

Annual Report 2020

**(Integrated Report)
Financial Section**

SCREEN Group
Year ended March 31, 2020

Management's Discussion and Analysis

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

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

The U.S. dollar figures appearing in the financial statements have been translated from Japanese yen amounts for convenience only at the rate of ¥109 to US\$1.00.

Financial Position

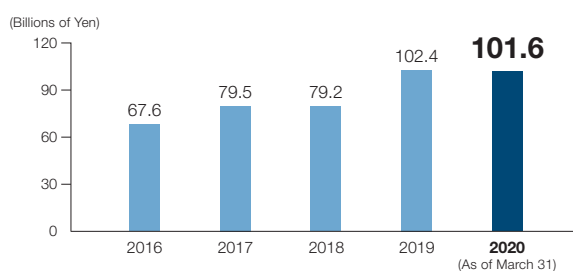
Total assets as of March 31, 2020 stood at ¥347,965 million, down ¥32,951 million, or 8.7%, from the previous fiscal year. This was due largely to a decrease in trade receivables and inventories, despite an increase in cash and time deposits.

Total liabilities amounted to ¥173,822 million, down ¥27,960 million, or 13.9%, from the previous fiscal year. This was attributable mainly to a decrease in accounts payable, despite an increase in short-term loans.

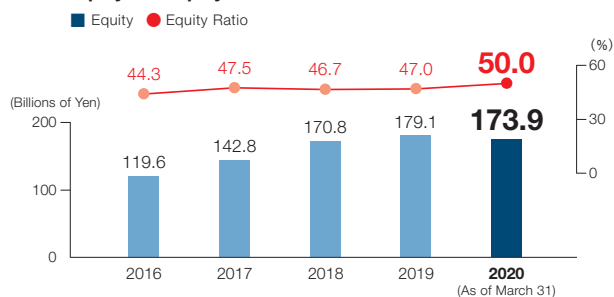
Total net assets amounted to ¥174,143 million, a decrease of

¥4,991 million, or 2.8%, from March 31, 2019. This was mainly attributable to the payout of cash dividends, a decrease in the valuation difference on available-for-sale securities caused by a decline in the market value of shares held and a downward foreign currency translation adjustment caused by an appreciation of the yen. These factors offset a recorded profit attributable to the owners of the parent. As a result, the equity ratio as of March 31, 2020 was 50.0%.

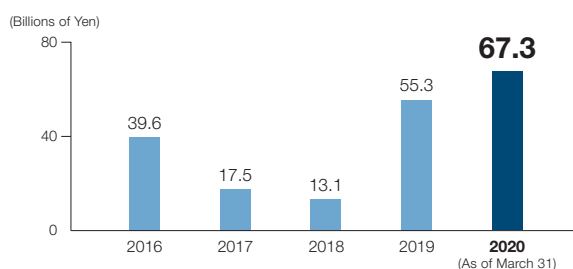
Working Capital



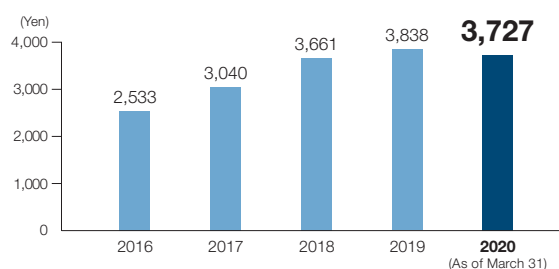
Equity and Equity Ratio



Interest-Bearing Debt



Net Assets Per Share



As of March 31,	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
Total assets	¥ 347,965	¥ 380,916	¥ 365,874	¥ 300,660	¥ 270,094	\$ 3,192,339
Reportable Segment: SPE	197,316	222,394	205,196	163,899	132,524	1,810,239
GA	43,574	46,586	48,381	42,075	50,334	399,761
FT	35,907	33,046	36,238	31,826	28,372	329,422
PE	9,483	11,959	9,727	8,925	–	87,000
Other	7,602	9,843	10,546	9,054	6,637	69,743
Adjustments	54,083	57,089	55,786	44,881	52,227	496,174
Working capital	101,664	102,413	79,247	79,583	67,665	932,697
Interest-bearing debt	67,302	55,321	13,157	17,587	39,636	617,450
Equity	173,942	179,116	170,839	142,805	119,650	1,595,798
Equity ratio (%)	50.0%	47.0%	46.7%	47.5%	44.3%	
Net assets per share (yen)	¥ 3,727.10	¥ 3,838.90	¥ 3,661.96	¥ 3,040.79	¥ 2,533.41	\$ 34.19

Notes: 1. The Company implemented a one-for-five consolidation of its common stock on October 1, 2016. Net assets per share are calculated based on the assumption that the consolidation of shares had been implemented since the beginning of the fiscal year ended March 31, 2016.
2. For the fiscal year ended March 31, 2016, the former GP segment (including the PCB-related equipment business) is included within GA for the purposes of the above table.
3. 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.

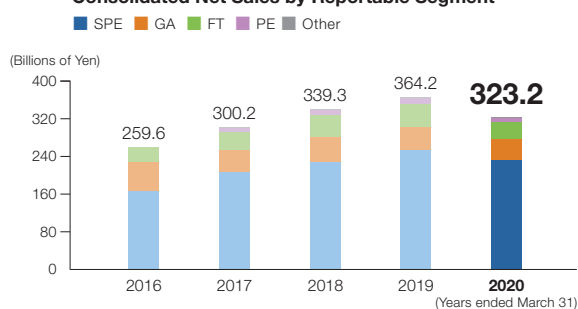
Operating Results

Net sales for the consolidated fiscal year ended March 31, 2020 were ¥323,249 million, which was a decrease of ¥40,985 million, or 11.3%, from the previous fiscal year. Operating income decreased ¥17,083 million, or 57.6%, from the previous fiscal year to ¥12,562 million. This was due mainly to a decline in sales, which more than offset continued reductions in fixed costs. Profit attributable to the owners of the parent was ¥5,011 million, a decrease of ¥13,048 million, or 72.3%, from the previous fiscal

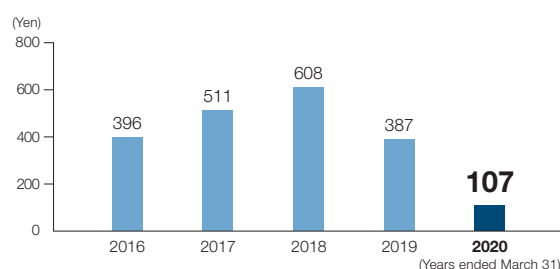
year. Contributing factors included a recorded loss on valuation of investment securities and an impairment loss on non-current assets.

Net income per share decreased by ¥279.73 to ¥107.37 (net income per share – diluted was ¥101.47), return on equity decreased by 7.5 percentage points from the previous fiscal year to 2.8%, and return on total assets decreased by 3.5 percentage points to 1.4%.

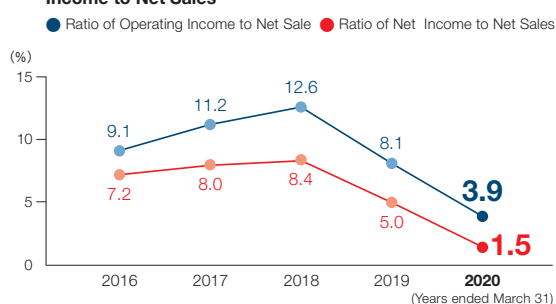
Consolidated Net Sales by Reportable Segment



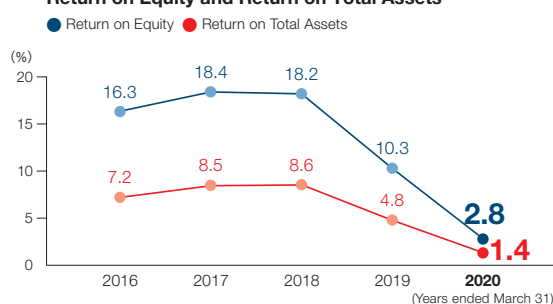
Net Income Per Share



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



Return on Equity and Return on Total Assets



Years ended March 31,	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
Net sales	¥ 323,249	¥ 364,234	¥ 339,369	¥ 300,234	¥ 259,675	\$ 2,965,587
Gross profit	¥ 76,569	¥ 100,567	¥ 109,531	¥ 93,547	¥ 80,998	\$ 702,468
Operating income	¥ 12,562	¥ 29,645	¥ 42,725	¥ 33,732	¥ 23,557	\$ 115,248
Operating income to net sales (%)	3.9%	8.1%	12.6%	11.2%	9.1%	
Income before Income taxes	¥ 8,579	¥ 27,730	¥ 41,952	¥ 31,055	¥ 23,943	\$ 78,707
Profit attributable to owners of parent	¥ 5,011	¥ 18,059	¥ 28,507	¥ 24,169	¥ 18,816	\$ 45,972
Per share information (yen)						
Net income	¥ 107.37	¥ 387.10	¥ 608.62	¥ 511.96	¥ 396.75	\$ 0.99
Net income—diluted	¥ 101.47	¥ 370.66	—	—	—	\$ 0.93
Return on equity (%)	2.8%	10.3%	18.2%	18.4%	16.3%	
Return on total assets (%)	1.4%	4.8%	8.6%	8.5%	7.2%	

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 implemented a one-for-five consolidation of its common stock on October 1, 2016. Net income per share was calculated based on the assumption that the consolidation of shares had been implemented at the beginning of the fiscal year ended March 31, 2016.

3. The Company 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.

4. Effective from Fiscal 2019, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted. Under the new accounting standard, return on total assets pertaining to the fiscal year ended March 31, 2018 have been recalculated retrospectively.

Segment Information

In the Semiconductor Production Equipment Segment, year-on-year sales to foundries, logic device manufacturers, and picture element manufacturers increased, while sales to memory manufacturers declined. By region, sales to Taiwan and North America increased, but sales to China and South Korea declined. As a result, net sales in this segment were ¥230,501 million, a decrease of 8.7% from the previous period. Operating income fell to ¥16,136 million, a 37.6% year-on-year decrease, due mainly to a decline in sales.

In the Graphic Arts Equipment Segment, although after-sales services, such as that for ink, remained strong, sales of CTP and POD equipment declined, contributing to a 5.5% year-on-year decrease in net sales to ¥45,553 million. Operating income grew 27.2% year-on-year to ¥1,450 million thanks to reduced fixed costs and other factors, which offset a decline in sales.

In the Segment for Display Production Equipment and Coater

Business, sales of production equipment for large-sized panels increased, while sales of production equipment for small-and-medium-sized panels declined. As a result of these and other factors, net sales declined 28.6% year-on-year to ¥35,179 million. With regard to operating income, factors such as decreased sales and an increase in the variable cost ratio produced an operating loss of ¥2,569 million (compared with operating income of ¥3,774 million in the previous fiscal year).

In the Segment for Printed Circuit Board (PCB)-related Equipment, factors such as a decline in sales of direct imaging systems caused net sales in this segment to drop 18.6% from the previous fiscal year to ¥10,054 million. With regard to operating income, the Segment had an operating loss of ¥259 million (compared with operating income of ¥770 million in the previous fiscal year) due largely to the decreased sales.

Net Sales and Income (Loss) in Reportable Segments

Years ended March 31,		Millions of yen					Thousands of U.S. dollars
		2020	2019	2018	2017	2016	2020
Net Sales	Reportable Segment: SPE	¥ 230,501	¥ 252,513	¥ 227,185	¥ 206,098	¥ 165,801	\$ 2,114,688
	GA	45,553	48,218	53,414	45,830	61,280	417,917
	FT	35,179	49,254	45,286	38,104	31,590	322,743
	PE	10,054	12,345	12,194	8,918	–	92,239
	Other	2,008	2,048	1,620	1,453	1,085	18,422
	Intersegment sales	(46)	(144)	(330)	(169)	(81)	(422)
	Consolidated	¥ 323,249	¥ 364,234	¥ 339,369	¥ 300,234	¥ 259,675	\$ 2,965,587
Operating Income (Loss)	Reportable Segment: SPE	¥ 16,136	¥ 25,842	¥ 36,302	¥ 29,315	¥ 18,716	\$ 148,037
	GA	1,450	1,140	3,061	1,472	3,169	13,303
	FT	(2,569)	3,774	4,599	4,392	2,748	(23,569)
	PE	(259)	770	1,014	752	–	(2,376)
	Other	(1,493)	(1,411)	(1,554)	(1,453)	(1,138)	(13,697)
	Total	¥ 13,265	¥ 30,115	¥ 43,422	¥ 34,478	¥ 23,495	\$ 121,698
	Adjustments	(703)	(470)	(697)	(746)	62	(6,450)
Consolidated	¥ 12,562	¥ 29,645	¥ 42,725	¥ 33,732	¥ 23,557	\$ 115,248	

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 for semiconductor production equipment

GA: Development, manufacturing, sale and maintenance services for graphic arts equipment

FT: Development, manufacturing, sale and maintenance services for display production equipment and coater equipment

PE: Development, manufacturing, sale and maintenance services for PCB related equipment

(Changes in reportable segments)

The reportable segment originally named the Semiconductor Production Equipment Business (SE) has been renamed to the Semiconductor Production Equipment Business (SPE). The change is only to the segment name and does not impact any segment information.

- The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business and other, software development, planning and production of printed matter and other businesses.
- 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, 2020.

Regarding cash flows from operating activities, the amount of inflow, such as that obtained from reduced trade receivables and inventories, depreciation and amortization and income before income taxes, surpassed the amount of outflow, such as that going to reduced accounts payable, resulting in a net inflow of ¥11,812 million (compared with net outflow of ¥37,534 million for the previous fiscal year).

Regarding cash flows for investing activities, net cash used in investing activities totaled ¥11,294 million (compared with

net outflow of ¥19,020 million in the previous fiscal year) and went largely towards the acquisition of property, plant, and equipment, such as R&D equipment.

Regarding cash flows from financing activities, inflow from sources such as short-term fund procurement more than offset outflow going to dividend payouts, resulting in net inflow of ¥4,928 million (compared with net inflow of ¥36,761 million in the previous fiscal year).

As a result, cash and cash equivalents as of March 31, 2020 totaled ¥35,520 million, up ¥4,598 million from March 31, 2019.

Years ended March 31,	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
Cash flows from operating activities	¥ 11,812	¥ (37,534)	¥ 28,878	¥ 49,024	¥ 14,721	\$ 108,367
Cash flows from investing activities	(11,294)	(19,020)	(11,230)	(5,860)	(2,558)	(103,615)
Cash flows from financing activities	4,928	36,761	(11,512)	(27,479)	(2,846)	45,211
Effect of exchange rate changes on cash and cash equivalents	(848)	(102)	(242)	(919)	(1,151)	(7,779)
Net increase (decrease) in cash and cash equivalents	¥ 4,598	¥ (19,895)	¥ 5,894	¥ 14,766	¥ 8,166	\$ 42,184

Analysis of Operating Results

Net Sales

Net sales for the Group as a whole for the fiscal year ended March 31, 2020 reached ¥323,249 million, a decrease of ¥40,985 million, or 11.3%, from the previous fiscal year.

Operating Income

Operating income decreased ¥17,083 million, or 57.6%, from the previous fiscal year to ¥12,562 million. This was due mainly to a decline in sales, which more than offset continued reductions in fixed costs.

Income Before Income Taxes

With regard to non-operating profit and loss, other income and expenses declined by ¥2,068 million year-on-year as a result of factors such as reduced gain on the sale of non-current assets, a recorded loss on the valuation of investment securities, and an impairment loss on non-current assets. As a result, income before income taxes fell by ¥19,151 million (69.1%) to ¥8,579 million.

Profit Attributable to Owners of Parent

The total amount of income taxes decreased by ¥6,082 million year-on-year to ¥3,595 million as a result of decreased income before income taxes, among other factors. As a result, profit attributable to the owners of the parent fell by ¥13,048 million (72.3%) to ¥5,011 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, 2020, in addition to our investment to expand and strengthen existing businesses, mainly in the Semiconductor Production Equipment Segment, we also actively promoted R&D in the fields of energy, inspection and measurement and life science for a total investment in R&D of ¥21,525 million.

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

In the Semiconductor Production Equipment Segment, we continued the joint development of cutting-edge semiconductor processing with overseas research institutes from the previous term. We developed new cleaning and drying techniques that have become necessary as technological advances have led to changing structures and materials for devices. We also conducted research into and developed systems for devices compatible with IoT and AI technologies. In addition, we undertook development towards next-generation processing to meet the needs of customers in areas such as memory, logic and foundries. We improved the stability, productivity and cost efficiency of a variety of systems and equipment, including wafer cleaning equipment, coater developers, annealing equipment, and direct imaging systems.

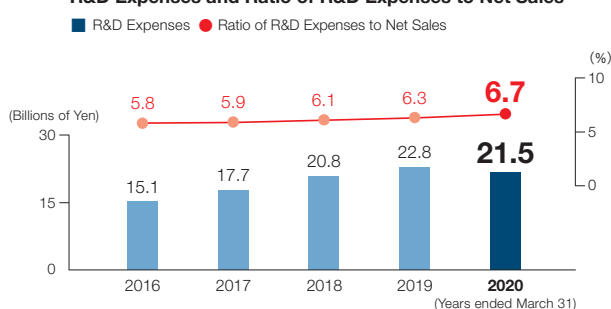
In the Graphic Arts Equipment Segment, the Truepress Jet L350UV SAI label printer was developed to offer more robust color expression to meet the needs of the global label printing industry as it continues to grow year after year. Also, the Truepress Jet520HD series of high-speed, continuous inkjet printers was expanded with the addition of the Truepress Jet520HD AD inkjet system, offering greater drying performance than conventional systems. Further progress was also achieved in the ongoing joint development of high-speed in-line digital printing solutions for the cardboard industry being undertaken with European companies.

In the Segment for Display Production Equipment and Coater Business, work continued on the development of LCD and OLED display production equipment and on higher-performance production equipment for lithium-ion secondary batteries and fuel cells.

In the PCB-related Equipment Segment, progress was made on improving the performance of various series, including the Ledia series of exposure equipment and the MIYABI series of inspection equipment.

In addition to the above segments, the SCREEN Group has also engaged in basic research and R&D related to new business fields. In the field of life sciences, the SCREEN Group conducted joint research with universities into the development of an implantable cannula for use in organ perfusion and a thermal insulating bag for maintaining a stable temperature during organ transplantation.

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



Years ended March 31,	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
R&D expenses	¥ 21,525	¥ 22,825	¥ 20,837	¥ 17,794	¥ 15,166	\$ 197,477
Reportable Segment: SPE	12,674	14,515	12,158	9,068	7,115	116,275
GA	3,228	3,315	2,998	2,933	3,885	29,615
FT	1,167	1,260	1,265	1,214	980	10,706
PE	910	1,023	676	869	—	8,349
Other	3,546	2,712	3,740	3,710	3,186	32,532
R&D expenses to net sales (%)	6.7%	6.3%	6.1%	5.9%	5.8%	

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

Capital Expenditures and Depreciation and Amortization

For the year ended March 31, 2020, Group capital expenditures, including expenditures for intangible non-current assets, totaled ¥7,985 million.

In the Semiconductor Production Equipment Segment, capital expenditures amounted to ¥3,740 million, the majority of which were used for R&D.

Capital expenditures in the Graphic Arts Equipment Segment, totaling ¥742 million, centered on strengthening R&D and manufacturing facilities.

In the segment for Display Production Equipment and Coater Business, capital expenditures were ¥1,123 million and centered

on strengthening R&D and manufacturing facilities.

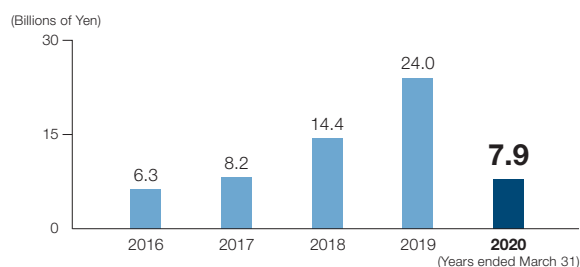
Capital expenditures in the PCB-related Equipment Segment were used for boosting R&D facilities for PCB-related equipment, among other things, and totaled ¥144 million.

Capital expenditures for other businesses in the amount of ¥325 million were used for strengthening R&D facilities.

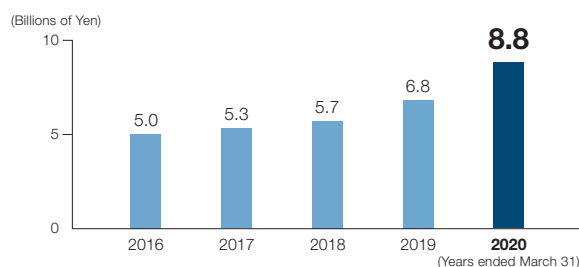
Corporate capital expenditures amounted to ¥1,911 million and centered on facilities and equipment at the Hikone Plant.

Depreciation and amortization during the year came to ¥8,860 million, up ¥1,977 million, or 28.7%, from the previous fiscal year.

Capital Expenditures



Depreciation and Amortization



Years ended March 31,	Millions of yen					Thousands of U.S. dollars
	2020	2019	2018	2017	2016	2020
Capital expenditures	¥ 7,985	¥ 24,089	¥ 14,429	¥ 8,256	¥ 6,352	\$ 73,257
Reportable Segment: SPE	3,740	14,331	9,053	5,070	3,571	34,312
GA	742	969	878	1,055	823	6,807
FT	1,123	739	787	297	181	10,303
PE	144	97	147	56	–	1,321
Other	325	315	505	686	245	2,982
Adjustments	1,911	7,638	3,059	1,092	1,532	17,532
Depreciation and amortization	¥ 8,860	¥ 6,883	¥ 5,708	¥ 5,398	¥ 5,030	\$ 81,284
Reportable Segment: SPE	4,996	3,853	3,052	2,602	2,490	45,835
GA	925	581	492	624	646	8,486
FT	353	213	148	102	88	3,239
PE	138	53	14	64	–	1,266
Other	321	363	412	344	185	2,945
Adjustments	2,127	1,820	1,590	1,662	1,621	19,513

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

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 important accounting policies employed in the preparation of these consolidated financial statements can be found in “Notes to Consolidated Financial Statements – Note 1: Summary of Significant Accounting and Reporting Policies.”

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

The following items are considered to have significant impact upon consolidated financial statements.

a. Valuation of inventories

As a rule, when the net selling price of inventories is less than the cost of their acquisition, a valuation loss is recorded. However, in the case of inventories for which a given period of time has elapsed since the start of production and for which there is uncertainty about future sales potential, the book value of the inventories is written down to the disposal value, taking into account the potential for diversion, in order to reflect the fact that the profitability of slow-moving inventories removed from the business cycle has declined. Note that although the most recent sales activity is used as the basis for estimating net selling price along with determining sales and diversion potential of slow-moving inventories, the extreme fluctuations in demand characteristic of the semiconductor industry in which the SCREEN Group operates may necessitate revision of existing estimates which could significantly affect the amount of recorded inventory valuation loss in the next fiscal year and beyond.

b. Recoverability of deferred tax assets

For deductible temporary differences and loss carryforwards for tax purposes, the SCREEN Group makes a reasonable estimation of future taxable income, determines recoverability based upon this estimate and then records deferred tax assets. In the event that this estimate needs to be revised, such as when fluctuating economic

conditions create future uncertainty, it is possible that this will significantly affect the amount of acknowledged deferred tax assets and income tax adjustments in the next fiscal year and beyond.

c. Impairment of non-current assets

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

d. 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 in the event that they are changed, this may significantly affect retirement benefit costs and obligations in the next fiscal year and beyond.

e. Impact of the COVID-19

With regard to the impact of the COVID-19 on financial statements, it is difficult at this time to reasonably predict what effects the pandemic will have on the overall economy and how long they will last. However, given that the Semiconductor Production Equipment segment, which comprises the core business of the SCREEN Group, remains stable in terms of equipment production and shipment, while equipment installation and adjustment is being handled as much as possible by local staff in each country, the impact of the COVID-19 pandemic is expected to be minor. Nevertheless, should the severity or duration of the pandemic increase and, as a result, cause more extensive delays in equipment production and installation, it is possible that the SCREEN Group's financial situation or operating results could be negatively impacted.

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 associated with each Group company. SCREEN Holdings Co., Ltd., as the holding company, has in place a system for assessing the status of risk management for the entire Group. We created the Group Risk Committee, which is working to identify shared risks with the potential to impact the entire Group, pinpoint major risks and guide risk management.

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

(1) Risks related to external factors

Geopolitical risks

Although trade friction between the U.S. and China is not having a significant impact on the SCREEN Group's performance at the present time, sales to customers in China account for more than 20% of all

revenue. Should a further deterioration in the two countries' relations make it difficult to ship products to China, the resulting decline in the Group's sales could have a material impact on profits and other aspects of the Group's business performance.

Risks related to exchange rate and interest rate fluctuations

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

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

(2) Risks related to industry trends

Risks related to semiconductor and FPD market trends

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

Risks involving technologies and products

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

Risks related to the concentration of business transactions among specific customers

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

(3) Risks related to fair business practices

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

(4) Risks related to continuity of business

Risks related to natural disasters

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

Risks related to procurement of funds

Certain loan contracts of the SCREEN Group provide for financial covenants regarding its consolidated net assets at the end of each fiscal year and its consolidated ordinary income (loss) of each fiscal year. If these covenants were to be breached and the financial institutions required repayment, the Group could be forced to forfeit the benefit of the loan term in relation to such loans.

In such an occurrence, the Group could forfeit the benefit of the term in relation to its bonds and other loans. If the Group forfeits such benefit for a loan and incurs an obligation to make a lump-sum repayment, it could have a material impact on the Group's ability to continue operating. The Group currently has no loan based on a contract providing for such financial covenants.

Risks related to global pandemics

The SCREEN Group has created a Disaster Response Headquarters chaired by the president and CEO and local task forces in Japan and overseas to spearhead its response to the COVID-19 pandemic, which has been given designated infectious disease status by the Japanese government. We continue to take various actions to respond to this challenge, including collecting information about measures for addressing the virus and about employee and partner infections. More information about the pandemic's impact on the Group's business performance can be found in "Management's Discussion and Analysis; Significant accounting estimates and assumptions (e) Impact of COVID-19."

Risks related to information security

In the course of its business operations, the SCREEN Group handles various personal, customer and technological information. The Group has established SCREEN Group Rules for IT Management to strengthen the security of internal information systems and the SCREEN Group CSR Charter, which establishes a Code of Conduct for all Group executives and employees to comply with in their business operations, seeking to reinforce information management. However, leaks of information due to unauthorized access or interruptions in the normal operation of internal information systems or other reasons that precipitate a loss of societal trust or trigger an extended halt in operations could have a material impact on the Group's ability to continue to operate.

(5) Risks related to product quality and safety

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

(6) Risks related to efforts to reduce environmental impacts

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

Consolidated Balance Sheets

SCREEN Holdings Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2020 and 2019

Assets	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current Assets:			
Cash and cash equivalents (Note 11)	¥ 35,520	¥ 30,922	\$ 325,872
Time deposits (Note 11)	2,251	1,271	20,651
Notes and accounts receivable-trade (Note 11)	82,758	100,835	759,248
Allowance for doubtful receivables (Note 11)	(701)	(669)	(6,431)
Inventories (Note 7)	106,260	116,803	974,862
Other current assets	12,455	14,103	114,266
Total current assets	238,543	263,265	2,188,468
Property, Plant and Equipment, at Cost:			
Land	9,460	9,475	86,789
Buildings and structures	59,999	59,622	550,450
Machinery, equipment and other (Note 15)	67,541	61,844	619,641
Lease assets (Notes 3 and 8)	4,885	4,908	44,817
Construction in progress	7,094	8,049	65,083
Total property, plant and equipment	148,979	143,898	1,366,780
Accumulated depreciation	(88,085)	(82,500)	(808,119)
Net property, plant and equipment	60,894	61,398	558,661
Investments and Other Assets:			
Investment securities (Notes 11 and 13)	30,586	37,083	280,606
Lease assets (Notes 3 and 8)	90	98	826
Net defined benefit asset (Note 14)	4,366	5,364	40,055
Deferred tax assets (Note 4)	4,981	3,754	45,697
Other assets (Note 15)	8,505	9,954	78,026
Total investments and other assets	48,528	56,253	445,210
Total Assets	¥ 347,965	¥ 380,916	\$ 3,192,339

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
	2020	2019	2020
Current Liabilities:			
Notes and accounts payable—			
Trade (Note 11)	¥ 66,395	¥ 94,531	\$ 609,128
Construction and other	3,675	6,747	33,716
Short-term debt (Notes 5 and 11)	30,000	18,000	275,229
Current portion of long-term debt (Notes 5 and 11)	3,614	1,504	33,156
Lease obligations (Notes 3, 5 and 11)	1,211	450	11,110
Accrued expenses	7,156	7,830	65,651
Income taxes payable	2,227	4,365	20,431
Provision for product warranties	6,787	6,876	62,266
Provision for bonuses	1,201	2,618	11,018
Provision for directors' bonuses	123	155	1,128
Provision for loss on order received	312	74	2,862
Other current liabilities	14,178	17,702	130,076
Total current liabilities	136,879	160,852	1,255,771
Long-Term Liabilities:			
Long-term debt (Notes 5 and 11)	30,205	33,848	277,110
Net defined benefit liability (Note 14)	1,016	943	9,321
Lease obligations (Notes 3, 5 and 11)	2,272	1,519	20,844
Deferred tax liabilities (Note 4)	2,376	3,641	21,798
Asset retirement obligations	65	67	596
Provision for directors' retirement benefits	182	176	1,670
Provision for stock payment	44	34	404
Provision for management board incentive plan trust	43	39	394
Other long-term liabilities	740	663	6,790
Total long-term liabilities	36,943	40,930	338,927
Total Liabilities	¥ 173,822	¥ 201,782	\$ 1,594,698
Contingent Liabilities (Note 10)			
Net Assets (Note 6):			
Shareholders' Equity:			
Capital stock			
Authorized—180,000,000 shares in 2020 and 2019			
Issued—50,794,866 shares in 2020 and 2019	54,045	54,045	495,826
Capital surplus	4,488	4,488	41,174
Retained earnings	130,908	130,274	1,200,991
Treasury stock, at cost			
4,125,447 shares in 2020 and 4,136,788 shares in 2019	(17,962)	(18,044)	(164,789)
Total shareholders' equity	171,479	170,763	1,573,202
Accumulated Other Comprehensive Income:			
Valuation difference on available-for-sale securities	10,842	14,320	99,468
Foreign currency translation adjustment	(7,135)	(5,345)	(65,460)
Remeasurements of defined benefit plans	(1,244)	(622)	(11,413)
Total accumulated other comprehensive income	2,463	8,353	22,595
Non-controlling interests:			
Non-controlling interests	201	18	1,844
Total net assets	174,143	179,134	1,597,641
Total Liabilities and Net Assets	¥ 347,965	¥ 380,916	\$ 3,192,339

The number of shares of treasury stock of the Company included 88 thousand shares as of March 31, 2020 and 99 thousand shares as of March 31, 2019 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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net Sales (Note 9)	¥ 323,249	¥ 364,234	\$ 2,965,587
Cost of Sales	246,680	263,667	2,263,119
Gross profit	76,569	100,567	702,468
Selling, General and Administrative Expenses	64,007	70,922	587,220
Operating income (Note 9)	12,562	29,645	115,248
Other (Income) Expenses:			
Interest and dividend income	(660)	(613)	(6,055)
Interest expenses	559	543	5,128
Exchange loss on foreign currency transactions, net	297	60	2,725
Insurance income	(138)	(459)	(1,266)
Loss on retirement of non-current assets	380	929	3,486
Gain on sales of investment securities (Note 13)	(333)	(445)	(3,055)
Loss on valuation of investment securities	1,814	62	16,642
Business structure improvement expenses (Note 16)	–	1,088	–
Impairment loss (Note 15)	1,576	844	14,459
Gain on sales of non-current assets	(29)	(717)	(266)
Share of loss of entities accounted for using equity method	492	111	4,514
Other, net	25	512	229
Net other (income) expenses	3,983	1,915	36,541
Income Before Income Taxes	8,579	27,730	78,707
Income Taxes (Note 4)			
Current	4,486	11,298	41,156
Deferred	(891)	(1,621)	(8,174)
Total income taxes	3,595	9,677	32,982
Profit	4,984	18,053	45,725
Profit Attributable to Non-controlling Interests	(27)	(6)	(247)
Profit Attributable to Owners of Parent	¥ 5,011	¥ 18,059	\$ 45,972

Per Share Information:

	Yen		U.S. dollars
	2020	2019	2020
Net income	¥ 107.37	¥ 387.10	\$ 0.99
Net income—diluted	101.47	370.66	0.93
Cash dividends, applicable to earnings for the year	30.00	97.00	0.28

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 (91 and 105 thousand shares for the years ended March 31, 2020 and 2019, 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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit	¥ 4,984	¥ 18,053	\$ 45,725
Other Comprehensive Income (Note 2)			
Valuation difference on available-for-sale securities	(3,478)	(4,108)	(31,908)
Foreign currency translation adjustment	(1,770)	(588)	(16,239)
Remeasurements of defined benefit plans	(622)	116	(5,706)
Share of other comprehensive income of entities accounted for using equity method	(21)	(48)	(193)
Total other comprehensive income	(5,891)	(4,628)	(54,046)
Comprehensive Income	¥ (907)	¥ 13,425	\$ (8,321)
Comprehensive income attributable to Owners of parent	(880)	13,437	(8,073)
Non-controlling interests	(27)	(12)	(248)

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, 2020 and 2019

	Millions of yen									
	Shares of issued capital stock (thousands)	Shareholders' equity				Accumulated other comprehensive income				Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	
Balance at the Beginning of Fiscal 2019	50,795	¥ 54,045	¥ 4,546	¥ 117,359	¥ (18,085)	¥ 18,428	¥ (4,716)	¥ (738)	¥ 41	¥ 170,880
Profit attributable to owners of parent	-	-	-	18,059	-	-	-	-	-	18,059
Cash dividends paid, ¥110.00 per share	-	-	-	(5,144)	-	-	-	-	-	(5,144)
Valuation difference on available-for-sale securities	-	-	-	-	-	(4,108)	-	-	-	(4,108)
Foreign currency translation adjustment	-	-	-	-	-	-	(629)	-	-	(629)
Remeasurements of defined benefit plans	-	-	-	-	-	-	-	116	-	116
Acquisition of treasury stock	-	-	-	-	(5)	-	-	-	-	(5)
Disposal of treasury stock	-	-	0	-	46	-	-	-	-	46
Purchase of shares of consolidated subsidiaries' treasury stock	-	-	(58)	-	-	-	-	-	-	(58)
Other	-	-	-	-	-	-	-	-	(23)	(23)
Balance at the End of Fiscal 2019	50,795	¥ 54,045	¥ 4,488	¥ 130,274	¥ (18,044)	¥ 14,320	¥ (5,345)	¥ (622)	¥ 18	¥ 179,134
Balance at the Beginning of Fiscal 2020	50,795	¥ 54,045	¥ 4,488	¥ 130,274	¥ (18,044)	¥ 14,320	¥ (5,345)	¥ (622)	¥ 18	¥ 179,134
Cumulative effects of changes in accounting policies	-	-	-	¥ 159	-	-	-	-	-	¥ 159
Currently stated balance, as of the beginning of the current period	50,795	¥ 54,045	¥ 4,488	¥ 130,433	¥ (18,044)	¥ 14,320	¥ (5,345)	¥ (622)	¥ 18	¥ 179,293
Profit attributable to owners of parent	-	-	-	5,011	-	-	-	-	-	5,011
Cash dividends paid, ¥97.00 per share	-	-	-	(4,536)	-	-	-	-	-	(4,536)
Valuation difference on available-for-sale securities	-	-	-	-	-	(3,478)	-	-	-	(3,478)
Foreign currency translation adjustment	-	-	-	-	-	-	(1,790)	-	-	(1,790)
Remeasurements of defined benefit plans	-	-	-	-	-	-	-	(622)	-	(622)
Acquisition of treasury stock	-	-	-	-	(3)	-	-	-	-	(3)
Disposal of treasury stock	-	-	0	-	85	-	-	-	-	85
Purchase of shares of consolidated subsidiaries' treasury stock	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	183	183
Balance at the End of Fiscal 2020	50,795	¥ 54,045	¥ 4,488	¥ 130,908	¥ (17,962)	¥ 10,842	¥ (7,135)	¥ (1,244)	¥ 201	¥ 174,143

	Thousands of U.S. dollars									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets	
										Balance at the Beginning of Fiscal 2020
Cumulative effects of changes in accounting policies	-	-	\$ 1,459	-	-	-	-	-	-	\$ 1,459
Currently stated balance, as of the beginning of the current period	\$ 495,826	\$ 41,174	\$ 1,196,633	\$ (165,541)	\$ 131,376	\$ (49,037)	\$ (5,706)	\$ 165	\$ 1,644,890	
Profit attributable to owners of parent	-	-	45,972	-	-	-	-	-	-	45,972
Cash dividends paid, \$0.89 per share	-	-	(41,614)	-	-	-	-	-	-	(41,614)
Valuation difference on available-for-sale securities	-	-	-	-	(31,908)	-	-	-	-	(31,908)
Foreign currency translation adjustment	-	-	-	-	-	(16,423)	-	-	-	(16,423)
Remeasurements of defined benefit plans	-	-	-	-	-	-	(5,707)	-	-	(5,707)
Acquisition of treasury stock	-	-	-	(28)	-	-	-	-	-	(28)
Disposal of treasury stock	-	0	-	780	-	-	-	-	-	780
Purchase of shares of consolidated subsidiaries' treasury stock	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,679	-	1,679
Balance at the End of Fiscal 2020	\$ 495,826	\$ 41,174	\$ 1,200,991	\$ (164,789)	\$ 99,468	\$ (65,460)	\$ (11,413)	\$ 1,844	\$ 1,597,641	

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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash Flows from Operating Activities:			
Income before income taxes	¥ 8,579	¥ 27,730	\$ 78,706
Depreciation and amortization	8,860	6,883	81,284
Impairment loss	1,576	844	14,459
Loss (gain) on valuation of investment securities	1,814	62	16,642
Loss (gain) on sales of investment securities	(333)	(445)	(3,055)
Gain on sales of non-current assets	(29)	(717)	(266)
Loss on retirement of non-current assets	380	929	3,486
Share of loss (profit) of entities accounted for using equity method	492	111	4,514
Increase (decrease) in net defined benefit asset and liability	153	78	1,404
Increase (decrease) in provision for bonuses	(1,417)	(1,586)	(13,000)
Increase (decrease) in provision for directors' bonuses	(31)	(65)	(284)
Increase (decrease) in provision for stock payment	10	5	92
Increase (decrease) in provision for management board incentive plan trust	3	(6)	28
Increase (decrease) in provision for product warranties	(76)	509	(697)
Increase (decrease) in provision for loss on order received	238	16	2,183
Interest and dividend income	(660)	(613)	(6,055)
Interest expenses	559	543	5,128
Decrease (increase) in trade notes and accounts receivable	17,580	(15,354)	161,284
Decrease (increase) in inventories	9,383	(13,236)	86,083
Decrease (increase) in other current assets	1,234	(569)	11,321
Increase (decrease) in trade notes and accounts payable	(25,239)	(21,069)	(231,550)
Increase (decrease) in other current liabilities	(6,021)	(2,871)	(55,239)
Other, net	1,011	594	9,275
Subtotal	18,066	(18,227)	165,743
Interest and dividend income received	630	584	5,780
Interest expenses paid	(555)	(546)	(5,092)
Contribution in connection with the shift to a defined contribution pension plan	(1)	(1)	(9)
Income taxes paid	(6,328)	(19,344)	(58,055)
Net cash provided by (used in) operating activities	11,812	(37,534)	108,367
Cash Flows from Investing Activities:			
Decrease (increase) in time deposits, net	(1,090)	1,005	(10,000)
Purchase of property, plant and equipment	(9,114)	(15,679)	(83,615)
Proceeds from sales of property, plant and equipment	93	1,358	853
Purchase of intangible assets	(1,277)	(4,185)	(11,716)
Purchase of investment securities	(476)	(2,041)	(4,367)
Proceeds from sales of investment securities	591	864	5,422
Other, net	(21)	(342)	(192)
Net cash provided by (used in) investing activities	(11,294)	(19,020)	(103,615)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term debt	12,000	18,000	110,092
Repayments of long-term debt	(1,504)	(5,680)	(13,798)
Repayments of finance lease obligations	(1,244)	(404)	(11,413)
Proceeds from issuance of convertible bond-type bonds with share acquisition rights	-	30,060	-
Payments related to changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(98)	-
Proceeds from share issuance to non-controlling shareholders	210	24	1,927
Net decrease (increase) in treasury stock	(3)	(5)	(28)
Cash dividends paid	(4,531)	(5,136)	(41,569)
Net cash provided by (used in) financing activities	4,928	36,761	45,211
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(848)	(102)	(7,779)
Net Increase (Decrease) in Cash and Cash Equivalents	4,598	(19,895)	42,184
Cash and Cash Equivalents at Beginning of Period	30,922	50,817	283,688
Cash and Cash Equivalents at End of Period	¥ 35,520	¥ 30,922	\$ 325,872

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, 2020 and 2019

Note 1: Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accounts of the consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the five specified items as applicable. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. Certain Japanese yen amounts in the accompanying consolidated financial statements have been translated into U.S. dollar amounts solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2020, which was ¥109 to U.S. \$1.00. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at this or any other rate of exchange. Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation.

(b) Principles of consolidation

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

(c) Translation of foreign currencies

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

(d) Inventories

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

(e) Securities

The Company and its consolidated subsidiaries classify securities as "available-for-sale securities." Available-for-sale securities with available fair values are stated at fair value. Unrealized holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sales of such

securities are computed using moving average cost. Other securities with no available fair values are stated at moving average cost.

(f) Depreciation

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

Right of use assets are depreciated on a straight-line basis over the useful life of the assets or the lease term, whichever is shorter, and no residual value.

(g) Impairment of non-current assets

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

(h) Software

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

(i) Research and development

Expenses related to research and development are charged to income as incurred and amounted to ¥21,525 million (\$197,477 thousand) in 2020 and ¥22,825 million in 2019.

(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) Bond issue costs

Bonds issue costs are charged to expenses as incurred.

(m) Income taxes

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

(n) Allowance for doubtful receivables

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

(o) Provision for bonuses

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

(p) Provision for directors' bonuses

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

(q) Employees' severance and retirement benefits

The Company and its consolidated subsidiaries provide funded or unfunded defined benefit plans and defined contribution plans for employees' severance and retirement benefits. The Company and certain consolidated domestic subsidiaries have a cash balance plan in defined benefit pension plans combined with defined contribution pension plans. Certain consolidated domestic subsidiaries have unfunded lump-sum payment plans. Certain consolidated overseas subsidiaries have defined contribution plans. In calculating retirement benefit obligations, the 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 delivery 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 payments

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

(v) Provision for management board incentive plan trust

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

(w) Derivatives and hedge accounting

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

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

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

(X) (1) Application of the Consolidated Taxation System

The Company and its some domestic consolidated subsidiaries applied the

Consolidated Taxation System from the fiscal year ended March 31, 2020.

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

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

(Changes in accounting policies)

Adoption of ASU 2014-09 "Revenue from Contracts with Customers"

Certain overseas consolidated subsidiaries which apply U.S. GAAP adopted ASU 2014-09 "Revenue from Contracts with Customers" (May 28, 2014, hereinafter, "ASU 2014-09") from the beginning of the first quarter of fiscal 2020.

With the application of ASU 2014-09, revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled to in exchange for those goods or services. In adopting ASU 2014-09, 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 financial statements is immaterial.

Adoption of IFRS16 "Leases"

Certain overseas consolidated subsidiaries which apply the International Financial Reporting Standards (IFRS) adopted IFRS 16 "Leases" (January 13, 2016, hereinafter, "IFRS 16") from the beginning of the first quarter of fiscal 2020. With the application of IFRS 16, the lessee generally recognizes all leases as assets and liabilities. In adopting IFRS 16, in accordance with the transition provisions, the cumulative effect of applying this standard was recognized on the date of adoption. The effect of this change on financial statements is immaterial.

(Accounting standards issued but not yet applied)

1.SCREEN Holdings Co., Ltd. and Domestic consolidated Subsidiaries "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published in May, 2014 "Revenue from Contracts with Customers (IFRS 15 at the IASB and Topic 606 at the FASB)." Based on the circumstances to apply Topic 606 from the fiscal year beginning on or after December 15, 2017 and IFRS 15 from the fiscal year beginning on or after January 1, 2018, the Accounting Standards Board of Japan (ASBJ) developed comprehensive accounting standards for revenue recognition and published them together with the application guidance. From the viewpoint of comparability between financial statements, which is one of the benefits of consistency with IFRS 15 and as a basic policy in developing accounting standards for revenue recognition by the ASBJ, the accounting standards were to be established incorporating the

basic principles of IFRS 15 as the starting point. In addition, if there are items to be considered in practice conducted in Japan, alternative treatments are supposed to be added within a scope which does not impair comparability.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have provided detailed guidance with almost the same contents for fair value measurement (IFRS 13 Fair Value Measurement by IFRS and Fair Value Measurement Topic 820 by U.S. GAAP).

In relation, the Accounting Standards Board of Japan (ASBJ) published “Accounting Standard for Fair Value Measurement” and other standards as a result of initiatives concerning mainly promoting the consistency between Japanese and international accounting standards regarding guidance for fair value measurement and required disclosures.

The basic objective of the ASBJ in developing this accounting standard for fair value measurement was to enhance comparability between financial statements of Japanese and foreign entities through a unified measuring method. Accordingly, the accounting standard fundamentally incorporates the basic policies of IFRS 13. In addition, when there are items that should be considered to reflect the present practices in Japan, exceptional treatments have been established for certain items to the extent that comparability is not impaired significantly.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

With regards to the “Sources of estimation uncertainty” which is required to be disclosed according to the International Accounting Standards (IAS) [IAS1 “Presentation of Financial Statements,” hereinafter “IAS1.125”], which was published by the International Accounting Standards Board (IASB) in 2003. As it is highly useful information for the users of the financial statements, there was a request to consider that it be required to disclose the information in relation to notes to Japanese standards. Accordingly, the Accounting Standards Board of Japan (ASBJ) developed “Accounting Standard for Disclosure of Accounting Estimates” (hereinafter, “this accounting standard”) and published it. The basic objective of the ASBJ in developing this accounting standard was not to enhance each note but to promote specific disclosure contents by the entities, with due consideration of their disclosure purpose, while showing a principle (objective of disclosure). In the development, the regulation for [IAS1.125] was referenced.

(2) Effective date

Effective from the fiscal year ending March 31, 2021

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.” (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

In response to receiving recommendations for reviewing the more enhanced disclosure for “Accounting principle and procedures adopted when the provisions of relevant accounting standards, etc., are not clear,” the ASBJ has made necessary amendments, and published the “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.” In addition, on the occasion of enhancement of the note “Accounting principle and procedures adopted when the provisions of relevant accounting standard, etc., are not clear,” it is assumed that the annotations on the corporate accounting principles (Note 1-2) is taken over to avoid impacting on the present practice for which the relevant case accounting standard, etc., are clear.

(2) Effective date

Effective from the fiscal year ending March 31, 2021

2.Overseas consolidated Subsidiaries

The following table is major accounting standards issued but not yet applied that is newly established or revised by March 31, 2020. Furthermore, the Company and its overseas subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

Name of accounting standard	Overview	Planned date of application
Leases (U.S.GAAP ASU2016-02)	Revised accounting for lease	From the beginning of the fiscal year ending March 31, 2022

(Additional Information)

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

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

(1) Overview

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

(2) Company shares remaining in the trust

Shares of Company stock remaining in the trust are recorded as treasury stock in the Net Assets section based on book value (excluding incidental expenses) of the trust. The book value of the treasury stock in question for the years ended March 31, 2020 was ¥632 million (\$5,798 thousand) and the number of shares was 88 thousand shares. The book value of the treasury stock in question for the years ended March 31, 2019 was ¥717 million and the number of shares was 99 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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ (4,807)	¥ (5,579)	\$ (44,101)
Reclassification adjustments	(43)	(383)	(394)
Subtotal, before tax	(4,850)	(5,962)	(44,495)
Tax benefit (expense)	1,372	1,854	12,587
Subtotal, net of tax	(3,478)	(4,108)	(31,908)
Foreign currency translation adjustment:			
Increase (decrease) during the year	(1,770)	(588)	(16,239)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(1,603)	(658)	(14,707)
Reclassification adjustments	687	478	6,303
Subtotal, before tax	(916)	(180)	(8,404)
Tax benefit (expense)	294	296	2,698
Subtotal, net of tax	(622)	116	(5,706)
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	(21)	(48)	(193)
Total other comprehensive income	¥ (5,891)	¥ (4,628)	\$ (54,046)

Note 3: Consolidated Statements of Cash Flows

Significant noncash financing activities for the years ended March 31, 2020 and 2019 were as follows:

Newly booked assets and liabilities related to finance leases

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Lease assets	¥ 914	¥ 114	\$ 8,385
Lease obligations	918	123	8,422

Note 4: Income Taxes

The Company is subject to several taxes based on income with a statutory tax rate of approximately 30.5% in 2020 and 2019. Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets			
Loss on valuation of inventories	¥ 4,831	¥ 3,117	\$ 44,321
Provision for product warranties	2,050	2,045	18,807
Accrued bonuses for employees / provision for bonuses	968	1,398	8,881
Unrealized income on inventories	794	1,434	7,284
Depreciation	2,230	2,085	20,459
Research and development expenses	1,218	1,219	11,174
Impairment loss	1,601	1,190	14,688
Net defined benefit liability	40	46	367
Net operating loss carryforwards (Note)	11,463	10,997	105,165
Other	4,568	4,502	41,909
Deferred tax assets-subtotal	¥ 29,763	¥ 28,033	\$ 273,055
Valuation allowance for net operating loss carryforwards (Note)	(8,763)	(9,477)	(80,394)
Valuation allowance for deductible temporary differences	(10,377)	(8,870)	(95,202)
Valuation allowance – total	(19,140)	(18,347)	(175,596)
Total deferred tax assets	¥ 10,623	¥ 9,686	\$ 97,459
Deferred tax liabilities			
Undistributed earnings of consolidated overseas subsidiaries	(1,817)	(1,608)	(16,670)
Valuation difference on available-for-sale securities	(4,553)	(5,924)	(41,771)
Net defined benefit asset	(1,301)	(1,668)	(11,936)
Other	(347)	(373)	(3,183)
Total deferred tax liabilities	(8,018)	(9,573)	(73,560)
Net deferred tax assets (liabilities)	¥ 2,605	¥ 113	\$ 23,899

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

	For the year ended March 31, 2020								Thousands of U.S. dollars							
	2021	2022	2023	2024	2025	2026 and after	Total	2021	2022	2023	2024	2025	2026 and after	Total		
Operating loss carryforwards ^{*1}	1,826	3,029	13	826	434	5,335	11,463	16,752	27,789	119	7,578	3,982	48,945	105,165		
Valuation allowance	(403)	(2,156)	0	(812)	(419)	(4,973)	(8,763)	(3,697)	(19,780)	0	(7,450)	(3,844)	(45,623)	(80,394)		
Net deferred tax assets	1,423	873	13	14	15	362	2,700	13,055	8,009	119	128	138	3,322	24,771		

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

	For the year ended March 31, 2019								Thousands of U.S. dollars							
	2020	2021	2022	2023	2024	2025 and after	Total	2020	2021	2022	2023	2024	2025 and after	Total		
Operating loss carryforwards ^{*1}	31	2,342	3,030	13	828	4,753	10,997	279	21,099	27,297	117	7,459	42,821	99,072		
Valuation allowance	(18)	(1,137)	(3,017)	(0)	(814)	(4,491)	(9,477)	(162)	(10,243)	(27,180)	(0)	(7,333)	(40,460)	(85,378)		
Net deferred tax assets	13	1,205	13	13	14	262	1,520	117	10,856	117	117	126	2,361	13,694		

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

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the year ended March 31, 2020 and 2019 is set forth in the table below.

	2020	2019
Statutory tax rate	30.5%	30.5%
Nondeductible expenses	2.2	0.6
Valuation allowance	8.5	1.6
Tax rate difference from parent company	(12.2)	(2.5)
Undistributed earnings of consolidated overseas subsidiaries	2.4	(0.7)
Tax unrecognized for unrealized profit on inventories	4.0	1.7
Consolidated overseas subsidiaries' withholding tax on dividends	3.8	2.3
Per capital levy	3.1	0.9
Other, net	(0.4)	0.5
Effective tax rate	41.9%	34.9%

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

Short-term debt generally consists of short-term notes from banks. The average interest rate on the borrowings at March 31, 2020 and 2019 was 0.4%.

Long-term debt and lease obligations as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
0.35% to 0.55% loans from Japanese banks, due in installments through March 31, 2021			
Secured	¥ –	¥ –	\$ –
Unsecured	1,400	2,690	12,844
0.59% loan from a governmental institution, due March 31, 2021			
Secured	–	–	–
Unsecured	1,000	1,000	9,174
0.80% to 1.32% loans from an insurance company, due in installments through September 30, 2021			
Secured	–	–	–
Unsecured	1,323	1,537	12,138
Euro yen zero coupon convertible bonds, due June 10, 2022			
Secured	–	–	–
Unsecured	15,041	15,059	137,991
Euro yen zero coupon convertible bonds, due June 11, 2025			
Secured	–	–	–
Unsecured	15,055	15,066	138,119
Lease obligations maturing serially through 2026			
Secured	–	–	–
Unsecured	3,483	1,969	31,954
Subtotal	37,302	37,321	342,220
Less amounts due within one year	(4,825)	(1,954)	(44,266)
Total	¥ 32,477	¥ 35,367	\$ 297,954

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

The Company has contracts for commitment lines by which banks are bound to extend loans up to a prearranged amount upon request. As of March 31, 2020, the total financing available under these contracts amounted to ¥30,000 million (\$275,229 thousand), and no amount of these commitment lines had been used.

Euro yen zero coupon convertible bonds due 2022 with a gross

amount of ¥15,000 million (\$137,615 thousand) were convertible into shares of common stock of the Company at ¥11,578 (\$106) per share and are exercisable from June 25, 2018 to May 27, 2022. Other convertible bonds due 2025 with a gross amount of ¥15,000 million (\$137,615 thousand) were convertible into shares of common stock of the Company at ¥12,337 (\$113) per share and are exercisable from June 25, 2018 to May 28, 2025.

The following table represents the balance of long-term debt and lease obligations by maturity:

Years ended March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 1,025	\$ 9,404
2023	15,427	141,532
2024	424	3,890
2025 and after	15,505	142,247
Total	¥ 32,381	\$ 297,073

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 was ¥101.47 (\$0.93) and ¥370.66 (\$3.34) for the fiscal year ended March 31, 2020 and 2019, respectively. At the annual shareholders' meeting held on June 24, 2020, the shareholders approved cash dividends of ¥30.00 (\$0.28) per share, totaling ¥1,402 million (\$12,862 thousand). The dividend payment

was not accrued in the consolidated financial statements as of March 31, 2020 and is recognized when it has been approved by shareholders.

Note: The total amount of dividends includes ¥3 million (\$28 thousand) of dividends for 88 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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Merchandise and finished goods	¥ 54,243	¥ 61,861	\$ 497,642
Work in process	36,469	37,557	334,578
Raw materials and supplies	15,548	17,385	142,642
Total	¥ 106,260	¥ 116,803	\$ 974,862

Note 8: Leases

1. Finance leases, etc.

Information related to finance leases, excluding those leases where the ownership of the leased assets is considered to be transferred to the lessee, for the company and North American subsidiaries and right of use assets for subsidiaries which apply the IFRS, as of and for the years ended March 31, 2020 and 2019 were as follows:

(As lessee)

1) Description of leased assets

1. Tangible non-current assets: Mainly buildings
2. Intangible non-current assets: Software

2) Depreciation method for leased assets

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

2. Operating leases

(As lessee)

Future minimum lease payments as lessee:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥ 222	¥ 591	\$ 2,037
Due after one year	596	1,208	5,468
Total	¥ 818	¥ 1,799	\$ 7,505

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

Note 9: Segment Information

1. General information about reportable segments

(1) Reportable segments

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

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

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

(2) Products and services of reportable segments

The SPE segment develops and manufactures semiconductor

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

(Changes in reportable segments)

The reportable segment originally named the Semiconductor Production Equipment Business (SE) has been renamed to the Semiconductor Production Equipment Business (SPE). The change is only to the segment name and does not impact any segment information.

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

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

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

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

As of and for the year ended March 31, 2019	Millions of yen						
	Reportable segment				Others	Adjustments	Consolidated
	SPE	GA	FT	PE			
Sales							
Sales to outside customers	¥ 252,511	¥ 48,076	¥ 49,254	¥ 12,345	¥ 2,048	¥ -	¥ 364,234
Intersegment sales and transfers	2	142	-	-	16,238	(16,382)	-
Total	252,513	48,218	49,254	12,345	18,286	(16,382)	364,234
Segment income (loss)	¥ 25,842	¥ 1,140	¥ 3,774	¥ 770	¥ (1,411)	¥ (470)	¥ 29,645
Segment assets	¥ 222,393	¥ 46,586	¥ 33,046	¥ 11,959	¥ 9,843	¥ 57,089	¥ 380,916
Other							
Depreciation and amortization	3,853	581	213	53	363	1,820	6,883
Impairment loss	-	-	796	-	48	-	844
Capital expenditures	14,331	969	739	97	316	7,637	24,089

As of and for the year ended March 31, 2020	Thousands of U.S. dollars						
	Reportable segment				Others	Adjustments	Consolidated
	SPE	GA	FT	PE			
Sales							
Sales to outside customers	\$ 2,114,642	\$ 417,541	\$ 322,743	\$ 92,239	\$ 18,422	\$ -	\$ 2,965,587
Intersegment sales and transfers	46	376	-	-	118,835	(119,257)	-
Total	2,114,688	417,917	322,743	92,239	137,257	(119,257)	2,965,587
Segment income (loss)	\$ 148,037	\$ 13,303	\$ (23,569)	\$ (2,376)	\$ (13,697)	\$ (6,450)	\$ 115,248
Segment assets	\$ 1,810,239	\$ 399,761	\$ 329,422	\$ 87,000	\$ 69,743	\$ 496,174	\$ 3,192,339
Other							
Depreciation and amortization	45,835	8,486	3,239	1,266	2,944	19,514	81,284
Impairment loss	-	10,872	1,881	1,486	220	-	14,459
Capital expenditures	34,312	6,807	10,303	1,321	2,991	17,523	73,257

- Notes: 1. The "Other" category incorporates operations not included in reportable segments, including development, manufacturing and sales of equipment in the life science business and automotive parts inspection systems and other, software development, planning and production of printed matter and other businesses.
2. Segment operating income (loss) adjustments of ¥(703) million (\$6,450 thousand) and ¥(470) million for the years ended March 31, 2020 and 2019, respectively, are the Company's profit (loss) not attributable to a reportable segment. Segment assets adjustments of ¥54,083 million (\$496,174 thousand) and ¥57,089 million for the years ended March 31, 2020 and 2019, 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	
	2020		2019		2020	
Japan	¥ 71,747	(22.2%)	¥ 72,055	(19.8%)	\$ 658,229	
Taiwan	76,518	(23.7%)	64,105	(17.6%)	702,000	
South Korea	14,872	(4.6%)	28,278	(7.8%)	136,440	
China	71,498	(22.1%)	99,649	(27.3%)	655,945	
United States	52,099	(16.1%)	42,846	(11.8%)	477,972	
Europe	22,823	(7.1%)	29,724	(8.1%)	209,385	
Others	13,692	(4.2%)	27,577	(7.6%)	125,616	
Total	¥ 323,249	(100.0%)	¥ 364,234	(100.0%)	\$ 2,965,587	

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

(2) Property, plant and equipment

	Millions of yen				Thousands of U.S. dollars
	2020		2019		2020
Japan	¥ 54,523	(89.5%)	¥ –	(–%)	\$ 500,211
Asia	3,477	(5.7%)	–	(–%)	31,899
North America	416	(0.7%)	–	(–%)	3,817
Europe	2,420	(4.0%)	–	(–%)	22,202
Others	58	(0.1%)	–	(–%)	532
Total	¥ 60,894	(100.0%)	¥ –	(–%)	\$ 558,661

Notes: 1. The numbers shown in parentheses are component ratios.

2. For the year ended March 31, 2019 information about property, plant and equipment by geographic area is omitted because the amount of non-current assets held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

2. Information about major customers

Year ended March 31, 2020	Millions of yen	Thousands of U.S. dollars	Year ended March 31, 2019	Millions of yen
Net sales			Net sales	
Taiwan Semiconductor Manufacturing Company, Ltd. (related segment: SPE)	¥ 57,717	\$ 529,514	Taiwan Semiconductor Manufacturing Company, Ltd. (related segment: SPE)	¥ 40,594
Intel Corporation (related segment: SPE)	¥ 34,218	\$ 313,927		

Note 10: Contingent Liabilities

As of March 31, 2020 and 2019, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
As guarantors of			
Customers' business loans	¥ 59	¥ 64	\$ 541
Employees' housing loans	¥ 10	¥ 17	\$ 92
Total	¥ 69	¥ 81	\$ 633

Note 11: Financial Instruments

1. Qualitative information on financial instruments

A. Qualitative information on financial instruments

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

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

Financial instruments	Risks	Processes for risk management
Notes and accounts receivable - trade	Credit risk of clients	The amounts outstanding are managed by client and due date. Also, the financial condition of the clients is monitored.
Accounts receivable denominated in foreign currency	Risk of fluctuation in foreign currency exchange rates	The risk is hedged by 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 and lease obligations	Liquidity risk	Funding plans are prepared and renewed, and a certain level of liquidity on hand is maintained.
Portion of loans	Risk of fluctuation in interest rates	The risk is hedged by interest rate swaps.

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

C. Supplemental information on fair values

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

2. Fair values of financial instruments

As of March 31, 2020 and 2019, the book value and fair value of financial instruments and any differences between the book value and fair value are set forth in the table below. The table does not include financial instruments whose fair values were not readily determinable. (See Note 2.)

	Millions of yen						Thousands of U.S. dollars		
	2020			2019			2020		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 37,770	¥ 37,770	¥ -	¥ 32,193	¥ 32,193	¥ -	\$ 346,514	\$ 346,514	\$ -
(2) Notes and accounts receivable - trade	82,758	82,738	(20)	100,835	100,835	-	759,248	759,064	(184)
Allowance for doubtful receivables ⁽¹⁾	(701)	(701)	-	(669)	(669)	-	(6,431)	(6,431)	-
	¥ 82,057	¥ 82,037	¥ (20)	¥ 100,166	¥ 100,166	¥ -	\$ 752,817	\$ 752,633	\$ (184)
(3) Investments in securities									
Available-for-sale securities	29,043	29,043	-	33,876	33,876	-	266,450	266,450	-
Total assets	¥ 148,870	¥ 148,850	¥ (20)	¥ 166,235	¥ 166,235	¥ -	\$ 1,365,781	\$ 1,365,597	\$ (184)
(1) Notes and accounts payable — trade	¥ 66,395	¥ 66,395	¥ -	¥ 94,531	¥ 94,531	¥ -	\$ 609,128	\$ 609,128	\$ -
(2) Short-term debt	30,000	30,000	-	18,000	18,000	-	275,229	275,229	-
(3) Bonds	30,096	29,449	(647)	30,125	28,966	(1,159)	276,111	270,175	(5,936)
(4) Long-term loans	3,723	3,723	-	5,227	5,228	1	34,156	34,156	-
(5) Lease obligations	3,483	4,122	639	1,969	2,921	952	31,954	37,817	5,863
Total liabilities	¥ 133,697	¥ 133,689	¥ (8)	¥ 149,852	¥ 149,646	¥ (206)	\$ 1,226,578	\$ 1,226,505	\$ (73)
Derivative transactions ⁽²⁾									
(1) Without hedge accounting	¥ (40)	¥ (40)	¥ -	¥ (31)	¥ (31)	¥ -	\$ (367)	\$ (367)	\$ -
(2) With hedge accounting	-	-	-	-	-	-	-	-	-
Total derivative transactions	¥ (40)	¥ (40)	¥ -	¥ (31)	¥ (31)	¥ -	\$ (367)	\$ (367)	\$ -

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

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

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

Assets

(1) Cash, cash equivalents and time deposits

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

(2) Notes and accounts receivable - trade

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

(3) Investments securities

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

Liabilities

(1) Notes and accounts payable -trade and (2) Short-term debt

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

(3) Bonds

The fair values of bonds with market prices are based on the market prices.

(4) Long-term loans

The fair values of long-term loans are based on the current value, which is the principal discounted with consideration for the length of time until repayment and credit risk.

(5) Lease obligations

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

Derivative transactions

See Note 12, "Derivative Transactions."

2. The book value of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2020 and 2019 were as follows:

Category	Millions of yen				Thousands of U.S. dollars	
	2020		2019		2020	
	Book value		Book value		Book value	
Non-listed equity securities	¥ 1,543		¥ 3,208		\$ 14,156	

Non-listed equity securities are not included in (3) "Investments in securities" as it is deemed to be exceedingly difficult to estimate the fair values.

The amount in the above table includes investments in nonconsolidated subsidiaries in the amount of ¥42 million (\$383 thousand).

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

	Millions of yen								Thousands of U.S. dollars			
	2020				2019				2020			
	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	¥ 37,753	¥ -	¥ -	¥ -	¥ 32,173	¥ -	¥ -	¥ -	\$ 346,358	\$ -	\$ -	\$ -
Notes and accounts receivable - trade	81,250	1,508	-	-	100,835	-	-	-	745,413	13,835	-	-
Investments in securities - available-for-sale securities with maturities	-	-	-	-	-	-	-	-	-	-	-	-
Total	¥ 119,003	¥ 1,508	¥ -	¥ -	¥ 133,008	¥ -	¥ -	¥ -	\$ 1,091,771	\$ 13,835	\$ -	\$ -

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

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

Note 12: Derivative Transactions

Outstanding derivative transactions as of March 31, 2020 and 2019 were as follows:

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

Currency related

	Millions of yen								Thousands of U.S. dollars			
	2020				2019				2020			
	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Sell-U.S. dollar)	¥ 4,868	¥ -	¥ (35)	¥ (35)	¥ 6,940	¥ -	¥ (40)	¥ (40)	\$ 44,661	\$ -	\$ (322)	\$ (322)
(Sell-Euro)	4,334	-	9	9	4,010	-	8	8	39,761	-	83	83
(Sell-Pound)	384	-	(14)	(14)	794	-	1	1	3,523	-	(128)	(128)
Total	¥ 9,586	¥ -	¥ (40)	¥ (40)	¥ 11,744	¥ -	¥ (31)	¥ (31)	\$ 87,945	\$ -	\$ (367)	\$ (367)

Note: Method of estimating fair value

The fair values of exchange forward transactions as of March 31, 2020 and 2019 were estimated based on the prices presented by financial institutions.

2. Derivative transactions for which hedge accounting has been applied

(1) Currency related

	Hedged items	Millions of yen						Thousands of U.S. dollars			
		2020			2019			2020			
		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	¥ 247	¥ -	Note	¥ 88	¥ -	Note	\$ 2,266	\$ -	Note	
(Sell-Euro)	Accounts receivable	228	-	Note	304	-	Note	2,092	-	Note	
Total		¥ 475	¥ -	Note	¥ 392	¥ -	Note	\$ 4,358	\$ -	Note	

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

(2) Interest rate related

	Hedged items	Millions of yen						Thousands of U.S. dollars			
		2020			2019			2020			
		Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value	Contracted amount	Portion exceeding one year	Fair value	
Interest swap contracts subject to the exceptional accounting treatment											
Fixed rate payments and variable rate receipts	Long-term loans	¥ -	¥ -	-	¥ 420	¥ -	Note	\$ -	\$ -	-	

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

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, 2020 and 2019:

Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2020			2019			2020		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	¥ 11,351	¥ 27,214	¥ 15,863	¥ 11,860	¥ 32,101	¥ 20,241	\$ 104,138	\$ 249,670	\$ 145,532
Others	-	-	-	-	-	-	-	-	-
Total	¥ 11,351	¥ 27,214	¥ 15,863	¥ 11,860	¥ 32,101	¥ 20,241	\$ 104,138	\$ 249,670	\$ 145,532
Securities with book values not exceeding acquisition costs:									
Equity securities	¥ 2,298	¥ 1,829	¥ (469)	¥ 2,063	¥ 1,775	¥ (288)	\$ 21,083	\$ 16,780	\$ (4,303)
Others	-	-	-	-	-	-	-	-	-
Total	¥ 2,298	¥ 1,829	¥ (469)	¥ 2,063	¥ 1,775	¥ (288)	\$ 21,083	\$ 16,780	\$ (4,303)

2. Total sales of available-for-sale securities for the year ended March 31, 2020 amounted to ¥591 million (\$5,422 thousand), and the related total gain amounted to ¥333 million (\$3,055 thousand). Total sales of available-for-sale securities for the year ended March 31, 2019 amounted to ¥864 million, and the related total gain amounted to ¥445 million.

Note 14: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the years ended March 31, 2020 and 2019 was as follows:

1. Defined benefit plans

(1) Changes in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 34,019	¥ 33,640	\$ 312,101
Service cost	1,267	1,306	11,624
Interest cost	335	345	3,073
Actuarial loss (gain)	(443)	(160)	(4,064)
Benefits paid	(1,899)	(1,435)	(17,422)
Other	258	323	2,367
Balance at end of year	¥ 33,537	¥ 34,019	\$ 307,679

(2) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 38,440	¥ 38,360	\$ 352,661
Expected return on plan assets	963	1,006	8,835
Actuarial loss (gain)	(2,107)	(853)	(19,330)
Contributions paid by the employer	1,038	1,053	9,523
Benefits paid	(1,899)	(1,427)	(17,422)
Other	452	301	4,146
Balance at end of year	¥ 36,887	¥ 38,440	\$ 338,413

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligations	¥ 33,537	¥ 34,019	\$ 307,679
Plan assets	36,887	38,440	338,413
	(3,350)	(4,421)	(30,734)
Unfunded retirement benefit obligations	–	–	–
Total net liability (asset) for retirement benefits	¥ (3,350)	¥ (4,421)	\$ (30,734)
Net defined benefit liability	1,016	943	9,321
Net defined benefit asset	4,366	5,364	40,055
Total net liability (asset) for retirement benefits	¥ (3,350)	¥ (4,421)	\$ (30,734)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 1,267	¥ 1,306	\$ 11,624
Interest cost	335	345	3,073
Expected return on plan assets	(963)	(1,006)	(8,835)
Net actuarial loss amortization	749	513	6,872
Total retirement benefit costs	¥ 1,388	¥ 1,158	\$ 12,734

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial gains and losses	¥ (916)	¥ (180)	\$ (8,404)
Total balance	¥ (916)	¥ (180)	\$ (8,404)

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial gains and losses that are yet to be recognized	¥ (1,823)	¥ (907)	\$ (16,725)
Total balance	¥ (1,823)	¥ (907)	\$ (16,725)

(7) Plan assets

1. Plan assets comprise:

	2020	2019
Bonds	49%	46%
Equity securities	19%	23%
Cash and cash equivalents	4%	4%
Life insurance company general accounts	20%	19%
Alternative	8%	8%
Total	100%	100%

Note: Alternative is investment mainly for a 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.

2. Defined contribution plans

Contributions paid by the Company and its consolidated subsidiaries to defined contribution plans for the fiscal years ended March 31, 2020 and 2019 amounted to ¥1,141 million (\$10,468 thousand) and ¥966 million, respectively.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2020 and 2019 were as follows:

	2020	2019
Discount rate	1.1%~1.3%	1.1%~1.3%
Long-term expected rate of return	3.0%	3.0%

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

Note 15: Impairment of Non-current Assets

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

For the year ended March 31, 2020

(1) Assets for which impairment loss was recognized

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

(2) Background to recognition of impairment loss

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

(3) Breakdown of impairment loss

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

(4) Grouping

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

(5) Calculation method for recoverable amounts

The recoverable amounts of operating assets are measured by the net selling price, and the assets that are difficult to sell or convert to other uses have a recoverable amount of zero and are evaluated by the memorandum value.

For the year ended March 31, 2019, the Company and its consolidated subsidiaries recorded impairment loss of ¥844 million (\$7,171 thousand).

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

For the year ended March 31, 2019

(1) Assets for which impairment loss was recognized

Location	Major use	Asset category	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
SCREEN Laminitech Co., Ltd. Gose-shi, Nara	—	Goodwill	¥ 796	\$ 7,171

(2) Background to recognition of impairment loss

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

(3) Grouping

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

(4) Calculation method for recoverable amounts

The recoverable amount of an asset group is calculated by estimating the value in use and applying the discount rate of 8.52% to future cash flows.

Note 16: Business Structure Improvement Expenses

There was no business structure improvement expense in "Other Expenses" for the fiscal year ended March 31, 2020. Business structure improvement expenses in "Other Expenses" for the fiscal year ended March 31, 2019 comprised mainly additional retirement benefits of ¥428 million (\$ 3,856 thousand), a lump sum payment for career changes of ¥356 million (\$3,207 thousand) and loss on valuation of inventories of ¥275 million (\$2,477 thousand).



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of SCREEN Holdings Co., Ltd. and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2020, 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, 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, 2020, and its consolidated financial performance and 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.

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 including 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Tomoyuki Ono
Designated Engagement Partner
Certified Public Accountant

Johta Mizo
Designated Engagement Partner
Certified Public Accountant

Yoshinori Tatsuta
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Kyoto Office, Japan
July 27, 2020

Notes to the Reader of Independent Auditor's Report:

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

SCREEN Holdings Co., Ltd.

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

Contact: IR Department

Tel: +81-75-414-7233

www.screen.co.jp/en/contact/ir