppliers (companies not surveyed in fiscal 2017) in fiscal 2018, focusing on risk items that had come up in previous surveys, such as human rights and labor issues. The results of both years' surveys showed a low awareness of harassment issues. In response to fiscal 2017 survey results, we took measures including bringing up the harassment issue at supplier liaison meetings and providing training and educational materials on the matter to suppliers. We are currently preparing measures in response to the fiscal 2018 survey results.

In addition, in response to fiscal 2018 survey results, we analyzed matters such as the risks regarding foreign, child, and youth laborers. We found no risks regarding slave labor, forced labor, or child labor.

Supplier Code of Conduct
www.screen.co.jp/eng/csr/society/supplier_code.html

Conflict Minerals

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

Quality Management

The 17 SCREEN Group companies previously certified for ISO 9001 have all upgraded certification to ISO 9001:2015 as part of efforts to continue improving customer satisfaction. As a result of such efforts to provide society with beneficial products and services that use proprietary technology built up over the years, many of our customers gave us high marks for our products in fiscal 2018.

Ongoing Social Contribution Activities

Founded on the concepts of coexistence, consideration for others, and nurturing of the next generation, the SCREEN Group carries out social contribution activities in five areas: Science and Education, Social Welfare, Sports and Culture, Environmental Conservation, and Community Contribution.

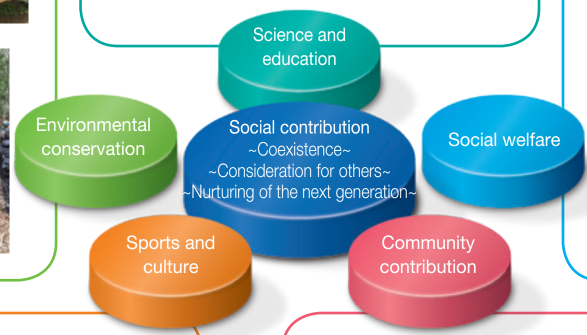
We were certified under the Kyoto Life and Culture Collaborative Rejuvenation Project of Kyoto City.

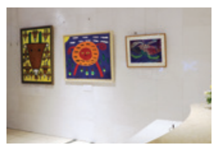
The SCREEN Group works to protect and maintain forests as a member of the Kyoto Model Forest Association.

In addition to running workshops at the Kyoto Manufacturing Hall of Fame, our engineers give science lessons to elementary school children. In fiscal 2017, we gave lessons to 512 students from 12 schools.

About once a month, the SCREEN cafeteria invites facilities for the disabled to sell confectionary products that they made, as a way to support employment for these people.

At Inca Digital Printers, a group company in the U.K., employees raise money for charity through numerous events.





In support of Tensai-Art Kyoto, an NPO promoting the talents of disabled artists, we display their works of art inside our facilities.

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

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

The SCREEN Group's Initiatives in EHS

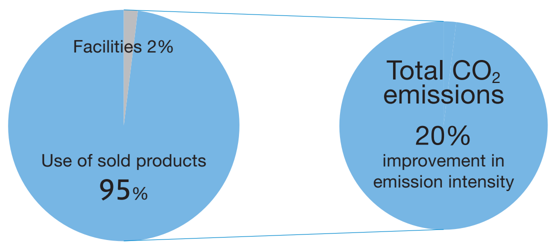
One of the main initiatives of the SCREEN Group's Challenge 2019 three-year medium-term management plan is the promotion of CSR management focused on ESG. In line with that promotion, and linked to the CSR medium-term plan, we are implementing Green Value (GV) 21. We are managing "Environmental management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

● Chronology of EHS Initiatives

	April 1995	April 2000	April 2009	April 2011	April 2014	April 2017
	1994 Launch of Environmental Management Office; 1997 Kyoto Protocol; Destruction of ozone layer, acid rain, etc; Global warming	2000 Basic Act on Establishing a Sound Material-Cycle Society	2009 Revision of Energy Conservation Act; 2008–2012 Kyoto Protocol commitment period	2011 ISO 26000 (SR standard)	2015 ISO 14001 revised	2016 Paris Agreement came into effect
		Eco Value (EV) 21	Green Value (GV) 21			
Medium-Term Plan		Phase I/II	Phase I	Phase II	Phase III	Phase IV
MS certification	ISO 14001 (environment)		Integrated EMS	Integrated EHS	Continuation of disaster preparedness EHS operations (+ ISO 22301)	Group EHS (Environment/energy/health and safety/business continuity)
		OHSAS 18001 (occupational health and safety)	Energy (+ ISO50001)			
Theme	Construction of system for global environmental conservation and promotion of initiatives	Expansion of MS and improvement of environmental management	Globalization and optimization of environmental safety management		Implementation of disaster preparedness EHS activities	Promotion of CSR management focused on ESG
Basic goals	· Establishment of Environmental Management Office · Voluntary plan · Acquisition of EMS certification	· Expansion of EMS · Acquisition of OHSMS certification · Environmental report	· Promotion of integrated EHS · Acquisition of EnMS certification · Integrated report		Establishment of BCM system	Improved evaluation via external indices
Main policies	· Energy and resource conservation · Environment beautification activities	· Zero emissions · Green products	· Environmental information system · Measures to meet European chemical substance regulations		· Acquisition of BCMS certification · Management of chemicals and gasses	· Training of personnel to promote EHS · Preparation of information base

Aiming for a 20% Reduction in Total CO_2 Emissions by Fiscal 2026

In GV21 phase IV, we set a long-term goal of reducing total value-chain CO_2 emissions (per unit of sales) by 20% by fiscal 2026 compared with fiscal 2014, and we are implementing wide-ranging measures toward that goal. We calculated value-chain CO_2 emissions by adding CO_2 emissions such as those produced by SCREEN products during customer use (Scope 3) to facility CO_2 emissions (Scope 1+2).



● Group EHS Management Framework

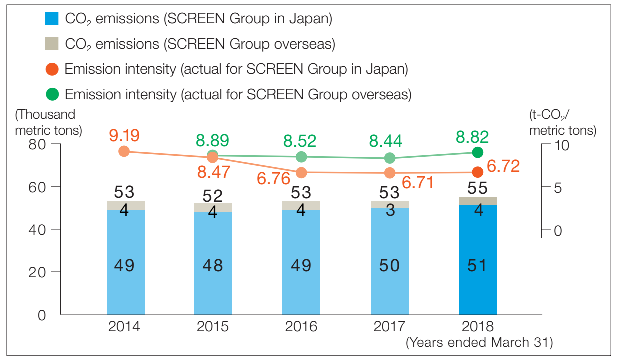
The SCREEN Group has obtained certification of four management systems and implements an integrated management system consisting of "Environmental management (E)," "Health management (H)," and "Disaster prevention and Safety (S)." We manage various risks and opportunities in a comprehensive manner. These risks and opportunities include an increasing need for products with low environmental impact, increasingly stringent international environmental regulations, a rise in occupational safety risks as products become larger, the growing complexity in managing the health of employees as types of employment diversify, and the risk of the supply chain being interrupted due to natural disasters. We have included the management of these risks and opportunities in our medium- and long-term plans in order to ensure that we achieve our goals.

Environmental Management: Environmental Conservation and Product EHS

Environmental Conservation

As well as reducing CO_2 emissions, decreasing energy usage, and cutting the emission of waste, the SCREEN Group is also working on environmental conservation with the goal of biodiversity protection, including measures against water risks. The SCREEN Group's CO_2 emissions for the year ended March 2018 were 54,776 t-CO_2, and waste amounted to 2,495 metric tons, with both reaching the target figures for emissions per unit weight of product shipments.

● CO_2 Emissions and Emissions per Unit Weight of Product Shipments

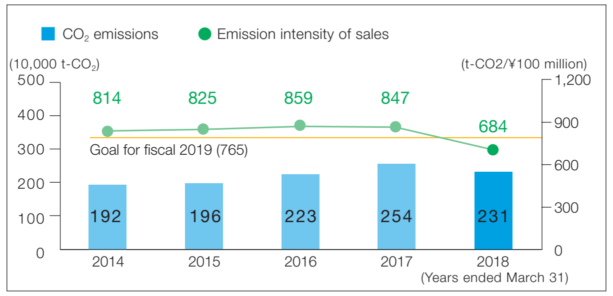


Product EHS

In order to provide products that are safe and that take into consideration the global environment, we are working on providing products that contribute to curbing CO_2 emissions, expanding environmentally friendly products, training experts in product safety, and complying with product-related laws and regulations.

CO_2 emissions from products for the 10-year use period of March 2018 are estimated at 2.31 million t-CO_2, which is a 16% improvement in terms of emission intensity compared with the year ended March 2014. Environmentally friendly "Green Products" reduced CO_2 emissions by an estimated 53,600 t-CO_2 in the same period.

● Product CO_2 Emissions

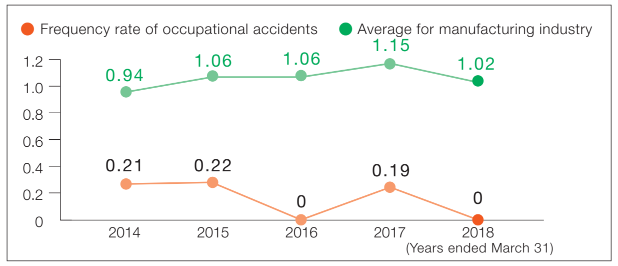


Disaster Prevention and Safety: From Safety Management at Production Sites to BCP

Health and Safety

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

● Frequency Rate of Occupational Accidents



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

Disaster Prevention BCM

Aiming to strengthen our ability to respond in times of large-scale disasters, we have set forth the goals of improvement via practical drills and establishment of a management system for an emergency response headquarters. We conduct drills at least once a year, and we are working to ensure the operational establishment of the Bousaiz disaster information management system.


Safety confirmation system

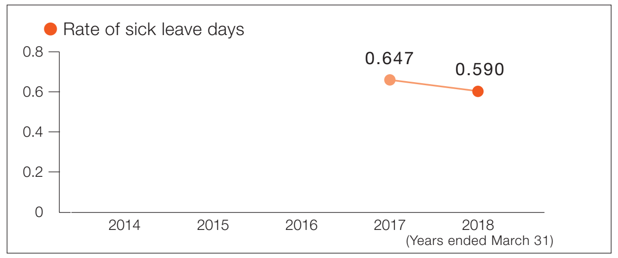

Bousaiz


Survival card

Health Management: Creating an Environment in Which Employees Can Work Happily

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

● Rate of Sick Leave Days



Rate of sick leave days = Total number of sick leave days/employees' total number of prescribed work days × 100
New index established in fiscal 2017, for which we target a reduction compared with the previous fiscal year.

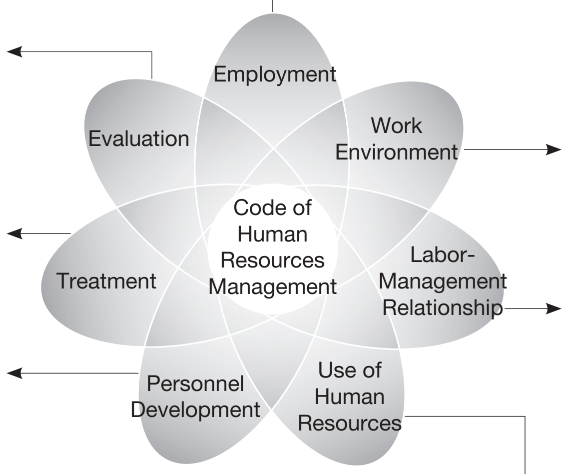
At the SCREEN Group, to promote employees' health, each year we hold a fitness campaign that focusses on themes that are close to home, such as walking, weight and blood pressure measurement, and the recording of sleep hours. This initiative is leading to a reduction in the rate of sick leave days.

Furthermore, for the year ended March 31, 2018, we received certification under the Certified Health and Productivity Management Organization Recognition Program (White 500) promoted by the Japanese Ministry of Economy, Trade, and Industry.

2018 健康経営優良法人 Health and productivity ホワイト500

Virtuous Circle of Growth between People and the Company

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



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

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

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

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

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

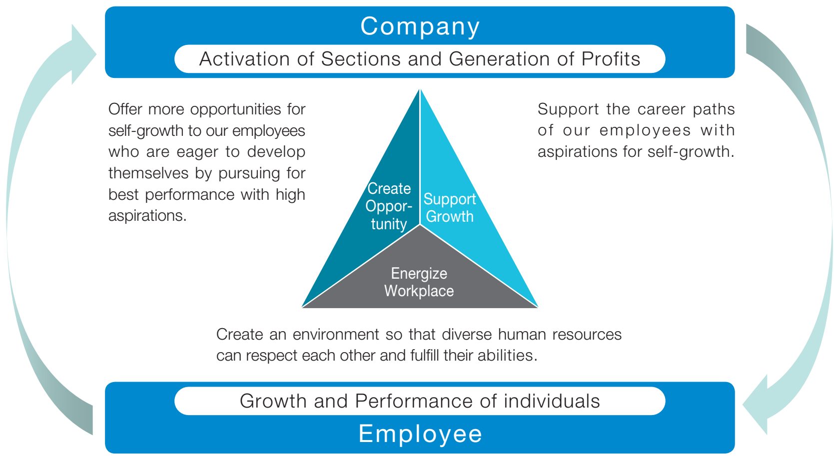
The SCREEN Group will address the improvement of various labor-related policies and the betterment of work environment through sincere discussions between labor and management.

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

Personnel Development and Use of Human Resources

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

● Concept of Personnel Developmen 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.

● 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

● SCREEN BUSINESS SCHOOL

The SCREEN BUSINESS SCHOOL offers a wide range of educational and training programs so that employees can take the initiative and better themselves in all stages of their career. In fiscal 2018, we launched new programs such as business fundamentals, female employee skill development, and a young business leader training course. A total of 970 employees took part in these and existing programs.

Labor-Management Relationship

Meetings are held twice a month for labor-management negotiations. Labor-management conferences are held when necessary to discuss a range of issues related to the labor environment. Under our Work-Style Reform Project, union members take part in studying and implementing systems and measures related to things like reducing total working hours and getting employees to take paid leave.

Evaluation and Treatment

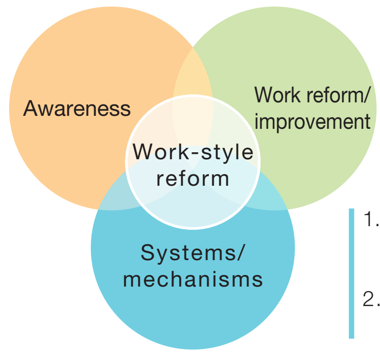
The SCREEN Group performs fair and acceptable evaluations based on each employee's role and job performance. We also fairly reward employees for the contributions they have made based on corporate and sectional performance. We also hold periodic training for evaluators so that they can gain a deeper understanding of the goals-based management and evaluation methods that form the basis of their evaluations and treatment of employees.

Building a Friendly Work Environment

● Work-Style Reform

In April 2017, SCREEN launched its Work-Style Reform Project. The systems, mechanisms, and IT related to work-style reform went into full effect in April 2018. Work-style reform is a crucial element to realizing our mission under Challenge 2019 "Growth and qualitative improvement of the Group itself" and to further boosting the competitiveness of the SCREEN Group. To maximize the productivity and creativity of its human resources, the SCREEN Group is building a pleasant workplace where employees can perform their jobs in a healthy, safe, and stress-free environment.

1. Management resolve: Work-style reform declaration
2. Awareness reform through education and enlightenment



1. Work reform and improvement at SCREEN Group companies
2. Create and utilize IT infrastructure

1. Build mechanisms to reduce total working hour
2. Revise systems to create friendly work environment

● Improving Work-Life Balance

SCREEN Holdings and its business operating and functional support companies strive to build and maintain an environment in which diverse employees can use their abilities to the fullest while carrying out home duties such as taking care of children or elderly family members.

Main work-life balance systems (as of April 2018)

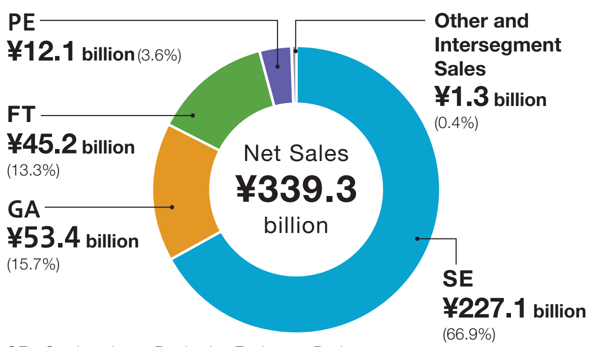
PitStop 5 paid leave	Employees who take less than 60% of their paid leave during a given year must take at least five consecutive days off in the following year.
Family support paid leave	Leave for employees caring for family members, or undergoing fertility treatment, medical treatment, or preventative treatment (up to five days a year).
Child-raising support leave	Leave for employees attending school-related events of their children up to third year in junior high school (up to two days a year).
Spouse childcare leave	Leave for employees to help wife care for infant after giving birth (paid leave of three consecutive business days).
Spouse-accompaniment leave	Leave for employees who want to accompany their spouse to an overseas posting (unpaid leave, limited time period).
Flex time (no core time)	Flexible working hours (with no mandatory core time) for employees who are pregnant, caring for elderly or sick family members or infants, or undergoing medical treatment.
Partial work-at-home system	Work system allowing employees to do some of their work at home if they are pregnant, caring for elderly or sick family members or infants, or undergoing medical treatment.
Minimum break between work days	System allowing employees to have a minimum number of hours between finishing work one day and starting work the next day (minimum of nine hours).
Limited geographical region system	System limiting the work region for employees who cannot be transferred far away due to elderly/sick care or infant care duties.

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

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

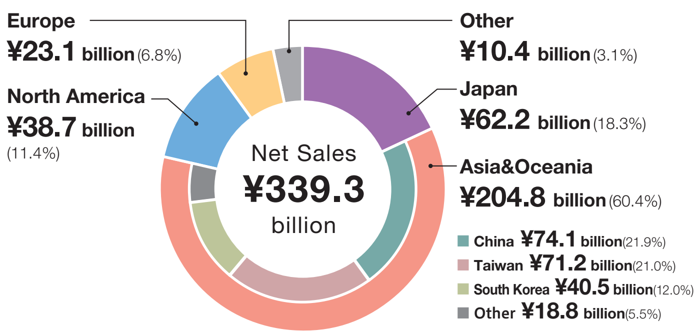
〈Financial〉

Sales by Segment (year ended March 31, 2018)

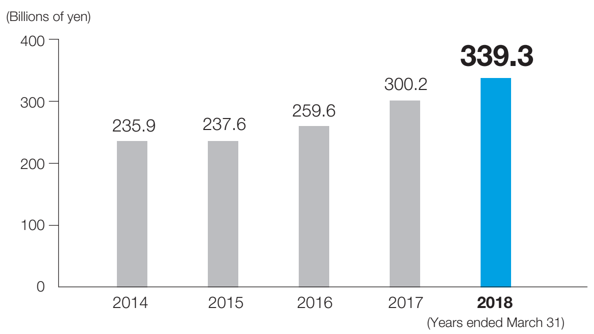


SE = Semiconductor Production Equipment Business
GA = Graphic Arts Equipment Business
FT = Display Production Equipment and Coater Business
PE = PCB-related Equipment Business

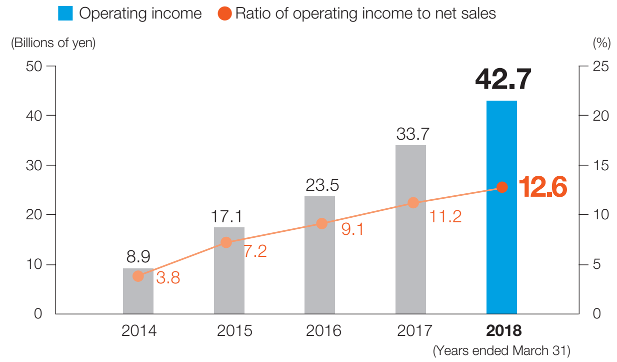
Sales by Region (year ended March 31, 2018)



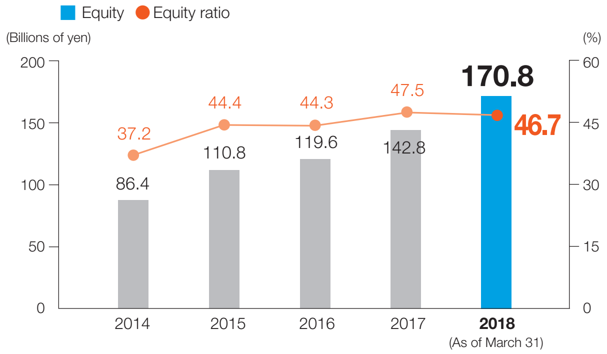
Net Sales



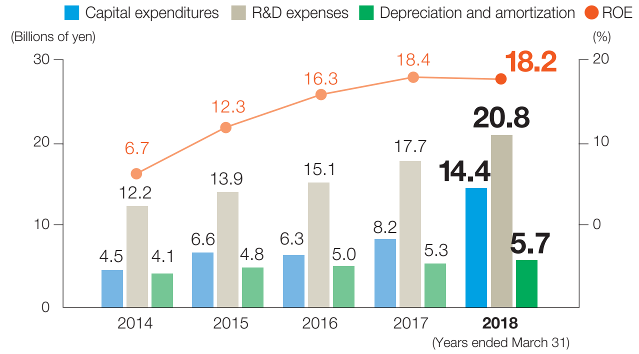
Operating Income and Ratio of Operating Income to Net Sales



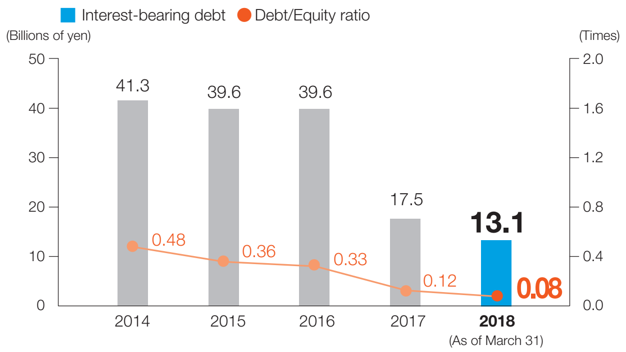
Equity and Equity Ratio



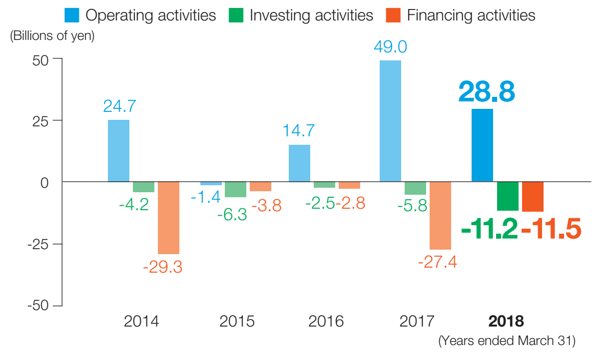
Return on Equity and Capital Expenditures and R&D Expenses and Depreciation and Amortization



Interest-bearing Debt and Debt/Equity Ratio

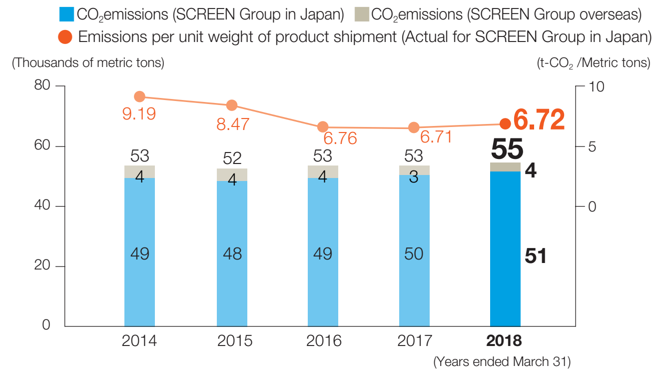


Cash Flows

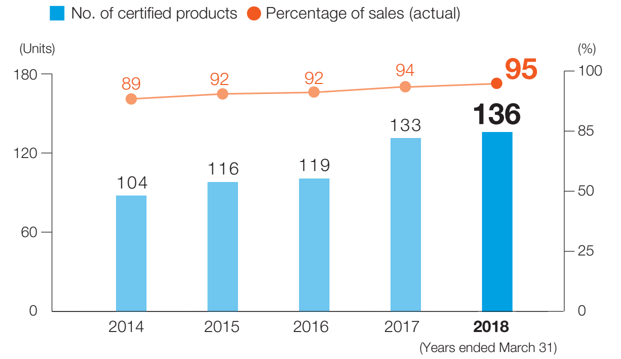


〈Nonfinancial〉

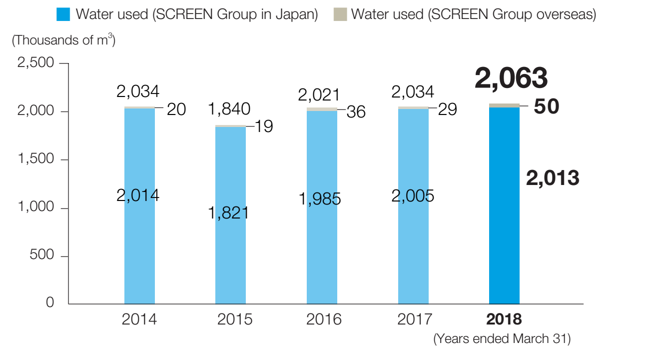
CO_2 Emissions and Emissions per Unit of Weight of Product Shipment



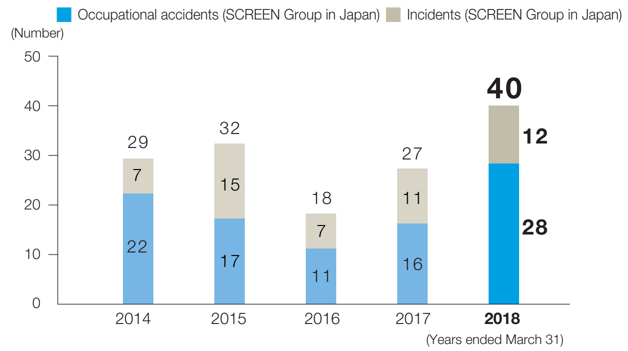
Green Products as a Percentage of Sales



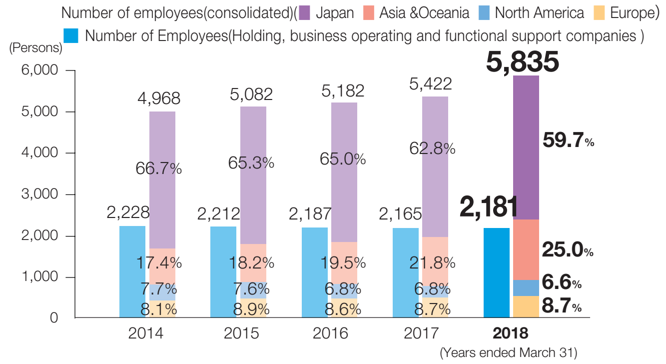
Water Used



Number of Occupational Accidents and Incidents

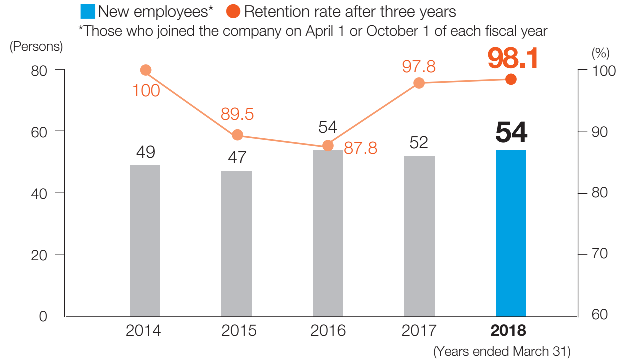


Number of Employees



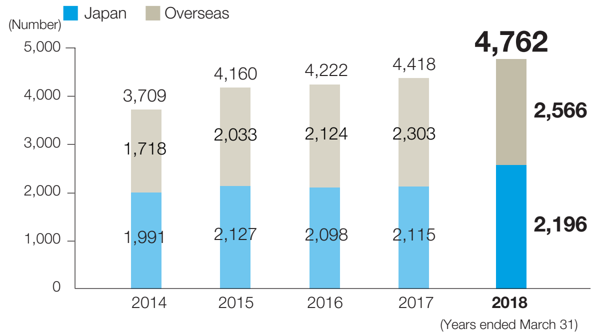
Number of New Employees and Their Retention Rate After Three Years

(Holding, business operating and functional support companies)



Number of Patents Held

(Holding, business operating and functional support companies)



Note: Holding, business operating and functional support companies
[Holding company]SCREEN Holdings Co., Ltd.
[Business operating companies]SCREEN Semiconductor Solutions Co., Ltd. / SCREEN Graphic Solutions Co., Ltd. / SCREEN Finetech Solutions Co.,Ltd. / SCREEN PE Solutions Co., Ltd. / SCREEN Advanced System Solutions Co., Ltd.
[Functional support companies]SCREEN Manufacturing Support Solutions Co., Ltd. / SCREEN Business Support Solutions Co., Ltd. / SCREEN IP Solutions Co., Ltd.

Eleven-Year Trends in Key Financial and Non-financial Indicators Consolidated Eleven-Year Summary

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2018
For the Year:											Millions of yen	Thousands of U.S. dollars
Net sales	**¥ 339,369**	¥ 300,234	¥ 259,675	¥ 237,646	¥ 235,946	¥ 199,795	¥ 250,090	¥ 254,953	¥ 164,129	¥ 219,049	¥ 279,816	**$ 3,201,594**
Cost of sales	**229,838**	206,687	178,677	165,192	177,175	157,790	187,325	182,990	137,827	169,391	208,266	**2,168,283**
Cost of sales to net sales (%)	**67.7%**	68.8%	68.8%	69.5%	75.1%	79.0%	74.9%	71.8%	84.0%	77.3%	74.4%	
Operating income (loss)	**¥ 42,725**	¥ 33,732	¥ 23,557	¥ 17,168	¥ 8,903	¥ (4,833)	¥ 13,498	¥ 26,811	¥ (14,046)	¥ (4,510)	¥ 14,628	**$ 403,066**
Operating income to net sales (%)	**12.6%**	11.2%	9.1%	7.2%	3.8%	-2.4%	5.4%	10.5%	-8.6%	-2.1%	5.2%	
Profit attributable to owners of parent (loss)	**¥ 28,507**	¥ 24,169	¥ 18,816	¥ 12,122	¥ 5,419	¥ (11,333)	¥ 4,637	¥ 25,687	¥ (8,003)	¥ (38,191)	¥ 4,578	**$ 268,934**
Comprehensive income	**34,934**	28,011	11,567	24,018	14,262	(6,031)	4,192	22,576	(5,257)	–	–	**329,566**
Depreciation and amortization	**5,708**	5,398	5,030	4,880	4,101	4,731	4,986	5,805	7,012	8,414	5,563	**53,849**
Cash flows from operating activities	**28,878**	49,024	14,721	(1,492)	24,703	(15,320)	11,279	34,299	25,113	(24,593)	7,934	**272,434**
Cash flows from investing activities	**(11,230)**	(5,860)	(2,558)	(6,318)	(4,201)	(5,768)	(4,162)	(2,191)	6,885	(6,921)	(16,510)	**(105,943)**
Cash flows from financing activities	**(11,512)**	(27,479)	(2,846)	(3,823)	(29,302)	21,534	(9,468)	(22,250)	(27,124)	34,071	669	**(108,604)**
Capital expenditures	**14,429**	8,256	6,352	6,659	4,574	6,450	7,347	3,613	1,911	4,007	12,866	**136,123**
R&D expenses	**20,837**	17,794	15,166	13,972	12,274	12,685	13,889	12,130	11,615	16,073	16,248	**196,575**
Per Share of Capital Stock:											Yen	U.S. dollars
Net income (loss)	**¥ 608.62**	¥ 511.96	¥ 396.75	¥ 51.07	¥ 22.83	¥ (47.75)	¥ 19.54	¥ 108.21	¥ (33.71)	¥ (160.86)	¥ 18.81	**$ 5.74**
Net income—diluted	**–**	–	–	–	–	–	–	–	–	–	17.39	**–**
Cash dividends	**110.00**	87.00	60.00	7.00	3.00	–	5.00	5.00	–	–	10.00	**1.04**
Net assets	**3,661.96**	3,040.79	2,533.41	467.13	364.23	321.24	379.44	367.00	272.15	292.12	514.26	**34.55**
At Year End:											Millions of yen	Thousands of U.S. dollars
Total assets	**¥ 366,193**	¥ 300,660	¥ 270,094	¥ 249,517	¥ 232,376	¥ 232,390	¥ 245,382	¥ 253,127	¥ 216,622	¥ 246,918	¥ 291,114	**$ 3,454,651**
Return on total assets (%)	**8.5%**	8.5%	7.2%	5.0%	2.3%	-4.8%	1.9%	10.9%	-3.5%	-14.2%	1.5%	
Current assets	**¥ 261,486**	¥ 215,159	¥ 188,522	¥ 160,367	¥ 157,327	¥ 161,614	¥ 177,543	¥ 183,523	¥ 139,984	¥ 168,191	¥ 196,989	**$ 2,466,849**
Property, plant and equipment, net	**48,973**	41,758	43,378	42,606	40,711	39,902	38,669	40,699	45,413	50,955	49,069	**462,009**
Current liabilities	**175,529**	135,576	120,857	92,750	114,367	120,014	123,223	148,132	93,874	132,431	123,702	**1,655,934**
Long-term debt	**5,227**	10,907	18,986	32,666	21,943	29,642	25,988	10,634	48,195	32,967	40,644	**49,311**
Equity	**170,839**	142,805	119,650	110,865	86,448	76,248	90,069	87,118	64,607	69,353	122,094	**1,611,688**
Equity ratio (%)	**46.7%**	47.5%	44.3%	44.4%	37.2%	32.8%	36.7%	34.4%	29.8%	28.1%	41.9%	
Return on equity (%)	**18.2%**	18.4%	16.3%	12.3%	6.7%	-14.2%	5.2%	33.9%	-11.9%	-39.9%	3.6%	
Capital stock	**¥ 54,045**	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	**$ 509,858**
Retained earnings	**117,359**	92,937	71,602	54,448	41,824	36,405	55,440	26,418	731	8,734	49,390	**1,107,160**
Number of shares issued (in thousands)	**50,795**	50,795	50,795	253,974	253,974	253,974	253,974	253,974	253,974	253,974	253,974	
Number of employees	**5,835**	5,422	5,182	5,082	4,968	4,955	4,890	4,732	4,679	4,992	5,041	
Key Environmental Indicators												
CO_2 emissions (t-CO_2)	**54,776**	53,357	52,523	52,625	53,810	48,600	37,858	31,312	29,993	39,164	39,903	
Water used (thousand of m^3)	**2,063**	2,034	2,021	1,840	2,034	2,151	2,113	2,084	1,918	2,381	2,528	
Total waste discharged (metric tons)	**2,696**	2,064	1,848	2,048	1,893	1,744	1,806	1,794	937	1,098	1,313	

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥106 to US$1.00.
2. Net income (loss) per share of capital stock is calculated based on the weighted average number of shares outstanding during each term, excluding the Company's treasury stock. Fully diluted net income per share of capital stock is not shown for the years that net losses were recorded or no dilutive stock existed. Net assets per share of capital stock is calculated based on the fiscal year-end total number of shares outstanding, excluding the Company's treasury stock.
3. Return on total assets and return on equity are calculated on the basis of average total assets and average equity, respectively, at the current and previous fiscal year-ends.
4. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted. Under the new accounting standard, the above table includes comprehensive income, whereas these amounts are not shown before the years ended March 31, 2009.
5. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and the FT, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.
6. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share of capital stock, cash dividends per share of capital stock, net assets per share of capital stock and number of shares issued are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.
7. The Company introduced a performance-linked share compensation system for directors and corporate officers from the fiscal year ended March 31, 2018. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the number of shares outstanding as of the fiscal year end for the purpose of calculating net assets per share of capital stock (106 thousand shares as of year ended March 31, 2018) and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share of capital stock (61 thousand shares for the year ended March 31, 2018).

Management's Discussion and Analysis

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

This section provides an analysis of the Group's consolidated financial statements, which have been compiled in accordance with generally accepted accounting principles in Japan.

The U.S. dollar figures appearing in the financial statements have been translated from Japanese yen amounts for convenience only at the rate of ¥106 to US$1.00.

Financial Position

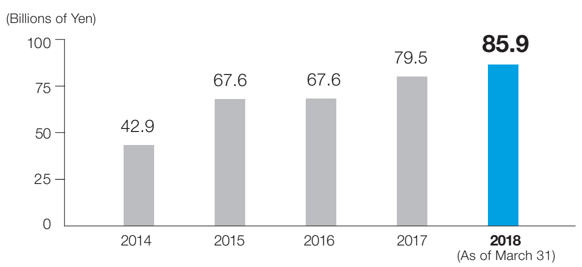
Total assets as of March 31, 2018 stood at ¥366,193 million, up ¥65,533 million, or 21.8%, from the previous year due to increases in notes and accounts receivable - trade, inventories and other factors.

Total liabilities amounted to ¥195,313 million, up ¥37,569 million, or 23.8%, from the previous fiscal year due to factors such as an increase in notes and accounts payable - trade.

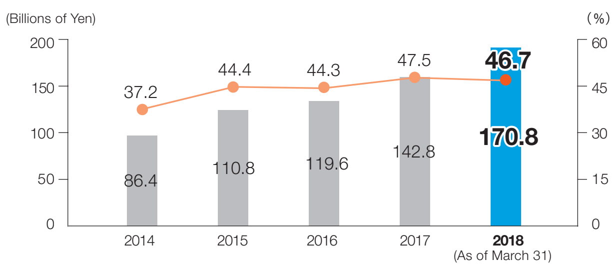
Total net assets amounted to ¥170,880 million, an increase of ¥27,964 million, or 19.6%, from March 31, 2017, despite the payment of cash dividends and the acquisition of treasury stock. The increase was due mainly to the recording of profit attributable to owners of parent and an increase in the valuation difference on available-for-sale securities, reflecting an increase in the market value of held stock.

As a result, the equity ratio as of March 31, 2018 was 46.7%.

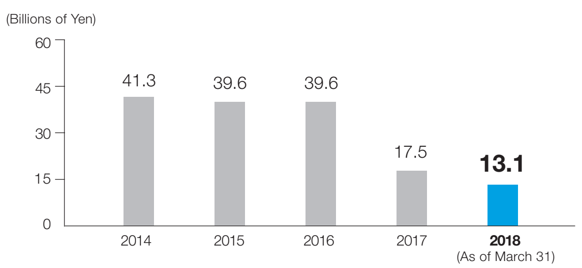
Working Capital



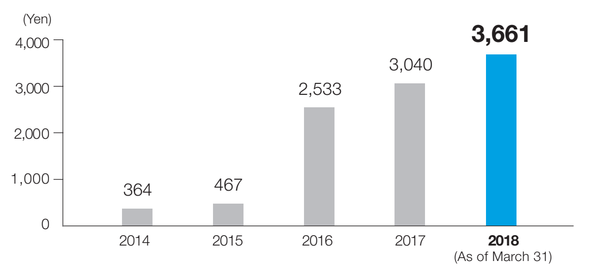
Equity and Equity Ratio



Interest-Bearing Debt



Net Assets Per Share of Capital Stock



As of March 31,	Millions of yen 2018	2017	2016	2015	2014	Thousands of U.S. dollars 2018
Total assets	**¥ 366,193**	¥ 300,660	¥ 270,094	¥ 249,517	¥ 232,376	**$ 3,454,651**
Reportable Segment: SE	**205,303**	163,899	132,524	114,733	119,015	**1,936,821**
GA	**48,478**	42,075	50,334	53,289	48,963	**457,340**
FT	**36,253**	31,826	28,372	20,624	13,664	**342,009**
PE	**9,727**	8,925	–	–	–	**91,764**
Other	**10,311**	9,054	6,637	4,979	3,566	**97,274**
Adjustments	**56,121**	44,881	52,227	55,892	47,168	**529,443**
Working capital	**85,957**	79,583	67,665	67,617	42,960	**810,915**
Interest-bearing debt	**13,157**	17,587	39,636	39,677	41,375	**124,123**
Equity	**170,839**	142,805	119,650	110,865	86,448	**1,611,688**
Equity ratio (%)	**46.7%**	47.5%	44.3%	44.4%	37.2%	
Net assets per share of capital stock (yen)	**¥ 3,661.96**	¥ 3,040.79	¥ 2,533.41	¥ 467.13	¥ 364.23	**$ 34.55**

Notes: 1. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net assets per share of capital stock are calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.
2. For the fiscal year ended March 31, 2016 and before, the former GP segment (including the PCB-related equipment business) are included within GA for the purposes of the above table.
3. The Company introduced a performance-linked share compensation system for directors and corporate officers from the fiscal year ended March 31, 2018. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the number of shares outstanding as of the fiscal year end for the purpose of calculating net assets per share of capital stock (106thousand shares as of year ended march 31, 2018).

Operating Results

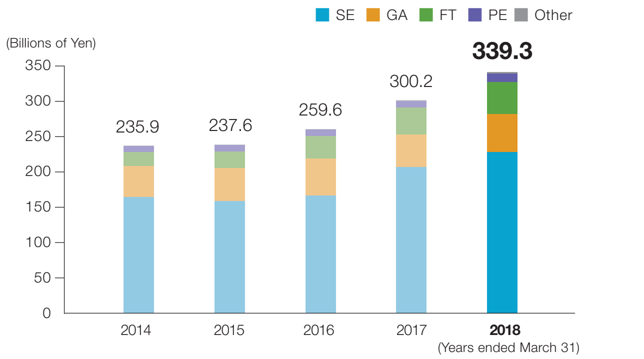
Consolidated net sales for the fiscal year ended March 31, 2018 rose ¥39,135 million, or 13.0%, year-on-year to ¥339,369 million.

On the earnings front, although fixed costs, including personnel expenses, increased, operating income rose ¥8,993 million year-on-year, or 26.7%, to ¥42,725 million (Ratio of Operating Income to Net Sales 12.6%) due to an increase in sales and other factors.

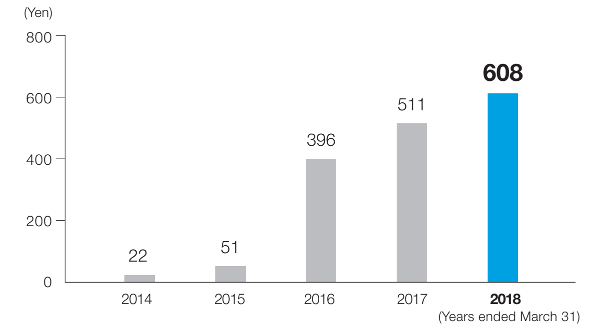
Regarding other income and expenses, the recording of gain on sales of investment securities and other things increased income before income taxes to ¥41,952 million, and profit attributable to owners of parent reached ¥28,507 million, an increase of ¥4,338 million, or 18.0%, from the previous fiscal year.

Net income per share of capital stock improved by ¥96.66 from the previous fiscal year to ¥608.62, but return on equity worsened by 0.2 percentage points from the previous fiscal year to 18.2%, and return on total assets remained unchanged year-on-year at 8.5%.

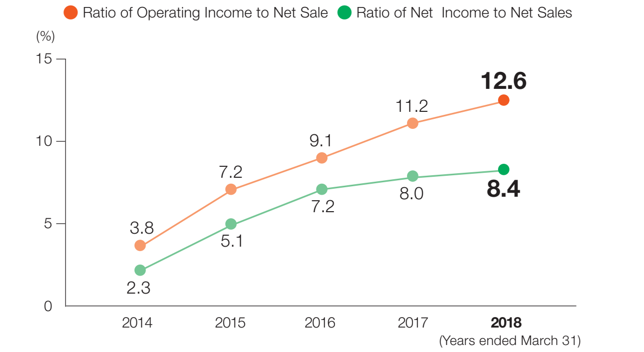
Consolidated Net Sales by Reportable Segment



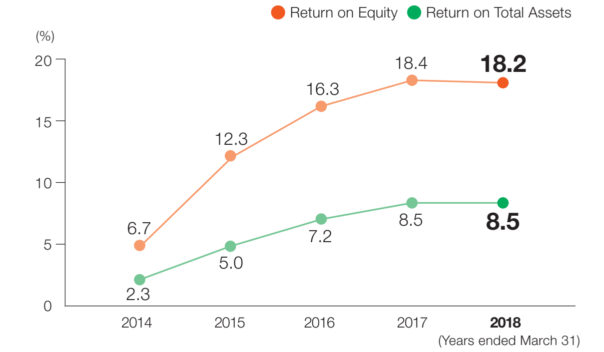
Net Income Per Share of Capital Stock



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



Return on Equity and Return on Total Assets



Years ended March 31,	Millions of yen 2018	2017	2016	2015	2014	Thousands of U.S. dollars 2018
Net sales	**¥ 339,369**	¥ 300,234	¥ 259,675	¥ 237,646	¥ 235,946	**$ 3,201,594**
Gross profit	**¥ 109,531**	¥ 93,547	¥ 80,998	¥ 72,454	¥ 58,771	**$ 1,033,311**
Operating income	**¥ 42,725**	¥ 33,732	¥ 23,557	¥ 17,168	¥ 8,903	**$ 403,066**
Operating income to net sales (%)	**12.6%**	11.2%	9.1%	7.2%	3.8%	
Income before Income Taxes	**¥ 41,952**	¥ 31,055	¥ 23,943	¥ 15,782	¥ 8,401	**$ 395,774**
Profit attributable to owners of parent	**¥ 28,507**	¥ 24,169	¥ 18,816	¥ 12,122	¥ 5,419	**$ 268,934**
Per share of capital stock (yen)						
Net income	**¥ 608.62**	¥ 511.96	¥ 396.75	¥ 51.07	¥ 22.83	**$ 5.74**
Net income—diluted	**–**	–	–	–	–	**–**
Return on equity (%)	**18.2%**	18.4%	16.3%	12.3%	6.7%	
Return on total assets (%)	**8.5%**	8.5%	7.2%	5.0%	2.3%	

Notes: 1. Return on equity and return on total assets are calculated on the basis of average equity and average total assets, respectively, for the current and previous fiscal year-ends.
2. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share of capital stock is calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.
3. The Company introduced a performance-linked share compensation system for directors and corporate officers from the fiscal year ended March 31, 2018. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share of capital stock (61 thousand shares for the year ended March 31, 2018).

Segment Information

In the semiconductor equipment segment, although sales to foundries decreased year-on-year, sales to memory manufacturers and logic device makers increased. By product, sales of single-wafer cleaning equipment decreased, but sales of batch-type cleaning equipment and coater/developers rose. By region, sales to Taiwan fell, but sales grew in South Korea, China and North America. As a result, net sales in this segment reached ¥227,185 million, an increase of 10.2% on the previous period. Operating income rose by ¥6,987 million from the previous year to ¥36,302, a 23.8% year-on-year gain as sales and the variable cost ratio improved, despite an increase in fixed costs such as personnel expenses.

In the graphic arts equipment segment, although sales of CTP equipment fell, sales of print-on-demand (POD) equipment rose. Assisted by an increase in sales of consumable goods, such as ink, net sales in this segment reached ¥53,414 million, up 16.5% year-on-year. On the back of higher sales, operating income grew 108.0% year-on-year to ¥3,061 million.

In the segment for display production equipment and coater business, sales in the domestic market fell, but sales of production equipment for large-sized panels to China rose, as did those of production equipment for OLED displays to China and South Korea. This helped boost net sales in this segment to ¥45,252 million, up 18.8% year-on-year. Although fixed costs rose and the variable cost ratio worsened, the sales increase helped operating income grow to ¥4,590 million, up 4.5% year-on-year.

In the segment for printed circuit board (PCB)-related equipment, in line with increased demand for high-end smartphones, sales of leading direct imaging systems rose, particularly in South Korea and Taiwan. That pushed net sales in this segment to ¥12,194 million, up 36.7% year-on-year. Operating income benefited from the higher sales to reach ¥1,014 million, up 34.8% year-on-year, despite higher temporary costs caused by the company split.

● Net Sales and Income (Loss) in Reportable Segments

		Millions of yen					Thousands of U.S. dollars
Years ended March 31,		**2018**	2017	2016	2015	2014	**2018**
Net Sales	Reportable Segment: SE	**¥ 227,185**	¥ 206,098	¥ 165,801	¥ 157,479	¥ 163,132	**$ 2,143,255**
	GA	**53,414**	45,830	61,280	55,707	52,156	**503,906**
	FT	**45,252**	38,104	31,590	23,774	19,850	**426,906**
	PE	**12,194**	8,918	–	–	–	**115,038**
	Other	**1,624**	1,453	1,085	770	808	**15,321**
	Intersegment sales	**(300)**	(169)	(81)	(84)	–	**(2,832)**
	Consolidated	**¥ 339,369**	¥ 300,234	¥ 259,675	¥ 237,646	¥ 235,946	**$ 3,201,594**
Operating Income (Loss)	Reportable Segment: SE	**¥ 36,302**	¥ 29,315	¥ 18,716	¥ 15,738	¥ 8,760	**$ 342,472**
	GA	**3,061**	1,472	3,169	2,840	2,768	**28,877**
	FT	**4,590**	4,392	2,748	339	(422)	**43,302**
	PE	**1,014**	752	–	–	–	**9,566**
	Other	**(1,544)**	(1,453)	(1,138)	(805)	(652)	**(14,566)**
	Total	**¥ 43,423**	¥ 34,478	¥ 23,495	¥ 18,112	¥ 10,454	**$ 409,651**
	Adjustments	**(698)**	(746)	62	(944)	(1,551)	**(6,585)**
	Consolidated	**¥ 42,725**	¥ 33,732	¥ 23,557	¥ 17,168	¥ 8,903	**$ 403,066**

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

(Changes in reportable segments)
On April 1, 2017, the printed circuit board (PCB)-related equipment business of the previous SCREEN Graphic and Precision Solutions Co., Ltd. was spun off to form SCREEN PE Solutions Co., Ltd., a fully owned Group subsidiary. Consequently, from the fiscal year ended March 31, 2018, the Graphic arts equipment and PCB-related equipment businesses were classified as reportable segments under the segment names Graphic arts equipment (GA) business and PCB-related equipment (PE) business.

In line with these changes, the other reportable segments have also been renamed as follows:
Semiconductor Solutions (SE) Business → Semiconductor Equipment Business (SE)
Finetech Solutions (FT) Business → Display Production Equipment and Coater Business (FT)

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

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."

Cash Flows

Regarding cash flows from operating activities, inflows such as increases in income before income taxes and in notes and accounts payable - trade for the year ended March 31, 2018 exceeded outflows such as an increase in notes and accounts receivable-trade and in inventories to create revenue of ¥28,878 million, compared with ¥49,024 million in the previous term.

Regarding cash flows from investing activities, expenditures reached ¥11,230 million from ¥5,860 million in the previous term due partly to the purchase of property, plant and equipment such as R&D equipment.

Regarding cash flows from financing activities, debt repayments, the payment of cash dividends and the acquisition of treasury stock led to expenditures of ¥11,512 million compared with expenditures of ¥27,479 million in the previous term.

As a result, cash and cash equivalents as of March 31, 2018 totaled ¥50,817 million, up ¥5,894 million from March 31, 2017.

	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2018**	2017	2016	2015	2014	**2018**
Cash flows from operating activities	**¥ 28,878**	¥ 49,024	¥ 14,721	¥ (1,492)	¥ 24,703	**$ 272,434**
Cash flows from investing activities	**(11,230)**	(5,860)	(2,558)	(6,318)	(4,201)	**(105,943)**
Cash flows from financing activities	**(11,512)**	(27,479)	(2,846)	(3,823)	(29,302)	**(108,604)**
Effect of exchange rate changes on cash and cash equivalents	**(242)**	(919)	(1,151)	2,062	2,335	**(2,283)**
Net increase (decrease) in cash and cash equivalents	**¥ 5,894**	¥ 14,766	¥ 8,166	¥ (9,571)	¥ (6,465)	**$ 55,604**

Analysis of Operating Results

Net Sales

Net sales for the Group as a whole for the fiscal year ended March 31, 2018, reached ¥339,369 million, an increase of ¥39,135 million, or 13.0%, from the previous term.

Operating Income

Although fixed costs, such as personnel expenses, increased, growth in sales saw operating income increase ¥8,993 million (26.7%) year-on-year to ¥42,725 million.

Income before Income Taxes

Exchange loss on foreign currency transactions increased, but a year-on-year reduction in impairment loss on non-current assets and loss on retirement of non-current assets resulted in an improvement of income and expenses of ¥1,904 million from the previous term.

As a result, income before income taxes rose by ¥10,897 million to ¥41,952 million.

Profit Attributable to Owners of Parent

The total amount of income taxes increased by ¥6,602 million to ¥13,471 million due to factors such as a higher tax rate, the absence of tax loss carryforwards at some subsidiaries and higher income before income taxes compared with the previous term.

As a result, profit attributable to owners of parent rose ¥4,338 million to ¥28,507 million.

Research and Development Expenses

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

During the year under review, in addition to our investment to expand and strengthen existing businesses mainly in the semiconductor equipment segment, we also actively promoted R&D in the fields of energy, inspection and measurement and life science for a total investment in R&D of ¥20,837 million.

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

In the semiconductor equipment segment, in the development of ultra-miniaturization technologies for semiconductor circuits, we continued from the previous term the joint development with overseas research institutes of cutting-edge semiconductor processing in the fields of cleaning, wet etching, lithography (coater/developers) and laser annealing. To meet customer demand, including the demand for higher stability, productivity and cost efficiency as well as for compatibility with next-generation processes, we worked to improve the speed and functionality of the SU-3300 single-wafer cleaning device. We also developed the LA-3100 Flash Lamp Annealer, which has greatly contributed to improving state-of-the-art devices and which allows the high-precision control of heating temperature profiles to the millisecond. Overall, R&D expenses in this segment for the year were ¥12,158 million.

In the graphic arts equipment segment, we continued from the previous term our joint development with a European company of high-speed, in-line digital printing solutions for the corrugated cardboard industry. We also developed the Trupress Jet L350UV+LM digital label printing press that can adapt to diverse substrates and ensures the safety of labels for food packaging. For the year under review, R&D expenses in this segment were ¥2,998 million.

In the field of displays in the segment for display production equipment and coater business, we developed the SK-E1500G/H coater/developer systems that are specifically designed to handle 6th-generation substrates for production of OLED panels. The systems enable stable mass production as they suppress static electricity and contamination from particulate matter such as the gas and chemical components that are released in the production process of OLED panels. In the field of energy, we developed roll-to-roll broad coating technology for automotive secondary battery electrodes. In this segment for the year, R&D expenses were ¥1,265 million.

In the PCB-related equipment segment, we developed the MIYABI 7 automatic optical inspection system for high-end HDI boards to meet customer needs for greater definition and density in substrates. Amid the industry's size reduction and miniaturization of main substrates and in response to next-generation circuit pattern formation, we worked to develop direct imaging systems with both high definition and high productivity. Overall, our R&D expenses in this segment for the year were ¥676 million.

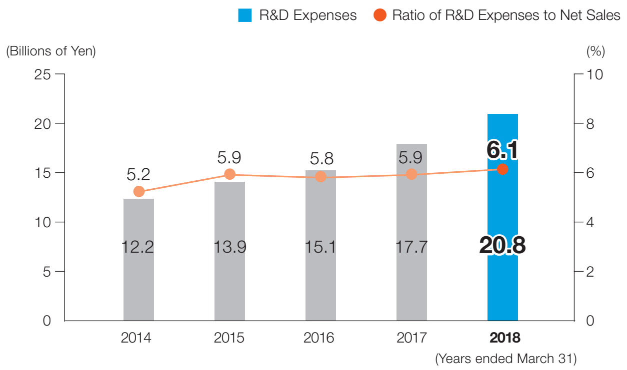
In addition to the R&D in above segments, SCREEN Holdings also engaged in basic research and R&D related to new business fields. That sum reached ¥3,740 million for the fiscal year.

In the inspection and measurement field, we developed the IM-5100 visual inspection system for cold-forged parts used in transmissions and other core areas of vehicles, for which safety is paramount. The system helps ensure quality and boost productivity by its ability to automatically detect fine flaws to the size of several tens of micrometers.

In the life science field, we developed the Cell3iMager Estier optical coherence tomography system that can observe and measure 3D images without damaging live cells. We also worked to develop a next-generation space-saving ink-jet pill printer that enables automatic pill inspection and multi-color printing.

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,	**2018**	2017	2016	2015	2014	**2018**
R&D expenses	**¥20,837**	¥17,794	¥15,166	¥13,972	¥12,274	**$196,575**
R&D expenses to net sales (%)	**6.1%**	5.9%	5.8%	5.9%	5.2%	

Capital Expenditures and Depreciation and Amortization

For the year ended March 31, 2018, Group capital expenditures, including expenditures for intangible fixed assets, totaled ¥14,429 million.

In the semiconductor equipment segment, capital expenditures centered on R&D and manufacturing facilities for semiconductor production equipment amounted to ¥9,053 million.

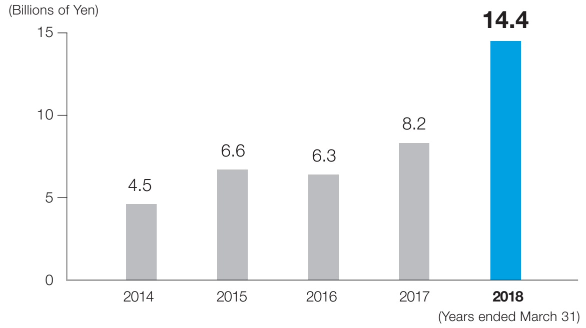
Capital expenditures in the graphic arts equipment segment centered on R&D facilities for graphic arts equipment and core business systems and totaled ¥878 million. In the segment for display production equipment and coater business, capital expenditures were ¥787 million and centered on R&D facilities and manufacturing facilities for both fields.

Capital expenditures in the PCB-related equipment segment were used for R&D facilities for PCB-related equipment, among other things, and totaled ¥147 million.

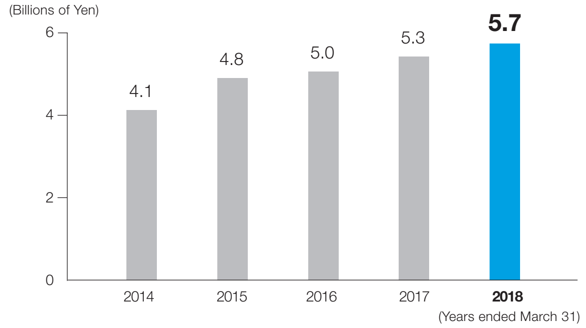
Capital expenditures for other businesses totaled ¥505 million and were used for R&D facilities, among other things.

On a groupwide basis, capital expenditures amounted to ¥3,059 million and included the construction (in progress) of a new factory at the Hikone Plant. Depreciation and amortization during the year came to ¥5,708 million, up ¥310 million, or 5.7%, from the previous fiscal year.

● Capital Expenditures



● Depreciation and Amortization



	Millions of yen					Thousands of U.S. dollars
Years ended March 31,	**2018**	2017	2016	2015	2014	**2018**
Capital expenditures	**¥ 14,429**	¥ 8,256	¥ 6,352	¥ 6,659	¥ 4,574	**$ 136,123**
Reportable Segment: SE	**9,053**	5,070	3,571	4,221	2,224	**85,406**
GA	**878**	1,055	823	866	868	**8,283**
FT	**787**	297	181	172	86	**7,425**
PE	**147**	56	–	–	–	**1,387**
Other	**505**	686	245	139	206	**4,763**
Adjustments	**3,059**	1,092	1,532	1,261	1,190	**28,859**
Depreciation and amortization	**¥ 5,708**	¥ 5,398	¥ 5,030	¥ 4,880	¥ 4,101	**$ 53,849**
Reportable Segment: SE	**3,052**	2,602	2,490	2,620	2,542	**28,792**
GA	**492**	624	646	625	485	**4,642**
FT	**145**	102	88	59	80	**1,368**
PE	**14**	64	–	–	–	**132**
Other	**414**	344	185	119	110	**3,906**
Adjustments	**1,591**	1,662	1,621	1,457	884	**15,009**

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

Risk Factors

(1)Semiconductor and FPD market trends
While the semiconductor and FPD markets have recorded significant growth on rapid technological innovation, they are also susceptible to deterioration in market supply-demand balance which leads to cyclical upturns and downturns. Given such market conditions, the SCREEN Group is promoting an improvement in its break-even sales ratio so that it can consistently generate profits during market downturns. However, unexpectedly large market downturns 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. However, 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 SCREEN Group Rules for IT Management 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.

Consolidated Balance Sheets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
Assets	2018	2017	2018
Current Assets:			
Cash and cash equivalents (Note 11)	¥ 50,817	¥ 44,923	$ 479,406
Time deposits (Note 11)	2,297	3,910	21,670
Notes and accounts receivable-trade (Note 11)	85,407	59,152	805,726
Allowance for doubtful receivables (Note 11)	(588)	(569)	(5,547)
Inventories (Note 7)	106,322	91,721	1,003,038
Deferred tax assets (Note 4)	6,730	5,972	63,491
Prepaid expenses and other	10,501	10,050	99,065
Total current assets	261,486	215,159	2,466,849
Property, Plant and Equipment, at Cost:			
Land	9,662	9,554	91,151
Buildings and structures	53,308	52,604	502,906
Machinery, equipment and other	57,780	51,732	545,093
Lease assets	5,025	6,426	47,406
Construction in progress	6,125	1,886	57,783
Total property, plant and equipment	131,900	122,202	1,244,339
Accumulated depreciation	(82,927)	(80,444)	(782,330)
Net property, plant and equipment	48,973	41,758	462,009
Investments and Other Assets:			
Investment securities (Notes 11 and 13)	41,480	33,205	391,321
Lease assets (Notes 3 and 8)	24	36	226
Net defined benefit asset (Note 14)	5,577	4,703	52,613
Deferred tax assets (Note 4)	439	536	4,142
Other assets	8,214	5,263	77,491
Total investments and other assets	55,734	43,743	525,793
Total Assets	¥ 366,193	¥ 300,660	$ 3,454,651

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

	Millions of yen		Thousands of U.S. dollars
Liabilities and Net Assets	2018	2017	2018
Current Liabilities:			
Current portion of long-term debt (Notes 5 and 11)	¥ 5,680	¥ 4,080	$ 53,585
Lease obligations (Notes 3 and 11)	391	405	3,689
Notes and accounts payable—			
Trade (Note 11)	115,111	84,302	1,085,953
Construction and other	6,077	3,801	57,330
Accrued expenses	7,887	7,234	74,406
Income taxes payable	9,651	6,509	91,047
Provision for product warranties	6,374	5,761	60,132
Provision for bonuses	4,204	3,405	39,660
Provision for directors' bonuses	220	82	2,075
Provision for loss on order received	58	89	547
Other current liabilities	19,876	19,908	187,510
Total current liabilities	175,529	135,576	1,655,934
Long-Term Liabilities:			
Long-term debt (Notes 5 and 11)	5,227	10,907	49,311
Net defined benefit liability (Notes 14)	857	764	8,085
Provision for directors' retirement benefits	141	130	1,330
Provision for stock payment	28	–	264
Provision for management board incentive plan trust	46	–	434
Lease obligations (Notes 3 and 11)	1,859	2,195	17,538
Deferred tax liabilities (Note 4)	10,787	7,349	101,764
Asset retirement obligations	57	49	538
Other long-term liabilities	782	774	7,378
Total long-term liabilities	19,784	22,168	186,642
Contingent Liabilities (Note 10)			
Net Assets (Note 6):			
Shareholders' Equity:			
Capital stock			
Authorized—180,000,000 shares in 2018 and 2017			
Issued—50,794,866 shares in 2018 and 2017	54,045	54,045	509,858
Capital surplus	4,546	4,600	42,887
Retained earnings	117,359	92,937	1,107,160
Treasury stock, at cost 4,142,444 shares in 2018 and 3,831,798 shares in 2017	(18,085)	(15,300)	(170,613)
Total shareholders' equity	157,865	136,282	1,489,292
Accumulated Other Comprehensive Income:			
Valuation difference on available-for-sale securities	18,428	12,847	173,849
Foreign currency translation adjustment	(4,716)	(4,911)	(44,491)
Remeasurements of defined benefit plans	(738)	(1,413)	(6,962)
Total accumulated other comprehensive income	12,974	6,523	122,396
Non-controlling interests:			
Non-controlling interests	41	111	387
Total net assets	170,880	142,916	1,612,075
Total Liabilities and Net Assets	¥ 366,193	¥ 300,660	$ 3,454,651

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

Consolidated Statements of Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Net Sales (Note 9)	**¥ 339,369**	¥ 300,234	**$ 3,201,594**
Cost of Sales (Note 9)	**229,838**	206,687	**2,168,283**
Gross profit	**109,531**	93,547	**1,033,311**
Selling, General and Administrative Expenses	**66,806**	59,815	**630,245**
Operating income (Note 9)	**42,725**	33,732	**403,066**
Other (Income) Expenses:			
Interest and dividend income	**(599)**	(563)	**(5,651)**
Interest expenses	**603**	819	**5,689**
Exchange loss on foreign currency transactions, net	**762**	314	**7,189**
Insurance income	**(190)**	(110)	**(1,792)**
Compensation income	**(22)**	(130)	**(208)**
Loss on retirement of non-current assets	**611**	1,232	**5,764**
Gain on sales of investment securities (Note 11)	**(873)**	(1,065)	**(8,236)**
Loss on valuation of investment securities	**167**	173	**1,575**
Impairment loss (Note 15)	**77**	1,856	**726**
Other, net	**237**	151	**2,236**
Net other (income) expenses	**773**	2,677	**7,292**
Income before Income Taxes	**41,952**	31,055	**395,774**
Income Taxes (Note 4)			
Current	**13,389**	8,192	**126,311**
Deferred	**82**	(1,323)	**774**
Total income taxes	**13,471**	6,869	**127,085**
Profit	**28,481**	24,186	**268,689**
Profit Attributable to Non-controlling Interests	**(26)**	17	**(245)**
Profit Attributable to Owners of Parent	**¥ 28,507**	¥ 24,169	**$ 268,934**

Per Share of Capital Stock:

	Yen		U.S. dollars
	2018	2017	**2018**
Net income	**¥ 608.62**	¥ 511.96	**$ 5.74**
Net income—diluted	**–**	–	**–**
Cash dividends, applicable to earnings for the year	**110.00**	87.00	**1.04**

Notes: 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 is calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2017.

The Company introduced a performance-linked share compensation system for directors and corporate officers from the fiscal year ended March 31, 2018. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share of capital stock (61 thousand shares for the year ended March 31, 2018).

Consolidated Statements of Comprehensive Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Profit	**¥ 28,481**	¥ 24,186	**$ 268,689**
Other Comprehensive Income (Note 2)			
Valuation difference on available-for-sale securities	**5,580**	4,483	**52,641**
Foreign currency translation adjustment	**198**	(1,006)	**1,868**
Remeasurements of defined benefit plans	**675**	348	**6,368**
Total other comprehensive income	**6,453**	3,825	**60,877**
Comprehensive Income	**¥ 34,934**	¥ 28,011	**$ 329,566**
Comprehensive income attributable to			
Owners of parent	**34,960**	27,999	**329,811**
Non-controlling interests	**(26)**	12	**(245)**

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, 2018 and 2017

	Millions of yen									
		Shareholders' equity				Accumulated other comprehensive income				
	Shares of issued capital stock (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
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 adjustment	–	–	–	–	–	–	(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
Balance at the Beginning of Fiscal 2018	**50,795**	**¥ 54,045**	**¥ 4,600**	**¥ 92,937**	**¥ (15,300)**	**¥ 12,847**	**¥ (4,911)**	**¥ (1,413)**	**¥ 111**	**¥ 142,916**
Profit attributable to owners of parent	–	–	–	28,507	–	–	–	–	–	28,507
Cash dividends paid, ¥87.00 per share	–	–	–	(4,085)	–	–	–	–	–	(4,085)
Valuation difference on available-for-sale securities	–	–	–	–	–	5,581	–	–	–	5,581
Foreign currency translation adjustment	–	–	–	–	–	–	195	–	–	195
Remeasurements of defined benefit plans	–	–	–	–	–	–	–	675	–	675
Acquisition of treasury stock	–	–	–	–	(2,785)	–	–	–	–	(2,785)
Disposal of treasury stock	–	–	–	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries' treasury stock	–	–	(54)	–	–	–	–	–	–	(54)
Purchase of shares of consolidated subisidiaries	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	(70)	(70)
Balance at the End of Fiscal 2018	**50,795**	**¥ 54,045**	**¥ 4,546**	**¥ 117,359**	**¥ (18,085)**	**¥ 18,428**	**¥(4,716)**	**¥ (738)**	**¥ 41**	**¥ 170,880**

	Thousands of U.S. dollars								
	Shareholders' equity				Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at the Beginning of Fiscal 2018	**$ 509,858**	**$ 43,396**	**$ 876,764**	**$ (144,340)**	**$ 121,198**	**$ (46,329)**	**$ (13,330)**	**$ 1,047**	**$ 1,348,264**
Profit attributable to owners of parent	–	–	268,934	–	–	–	–	–	268,934
Cash dividends paid, $0.82 per share	–	–	(38,538)	–	–	–	–	–	(38,538)
Valuation difference on available-for-sale securities	–	–	–	–	52,651	–	–	–	52,651
Foreign currency translation adjustment	–	–	–	–	–	1,838	–	–	1,838
Remeasurements of defined benefit plans	–	–	–	–	–	–	6,368	–	6,368
Acquisition of treasury stock	–	–	–	(26,273)	–	–	–	–	(26,273)
Disposal of treasury stock	–	–	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries' treasury stock	–	(509)	–	–	–	–	–	–	(509)
Purchase of shares of consolidated subisidiaries	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	(660)	(660)
Balance at the End of Fiscal 2018	**$ 509,858**	**$ 42,887**	**$ 1,107,160**	**$ (170,613)**	**$ 173,849**	**$ (44,491)**	**$ (6,962)**	**$ 387**	**$ 1,612,075**

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, 2017.

Consolidated Statements of Cash Flows

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash Flows from Operating Activities:			
Income before income taxes	¥ 41,952	¥ 31,055	$ 395,774
Depreciation and amortization	5,708	5,398	53,849
Impairment loss	77	1,856	726
Loss (gain) on valuation of investment securities	167	173	1,575
Loss (gain) on sales of investment securities	(873)	(1,065)	(8,236)
Loss on retirement of non-current assets	611	1,232	5,764
Increase (decrease) in net defined benefit liability	(160)	(12)	(1,509)
Increase (decrease) in provision for bonuses	799	2,361	7,538
Increase (decrease) in provision for directors' bonuses	137	10	1,292
Increase (decrease) in provision for stock payment	28	–	264
Increase (decrease) in provision for management board incentive plan trust	46	–	434
Increase (decrease) in provision for product warranties	611	1,190	5,764
Increase (decrease) in provision for loss on order received	(30)	86	(283)
Interest and dividend income	(599)	(563)	(5,651)
Interest expenses	603	819	5,689
Decrease (increase) in trade notes and accounts receivable	(25,928)	8,175	(244,604)
Decrease (increase) in inventories	(17,391)	(16,397)	(164,066)
Decrease (increase) in other current assets	441	(1,534)	4,160
Increase (decrease) in trade notes and accounts payable	30,011	14,683	283,123
Increase (decrease) in other current liabilities	3,486	8,921	32,887
Other, net	110	342	1,039
Subtotal	39,806	56,730	375,529
Interest and dividend income received	593	564	5,594
Interest expenses paid	(596)	(876)	(5,623)
Contribution in connection with the shift to a defined contribution pension plan	(1)	(0)	(9)
Income taxes paid	(10,924)	(7,394)	(103,057)
Net cash provided by operating activities	28,878	49,024	272,434
Cash Flows from Investing Activities:			
Decrease (increase) in time deposits, net	1,625	(1,708)	15,330
Purchase of property, plant and equipment	(9,907)	(5,497)	(93,462)
Proceeds from sales of property, plant and equipment	398	313	3,755
Purchase of investment securities	(826)	(193)	(7,792)
Proceeds from sales of investment securities	1,549	2,733	14,613
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(34)	–	(321)
Payments for transfer of business	(1,341)	–	(12,651)
Other, net	(2,694)	(1,508)	(25,415)
Net cash used in investing activities	(11,230)	(5,860)	(105,943)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	–	1,000	–
Repayments of long-term debt	(4,080)	(9,080)	(38,490)
Repayments of finance lease obligations	(413)	(415)	(3,896)
Redemption of bonds	–	(13,600)	–
Net decrease (increase) in treasury stock	(2,785)	(2,027)	(26,274)
Cash dividends paid	(4,069)	(2,834)	(38,387)
Dividends paid to non-controlling interests	–	(3)	–
Payments related to changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(513)	–
Purchase of treasury stock of consolidated subsidiaries	(165)	(7)	(1,557)
Net cash used in financing activities	(11,512)	(27,479)	(108,604)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(242)	(919)	(2,283)
Net Increase (Decrease) in Cash and Cash Equivalents	5,894	14,766	55,604
Cash and Cash Equivalents at Beginning of Period	44,923	30,157	423,802
Cash and Cash Equivalents at End of Period	¥ 50,817	¥ 44,923	$ 479,406

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, 2018 and 2017

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, 2018, which was ¥106 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 significant affiliates and significant unconsolidated subsidiaries are accounted for by the equity method.

(c)Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at 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 adjustment in net assets.

(d)Inventories

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

(e)Securities

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

(f)Depreciation

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed primarily by the straight-line method. Depreciation of property, plant and equipment of the consolidated overseas subsidiaries is computed mainly by the straight-line method. The estimated useful lives for buildings and structures and machinery and equipment are 2 to 60 years and 2 to 17 years, respectively. Maintenance and repairs, including minor renewals and betterments, are charged to expenses as incurred. Leased assets related to finance lease transactions in which ownership transfers to the lessee are depreciated in the same manner as owned property, plant and equipment. Leased assets related to finance lease transactions in which ownership does not transfer are depreciated on a straight-line basis, with the lease periods as the useful life and no residual value.

(g)Impairment of fixed assets

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

(h)Software

Software, included in "Other assets," is amortized using the straight-line method over its estimated useful life (3-5 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 ¥20,837 million ($196,575 thousand) in 2018 and ¥17,794 million in 2017.

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

(l)Bonds issue costs
Bonds issue costs are charged to expenses as incurred.

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

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

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

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

(q)Employees' severance and retirement benefits
The Company and its consolidated subsidiaries provide funded 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 are 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)Provision for stock payment
Provision for corporate officer's stock payment represents the amounts for future payments of the Company's stock to corporate officers. The provision is recognized based on the amount that is expected to be paid, which is determined using points allocated to each corporate officer as prescribed in the share granting rules.

(v)Provision for management board incentive plan trust
Provision for director's stock payment represents the amounts for future payments of the Company's stock to directors. The provision is recognized based on the amount that is expected to be paid, which is determined using points allocated to each director as prescribed in the share granting rules.

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

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

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

(Accounting standards issued but not yet applied)
"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018)
"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (revised 2018), February 16, 2018)
(1)Overview
On the transfer of practical guidance on tax effect accounting from Japanese Institute of Certified Public Accountants (JICPA) to Accounting Standards Board of Japan (ASBJ), the above guidance has been revised, adhering fundamentally to its contents, in regard to the following treatments:
(Primary treatments revised)
* Treatments for taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements
* Treatments in determining recoverability of deferred tax assets in a company which was categorized as 'Type1' according to the guidance
(2)Effective date
Effective from the beginning of the fiscal year ending March 31, 2019
(3)Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new Guidance on the consolidated financial statements.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)
(1)Overview
The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition, and published in May, 2014 "Revenues arising from contracts with customers (IFRS 15 at the IASB and Topic 606 at the FASB)".
Based on the circumstances to apply Topic 606 from the fiscal year beginning on or after December 15, 2017 and IFRS 15 from the fiscal year beginning on or after January 1, 2018, the Accounting Standards Board of Japan (ASBJ) developed comprehensive accounting standards for revenue recognition and published them together with application guidance.
From the viewpoint of comparability between financial statements, which is one of the benefits of consistency with IFRS 15 and as a basic policy in developing accounting standards for revenue recognition by the ASBJ, the accounting standards are to be established incorporating the basic principles of IFRS 15 as the starting point. In addition, if there are items to be considered in practice conducted in Japan so far, alternative treatments are supposed to be added within a scope which does not impair comparability.
(2)Effective date
Effective from the beginning of the fiscal year ending March 31, 2022
(3)Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(Additional Information)
(Arrangement to deliver company shares through a trust to Directors and others)
The Company has introduced a performance-linked share compensation system (hereinafter referred to as "the System") for Directors (excluding outside directors; below, the same) of the Company and its subsidiaries, as well as Corporate Officers of the Company and its subsidiaries (hereinafter collectively referred to as "Directors and others") aimed at developing awareness of contributing to improving medium- to long-term business performance and enhancing corporate value. By making the linkage between the financial performance of the Company and its subsidiaries and stock value, and the remuneration paid to Directors and others, more explicit, the System is intended to enable Directors and others to not only enjoy the benefits of increases in the stock price, but also to bear the risk of declines in the stock price, and to share the benefits and risks resulting from changes in stock price with shareholders.
(1) Overview
This System is a performance-linked share compensation system under which a trust established by the Company acquires shares of company stock and delivers the shares through the trust based on points granted according to rank and the level of attainment of numerical targets related to management indicators according to stock issuance provisions determined by the Board of Directors of the Company and its subsidiaries. In principle, the time when the Directors and others will receive the shares of Company stock issued is upon retirement of the Directors and others.
(2) Company shares remaining in the trust
Shares of Company stock remaining in the trust are recorded as treasury stock in the Net Assets section based on book value (excluding incidental expenses) of the trust. At the end of the current consolidated fiscal year, the book value of the treasury stock in question was ¥764 million ($7,208 thousand) and the number of shares was 106 thousand shares.

Note 2: Consolidated Statements of Comprehensive Income

Amounts reclassified as net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	**¥ 9,132**	¥ 7,352	**$ 86,151**
Reclassification adjustments	**(873)**	(1,065)	**(8,236)**
Subtotal, before tax	**8,259**	6,287	**77,915**
Tax (expense) or benefit	**(2,679)**	(1,804)	**(25,274)**
Subtotal, net of tax	**5,580**	4,483	**52,641**
Foreign currency translation adjustment:			
Increase (decrease) during the year	**198**	(1,006)	**1,868**
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	**240**	(73)	**2,264**
Reclassification adjustments	**446**	421	**4,208**
Subtotal, before tax	**686**	348	**6,472**
Tax (expense) or benefit	**(11)**	–	**(104)**
Subtotal, net of tax	**675**	348	**6,368**
Total other comprehensive income	**¥ 6,453**	¥ 3,825	**$ 60,877**

Note 3 : Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2018 and 2017 were as follows:

Newly booked assets and liabilities related to finance leases

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Lease assets	**¥ 59**	¥ 40	**$ 557**
Lease obligations	**63**	44	**594**

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 2018 and 2017. As of March 31, 2018, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥51,755 million ($488,255 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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deferred tax assets (current)			
Accrued bonuses for employees / provision for bonuses	**¥ 1,752**	¥ 1,560	**$ 16,528**
Loss on valuation of inventories	**2,600**	2,810	**24,528**
Provision for product warranties	**1,903**	1,723	**17,953**
Unrealized income on inventories	**1,323**	1,082	**12,481**
Other	**2,354**	2,267	**22,209**
Valuation allowance	**(3,195)**	(3,460)	**(30,142)**
Deferred tax liabilities (current)			
Adjustment of allowance for doubtful accounts and other	**(27)**	(11)	**(255)**
Net deferred tax assets (current)	**¥ 6,710**	¥ 5,971	**$ 63,302**
Deferred tax assets (noncurrent)			
Net operating loss carryforwards	**¥ 14,900**	¥ 14,801	**$ 140,566**
Research and development expenses	**1,232**	1,248	**11,623**
Depreciation	**2,270**	1,597	**21,415**
Impairment loss	**1,153**	1,361	**10,877**
Net defined benefit liability	**297**	491	**2,802**
Other	**2,235**	2,605	**21,085**
Valuation allowance	**(20,894)**	(20,733)	**(197,113)**
Deferred tax liabilities (noncurrent)			
Undistributed earnings of consolidated overseas subsidiaries	**(1,803)**	(1,156)	**(17,009)**
Valuation difference on available-for-sale securities	**(7,778)**	(5,105)	**(73,377)**
Net defined benefit asset	**(1,958)**	(1,918)	**(18,472)**
Other	**(2)**	(4)	**(19)**
Net deferred tax liabilities (noncurrent)	**¥ (10,348)**	¥ (6,813)	**$ (97,622)**

A reconciliation of the aggregate statutory income tax rate and the effective income tax rate as a percentage of income before income taxes for the year ended March 31, 2017 was as follows:
A reconciliation for the year ended March 31, 2018 is not shown due to the fact that the rate difference was not greater than five hundredths of the aggregate statutory income tax rate.

	2018	2017
Statutory income tax rate	**–%**	30.8%
Nondeductible expenses	**–**	0.3
Valuation allowance	**–**	(6.0)
Tax rate difference from parent company	**–**	(1.9)
Undistributed earnings of consolidated overseas subsidiaries	**–**	(1.0)
Consolidated overseas subsidiaries' source of dividends	**–**	0.9
Other, net	**–**	(1.0)
Effective income tax rate	**–%**	22.1%

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, 2018 and 2017.
Long-term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
0.35% to 1.69% loans from Japanese banks, due in installments through March 31, 2021			
Secured	¥ –	¥ –	$ –
Unsecured	8,156	10,622	76,943
0.59% loans from a governmental institution, due in installments through March 31, 2021			
Secured	–	–	–
Unsecured	1,000	1,800	9,434
0.80% to 1.32% loans from an insurance company, due in installments through September 30, 2021			
Secured	–	–	–
Unsecured	1,751	2,565	16,519
Total	10,907	14,987	102,896
Current portion of long-term debt shown in current liabilities	(5,680)	(4,080)	(53,585)
Long-term debt, less current portion	¥ 5,227	¥ 10,907	$ 49,311

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, 2018, the total financing available under these contracts amounted to ¥30,000 million ($283,019 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
2020	¥ 1,504	$ 14,189
2021	3,614	34,094
2022	109	1,028
2023 and thereafter	–	–
Total	¥ 5,227	$ 49,311

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, 2018 is not shown because there was no dilutive stock. At the annual shareholders' meeting held on June 26, 2018, the shareholders approved cash dividends of ¥110.00 ($1.04) per share, totaling ¥5,143 million ($48,519 thousand). The application had not been accrued in the consolidated financial statements as of March 31, 2018. Such appropriations are recognized in the period in which they are approved by the shareholders.

Note: The total amount of dividends includes ¥12 million ($113 thousand) of dividends for 106 thousand shares of SCREEN holdings Co., Ltd. held by a trust related to a performance-linked share compensation system for directors and corporate officers.

Note 7 : Inventories

Inventories as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Merchandise and finished goods	¥ 51,303	¥ 50,771	$ 483,991
Work in process	44,263	32,943	417,575
Raw materials and supplies	10,756	8,007	101,472
Total	¥ 106,322	¥ 91,721	$ 1,003,038

Note 8 : Leases

1. Finance leases

Information related to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2018 and 2017 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 Equipment Business ("Buildings and structures"and "Machinery, equipment and other")
2. Intangible fixed assets: Software

2) Depreciation method for leased assets

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

2. Operating leases

(As lessee)

Future minimum lease payments as lessee:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ 608	¥ 626	$ 5,736
Due after one year	948	962	8,943
Total	¥ 1,556	¥ 1,588	$ 14,679

Note 9 : Segment Information

1. General information about reportable segments

(1)Reportable segments

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

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

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

(2) Products and services of reportable segments

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

(Changes in reportable segments)

On April 1, 2017, the printed circuit board (PCB)-related equipment business of the previous SCREEN Graphic and Precision Solutions Co., Ltd. was spun off to form SCREEN PE Solutions Co., Ltd., a fully owned Group subsidiary. Consequently, from the fiscal year ended March 31, 2018, the Graphic arts equipment and PCB-related equipment businesses were classified as reportable segments under the segment names Graphic arts equipment (GA) business and PCB-related equipment (PE) business.

In line with these changes, the other reportable segments have also been renamed as follows:

Semiconductor Solutions (SE) Business→ Semiconductor Equipment Business (SE)

Finetech Solutions (FT) Business→Display Production Equipment and Coater Business (FT)

Segment information for the previous fiscal year has been prepared according to the reclassified segments and is presented under "Information about reportable segment income(loss), segment assets and other material items" for the fiscal year ended March 31, 2017.

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

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

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

As of and for the year ended March 31, 2018	Millions of yen						
	Reportable segment						
	SE	GA	FT	PE	Others	Adjustments	Consolidated
Sales							
Sales to outside customers	¥ 227,182	¥ 53,221	¥ 45,210	¥ 12,132	¥ 1,624	¥ –	¥ 339,369
Intersegment sales and transfers	3	193	42	62	15,312	(15,612)	–
Total	227,185	53,414	45,252	12,194	16,936	(15,612)	339,369
Segment income (loss)	¥ 36,302	¥ 3,061	¥ 4,590	¥ 1,014	¥ (1,544)	¥ (698)	¥ 42,725
Segment assets	¥ 205,303	¥ 48,478	¥ 36,253	¥ 9,727	¥ 10,311	¥ 56,121	¥ 366,193
Other							
Depreciation and amortization	3,052	492	145	14	414	1,591	5,708
Impairment loss	–	–	–	–	77	–	77
Capital expenditures	9,053	878	787	147	505	3,059	14,429

As of and for the year ended March 31, 2017	Millions of yen						
	Reportable segment						
	SE	GA	FT	PE	Others	Adjustments	Consolidated
Sales							
Sales to outside customers	¥ 205,989	¥ 45,779	¥ 38,095	¥ 8,918	¥ 1,453	¥ –	¥ 300,234
Intersegment sales and transfers	109	51	9	–	13,353	(13,522)	–
Total	206,098	45,830	38,104	8,918	14,806	(13,522)	300,234
Segment income (loss)	¥ 29,315	¥ 1,472	¥ 4,392	¥ 752	¥ (1,453)	¥ (746)	¥ 33,732
Segment assets	¥ 163,899	¥ 42,075	¥ 31,826	¥ 8,925	¥ 9,054	¥ 44,881	¥ 300,660
Other							
Depreciation and amortization	2,602	624	102	64	344	1,662	5,398
Impairment loss	–	1,450	–	303	–	103	1,856
Capital expenditures	5,070	1,055	297	56	686	1,092	8,256

As of and for the year ended March 31, 2018	Thousands of U.S. dollars						
	Reportable segment						
	SE	GA	FT	PE	Others	Adjustments	Consolidated
Sales							
Sales to outside customers	$ 2,143,226	$ 502,085	$ 426,509	$ 114,453	$ 15,321	$ –	$ 3,201,594
Intersegment sales and transfers	29	1,821	397	585	144,451	(147,283)	–
Total	2,143,255	503,906	426,906	115,038	159,772	(147,283)	3,201,594
Segment income (loss)	$ 342,472	$ 28,877	$ 43,302	$ 9,566	$ (14,566)	$ (6,585)	$ 403,066
Segment assets	$ 1,936,821	$ 457,340	$ 342,009	$ 91,764	$ 97,274	$ 529,443	$ 3,454,651
Other							
Depreciation and amortization	28,792	4,642	1,368	132	3,906	15,009	53,849
Impairment loss	–	–	–	–	726	–	726
Capital expenditures	85,406	8,283	7,425	1,387	4,764	28,858	136,123

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 ¥(698) million ($(6,585) thousand) and ¥(746) million for the years ended March 31, 2018 and 2017, respectively, are the Company's profit (loss) not attributable to a reportable segment.
Segment assets adjustments of ¥56,121 million ($529,443 thousand) and ¥44,881 million for the years ended March 31, 2018 and 2017, respectively, are the corporate assets not apportioned to each reportable segment.
3. Segment income (loss) is reconciled with operating income (loss) in the consolidated statements of operations.

<Related Information>

1. Information about geographic areas

(1) Net Sales

Years ended March 31,	Millions of yen				Thousands of U.S. dollars
	2018		2017		2018
Japan	¥ 62,248	(18.3%)	¥ 59,386	(19.8%)	$ 587,245
Taiwan	71,263	(21.0%)	93,749	(31.2%)	672,292
South Korea	40,571	(12.0%)	20,509	(6.8%)	382,745
China	74,166	(21.9%)	49,981	(16.7%)	699,679
United States	38,517	(11.3%)	27,246	(9.1%)	363,368
Europe	23,170	(6.8%)	22,873	(7.6%)	218,585
Others	29,434	(8.7%)	26,490	(8.8%)	277,680
Total	¥ 339,369	(100.0%)	¥ 300,234	(100.0%)	$ 3,201,594

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

(2) Property, plant and equipment

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, 2018	Millions of yen	Thousands of U.S. dollars
Net sales		
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥ 48,131	$ 454,066

Year ended March 31, 2017	Millions of yen
Net sales	
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥ 71,860

Note 10: Contingent Liabilities

As of March 31, 2018 and 2017, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
As guarantors of			
Employees' housing loans	¥ 26	¥ 37	$ 245
Trade notes receivable endorsed	–	47	–
Total	¥ 26	¥ 84	$ 245

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
Notes and accounts receivable-trade	Credit risk of clients	The amounts outstanding are managed for each client and by due date. Also, the financial condition of the clients is monitored.
Accounts receivable denominated in foreign currency	Risk of fluctuation in foreign currency exchange rates	The risk is hedged by using forward foreign exchange contracts on certain portions of the receivables.
Investments in securities	Risk of fluctuation in market prices	The fair values of the instruments and financial conditions of issuers are regularly monitored.
Notes and accounts payable-trade, loans, bonds and lease obligations	Liquidity risk	Funding plans are prepared and renewed, and a certain level of liquidity on hand is maintained.
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 (w) Derivatives and hedge accounting."* The Company believes that its credit risk is insignificant as the counterparties to its derivative transactions are limited to creditable financial institutions.

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, 2018 and 2017, the book value and fair value of financial instruments and the differences between these figures are set forth in the table below. The table does not include financial instruments whose fair values were not readily determinable. (See Note 2)

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			**2018**		
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	**¥ 53,114**	**¥ 53,114**	**¥ –**	¥ 48,833	¥ 48,833	¥ –	**$ 501,076**	**$ 501,076**	**$ –**
(2) Notes and accounts receivable-trade	**85,407**			59,152			**805,726**		
Allowance for doubtful receivables (*1)	**(588)**			(569)			**(5,547)**		
	84,819	**84,819**	**–**	58,583	58,585	2	**800,179**	**800,179**	**–**
(3) Investments in securities Available-for-sale securities	**40,520**	**40,520**	**–**	32,368	32,368	–	**382,264**	**382,264**	**–**
Total assets	**¥ 178,453**	**¥ 178,453**	**¥ –**	¥ 139,784	¥ 139,786	¥ 2	**$ 1,683,519**	**$ 1,683,519**	**$ –**
(1) Notes and accounts payable — trade	**¥ 115,111**	**¥ 115,111**	**¥ –**	¥ 84,302	¥ 84,302	¥ –	**$ 1,085,953**	**$ 1,085,953**	**$ –**
(2) Long-term debt	**10,907**	**10,908**	**1**	14,987	15,041	54	**102,896**	**102,906**	**10**
(3) Lease obligations	**2,250**	**3,568**	**1,318**	2,600	4,332	1,732	**21,227**	**33,660**	**12,433**
Total liabilities	**¥ 128,268**	**¥ 129,587**	**¥ 1,319**	¥ 101,889	¥ 103,675	¥ 1,786	**$ 1,210,076**	**$ 1,222,519**	**$ 12,443**
Derivative transactions (*2)									
(1) Without application of hedge accounting	**¥ 56**	**¥ 56**	**¥ –**	¥ (218)	¥ (218)	¥ –	**$ 528**	**$ 528**	**$ –**
(2) With application of hedge accounting	**–**	**–**	**–**	–	–	–	**-**	**-**	**–**
Total derivative transactions	**¥ 56**	**¥ 56**	**¥ –**	¥ (218)	¥ (218)	¥ –	**$ 528**	**$ 528**	**$ –**

(*1) Allowance for doubtful receivables recorded for notes and accounts receivable-trade is subtracted.
(*2) Net assets and liabilities incurred by derivative transactions are shown 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) Notes and accounts receivable-trade

The fair values of these assets are based on the current value classified by length of time until settlement and discounted with consideration for the length of time until settlement and credit risk. As notes and accounts receivable-trade due within one year are settled on a short-term basis, their fair values are approximately equal to their book values. For this reason, their fair values are reported based on their applicable book values.

(3) Investments 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 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 value of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Category	Book value	Book value	Book value
Non-listed equity securities	**¥ 960**	¥ 837	**$ 9,057**

The amount in the above table includes investments in a nonconsolidated subsidiary of ¥6 million ($57 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			
	2018				2017				**2018**			
	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	**¥ 53,092**	**¥ –**	**¥ –**	**¥ –**	¥ 48,812	¥ –	¥ –	¥ –	**$ 500,868**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable-trade	**85,407**	**–**	**–**	**–**	58,682	470	–	–	**805,726**	**–**	**–**	**–**
Investments in securities-available-for-sale securities with maturities	**–**	**–**	**–**	**–**	–	–	–	–	**–**	**–**	**–**	**–**
Total	**¥ 138,499**	**¥ –**	**¥ –**	**¥ –**	¥107,494	¥ 470	¥ –	¥ –	**$1,306,594**	**$ –**	**$ –**	**$ –**

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, 2018 and 2017 were as follows:

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

Currency related

	Millions of yen								Thousands of U.S. dollars			
	2018				2017				**2018**			
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)	**¥ 6,662**	**¥ –**	**¥ 177**	**¥ 177**	¥ 4,739	¥ –	¥ (151)	¥ (151)	**$ 62,850**	**$ –**	**$ 1,670**	**$ 1,670**
(Sell–Euro)	**3,187**	**837**	**(119)**	**(119)**	2,910	837	(63)	(63)	**30,066**	**7,896**	**(1,123)**	**(1,123)**
(Sell–Pound)	**886**	**–**	**(2)**	**(2)**	208	–	(2)	(2)	**8,358**	**–**	**(19)**	**(19)**
(Sell–Australian dollars)	**–**	**–**	**–**	**–**	42	–	(1)	(1)	**–**	**–**	**–**	**–**
(Sell–Singapore dollars)	**201**	**–**	**(0)**	**(0)**	240	–	(1)	(1)	**1,896**	**–**	**(0)**	**(0)**
Total	**¥ 10,936**	**¥ 837**	**¥ 56**	**¥ 56**	¥ 8,139	¥ 837	¥ (218)	¥ (218)	**$ 103,170**	**$ 7,896**	**$ 528**	**$ 528**

Notes: Method of estimating fair value
The fair values of exchange forward transactions as of March 31, 2018 and 2017 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		
		2018			2017			**2018**		
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**	**¥ 527**	**¥ –**	**Note**	¥ 56	¥ –	Note	**$ 4,972**	**$ –**	**Note**
(Sell–Euro)	**Accounts receivable**	**–**	**–**	**–**	217	–	Note	**–**	**–**	**–**
Total		**¥ 527**	**¥ –**	**Note**	¥ 273	¥ –	Note	**$ 4,972**	**$ –**	**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		
		2018			2017			**2018**		
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**	**¥ 1,260**	**¥ 420**	**Note**	¥ 2,100	¥ 1,260	Note	**$ 11,887**	**$ 3,962**	**Note**

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

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, 2018 and 2017:

Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			2018		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	**¥ 12,257**	**¥ 38,708**	**¥ 26,451**	¥ 12,788	¥ 30,881	¥ 18,093	**$ 115,632**	**$ 365,170**	**$ 249,538**
Others	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Total	**¥ 12,257**	**¥ 38,708**	**¥ 26,451**	¥ 12,788	¥ 30,881	¥ 18,093	**$ 115,632**	**$ 365,170**	**$ 249,538**
Securities with book values not exceeding acquisition costs									
Equity securities	**¥ 2,054**	**¥ 1,812**	**¥ (242)**	¥ 1,633	¥ 1,487	¥ (146)	**$ 19,377**	**$ 17,094**	**$ (2,283)**
Others	**–**	**–**	**–**	–	–	–	**–**	**–**	**–**
Total	**¥ 2,054**	**¥ 1,812**	**¥ (242)**	¥ 1,633	¥ 1,487	¥ (146)	**$ 19,377**	**$ 17,094**	**$ (2,283)**

2. Total sales of available-for-sale securities for the year ended March 31, 2018 amounted to ¥1,549 million ($14,613 thousand), and the related total gain amounted to ¥873 million ($8,236 thousand) . Total sales of available-for-sale securities for the year ended March 31, 2017 amounted to ¥2,733 million, and the related total gain and loss amounted to ¥1,065 million and ¥0 million, respectively.

Note 14: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2018 and 2017 was as follows:

1. Defined benefit plans

(1) Movements in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	**¥ 33,181**	¥ 32,601	**$ 313,028**
Service cost	**1,325**	1,507	**12,500**
Interest cost	**345**	341	**3,255**
Actuarial loss (gain)	**(241)**	(336)	**(2,274)**
Benefits paid	**(1,179)**	(1,023)	**(11,123)**
Other	**209**	91	**1,973**
Balance at end of year	**¥ 33,640**	¥ 33,181	**$ 317,359**

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	**¥ 37,120**	¥ 36,143	**$ 350,189**
Expected return on plan assets	**989**	971	**9,330**
Actuarial gain (loss)	**18**	(426)	**170**
Contributions paid by the employer	**1,033**	1,176	**9,745**
Benefits paid	**(1,169)**	(1,002)	**(11,028)**
Other	**369**	258	**3,481**
Balance at end of year	**¥ 38,360**	¥ 37,120	**$ 361,887**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligations	**¥ 33,640**	¥ 33,164	**$ 317,359**
Plan assets	**38,360**	37,120	**361,887**
	(4,720)	(3,956)	**(44,528)**
Unfunded retirement benefit obligations	**0**	17	**0**
Total net liability (asset) for retirement benefits	**¥ (4,720)**	¥ (3,939)	**$ (44,528)**
Net defined benefit liability	**857**	764	**8,085**
Net defined benefit asset	**5,577**	4,703	**52,613**
Total net liability (asset) for retirement benefits	**¥ (4,720)**	¥ (3,939)	**$ (44,528)**

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	**¥ 1,325**	¥ 1,507	**$ 12,500**
Interest cost	**345**	341	**3,255**
Expected return on plan assets	**(989)**	(971)	**(9,330)**
Net actuarial loss amortization	**426**	437	**4,018**
Total retirement benefit costs	**¥ 1,107**	¥ 1,314	**$ 10,443**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gains and losses	**¥ 686**	¥ 348	**$ 6,472**
Total balance	**¥ 686**	¥ 348	**$ 6,472**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gains and losses that are yet to be recognized	**¥ (728)**	¥ (1,413)	**$ (6,863)**
Total balance	**¥ (728)**	¥ (1,413)	**$ (6,863)**

(7) Plan assets

1. Plan assets comprise:

	2018	2017
Bonds	**46%**	46%
Equity securities	**23%**	22%
Cash and cash equivalents	**2%**	4%
Life insurance company general accounts	**19%**	20%
Alternative	**10%**	8%
Total	**100%**	100%

Notes: 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, 2018 and 2017 were as follows:

	2018	2017
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, 2018 and 2017 amounted to ¥922 million ($8,698 thousand) and ¥700 million, respectively.

Note 15: Impairment of Fixed Assets

For the year ended March 31, 2018, there was no significant impairment loss. For the year ended March 31, 2017, the Company and its consolidated subsidiaries recorded impairment loss of ¥1,856 million. Significant properties included in this loss are listed in the table below.

For the year ended March 31, 2017
(1) Assets for which impairment loss was recognized

Location	Major use	Asset category	Impairment loss
			Millions of yen
Kumiyama-cho, Kuze-gun, Kyoto, etc.	Operating assets	Machinery and equipment, etc.	¥ 1,753

(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 the 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
Property, plant and equipment	
Buildings and structures	¥ 26
Machinery, equipment and other	1,405
Lease assets	2
Investments and other assets	
Other assets	320
Total	¥ 1,753

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

Note 16: Subsequent Events

(Issuance of Euro Yen Zero Coupon Convertible Bonds)

The Board of Directors of the Company resolved the issuance of euro yen zero coupon convertible bonds due 2022 (hereinafter in 1. referred to as the “Convertible Bonds,” of which the bonds shall be referred to as the “Bonds" and the attached subscription rights to shares shall be referred to as the “Subscription Rights to Shares”) and euro yen zero coupon convertible bonds due 2025 (hereinafter in 2. referred to as the “Convertible Bonds,” of which the bonds shall be referred to as the “Bonds" and the attached subscription rights to shares shall be referred to as the “Subscription Rights to Shares”) on May 24, 2018. The payments for the Bonds were completed on June 11, 2018. The outline of the issuance is as follows:

1. Outline of Euro Yen Zero Coupon Convertible Bonds due 2022

(1) Issue Price (amount to be paid)
100.5% of the principal amount of the Bonds (The Bonds are issued in the denomination of ¥10 million ($94 thousand) each.)
(2) Offer Price
103.0% of the principal amount of the Bonds
(3) Aggregate Principal Amount of the Bonds
¥15,075 million ($142,217 thousand) plus an aggregate payment amount of the Bonds in respect of replacement certificates (for lost, stolen, destroyed, mutilated or defaced certificates, if issued in accordance with the terms and conditions of the Bonds)
(4) Aggregate Face Amount of the Bonds
¥15,000 million ($141,509 thousand) plus an aggregate principal amount of the Bonds in respect of replacement certificates
(5) Coupon
Zero
(6) Closing Date and Issuing Date of the Bonds
June 11, 2018 (London time; unless otherwise indicated, hereinafter the same shall apply)
(7) Redemption date
June 10, 2022
(8) Class, contents and number of shares to be issued upon exercise of subscription rights to shares
a. Class and contents: Common stock of the Company(share unit number: 100 shares)
b. Number: The number of common shares of the Company to be delivered by the Company upon exercise of the Subscription Rights to Shares shall be the number obtained by dividing the total principal amount of the Bonds in respect of exercise requests by the conversion price provided in (10) below. However, fractions less than one share that arise due to such exercise are rounded down and amounts thereof will not be adjusted in cash.
(9) Total number of subscription rights to shares:
The total of 1,500 units plus the number of units obtained by dividing the aggregate principal amount of the Bonds in respect of replacement certificates of the convertible bonds by ¥10 million.
(10)Amounts to be paid upon exercise of Subscription Rights to Shares
a. Upon exercise of each Subscription Rights to Shares, the relevant Bond shall be deemed to be acquired by the Company as a capital contribution in kind by the relevant bondholder at the price equal to the principal amount of the Bond.
b. Conversion price
¥11,578 ($109) per share (initial conversion price)
c. Adjustment of conversion price:
The conversion price shall be adjusted in accordance with the following formula when the Company issues common shares or disposes of such shares held by the Company, at an amount to be paid that is lower than the current market price of the common shares of the Company after the issuance of the Convertible Bonds. In the following formula, the “number of already issued shares” means the total number of the issued shares of common stock of the Company (excluding the shares held by the Company).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of already issued shares} + \dfrac{\text{Number of shares to be issued or disposed of} \times \text{Amount to be paid in per share}}{\text{Current market price}}}{\text{Number of already issued shares} + \text{Number of shares to be issued or disposed of}}$$

The conversion price shall also be adjusted as appropriate if certain events occur, such as a split or consolidation of the common shares of the Company, or an issuance of subscription rights to shares (including those attached to convertible bonds) that enable the holders thereof to make requests for the delivery of common shares of the Company at a price less than the current market price of such shares.

(11) Exercise period of Subscription Rights to Shares

The exercise period shall be from June 25, 2018 to May 27, 2022 (at the local time of the location where exercise requests are received). However, such period shall differ in the following cases: (a.) in the case of redemption before maturity, the period shall be until three business days before the redemption date in Tokyo (except for Subscription Rights to Shares with respect to Bonds for which redemption before maturity is not selected in the case of redemption before maturity due to the change in taxation stipulated in the requirements of the Convertible Bonds.); (b.) in the case of acquisition of Convertible Bonds or retirement by purchase of Bonds by the Company, the period shall be until the Bonds are retired; and (c.) in the case of a default on the Bonds, the period shall be until such default. In any of the above cases, the Subscription Rights to Shares may not be exercised after May 27, 2022 (in the local time of the location where exercise requests are received).

Notwithstanding the foregoing, in accordance with the terms and conditions of the Convertible Bonds, if the Company acquires the Convertible Bonds, the Subscription Rights to Shares may not be exercised in the period from the date following the date of notification of acquisition to the date of such acquisition or from 14days before the date of acquisition to the date of such acquisition. In addition, if the Company reasonably determines that it is necessary for the purpose of carrying out a corporate reorganization or similar action stipulated in the requirements of the Convertible Bonds, the Subscription Rights to Shares may not be exercised during the period designated by the Company, which may not exceed 30 days and shall end no later than 14 days from the date following the effective date of the corporate reorganization or similar action.

Furthermore, if the date on which exercise of the Subscription Rights to Shares comes into effect (if the relevant date is not a business day, such date will be the following business day in Tokyo) falls on the two business day period in Tokyo before a record date specified by the Company or another date specified for determining shareholders in relation to Article 151, Paragraph 1 of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (hereinafter, the "Shareholder Record Date"; if said Shareholder Record Date does not fall on a business day in Tokyo, such period shall be the three business day period in Tokyo before the Shareholder Record Date, and the Shareholder Record Date shall be the following business day in Tokyo), the Subscription Rights to Shares may not be exercised. However, if there is a change in Japanese laws and regulations or practice relating to the delivery of shares upon the exercise of Subscription Rights to Shares through the book-entry transfer system established pursuant to the Act on Book-Entry Transfer of 60 Company Bonds, Shares, etc., the Company may amend the restriction on the exercise period of the Stock Acquisition Rights to Shares under this paragraph to reflect such change.

(12) Conditions for exercise of the Subscription Rights to Shares

Partial exercise of each Subscription Rights to Shares is impossible.

(13) Amount of common stock and legal capital surplus to be increased if shares are issued upon exercise of stock acquisition rights

The amount of common stock to be increased if shares are issued upon the exercise of the Stock Acquisition Rights to Shares shall be one-half of the maximum amount of increase in common stock and others as calculated pursuant to Article 17 of the Ordinance on Accounting of Companies, with any fraction of less than one yen resulting from the calculation rounded up.

(14) In place of redemption of all of the Bonds at the time of the exercise of the Subscription Rights to Shares, purpose to the effect that the payment of the full amount of the amount to be paid upon exercise of the Subscription Rights to Shares was made

Not applicable. However, upon exercise of each Subscription Rights to Shares, the relevant Bond shall be deemed to be acquired by the Company as a capital contribution in kind by the relevant bondholder at the price equal to the principal amount of the Bond.

(15) Matters concerning the transfer of the Subscription Rights to Shares

Not applicable

(16) Collateral and Guarantee of the Bonds

No collateral or guarantee

2. Outline of Euro Yen Zero Coupon Convertible Bonds due 2025

(1) Issue Price (amount to be paid)

100.5% of the principal amount of the Bonds (The Bonds are issued in the denomination of ¥10 million ($94 thousand) each.)

(2) Offer Price

103.0% of the principal amount of the Bonds

(3) Aggregate Principal Amount of the Bonds

¥15,075 million ($142,217 thousand) plus an aggregate payment amount of the Bonds in respect of replacement certificates (for lost, stolen, destroyed, mutilated or defaced certificates, if issued in accordance with the terms and conditions of the Bonds)

(4) Aggregate Face Amount of the Bonds

¥15,000 million ($141,509 thousand) plus an aggregate principal amount of the Bonds in respect of replacement certificates

(5) Coupon

Zero

(6) Closing Date and Issuing Date of the Bonds

June 11, 2018 (London time; unless otherwise indicated, hereinafter the same shall apply)

(7) Redemption date

June 11, 2025

(8) Class, contents and number of shares to be issued upon exercise of subscription rights to shares

a. Class and contents: Common stock of the Company(share unit number: 100 shares)

b. Number: The number of common shares of the Company to be delivered by the Company upon exercise of the Subscription Rights to Shares shall be the number obtained by dividing the total principal amount of the Bonds in respect of exercise requests by the conversion price provided in (10) below. However, fractions less than one share that arise due to such exercise are rounded down and amounts thereof will not be adjusted in cash.

(9) Total number of subscription rights to shares:

The total of 1,500 units plus the number of units obtained by dividing the aggregate principal amount of the Bonds in respect of replacement certificates of the convertible bonds by ¥10 million.

(10)Amounts to be paid upon exercise of Subscription Rights to Shares

a. Upon exercise of each Subscription Rights to Shares, the relevant Bond shall be deemed to be acquired by the Company as a capital contribution in kind by the relevant bondholder at the price equal to the principal amount of the Bond.

b. Conversion price

¥12,337 ($116) per share (initial conversion price)

c. Adjustment of conversion price:

The conversion price shall be adjusted in accordance with the following formula when the Company issues common shares or disposes of such shares held by the Company, at an amount to be paid that is lower than the current market price of the common shares of the Company after the issuance of the Convertible Bonds. In the following formula, the "number of already issued shares" means the total number of the issued shares of common stock of the Company (excluding the shares held by the Company).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of already issued shares} + \dfrac{\text{Number of shares to be issued or disposed of} \times \text{Amount to be paid in per share}}{\text{Current market price}}}{\text{Number of already issued shares} + \text{Number of shares to be issued or disposed of}}$$

The conversion price shall also be adjusted as appropriate if certain events occur, such as a split or consolidation of the common shares of the Company, or an issuance of subscription rights to shares (including those attached to convertible bonds) that enable the holders thereof to make requests for the delivery of common shares of the Company at a price less than the current market price of such shares.

(11) Exercise period of Subscription Rights to Shares

The exercise period shall be from June 25, 2018 to May 28, 2025 (at the local time of the location where exercise requests are received). However, such period shall differ in the following cases: (a.) in the case of redemption before maturity, the period shall be until three business days before the redemption date in Tokyo (except for Subscription Rights to Shares with respect to Bonds for which redemption before maturity is not selected in the case of redemption before maturity due to the change in taxation stipulated in the requirements of the Convertible Bonds.); (b.) in the case of acquisition of Convertible Bonds or retirement by purchase of Bonds by the Company, the period shall be until the Bonds are retired; and (c.) in the case of a default on the Bonds, the period shall be until such default. In any of the above cases, the Subscription Rights to Shares may not be exercised after May 28, 2025 (in the local time of the location where exercise requests are received).

Notwithstanding the foregoing, in accordance with the terms and conditions of the Convertible Bonds, if the Company acquires the Convertible Bonds, the Subscription Rights to Shares may not be exercised in the period from the date following the date of notification of acquisition to the date of such acquisition or from 14days before the date of acquisition to the date of such acquisition. In addition, if the Company reasonably determines that it is necessary for the purpose of carrying out a corporate reorganization or similar action stipulated in the requirements of the Convertible Bonds, the Subscription Rights to Shares may not be exercised during the period designated by the Company, which may not exceed 30 days and shall end no later than 14 days from the date following the effective date of the corporate reorganization or similar action.

Furthermore, if the date on which exercise of the Subscription Rights to Shares comes into effect (if the relevant date is not a business day, such date will be the following business day in Tokyo) falls on the two business day period in Tokyo before a record date specified by the Company or another date specified for determining shareholders in relation to Article 151, Paragraph 1 of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (hereinafter, the "Shareholder Record Date"; if said Shareholder Record Date does not fall on a business day in Tokyo, such period shall be the three business day period in Tokyo before the Shareholder Record Date, and the Shareholder Record Date shall be the following business day in Tokyo), the Subscription Rights to Shares may not be exercised. However, if there is a change in Japanese laws and regulations or practice relating to the delivery of shares upon the exercise of Subscription Rights to Shares through the book-entry transfer system established pursuant to the Act on Book-Entry Transfer of 60 Company Bonds, Shares, etc., the Company may amend the restriction on the exercise period of the Subscription Rights to Shares to Shares under this paragraph to reflect such change.

(12) Conditions for exercise of the Subscription Rights to Shares

a. Partial exercise of each Subscription Rights to Shares is impossible.

b. A holder of the Convertible Bonds may exercise the Subscription Rights to Shares if the condition set out in 1) or 2) below is satisfied:

1) prior to (and including) 10 June 2022, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter; and

2) from (and including) 11 June 2022 but prior to (and including) 11 March 2025, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter, on and after the first day of the following calendar quarter in the case of above, in the case of the calendar quarter commenced on 1 April 2018, on and after 25 June 2018, and in the case of 2) above, in the case of the calendar quarter commencing on 1 April 2022, on and after 11 June 2022) until the end of such quarter in the case of 1) above, in the case of the calendar quarter commencing on 1 April 2022, until 10 June 2022, and in the case of 2) above, in the case of the calendar quarter commencing on 1 January 2025, until 11 March 2025).

The above conditions to the exercise of Subscription Rights to Shares

shall not be applicable 1) during any period in which (a) the long-term issuer rating assigned to the Company by Japan Credit Rating Agency, Ltd. or its successors (together, "JCR") is BB+ (or equivalent if the rating category is changed) or lower, (b) a long-term issuer rating is no longer assigned to the Company by JCR and/or (c) the long-term issuer rating assigned to the Company by JCR has been suspended or withdrawn;.or 2) during any period after a notice of redemption of the Bonds before maturity is given by the Company (except for Subscription Rights to Shares with respect to Bonds for which redemption before maturity is not selected in the case of redemption before maturity due to the change in taxation stipulated in the requirements of the Bonds.); or 3) upon carrying out a corporate organization or similar action by the Company, during any period from the date when a notice of such corporate organization or similar action is given to a holder of the Convertible Bonds in accordance with terms and conditions of the Convertible Bonds until the effective date of such corporate organization or similar action, unless the exercise of Subscription Rights to Shares is not allowed as indicated in (11) above.

A "closing price" of the Company's common stock at a certain date means a closing price of the Company's common stock in regular trading on the Tokyo Stock Exchange on that date. A "trading day" means a day when the Tokyo Stock Exchange is open and does not include a day when a closing price is not announced.

(13) Amount of common stock and legal capital surplus to be increased if shares are issued upon exercise of Subscription Rights to Shares

The amount of common stock to be increased if shares are issued upon the exercise of the Stock

Acquisition Rights to Shares shall be one-half of the maximum amount of increase in common stock and others as calculated pursuant to Article 17 of the Ordinance on Accounting of Companies, with any fraction of less than one yen resulting from the calculation rounded up.

(14) In place of redemption of all of the Bonds at the time of the exercise of the Subscription Rights to Shares, purpose to the effect that the payment of the full amount of the amount to be paid upon exercise of the Subscription Rights to Shares was made

Not applicable. However, upon exercise of each Subscription Rights to Shares, the relevant Bond shall be deemed to be acquired by the Company as a capital contribution in kind by the relevant bondholder at the price equal to the principal amount of the Bond.

(15) Matters concerning the transfer of the Subscription Rights to Shares

Not applicable

(16) Collateral and Guarantee of the Bonds

No collateral or guarantee

3. Use of Proceeds

The net proceeds from the issue of euro yen zero coupon convertible bonds due 2022 and euro yen zero coupon convertible bonds due 2025 are expected to be used primarily for the following capital expenditures:

(1) approximately ¥15,000 million ($141,509 thousand) by the end of March 2020, for capital expenditure aimed at improving production capacity and efficiency, including the construction of new facilities in the Group's Hikone plant; and

(2) approximately ¥15,000 million ($141,509 thousand) by the end of March 2020, for capital expenditure in relation to research and development ("R&D") facilities, aimed at maintaining and expanding the Group's product competitiveness through development of cutting-edge technologies in the SE segment, strengthening core technologies and product capabilities in the Group's other existing businesses, and expanding the business portfolio (including new businesses) of the Group as a whole.

KPMG

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, 2018, 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, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 16 to the consolidated financial statements. The Board of Directors of the Company resolved the issuance of euro yen zero coupon convertible bonds due 2022 and euro yen zero coupon convertible bonds due 2025 on May 24, 2018. The payments for the bonds were completed on June 11, 2018. Our opinion is not modified in respect of this matter.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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 26, 2018
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 Profile (As of March 31, 2018)

Company Name: SCREEN Holdings Co., Ltd.
Established: October 11, 1943
Representative: Eiji Kakiuchi, President and CEO
Shin Minamishima, Senior Managing Director

Capital: ¥54 billion
Number of Employees: 5,835 employees (consolidated)
Main Sites: Head Office, Rakusai (WHITE CANVAS RAKUSAI), Kumiyama, Yasu, Hikone, Taga, Shinagawa, Monzennakacho (WHITE CANVAS MON-NAKA), Kumamoto

Consolidated Companies (As of March 31, 2018)

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 ／
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 SPE Singapore PTE. Ltd. ／
SCREEN SPE Korea Co., 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 Holdings Singapore PTE. Ltd. ／
SCREEN GP Australia PTY., Ltd. ／ SCREEN FT Taiwan Co., Ltd. ／
SCREEN Finetech Solutions Shanghai Co., Ltd. ／
Trivis 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 Solutions Co., Ltd.
Media Technology Japan Co., Ltd.
MT Service Japan East Co., Ltd.
MT Service Japan West Co., Ltd.
SCREEN Finetech Solutions Co., Ltd.
FEBACS Co., Ltd.
SCREEN Laminatech Co., Ltd.
SCREEN PE Solutions Co., Ltd.
MEBACS Co., Ltd.
SCREEN Advanced System Solutions Co., Ltd.
S. Ten Nines Kyoto Co., Ltd.
SCREEN Manufacturing Support Solutions Co., Ltd.
SCREEN Kumamoto Co., Ltd.
SCREEN Business Support Solutions Co., Ltd.
Tec Communications Co., Ltd.*
SCREEN IP Solutions Co., Ltd.
Alpha MED Scientific Inc.

*Name changed to SCREEN Creative Communications Co., Ltd. on April 1, 2018.

12 other companies

Stock Information (As of March 31, 2018)

Stock Information

Authorized Number of Shares:	180,000,000
Number of Shares Issued:	50,794,866
Number of Shareholders:	10,507
Number of Shares Held by Non-Japanese Companies and Individuals:	13,396,727 (26.37%)
Stock Listings:	Tokyo
Code Number:	7735

Major Shareholders

	Number of shares (thousands)	Percentage of total shares issued (excluding treasury stock, %)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,688	14.30
Japan Trustee Services Bank, Ltd. (Trust Account)	4,508	9.64
Nippon Life Insurance Company	1,830	3.92
The Bank of Kyoto, Ltd.	1,346	2.88
STATE STREET BANK AND TRUST COMPANY 505001	981	2.10
SCREEN's Business Partners Shareholders' Association Synchronize	917	1.96
Resona Bank, Limited	912	1.95
The Shiga Bank, Ltd.	848	1.81
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Currently MUFG Bank, Ltd.)	784	1.68
Japan Trustee Services Bank, Ltd. (Trust Account 5)	723	1.55

Note: SCREEN Holdings holds 4,036,744 shares of treasury stock (percentage of total number of shares outstanding : 7.94%) but is excluded from the list of major shareholders.

Bank References

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

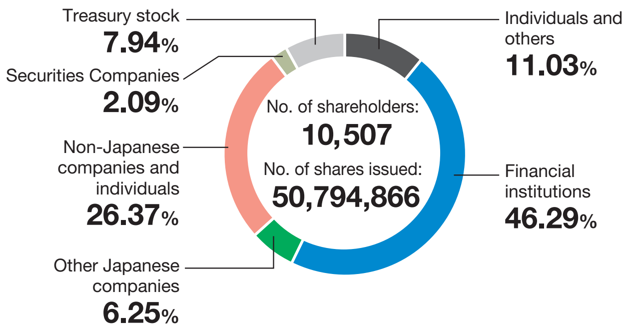
Underwriter

Nomura Securities Co., Ltd.

Sub-Underwriters

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

Breakdown by Type of Shareholder



Editorial Policy

Since fiscal 2010 our Annual Reports* have integrated financial and non-financial information for the purpose of more comprehensive reporting of our corporate activities.
Additional detailed information is posted on our website: our Fact Books (Investors' Guides) have financial information and our Sustainability Data Book (CSR Data Sheets) have non-financial information.

*Some of the financial information (Management's Discussion and Analysis) is only in the Annual Report (PDF).
*Financial statement footnotes appear only in the English version.

Applicable Standards

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

*1 Global Reporting Initiative
*2 See the GRI Content Index (www.screen.co.jp/eng/csr/report/gri.html)

Scope of Coverage

This report covers SCREEN Holdings Co., Ltd. (holding company) and its consolidated companies (as of March 31, 2018).
Data that does not relate to these companies is presented in the form of footnotes.

Disclaimer

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

External Assessments

SCREEN Holdings Co., Ltd. is a constituent of the FTSE4Good Index Series, the FTSE Blossom Japan Index, the SNAM Sustainability Index, and the JPX-Nikkei Index 400. In addition, SCREEN was recognized under the 2018 Certified Health and Productivity Management Organization Recognition Program of Japan's Ministry of Economy, Trade and Industry (METI).

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

Website

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

Investor Information
www.screen.co.jp/eng/ir

- Annual Reports (PDF)
- Fact Books (Investors' Guides)
- Sustainability Data Book (CSR Data Sheets)
- GRI Content Index
- IR Library (Financial Reports, Presentations, etc.)
- IR News
- IR Calendar
- Others

Corporate Social Responsibility
www.screen.co.jp/eng/csr

- Sustainability Data Book (CSR Data Sheets)
- GRI Content Index
- Corporate Governance (Corporate Governance Report, Criteria for Independence of Outside Directors and Outside Corporate Auditors, etc.)
- ISO Certification Status

SCREEN Holdings Co., Ltd.
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