

**Dainippon Screen Announces Nonconsolidated Operating Results
Nonconsolidated Net Sales Exceed ¥200 Billion for First Time**

Kyoto, May 23, 1997—Dainippon Screen Mfg., Co., Ltd., (headquarters: Kamigyo-ku, Kyoto; president: Akira Ishida,) today announced its nonconsolidated operating results for fiscal 1997, the year ended March 31, 1997.

During the term, the Japanese economy continued to recover, sustained by revived capital investment. Exports grew, and personal consumption rebounded, although public-sector investment decreased. The European economy remained weak overall, but the United States and Asia sustained steady growth.

In this business environment, Dainippon Screen earned nonconsolidated net sales of ¥200,450 million, up 9.1%, exceeding ¥200 billion for the first time. Ordinary profit rose 24.5%, to ¥9,348 million, and net income soared 55.5%, to ¥6,218 million.

Sales by Segment**• Equipment for the Graphic Arts Industry**

The domestic commercial printing industry recovered during the period, and Dainippon Screen's customers expanded capital investment in digital printing technologies. These factors boosted sales in the graphic arts segment 18.6%, to ¥64,897 million.

Sales of electronic graphic arts equipment grew 25.7%, to ¥48,370 million, helped by brisk sales of DTP equipment and prepress production systems. Concentrated marketing resulted in particularly robust sales of our DT-R/FT-R series of DTP-compatible film recorders, both in Japan and overseas. Strong sales of these film recorders supported significant growth in sales of output calculation software. Among input equipment, sales of scanners were strong, particularly in the DT-S/FT-S series. Also, sales of the Renatus* prepress production system, which has earned a solid reputation in the domestic market, posted substantial sales increases. Sales of this system benefited from the introduction of a high-powered platform, as well as new support software featuring improved performance and additional functions.

* Overseas, marketed as TaigaSPACE

Sales of general equipment, such as automatic step-and-repeat machines and offset proof presses, amounted to ¥15,917 million, up 3.5%. This increase marked an end to the sluggish sales of this equipment during the past several years.

• **Equipment and Components for the Electronics Industry**

The market environment for electronic equipment was vastly different during the first and second halves of the fiscal year. In the first half, sales showed strong year-on-year growth, thanks to an abundant order backlog carried forward from the preceding term. However, in the second half prices on 16-megabit dynamic random-access memories fell sharply, reducing semiconductor manufacturers' incentives to increase capital investment. Consequently, in fiscal 1997 sales of equipment and components for the electronic industry rose 4.6 %, to ¥129,911 million.

Of this figure, sales of semiconductor and LCD fabrication equipment were ¥88,111 million, an increase of 5.6 %. In this category, strong overseas sales of Dainippon Screen's wet stations and spinners offset lackluster domestic sales. In particular, the WS series of wet stations generated robust sales overseas. Furthermore, sales grew as worldwide acclaim spread for our FS-820 wet stations, which we began shipping in fiscal 1996 as a leading-edge product for the fabrication of next-generation semiconductors. Conversely, sales of LCD manufacturing equipment dipped sharply as the result of a decline in large-scale capital investment in this sector.

Sales of other equipment and components grew 2.6%, ¥41,800 million. Although first-half sales of shadow masks and aperture grilles for color CRTs were sluggish, sales of these products recovered during the second half.

Profits

In fiscal 1997, operating income grew ¥117 million, to ¥12,859 million. Owing to the rise in production levels and ongoing efforts to reduce raw material costs, Dainippon Screen increased its gross profit margin, compared with the preceding fiscal year. However, short-term increases in personnel costs and R&D expenditures caused selling and administrative costs to increase. Furthermore, we reduced interest payments by shifting interest-bearing debt to financial products with lower interest rates. We also benefited from lower market interest rates, as well as from foreign exchange gains stemming from the weaker yen. As a result, ordinary profit gained 24.5%, to ¥9,348 million, and net income surged 55.5%, to ¥6,218 million.

Capital Investment

In fiscal 1997, Dainippon Screen's capital investment totaled ¥5,483 million, up ¥1,902 million from fiscal 1996. We used this investment to expand production and R&D facilities for semiconductor fabrication equipment, repair our CRT mask plant and rationalize other production facilities.

Financing

To improve our financial standing, repay debts and make planned capital investments, in July 1996 we floated a Swiss franc denominated convertible bond issue equivalent to ¥15,678 million. We generated an additional ¥15,000 million through Euroyen bond issues in January and March 1997.

Outlook

Although the domestic economy is recovering, it lacks vigor. Several significant problems have yet to be resolved, creating an undercurrent of uncertainty about future market performance. In general, the markets for our products are increasingly global in scope. As competition intensifies, we are compelled to respond to demand on an international level. We will ensure that our management style enables us to respond quickly and accurately to shifts in the market. Furthermore, we will bolster operating efficiency to increase our global competitiveness.

• Equipment for the Graphic Arts Industry

Clearly, printing technologies are evolving toward the increasing use of graphic arts equipment employing digital processes. During the next several years, we expect capital investment in this area to remain firm, and believe that potential areas for development will emerge within the field of multimedia.

We will launch a variety of products and services that match demand for digitization and multimedia applications. At the same time, we will adjust our operations to ensure that we employ an optimal amount of resources to the graphics art segment, while shifting some personnel and facilities to another segment that produces equipment and components for the electronic industry. Reducing costs in the graphic arts segment in this manner should enable us to regain profitability. The Company also intends to restructure its selling methods to bolster lackluster export sales. In addition, we will improve the profitability of these sales by restricting exports to only our most competitive items.

• **Equipment and Components for the Electronics Industry**

Currently, manufacturers are adjusting their capital investments in semiconductor fabrication equipment, although we anticipate strong medium-term growth. In the interim, we will prepare for a sales resurgence by strengthening our research and development, manufacturing, marketing and technical support capabilities. We are keenly aware of the need to develop an organizational structure that can react promptly and accurately to rapid shifts in demand. To meet these changes speedily, we will enhance coordination between our R&D and manufacturing departments.

Overall market demand for shadow masks and aperture grilles used in color CRTs remains steady, but customers are increasingly sensitive to quality and pricing. Dainippon Screen will respond by heightening production efficiency, yield rates and quality.

Financial Forecasts for Fiscal 1998

In fiscal 1998, we anticipate the following nonconsolidated results:

| | |
|-----------------|-------------------|
| Sales | ¥ 201,000 million |
| Ordinary profit | ¥ 7,000 million |
| Net income | ¥ 5,000 million |

1. Business results during fiscal 1997 (April 1, 1996, through March 31, 1997)

(i) Management results

| | <i>Millions of Yen</i> | | <i>% Change</i> | |
|-------------------------------------------------------------|------------------------|-------------|------------------|------------------|
| | <i>1997</i> | <i>1996</i> | <i>1997/1996</i> | <i>1996/1995</i> |
| Net Sales | 200,450 | 183,704 | 9.1 | 22.3 |
| Operating Income | 12,859 | 12,742 | 0.9 | 615.6 |
| Ordinary Income | 9,348 | 7,509 | 24.5 | – |
| Net Income | 6,218 | 3,998 | 55.5 | – |
| Net Income Per Share (yen) | 37.86 | 24.36 | – | – |
| Net Income Per Share After Adjustment for Residual Items | 33.28 | – | – | – |
| | | | | <i>%</i> |
| | | | | <i>1997</i> |
| Ratio of Net Income to Shareholders' Equity | | | | 8.6 |
| Ratio of Ordinary Income to Total Assets | | | | 3.8 |
| Ratio of Ordinary Income to Net Sales | | | | 4.7 |

(ii) Financial situation

| | <i>Millions of Yen</i> | |
|--------------------------------------|------------------------|-------------|
| | <i>1997</i> | <i>1996</i> |
| Total Assets | 250,178 | 238,450 |
| Shareholders' Equity | 75,250 | 69,173 |
| | <i>1997</i> | <i>1996</i> |
| Shareholders' Equity Ratio (%) | 30.1 | 29.0 |
| Shareholders' Equity per Share (yen) | 456.33 | 421.41 |

2. Forecast of results for upcoming fiscal term (April 1, 1997, through March 31, 1998)

| | <i>Millions of Yen</i> | |
|---------------------------|------------------------|--------------------|
| | <i>Interim</i> | <i>Full term</i> |
| Net Sales | 98,000 | 201,000 |
| Ordinary Income | 2,800 | 7,000 |
| Net Income | 1,800 | 5,000 |
| | | <i>Yen</i> |
| | <i>Interim</i> | <i>End of term</i> |
| Annual dividend per share | – | 7.00 |
| | | <i>Total</i> |
| | | 7.00 |