

February 23, 2004

CONSOLIDATED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED DECEMBER 31, 2003

Dainippon Screen Mfg. Co., Ltd. is listed on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange with the securities code number 7735. The Company is headquartered in Kyoto.

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Matters relating to prepare quarterly consolidated financial statements

- 1) Changes in the accounting method from the most recent fiscal year:
 Yes (The simplified method has been applied to certain items.)
- 2) Changes in scope of consolidation and application of the equity method:
 Yes (New consolidated companies: 1)

*Fiscal 2004 is the first year Dainippon Screen has reported quarterly business results. Accordingly, business results for the corresponding period of the previous fiscal year are not provided.

Figures have been rounded down to eliminate amounts less than one million yen, except per share figures.

PERFORMANCE

(1) Business Results

	(Millions of yen)					
	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income (Loss)	Percentage Change
Nine months ended Dec. 31, 2003	¥124,156	—%	¥2,414	—%	¥(453)	—%
Nine months ended Dec. 31, 2002	—	—	—	—	—	—
Fiscal year ended Mar. 31, 2003	167,941		3,224		(1,424)	

	(Millions of yen, except per share figures)			
	Net Income (Loss)	Percentage Change	Net Income (Loss) per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended Dec. 31, 2003	¥(1,341)	—%	¥(6.62)	¥—
Nine months ended Dec. 31, 2002	—	—	—	—
Fiscal year ended Mar. 31, 2003	(3,465)		(18.65)	—

[Qualitative information regarding status of consolidated business result]

During the three months ended December 31, 2003, capital investment activity in the IT-related sector accelerated due to increased demand for flat panel display (FPD) TVs and other digital home appliances, and mobile phones. Under this circumstance, Dainippon Screen's orders for semiconductor production equipment saw a rapid recovery, and orders for flat panel display (FPD) production equipment remained strong.

For the nine-month period ended December 31, 2003, Dainippon Screen posted consolidated net sales of ¥124,156 million and operating income of ¥2,414 million. We recorded an ordinary loss of ¥453 million, however, due to exchange losses on foreign currency transactions and other factors. The net loss for the period was ¥1,341 million, impacted by an extraordinary expense for the amortization of net transition obligation and other items.

The order backlog as of the end of the third quarter stood at ¥99,374 million, an increase of 108.0% compared with the previous fiscal year-end, and a rise of 48.3% from September 30, 2003.

(2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio (%)	Shareholders' Equity per Share of Common Stock (Yen)
Dec. 31, 2003	¥246,352	¥61,881	25.1%	¥284.50
Dec. 31, 2002	—	—	—	—
Mar. 31, 2003	218,653	45,100	20.6	238.28

(3) Cash Flows

(Millions of yen)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
Nine months ended Dec. 31, 2003	¥7,240	¥(1,040)	¥13,919	¥47,672
Nine months ended Dec. 31, 2002	—	—	—	—
Fiscal year ended Mar. 31, 2003	87	4,303	(4,922)	28,141

[Qualitative information regarding changes in consolidated financial position]

Shareholders' equity totaled ¥61,881 million as of December 31, 2003, an increase of ¥16,781 million compared with the end of the previous fiscal year, reflecting an increase in common stock and capital surplus due to the exercise of stock acquisition rights and the conversion of convertible notes, and a rise in net unrealized holding gains on securities owing to a recovery in market prices of our stockholdings and other factors. The shareholders' equity ratio rose 4.5 percentage points to 25.1% compared with the previous fiscal year-end.

Looking at cash flows, net cash provided by operating activities amounted to ¥7,240 million, mainly due to an increase in accounts payable and a decrease in accounts receivable. Net cash used in investing activities totaled ¥1,040million, reflecting acquisitions of fixed assets and other factors. Despite the redemption of notes and repayment of long-term debt, net cash provided by financing activities was ¥13,919 million, owing to the issue of convertible notes with stock acquisition rights and an increase in short-term debt as well as other factors.

As a result of the aforementioned factors, cash and cash equivalents at the end of the third quarter stood at ¥47,672 million, an increase of ¥19,531million compared with the end of the previous fiscal year.

FORECAST OF CONSOLIDATED BUSINESS RESULTS FOR FISCAL YEAR ENDING MARCH 31, 2004

(Millions of yen, except per share figures)

	Net Sales	Ordinary Income	Net Income	Net Income per Share (Yen)
Fiscal year ending Mar. 31, 2004	184,000	4,700	3,400	15.63

[Qualitative information regarding forecast of business results]

Dainippon Screen anticipates a significant improvement in business results for the three months ending March 31, 2004 against the background of an order backlog as of December 31, 2003.

There are no changes to the forecasts announced on November 14, 2003 for consolidated business results for fiscal year ending March 31, 2004.

*The statements related to the outlook for future business results in this document are made in accordance with currently available information. However, it should be noted that actual results could differ significantly due to factors such as social and economic conditions, as well as related markets and technology trends.

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	Dec. 31, 2003	% of Total	Dec. 31, 2002	% of Total	Mar. 31, 2003	% of Total
ASSETS						
Current assets:						
Cash and time deposits	¥46,984		¥—		¥29,284	
Trade notes and accounts receivable	64,781		—		71,840	
Marketable securities	1,014		—		—	
Inventories	54,453		—		43,170	
Deferred tax assets—current	2,648		—		2,622	
Other	5,518		—		4,255	
Allowance for doubtful receivables	(1,354)		—		(1,459)	
Total current assets	<u>174,047</u>	<u>70.6%</u>	—	—%	<u>149,713</u>	<u>68.5%</u>
Fixed assets:						
Property, plant and equipment:						
Buildings and structures	53,642		—		54,211	
Machinery and equipment	40,622		—		40,937	
Land	9,392		—		9,463	
Construction in progress	646		—		2	
Other	9,208		—		9,259	
Accumulated depreciation	(77,097)		—		(75,736)	
Total property, plant and equipment	<u>36,415</u>	<u>14.8</u>	—	—	<u>38,139</u>	<u>17.4</u>
Intangible fixed assets:						
Goodwill	0		—		1	
Other	637		—		782	
Total intangible fixed assets	<u>637</u>	<u>0.3</u>	—	—	<u>783</u>	<u>0.4</u>
Investments and other assets:						
Investment in securities	26,788		—		19,262	
Long-term loans receivable	201		—		185	
Deferred tax assets—noncurrent	4,539		—		6,736	
Other	4,282		—		4,496	
Allowance for doubtful receivables	(560)		—		(663)	
Total investments and other assets	<u>35,251</u>	<u>14.3</u>	—	—	<u>30,016</u>	<u>13.7</u>
Total fixed assets	<u>72,304</u>	<u>29.4</u>	—	—	<u>68,940</u>	<u>31.5</u>
Total assets	<u>246,352</u>	<u>100.0</u>	—	—	<u>218,653</u>	<u>100.0</u>

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	Dec. 31, 2003	% of Total	Dec. 31, 2002	% of Total	Mar. 31, 2003	% of Total
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Trade notes and accounts payable	¥42,978		¥—		¥29,723	
Short-term debt	48,814		—		36,875	
Current portion of long-term debt	13,895		—		14,752	
Current portion of notes	10,000		—		20,000	
Current portion of convertible notes	12,413		—		—	
Commercial paper	3,000		—		—	
Accrued income taxes	729		—		843	
Construction notes payable	170		—		119	
Other	11,300		—		14,583	
Total current liabilities	143,301	58.2%	—	—%	116,898	53.5%
Long-term liabilities:						
Notes	1,000		—		—	
Convertible notes	—		—		20,000	
Convertible notes (with acquisition rights)	21,593		—		13,804	
Long-term debt	7,918		—		13,687	
Accrued pension and severance cost	9,404		—		7,873	
Estimated termination and retirement allowances for directors and corporate auditors	377		—		380	
Reserve for loss on guarantees	228		—		205	
Other	67		—		34	
Total long-term liabilities	40,589	16.5	—	—	55,986	25.6
Total liabilities	183,890	74.7	—	—	172,884	79.1
Minority interests:						
Minority interests	579	0.2	—	—	668	0.3
Shareholders' equity:						
Common stock	44,541	18.1	—	—	37,142	17.0
Capital surplus	22,734	9.2	—	—	15,335	7.0
Retained earnings (accumulated deficit)	(2,678)	-1.1	—	—	(1,313)	-0.6
Net unrealized holding gains (losses) on securities	3,786	1.6	—	—	(456)	-0.2
Foreign currency translation adjustments	(6,337)	-2.6	—	—	(5,516)	-2.6
Treasury stock, at cost	(164)	-0.1	—	—	(89)	-0.0
Total shareholders' equity	61,881	25.1	—	—	45,100	20.6
Total liabilities, minority interests and shareholders' equity:	246,352	100.0	—	—	218,653	100.0

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Apr. 1, 2003–Dec. 31, 2003	% of Total	Apr. 1, 2002–Dec. 31, 2002	% of Total	Apr. 1, 2002–Mar. 31, 2003	% of Total
Net sales	¥124,156	100.0%	¥—	—%	¥167,941	100.0%
Cost of sales	88,123	71.0	—	—	121,056	72.1
Gross profit	36,032	29.0	—	—	46,885	27.9
Installment sales adjustment	13	0.0	—	—	21	0.0
Gross profit after installment sales adjustment	36,046	29.0	—	—	46,906	27.9
Selling, general and administrative expenses	33,632	27.1	—	—	43,681	26.0
Operating income	2,414	1.9	—	—	3,224	1.9
Nonoperating income	950	0.8	—	—	1,377	0.8
Nonoperating expenses	3,817	3.1	—	—	6,026	3.5
Ordinary income (loss)	(453)	-0.4	—	—	(1,424)	-0.8
Extraordinary income	576	0.5	—	—	2,335	1.4
Extraordinary expenses	1,418	1.1	—	—	4,732	2.9
Income (loss) before provision for income taxes	(1,295)	-1.0	—	—	(3,821)	-2.3
Provision for income taxes—current	729	0.6	—	—	858	0.5
Provision for income taxes—deferred	(614)	-0.5	—	—	(1,320)	-0.8
Minority interests in net income (loss) of consolidated subsidiaries	(69)	-0.0	—	—	106	0.1
Net income (loss)	(1,341)	-1.1	—	—	(3,465)	-2.1

SEGMENT INFORMATION**(1) Performance by Business Segment**

Nine months ended December 31, 2003

(Millions of yen)

	Electronic Equipment and Components	Graphic Arts Equipment	Other	Total	Eliminations	Consolidated
Sales						
Sales to outside customers	¥86,965	¥36,152	¥1,038	¥124,156	¥—	¥124,156
Intersegment sales and transfers	—	—	3,489	3,489	(3,489)	—
Total	86,965	36,152	4,528	127,646	(3,489)	124,156
Operating expenses	86,718	34,277	4,235	125,232	(3,489)	121,742
Operating income	246	1,874	292	2,414	—	2,414

Notes: 1. Segment classifications are by product lineup.

2. Principal products of each segment category are as follows:

Electronic Equipment and Components: Semiconductor manufacturing equipment, FPD manufacturing equipment, PCB manufacturing equipment and masks for cathode ray tubes, and maintenance and repair services

Graphic Arts Equipment: Prepress systems for page make-up, Input/output devices, digital press machines, fonts, film/plate processors, color copying machines and maintenance and repair services

Other: Leasing, printing, logistics services, and others

(2) Performance by Geographic Area

Nine months ended December 31, 2003

(Millions of yen)

	Japan	North America	Asia & Oceania	Europe	Total	Eliminations	Consolidated
Sales							
Sales to outside customers	¥88,652	¥17,836	¥9,398	¥8,268	¥124,156	¥—	¥124,156
Intersegment sales and transfers	23,422	895	727	164	25,209	(25,209)	—
Total	112,074	18,731	10,126	8,432	149,365	(25,209)	124,156
Operating expenses	110,638	18,647	9,330	8,550	147,167	(25,425)	121,742
Operating income (loss)	1,435	84	795	(117)	2,197	216	2,414

Notes: 1. Countries and regions are classified according to geographical proximity.

2. The countries and regions included in each segment are as follows:

(1) North America: U.S.A.

(2) Asia & Oceania: Singapore, China, Taiwan, South Korea, Australia

(3) Europe: U.K., Germany, the Netherlands, France, Italy, Ireland

(3) Overseas Sales

Nine months ended December 31, 2003

(Millions of yen)

	North America	Asia & Oceania	Europe	Other	Total
Overseas sales	¥16,494	¥37,857	¥14,369	¥869	¥69,590
Consolidated net sales					124,156
Overseas sales as a percentage of consolidated net sales	13.3%	30.5%	11.6%	0.7%	56.1%

Notes: 1. Overseas sales are sales to customers outside Japan by the Company and its consolidated subsidiaries.

2. Countries and regions are classified according to geographical proximity.

3. The countries and regions included in each segment are as follows:

(1) North America: U.S.A., Canada

(2) Asia & Oceania: Singapore, Malaysia, China, Taiwan, South Korea, Australia

(3) Europe: U.K., Germany, the Netherlands, France, Belgium, Italy, Ireland, Northern Europe

(4) Other: Africa, Middle East, Latin America

Production, Orders and Sales

(1) Production

Production by business segment was as follows:

	(Millions of yen)		
	Apr. 1, 2003– Dec. 31, 2003	Apr. 1, 2002– Dec. 31, 2002	Apr. 1, 2002– Mar. 31, 2003
Electronic Equipment and Components	¥70,081	¥—	¥102,252
Graphic Arts Equipment	18,560	—	28,582
Other	1,638	—	—
Total	90,280	—	130,834

Notes: 1. Amounts are computed based on planned sales prices.

2. Consumption tax is not included in the above figures.

(2) Orders

Orders by business segment were as follows:

	(Millions of yen)					
	Apr. 1, 2003– Dec. 31, 2003		Apr. 1, 2002– Dec. 31, 2002		Apr. 1, 2002– Mar. 31, 2003	
	Received	Backlog	Received	Backlog	Received	Backlog
Electronic Equipment and Components	¥137,610	¥95,366	¥—	¥—	¥112,586	¥44,721
Graphic Arts Equipment	37,041	3,681	—	—	49,122	2,792
Other	548	327	—	—	1,280	268
Total	175,200	99,374	—	—	162,989	47,781

Note: Consumption tax is not included in the above figures.

(3) Sales

Sales by business segment were as follows:

	(Millions of yen)		
	Apr. 1, 2003– Dec. 31, 2003	Apr. 1, 2002– Dec. 31, 2002	Apr. 1, 2002– Mar. 31, 2003
Electronic Equipment and Components	¥86,965	¥—	¥115,752
Graphic Arts Equipment	36,152	—	50,399
Other	1,038	—	1,790
Total	124,156	—	167,941

Notes: 1. Intersegment transactions are eliminated.

2. Consumption tax is not included in the above figures.

3. Other segment includes non-made-to-order.