SCREEN

# Annual Report 2022

Year ended March 31, 2022

Financial Section

SCREEN Group (Integrated Report)

# Management's Discussion and Analysis

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

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

The U.S. dollar figures appearing in the financial statements have been translated from Japanese yen amounts for convenience only at the rate of ¥122 to US$1.00.

## Financial Position

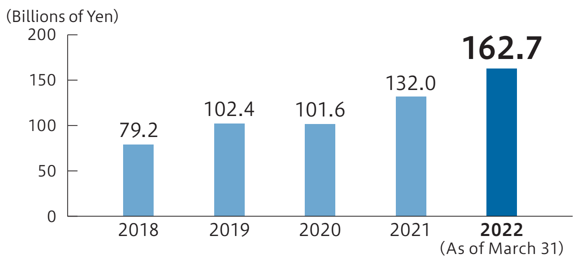
Total assets as of March 31, 2022, stood at ¥459,305 million, up ¥76,673 million, or 20.0%, from the previous fiscal year. This was due largely to increases in cash and time deposits and inventories.

Total liabilities amounted to ¥211,516 million, up ¥37,432 million, or 21.5%, from the previous fiscal year. This was attributable mainly to increases in contract liabilities and accounts payable.

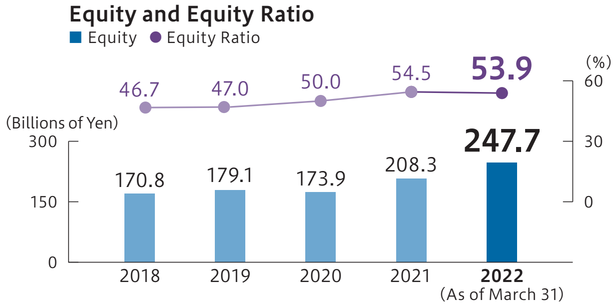
Total net assets amounted to ¥247,789 million, up ¥39,241 million, or 18.8%, from the previous fiscal year. This was attributable mainly to the recording of profit attributable to owners of parent despite the payment of dividends.

As a result, the equity ratio as of March 31, 2022 was 53.9%.

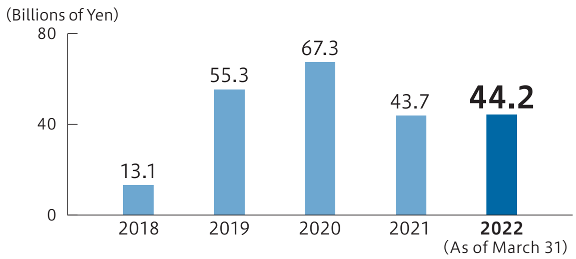
### Working Capital



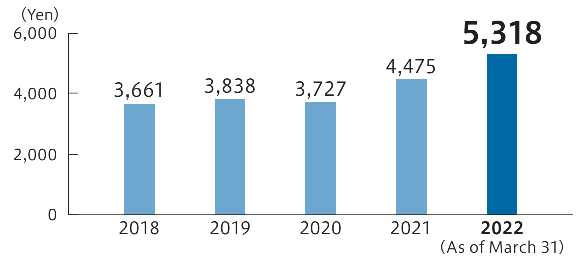

### Equity and Equity Ratio




### Interest-Bearing Debt




### Net Assets Per Share




| | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| As of March 31, | **2022** | 2021 | 2020 | 2019 | 2018 | **2022** |
| Total assets | **¥ 459,305** | ¥ 382,632 | ¥ 347,965 | ¥ 380,916 | ¥ 365,874 | **$ 3,764,795** |
| Reportable Segment: SPE | **264,455** | 207,244 | 197,316 | 222,394 | 205,196 | **2,167,664** |
| GA | **49,100** | 42,169 | 43,574 | 46,586 | 48,381 | **402,459** |
| FT | **27,955** | 30,472 | 35,907 | 33,046 | 36,238 | **229,139** |
| PE | **11,736** | 10,234 | 9,483 | 11,959 | 9,727 | **96,197** |
| Other | **7,833** | 7,988 | 7,602 | 9,843 | 10,546 | **64,205** |
| Adjustments | **98,226** | 84,525 | 54,083 | 57,089 | 55,786 | **805,131** |
| Working capital | **162,747** | 132,019 | 101,664 | 102,413 | 79,247 | **1,333,992** |
| Interest-bearing debt | **44,236** | 43,782 | 67,302 | 55,321 | 13,157 | **362,590** |
| Equity | **247,716** | 208,380 | 173,942 | 179,116 | 170,839 | **2,030,459** |
| Equity ratio (%) | **53.9%** | 54.5% | 50.0% | 47.0% | 46.7% | |
| Net assets per share (yen) | **¥5,318.32** | ¥ 4,475.17 | ¥ 3,727.10 | ¥ 3,838.90 | ¥ 3,661.96 | **$ 43.59** |

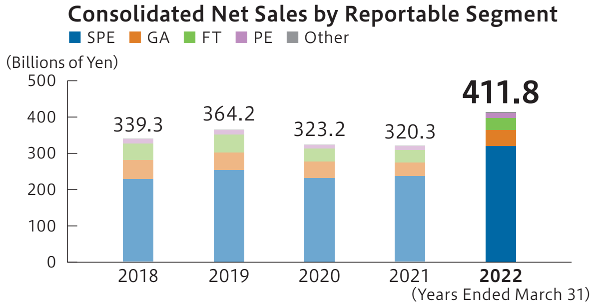
Note: The Company has introduced a performance-linked share compensation system for directors and corporate officers. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the number of shares outstanding as of the fiscal year end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

## Operating Results

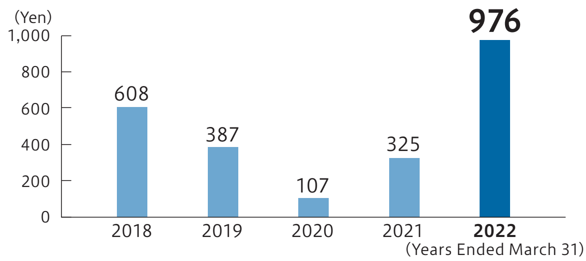
Net sales for the consolidated fiscal year ended March 31, 2022 were ¥411,865 million, which was an increase of ¥91,543 million, or 28.6%, from the previous fiscal year. Operating income increased ¥36,780 million, or 150.2%, from the previous fiscal year to ¥61,273 million. This was due mainly to an increase in net sales and improvements in profitability. As a result, profit attributable to owners of parent rose ¥30,317 million, or 199.9%, to ¥45,482 million.

Net income per share increased by ¥651.34 to ¥976.55 (net income per share – diluted was ¥926.17), return on equity increased by 12.0 percentage points from the previous fiscal year to 19.9%, and return on total assets increased by 6.7 percentage points to 10.8%.

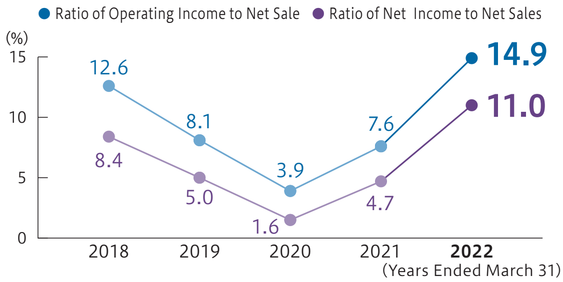
**Consolidated Net Sales by Reportable Segment**



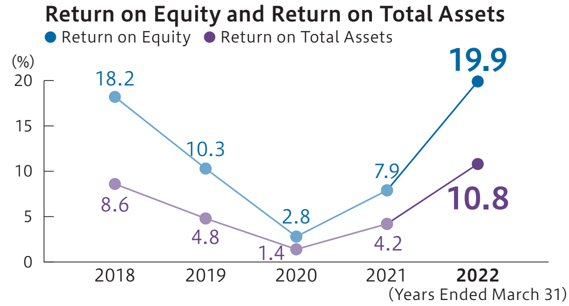

**Net Income Per Share**




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




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




| | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| Years ended March 31, | **2022** | 2021 | 2020 | 2019 | 2018 | **2022** |
| Net sales | **¥ 411,865** | ¥ 320,322 | ¥ 323,249 | ¥ 364,234 | ¥ 339,369 | **$ 3,375,943** |
| Gross profit | **¥ 134,368** | ¥ 88,012 | ¥ 76,569 | ¥ 100,567 | ¥ 109,531 | **$ 1,101,377** |
| Operating income | **¥ 61,273** | ¥ 24,493 | ¥ 12,562 | ¥ 29,645 | ¥ 42,725 | **$ 502,238** |
| Operating income to net sales (%) | **14.9%** | 7.6% | 3.9% | 8.1% | 12.6% | |
| Income before income taxes | **¥ 56,772** | ¥ 20,673 | ¥ 8,579 | ¥ 27,730 | ¥ 41,952 | **$ 465,345** |
| Profit attributable to owners of parent | **¥ 45,482** | ¥ 15,165 | ¥ 5,011 | ¥ 18,059 | ¥ 28,507 | **$ 372,803** |
| Per share information (yen) | | | | | | |
| Net income | **¥ 976.55** | ¥ 325.21 | ¥ 107.37 | ¥ 387.10 | ¥ 608.62 | **$ 8.00** |
| Net income—diluted | **¥ 926.17** | ¥ 308.17 | ¥ 101.47 | ¥ 370.66 | – | **$ 7.59** |
| Return on equity (%) | **19.9%** | 7.9% | 2.8% | 10.3% | 18.2% | |
| Return on total assets (%) | **10.8%** | 4.2% | 1.4% | 4.8% | 8.6% | |

Notes: 1. Return on equity and return on total assets are calculated on the basis of average equity and average total assets, respectively, for the current and previous fiscal year-ends.
2. The Company has introduced a performance-linked share compensation system for directors and corporate officers. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share.
3. "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards have been adopted from the Fiscal 2022. The financial figures, etc. and figures in the table are presented as figures after the adoption of these accounting standards, etc.

## Segment Information

In the Semiconductor Production Equipment Segment, sales to foundries, memory manufacturers and logic device manufacturers rose significantly. By region, sales to every region increased, especially sales to Taiwan. As a result, net sales in this segment reached ¥319,399 million, an increase of 35.6% from the previous fiscal year. Operating income rose to ¥62,830 million, a 141.7% year-on-year increase, due mainly to the increase in net sales and improvements in profitability.

In the Graphic Arts Equipment Segment, sales rose 15.8% year-on-year to ¥43,318 million due to an increase in device sales and recurring business sales, especially sales of ink, buoyed mainly by a recovery in customers' operational capacity and in capital investment appetite. Operating income grew to ¥1,637 million, a 205.5% year-on-year increase, owing to the rise in sales and other factors.

In the Display Production Equipment and Coater Business Segment, sales fell 4.1% year-on-year to ¥33,286 million as a decline in sales of production equipment for large-sized LCD panels offset growth in sales of production equipment for small and medium-sized OLED panels. Operating income rose to ¥587 million, a 35.0% year-on-year increase, due mainly to improvements in profitability.

In the Printed Circuit Board (PCB)-related Equipment Segment, sales rose 27.6% from the previous fiscal year to ¥13,312 million due to growth in sales of direct imaging systems fueled by such factors as expanding data center demand. Operating income was ¥2,075 million, a 168.3% year-on-year increase, due primarily to the increase in sales.

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

| | | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|
| Years ended March 31, | | **2022** | 2021 | 2020 | 2019 | 2018 | **2022** |
| Net Sales | Reportable Segment: SPE | **¥ 319,399** | ¥ 235,554 | ¥ 230,501 | ¥ 252,513 | ¥ 227,185 | **$ 2,618,025** |
| | GA | **43,318** | 37,403 | 45,553 | 48,218 | 53,414 | **355,066** |
| | FT | **33,286** | 34,721 | 35,179 | 49,254 | 45,286 | **272,836** |
| | PE | **13,312** | 10,430 | 10,054 | 12,345 | 12,194 | **109,115** |
| | Other | **2,804** | 2,379 | 2,008 | 2,048 | 1,620 | **22,984** |
| | Intersegment sales | **(254)** | (165) | (46) | (144) | (330) | **(2,083)** |
| | Consolidated | **¥ 411,865** | ¥ 320,322 | ¥ 323,249 | ¥ 364,234 | ¥ 339,369 | **$ 3,375,943** |
| Operating Income (Loss) | Reportable Segment: SPE | **¥ 62,830** | ¥ 26,000 | ¥ 16,136 | ¥ 25,842 | ¥ 36,302 | **$ 515,000** |
| | GA | **1,637** | 536 | 1,450 | 1,140 | 3,061 | **13,418** |
| | FT | **587** | 435 | (2,569) | 3,774 | 4,599 | **4,811** |
| | PE | **2,075** | 773 | (259) | 770 | 1,014 | **17,008** |
| | Other | **(737)** | (697) | (1,493) | (1,411) | (1,554) | **(6,040)** |
| | Total | **¥ 66,392** | ¥ 27,047 | ¥ 13,265 | ¥ 30,115 | ¥ 43,422 | **$ 544,197** |
| | Adjustments | **(5,119)** | (2,554) | (703) | (470) | (697) | **(41,959)** |
| | Consolidated | **¥ 61,273** | ¥ 24,493 | ¥ 12,562 | ¥ 29,645 | ¥ 42,725 | **$ 502,238** |

Notes: 1. The SCREEN Group has created four business segments for reporting: Semiconductor Production Equipment Business (SPE), Graphic Arts Equipment Business (GA), Display Production Equipment and Coater Business (FT), and PCB-Related Equipment Business (PE).
The products and services of each segment are as follows:
SPE: Development, manufacturing, sale, and maintenance services of semiconductor production equipment
GA: Development, manufacturing, sale, and maintenance services of graphic arts equipment
FT: Development, manufacturing, sale, and maintenance services of display production equipment and coater equipment
PE: Development, manufacturing, sale, and maintenance services of PCB related equipment
2. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business and inspection system for in-vehicle components, software development, planning and production of printed matter and other businesses.
3. For more detailed information on each reportable segment, see Note 9, "Segment Information."

## Cash Flows

The following is a discussion of the cash flows of the Group for the consolidated fiscal year ended March 31, 2022.

Regarding cash flows from operating activities, inflows from factors including income before income taxes, increases in other current liabilities, and depreciation and amortization surpassed outflows such as income taxes paid and an increase in inventories, resulting in a net inflow of ¥81,752 million (compared with a net inflow of ¥57,205 million for the previous fiscal year).

Regarding cash flows from investing activities, net cash used in investing activities totaled ¥9,952 million (compared with a net outflow of ¥6,243 million in the previous fiscal year) and went largely toward the purchase of property, plant, and equipment, such as R&D equipment, as well as payments associated with the start of construction on a new factory.

Regarding cash flows from financing activities, factors including payments of dividends resulted in a net outflow of ¥4,951 million (compared with a net outflow of ¥27,071 million in the previous fiscal year).

As a result, cash and cash equivalents as of March 31, 2022 totaled ¥131,011 million, up ¥70,267 million from March 31, 2021.

| | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| Years ended March 31, | **2022** | 2021 | 2020 | 2019 | 2018 | **2022** |
| Cash flows from operating activities | **¥ 81,752** | ¥ 57,205 | ¥ 11,812 | ¥ (37,534) | ¥ 28,878 | **$ 670,098** |
| Cash flows from investing activities | **(9,952)** | (6,243) | (11,294) | (19,020) | (11,230) | **(81,574)** |
| Cash flows from financing activities | **(4,951)** | (27,071) | 4,928 | 36,761 | (11,512) | **(40,582)** |
| Effect of exchange rate changes on cash and cash equivalents | **3,418** | 1,333 | (848) | (102) | (242) | **28,017** |
| Net increase (decrease) in cash and cash equivalents | **¥ 70,267** | ¥ 25,224 | ¥ 4,598 | ¥ (19,895) | ¥ 5,894 | **$ 575,959** |

## Analysis of Operating Results

### Net Sales

Net sales for the Group as a whole for the fiscal year ended March 31, 2022 reached ¥411,865 million, an increase of ¥91,543 million, or 28.6%, from the previous fiscal year.

### Operating Income

Operating income increased ¥36,780 million, or 150.2%, from the previous consolidated fiscal year to ¥61,273 million. This was due mainly to factors such as an increase in net sales and improved profitability.

### Income Before Income Taxes

Net non-operating income and expenses and extraordinary income and loss worsened by ¥681 million year on year due mainly to loss on retirement of non-current assets, loss on withdrawal of corporate pension funds, and loss on the valuation of investment securities despite a decrease in impairment loss.

As a result, income before income taxes rose ¥36,099 million, or 174.6%, to ¥56,772 million.

### Profit Attributable to Owners of Parent

The total amount of income taxes rose ¥5,848 million to ¥11,390 million as a result of increased income before income taxes, among other factors.

As a result, profit attributable to owners of parent rose ¥30,317 million, or 199.9%, to ¥45,482 million.

## Research and Development Expenses

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

During the fiscal year ended March 31, 2022, in addition to our investment to expand and strengthen existing businesses, mainly in the Semiconductor Production Equipment Segment, we also actively promoted R&D in the fields of energy, inspection and measurement and life science for a total investment in R&D of ¥24,036 million.

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

In the Semiconductor Production Equipment Segment, we worked to improve our high-performance, highly functioning devices by further refining such technologies as cleaning, drying, coating, annealing, direct imaging, and device control for leading-edge devices. In addition, SCREEN has been selected by the New Energy and Industrial Technology Development Organization (NEDO) to participate in the "Development of Advanced Semiconductor Manufacturing Technology (Grant)" program of its "Research and Development Project of the Enhanced Infrastructures for Post-5G Information and Communication Systems." Regarding collaborative research with overseas research institutions, we will continue research related to the latest processes in each field.

In the Graphic Arts Equipment Segment, we developed a wide range of new products descended from the inkjet technologies cultivated in the Truepress series. In flexible package inkjet printers, we received the Encouragement Award for a Research Presentation from the Japanese Society of Printing Science and Technology. In UV inkjet label printers, we garnered acclaim from the industry, including receiving the Best Label Printer Award from the European Digital Press Association (EDP).

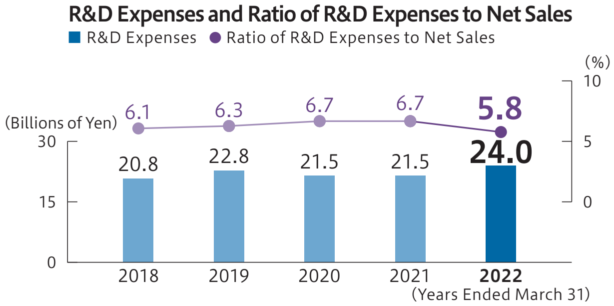
In the segment for Display Production Equipment and Coater Business, we worked hard to further enhance such technologies as coating, film deposition, and drying.

We continue to develop technologies adapted for larger and higher definition OLEDs. We are also developing highly efficient production methods for fuel cells. Our efforts through NEDO garnered acclaim, and we were selected by the Ministry of Economy, Trade and Industry as a Zero Emission Challenge Company.

In the PCB-related Equipment Segment, we developed the Ledia 7F, a new model in the direct imaging system Ledia series, to meet demands for higher definition and higher productivity in the PCB industry.

In other businesses, we continue to pursue basic research and R&D in new business fields and have developed the direct imaging system LeVina for the advanced package industry. In the energy field, we began the joint development of a water electrolysis cell stack for hydrogen production in collaboration with Tokyo Gas Co., Ltd. In the life science field, we developed OMNITO+, which is a more productive and stable version of the OMNITO inkjet printing system for tablets; developed an organ perfusion system that supports organ transplants; conducted research aimed at realizing personalized cancer therapies; and developed a system for label-free cell sorting and analysis in collaboration with AFI Corporation.

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




| Years ended March 31, | Millions of yen 2022 | 2021 | 2020 | 2019 | 2018 | Thousands of U.S. dollars 2022 |
|---|---|---|---|---|---|---|
| R&D expenses | **¥ 24,036** | ¥ 21,506 | ¥ 21,525 | ¥ 22,825 | ¥ 20,837 | **$ 197,016** |
| Reportable Segment: SPE | **13,749** | 12,356 | 12,674 | 14,515 | 12,158 | **112,697** |
| GA | **3,017** | 2,689 | 3,228 | 3,315 | 2,998 | **24,730** |
| FT | **1,001** | 1,185 | 1,167 | 1,260 | 1,265 | **8,205** |
| PE | **481** | 493 | 910 | 1,023 | 676 | **3,943** |
| Other | **5,788** | 4,783 | 3,546 | 2,712 | 3,740 | **47,441** |
| R&D expenses to net sales (%) | **5.8%** | 6.7% | 6.7% | 6.3% | 6.1% | |

## Capital Expenditures and Depreciation and Amortization

For the year ended March 31, 2022, Group capital expenditures, including expenditures for intangible assets, totaled ¥13,410 million.

In the Semiconductor Production Equipment Segment, capital expenditures amounted to ¥3,864 million, the majority of which was used to strengthen R&D and manufacturing facilities.

Capital expenditures in the Graphic Arts Equipment Segment, totaling ¥1,031 million, centered on strengthening R&D and manufacturing facilities.

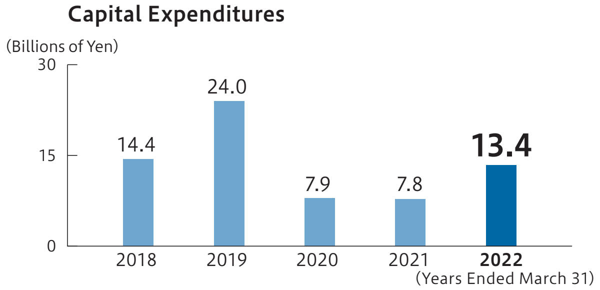
In the Display Production Equipment and Coater Business Segment, capital expenditures were ¥755 million and centered on strengthening R&D and manufacturing facilities.

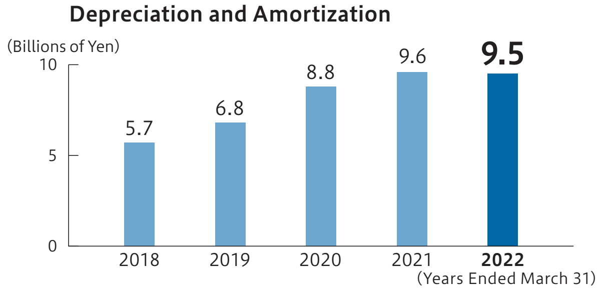
Capital expenditures in the PCB-related Equipment Segment were used for boosting R&D facilities for PCB-related equipment, among other things, and totaled ¥150 million.

Capital expenditures for other businesses, totaling ¥221 million, centered on strengthening R&D and manufacturing facilities.

Corporate capital expenditures amounted to ¥7,389 million and centered on new factory construction (construction in progress) at the Hikone Plant.

Depreciation and amortization amounted to ¥9,501 million, a year-on-year decrease of ¥127 million (1.3%).




| | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| Years ended March 31, | **2022** | 2021 | 2020 | 2019 | 2018 | **2022** |
| Capital expenditures | ¥ **13,410** | ¥ 7,843 | ¥ 7,985 | ¥ 24,089 | ¥ 14,429 | $ **109,918** |
| Reportable Segment: SPE | **3,864** | 3,058 | 3,740 | 14,331 | 9,053 | **31,672** |
| GA | **1,031** | 537 | 742 | 969 | 878 | **8,451** |
| FT | **755** | 987 | 1,123 | 739 | 787 | **6,189** |
| PE | **150** | 193 | 144 | 97 | 147 | **1,230** |
| Other | **221** | 364 | 325 | 315 | 505 | **1,810** |
| Adjustments | **7,389** | 2,704 | 1,911 | 7,638 | 3,059 | **60,566** |
| Depreciation and amortization | ¥ **9,501** | ¥ 9,628 | ¥ 8,860 | ¥ 6,883 | ¥ 5,708 | $ **77,877** |
| Reportable Segment: SPE | **5,745** | 5,933 | 4,996 | 3,853 | 3,052 | **47,090** |
| GA | **618** | 606 | 925 | 581 | 492 | **5,066** |
| FT | **324** | 502 | 353 | 213 | 148 | **2,656** |
| PE | **96** | 93 | 138 | 53 | 14 | **787** |
| Other | **264** | 261 | 321 | 363 | 412 | **2,163** |
| Adjustments | **2,454** | 2,233 | 2,127 | 1,820 | 1,590 | **20,115** |

## Significant Accounting Estimates and Assumptions

The consolidated financial statements of the SCREEN Group have been prepared in accordance with accounting standards generally accepted as fair and reasonable in Japan. The significant accounting policies employed in the preparation of these consolidated financial statements can be found in "Notes to Consolidated Financial Statements – Note 1: Summary of Significant Accounting and Reporting Policies."

In addition, for those consolidated financial statement items that require accounting estimates, a reasonable estimate and decision is made for each based upon past performance and relevant current matters. However, the predicted and actual results may differ since estimates are inherently uncertain.

The significant accounting estimates and assumptions employed in the preparation of these consolidated financial statements which have a risk of materially impacting the consolidated financial statements for the consolidated fiscal year ending March 31, 2023 can be found in "Notes to Consolidated Financial Statements – Note 1: Summary of Significant Accounting and Reporting Policies in Significant Accounting Estimates."

### a. Impairment of non-current assets

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

### b. Retirement benefit obligations

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

## Business and Other Risks

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

**Risk Management Structure**

In order to mitigate risk with the potential to negatively impact the SCREEN Group's corporate value, we have established a companywide, cross-cutting risk management structure which includes the SCREEN Holdings President as Chief Officer while making the presidents of each SCREEN Group company responsible for managing risk at their own companies.

Specifically, we established a Group Risk Management Committee to identify the risks inherent in the entire SCREEN Group and their status, to determine the direction of risk management by identifying key Group risks in response to changes in the business environment each fiscal year, and to prevent risks from materializing. We adopt a "three lines of defense" approach: the first line of defense is the Group business operating companies; the second is the holding company administrative department and functional support companies; and the third is the internal audit department. In line with this we designate individual risk managers and management roles and establish a governance structure for sharing risk-related information between the front line and senior management.

In addition, we have the Group Risk Management Committee discuss the risks on the Group risk list that have (or will highly likely have) particularly large effects, and select them as the Group's key risks for the current fiscal year. We then have them approved by the holding company's Board of Directors to make a final determination.

**Business and Other Risks**

Management has determined that the major risks listed below could have a material impact on the Group's financial position, business performance and cash flows. However, the following list does not comprehend all of the risks related to the group. Forward-looking statements in this report reflect the current judgment of the Group at the time the financial report was issued.

### (1) Risks related to external factors

**Geopolitical risks**

Although trade friction between the U.S. and China is not having a significant impact on the SCREEN Group's performance at the present time, sales to customers in China account for more than 20% of all revenue. Should a further deterioration in the two countries' relations make it difficult to ship products to China, the resulting decline in the Group's sales could have a material impact on profits and other aspects of the Group's business performance.

Moreover, if the global economy stalls and causes a decline in demand amid increased and prolonged tension in international relations arising from the Russia–Ukraine conflict, despite the Group having insignificant trade with the region, Group sales could be indirectly affected, having a negative impact on profit.

**Risks related to exchange rate and interest rate fluctuations**

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

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

### (2) Risks related to industry trends

**Risks related to semiconductor and FPD market trends**

While the semiconductor and FPD markets have grown significantly through rapid technological innovation, they are also susceptible to deterioration in the market supply-demand balance, which leads to cyclical upturns and downturns. Given such market conditions, the SCREEN Group is promoting ROIC management and an improvement in its break-even sales ratio so that it can consistently generate profits during market downturns. However, an unexpectedly large market downturn and accompanying decline in sales could have a material impact on profits and other aspects of the Group's business performance.

**Risks involving technologies and products**

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

**Risks related to the concentration of business transactions among specific customers**

The SCREEN Group delivers production equipment to leading semiconductor manufacturers in Japan and overseas. However, as pressure to increase production capacity and respond to trends in miniaturization in this industry requires huge capital investments, certain leading manufacturers are consolidating. Accordingly, the Group's sales are tending to concentrate on specific customers. As a result, trends in capital investment by these specific customers and our receipt of orders from them could have a material impact on profits and other aspects of the Group's business performance by triggering a decline in sales.

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

**Risks related to supply chains**

Based on lessons learned from large-scale disasters and supply chain interruptions, the SCREEN Group endeavors to put in place complementary production systems that incorporate and manage domestic and overseas production sites, as well as parts suppliers, in order to prevent significant damage to our business.

At the same time, demand for equipment in the Semiconductor Production Equipment Segment is growing rapidly. In the event that a supply crunch were to prevent us from obtaining key parts and materials from suppliers in a timely manner or that we were to encounter impediments to securing products from the partners to which we outsource the manufacture of parts and materials, interruptions to the Group's production activities, soaring material costs and other adverse developments could have a material impact on sales, profits and other aspects of the Group's business performance.

### (3) Risks related to fair business practices

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

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

### (4) Risks related to the continuity of business

**Risks related to natural disasters**

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

**Risks related to the procurement of funds**

Certain loan contracts of the SCREEN Group provide for financial covenants regarding its consolidated net assets at the end of each fiscal year and its consolidated ordinary income (loss) for each fiscal year. All contractual financial covenants have been met and none are expected to inhibit the Group's operations or funding plans. However, if these covenants were to be breached and the financial institutions required repayment, the Group could be forced to forfeit the benefit of the loan term in relation to such loans.

In such an occurrence, the Group could forfeit the benefit of the term in relation to its bonds and other loans. If the Group forfeits such benefit for a loan and incurs an obligation to make a lump-sum repayment, it could have a material impact on the Group's ability to continue operating.

**Risks related to global pandemics**

The SCREEN Group has created a Disaster Response Headquarters chaired by the president and CEO and local task forces in Japan and overseas to spearhead its response to the COVID-19 pandemic, which has been given designated infectious disease status by the Japanese government. We continue to take various actions to respond to this challenge, including collecting information about measures for addressing the virus and about employee and partner infections. In the Semiconductor Production Equipment Segment, which comprises the core business of the SCREEN Group, in each country where we have operations, equipment installation and adjustment is being handled as much as possible by local staff. As a result, the impact of COVID-19 on operating results is currently minor.

Nevertheless, the continued spread of the disease or a lengthening of the pandemic could have a negative impact on the Group's operating results or the continuity of its business operations. These risks have become prominent in China as the pandemic has caused logistics disruptions and the suspension of customer plants in China due to lockdown measures in Shanghai. Currently, the situation is beginning to improve, but if the production and shipment of products becomes more difficult due to the reinstatement of lockdown measures, the Group's sales could decline and have a material impact on profits and other aspects of its business performance.

**Risks related to information security**

In the course of its business operations, the SCREEN Group handles various personal, customer and technological information. The Group has established SCREEN Group Rules for IT Management to strengthen the security of internal information systems and the SCREEN Group CSR Charter, which establishes a Code of Conduct for all Group executives and employees to comply with in their business operations, seeking to reinforce information management.

However, should SCREEN or the supply chain be subjected to cyberattacks, which have recently become more frequent, targeted, and sophisticated, we may experience data leaks from unforeseen damage as well as large-scale damage and related effects to relevant systems. In such case, the decline in social credit and prolonged business suspensions could have a negative impact on the continuity of the Group's business operations.

### (5) Risks related to product quality and safety

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

### (6) Risks related to efforts to reduce environmental impacts and address climate change

Reflecting rising demand for low-environmental-impact products and increasingly rigorous international chemical and environmental regulations, the SCREEN Group is working to provide environmentally friendly products by contributing to the curbing of $CO2$ emissions by products, increasing the number of products that comply with environmental standards and regulations, and complying with product-related laws and regulations. In addition, regarding climate change action, we support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are working to acquire certification for the Science Based Targets (SBTs) Initiative, reduce our global environmental impact through our business activities, and promote activities that contribute to the construction and sustainable development of a low-carbon and circular society in harmony with nature.

Nonetheless, the failure of products to comply with environmental regulations due to such reasons as the slow progress in implementing such initiatives could have a material impact on profits and other aspects of the Group's business performance by triggering a decline in sales.

# Consolidated Balance Sheets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| **Assets** | **2022** | 2021 | **2022** |
| **Current Assets:** | | | |
| Cash and cash equivalents (Note 11) | **¥ 131,011** | ¥ 60,744 | **$ 1,073,861** |
| Time deposits (Note 11) | **2,077** | 1,983 | **17,025** |
| Notes and accounts receivable – trade, and contract assets (Notes 11 and 15) | **91,160** | – | **747,213** |
| Notes and accounts receivable – trade (Note 11) | **–** | 86,537 | **–** |
| Allowance for doubtful receivables (Note 11) | **(848)** | (971) | **(6,951)** |
| Inventories (Note 7) | **103,739** | 95,679 | **850,320** |
| Other current assets | **11,228** | 8,915 | **92,032** |
| Total current assets | **338,367** | 252,887 | **2,773,500** |
| **Property, Plant and Equipment, at Cost:** | | | |
| Land | **10,054** | 9,796 | **82,410** |
| Buildings and structures (Note 16) | **64,533** | 61,820 | **528,959** |
| Machinery, equipment and other (Note 16) | **69,360** | 70,789 | **568,524** |
| Lease assets (Notes 3 and 8) | **3,966** | 4,873 | **32,508** |
| Construction in progress | **3,602** | 3,136 | **29,525** |
| Total property, plant and equipment | **151,515** | 150,414 | **1,241,926** |
| Accumulated depreciation | **(94,991)** | (93,359) | **(778,615)** |
| Net property, plant and equipment | **56,524** | 57,055 | **463,311** |
| **Investments and Other Assets:** | | | |
| Investment securities (Notes 11 and 13) | **44,371** | 53,991 | **363,697** |
| Lease assets (Notes 3 and 8) | **43** | 67 | **352** |
| Net defined benefit asset (Note 14) | **7,811** | 7,495 | **64,025** |
| Deferred tax assets (Note 4) | **4,904** | 3,433 | **40,197** |
| Other assets (Note 16) | **7,285** | 7,704 | **59,713** |
| Total investments and other assets | **64,414** | 72,690 | **527,984** |
| **Total Assets** | **¥ 459,305** | ¥ 382,632 | **$ 3,764,795** |

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

| Liabilities and Net Assets | Millions of yen 2022 | Millions of yen 2021 | Thousands of U.S. dollars 2022 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Notes and accounts payable— | | | |
| Trade (Note 11) | ¥ 82,454 | ¥ 73,416 | $ 675,852 |
| Construction and other | 6,778 | 3,776 | 55,557 |
| Current portion of long-term debt (Notes 5 and 11) | 15,403 | 109 | 126,254 |
| Lease obligations (Notes 3, 5 and 11) | 991 | 1,259 | 8,123 |
| Accrued expenses | 10,048 | 7,876 | 82,361 |
| Income taxes payable | 7,088 | 3,320 | 58,098 |
| Provision for product warranties | 8,774 | 7,054 | 71,918 |
| Provision for bonuses | 5,459 | 2,425 | 44,746 |
| Provision for directors' bonuses | 273 | 179 | 2,238 |
| Provision for loss on order received | 752 | 136 | 6,164 |
| Other current liabilities | 37,600 | 21,318 | 308,197 |
| Total current liabilities | 175,620 | 120,868 | 1,439,508 |
| **Long-Term Liabilities:** | | | |
| Long-term debt (Notes 5 and 11) | 25,434 | 40,067 | 208,475 |
| Net defined benefit liability (Note 14) | 1,149 | 1,183 | 9,418 |
| Lease obligations (Notes 3, 5 and 11) | 2,408 | 2,347 | 19,738 |
| Deferred tax liabilities (Note 4) | 5,714 | 8,599 | 46,836 |
| Asset retirement obligations | 90 | 67 | 738 |
| Provision for directors' retirement benefits | 174 | 197 | 1,426 |
| Provision for stock payment | 49 | 25 | 402 |
| Provision for management board incentive plan trust | 42 | 24 | 344 |
| Other long-term liabilities | 836 | 707 | 6,853 |
| Total long-term liabilities | 35,896 | 53,216 | 294,230 |
| **Total Liabilities** | ¥ 211,516 | ¥ 174,084 | $ 1,733,738 |
| **Contingent Liabilities (Note 10)** | | | |
| **Net Assets (Note 6):** | | | |
| **Shareholders' Equity:** | | | |
| Capital stock | | | |
| Authorized—180,000,000 shares in 2022 and 2021 | | | |
| Issued—50,794,866 shares in 2022 and 2021 | 54,045 | 54,045 | 442,992 |
| Capital surplus | 4,488 | 4,488 | 36,787 |
| Retained earnings | 185,804 | 144,670 | 1,522,984 |
| Treasury stock, at cost | (18,503) | (18,591) | (151,664) |
| 4,217,043 shares in 2022 and 4,231,050 shares in 2021 | | | |
| Total shareholders' equity | 225,834 | 184,612 | 1,851,099 |
| **Accumulated Other Comprehensive Income:** | | | |
| Valuation difference on available-for-sale securities | 21,250 | 27,435 | 174,180 |
| Foreign currency translation adjustment | 5 | (4,329) | 41 |
| Remeasurements of defined benefit plans | 627 | 662 | 5,139 |
| Total accumulated other comprehensive income | 21,882 | 23,768 | 179,360 |
| **Non-controlling interests:** | | | |
| Non-controlling interests | 73 | 168 | 598 |
| Total net assets | 247,789 | 208,548 | 2,031,057 |
| **Total Liabilities and Net Assets** | ¥ 459,305 | ¥ 382,632 | $ 3,764,795 |

The number of shares of treasury stock of the Company included 177 thousand shares as of March 31, 2022 and 192 thousand shares as of March 31, 2021 held by a trust related to a performance-linked share compensation system for directors and corporate officers.

# Consolidated Statements of Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| **Net Sales (Notes 9 and 15)** | **¥ 411,865** | ¥ 320,322 | **$ 3,375,943** |
| **Cost of Sales** | **277,497** | 232,310 | **2,274,566** |
| **Gross Profit** | **134,368** | 88,012 | **1,101,377** |
| **Selling, General and Administrative Expenses** | **73,095** | 63,519 | **599,139** |
| **Operating Income (Note 9)** | **61,273** | 24,493 | **502,238** |
| **Other (Income) Expenses:** | | | |
| Interest and dividend income | **(669)** | (603) | **(5,484)** |
| Interest expenses | **307** | 499 | **2,516** |
| Exchange loss on foreign currency transactions, net | **653** | 825 | **5,352** |
| Subsidy income | **(485)** | (432) | **(3,975)** |
| Loss on retirement of non-current assets | **2,074** | 769 | **17,000** |
| Gain on sales of investment securities (Note 13) | **(58)** | (15) | **(475)** |
| Loss on valuation of investment securities | **545** | 19 | **4,467** |
| Impairment loss (Note 16) | **1,602** | 2,044 | **13,131** |
| Loss on withdrawal of corporate pension funds | **578** | – | **4,738** |
| Share of loss of entities accounted for using equity method | **24** | 439 | **197** |
| Other, net | **(70)** | 275 | **(574)** |
| Net other (income) expenses | **4,501** | 3,820 | **36,893** |
| **Income Before Income Taxes** | **56,772** | 20,673 | **465,345** |
| **Income Taxes (Note 4)** | | | |
| Current | **12,854** | 5,682 | **105,361** |
| Deferred | **(1,464)** | (140) | **(12,000)** |
| Total income taxes | **11,390** | 5,542 | **93,361** |
| **Profit** | **45,382** | 15,131 | **371,984** |
| **Profit Attributable to Non-controlling Interests** | **(100)** | (34) | **(819)** |
| **Profit Attributable to Owners of Parent** | **¥ 45,482** | ¥ 15,165 | **$ 372,803** |

**Per Share Information:**

| | Yen | | U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Net income | **¥ 976.55** | ¥ 325.21 | **$ 8.00** |
| Net income—diluted | **926.17** | 308.17 | **7.59** |
| Cash dividends, applicable to earnings for the year | **293.00** | 90.00 | **2.40** |

The Company introduced a performance-linked share compensation system for directors and corporate officers. The SCREEN Holdings shares remaining in trust are recorded as treasury stock under shareholders' equity and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share (181 and 125 thousand shares for the years ended March 31, 2022 and 2021, respectively).
The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| **Profit** | **¥ 45,382** | ¥ 15,131 | **$ 371,984** |
| **Other Comprehensive Income (Note 2)** | | | |
| Valuation difference on available-for-sale securities | **(6,185)** | 16,594 | **(50,697)** |
| Foreign currency translation adjustment | **4,330** | 2,802 | **35,492** |
| Remeasurements of defined benefit plans | **(35)** | 1,906 | **(287)** |
| Share of other comprehensive income of entities accounted for using equity method | **7** | 5 | **57** |
| Total other comprehensive income | **(1,883)** | 21,307 | **(15,435)** |
| **Comprehensive Income** | **¥ 43,499** | ¥ 36,438 | **$ 356,549** |
| Comprehensive income attributable to | | | |
| Owners of parent | **43,594** | 36,471 | **357,328** |
| Non-controlling interests | **(95)** | (33) | **(779)** |

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, 2022 and 2021

| | Millions of yen | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Shareholders' equity | | | | Accumulated other comprehensive income | | | | |
| | Shares of issued capital stock (thousands) | Capital stock | Capital surplus | Retained earnings | Treasury stock | Valuation difference on available-for-sale securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Non-controlling interests | Total net assets |
| Balance at the Beginning of Fiscal 2021 | 50,795 | ¥ 54,045 | ¥ 4,488 | ¥ 130,908 | ¥ (17,962) | ¥ 10,842 | ¥ (7,135) | ¥ (1,244) | ¥ 201 | ¥ 174,143 |
| Cumulative effects of changes in accounting policies | – | – | – | – | – | – | – | – | – | – |
| Currently stated balance, as of the beginning of the current period | **50,795** | **¥ 54,045** | **¥ 4,488** | **¥ 130,908** | **¥ (17,962)** | **¥ 10,842** | **¥ (7,135)** | **¥ (1,244)** | **¥ 201** | **¥ 174,143** |
| Profit attributable to owners of parent | – | – | – | 15,165 | – | – | – | – | – | 15,165 |
| Cash dividends paid, ¥30.00 per share | – | – | – | (1,403) | – | – | – | – | – | (1,403) |
| Valuation difference on available-for-sale securities | – | – | – | – | – | 16,593 | – | – | – | 16,593 |
| Foreign currency translation adjustment | – | – | – | – | – | – | 2,806 | – | – | 2,806 |
| Remeasurements of defined benefit plans | – | – | – | – | – | – | – | 1,906 | – | 1,906 |
| Acquisition of treasury stock | – | – | – | – | (683) | – | – | – | – | (683) |
| Disposal of treasury stock | – | – | – | – | 54 | – | – | – | – | 54 |
| Other | – | – | – | – | – | – | – | – | (33) | (33) |
| Balance at the End of Fiscal 2021 | 50,795 | ¥ 54,045 | ¥ 4,488 | ¥ 144,670 | ¥ (18,591) | ¥ 27,435 | ¥ (4,329) | ¥ 662 | ¥ 168 | ¥ 208,548 |
| **Balance at the Beginning of Fiscal 2022** | **50,795** | **¥ 54,045** | **¥ 4,488** | **¥ 144,670** | **¥ (18,591)** | **¥ 27,435** | **¥ (4,329)** | **¥ 662** | **¥ 168** | **¥ 208,548** |
| Cumulative effects of changes in accounting policies | – | – | – | **¥ (139)** | – | – | – | – | – | **¥ (139)** |
| Currently stated balance, as of the beginning of the current period | **50,795** | **¥ 54,045** | **¥ 4,488** | **¥ 144,531** | **¥ (18,591)** | **¥ 27,435** | **¥ (4,329)** | **¥ 662** | **¥ 168** | **¥ 208,409** |
| Profit attributable to owners of parent | – | – | – | **45,482** | – | – | – | – | – | **45,482** |
| Cash dividends paid, ¥90.00 per share | – | – | – | **(4,209)** | – | – | – | – | – | **(4,209)** |
| Valuation difference on available-for-sale securities | – | – | – | – | – | **(6,185)** | – | – | – | **(6,185)** |
| Foreign currency translation adjustment | – | – | – | – | – | – | **4,334** | – | – | **4,334** |
| Remeasurements of defined benefit plans | – | – | – | – | – | – | – | **(35)** | – | **(35)** |
| Acquisition of treasury stock | – | – | – | – | **(11)** | – | – | – | – | **(11)** |
| Disposal of treasury stock | – | – | – | – | **99** | – | – | – | – | **99** |
| Other | – | – | – | – | – | – | – | – | **(95)** | **(95)** |
| **Balance at the End of Fiscal 2022** | **50,795** | **¥ 54,045** | **¥ 4,488** | **¥ 185,804** | **¥ (18,503)** | **¥ 21,250** | **¥ 5** | **¥ 627** | **¥ 73** | **¥ 247,789** |

| | Thousands of U.S. dollars | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' equity | | | | Accumulated other comprehensive income | | | | |
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Valuation difference on available-for-sale securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Non-controlling interests | Total net assets |
| **Balance at the Beginning of Fiscal 2022** | **$ 442,992** | **$ 36,787** | **$ 1,185,820** | **$ (152,385)** | **$ 224,877** | **$ (35,484)** | **$ 5,426** | **$ 1,377** | **$ 1,709,410** |
| Cumulative effects of changes in accounting policies | – | – | **$ (1,139)** | – | – | – | – | – | **$ (1,139)** |
| Currently stated balance, as of the beginning of the current period | **$ 442,992** | **$ 36,787** | **$ 1,184,681** | **$ (152,385)** | **$ 224,877** | **$ (35,484)** | **$ 5,426** | **$ 1,377** | **$ 1,708,271** |
| Profit attributable to owners of parent | – | – | **372,803** | – | – | – | – | – | **372,803** |
| Cash dividends paid, $0.81 per share | – | – | **(34,500)** | – | – | – | – | – | **(34,500)** |
| Valuation difference on available-for-sale securities | – | – | – | – | **(50,697)** | – | – | – | **(50,697)** |
| Foreign currency translation adjustment | – | – | – | – | – | **35,525** | – | – | **35,525** |
| Remeasurements of defined benefit plans | – | – | – | – | – | – | **(287)** | – | **(287)** |
| Acquisition of treasury stock | – | – | – | **(90)** | – | – | – | – | **(90)** |
| Disposal of treasury stock | – | – | – | **811** | – | – | – | – | **811** |
| Other | – | – | – | – | – | – | – | **(779)** | **(779)** |
| **Balance at the End of Fiscal 2022** | **$ 442,992** | **$ 36,787** | **$ 1,522,984** | **$ (151,664)** | **$ 174,180** | **$ 41** | **$ 5,139** | **$ 598** | **$ 2,031,057** |

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

# Consolidated Statements of Cash Flows

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| **Cash Flows from Operating Activities:** | | | |
| Income before income taxes | **¥ 56,772** | ¥ 20,673 | **$ 465,345** |
| Depreciation and amortization | **9,501** | 9,628 | **77,877** |
| Impairment loss | **1,602** | 2,044 | **13,131** |
| Loss (gain) on valuation of investment securities | **545** | 19 | **4,467** |
| Loss (gain) on sales of investment securities | **(58)** | (15) | **(475)** |
| Loss on retirement of non-current assets | **2,074** | 745 | **17,000** |
| Share of loss (profit) of entities accounted for using equity method | **24** | 439 | **197** |
| Increase (decrease) in net defined benefit liability | **(464)** | (292) | **(3,803)** |
| Increase (decrease) in provision for bonuses | **3,034** | 1,224 | **24,869** |
| Increase (decrease) in provision for directors' bonuses | **94** | 55 | **770** |
| Increase (decrease) in provision for stock payment | **24** | (18) | **197** |
| Increase (decrease) in provision for management board incentive plan trust | **18** | (19) | **148** |
| Increase (decrease) in provision for product warranties | **1,685** | 237 | **13,811** |
| Increase (decrease) in provision for loss on order received | **616** | (175) | **5,049** |
| Interest and dividend income | **(669)** | (603) | **(5,484)** |
| Interest expenses | **307** | 499 | **2,516** |
| Decrease (increase) in trade notes and accounts receivable | **–** | (2,920) | **–** |
| Decrease (increase) in trade notes, accounts receivable and contract assets | **(4,176)** | – | **(34,230)** |
| Decrease (increase) in inventories | **(5,520)** | 12,067 | **(45,246)** |
| Decrease (increase) in other current assets | **(2,382)** | (372) | **(19,525)** |
| Increase (decrease) in trade notes and accounts payable | **9,011** | 7,318 | **73,861** |
| Increase (decrease) in other current liabilities | **17,946** | 7,234 | **147,098** |
| Other, net | **373** | 52 | **3,058** |
| Subtotal | **90,357** | 57,820 | **740,631** |
| Interest and dividend income received | **637** | 578 | **5,221** |
| Interest expenses paid | **(305)** | (508) | **(2,500)** |
| Income taxes paid | **(8,937)** | (685) | **(73,254)** |
| Net cash provided by (used in) operating activities | **81,752** | 57,205 | **670,098** |
| **Cash Flows from Investing Activities:** | | | |
| Decrease (increase) in time deposits, net | **(20)** | 409 | **(164)** |
| Purchase of property, plant and equipment | **(8,814)** | (5,391) | **(72,246)** |
| Proceeds from sales of property, plant and equipment | **102** | 96 | **836** |
| Purchase of intangible assets | **(1,339)** | (1,327) | **(10,975)** |
| Purchase of investment securities | **(156)** | (213) | **(1,279)** |
| Proceeds from sales of investment securities | **313** | 50 | **2,566** |
| Other, net | **(38)** | 133 | **(312)** |
| Net cash provided by (used in) investing activities | **(9,952)** | (6,243) | **(81,574)** |
| **Cash Flows from Financing Activities:** | | | |
| Net increase (decrease) in short-term debt | **–** | (30,000) | **–** |
| Proceeds from long-term debt | **1,000** | 10,000 | **8,197** |
| Repayments of long-term debt | **(309)** | (3,614) | **(2,533)** |
| Repayments of finance lease obligations | **(1,424)** | (1,351) | **(11,672)** |
| Net decrease (increase) in treasury stock | **(11)** | (690) | **(90)** |
| Cash dividends paid | **(4,207)** | (1,416) | **(34,484)** |
| Net cash provided by (used in) financing activities | **(4,951)** | (27,071) | **(40,582)** |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | **3,418** | 1,333 | **28,017** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **70,267** | 25,224 | **575,959** |
| **Cash and Cash Equivalents at Beginning of Period** | **60,744** | 35,520 | **497,902** |
| **Cash and Cash Equivalents at End of Period** | **¥ 131,011** | ¥ 60,744 | **$ 1,073,861** |

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, 2022 and 2021

## Note 1: Summary of Significant Accounting and Reporting Policies

### a. Basis of presenting consolidated financial statements

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

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

Certain Japanese yen amounts in the accompanying consolidated financial statements have been translated into U.S. dollar amounts solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2022, which was ¥122 to U.S. $1.00. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at this or any other rate of exchange.

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation.

### b. Principles of consolidation

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

### c. Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates prevailing as of the consolidated financial statement date and a net exchange loss or gain is included in net income. In addition, the assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates as of the respective financial statement dates, while revenue and expenses are translated into Japanese yen at the average exchange rates during the year. The resulting translation adjustments are reported as "foreign currency translation adjustments" in net assets, except for the portion belonging to non-controlling shareholders, which is included in "non-controlling interests" in net assets.

### d. Inventories

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

Consolidated overseas subsidiaries state inventories mainly at the lower of cost or net realizable value either by the first-in, first-out method or the specific identification method.

### e. Securities

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

### f. Depreciation

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

Right of use assets

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

### g. Impairment of non-current assets

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

### h. Software

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

### i. Research and development

Expenses related to research and development are charged to income as incurred and amounted to ¥24,036 million ($197,016 thousand) in 2022 and ¥21,506 million in 2021.

### j. Cash and cash equivalents

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

### k. Goodwill

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over a period of five years. However, when the amounts are not material, it is expensed in the year of the acquisition.

### l. Bonds issue costs

Bonds issue costs are charged to expenses as incurred.

### m. Income taxes

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

### n. Allowance for doubtful receivables

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

### o. Provision for bonuses

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

### p. Provision for directors' bonuses

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

### q. Employees' severance and retirement benefits

The Company and its consolidated subsidiaries provide funded defined benefit plans and defined contribution plans for employees' severance and retirement benefits. The Company and certain consolidated domestic subsidiaries have a cash balance plan in defined benefit pension plans combined with defined contribution pension plans.

Certain consolidated domestic subsidiaries belong to a multi-employer corporate pension fund system.

Certain consolidated overseas subsidiaries have defined contribution plans.

In calculating retirement benefit obligations, the benefit formula method is used to attribute expected benefit to periods up to the end of the fiscal year. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees (mainly 12 years) commencing with the following period.

### r. Retirement benefits for directors and corporate auditors

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

### s. Provision for product warranties

Certain consolidated subsidiaries provide for estimated product warranty costs for the warranty period after product sales based on actual payments in the past.

### t. Provision for loss on order received

Estimated loss expected to accrue in or after the next fiscal year is provided to cover possible future losses related to orders received if future losses are expected and can be reasonably estimated.

### u. Provision for stock payment

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

### v. Provision for management board incentive plan trust

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

### w. Revenues and expenses

The Company and its consolidated subsidiaries recognize revenue from contracts with customers based on the following five-step approach.

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In relation to the recognition of revenue from contracts with customers, the nature of principal performance obligations of the Company and its consolidated subsidiaries and typical timing of the satisfaction of those performance obligations (i.e., typical timing of revenue recognition) are as follows:

Transaction price is the amount of consideration expected from customers in exchange for the transfer of rights to promised goods or services. Significant variable considerations are not included in transaction price. In addition, transaction price is determined for each performance obligation, and the transaction price stipulated in a contract is allocated as is to the corresponding performance obligation.

1. Revenue Related to Sales of Products

Regarding sales of products, the performance obligation is considered satisfied mainly upon the customer obtaining control of the product upon the completion of the installation and payment for the product itself and services related to installation and adjustment is recognized as revenue.

Furthermore, mainly with regard to sales contracts for products, after transfer, there is a product warranty obligation to repair or exchange products at no cost for defects discovered within the time period stipulated in the contract. The warranty obligation is a guarantee provided to the customer that the product will function as intended according to the specifications established in the contract with the customer. This obligation is recognized as provision for product warranties.

2. Revenue Related Mainly to Sales of Maintenance Parts and Consumables

Regarding maintenance parts and consumables, upon the transfer of goods to customers based on the terms of contracts and such customers obtaining control of the goods, the risk burden of the products is transferred to such customers based on trade conditions established by the Incoterms, the performance obligation is considered to be satisfied and revenue is recognized. Regarding domestic sales, because the period from shipment to transfer is consistent, revenue is recognized when the goods are shipped.

3. Revenue Related to the Provision of Services

Regarding performance obligations that are satisfied at a point in time, such as repair and retrofit services, revenue is recognized upon the completion of service provision. For performance obligations that are satisfied over a period of time, such as paid maintenance, revenue is recognized mainly at fixed amounts over the period in which services are provided.

### x. Derivatives and hedge accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. When a forward foreign exchange contract meets certain conditions, the hedged item is stated at the forward exchange contract rate. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company uses forward foreign exchange contracts and interest rate swap contracts only for the purpose of mitigating future risk of fluctuation in foreign currency exchange rates and interest rates. In terms of forward foreign exchange contracts, the Company uses them within the amounts of receivables and payables denominated in foreign currencies and authorized forecast transactions.

The following table summarizes the derivative financial instruments used in hedge accounting and the related hedged items.

| Hedging instruments: | Hedged items: |
|---|---|
| · Forward foreign exchange contracts | · Receivables and payables denominated in foreign currencies |
| · Interest rate swap contracts | · Interest on short-term and long-term debt |

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

### Application of the Consolidated Taxation System

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

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

The Company and some of its consolidated domestic subsidiaries will transition from a consolidated taxation system to a group tax sharing system from fiscal 2023. Having regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 39, March 31, 2020), the Company and its consolidated domestic subsidiaries do not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but apply provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group tax sharing system and related amendments of tax laws for transitioning to the single tax payment system.

"Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 42, August 12, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the fiscal year ending March 31, 2023.

### Significant accounting estimates

In preparing the consolidated financial statements for items that require accounting estimates, an estimate is made for each based on consideration of past performance and relevant current matters.

Of the accounting estimates included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2022, the following items are considered to have a significant impact on the consolidated financial statements for the fiscal year ending March 31, 2023.

**1. Valuation of finished goods and work in process in the Semiconductor Production Equipment Business**

(1) Amounts included in the consolidated financial statements for the consolidated fiscal year ended March31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Inventories | **¥103,739** | ¥95,679 | **$ 850,320** |

The amounts for the consolidated fiscal year ended March 31, 2022 include ¥23,124 million in finished goods and ¥28,148 million in work in process for SCREEN Semiconductor Solutions Co., Ltd., which operates the Semiconductor Production Equipment Business.

(2) Information on the nature of significant accounting estimates for identified items

In principle, loss on valuation of inventories is reported for the finished goods and work in process whenever the net selling price is less than the carrying amount.

However, for the Inventories that are uncertain about the future salability due to outside of the normal operating cycle, the Company applies to them a valuation method that reduces the carrying amount to the estimated disposal value for which the probability of conversion to parts or materials and other factors are taken into account in order to reflect their reduced profitability.

The process of identifying Semiconductor Production Equipment Business finished goods and work in process with uncertainty about the future salability and estimating disposal value that takes into account the probability of conversion to parts or materials and other factors is based on considerations including sales results for past fiscal years and the consolidated fiscal year ended March 31, 2022, along with forecasts for the demand for semiconductor production equipment and investment plans announced by customers.

In the event that the assumptions used in the above estimates need to be changed due to changes in demand in the semiconductor industry in which the Group's businesses operate, this may have a significant effect on the amounts recognized in the consolidated financial statements for the consolidated fiscal year ending March 31, 2023.

**2. Recoverability of deferred tax assets**

(1) Amounts included in the consolidated financial statements for the consolidated fiscal year ended March31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Deferred tax assets | **¥ 4,904** | ¥ 3,433 | **$ 40,197** |
| Deferred tax liabilities | **5,714** | 8,599 | **46,836** |

The balances of deferred tax assets and valuation allowances related to operating loss carryforwards included in the above amounts are described in "Note 4: Income Taxes."

Furthermore, deferred tax assets for the consolidated fiscal year ended March 31, 2022 (before adjusting for deferred tax liabilities) recorded by the Company and its consolidated domestic subsidiaries, which have adopted the consolidated taxation system, were ¥9,863 million.

(2) Information on the nature of significant accounting estimates for identified items

The Company and certain consolidated subsidiaries which have adopted the consolidated taxation system assess the recoverability of deferred tax assets related to corporate taxes and local taxes based on reasonable estimates of future consolidated income.

The determination of the period in the future for which estimates can be reasonably made primarily takes into consideration the anticipated business environment in the forecast periods of major companies adopting the consolidated taxation system. In addition, the estimated amounts of future consolidated taxable income are based on the currently available outlook for each company adopting the consolidated taxation system at the time of preparation of the consolidated financial statements.

In the event that these assumptions used in the above estimates need to be changed, due to such as changes in future economic conditions, it is possible that this will significantly affect the amounts recognized in the consolidated financial statements for the consolidated fiscal year ending March 31, 2023.

**3. Provision for product warranties**

(1) Amounts included in the consolidated financial statements for the consolidated fiscal year ended March31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Provision for product warranties | **¥ 8,774** | ¥ 7,054 | **$ 71,918** |

(2) Information on the nature of significant accounting estimates for identified items

Certain consolidated subsidiaries record estimated after-sales service expenses during the warranty period after the sale of equipment as a provision for product warranties.

Estimated after-sales service expenses are based on actual payments in the past and other data. However, in the event that product defects lead to large-scale recalls or product liability claims that expose customers to financial losses, this may significantly affect the amounts recognized in the consolidated financial statements for the consolidated fiscal year ending March 31, 2023.

**(Changes in accounting policies)**

**(Adoption of "Accounting Standard for Revenue Recognition," etc.)**

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020 (hereinafter "Accounting Standard for Revenue Recognition")), etc. from the beginning of fiscal 2022, and recognizes revenue for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is transferred to the customer. As a result of this adoption, as for sales of graphic arts equipment and PCB-related equipment, revenue has been recognized upon completion of installation from the beginning of fiscal 2022, while the Company previously recognized revenue upon shipment.

The adoption of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to Article 84 of the Accounting Standard for Revenue Recognition. The cumulative effect amount, applying with the new accounting policy retrospectively prior to the beginning of fiscal 2022, was adjusted to retained earnings at the beginning of fiscal 2022, and the Company applied the new policy to the balance at the beginning of the fiscal 2022. The effect of this change on financial statements is immaterial.

Due to the adoption of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable – trade" which was presented under "Current assets" in the consolidated balance sheets for the previous fiscal year, is instead included in "Notes and accounts receivable-trade, and contract assets" from the beginning of the fiscal 2022. In addition, in the Consolidated Statements of Cash Flows for the previous year, "Decrease (increase) in trade notes and accounts receivable" which was presented under "Cash flows from operating activities," is instead included in "Decrease (increase) in trade notes, accounts receivable and contract assets" from fiscal 2022.

In accordance with the transition provisions in Article 89-2 of the Accounting Standard for Revenue Recognition, the Company has not reclassified financial statements for the previous fiscal year by using the new presentation method. In addition, in "Note 15: Revenue Recognition," we provide notes to understand information about the nature, amount, timing, and uncertainty of revenue and cash flows from a contract with customer. However, in accordance with the transition provisions in Article 89-3 of the Accounting Standard for Revenue Recognition, the Company has not listed notes related to revenue recognition for the previous fiscal year.

**(Adoption of "Accounting Standard for Fair Value Measurement," etc.)**

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019 (hereinafter "Accounting Standard for Fair Value Measurement")), etc. from the beginning of fiscal 2022. The Company has prospectively adopted new accounting policies based on the Accounting Standard for Fair Value Measurement, etc. in accordance with the transition provisions in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019). There is no impact of these changes on financial statements. In addition, in "Note 11: Financial Instruments," we decided to provide notes on matters mainly related to the breakdown of the market value of financial instruments by level. However, in accordance with the transition provisions in Article 7-4 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 19, July 4, 2019), we did not list those related to the previous consolidated fiscal year under said notes.

**(Accounting standards issued but not yet applied)**

**1. SCREEN Holdings Co., Ltd. and consolidated domestic subsidiaries**

"Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 42, August 12, 2021)

(1) Overview

In the Law Revising a Portion of the Income Tax Law enacted on March 27, 2020 (2020 Law No. 8), the Company and its consolidated domestic subsidiaries, which have adopted the consolidated taxation system were forced to revise their group taxation system and switch to a group tax sharing system. ASBJ released documents with the aim of clarifying the accounting processes and handling of disclosures for corporation and local taxes and tax effect accounting for corporations adopting the group tax sharing system.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2023

(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 "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" on the consolidated financial statements.

**2. Overseas consolidated subsidiaries**

The following is a table of major accounting standards issued but not yet applied that are newly established or revised as of March 31, 2022. Furthermore, the company and its overseas subsidiaries are currently in the process of determining the effects of the new standard on the consolidated financial statements.

| Name of accounting standard | Overview | Planned date of application |
|---|---|---|
| Leases (U.S. GAAP ASU2016-02) | Revised accounting for lease | From the fiscal year ending March 31, 2023 |

**(Additional Information)**

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

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

(1) Overview

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

(2) Company shares remaining in the trust

Shares of Company stock remaining in the trust are recorded as treasury stock in the Net Assets section based on book value (excluding incidental expenses) of the trust. The book value of the treasury stock for the year ended March 31, 2022 was ¥1,155 million, and the number of shares was 177 thousand shares. The book value of the treasury stock for the year ended March 31, 2021 was ¥1,253 million, and the number of shares was 192 thousand shares.

## Note 2: Consolidated Statements of Comprehensive Income

Amounts reclassified as net income (loss) in the current period that were recognized in other comprehensive income in the current or previous fiscal years and the tax effects for each component of other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Valuation difference on available-for-sale securities: | | | |
| Increase (decrease) during the year | **¥ (8,857)** | ¥ 23,680 | **$ (72,598)** |
| Reclassification adjustments | **(56)** | (25) | **(459)** |
| Subtotal, before tax | **(8,913)** | 23,655 | **(73,057)** |
| Tax benefit (expense) | **2,728** | (7,061) | **22,360** |
| Subtotal, net of tax | **(6,185)** | 16,594 | **(50,697)** |
| Foreign currency translation adjustment: | | | |
| Increase (decrease) during the year | **4,330** | 2,802 | **35,492** |
| Remeasurements of defined benefit plans: | | | |
| Increase (decrease) during the year | **0** | 2,336 | **0** |
| Reclassification adjustments | **(49)** | 452 | **(402)** |
| Subtotal, before tax | **(49)** | 2,788 | **(402)** |
| Tax benefit (expense) | **14** | (882) | **115** |
| Subtotal, net of tax | **(35)** | 1,906 | **(287)** |
| Share of other comprehensive income of entities accounted for using equity method: | | | |
| Increase (decrease) during the year | **7** | 5 | **57** |
| Total other comprehensive income | **¥ (1,883)** | ¥ 21,307 | **$ (15,435)** |

## Note 3: Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2022 and 2021 were as follows:

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Lease assets | **¥ 986** | ¥ 1,356 | **$ 8,082** |
| Lease obligations | **987** | 1,358 | **8,090** |

## Note 4: Income Taxes

The Company is subject to several taxes based on income with statutory tax rate of approximately 30.5% in 2022 and 2021. Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| **Deferred tax assets** | | | |
| Loss on valuation of inventories | **¥ 4,259** | ¥ 5,217 | **$ 34,910** |
| Provision for product warranties | **2,663** | 2,153 | **21,828** |
| Accrued bonuses for employees / provision for bonuses | **2,329** | 1,336 | **19,090** |
| Unrealized income on inventories | **1,847** | 1,237 | **15,139** |
| Depreciation | **2,844** | 2,375 | **23,311** |
| Research and development expenses | **1,249** | 1,167 | **10,238** |
| Impairment loss | **1,950** | 2,024 | **15,984** |
| Net defined benefit liability | **191** | 143 | **1,566** |
| Net operating loss carryforwards (Note) | **4,958** | 10,405 | **40,639** |
| Other | **6,194** | 4,784 | **50,770** |
| Deferred tax assets-subtotal | **¥ 28,484** | ¥ 30,841 | **$ 233,475** |
| Valuation allowance for net operating loss carryforwards (Note) | **(4,803)** | (8,541) | **(39,369)** |
| Valuation allowance for deductible temporary differences | **(10,407)** | (11,006) | **(85,303)** |
| Valuation allowance – total | **(15,210)** | (19,547) | **(124,672)** |
| Total deferred tax assets | **¥ 13,274** | ¥ 11,294 | **$ 108,803** |
| **Deferred tax liabilities** | | | |
| Undistributed earnings of consolidated overseas subsidiaries | **(2,305)** | (2,180) | **(18,893)** |
| Valuation difference on available-for-sale securities | **(8,886)** | (11,614) | **(72,836)** |
| Net defined benefit asset | **(2,572)** | (2,379) | **(21,082)** |
| Other | **(321)** | (287) | **(2,631)** |
| Total deferred tax liabilities | **(14,084)** | (16,460) | **(115,442)** |
| Net deferred tax assets (liabilities) | **¥ (810)** | ¥ (5,166) | **$ (6,639)** |

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

For the year ended March 31, 2022 — Millions of yen

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 and after | Total |
|---|---|---|---|---|---|---|---|
| Operating loss carryforwards*1 | 33 | 109 | 77 | 108 | 312 | 4,319 | 4,958 |
| Valuation allowance | (19) | (95) | (63) | (95) | (298) | (4,233) | (4,803) |
| Net deferred tax assets | 14 | 14 | 14 | 13 | 14 | 86 | 155 |

Thousands of U.S. dollars

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 and after | Total |
|---|---|---|---|---|---|---|---|
| Operating loss carryforwards*1 | 271 | 893 | 631 | 885 | 2,557 | 35,402 | 40,639 |
| Valuation allowance | (156) | (778) | (516) | (779) | (2,443) | (34,697) | (39,369) |
| Net deferred tax assets | 115 | 115 | 115 | 106 | 114 | 705 | 1,270 |

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

For the year ended March 31, 2021 — Millions of yen

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

Thousands of U.S. dollars

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

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

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the year ended March 31, 2022 and 2021 is set forth in the table below.

| | **2022** | 2021 |
|---|---|---|
| Statutory tax rate | **30.5 %** | 30.5 % |
| Nondeductible expenses | **0.3** | 0.3 |
| Valuation allowance | **(7.2)** | 1.9 |
| Tax credits | **(2.9)** | (1.7) |
| Tax rate difference from parent company | **(1.3)** | (4.6) |
| Undistributed earnings of consolidated overseas subsidiaries | **0.2** | 1.8 |
| Tax unrecognized for unrealized profit on inventories | **0.0** | (4.1) |
| Consolidated overseas subsidiaries' withholding tax on dividends | **1.2** | 2.0 |
| Per capital levy | **0.4** | 1.2 |
| Other, net | **(1.1)** | (0.5) |
| Effective tax rate | **20.1 %** | 26.8 % |

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

Short-term debt consists generally of borrowings from banks. There was no short-term debt as of March 31, 2022 or 2021.

**Long-term debt and lease obligations as of March 31, 2022 and 2021 consisted of the following:**

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| 0.30% loans from Japanese banks, due in installments through March 29, 2024 | | | |
| Secured | ¥ – | ¥ – | $ – |
| Unsecured | **9,000** | 9,000 | **73,770** |
| 0.30% loan from a governmental institution, due March 29, 2024 | | | |
| Secured | – | – | – |
| Unsecured | **1,000** | 1,000 | **8,197** |
| 0.70% loans from an insurance company, due in installments through March 31, 2024 | | | |
| Secured | – | – | – |
| Unsecured | **800** | 109 | **6,557** |
| Euro yen zero coupon convertible bonds, due June 10, 2022 | | | |
| Secured | – | – | – |
| Unsecured | **15,003** | 15,022 | **122,975** |
| Euro yen zero coupon convertible bonds, due June 11, 2025 | | | |
| Secured | – | – | – |
| Unsecured | **15,034** | 15,045 | **123,230** |
| Lease obligations maturing serially through 2031 | | | |
| Secured | – | – | – |
| Unsecured | **3,399** | 3,606 | **27,861** |
| Subtotal | **44,236** | 43,782 | **362,590** |
| Less amounts due within one year | **(16,394)** | (1,368) | **(134,377)** |
| Total | **¥ 27,842** | ¥ 42,414 | **$ 228,213** |

In Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that additional securities and guarantees for present and future indebtedness will be given upon request by the bank and that any collateral so furnished will be applicable to all indebtedness to that bank. In addition, the agreements provide that the bank has the right to offset cash deposited against any long-term or short-term debt that becomes due and, in case of default 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, 2022, the total financing available under these contracts amounted to ¥30,000 million ($245,902 thousand), and no amount of these commitment lines had been used.

Euro yen zero coupon convertible bonds due in 2022 with a gross amount of ¥15,000 million ($122,951 thousand) were convertible into shares of common stock of the Company at ¥11,578 ($95) per share and are exercisable from June 25, 2018 to May 27, 2022. Other convertible bonds due in 2025 with a gross amount of ¥15,000 million ($122,951 thousand) were convertible into shares of common stock of the Company at ¥12,337 ($101) per share execisable from June 25, 2018 to May 28, 2025.

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

| Years ended March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2024 | **¥ 11,217** | **$ 91,943** |
| 2025 | **688** | **5,639** |
| 2026 | **15,273** | **125,188** |
| 2027 and thereafter | **630** | **5,164** |
| Total | **¥ 27,808** | **$ 227,934** |

## Note 6: Net Assets and Per Share Data

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

Net income per share is based on the weighted average number of shares of capital stock outstanding. Diluted net income per share is computed using the weighted average number of shares after assuming conversion of all dilutive convertible notes and the exercise of all outstanding stock acquisition rights. Diluted net income per share of capital stock was ¥926.17 ($7.59) and ¥308.17 ($2.78) for the fiscal year ended March 31, 2022 and 2021, respectively. At the annual shareholders' meeting held on June 24, 2022, the shareholders approved cash dividends of ¥293.00 ($2.40) per share, totaling ¥13,699 million ($112,287 thousand). The dividend payment was not accrued in the consolidated financial statements as of March 31, 2022 and is recognized when it has been approved by shareholders.

Note: The total amount of dividends includes ¥52 million ($426 thousand) of dividends for 177 thousand shares of the Company held by a trust related to a performance-linked share compensation system for directors and corporate officers.

## Note 7: Inventories

**Inventories as of March 31, 2022 and 2021 consisted of the following:**

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Merchandise and finished goods | **¥ 45,791** | ¥ 49,445 | **$ 375,336** |
| Work in process | **46,741** | 34,075 | **383,123** |
| Raw materials and supplies | **11,207** | 12,159 | **91,861** |
| Total | **¥ 103,739** | ¥ 95,679 | **$ 850,320** |

## Note 8: Leases

**1. Finance leases etc.**

Information related to finance leases, excluding those leases where the ownership of the leased assets is considered to be transferred to the lessee, for the company and North American subsidiaries and right of use assets for subsidiaries which apply IFRS16, as of and for the years ended March 31, 2022 and 2021 were as follows:

**(As lessee)**

1) Description of leased assets

1. Property, plant and equipment: Mainly buildings
2. Intangible 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 |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Due within one year | **¥ 388** | ¥ 338 | **$ 3,180** |
| Due after one year | **1,328** | 445 | **10,886** |
| Total | **¥ 1,716** | ¥ 783 | **$ 14,066** |

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

## Note 9: Segment Information

**1. General information about reportable segments**

(1) Reportable segments

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

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

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

(2) Products and services of reportable segments

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

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

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

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

| As of and for the year ended March 31, 2022 | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | |
| | SPE | GA | FT | PE | Others | Adjustments | Consolidated |
| **Sales** | | | | | | | |
| Sales to outside customers | ¥ 319,398 | ¥ 43,279 | ¥ 33,072 | ¥ 13,312 | ¥ 2,804 | ¥ – | ¥ 411,865 |
| Intersegment sales and transfers | 1 | 39 | 214 | – | 14,432 | (14,686) | – |
| Total | 319,399 | 43,318 | 33,286 | 13,312 | 17,236 | (14,686) | 411,865 |
| Segment income (loss) | ¥ 62,830 | ¥ 1,637 | ¥ 587 | ¥ 2,075 | ¥ (737) | ¥ (5,119) | ¥ 61,273 |
| Segment assets | ¥ 264,455 | ¥ 49,100 | ¥ 27,955 | ¥ 11,736 | ¥ 7,833 | ¥ 98,226 | ¥ 459,305 |
| Other | | | | | | | |
| Depreciation and amortization | 5,745 | 618 | 324 | 96 | 264 | 2,454 | 9,501 |
| Impairment loss | 328 | – | 1,080 | – | 194 | – | 1,602 |
| Capital expenditures | 3,864 | 1,031 | 755 | 150 | 221 | 7,389 | 13,410 |

| As of and for the year ended March 31, 2021 | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | |
| | SPE | GA | FT | PE | Others | Adjustments | Consolidated |
| **Sales** | | | | | | | |
| Sales to outside customers | ¥ 235,498 | ¥ 37,298 | ¥ 34,721 | ¥ 10,426 | ¥ 2,379 | ¥ – | ¥ 320,322 |
| Intersegment sales and transfers | 56 | 105 | – | 4 | 13,077 | (13,242) | – |
| Total | 235,554 | 37,403 | 34,721 | 10,430 | 15,456 | (13,242) | 320,322 |
| Segment income (loss) | ¥ 26,000 | ¥ 536 | ¥ 435 | ¥ 773 | ¥ (697) | ¥ (2,554) | ¥ 24,493 |
| Segment assets | ¥ 207,244 | ¥ 42,169 | ¥ 30,472 | ¥ 10,234 | ¥ 7,988 | ¥ 84,525 | ¥ 382,632 |
| Other | | | | | | | |
| Depreciation and amortization | 5,933 | 606 | 502 | 93 | 261 | 2,233 | 9,628 |
| Impairment loss | – | 221 | 1,705 | 118 | – | – | 2,044 |
| Capital expenditures | 3,058 | 537 | 987 | 193 | 364 | 2,704 | 7,843 |

| As of and for the year ended March 31, 2022 | Thousands of U.S. dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | | |
| | SPE | GA | FT | PE | Others | Adjustments | Consolidated |
| **Sales** | | | | | | | |
| Sales to outside customers | $ 2,618,016 | $ 354,746 | $ 271,082 | $ 109,115 | $ 22,984 | $ – | $ 3,375,943 |
| Intersegment sales and transfers | 9 | 320 | 1,754 | – | 118,294 | (120,377) | – |
| Total | 2,618,025 | 355,066 | 272,836 | 109,115 | 141,278 | (120,377) | 3,375,943 |
| Segment income (loss) | $ 515,000 | $ 13,418 | $ 4,811 | $ 17,008 | $ (6,040) | $ (41,959) | $ 502,238 |
| Segment assets | $ 2,167,664 | $ 402,459 | $ 229,139 | $ 96,197 | $ 64,205 | $ 805,131 | $ 3,764,795 |
| Other | | | | | | | |
| Depreciation and amortization | 47,090 | 5,066 | 2,656 | 787 | 2,163 | 20,115 | 77,877 |
| Impairment loss | 2,689 | – | 8,852 | – | 1,590 | – | 13,131 |
| Capital expenditures | 31,672 | 8,451 | 6,189 | 1,230 | 1,810 | 60,566 | 109,918 |

Notes: 1. The "Others" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business and inspection system for in-vehicle components, software development, planning and production of printed matter and other businesses.
2. Segment operating income (loss) adjustments of ¥(5,119) million ($(41,959) thousand) and ¥(2,554) million for the years ended March 31, 2022 and 2021, respectively, are the Company's profit (loss) not attributable to a reportable segment. Segment assets adjustments of ¥98,226 million ($805,131 thousand) and ¥84,525 million for the years ended March 31, 2022 and 2021, respectively, are the corporate assets not apportioned to each reportable segment.
3. Segment income (loss) is reconciled with operating income (loss) in the consolidated statements of income.

### <Related Information>
### 1. Information about geographic areas
### (1) Net Sales

| | Millions of yen | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2022 |
| Japan | ¥ 77,471 | (18.8%) | ¥ 71,979 | (22.5%) | $ 635,008 |
| Taiwan | 96,448 | (23.4%) | 57,780 | (18.0%) | 790,558 |
| South Korea | 30,292 | (7.4%) | 24,758 | (7.7%) | 248,295 |
| China | 107,751 | (26.2%) | 98,198 | (30.7%) | 883,206 |
| United States | 48,736 | (11.8%) | 34,860 | (10.9%) | 399,475 |
| Europe | 36,261 | (8.8%) | 16,488 | (5.1%) | 297,221 |
| Others | 14,906 | (3.6%) | 16,259 | (5.1%) | 122,180 |
| Total | ¥ 411,865 | (100.0%) | ¥ 320,322 | (100.0%) | $ 3,375,943 |

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

### (2) Property, plant and equipment

| | Millions of yen | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2022 |
| Japan | ¥ 47,214 | (83.5%) | ¥ 49,235 | (86.3%) | $ 386,999 |
| Asia | 3,692 | (6.5%) | 3,393 | (5.9%) | 30,262 |
| North America | 1,982 | (3.5%) | 1,069 | (1.9%) | 16,246 |
| Europe | 3,582 | (6.4%) | 3,298 | (5.8%) | 29,361 |
| Others | 54 | (0.1%) | 60 | (0.1%) | 443 |
| Total | ¥ 56,524 | (100.0%) | ¥ 57,055 | (100.0%) | $ 463,311 |

Note: The numbers shown in parentheses are component ratios.

### 2. Information about major customers

| Year ended March 31, 2022 | Millions of yen | Thousands of U.S.dollars |
|---|---|---|
| Net sales | | |
| Taiwan Semiconductor Manufacturing Company, Ltd. (related segment: SPE) | ¥ 72,307 | $ 592,680 |

| Year ended March 31, 2021 | Millions of yen |
|---|---|
| Net sales | |
| Taiwan Semiconductor Manufacturing Company, Ltd. (related segment: SPE) | ¥ 47,815 |

## Note 10: Contingent Liabilities

As of March 31, 2022 and 2021, the Company and its consolidated subsidiaries were contingently liable for the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| As guarantors of | | | |
| Customers' business loans | ¥ 42 | ¥ 60 | $ 344 |
| Employees' housing loans | ¥ 5 | ¥ 6 | $ 41 |
| Total | ¥ 47 | ¥ 66 | $ 385 |

## Note 11: Financial Instruments

### 1. Qualitative information on financial instruments

A. Qualitative information on financial instruments

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

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

| Financial instruments | Risks | Processes for risk management |
|---|---|---|
| Notes and accounts receivable - trade | Credit risk of clients | The amounts outstanding are managed by client and due date. Also, the financial condition of the clients is monitored. |
| 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. Holding status is continuously reviewed in consideration of the market conditions and transaction relationship with the issuing companies. |
| Notes and accounts payable - trade, loans, bonds, lease obligations, etc. | Liquidity risk | Funding plans are prepared and renewed, and a certain level of liquidity on hand is maintained. |
| Portion of loans | Risk of fluctuation in interest rates | The risk is hedged by interest rate swaps. |

Derivative transactions used by the SCREEN Group consist of forward foreign exchange contracts and interest rate swap contracts and are used only for the purpose of mitigating risks of fluctuation in foreign currency exchange rates and interest rates. For information about hedging instruments, hedged items, hedging policies, 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 SCREEN Group believes that its credit risk is insignificant as the counterparties to its derivative transactions are limited to creditable financial institutions.

C. Supplemental information on fair values

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

## 2. Fair values of financial instruments

As of March 31, 2022 and 2021, the book value and fair value of financial instruments and any differences between the book value and fair value are set forth in the table below.

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | | 2022 | | |
| Years ended March 31, | Book value | Fair value | Difference | Book value | Fair value | Difference | Book value | Fair value | Difference |
| (1) Investments in securities | | | | | | | | | |
| Available-for-sale securities(*2) | 43,756 | 43,756 | – | 52,883 | 52,883 | – | 358,656 | 358,656 | – |
| Total assets | ¥ 43,756 | ¥ 43,756 | ¥ – | ¥ 52,883 | ¥ 52,883 | ¥ – | $ 358,656 | $ 358,656 | $ – |
| (1) Bonds (including those due within one year) | 30,037 | 34,281 | 4,244 | 30,067 | 32,210 | 2,143 | 246,205 | 280,993 | 34,788 |
| (2) Long-term loans (including those due within one year) | 10,800 | 10,774 | (26) | 10,109 | 10,106 | (3) | 88,525 | 88,311 | (214) |
| (3) Lease obligations (including those due within one year) | 3,399 | 3,569 | 170 | 3,606 | 4,022 | 416 | 27,861 | 29,254 | 1,393 |
| Total liabilities | ¥ 44,236 | ¥ 48,624 | ¥ 4,388 | ¥ 43,782 | ¥ 46,338 | ¥ 2,556 | $ 362,591 | $ 398,558 | $ 35,967 |
| Derivative transactions(*3) | ¥ (592) | ¥ (592) | ¥ – | ¥ (409) | ¥ (409) | ¥ – | $ (4,852) | $ (4,852) | $ – |

(*1) Notes have been omitted for cash and for deposits whose fair value is close to the book value because they will be paid within a short period of time.
(*2) The following financial instruments do not have market values and their fair values are deemed to be exceedingly difficult to estimate. Therefore, they are not included in "(1) Investments in securities." The values recorded in the consolidated balance sheets for these financial instruments are as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Category | Book value | Book value | Book value |
| Non-listed equity securities | ¥ 615 | ¥ 1,108 | $ 5,041 |

Non-listed equity securities are not included in (1) "Investments in securities" as it is deemed to be exceedingly difficult to estimate the fair values. The amount in the above table includes investments in nonconsolidated subsidiaries in the amount of ¥49 million ($402 thousand).

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

Notes 1. Expected redemption amounts of receivables and securities with maturities after the consolidated financial statement date

| | Millions of yen | | | | | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | | 2021 | | | | 2022 | | | |
| | 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 | ¥ 133,073 | ¥ – | ¥ – | ¥ – | ¥ 62,710 | ¥ – | ¥ – | ¥ – | $ 1,090,762 | $ – | $ – | $ – |
| Notes and accounts receivable - trade, and contract assets | 91,160 | – | – | – | – | – | – | – | 747,213 | – | – | – |
| Notes and accounts receivable - trade | – | – | – | – | 86,537 | – | – | – | – | – | – | – |
| Investments in securities - available-for-sale securities with maturities | – | – | – | – | – | – | – | – | – | – | – | – |
| Total | ¥ 224,233 | ¥ – | ¥ – | ¥ – | ¥ 149,247 | ¥ – | ¥ – | ¥ – | $ 1,837,975 | $ – | $ – | $ – |

2. For expected repayment amounts of long-term debt after the consolidated financial statements date, see Note 5, "Short-Term Debt, Long-Term Debt and Lease Obligations."

3. Fair values for financial instruments by level
The fair values of financial instruments are categorized into the following three levels depending on the observability and importance of the inputs used to calculate the fair value.
Level 1: Fair value calculated using the market value related to assets and liabilities subject to calculating fair value formed in an active market, of the observable inputs related to calculating fair value
Level 2: Fair value calculated using inputs other than Level 1 inputs related to calculating fair value but among observable inputs related to calculating fair value
Level 3: Fair value calculated using unobservable inputs related to calculating fair value
If multiple inputs that have a significant impact on fair value calculation are used, the fair value of the financial instrument will be assigned the same categorization level as the lowest level input used for calculating fair value.

Financial Instruments Recorded at Fair Value in the Consolidated Balance Sheet
As of March 31, 2022

| Category | Fair value (millions of yen) | | | | Fair value (thousands of U.S. dollars) | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Investments in securities** | | | | | | | | |
| Other securities | | | | | | | | |
| Shares | ¥ 43,756 | ¥ – | ¥ – | ¥ 43,756 | $ 358,656 | $ – | $ – | $ 358,656 |
| Total assets | ¥ 43,756 | ¥ – | ¥ – | ¥ 43,756 | $ 358,656 | $ – | $ – | $ 358,656 |
| **Derivatives** | | | | | | | | |
| Currency-related | ¥ – | ¥ 592 | ¥ – | ¥ 592 | $ – | $ 4,852 | $ – | $ 4,852 |
| Total liabilities | ¥ – | ¥ 592 | ¥ – | ¥ 592 | $ – | $ 4,852 | $ – | $ 4,852 |

Financial Instruments, Excluding Financial Instruments Recorded at Fair Value in the Consolidated Balance Sheet
As of March 31, 2022

| Category | Fair value (millions of yen) | | | | Fair value (thousands of U.S. dollars) | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Bonds (including those due within one year) | ¥ – | ¥ 34,281 | ¥ – | ¥ 34,281 | $ – | $ 280,994 | $ – | $ 280,994 |
| Long-term bonds (including those due within one year) | ¥ – | ¥ 10,774 | ¥ – | ¥ 10,774 | $ – | $ 88,311 | $ – | $ 88,311 |
| Lease obligations (including those due within one year) | ¥ – | ¥ 3,569 | ¥ – | ¥ 3,569 | $ – | $ 29,254 | $ – | $ 29,254 |
| Total liabilities | ¥ – | ¥ 48,624 | ¥ – | ¥ 48,624 | $ – | $ 398,559 | $ – | $ 398,559 |

Note: Explanation of valuation technique used in calculating fair value and inputs related to calculating fair value

**Investment Securities**

Listed shares are valuated using market values. Because listed shares are traded in active markets, their fair values are categorized as Level 1.

**Derivative Transactions**

The fair values of forward currency contracts are calculated based mainly on the values presented from partner financial institutions and categorized as Level 2.

**Bonds**

The fair values of bonds issued by the Company are calculated using the fair values presented by securities companies based on the "Matters to Be Considered in Providing Fair Value Data by Securities Companies (Guidelines)" defined by the Japan Securities Dealers Association. Because the bonds are not traded in an active market, they are categorized as Level 2.

**Long-Term Loans**

The fair values of long-term loans are calculated using the current value of the total principal divided by interest adjusted for the remaining time period and the credit risks of the borrowings or lease obligations. The fair values are categorized as Level 2.

## Note 12: Derivative Transactions

Outstanding derivative transactions as of March 31, 2022 and 2021 were as follows:

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

Currency related

| | Millions of yen | | | | | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022** | | | | 2021 | | | | **2022** | | | |
| | Contracted amount | Portion exceeding one year | Fair value | Recognized gain (loss) | Contracted amount | Portion exceeding one year | Fair value | Recognized gain (loss) | Contracted amount | Portion exceeding one year | Fair value | Recognized gain (loss) |
| Non-exchange traded forward foreign exchange contracts | | | | | | | | | | | | |
| (Sell–U.S. dollar) | **¥ 6,202** | **¥ –** | **¥ (404)** | **¥ (404)** | ¥ 4,290 | ¥ – | ¥ (203) | ¥ (203) | **$ 50,836** | **$ –** | **$ (3,311)** | **$ (3,311)** |
| (Sell–Euro) | **4,077** | **–** | **(190)** | **(190)** | 3,923 | – | (196) | (196) | **33,418** | **–** | **(1,557)** | **(1,557)** |
| (Sell–Pound) | **302** | **–** | **2** | **2** | 447 | – | (9) | (9) | **2,475** | **–** | **16** | **16** |
| (Buy–Euro) | **–** | **–** | **–** | **–** | 935 | – | (1) | (1) | **–** | **–** | **–** | **–** |
| Total | **¥10,581** | **¥ –** | **¥ (592)** | **¥ (592)** | ¥ 9,595 | ¥ – | ¥ (409) | ¥ (409) | **$ 86,729** | **$ –** | **$ (4,852)** | **$ (4,852)** |

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

(1) Currency related

| | | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **2022** | | | 2021 | | | **2022** | | |
| | Hedged items | Contracted amount | Portion exceeding one year | Fair value | Contracted amount | Portion exceeding one year | Fair value | Contracted amount | Portion exceeding one year | Fair value |
| Forward foreign exchange contracts subject to the alternative method | | | | | | | | | | |
| (Sell–U.S. dollar) | Accounts receivable | **¥ –** | **¥ –** | **Note** | ¥ 894 | ¥ – | Note | **$ –** | **$ –** | **Note** |
| (Sell–Euro) | Accounts receivable | **13** | **–** | **Note** | 141 | – | Note | **107** | **–** | **Note** |
| Total | | **¥ 13** | **¥ –** | **Note** | ¥ 1,035 | ¥ – | Note | **$ 107** | **$ –** | **Note** |

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

(2) Interest rate related

For the current fiscal year (as of March 31, 2022)
Not applicable.

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

## Note 13: Securities

1. The following table summarizes acquisition costs and book values and any differences between the acquisition cost and book value of securities with available fair values as of March 31, 2022 and 2021:

**Available-for-sale securities**

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2022** | | | 2021 | | | **2022** | | |
| | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference |
| Securities with book values exceeding acquisition costs: | | | | | | | | | |
| Equity securities | **¥11,012** | **¥41,664** | **¥30,652** | ¥11,948 | ¥51,360 | ¥39,412 | **$ 90,262** | **$341,508** | **$251,246** |
| Others | **–** | **–** | **–** | – | – | – | **–** | **–** | **–** |
| Total | **¥11,012** | **¥41,664** | **¥30,652** | ¥11,948 | ¥51,360 | ¥39,412 | **$ 90,262** | **$341,508** | **$251,246** |
| Securities with book values not exceeding acquisition costs: | | | | | | | | | |
| Equity securities | **¥ 2,613** | **¥ 2,092** | **¥ (521)** | ¥ 1,886 | ¥ 1,523 | ¥ (363) | **$ 21,418** | **$ 17,148** | **$ (4,270)** |
| Others | **–** | **–** | **–** | – | – | – | **–** | **–** | **–** |
| Total | **¥ 2,613** | **¥ 2,092** | **¥ (521)** | ¥ 1,886 | ¥ 1,523 | ¥ (363) | **$ 21,418** | **$ 17,148** | **$ (4,270)** |

2. Total sales of available-for-sale securities for the year ended March 31, 2022 amounted to ¥305 million ($2,500 thousand), and the related total gain amounted to ¥58 million ($475 thousand).
Total sales of available-for-sale securities for the year ended March 31, 2021 amounted to ¥50 million, and the related total gain and loss amounted to ¥25 million and ¥10 million, respectively.

## Note 14: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2022 and 2021 was as follows:

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Balance at beginning of year | **¥ 33,452** | ¥ 33,537 | **$ 274,197** |
| Service cost | **1,365** | 1,314 | **11,189** |
| Interest cost | **327** | 332 | **2,680** |
| Actuarial loss (gain) | **(104)** | (42) | **(852)** |
| Benefits paid | **(2,017)** | (1,754) | **(16,534)** |
| Other | **29** | 65 | **238** |
| Balance at end of year | **¥ 33,052** | ¥ 33,452 | **$ 270,918** |

(2) Changes in plan assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Balance at beginning of year | **¥ 39,764** | ¥ 36,888 | **$ 325,935** |
| Expected return on plan assets | **1,001** | 926 | **8,205** |
| Actuarial loss (gain) | **0** | 2,258 | **0** |
| Contributions paid by the employer | **1,001** | 1,022 | **8,205** |
| Benefits paid | **(2,018)** | (1,754) | **(16,541)** |
| Other | **(34)** | 424 | **(279)** |
| Balance at end of year | **¥ 39,714** | ¥ 39,764 | **$ 325,525** |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Funded retirement benefit obligations | ¥ 33,052 | ¥ 33,452 | $ 270,918 |
| Plan assets | 39,714 | 39,764 | 325,525 |
| Total net liability (asset) for retirement benefits | ¥ (6,662) | ¥ (6,312) | $ (54,607) |
| | | | |
| Net defined benefit liability | 1,149 | 1,183 | 9,418 |
| Net defined benefit asset | 7,811 | 7,495 | 64,025 |
| Total net liability (asset) for retirement benefits | ¥ (6,662) | ¥ (6,312) | $ (54,607) |

(4) Retirement benefit costs

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Service cost | ¥ 1,365 | ¥ 1,314 | $ 11,189 |
| Interest cost | 327 | 332 | 2,680 |
| Expected return on plan assets | (1,001) | (926) | (8,205) |
| Net actuarial loss amortization | (152) | 488 | (1,246) |
| Total retirement benefit costs | ¥ 539 | ¥ 1,208 | $ 4,418 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Actuarial gains and losses | ¥ (49) | ¥ 2,788 | $ (402) |
| Total balance | ¥ (49) | ¥ 2,788 | $ (402) |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Actuarial gains and losses that are yet to be recognized | ¥ 916 | ¥ 964 | $ 7,508 |
| Total balance | ¥ 916 | ¥ 964 | $ 7,508 |

(7) Plan assets

**1. Plan assets comprise:**

| | 2022 | 2021 |
|---|---|---|
| Bonds | 35% | 45% |
| Equity securities | 27% | 25% |
| Cash and cash equivalents | 3% | 4% |
| Life insurance company general accounts | 18% | 18% |
| Alternative | 17% | 8% |
| Total | 100% | 100% |

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

**2. Long-term expected rate of return**

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

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 1.1% – 1.3% | 1.1% – 1.3% |
| Long-term expected rate of return | 3.0% | 3.0% |

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

**2. Defined contribution plans**

Contributions paid by the Company and its consolidated subsidiaries to defined contribution plans for the fiscal years ended March 31, 2022 and 2021 amounted to ¥1,156 million ($9,475 thousand) and ¥1,096 million, respectively.

## Note 15: Revenue Recognition

1. Breakdown of revenue from contracts with customers by country or region based on customer location

For the year ended March 31, 2022

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | Others(*1) | Total |
| | SPE | GA | FT | PE | Total | | |
| Japan | ¥ 51,842 | ¥ 16,917 | ¥ 2,546 | ¥ 3,649 | ¥ 74,954 | ¥ 2,517 | ¥ 77,471 |
| Taiwan | 90,395 | 222 | 4,255 | 1,576 | 96,448 | 0 | 96,448 |
| South Korea | 24,021 | 3,080 | 493 | 2,698 | 30,292 | - | 30,292 |
| China | 76,742 | 901 | 25,568 | 4,503 | 107,714 | 37 | 107,751 |
| United States | 37,085 | 11,493 | 26 | - | 48,604 | 132 | 48,736 |
| Europe | 27,230 | 8,782 | 26 | 108 | 36,146 | 115 | 36,261 |
| Others | 12,083 | 1,884 | 158 | 778 | 14,903 | 3 | 14,906 |
| Overseas | ¥ 267,556 | ¥ 26,362 | ¥ 30,526 | ¥ 9,663 | ¥ 334,107 | ¥ 287 | ¥ 334,394 |
| Sales to outside customers (*2) | ¥ 319,398 | ¥ 43,279 | ¥ 33,072 | ¥ 13,312 | ¥ 409,061 | ¥ 2,804 | ¥ 411,865 |

| | Thousands of U.S. dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reportable segment | | | | | Others(*1) | Total |
| | SPE | GA | FT | PE | Total | | |
| Japan | $ 424,934 | $ 138,664 | $ 20,869 | $ 29,910 | $ 614,377 | $ 20,631 | $ 635,008 |
| Taiwan | 740,943 | 1,820 | 34,877 | 12,918 | 790,558 | 0 | 790,558 |
| South Korea | 196,893 | 25,246 | 4,041 | 22,115 | 248,295 | - | 248,295 |
| China | 629,033 | 7,385 | 209,574 | 36,910 | 882,902 | 304 | 883,206 |
| United States | 303,975 | 94,205 | 213 | - | 398,393 | 1,082 | 399,475 |
| Europe | 223,197 | 71,984 | 213 | 885 | 296,279 | 942 | 297,221 |
| Others | 99,041 | 15,442 | 1,295 | 6,377 | 122,155 | 25 | 122,180 |
| Overseas | $ 2,193,082 | $ 216,082 | $ 250,213 | $ 79,205 | $ 2,738,582 | $ 2,353 | $ 2,740,935 |
| Sales to outside customers (*2) | $ 2,618,016 | $ 354,746 | $ 271,082 | $ 109,115 | $ 3,352,959 | $ 22,984 | $ 3,375,943 |

(*1) The "Others" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business and inspection system for in-vehicle components, software development, planning and production of printed matter and other businesses.

(*2) Sales to outside customers consist mainly of revenue from contracts with customers. Revenue not from contracts with customers is included in revenue from contracts with customers due to its immateriality.

2. Basic information to understand revenue from contracts with customers

For details, please refer to "w. Revenues and expenses" in Note 1: Summary of Significant Accounting and Reporting Policies.

3. Information on the relationship between satisfying performance obligations based on contracts with customers and cash flows from said contracts, and the amount and timing of revenues from contracts with customers existing as of March 31, 2022, which are estimated to be recognized in or after the following fiscal year

(1) Balance of Contract Assets and Contract Liabilities

| | **As of March 31, 2022** | | As of April 1, 2021 | |
|---|---|---|---|---|
| | Millions of yen | Thousands of U.S. dollars | Millions of yen | Thousands of U.S. dollars |
| Receivables from contracts with customers | **¥ 77,646** | **$ 636,443** | ¥ 77,703 | $ 636,910 |
| Contract assets | **¥ 13,514** | **$ 110,770** | ¥ 8,530 | $ 69,918 |
| Contract liabilities | **¥ 32,927** | **$ 269,893** | ¥ 16,971 | $ 139,107 |

Receivables not arising from contracts with customers are included in receivables from contracts with customers due to its immateriality.

Contract assets consist mainly of rights to consideration in the sale of products that requires the satisfaction of payment conditions with respect to revenue recognized upon completion of installation.

There were no cases of the period between satisfaction of the performance obligation and receipt of the consideration for the transaction being significantly long, and no significant financial components were included.

Contract liabilities applying mainly in the case of sales of products, refers to advance payments received from customers based on payment conditions (such as the date for commencement and shipment) regarding contracts with customers that recognize revenue upon the completion of the installation. Following the recognition of revenue, the advance payment is reversed.

The balance of contract liabilities as of April 1, 2021 was mainly reversed to revenue for the fiscal year ended March 31, 2022, and the amount carried forward to subsequent fiscal years were immaterial.

(2) Transaction price allocated to the remaining performance obligation

The information on performance obligation is omitted as a practical expedient because there are no significant transactions in which the originally expected contract period exceeds one year.

In addition, any material consideration from contracts with customers was not included in the transaction price.

## Note 16: Impairment of Non-current Assets

For the year ended March 31, 2022, the SCREEN Group recorded impairment loss of ¥1,602 million ($13,131 thousand). A significant non-current asset included in this loss is listed in the table below.

For the year ended March 31, 2022
(1) Assets for which impairment loss was recognized

| Location | Major use | Asset category | Impairment loss | |
|---|---|---|---|---|
| | | | Millions of yen | Thousands of U.S. dollars |
| SCREEN Finetech Solutions Co.,Ltd. Hikone-shi, Shiga | Operating assets | Machinery, equipment and other, etc. | ¥ 1,080 | $ 8,852 |

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

(3) Breakdown of impairment loss

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Property, plant and equipment | | |
| Buildings and structures | ¥ 98 | $ 803 |
| Machinery, equipment and other | 927 | 7,598 |
| Investments and other assets | | |
| Other assets | 55 | 451 |
| Total | ¥ 1,080 | $ 8,852 |

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

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

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

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

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

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

(3) Breakdown of impairment loss

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

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

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

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# Independent auditor’s report

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

## Opinion

We have audited the accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheet as at March 31, 2022, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

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

## Key Audit Matters

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

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

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As described in Note 1, “Summary of Significant Accounting and Reporting Policies, Significant accounting estimates, 1. Valuation of finished goods and work in process in the Semiconductor Production Equipment Business” to the consolidated financial statements, included in inventories of ¥103,739 million reported on the | The primary procedures we performed to assess the reasonableness of the valuation of the Inventories included the following:<br>(1) Internal control testing<br>We tested the design and operating effectiveness of certain of internal controls relevant to the valuation of the Inventories. In this assessment, |

| | |
|---|---|
| consolidated balance sheet of SCREEN Holdings Co., Ltd. (hereinafter referred to as the "Company") and its consolidated subsidiaries as of March 31, 2022, were finished goods of ¥23,124 million and work in process of ¥28,148 million related to SCREEN Semiconductor Solutions Co., Ltd. (hereinafter referred to as the "SPE") within the Semiconductor Production Equipment Business segment, which amounted to ¥51,272 million and represented 11% of total assets in the consolidated financial statements.<br><br>In principle, loss on valuation of inventories is reported for the finished goods and work in process in the Semiconductor Production Equipment Business (hereinafter referred to as the "Inventories.") whenever the net selling price is less than the carrying amount. However, for the Inventories that are uncertain about the future salability due to outside of the normal operating cycle, the Company applies to them a valuation method that reduces the carrying amount to the estimated disposal value for which the probability of conversion to parts or materials and other factors are taken into account, in order to reflect their reduced profitability.<br><br>The semiconductor market to which SPE belongs is subject to wild ups and downs. Sometimes the market grows substantially driven by rapid technological innovation, and other times it faces the stagnation caused by the deterioration in the supply-demand balance. For this reason, significant management's judgment was involved in the identification of the Inventories with uncertainty about the future salability and the estimate of the disposal value for which the probability of conversion to parts and other factors are taken into account.<br><br>We, therefore, determined that our assessment of the reasonableness of the valuation of the Inventories was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | we focused our testing on the general and application controls of the relevant IT systems that ensure the accuracy and completeness of the amount of the Inventories classified in each aging category in the inventory lists based on a period from the start of the manufacturing, as management relied on the inventory lists to identify the Inventories with the uncertainty about the future salability.<br><br>(2) Assessment of the appropriateness of the determination of the identification of the Inventories with the uncertainty about the future salability<br>In order to assess the appropriateness of key assumptions adopted by management in identifying the Inventories with the uncertainty about the future salability that were subject to reducing the carrying amount, we performed the following procedures:<br>(i) assessed the appropriateness of the judgment on the salability of the Inventories using demand forecasts of semiconductor production equipment published by external organizations and investment plans disclosed by customers as a reference; and<br>(ii) assessed the consistency of management's judgment with our understanding of each of the Inventories and the sales history of the previous and current fiscal years by inquiring of management and administration manager of SPE about the basis of management's judgment on the salability of each of the Inventories and inspecting the relevant records or documents.<br><br>(3) Assessment of the reasonableness of the estimated amount of reduction in the carrying amount<br>In order to assess the reasonableness of the estimated amount of reduction in the carrying amount for the Inventories that were subject to reducing their carrying amount, we performed the following procedures:<br>(i) compared the write-down rates used to calculate the amount of reduction in the carrying amount with the average actual rate of loss from disposal of the Inventories in the previous and current fiscal years; and<br>(ii) assessed the accuracy of the calculation for the amount of the reduction in the carrying amount through recalculation. |

| Appropriateness of the Company’s judgment on the recoverability of deferred tax assets of the consolidated tax-return group | |
|---|---|
| **The key audit matter** | **How the matter was addressed in our audit** |
| In the consolidated balance sheet, deferred tax assets of ¥4,904 million were recognized for the current fiscal year. Of this amount, the gross deferred tax assets (before adjusting for deferred tax liabilities) held by SCREEN Holdings Co., Ltd. (hereinafter, referred to as the “Company”) and certain domestic subsidiaries that file a consolidated tax return (hereinafter, referred to collectively as the “consolidated tax-return group”) accounted for ¥9,863 million, as described in Note 1, “Summary of Significant Accounting and Reporting Policies, Significant accounting estimates, 2. Recoverability of deferred tax assets” to the consolidated financial statements.:<br><br>The Company applies the consolidated taxation system and, in determining the recoverability of deferred tax assets related to corporate taxes and local taxes, regards the entire consolidated tax-return group as a single taxpayer. Deferred tax assets are recognized based on the estimated taxable income before adjustment for temporary differences and net operating loss carryforwards within the period in the future for which taxable income is reasonably estimable and the results of the scheduling of temporary differences and net operating loss carryforwards.<br><br>The period in the future for which taxable income is reasonably estimable, which was used to determine the recoverability of deferred tax assets, involved management judgement, because it is determined by considering business environment of major companies in the consolidated tax-return group and the periods for future earnings projections. In addition, the business plan developed by management, based on which future taxable income of the consolidated tax-return group was estimated, incorporated key assumptions, such as the sales projections based on actual and expected purchase orders from customers. Accordingly, the estimation involved uncertainty. | The primary procedures we performed to assess the appropriateness of the Company’s judgment on the recoverability of deferred tax assets of the consolidated tax-return group included the following:<br><br>(1) Internal control testing<br>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the process of projecting future income, including the development of the business plan.<br><br>(2) Assessment of the appropriateness of the determination of the period in the future for which taxable income is reasonably estimable and the estimated future taxable income<br><br>We inquired of management of the major companies in the consolidated tax-return group regarding the basis for key assumptions used to determine the period in the future for which taxable income is reasonably estimable and to estimate future taxable income, in order to assess the appropriateness of those assumptions, which were important for management’s judgment on the recoverability of deferred tax assets. In addition, with the assistance of tax specialists, we:<br><br>● assessed the determination of the period in the future for which taxable income is reasonably estimable, which was based on the periods for future earnings projections, by inspecting the minutes of the board of directors meeting in which the business plan was approved;<br><br>● analyzed factors that caused differences between projected and actual taxable income in past fiscal years at major companies in the consolidated tax-return group;<br><br>● assessed the consistency of the estimated future taxable income used in determining the recoverability of deferred tax assets with the business plan, which formed the basis for the taxable income projections;<br><br>● assessed the consistency of the sales projections of major companies in the consolidated tax-return group, which were |

| | |
|---|---|
| We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the recoverability of deferred tax assets of the consolidated tax-return group was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | used as an assumption in estimating future taxable income, with the market growth rates indicated in the market projection reports we independently obtained from external organizations; and<br>● evaluated the appropriateness of tax-return adjustments included in the scheduling of deductible temporary differences and the calculation of future taxable income by comparing them with the taxable income calculation for the current and past fiscal years. |

## Other Information

The other information comprises the information included in the Annual Report Financial Section, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

## Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Yohei Onishi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Kyoto Office, Japan
September 15, 2022

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

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