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To whom it may concern:

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Notice: Recurrence Prevention Measures and Disciplinary Action regarding Recent Accounting Issues

As announced in the timely disclosure dated January 14, 2025 titled "Publication of the Summary of the Investigation Report from the Special Investigation Committee," the Special Investigation Committee's investigation identified accounting at a SCREEN subsidiary that included revenue recognition based on improper conduct. SCREEN regards the committee's analysis of the causes of this incident and its recurrence prevention measure proposals with the utmost seriousness. At the February 28, 2025 Board of Directors meeting, the Company reached a resolution regarding recurrence prevention measures and disciplinary action for the parties involved. Details are as follows.

We sincerely apologize for the concern and confusion this has caused to our stakeholders, including our shareholders and investors. Going forward, we will steadily implement the recurrence prevention measures and do our utmost to repair the trust of our stakeholders.

1. Overview of the improper conduct and investigation results

For the equipment handled by the SCREEN Group's semiconductor production equipment business, generally, the performance obligation is deemed fulfilled and revenue is recognized accordingly upon the installation of the equipment at the location specified by the client. However, the investigation found that for transactions in which equipment is stored long-term in a client warehouse and not installed due to changes in client investment plans or other factors, if a side letter (hereinafter "SL") indicating that installation is unnecessary was received from the client, revenue was instead recognized upon the delivery of equipment to the client.

The committee found that installation work was performed in the fiscal year ending March 2025 for some equipment for which an SL indicating that installation was unnecessary was received and sales were recorded in the fiscal year ended March 2024. Furthermore, emails and documents (hereinafter

"SSLs") were discovered indicating agreements with clients to perform installation work free of charge if requested by the clients despite receiving SLs (hereinafter the "Improper Conduct").

In the fiscal year ended March 2024, SCREEN's wholly owned subsidiary SCREEN Semiconductor Solutions Co., Ltd. (hereinafter "SCREEN SPE") recorded 23 transactions using this method. The committee determined that all of these 23 transactions constituted Improper Conduct.

2. Analysis of the causes of the Improper Conduct

The results of the Investigation Report's analysis of the causes of the Improper Conduct are summarized below. For a summary of the investigation report, please refer to the timely disclosure dated January 14, 2025 titled "Publication of the Summary of the Investigation Report from the Special Investigation Committee." The full Japanese text of the report is also available in a Japanese language timely disclosure dated January 14, 2025.

(1) Discrepancy between revenue recognition standards and actual operations

In SCREEN SPE, equipment sales revenue is recognized on an installation completion basis. Even after the delivery of equipment to the client, if installation cannot be performed promptly due to reasons on the client's side, sales cannot be recorded, and the equipment is treated as long-term inventory. Although the SL process is supposed to be used when equipment installation work is unnecessary, to date, there have been no cases in which SCREEN SPE did not eventually install the equipment. As such, the SL process itself is not suited to the reality of SCREEN SPE's business. The discrepancies between the revenue recognition standards and the way transactions were actually handled at SCREEN SPE, which employees were forced to work around, were one cause of the Improper Conduct.

(2) Insufficient dissemination of operational processes

SCREEN SPE's Accounting Rules and Procedures stipulate that it is necessary to seek instruction from the SCREEN SPE controller regarding the use of exceptional accounting treatments. However, the operational process for doing so was not clearly defined in manuals or otherwise at SCREEN SPE.

(3) Ineffectiveness of internal check functions

A) Check functions in operational processes

Checks by the SCREEN SPE Coordination Management Section of the use of exceptional accounting treatments, such as the SL process, were limited to a pro forma confirmation of the requirements. In addition, both the SCREEN SPE Coordination Management Section and the controller were supposed to carefully examine and consider such transactions, but instead only one person in the Coordination Management Section checked them.

B) Inadequate check functions in systems

SCREEN SPE's ERP system could not be used to determine which transactions involved the SL process or whether after-the-fact installation work was performed for such transactions. SCREEN SPE's system thus did not have the functionality needed to check the use of the SL process.

(4) Inadequate compliance awareness and risk recognition

The parties involved were well aware that clients must waive equipment installation as a condition for applying the SL process. Nevertheless, they used SSLs that clearly contradicted the requirements for applying the SL process, demonstrating inadequate compliance awareness. In addition, the parties involved were insufficiently aware of the legal risk involved in issuing to clients SSLs that contradicted the SLs.

3. Overview of recurrence prevention measures

(1) Review and update revenue recognition standards

a. <u>Elimination of SLs</u>

We have eliminated the use of SLs, which was a trigger of the Improper Conduct. Going forward, for transactions in which equipment is stored long-term in a client warehouse and not installed due to changes in client investment plans or other factors, we will proceed carefully, consulting with the accounting auditors and considering the appropriate accounting treatment based on the details of the specific contract and the actual state of the transaction.

b. <u>Ongoing review of revenue recognition standards</u>

The completion of installation is the generally applied standard for recognizing revenue in SCREEN SPE's sale of equipment. Because clients gain control of equipment upon the completion of its installation, at that point, the performance obligation is deemed to be fulfilled, and revenue for the equipment itself and for installation and adjustment services is recognized as a single entry.

The generally applied revenue recognition standards described above were formulated based on SCREEN's other accounting standards and approved by the accounting auditors. As such, we do not currently believe that they need to be changed immediately. However, going forward, we will check whether they are aligned with the actual conditions of our businesses and consider whether they need to be updated on an ongoing basis.

(2) Thoroughly disseminate and enforce business processes

a. <u>Clearly defining and thoroughly disseminating workflows</u>

We will clearly define related workflows in SCREEN SPE's manuals, including those for

exceptional accounting treatments. We will disseminate these among SCREEN SPE and SCREEN Group companies that serve as contractors for SCREEN SPE and take thoroughgoing steps to enforce them by such means as posting them on our portal website and holding explanatory meetings.

b. Reviewing and updating related rules and regulations

In SCREEN SPE's Accounting Rules and Procedures, we will enumerate and clearly define SCREEN SPE's generally applied revenue recognition standards for each transaction pattern, including for transactions other than equipment sales. Accounting treatment other than that designated by the standards thus enumerated will be defined as "exceptional treatment." The application of exceptional treatment will require prior approval from the SCREEN Holdings Financial Strategy Division as well as approval from the controller at SCREEN SPE.

We will advance the review and update of accounting rules and procedures at both SCREEN SPE and other group subsidiaries.

c. Disseminating the revenue recognition standards

The SCREEN Holdings Finance & Accounting Department will take the lead in implementing training for officers and employees of SCREEN SPE and other SCREEN Group companies, using the Improper Conduct as an example. This training will serve to disseminate knowledge of the necessity and importance of ensuring the reliability of financial reporting; the purpose, outline, and impacts of accounting standards for revenue recognition; and the SCREEN Group's generally applied revenue recognition standards.

(3) Strengthen internal check functions

A) Check functions in operational processes

Clearly defining checkpoints, etc.

We will clarify checkpoints and authorizers in the workflows mentioned in (2) a., above. The SCREEN SPE controller and the SCREEN Holdings Finance & Accounting Department will discuss all irregular and unusual transactions and maintain a record of such discussions.

B) Check functions in systems

Effectively utilizing IT systems

Functional enhancements will be made to the relevant systems at SCREEN SPE, including the addition of sales classification information, so that instances of exceptional accounting treatment can be identified in the system.

(4) Implement comprehensive compliance education, etc.

a. Enhancing compliance education

Compliance education using the Improper Conduct as part of its material will be provided for SCREEN SPE and its relevant subsidiaries. In addition, we will designate a Compliance Month in which we will provide compliance education to the officers and employees of group companies. All such education will include a message from group leadership to reaffirm the importance of compliance. Through these measures, we will thoroughly disseminate compliance awareness.

b. Ensuring awareness of the whistleblowing system

We will step up efforts to ensure awareness of the group-wide whistleblowing system and promote its use.

4. Disciplinary action for the parties involved, etc.

SCREEN takes the management and supervisory responsibility, as well as the responsibility of top management, for this incident very seriously. Accordingly, SCREEN Group officers will voluntarily forfeit a portion of their remuneration, and disciplinary action will be applied to the parties involved, as shown below.

(1) Forfeit of officer remuneration

a. SCREEN Holdings

President and CEO	10% of monthly remuneration for three months
Senior managing director and CFO	10% of monthly remuneration for three months
Senior managing executive officer	10% of monthly remuneration for three months

(Representative director and president of SCREEN SPE at the time of the Improper Conduct)

b. SCREEN SPE

Representative director and president	5% of monthly remuneration for three months

(Executive officer in charge of CSR at the time of the Improper Conduct)

Director and managing executive officer	10% of monthly remuneration for three months
Senior executive officer	5% of monthly remuneration for three months

(2) Disciplinary action for the parties involved

We have decided to apply strict disciplinary action to the managers and employees of SCREEN Holdings, SCREEN SPE, and the subsidiaries of SCREEN SPE involved in this incident in accordance with internal rules.