

SCREEN

# Annual Report 2023

Year ended March 31, 2023

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. These consolidated financial statements have been prepared in accordance with accounting standards generally accepted as fair and reasonable in Japan.

## Financial Position

Total assets as of March 31, 2023, stood at ¥562,816 million, up ¥103,510 million, or 22.5%, from the previous fiscal year. This was due largely to increases in cash and time deposits and inventories.

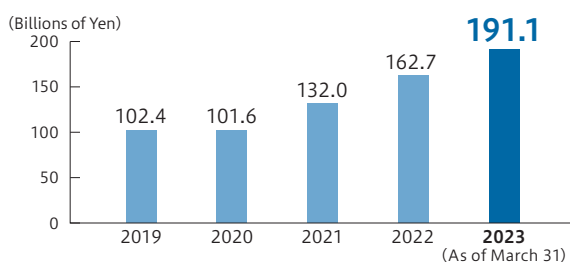
Total liabilities amounted to ¥262,889 million, up ¥51,372 million, or 24.3%, from the previous fiscal year. This was attributable mainly to increases in contract liabilities and accounts payable despite a decrease in bonds.

The U.S. dollar figures appearing in the financial statements have been translated from Japanese yen amounts for convenience only at the rate of ¥134 to US\$1.00.

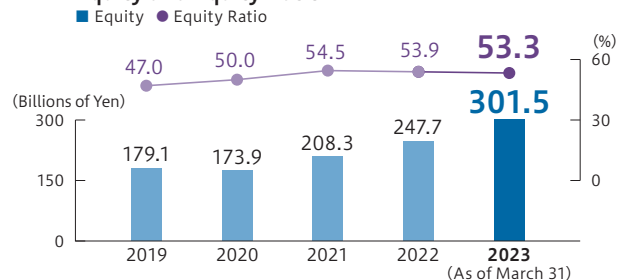
Total net assets amounted to ¥299,926 million, up ¥52,138 million, or 21.0%, from the previous fiscal year. This was due mainly to the recording of profit attributable to owners of parent, an increase in capital surplus due to the conversion of bonds, and a decrease in treasury stock despite the payment of dividends.

As a result, the equity ratio as of March 31, 2023 was 53.3%.

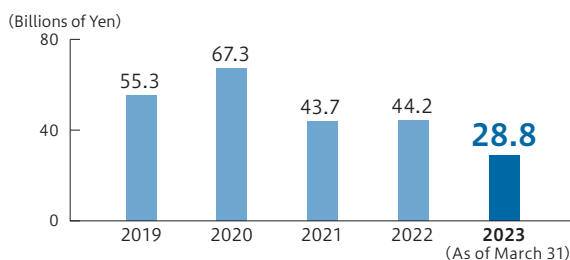
### Working Capital



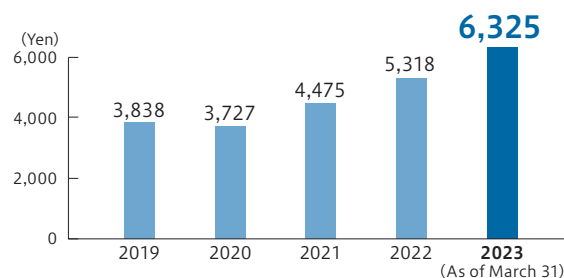
### Equity and Equity Ratio



### Interest-Bearing Debt



### Net Assets Per Share



As of March 31	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
Total assets	¥ 562,816	¥ 459,305	¥ 382,632	¥ 347,965	¥ 380,916	\$ 4,200,120
Reportable Segment: SPE	349,632	264,455	207,244	197,316	222,394	2,609,200
GA	47,208	49,100	42,169	43,574	46,586	352,304
FT	22,174	27,955	30,472	35,907	33,046	165,480
PE	15,925	11,736	10,234	9,483	11,959	118,845
Other	8,074	7,833	7,988	7,602	9,843	60,259
Adjustments	119,799	98,226	84,525	54,083	57,089	894,029
Working capital	191,129	162,747	132,019	101,664	102,413	1,426,343
Interest-bearing debt	28,852	44,236	43,782	67,302	55,321	215,315
Equity	299,888	247,716	208,380	173,942	179,116	2,237,970
Equity ratio (%)	53.3%	53.9%	54.5%	50.0%	47.0%	
Net assets per share (yen)	¥6,325.44	¥ 5,318.32	¥ 4,475.17	¥ 3,727.10	¥ 3,838.90	\$ 47.20

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.

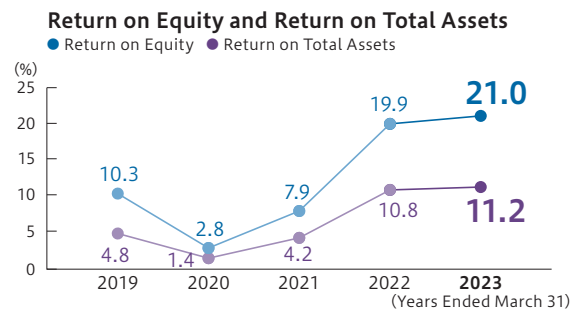
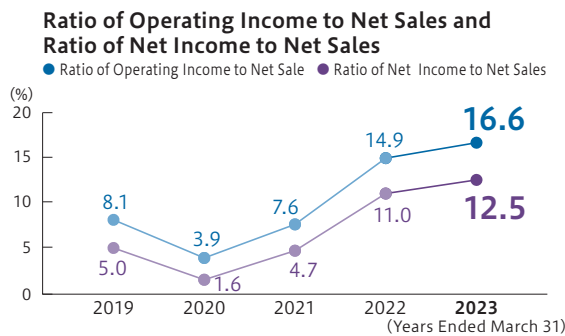
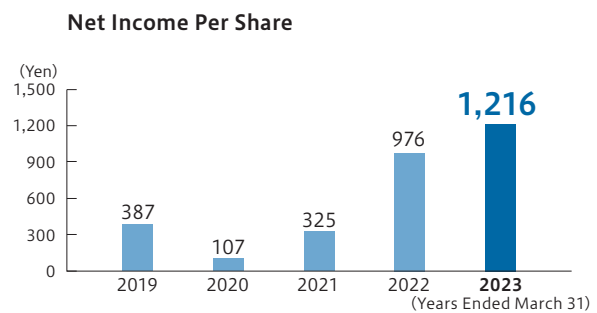
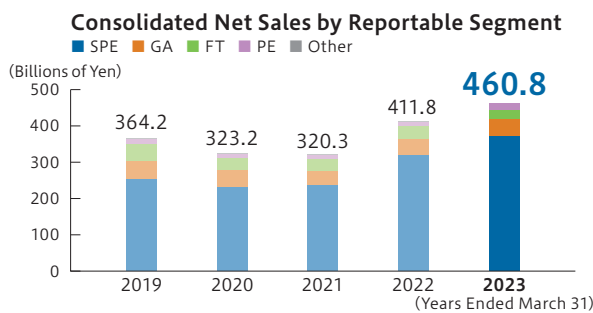
## Operating Results

Net sales for the consolidated fiscal year ended March 31, 2023 were ¥460,834 million, an increase of ¥48,968 million, or 11.9%, from the previous fiscal year. Operating income increased ¥15,179 million, or 24.8%, from the previous fiscal year to ¥76,452 million. This was due mainly to the increase in net sales. In addition, we recorded sales of shares of subsidiaries and affiliates\* as net non-operating income and expenses and extraordinary income and loss. As a result, profit attributable to owners of parent rose ¥12,009 million,

or 26.4%, to ¥57,491 million.

Net income per share increased by ¥239.78 to ¥1,216.33 (diluted net income per share was ¥1,185.25), return on equity increased by 1.1 percentage points from the previous fiscal year to 21.0%, and return on assets increased by 0.4 percentage points to 11.2%.

\* On May 31, 2022, the Company transferred shares of Inca Digital Printers Ltd. and SCREEN GP IJC Ltd.



Years ended March 31	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
Net sales	¥ 460,834	¥ 411,865	¥ 320,322	¥ 323,249	¥ 364,234	\$ 3,439,060
Gross profit	¥ 155,048	¥ 134,368	¥ 88,012	¥ 76,569	¥ 100,567	\$ 1,157,076
Operating income	¥ 76,452	¥ 61,273	¥ 24,493	¥ 12,562	¥ 29,645	\$ 570,538
Operating income to net sales (%)	16.6%	14.9%	7.6%	3.9%	8.1%	
Income before income taxes	¥ 78,515	¥ 56,772	¥ 20,673	¥ 8,579	¥ 27,730	\$ 585,936
Profit attributable to owners of parent	¥ 57,491	¥ 45,482	¥ 15,165	¥ 5,011	¥ 18,059	\$ 429,038
Per share information (yen)						
Net income	¥ 1,216.33	¥ 976.55	¥ 325.21	¥ 107.37	¥ 387.10	\$ 9.07
Net income—diluted	¥ 1,185.25	¥ 926.17	¥ 308.17	¥ 101.47	¥ 370.66	\$ 8.84
Return on equity (%)	21.0%	19.9%	7.9%	2.8%	10.3%	
Return on total assets (%)	11.2%	10.8%	4.2%	1.4%	4.8%	

- Notes: 1. Return on equity and return on total assets were 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 were adopted for the fiscal year ended March 31, 2022. From that year forward, financial and other figures presented in the table reflect the adoption of these standards.

## Segment Information

In the Semiconductor Production Equipment (SPE) Segment, sales to foundries and logic device manufacturers rose significantly, while those to memory manufacturers declined. As a result, net sales in this segment reached ¥370,934 million, an increase of 16.1% from the previous fiscal year. Operating income grew to ¥76,950 million, a 22.5% year-on-year increase, owing to the rise in sales and other factors.

In the Graphic Arts Equipment (GA) Segment, sales rose 5.3% year on year to ¥45,609 million due to an increase in device sales and recurring business sales, especially sales of ink. Operating income grew to ¥3,397 million, a 107.6% year-on-year increase, owing to the rise in sales and other factors.

In the Display Production Equipment and Coater (FT) Segment, sales fell 21.3% year on year to ¥26,189 million due to a decline in sales of display production equipment amid stagnating capital investment among customers. As for profit, we recorded an operating loss of ¥1,840 million, down from an operating income of ¥587 million in the previous fiscal year, owing to the decrease in sales.

In the PCB-related Equipment (PE) Segment, sales rose 26.5% from the previous fiscal year to ¥16,835 million due to growth in sales of direct imaging systems fueled by such factors as expanding data center demand. Operating income was ¥3,358 million, a 61.9% year-on-year increase, due primarily to the increase in sales.

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

Years ended March 31		Millions of yen					Thousands of U.S. dollars
		2023	2022	2021	2020	2019	2023
Net Sales	Reportable Segment: SPE	¥ 370,934	¥ 319,399	¥ 235,554	¥ 230,501	¥ 252,513	\$ 2,768,169
	GA	45,609	43,318	37,403	45,553	48,218	340,371
	FT	26,189	33,286	34,721	35,179	49,254	195,441
	PE	16,835	13,312	10,430	10,054	12,345	125,637
	Other	2,064	2,804	2,379	2,008	2,048	15,408
	Intersegment sales	(799)	(254)	(165)	(46)	(144)	(5,968)
	Consolidated	¥ 460,834	¥ 411,865	¥ 320,322	¥ 323,249	¥ 364,234	\$ 3,439,060
Operating Income (Loss)	Reportable Segment: SPE	¥ 76,950	¥ 62,830	¥ 26,000	¥ 16,136	¥ 25,842	\$ 574,258
	GA	3,397	1,637	536	1,450	1,140	25,356
	FT	(1,840)	587	435	(2,569)	3,774	(13,736)
	PE	3,358	2,075	773	(259)	770	25,060
	Other	(443)	(737)	(697)	(1,493)	(1,411)	(3,308)
	Total	¥ 81,422	¥ 66,392	¥ 27,047	¥ 13,265	¥ 30,115	\$ 607,630
	Adjustments	(4,970)	(5,119)	(2,554)	(703)	(470)	(37,091)
	Consolidated	¥ 76,452	¥ 61,273	¥ 24,493	¥ 12,562	¥ 29,645	\$ 570,538

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, software development, planning and production of printed matter and other businesses. Moreover, the "Other" category prior to the fiscal year ended March 31, 2022, included the business for the development, manufacturing and sales of inspection systems for in-vehicle components.

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, 2023.

Regarding cash flows from operating activities, inflows from factors including income before income taxes, an increase in other current liabilities, and an increase in notes and accounts payable surpassed such outflows as income taxes paid, an increase in inventories, and an increase in notes and accounts receivable, resulting in a net inflow of ¥73,906 million (compared with a net inflow of ¥81,752 million for the previous fiscal year).

Regarding cash flows from investing activities, such outflows as payments associated with the start of construction on a new factory surpassed such inflows as the

sale of shares of subsidiaries and associates, resulting in a net outflow of ¥12,514 million (compared with a net outflow of ¥9,952 million in the previous fiscal year).

Regarding cash flows from financing activities, factors including the payment of dividends and the redemption of bonds with share acquisition rights resulted in a net outflow of ¥20,961 million (compared with a net outflow of ¥4,951 million in the previous fiscal year).

As a result, cash and cash equivalents as of March 31, 2023, including the effect of exchange rate changes on cash and cash equivalents, totaled ¥173,660 million, up ¥42,649 million from March 31, 2022.

Years ended March 31	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
Cash flows from operating activities	¥ 73,906	¥ 81,752	¥ 57,205	¥ 11,812	¥ (37,534)	\$ 551,544
Cash flows from investing activities	(12,514)	(9,952)	(6,243)	(11,294)	(19,020)	(93,393)
Cash flows from financing activities	(20,961)	(4,951)	(27,071)	4,928	36,761	(156,426)
Effect of exchange rate changes on cash and cash equivalents	2,217	3,418	1,333	(848)	(102)	16,551
Net increase (decrease) in cash and cash equivalents	¥ 42,649	¥ 70,267	¥ 25,224	¥ 4,598	¥ (19,895)	\$ 318,277

## Analysis of Operating Results

### Net Sales

Net sales increased ¥48,968 million, or 11.9%, to ¥460,834 million in the fiscal year ended March 31, 2023 from the previous fiscal year due mainly to an expansion of the SPE Segment.

### Operating Income

Operating income increased ¥15,179 million, or 24.8%, from the previous fiscal year to ¥76,452 million. This was due mainly to such factors as a rise in net sales, improved operations and exchange rate effects caused by depreciation in the yen despite an increase in fixed costs, including R&D expenses and personnel expenses.

### Income Before Income Taxes

With regard to other income and expenses, net other income improved ¥6,564 million year on year. This was mainly attributable to increases in gain on sales of non-current assets and gain on sales of shares of subsidiaries and associates despite decreases in loss on retirement of non-current assets, loss on withdrawal of corporate pension funds, and loss on valuation of investment securities.

As a result, income before income taxes rose ¥21,743 million, or 38.3%, to ¥78,515 million.

### Profit Attributable to Owners of Parent

The total amount of income taxes rose ¥9,670 million to ¥21,059 million as a result of increased income before income taxes, and other factors.

As a result, profit attributable to owners of parent rose ¥12,009 million, or 26.4%, to ¥57,491 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, 2023, we invested in the expansion and strengthening of our existing businesses, mainly in the SPE Segment, and actively promoted R&D in such fields as energy, inspection and measurement, and life science for a total investment in R&D of ¥24,760 million.

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

Regarding the SPE Segment, in the field of leading-edge devices, where miniaturization and high integration density is advancing, and in next-generation power devices and IoT-related fields, where demand is rising, we worked to further develop technologies in various areas such as cleaning, coating, and annealing. We developed the SU-3400 single-wafer cleaning equipment, which has excellent cleaning performance and world-class productivity, and the ZI-3600 visual inspection system for wafer patterns, including patterns that enable high productivity and high resolution. In addition, we worked to develop technologies aimed at realizing a sustainable society while collaborating with various companies in efforts such as introducing the CO<sub>2</sub> emission calculation and visualization cloud service "zeroboard" and participating in the Semiconductor Climate Consortium. Regarding collaborative research with overseas research institutions, we continued research related to the latest processes in each field.

In the GA Segment, we developed new high-quality, highly functional products for commercial printing that grew from our inkjet technologies. For package printing, we continued to develop flexible package inkjet printers and paper package inkjet printers. The cumulative total of inkjet printers shipped surpassed 1,800

units and helped to reduce the environmental burden by being a part of the transforming printing processes.

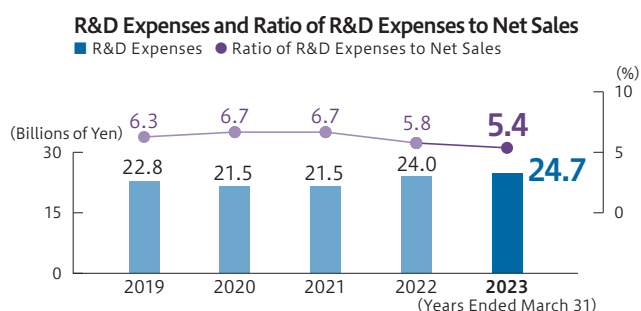
In the FT Segment, we worked hard to further enhance such technologies as coating, film deposition, and drying. For larger and higher definition OLEDs, we developed the E Series SK-E2200G and SK-E2200H for 8th generation boards\*<sup>1</sup> that grew from technologies developed in the E Series for 6th generation\*<sup>2</sup> boards. In addition, in the SK-P Series of production equipment for flexible displays, we developed technology adapted to thin-film coatings of polyimide varnish. We developed two devices: SK-P1501G, which enhances the function of production equipment for existing 6th generation boards and SK-P2200G, which is adapted for the new 8th generation boards.

In the PE Segment, we developed the Ledia 7F-L direct imaging system, which is adapted for high definition patterns such as large boards and metal masks for which demand is expanding, mainly in telecommunications and IoT infrastructure. In addition, for high-end package boards for which demand is expected to increase, we are working to develop optical automated inspection devices and direct imaging systems that offer a higher definition model.

In other businesses, we continue to pursue basic research and R&D in new business fields. In the life sciences field, we developed STIMA, tablet external inspection equipment that includes options for upgrading to inkjet tablet printers, and Cell3iMager NX, a new cell morphology analysis and imaging system model that is lower priced while maintaining the functions of existing equipment and supporting universality. For the advanced package industry, we developed LeVina (2 μm model) as a further expansion of our LeVina lineup of direct imaging equipment.

\*1 8th generation: 2,200×2,500, 2,250×2,600 and 2,290×2,620 mm

\*2 6th generation: 1,500×1,850 mm



Years ended March 31	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
R&D expenses	¥ 24,760	¥ 24,036	¥ 21,506	¥ 21,525	¥ 22,825	\$ 184,777
Reportable Segment: SPE	14,400	13,749	12,356	12,674	14,515	107,465
GA	2,024	3,017	2,689	3,228	3,315	15,106
FT	724	1,001	1,185	1,167	1,260	5,405
PE	728	481	493	910	1,023	5,437
Other	6,882	5,788	4,783	3,546	2,712	51,361
R&D expenses to net sales (%)	5.4%	5.8%	6.7%	6.7%	6.3%	

## Capital Expenditures and Depreciation and Amortization

For the year ended March 31, 2023, Group capital expenditures, including expenditures for intangible assets, totaled ¥29,015 million.

In the SPE Segment, capital expenditures amounted to ¥5,343 million the majority of which was used to strengthen R&D and manufacturing facilities.

Capital expenditures in the GA Segment totaling ¥1,332 million centered on strengthening R&D and manufacturing facilities.

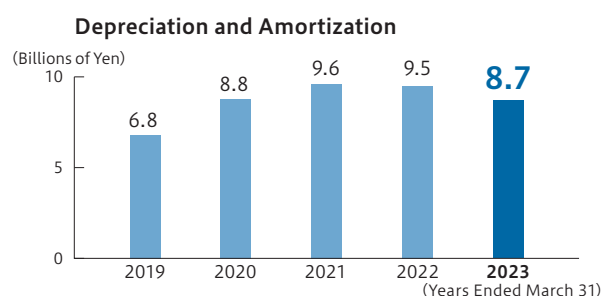
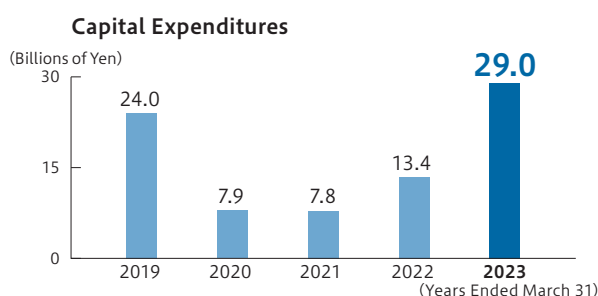
In the FT Segment, capital expenditures were ¥564 million and centered on expanding R&D facilities.

Capital expenditures in the PE Segment were used for boosting R&D facilities for PCB-related equipment, among other things, and totaled ¥402 million.

Capital expenditures for other businesses totaled ¥112 million and were used for R&D facilities and critical operation systems.

Corporate capital expenditures amounted to ¥21,261 million and centered on new factory construction at the Hikone Plant and expanding business site facilities.

Depreciation and amortization amounted to ¥8,799 million, a year-on-year decrease of ¥701 million (7.4%).



Years ended March 31	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
Capital expenditures	¥ 29,015	¥ 13,410	¥ 7,843	¥ 7,985	¥ 24,089	\$ 216,531
Reportable Segment: SPE	5,343	3,864	3,058	3,740	14,331	39,873
GA	1,332	1,031	537	742	969	9,940
FT	564	755	987	1,123	739	4,212
PE	402	150	193	144	97	3,003
Other	112	221	364	325	315	836
Adjustments	21,261	7,389	2,704	1,911	7,638	158,664
Depreciation and amortization	¥ 8,799	¥ 9,501	¥ 9,628	¥ 8,860	¥ 6,883	\$ 65,671
Reportable Segment: SPE	4,786	5,745	5,933	4,996	3,853	35,718
GA	481	618	606	925	581	3,589
FT	200	324	502	353	213	1,495
PE	140	96	93	138	53	1,045
Other	196	264	261	321	363	1,465
Adjustments	2,995	2,454	2,233	2,127	1,820	22,356

## 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 the Notes to Consolidated Financial Statements - Note 1: "Summary of Significant Accounting and Reporting Policies."

In addition, for consolidated financial statement items that require accounting estimates, a reasonable estimate is made for each based upon past performance and relevant current considerations. 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, 2024 can be found in the 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, assets for rent and idle assets are grouped by each property. The recoverable amount of each asset group is assessed based on future cash flows, discount rates, net selling prices, and certain assumptions. However, it is possible that future property value and business performance may result in 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 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 and makes the presidents of each SCREEN Group company responsible for managing risk at their respective 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 the Group's key risks in response to changes in the business environment each fiscal year, and to prevent risks from materializing. We have adopted 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 approach, 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, the Group Risk Management Committee discusses the risks on the Group risk list that have (or will likely have) particularly large effects and selects 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 relations between the two countries 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 and have 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 the procurement of new funds 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 display market trends

While the semiconductor and display markets have grown significantly through rapid technological innovation, they are 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 and expand 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 significant 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, and parts suppliers, in order to prevent significant damage to our business.

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 are expected to follow and includes principles of conduct based on our corporate philosophy. Based on the SCREEN Group 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, IP & Compliance Department takes the lead in promoting compliance 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 large-scale natural disasters and the pandemic

The SCREEN Group's domestic manufacturing sites are concentrated in the Kyoto and Shiga regions, and a large-scale earthquake or other natural disaster affecting this area could seriously damage the Group's production and other equipment. In addition, the emergence of an infectious disease pandemic could have a negative impact on our business activities, including sales, production, procurement and logistics.

The Group takes measures to minimize the potential for loss from disasters, such as reinforcing earthquake resistance. To ensure the continuation or early resumption of business operations, the Group has been promoting a business continuity management system (BCMS) based on ISO 22301. However, the suspension of operations at a production site as a result of a natural 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 a benefit 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 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 & Code of Conduct, which sets forth the principles for all Group executives and employees to comply with in their business operations, seeking to upgrade Rules for the Management of Confidential Business Information and reinforce information management.

However, should the SCREEN Group 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 a case, potential damage to the Group's 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 continuously 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 loss of trust. Such cases could have a material impact on sales, profits and other aspects of the Group's business performance.

### (6) Risks related to personnel

Driving innovation by hiring diverse talents is essential for enhancing a company's long-term growth and value. We encourage each employee to become a self-directed solution creator, and we promote initiatives centered on recruiting, training and retaining such talents. We strive to build a pool of talents in line with each company's business strategy; ensure diversity by recruiting highly specialized experts regardless of gender and nationality; and train the next generation business leaders.

However, competition for best talents is intensifying. If we cannot continually hire and retain the people we need or fail to promptly develop a sufficient number of people with the qualities of a solution creator to lead in the future, this could negatively impact the Group's businesses and performance.

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

Reflecting rising demand for products with low-environmental-impact and increasingly rigorous international chemical and environmental regulations, the SCREEN Group is working to provide environmentally friendly products and contribute to the curbing of CO2 emissions by increasing the number of products that comply with environmental standards and regulations and by complying with laws and regulations. In addition, regarding actions to address climate change, we acquired certification for the Science Based Targets (SBTs) Initiative, work to reduce CO2 emissions to limit the rise in temperature to 1.5 °C or lower and support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as we strive to proactively disclose related information. Aiming to achieve carbon neutrality by 2050, we are promoting activities that reduce our global environmental impact through our business activities and 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 for reasons such as the slow progress in implementing related 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, 2023 and 2022

Assets	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Current Assets:</b>			
Cash and cash equivalents (Note 11)	¥ 173,660	¥ 131,011	\$ 1,295,971
Time deposits (Note 11)	1,916	2,077	14,298
Notes and accounts receivable-trade, and contract assets (Notes 11 and 15)	107,217	91,160	800,130
Allowance for doubtful receivables (Note 11)	(870)	(848)	(6,498)
Inventories (Note 7)	123,876	103,739	924,451
Other current assets	22,467	11,228	167,670
<b>Total current assets</b>	<b>428,267</b>	<b>338,367</b>	<b>3,196,023</b>
<b>Property, Plant and Equipment, at Cost:</b>			
Land	10,911	10,054	81,425
Buildings and structures (Note 16)	72,649	64,533	542,162
Machinery, equipment and other (Note 16)	73,944	69,360	551,826
Leased assets (Notes 3, 8 and 16)	3,562	3,966	26,587
Construction in progress	7,152	3,602	53,374
<b>Total property, plant and equipment</b>	<b>168,220</b>	<b>151,515</b>	<b>1,255,375</b>
Accumulated depreciation	(95,552)	(94,991)	(713,077)
<b>Net property, plant and equipment</b>	<b>72,667</b>	<b>56,524</b>	<b>542,298</b>
<b>Investments and Other Assets:</b>			
Investment securities (Notes 11 and 13)	40,697	44,371	303,711
Leased assets (Notes 3 and 8)	36	43	271
Net defined benefit asset (Note 14)	6,395	7,811	47,730
Deferred tax assets (Note 4)	5,948	4,904	44,390
Other assets (Note 16)	8,803	7,285	65,694
<b>Total investments and other assets</b>	<b>61,881</b>	<b>64,414</b>	<b>461,798</b>
<b>Total Assets</b>	<b>¥ 562,816</b>	<b>¥ 459,305</b>	<b>\$ 4,200,120</b>

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

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Current Liabilities:</b>			
Notes and accounts payable—			
Trade (Note 11)	¥ 92,969	¥ 82,454	\$ 693,802
Construction and other	15,239	6,778	113,725
Short-term debt (Notes 5 and 11)	17	–	130
Current portion of long-term debt (Notes 5 and 11)	10,400	15,403	77,611
Lease obligations (Notes 3, 5 and 11)	1,115	991	8,324
Accrued expenses	10,211	10,048	76,206
Income taxes payable	10,617	7,088	79,235
Contract liabilities (Note 15)	74,674	32,927	557,271
Provision for product warranties	10,418	8,774	77,753
Provision for bonuses	6,107	5,459	45,574
Provision for directors' bonuses	296	273	2,209
Provision for loss on order received	1,164	752	8,686
Other current liabilities	3,906	4,673	29,153
Total current liabilities	237,137	175,620	1,769,686
<b>Long-Term Liabilities:</b>			
Long-term debt (Notes 5 and 11)	15,027	25,434	112,143
Net defined benefit liability (Note 14)	957	1,149	7,146
Lease obligations (Notes 3, 5 and 11)	2,292	2,408	17,105
Deferred tax liabilities (Note 4)	5,089	5,714	37,981
Asset retirement obligations	100	90	750
Provision for directors' retirement benefits	146	174	1,093
Provision for stock payment	55	49	417
Provision for management board incentive plan trust	47	42	352
Other long-term liabilities	2,034	836	15,182
Total long-term liabilities	¥ 25,751	¥ 35,896	\$ 192,174
<b>Total Liabilities</b>	<b>262,889</b>	<b>211,516</b>	<b>1,961,860</b>
<b>Contingent Liabilities (Note 10)</b>			
<b>Net Assets (Note 6):</b>			
<b>Shareholders' Equity:</b>			
Capital stock			
Authorized—180,000,000 shares in 2023 and 2022			
Issued—50,794,866 shares in 2023 and 2022	54,044	54,045	403,320
Capital surplus	10,308	4,488	76,930
Retained earnings	229,596	185,804	1,713,405
Treasury stock, at cost	(14,894)	(18,503)	(111,151)
3,385,014 shares in 2023 and 4,217,043 shares in 2022			
Total shareholders' equity	279,055	225,834	2,082,504
<b>Accumulated Other Comprehensive Income:</b>			
Valuation difference on available-for-sale securities	18,616	21,250	138,925
Foreign currency translation adjustment	3,036	5	22,661
Remeasurements of defined benefit plans	(820)	627	(6,120)
Total accumulated other comprehensive income	20,832	21,882	155,466
<b>Non-controlling interests:</b>			
Non-controlling interests	38	73	289
Total net assets	299,926	247,789	2,238,259
<b>Total Liabilities and Net Assets</b>	<b>¥ 562,816</b>	<b>¥ 459,305</b>	<b>\$ 4,200,120</b>

The number of shares of treasury stock of the Company included 159 thousand shares as of March 31, 2023 and 177 thousand shares as of March 31, 2022 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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Net Sales (Notes 9 and 15)</b>	<b>¥ 460,834</b>	¥ 411,865	<b>\$ 3,439,060</b>
<b>Cost of Sales</b>	<b>305,785</b>	277,497	<b>2,281,984</b>
<b>Gross Profit</b>	<b>155,048</b>	134,368	<b>1,157,076</b>
<b>Selling, General and Administrative Expenses</b>	<b>78,596</b>	73,095	<b>586,538</b>
<b>Operating Income (Note 9)</b>	<b>76,452</b>	61,273	<b>570,538</b>
<b>Other (Income) Expenses:</b>			
Interest and dividend income	(980)	(669)	(7,314)
Interest expenses	219	307	1,639
Exchange loss on foreign currency transactions, net	340	653	2,544
Subsidy income	(623)	(485)	(4,651)
Loss on retirement of non-current assets	355	2,074	2,655
Donations	205	72	1,532
Gain on sales of investment securities (Note 13)	(9)	(58)	(69)
Loss on valuation of investment securities	48	545	362
Impairment loss (Note 16)	1,993	1,602	14,877
Loss on withdrawal of corporate pension funds	-	578	-
Gain on sales of non-current assets	(459)	(29)	(3,427)
Gain on sales of shares of subsidiaries and associates	(3,134)	-	(23,392)
Gain on sales of businesses	(38)	-	(286)
Share of loss of entities accounted for using equity method	252	24	1,883
Other, net	(234)	(113)	(1,752)
Net other (income) expenses	(2,063)	4,501	(15,397)
<b>Income Before Income Taxes</b>	<b>78,515</b>	56,772	<b>585,936</b>
<b>Income Taxes (Note 4)</b>			
Current	20,804	12,854	155,258
Deferred	254	(1,464)	1,898
Total income taxes	21,059	11,390	157,157
<b>Profit</b>	<b>57,456</b>	45,382	<b>428,778</b>
<b>Profit Attributable to Non-controlling Interests</b>	<b>(34)</b>	(100)	<b>(259)</b>
<b>Profit Attributable to Owners of Parent</b>	<b>¥ 57,491</b>	¥ 45,482	<b>\$ 429,038</b>

## Per Share Information:

	Yen		U.S. dollars
	2023	2022	2023
Net income	<b>¥ 1,216.33</b>	¥ 976.55	<b>\$ 9.07</b>
Net income—diluted	<b>1,185.25</b>	926.17	<b>8.84</b>
Cash dividends, applicable to earnings for the year	<b>365.00</b>	293.00	<b>2.72</b>

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 (164 and 181 thousand shares for the years ended March 31, 2023 and 2022, 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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Profit</b>	¥ 57,456	¥ 45,382	\$ 428,778
<b>Other Comprehensive Income (Note 2)</b>			
Valuation difference on available-for-sale securities	(2,634)	(6,185)	(19,656)
Foreign currency translation adjustment	3,022	4,330	22,554
Remeasurements of defined benefit plans	(1,446)	(35)	(10,798)
Share of other comprehensive income of entities accounted for using equity method	10	7	80
Total other comprehensive income	(1,048)	(1,883)	(7,820)
<b>Comprehensive Income</b>	¥ 56,408	¥ 43,499	\$ 420,957
Comprehensive income attributable to			
Owners of parent	56,442	43,594	421,211
Non-controlling interests	(34)	(95)	(254)

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, 2023 and 2022

	Millions of yen										
	Shares of issued capital stock (thousands)	Shareholders' equity				Accumulated other comprehensive income				Non-controlling interests	Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans			
<b>Balance at the Beginning of Fiscal 2022</b>	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	<b>50,795</b>	<b>¥ 54,045</b>	<b>¥ 4,488</b>	<b>¥ 144,531</b>	<b>¥ (18,591)</b>	<b>¥ 27,435</b>	<b>¥ (4,329)</b>	<b>¥ 662</b>	<b>¥ 168</b>	<b>¥ 208,409</b>	
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	
Conversion of convertible bond-type bonds with share acquisition rights	-	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	-	-	(95)	(95)	
<b>Balance at the End of Fiscal 2022</b>	<b>50,795</b>	<b>¥ 54,045</b>	<b>¥ 4,488</b>	<b>¥ 185,804</b>	<b>¥ (18,503)</b>	<b>¥ 21,250</b>	<b>¥ 5</b>	<b>¥ 627</b>	<b>¥ 73</b>	<b>¥ 247,789</b>	
<b>Balance at the Beginning of Fiscal 2023</b>	<b>50,794</b>	<b>¥ 54,044</b>	<b>¥ 4,488</b>	<b>¥ 185,804</b>	<b>¥ (18,503)</b>	<b>¥ 21,250</b>	<b>¥ 4</b>	<b>¥ 626</b>	<b>¥ 72</b>	<b>¥ 247,788</b>	
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	
Currently stated balance, as of the beginning of the current period	<b>50,794</b>	<b>¥ 54,044</b>	<b>¥ 4,488</b>	<b>¥ 185,804</b>	<b>¥ (18,503)</b>	<b>¥ 21,250</b>	<b>¥ 4</b>	<b>¥ 626</b>	<b>¥ 72</b>	<b>¥ 247,788</b>	
Profit attributable to owners of parent	-	-	-	57,491	-	-	-	-	-	57,491	
Cash dividends paid, ¥293.00 per share	-	-	-	(13,699)	-	-	-	-	-	(13,699)	
Valuation difference on available-for-sale securities	-	-	-	-	-	(2,634)	-	-	-	(2,634)	
Foreign currency translation adjustment	-	-	-	-	-	-	3,032	-	-	3,032	
Remeasurements of defined benefit plans	-	-	-	-	-	-	-	(1,446)	-	(1,446)	
Acquisition of treasury stock	-	-	-	-	(7)	-	-	-	-	(7)	
Disposal of treasury stock	-	-	0	-	116	-	-	-	-	116	
Conversion of convertible bond-type bonds with share acquisition rights	-	-	5,820	-	3,499	-	-	-	-	9,320	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	-	-	(34)	(34)	
<b>Balance at the End of Fiscal 2023</b>	<b>50,794</b>	<b>¥ 54,044</b>	<b>¥ 10,308</b>	<b>¥ 229,596</b>	<b>¥ (14,894)</b>	<b>¥ 18,616</b>	<b>¥ 3,036</b>	<b>¥ (820)</b>	<b>¥ 38</b>	<b>¥ 299,926</b>	

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
<b>Balance at the Beginning of Fiscal 2023</b>	\$ 403,320	\$ 33,495	\$ 1,386,598	\$ (138,083)	\$ 158,582	\$ 32	\$ 4,677	\$ 543	\$ 1,849,166
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–
Currently stated balance, as of the beginning of the current period	\$ 403,320	\$ 33,495	\$ 1,386,598	\$ (138,083)	\$ 158,582	\$ 32	\$ 4,677	\$ 543	\$ 1,849,166
Profit attributable to owners of parent	–	–	429,038	–	–	–	–	–	429,038
Cash dividends paid, \$2.40 per share	–	–	(102,232)	–	–	–	–	–	(102,232)
Valuation difference on available-for-sale securities	–	–	–	–	(19,656)	–	–	–	(19,656)
Foreign currency translation adjustment	–	–	–	–	–	22,628	–	–	22,628
Remeasurements of defined benefit plans	–	–	–	–	–	–	(10,798)	–	(10,798)
Acquisition of treasury stock	–	–	–	(53)	–	–	–	–	(53)
Disposal of treasury stock	–	1	–	867	–	–	–	–	868
Conversion of convertible bond-type bonds with share acquisition rights	–	43,435	–	26,118	–	–	–	–	69,553
Net changes in items other than shareholders' equity	–	–	–	–	–	–	–	(254)	(254)
<b>Balance at the End of Fiscal 2023</b>	\$ 403,320	\$ 76,930	\$ 1,713,405	\$ (111,151)	\$ 138,925	\$ 22,661	\$ (6,120)	\$ 289	\$ 2,238,259

The figures in millions of yen, thousands of U.S. dollars and thousands of shares are truncated at the nearest unit from the fiscal year ended March 31, 2023. For the fiscal year ended March 31, 2022, such figures are rounded to the nearest unit.

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 78,515	¥ 56,772	\$ 585,936
Depreciation and amortization	8,799	9,501	65,671
Impairment loss	1,993	1,602	14,877
Loss (gain) on valuation of investment securities	48	545	362
Loss (gain) on sales of investment securities	(9)	(58)	(69)
Gain on sales of non-current assets	(459)	(29)	(3,427)
Loss on retirement of non-current assets	355	2,074	2,655
Loss (gain) on sales of shares of subsidiaries and associates	(3,134)	-	(23,392)
Loss (gain) on sales of businesses	(38)	-	(286)
Share of loss (profit) of entities accounted for using equity method	252	24	1,883
Increase (decrease) in net defined benefit liability	(910)	(464)	(6,797)
Increase (decrease) in provision for bonuses	648	3,034	4,836
Increase (decrease) in provision for directors' bonuses	23	94	172
Increase (decrease) in provision for stock payment	6	24	48
Increase (decrease) in provision for management board incentive plan trust	5	18	41
Increase (decrease) in provision for product warranties	1,644	1,685	12,273
Increase (decrease) in provision for loss on order received	411	616	3,072
Interest and dividend income	(980)	(669)	(7,314)
Interest expenses	219	307	1,639
Decrease (increase) in trade notes, accounts receivable and contract assets	(17,053)	(4,176)	(127,262)
Decrease (increase) in inventories	(21,169)	(5,520)	(157,983)
Decrease (increase) in other current assets	(1,664)	(2,382)	(12,422)
Increase (decrease) in trade notes and accounts payable	10,153	9,011	75,774
Increase (decrease) in other current liabilities	41,663	17,946	310,921
Other, net	(703)	403	(5,248)
Subtotal	98,618	90,357	735,962
Interest and dividend income received	949	637	7,086
Interest expenses paid	(221)	(305)	(1,650)
Income taxes paid	(25,440)	(8,937)	(189,853)
Net cash provided by (used in) operating activities	73,906	81,752	551,544
<b>Cash Flows from Investing Activities:</b>			
Decrease (increase) in time deposits, net	195	(20)	1,455
Purchase of property, plant and equipment	(18,821)	(8,814)	(140,457)
Proceeds from sales of property, plant and equipment	2,119	102	15,813
Purchase of intangible assets	(1,974)	(1,339)	(14,738)
Purchase of investment securities	(316)	(156)	(2,364)
Proceeds from sales of investment securities	41	313	312
Proceeds from sales of shares of subsidiaries and associates resulting in change in scope of consolidation	5,398	-	40,284
Proceeds from sales of businesses	520	-	3,881
Other, net	324	(38)	2,420
Net cash provided by (used in) investing activities	(12,514)	(9,952)	(93,393)
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term debt	17	-	130
Proceeds from long-term debt	3	1,000	29
Repayments of long-term debt	(400)	(309)	(2,985)
Repayments of finance lease obligations	(1,210)	(1,424)	(9,035)
Redemption of convertible bond-type bonds with share acquisition rights	(5,681)	-	(42,396)
Net decrease (increase) in treasury stock	(5)	(11)	(42)
Cash dividends paid	(13,685)	(4,207)	(102,127)
Net cash provided by (used in) financing activities	(20,961)	(4,951)	(156,426)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	2,217	3,418	16,551
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	42,649	70,267	318,277
<b>Cash and Cash Equivalents at Beginning of Period</b>	131,011	60,744	977,694
<b>Cash and Cash Equivalents at End of Period</b>	¥ 173,660	¥ 131,011	\$ 1,295,971

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, 2023 and 2022

## 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.

The figures in millions of yen, thousands of U.S. dollars and thousands of shares are truncated at the nearest unit from the fiscal year ended March 31, 2023. For the fiscal year ended March 31, 2022, such figures are rounded to the nearest unit.

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, 2023, which was ¥134 to U.S. \$1.00. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at this or any other rate of exchange.

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

### b. Principles of consolidation

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

### c. Translation of foreign currencies

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

### d. Inventories

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

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

### e. Securities

The Company and its consolidated subsidiaries classify securities as “available-for-sale securities.” Available-for-sale securities, 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 of the assets transfers to the lessee are depreciated in the same manner as owned property, plant and equipment. Leased assets related to finance lease transactions in which ownership does not transfer are depreciated on a straight-line basis, with the lease periods as the useful life and no residual value.

### g. 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 set forth in Note 8, “Leases - Finance Leases, etc.”

### 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 ¥24,760 million (\$184,777 thousand) in 2023 and ¥24,036 million in 2022.

### 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 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 consideration is 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, with regard mainly 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 the customers obtaining control of the goods, the risk burden of the products is transferred to the 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 with repair and retrofit services, revenue is recognized upon the completion of services provided. 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. With 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:
<ul style="list-style-type: none"> <li>Forward foreign exchange contracts</li> <li>Interest rate swap contracts</li> </ul>	<ul style="list-style-type: none"> <li>Receivables and payables denominated in foreign currencies</li> <li>Interest on short-term and long-term debt</li> </ul>

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 Group Tax Sharing System

The Company and some of its domestic consolidated subsidiaries applied the Group Tax Sharing System.

### Significant accounting estimates

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

Of the accounting estimates included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2023, the following items are considered likely to have a significant impact on the consolidated financial statements for the fiscal year ending March 31, 2024.

#### 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 years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Inventories	¥ 123,876	¥ 103,739	\$ 924,451

The amounts for the consolidated fiscal year ended March 31, 2023 included ¥24,369 million in finished goods and ¥40,320 million in work in process for SCREEN Semiconductor Solutions Co., Ltd., which operates in 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 inventories whose future salability is uncertain due to their being outside of the normal operating cycle, the Company applies 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 the Semiconductor Production Equipment Business's finished goods and work in process whose future salability is uncertain and of estimating disposal value that takes into account the probability of conversion to parts or materials and other factors is based on considerations that include sales results for past fiscal years and the consolidated fiscal year ended March 31, 2023, along with forecasts regarding 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, 2024.

#### 2. Recoverability of deferred tax assets

(1) Amounts included in the consolidated financial statements for the consolidated fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets	¥ 5,948	¥ 4,904	\$ 44,390
Deferred tax liabilities	5,089	5,714	37,981

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 Group Tax Sharing System, were ¥9,229 million.

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

The Company and certain consolidated subsidiaries that have adopted the Group Tax Sharing System record deferred tax assets and assess their recoverability based on reasonable estimates of future taxable 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 Group Tax Sharing System. In addition, the estimated amounts of taxable income are based on the currently available outlook for each company adopting the Group Tax Sharing System at the time of preparation of the consolidated financial statements.

In the event that these assumptions used in sales plans need to be changed due to changes in future economic conditions, it is possible that the amounts recognized in the consolidated financial statements for the consolidated fiscal year ending March 31, 2024 will be significantly affected.

#### 3. Provision for product warranties

(1) Amounts included in the consolidated financial statements for the consolidated fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Provision for product warranties	¥ 10,418	¥ 8,774	\$ 77,753

(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, the amounts recognized in the consolidated financial statements for the consolidated fiscal year ending March 31, 2024 may be significantly affected.

#### (Changes in accounting policies) (Adoption of ASU 2016-02 "Leases")

Certain overseas consolidated subsidiaries which apply U.S. GAAP adopted ASU 2016-02 "Leases" (February 25, 2016, hereinafter "ASU 2016-02") from the beginning of the fiscal 2023. With the application of ASU 2016-02, the lessee generally recognizes all leases as assets and liabilities. In adopting ASU 2016-02, in accordance with the transition provisions, the cumulative effect of

applying this standard was recognized on the date of the start of adoption. The effect of this change on the financial statement has been immaterial

**(Adoption of “Implementation Guidance on Accounting Standard for Fair Value Measurement,” etc.)**

The Company has adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021 (hereinafter “Implementation Guidance on Accounting Standard for Fair Value Measurement”)), etc. from the beginning of fiscal 2023. The Company has prospectively adopted new accounting policies based on the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transition provisions in Article 27-2. The adoption of this guidance has had no impact on the financial statements.

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

Following accounting standards and guidance are those issued but not yet adopted.

- Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022, ASBJ)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, October 28, 2022, ASBJ)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022, ASBJ)

(1) Overview

Transfer of JICPA’s practical guidelines on tax effect accounting to ASBJ was completed with the issuance of standards and guidance including ASBJ Statement No.28, Partial Amendments to Accounting Standard for Tax Effect Accounting (hereinafter collectively referred to as “ASBJ Statement No.28, etc.”) in February 2018. During deliberations, it was determined that the following two issues would be further discussed subsequent to the issuance of ASBJ Statement No. 28, etc. The above standards and guidance were issued as a result of the discussions on the two issues below:

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance

The effects of application of Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements are currently under evaluation.

**(Additional information)**

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

The Company has introduced a performance-linked share compensation system (hereinafter referred to as “the System”) for Directors (excluding outside directors) of the Company and its subsidiaries and Corporate Officers of the Company and its subsidiaries (hereinafter collectively referred to as “Directors and others”) aimed at developing awareness and contributing to the improvement of medium- to long-term business performance and enhancing corporate value. By making the link 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 their retirement.

(2) Company shares remaining in the trust

Shares of Company stock remaining in the trust are recorded as treasury stock in the Net Assets section based on book value (excluding incidental expenses) of the trust. The book value of the treasury stock in question for the year ended March 31, 2023 was ¥1,039 million, and the number of shares was 159 thousand shares. The book value of the treasury stock in question for the year ended March 31, 2022 was ¥1,155 million, and the number of shares was 177 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ (3,820)	¥ (8,857)	\$ (28,510)
Reclassification adjustments	38	(56)	285
Subtotal, before tax	(3,782)	(8,913)	(28,224)
Tax benefit (expense)	1,148	2,728	8,567
Subtotal, net of tax	(2,634)	(6,185)	(19,656)
Foreign currency translation adjustment:			
Increase (decrease) during the year	2,757	4,330	20,580
Reclassification adjustments	264	-	1,973
Subtotal, net of tax	3,022	4,330	22,554
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(2,078)	0	(15,514)
Reclassification adjustments	(41)	(49)	(311)
Subtotal, before tax	(2,120)	(49)	(15,826)
Tax benefit (expense)	673	14	5,027
Subtotal, net of tax	(1,446)	(35)	(10,798)
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	10	7	80
Total other comprehensive income	¥ (1,048)	¥ (1,883)	\$ (7,820)

## Note 3: Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2023 and 2022 were as follows:

### (1) Newly booked assets and liabilities related to finance leases

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Leased assets	¥ 1,347	¥ 986	\$ 10,054
Lease obligations	1,352	987	10,093

### (2) Items related to the redemption of convertible bond-type bonds with share acquisition rights

For the current fiscal year (as of March 31, 2023)

The Company disposed of treasury stock in line with the exercise of convertible bond-type bonds with share acquisition rights. As a result, capital surplus increased ¥5,820 million (\$43,434 thousand) and treasury stock decreased ¥3,499 million (\$26,118 thousand).

For the previous fiscal year (as of March 31, 2022)

Not applicable.

## Note 4: Income Taxes

The Company is subject to several taxes based on income with statutory tax rate of approximately 30.5% in 2023 and 2022. Significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Deferred tax assets</b>			
Loss on valuation of inventories	¥ 3,029	¥ 4,259	\$ 22,611
Provision for product warranties	3,175	2,663	23,698
Accrued bonuses for employees / provision for bonuses	2,520	2,329	18,807
Unrealized income on inventories	2,837	1,847	21,178
Depreciation	3,290	2,844	24,559
Research and development expenses	950	1,249	7,095
Impairment loss	2,017	1,950	15,058
Net defined benefit liability	307	191	2,291
Net operating loss carryforwards (Note)	5,071	4,958	37,849
Other	5,950	6,194	44,409
Deferred tax assets-subtotal	¥ 29,152	¥ 28,484	\$ 217,559
Valuation allowance for net operating loss carryforwards (Note)	(4,795)	(4,803)	(35,783)
Valuation allowance for deductible temporary differences	(10,474)	(10,407)	(78,168)
Valuation allowance – total	(15,269)	(15,210)	(113,952)
Total deferred tax assets	¥ 13,883	¥ 13,274	\$ 103,606
<b>Deferred tax liabilities</b>			
Undistributed earnings of consolidated overseas subsidiaries	(2,649)	(2,305)	(19,770)
Valuation difference on available-for-sale securities	(7,737)	(8,886)	(57,745)
Net defined benefit asset	(2,102)	(2,572)	(15,689)
Other	(535)	(321)	(3,992)
Total deferred tax liabilities	(13,024)	(14,084)	(97,198)
Net deferred tax assets (liabilities)	¥ 858	¥ (810)	\$ 6,408

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

For the year ended March 31, 2023	Millions of yen							Thousands of U.S. dollars						
	2024	2025	2026	2027	2028	2029 and after	Total	2024	2025	2026	2027	2028	2029 and after	Total
Operating loss carryforwards <sup>1</sup>	109	61	105	329	–	4,465	5,071	817	462	789	2,457	–	33,321	37,849
Valuation allowance	(94)	(46)	(90)	(314)	–	(4,248)	(4,795)	(706)	(350)	(677)	(2,345)	–	(31,702)	(35,783)
Net deferred tax assets	14	14	14	14	–	216	276	111	111	111	111	–	1,618	2,065

\*1 The amount of net operating loss carryforwards shown in the above table is after multiplying the statutory tax rate.

For the year ended March 31, 2022	Millions of yen							Thousands of U.S. dollars						
	2023	2024	2025	2026	2027	2028 and after	Total	2023	2024	2025	2026	2027	2028 and after	Total
Operating loss carryforwards <sup>2</sup>	33	109	77	108	312	4,319	4,958	271	893	631	885	2,557	35,402	40,639
Valuation allowance	(19)	(95)	(63)	(95)	(298)	(4,233)	(4,803)	(156)	(778)	(516)	(779)	(2,443)	(34,697)	(39,369)
Net deferred tax assets	14	14	14	13	14	86	155	115	115	115	106	114	705	1,270

\*2 The amount of 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, 2023 and 2022 is set forth in the table below.

	2023	2022
Statutory tax rate	30.5 %	30.5 %
Nondeductible expenses	0.3	0.3
Valuation allowance	0.1	(7.2)
Tax credits	(3.3)	(2.9)
Tax rate difference from parent company	(0.8)	(1.3)
Undistributed earnings of consolidated overseas subsidiaries	0.4	0.2
Tax unrecognized for unrealized profit on inventories	(0.3)	0.0
Consolidated overseas subsidiaries' withholding tax on dividends	0.8	1.2
Per capital levy	0.3	0.4
Deductible losses on valuation of shares in subsidiaries and affiliates	(2.2)	–
Other, net	1.0	(1.1)
Effective tax rate	26.8 %	20.1 %

### Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and some of its domestic consolidated subsidiaries have adopted the Group Tax Sharing System from the fiscal year ended March 31, 2023. In addition, corporation tax, local corporation tax, and their tax effects, are accounted for and disclosed under “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (PITF No.42, August 12, 2021).

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

Short-term debt consists generally of borrowings from banks. The interest rate on the borrowings at March 31, 2023 was 0.52%. There was no short-term debt as of March 31, 2022.

Long-term debt and lease obligations as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
0.30% loans from Japanese banks, due in installments through March 29, 2024			
Secured	¥ –	¥ –	\$ –
Unsecured	9,000	9,000	67,164
0.30% loan from a governmental institution, due March 29, 2024			
Secured	–	–	–
Unsecured	1,000	1,000	7,462
0.70% loans from an insurance company, due in installments through March 31, 2024			
Secured	–	–	–
Unsecured	400	800	2,985
Euro yen zero coupon convertible bonds, due June 10, 2022			
Secured	–	–	–
Unsecured	–	15,003	–
Euro yen zero coupon convertible bonds, due June 11, 2025			
Secured	–	–	–
Unsecured	15,023	15,034	112,113
Lease obligations maturing serially through 2031			
Secured	–	–	–
Unsecured	3,407	3,399	25,429
Subtotal	28,830	44,236	215,154
Less amounts due within one year	(11,515)	(16,394)	(85,936)
Total	¥ 17,315	¥ 27,842	\$ 129,218

Note: The ¥4 million (\$29 thousand) long-term loan with no interest and no maturity date is not included in the above table.

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, 2023, the total financing available under these contracts amounted to ¥60,000 million (\$447,761 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 (\$111,940 thousand) were convertible into shares of common stock of the Company at ¥11,434.8 (\$85) per share. Other convertible bonds due in 2025 with a gross amount of ¥15,000 million (\$111,940 thousand) were convertible into shares of common

stock of the Company at ¥12,184.4 (\$90) per share exercisable 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
2025	¥ 938	\$ 7,005
2026	15,414	115,036
2027	292	2,181
2028 and thereafter	646	4,822
Total	¥ 17,290	\$ 129,045

## 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 ¥1,185.25 (\$8.84) and ¥926.17 (\$7.59) for the fiscal year ended March 31, 2023 and 2022, respectively. At the annual shareholders’ meeting held on June 23, 2023, the shareholders approved cash dividends of ¥365.00 (\$2.72) per share, totaling ¥17,362 million (\$129,567 thousand). The dividend payment was not accrued in the consolidated financial statements as of March 31, 2023 and is recognized when it has been approved by shareholders.

Note: The total amount of dividends includes ¥58 million (\$433 thousand) of dividends for 159 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, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Merchandise and finished goods	¥ 45,865	¥ 45,791	\$ 342,279
Work in process	59,721	46,741	445,680
Raw materials and supplies	18,289	11,207	136,491
Total	¥ 123,876	¥ 103,739	\$ 924,451

## Note 8: Leases

### 1. Finance leases, etc.

The following information is related to the finance leases of domestic subsidiaries that do not transfer ownership and the right-of-use assets of consolidated overseas subsidiaries in the fiscal years ended March 31, 2023 and 2022.

#### (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(f), "Summary of Significant Accounting and Reporting Policies - Depreciation."

### 2. Operating leases

#### (As lessee)

Future minimum lease payments as lessee:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due within one year	¥ 238	¥ 388	\$ 1,782
Due after one year	393	1,328	2,937
Total	¥ 632	¥ 1,716	\$ 4,719

Notes: 1. Lease transactions that apply IFRS 16 and ASU 2016-02 and recognize assets and liabilities in consolidated balance sheets are not included.

2. Future minimum lease payments on non-cancellable operating leases decreased in the fiscal year ended March 31, 2023 due to the adoption of ASU 2016-02 in North American subsidiaries.

## 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 their business results.

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

Accordingly, the SCREEN Group comprises four reportable segments based on said 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 it also conducts maintenance services. In the PE segment, PCB related equipment is developed, manufactured, sold and maintained.

### 2. Basis of measurement of reportable segment net sales, 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, 2023	Millions of yen						
	Reportable segment				Others	Adjustments	Consolidated
	SPE	GA	FT	PE			
<b>Sales</b>							
Sales to outside customers	¥ 370,934	¥ 45,332	¥ 25,766	¥ 16,735	¥ 2,064	¥ –	¥ 460,834
Intersegment sales and transfers	–	277	422	99	16,474	(17,273)	–
Total	370,934	45,609	26,189	16,835	18,538	(17,273)	460,834
Segment income (loss)	¥ 76,950	¥ 3,397	¥ (1,840)	¥ 3,358	¥ (443)	¥ (4,970)	¥ 76,452
Segment assets	¥ 349,632	¥ 47,208	¥ 22,174	¥ 15,925	¥ 8,074	¥ 119,799	¥ 562,816
<b>Other</b>							
Depreciation and amortization	4,786	481	200	140	196	2,995	8,799
Impairment loss	–	–	420	–	8	1,564	1,993
Capital expenditures	5,343	1,332	564	402	112	21,261	29,015

As of and for the year ended March 31, 2022	Millions of yen						
	Reportable segment				Others	Adjustments	Consolidated
	SPE	GA	FT	PE			
<b>Sales</b>							
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
<b>Other</b>							
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, 2023	Thousands of U.S. dollars						
	Reportable segment				Others	Adjustments	Consolidated
	SPE	GA	FT	PE			
<b>Sales</b>							
Sales to outside customers	\$ 2,768,169	\$ 338,300	\$ 192,288	\$ 124,893	\$ 15,408	\$ –	\$ 3,439,060
Intersegment sales and transfers	–	2,071	3,152	744	122,941	(128,910)	–
Total	2,768,169	340,371	195,441	125,637	138,349	(128,910)	3,439,060
Segment income (loss)	\$ 574,258	\$ 25,356	\$ (13,736)	\$ 25,060	\$ (3,308)	\$ (37,091)	\$ 570,538
Segment assets	\$ 2,609,200	\$ 352,304	\$ 165,480	\$ 118,845	\$ 60,259	\$ 894,029	\$ 4,200,120
<b>Other</b>							
Depreciation and amortization	35,718	3,589	1,495	1,045	1,465	22,356	65,671
Impairment loss	–	–	3,135	–	66	11,674	14,877
Capital expenditures	39,873	9,940	4,212	3,003	836	158,664	216,531

- Notes: 1. The "Others" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business, software development, planning and production of printed matter and other businesses. Moreover, the "Others" category for the fiscal year ended March 31, 2022, included the business for the development, manufacturing and sales of inspection systems for in-vehicle components.
2. Segment operating income (loss) adjustments of ¥(4,970) million (\$ (37,091) thousand) and ¥(5,119) million for the years ended March 31, 2023 and 2022, respectively, are the Company's profit (loss) not attributable to a reportable segment. Segment assets adjustments of ¥119,799 million (\$894,029 thousand) and ¥98,226 million for the years ended March 31, 2023 and 2022, 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	
	2023		2022		2023	
Japan	¥ 84,775	(18.4%)	¥ 77,471	(18.8%)	\$ 632,653	
Taiwan	132,927	(28.8%)	96,448	(23.4%)	991,993	
South Korea	33,985	(7.4%)	30,292	(7.4%)	253,624	
China	94,392	(20.5%)	107,751	(26.2%)	704,420	
United States	47,638	(10.3%)	48,736	(11.8%)	355,510	
Europe	44,995	(9.8%)	36,261	(8.8%)	335,787	
Others	22,119	(4.8%)	14,906	(3.6%)	165,071	
Total	¥ 460,834	(100.0%)	¥ 411,865	(100.0%)	\$ 3,439,060	

- 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
	2023		2022		2023
Japan	¥ 62,663	(86.2%)	¥ 47,214	(83.5%)	\$ 467,636
Asia	3,673	(5.1%)	3,692	(6.5%)	27,415
North America	2,375	(3.3%)	1,982	(3.5%)	17,730
Europe	3,911	(5.3%)	3,582	(6.4%)	29,192
Others	43	(0.1%)	54	(0.1%)	323
Total	¥ 72,667	(100.0%)	¥ 56,524	(100.0%)	\$ 542,298

Note: The numbers shown in parentheses are component ratios.

## 2. Information about major customers

Year ended March 31, 2023	Millions of yen	Thousands of U.S.dollars	Year ended March 31, 2022	Millions of yen
Net sales			Net sales	
Taiwan Semiconductor Manufacturing Company, Ltd. (related segment: SPE)	¥ 100,786	\$ 752,137	Taiwan Semiconductor Manufacturing Company, Ltd. (related segment: SPE)	¥ 72,307

## Note 10: Contingent Liabilities

As of March 31, 2023 and 2022, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
As guarantors of			
Customers' business loans	¥ 15	¥ 42	\$ 118
Employees' housing loans	¥ 3	¥ 5	\$ 22
Total	¥ 18	¥ 47	\$ 140

## 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(x), "Summary of Significant Accounting and Reporting Policies - 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, 2023 and 2022, 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.

Years ended March 31	Millions of yen						Thousands of U.S. dollars			
	2023			2022			2023			
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference	
(1) Investments in securities										
Available-for-sale securities <sup>(2)</sup>	¥ 39,982	¥ 39,982	¥ -	¥ 43,756	¥ 43,756	¥ -	\$ 298,373	\$ 298,373	\$ -	
Total assets	¥ 39,982	¥ 39,982	¥ -	¥ 43,756	¥ 43,756	¥ -	\$ 298,373	\$ 298,373	\$ -	
(1) Bonds (including those due within one year)	15,023	17,013	1,990	30,037	34,281	4,244	112,113	126,968	14,855	
(2) Long-term loans (including those due within one year)	10,404	10,400	(3)	10,800	10,774	(26)	77,641	77,616	(25)	
(3) Lease obligations (including those due within one year)	3,407	3,329	(77)	3,399	3,569	170	25,429	24,850	(578)	
Total liabilities	¥ 28,834	¥ 30,744	¥ 1,909	¥ 44,236	¥ 48,624	¥ 4,388	\$ 215,184	\$ 229,435	\$ 14,251	
Derivative transactions <sup>(3)</sup>	¥ 72	¥ ¥72	¥ -	¥ (592)	¥ (592)	¥ -	\$ 540	\$ 540	\$ -	

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

(\*3) 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.

Category	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
	Book value	Book value	Book value
Non-listed equity securities	¥ 715	¥ 615	\$ 5,338

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 ¥53 million (\$398 thousand).

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			
	2023				2022				2023			
	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	¥ 175,561	¥ -	¥ -	¥ -	¥ 133,073	¥ -	¥ -	¥ -	\$ 1,310,159	\$ -	\$ -	\$ -
Notes and accounts receivable - trade	107,217	-	-	-	91,160	-	-	-	800,130	-	-	-
Total	¥ 282,778	¥ -	¥ -	¥ -	¥ 224,233	¥ -	¥ -	¥ -	\$ 2,110,290	\$ -	\$ -	\$ -

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 of 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 formed in an active market of the observable inputs

Level 2: Fair value calculated using observable inputs other than Level 1 inputs

Level 3: Fair value calculated using unobservable inputs

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 level as the lowest level input used in calculating the fair value.

Financial Instruments Recorded at Fair Value in the Consolidated Balance Sheet

Category	Fair value (millions of yen)								Fair value (thousands of U.S. dollars)			
	2023				2022				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Investments in securities</b>												
Other securities												
Shares	¥ 39,982	¥ -	¥ -	¥ 39,982	¥ 43,756	¥ -	¥ -	¥ 43,756	\$ 298,373	\$ -	\$ -	\$ 298,373
<b>Derivatives</b>												
Currency-related	¥ -	¥ 72	¥ -	¥ 72	¥ -	¥ -	¥ -	¥ -	\$ -	\$ 540	\$ -	\$ 540
Total assets	¥ 39,982	¥ 72	¥ -	¥ 40,054	¥ 43,756	¥ -	¥ -	¥ 43,756	\$ 298,373	\$ 540	\$ -	\$ 298,913
<b>Derivatives</b>												
Currency-related	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 592	¥ -	¥ 592	\$ -	\$ -	\$ -	\$ -
Total liabilities	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 592	¥ -	¥ 592	\$ -	\$ -	\$ -	\$ -

Financial Instruments, Excluding Financial Instruments, Recorded at Fair Value in the Consolidated Balance Sheet

Category	Fair value (millions of yen)								Fair value (thousands of U.S. dollars)			
	2023				2022				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Bonds (including those due within one year)	¥ -	¥ 17,013	¥ -	¥ 17,013	¥ -	¥ 34,281	¥ -	¥ 34,281	\$ -	\$ 126,968	\$ -	\$ 126,968
Long-term bonds (including those due within one year)	¥ -	¥ 10,400	¥ -	¥ 10,400	¥ -	¥ 10,774	¥ -	¥ 10,774	\$ -	\$ 77,616	\$ -	\$ 77,616
Lease obligations (including those due within one year)	¥ -	¥ 3,329	¥ -	¥ 3,329	¥ -	¥ 3,569	¥ -	¥ 3,569	\$ -	\$ 24,850	\$ -	\$ 24,850
Total liabilities	¥ -	¥ 30,744	¥ -	¥ 30,744	¥ -	¥ 48,624	¥ -	¥ 48,624	\$ -	\$ 229,435	\$ -	\$ 229,435

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

#### Investment Securities

Listed shares are valued 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 on the present discounted value method using observable inputs, such as exchange rates, and are 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, 2023 and 2022 were as follows:

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

Currency related

	Millions of yen								Thousands of U.S. dollars			
	2023				2022				2023			
	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)	¥ 6,800	¥ -	¥ 86	¥ 86	¥ 6,202	¥ -	¥ (404)	¥ (404)	\$ 50,752	\$ -	\$ 642	\$ 642
(Sell-Euro)	3,120	-	(13)	(13)	4,077	-	(190)	(190)	23,288	-	(101)	(101)
(Sell-Pound)	-	-	-	-	302	-	2	2	-	-	-	-
Total	¥ 9,921	¥ -	¥ 72	¥ 72	¥10,581	¥ -	¥ (592)	¥ (592)	\$ 74,040	\$ -	\$ 540	\$ 540

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

(1) Currency related

	Hedged items	Millions of yen						Thousands of U.S. dollars		
		2023			2022			2023		
		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	¥ 39	¥ -	Note	¥ -	¥ -	Note	\$ 293	\$ -	Note
(Sell-Euro)	Accounts receivable	57	-	Note	13	-	Note	428	-	Note
Total		¥ 96	¥ -	Note	¥ 13	¥ -	Note	\$ 722	\$ -	Note

Note: Forward foreign exchange contracts subject to alternative method are accounted for together with the related 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, 2023)  
Not applicable.

For the previous fiscal year (as of March 31, 2022)  
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, 2023 and 2022:

### Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2023			2022			2023		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	¥ 11,895	¥ 38,469	¥ 26,574	¥ 11,012	¥ 41,664	¥ 30,652	\$ 88,769	\$ 287,084	\$ 198,315
Others	—	—	—	—	—	—	—	—	—
Total	¥ 11,895	¥ 38,469	¥ 26,574	¥ 11,012	¥ 41,664	¥ 30,652	\$ 88,769	\$ 287,084	\$ 198,315
Securities with book values not exceeding acquisition costs:									
Equity securities	¥ 1,733	¥ 1,512	¥ (220)	¥ 2,613	¥ 2,092	¥ (521)	\$ 12,932	\$ 11,288	\$ (1,644)
Others	—	—	—	—	—	—	—	—	—
Total	¥ 1,733	¥ 1,512	¥ (220)	¥ 2,613	¥ 2,092	¥ (521)	\$ 12,932	\$ 11,288	\$ (1,644)

2. Total sales of available-for-sale securities for the year ended March 31, 2023 amounted to ¥41 million (\$312 thousand), and the related total gain amounted to ¥9 million (\$69 thousand).

Total sales of available-for-sale securities for the year ended March 31, 2022 amounted to ¥305 million, and the related total gain amounted to ¥58 million.

## Note 14: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2023 and 2022 was as follows:

### 1. Defined benefit plans

#### (1) Changes in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥ 33,051	¥ 33,452	\$ 246,657
Service cost	1,339	1,365	9,998
Interest cost	331	327	2,476
Actuarial loss (gain)	(333)	(104)	(2,491)
Benefits paid	(2,436)	(2,017)	(18,183)
Other	76	29	569
Balance at end of year	¥ 32,029	¥ 33,052	\$ 239,027

#### (2) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥ 39,713	¥ 39,764	\$ 296,371
Expected return on plan assets	999	1,001	7,456
Actuarial loss (gain)	(2,154)	0	(16,074)
Contributions paid by the employer	1,045	1,001	7,798
Benefits paid	(2,436)	(2,018)	(18,183)
Other	300	(34)	2,242
Balance at end of year	¥ 37,467	¥ 39,714	\$ 279,611

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligations	¥ 32,029	¥ 33,052	\$ 239,027
Plan assets	37,467	39,714	279,611
Total net liability (asset) for retirement benefits	¥ (5,438)	¥ (6,662)	\$ (40,584)
Net defined benefit liability	957	1,149	7,146
Net defined benefit asset	6,395	7,811	47,730
Total net liability (asset) for retirement benefits	¥ (5,438)	¥ (6,662)	\$ (40,584)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 1,339	¥ 1,365	\$ 9,998
Interest cost	331	327	2,476
Expected return on plan assets	(999)	(1,001)	(7,456)
Net actuarial loss amortization	(300)	(152)	(2,242)
Total retirement benefit costs	¥ 371	¥ 539	\$ 2,774

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial gains and losses	¥ (2,120)	¥ (49)	\$ (15,826)
Total balance	¥ (2,120)	¥ (49)	\$ (15,826)

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial gains and losses yet to be recognized	¥ (1,204)	¥ 916	\$ (8,991)
Total balance	¥ (1,204)	¥ 916	\$ (8,991)

(7) Plan assets

1. Plan assets comprise:

	2023	2022
Bonds	34%	35%
Equity securities	26%	27%
Cash and cash equivalents	3%	3%
Life insurance company general accounts	18%	18%
Alternative	19%	17%
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, 2023 and 2022 were as follows:

	2023	2022
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 a rate of expected pay raise 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, 2023 and 2022 amounted to ¥1,239 million (\$9,248 thousand) and ¥1,156 million, respectively.

## Note 15: Revenue Recognition

### 1. Breakdown of revenue from contracts with customers by country or region based on customer location, and by types of products and services

For the year ended March 31, 2023

Country or region	Millions of yen							Others <sup>(*)</sup>	Total
	Reportable segment					Total			
	SPE	GA	FT	PE					
Japan	¥ 58,347	¥ 19,701	¥ 1,236	¥ 3,731	¥ 83,016	¥ 1,758	¥ 84,775		
Taiwan	123,867	332	7,392	1,328	132,920	6	132,927		
South Korea	26,620	3,610	49	3,705	33,985	–	33,985		
China	70,324	687	16,919	6,411	94,342	50	94,392		
United States	35,551	12,019	4	–	47,575	62	47,638		
Europe	37,986	6,796	28	65	44,876	118	44,995		
Others	18,238	2,183	136	1,492	22,051	68	22,119		
Overseas	¥ 312,587	¥ 25,630	¥ 24,530	¥ 13,004	¥ 375,752	¥ 306	¥ 376,058		
Sales to outside customers <sup>(*)</sup>	¥ 370,934	¥ 45,332	¥ 25,766	¥ 16,735	¥ 458,769	¥ 2,064	¥ 460,834		
Products and services									
New equipment <sup>(*)</sup>	297,091	24,350	18,567	11,255	351,265	482	351,747		
After-sales service and other <sup>(*)</sup>	73,842	20,982	7,199	5,480	107,504	1,581	109,086		
Sales to outside customers <sup>(*)</sup>	¥ 370,934	¥ 45,332	¥ 25,766	¥ 16,735	¥ 458,769	¥ 2,064	¥ 460,834		

For the year ended March 31, 2022

Country or region	Millions of yen							Others <sup>(*)</sup>	Total
	Reportable segment					Total			
	SPE	GA	FT	PE					
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 <sup>(*)</sup>	¥ 319,398	¥ 43,279	¥ 33,072	¥ 13,312	¥ 409,061	¥ 2,804	¥ 411,865		
Products and services									
New equipment <sup>(*)</sup>	256,262	23,950	27,009	8,887	316,109	1,417	317,526		
After-sales service and other <sup>(*)</sup>	63,136	19,329	6,063	4,425	92,952	1,387	94,339		
Sales to outside customers <sup>(*)</sup>	¥ 319,398	¥ 43,279	¥ 33,072	¥ 13,312	¥ 409,061	¥ 2,804	¥ 411,865		

For the year ended March 31, 2023

Country or region	Thousands of U.S. dollars							Others <sup>(*)</sup>	Total
	Reportable segment					Total			
	SPE	GA	FT	PE					
Japan	\$ 435,426	\$ 147,029	\$ 9,225	\$ 27,848	\$ 619,529	\$ 13,123	\$ 632,653		
Taiwan	924,383	2,479	55,168	9,914	991,946	47	991,993		
South Korea	198,660	26,944	366	27,652	253,624	–	253,624		
China	524,806	5,127	126,264	47,849	704,047	373	704,420		
United States	265,310	89,699	31	–	355,041	469	355,510		
Europe	283,478	50,721	210	489	334,900	886	335,787		
Others	136,104	16,297	1,022	11,138	164,563	508	165,071		
Overseas	\$ 2,332,743	\$ 191,270	\$ 183,063	\$ 97,044	\$ 2,804,123	\$ 2,284	\$ 2,806,407		
Sales to outside customers <sup>(*)</sup>	\$ 2,768,169	\$ 338,300	\$ 192,288	\$ 124,893	\$ 3,423,652	\$ 15,408	\$ 3,439,060		
Products and services									
New equipment <sup>(*)</sup>	2,217,104	181,716	138,564	83,995	2,621,381	3,603	2,624,984		
After-sales service and other <sup>(*)</sup>	551,065	156,583	53,724	40,897	802,271	11,804	814,076		
Sales to outside customers <sup>(*)</sup>	\$ 2,768,169	\$ 338,300	\$ 192,288	\$ 124,893	\$ 3,423,652	\$ 15,408	\$ 3,439,060		

(\*) The "Others" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business, software development, planning and production of printed matter and other businesses. Moreover, the "Others" category for the fiscal year ended March 31, 2022, included the business for the development, manufacturing and sales of inspection systems for in-vehicle components.

(\*) "New equipment" includes sales of new equipment and the provision of services related to the installation of equipment. "After-sales service and other" includes sales of maintenance parts and consumables, repair and retrofit services, and sales of used equipment.

(\*) "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 Note 1(w), “Summary of Significant Accounting and Reporting Policies - Revenues and expenses.”

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, 2023, which are estimated to be recognized in or after the following fiscal year

(1) Balance of Contract Assets and Contract Liabilities

	Millions of yen				Thousands of U.S. dollars	
	FY2023 (As of March 31, 2023)		FY2022 (As of March 31, 2022)		FY2023 (As of March 31, 2023)	
	Balance at the beginning of the year	Balance at the end of the year	Balance at the beginning of the year	Balance at the end of the year	Balance at the beginning of the year	Balance at the end of the year
Receivables from contracts with customers	¥ 77,645	¥ 86,156	¥ 77,703	¥ 77,646	\$ 579,447	\$ 642,955
Contract assets	¥ 13,513	¥ 21,061	¥ 8,530	¥ 13,514	\$ 100,848	\$ 157,175
Contract liabilities	¥ 32,927	¥ 74,674	¥ 16,971	¥ 32,927	\$ 245,724	\$ 557,271

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

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

There were no cases in which the period between satisfaction of the performance obligation and receipt of the consideration was 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 at the beginning of the fiscal year ended March 31, 2022 was mainly reversed to revenue during the fiscal year ended March 31, 2022, and the amount carried forward to the subsequent fiscal years were immaterial.

In addition, the balance of contract liabilities whose revenue recognition was in the fiscal year ended March 31, 2023 and which were included in the beginning balance of the fiscal year ended March 31, 2023 was ¥27,621 million (\$206,132 thousand).

(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 exceeded 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, 2023, the SCREEN Group recorded impairment loss of ¥1,993 million (\$14,877 thousand).

A significant non-current asset included in this loss is listed in the table below.

For the year ended March 31, 2023

(1) Assets for which impairment loss was recognized

Location	Major use	Asset category	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
SCREEN Holdings Co., Ltd. Yasu Plant Yasu-shi, Shiga	Assets for rent	Buildings and structures	¥ 1,448	\$ 10,806
SCREEN Finetech Solutions Co., Ltd. Hikone-shi, Shiga	Operating assets	Machinery, equipment and other	¥ 420	\$ 3,135

(2) Background to recognition of impairment loss

Each of the estimated future cash flows generated from the use of the groups of assets held by SCREEN Holdings Co., Ltd. Yasu Plant and SCREEN Finetech Solutions Co., Ltd. fell below their respective book values. Accordingly, the book values of the assets were reduced to the 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	¥ 879	\$ 6,562
Machinery, equipment and other	428	3,194
Leased assets and other	457	3,412
Investments and other assets		
Other assets	103	772
Total	¥ 1,868	\$ 13,941

### (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 assets for rent and idle assets by the individual asset.

### (5) Measuring 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 recoverable amount of a rental asset is measured using the value in use. 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, 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	¥ 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) Measuring 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.

## Note 17: Significant Subsequent Events

### (Stock Split)

The Company, at a meeting of the Board of Directors held on May 10, 2023, has resolved to implement a stock split and make corresponding partial amendment to the Articles of Incorporation.

#### (1) Purpose of Stock Split

By implementing the stock split to lower the minimum investment, we intend to make shares more affordable for investors, with a view to expanding the investor base.

We recognize that transitioning to a share price per unit within the ideal range recommended by the Tokyo Stock Exchange (between JPY 50,000 and less than JPY 500,000) would be useful in terms of encouraging market participation by individual investors. Going forward, we will continue to watch and consider further actions based on future stock market trends, the price and liquidity of the Company shares, and changes to the shareholder structure in a holistic manner.

#### (2) Details of Stock Split

##### (i) Split Method

The Company will split the shares of common stock owned by all recorded shareholders as of September 30, 2023, in the ratio of 1 share into 2 shares.

##### (ii) Number of Shares Increased Through Stock Split

Total number of issued shares before stock split	50,794,866 shares
Number of shares increased through stock split	50,794,866 shares
Total number of issued shares after stock split	101,589,732 shares
Total number of authorized shares after stock split	360,000,000 shares

##### (iii) Schedule

Date of public notice of record date	September 15, 2023
Record date	September 30, 2023
Effective date	October 1, 2023

#### (3) Impact on per share data

Per share data as of and for the years ended March 31, 2023 and 2022, calculated based on the assumption that stock split had been carried out at the beginning of the year ended March 31, 2022, is as follows.

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share of capital stock	¥3,162.72	¥2,659.16	\$23.60
Basic earnings per share	608.16	488.27	4.53
Diluted earnings per share of capital stock	592.63	463.08	4.42



# 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, 2023, 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, 2023, 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 ¥123,876 million reported on the	The primary procedures we performed to assess the reasonableness of the valuation of the Inventories included the following:  (1) Internal control testing We tested the design and operating effectiveness of certain of internal controls relevant to the valuation of the Inventories. In this assessment,

consolidated balance sheet of SCREEN Holdings Co., Ltd. (hereinafter referred to as the “Company”) and its consolidated subsidiaries as of March 31, 2023, were finished goods of ¥24,369 million and work in process of ¥40,320 million related to SCREEN Semiconductor Solutions Co., Ltd. (hereinafter referred to as the “SPE”) within the Semiconductor Production Equipment Business segment, which amounted to ¥64,690 million and represented 11% of total assets in the consolidated financial statements.

In principle, loss on valuation of inventories is reported for the finished goods and work in process in the Semiconductor Production Equipment Business (hereinafter 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, in order to reflect their reduced profitability.

The semiconductor market to which SPE belongs is subject to wild ups and downs. Sometimes the market grows substantially driven by rapid technological innovation, and other times it faces the stagnation caused by the deterioration in the supply-demand balance. For this reason, significant management’s judgment was involved in the identification of the Inventories with uncertainty about the future salability and the estimate of the amount of reduction in the carrying amount.

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.

(2) Assessment of the appropriateness of the determination of the identification of the Inventories with the uncertainty about the future salability

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:

- (i) assessed the appropriateness of the judgment on the salability of the Inventories using demand forecasts of semiconductor production equipment published by external organizations and investment plans disclosed by customers as a reference; and
- (ii) assessed the consistency of management’s judgment with our understanding of each of the Inventories and the sales history of the previous and current fiscal years by inquiring of management 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.

(3) Assessment of the reasonableness of the estimated amount of reduction in the carrying amount

In order to assess the reasonableness of the estimated amount of reduction in the carrying amount for the Inventories that were subject to reducing their carrying amount, we performed the following procedures:

- (i) compared the write-down rates used to calculate the amount of reduction in the carrying amount with the average actual rate of loss from disposal of the Inventories in the previous and current fiscal years; and
- (ii) assessed the accuracy of the calculation for the amount of the reduction in the carrying amount through recalculation.

## 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
<p>In the consolidated balance sheet, deferred tax assets of ¥5,948 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 tax return by applying the Group Tax Sharing System (hereinafter, referred to collectively as the "tax sharing group") accounted for ¥9,229 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.</p> <p>The recoverability of deferred tax assets related to corporate taxes and local taxes of the tax sharing group are determined based on the estimated total taxable income of the entire tax sharing group before adjustment for temporary differences and net operating loss carryforwards within the period in the future for which taxable income is reasonably estimable.</p> <p>The period in the future for which taxable income is reasonably estimable involved management judgement, because it is determined by considering business environment of major companies in the tax sharing group and the periods for future earnings projections. In addition, the business plan, based on which future taxable income of the entire tax sharing group was estimated, incorporated key assumptions, such as the sales projections of the major companies in the group based on actual and expected purchase orders from customers.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the recoverability of deferred tax assets of the tax sharing 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.</p>	<p>The primary procedures we performed to assess the appropriateness of the Company's judgment on the recoverability of deferred tax assets of the tax sharing group included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of projecting future taxable income, including the development of the business plan.</p> <p>(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</p> <p>We inquired of management of the major companies in the tax sharing 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:</p> <ul style="list-style-type: none"> <li>● 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;</li> <li>● analyzed factors that caused differences between projected and actual taxable income in past fiscal years at major companies in the tax sharing group;</li> <li>● 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;</li> <li>● assessed the consistency of the sales projections of major companies in the tax sharing group, which were used as an assumption in estimating future taxable</li> </ul>

	<p>income, with the market growth rates indicated in the market projection reports we independently obtained from external organizations; and</p> <ul style="list-style-type: none"> <li>● 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.</li> </ul>
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## 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, 2023 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.

Hisaki Nakajima  
Designated Engagement Partner  
Certified Public Accountant

Yohei Onishi  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Kyoto Office, Japan  
September 15, 2023

#### **Notes to the Reader of Independent Auditor's Report:**

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





**SCREEN Holdings Co., Ltd.**

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