May 9, 2017

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SCREEN Announces the Launch of Challenge 2019, Its New Three-Year Medium-Term Management Plan

The SCREEN Group has launched a new three-year medium-term management plan, Challenge 2019, effective from the opening of the fiscal year ending March 31, 2018.

1. Background of the formulation of Challenge 2019

From the fiscal year ended March 31, 2015, through the fiscal year ended March 31, 2017, the SCREEN Group implemented the three-year medium-term management plan Challenge 2016. During that period, the semiconductor solution business was bolstered by ongoing investment in cutting-edge technologies that reflected growing demand for smartphones as well as the expansion of new fields, most notably IoT. These factors and a program of continual earnings structure reforms contributed to growth in both sales and profit. In the graphic and precision solution business, although sales volumes did increase somewhat, intensifying competition in the digital printing equipment market and other factors weakened profitability. However, in the Finetech solution business, a robust appetite for capital investment in the Chinese market together with well-timed business activities and initiatives in new fields led to favorable performance that exceeded initial forecasts.

The main targets of Challenge 2016 were as follows. 1. “Complete earnings structure reforms and achieve consistently higher earnings,” specifically, to achieve operating income to net sales of 10% or above in the final year of the plan; 2. “Launch businesses in new fields;” and 3. “Strengthen financial standing,” specifically, to achieve an equity ratio of 50% or above by March 31, 2017. In the circumstances described above, while the launch of businesses in new fields has lagged, the Group has made some progress toward these targets.

The business environment surrounding the SCREEN Group is subject to constant, rapid change. While this environment demands speed and innovation, it also constantly presents business opportunities, and the overall market continues to grow. Given this, under Challenge 2019, the SCREEN Group’s new medium-term management plan for the three fiscal years beginning April 1, 2017, the Group will maintain the earnings structure and financial base established under the previous medium-term management plan while aiming for the growth and qualitative improvement of the Group itself. At the same time, the Group will work to ensure the generation of sustainable profit and shareholder returns. Furthermore, the Group will take aggressive action toward realizing new growth through growth-oriented resource allocation, open innovation, and the exploration of M&A opportunities.

2. Basic concept

Growth and qualitative improvement of the Group itself

3. Targets

(1) Expand sales

Achieve fiscal year net sales of approximately ¥300 billion

(2) Maintain and improve profitability

Achieve an operating income to net sales ratio of 13% or above in the final fiscal year of the plan

(3) Maintain and improve capital efficiency
Achieve ROE of approximately 15%

*The above three numerical targets are goals for organic growth.

4. Main initiatives

(1) Improve the net sales break-even point ratio in existing businesses
Control the net sales break-even point in response to sales fluctuations

(2) Establish earnings platforms in peripheral areas based on the production equipment business
Further strengthen after-sales businesses, including modifications (and including consumables businesses in the Graphic Arts field)

(3) Aggressively invest in growth while maintaining financial discipline
Explore opportunities for and implement effective M&A. Under a strategy of open innovation, explore opportunities for and implement such measures as collaboration and business alliances with research institutions and other companies as well as investment in and support for venture capital.

(4) Advance CSR management with an emphasis on ESG
E: Creating environmental value and contributing to the reduction of carbon emissions and recycling of resources at the societal level
S: Ensuring opportunities for decent work and creating social value
G: Implementing a system of both passive and active governance while disclosing ESG information

(5) Enhance shareholder returns
Aim for a total consolidated shareholder return ratio of 25% or above

The above forward-looking numerical amounts are based on currently available information and rational assumptions and are not intended to indicate a commitment to their future achievement. It should be noted that actual results could differ significantly due to a variety of factors.

*ESG stands for environmental, social and governance.