

SCREEN



Annual Report  
**2013**

Dainippon Screen Group  
Year Ended March 31, 2013

# With image processing technology as our core, we have evolved from the fields of printing equipment into semiconductor production equipment, and we are constantly on the lookout for challenges in new fields of business.

Dainippon Screen has focused on research and development from its very beginnings. In our ongoing quest to develop new businesses and products, we constantly monitor the needs of our customers and society at large, always considering how to apply our technologies and products, and examining what is lacking.

## Management Philosophy

思考展開  
+  
志高転改

## Media And Precision Technology



## Semiconductor Equipment

[思考展開] Shi Kou Ten Kai (thinking, considering, developing and opening new businesses, products and technologies) is the ideology behind Dainippon Screen's business development. The phrase expresses our commitment to the challenge of developing new businesses and products always considering how to apply our technologies and products, and examining what is lacking. [志高転改], which is also pronounced Shi Kou Ten Kai and means to implement reforms with a strong will.

## C O N T E N T S

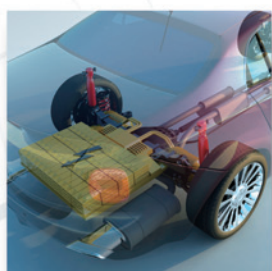
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FPD  
Equipment



New  
Business



## Editorial Policy

To communicate the Group's activities from various points of view, we have integrated information on business activities, as well as our reporting from a financial, social and environmental perspective, into this annual report. In addition to the printed Annual Report 2013, we have made available on our website an e-report (including CSR data sheets) that features more extensive information related to corporate social responsibility (CSR).

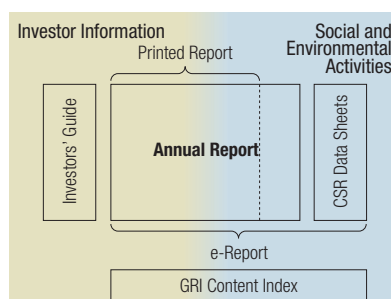
We prepared the e-report using the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines\*, and self-declare the report to GRI Application Level B.

\* The GRI Content Index is available on our website.



Information posted on our website

## Reporting Structure



Website (<http://www.screen.co.jp/eng>)

We disclose a variety of IR, social and environmental information in addition to that mentioned above on our website.

## Disclaimer

The plans, strategies and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly due to such factors as social and economic conditions.

Notes:

1. All amounts shown in billions of yen are truncated to the nearest billion. Amounts shown in millions of yen are rounded to the nearest million yen.
2. All years shown are for the accounting year ending March 31 of the year shown.



## Semiconductor Equipment Company

In an environment characterized by the further circuit miniaturization of semiconductors, wafer cleaning processes are of growing importance. We boast the top share of the global market in the three principal categories of single wafer cleaning equipment, batch-type cleaning equipment and spin scrubbers. We also handle coater/developers sold through SOKUDO Co., Ltd., a Dainippon Screen subsidiary.

(Sales amount basis in 2012)

**Global Market Share No.1**

\* Source: Gartner, "Market Share: Semiconductor Manufacturing Equipment, Worldwide, 2012" Barbara Van et al. 4 April 2013  
[Revenue from Shipments of Single Wafer Processors, Auto Wet Stations and Scrubbers, Worldwide]



Single wafer cleaning equipment

**55%\***



Batch-type cleaning equipment

**75%\***



Spin scrubbers

**73%\***

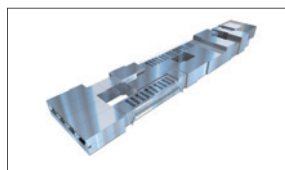
## FPD Equipment Company

Using the principles of photographic development, coater/developers coat a glass substrate with photosensitive material and develop it, as a part of the process of creating electronic circuits on it. We hold the top share of the global market in coater/developers for the TFT arrays used in the LCD panel production process.

(Unit basis in 2012)

**Global Market Share No.1**

\* Source: Dainippon Screen estimate



Coater/developers

**86%\***



Nozzle printing equipment for OLEDs

## Media And Precision Technology Company

The Company develops, manufactures and sells digital printing equipment and Computer to Plate (CTP) equipment to rationalize production processes and enhance printing quality. We also supply printed circuit board patterning systems and inspection equipment.

(Unit basis in 2012)

**Global Market Share No.1**

\* Source: Dainippon Screen estimate



CTP equipment

**38%\***



Digital printing press

## New Business

In our quest for future growth and to minimize the impact of sudden changes in the semiconductor- and FPD-related businesses where the market conditions tend to fluctuate drastically, we are working toward the launch of new businesses (vacuum deposition and application for image processing/printing technology).



## Guiding Principles of Screen's Business

### • Management Philosophy

**Shi Kou Ten Kai (“思考展開” + “志高転改”)**

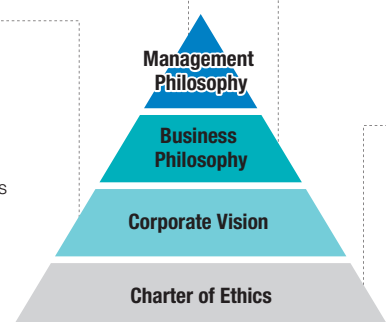
### • Corporate Vision

**Fit your needs, Fit your future**

期待にあって、未来を形に…

The Dainippon Screen Group, with the slogan of “Challenge, Change, Collaboration + ONE\*”, provides innovative solutions fitting the needs of a changing global society and shares the future benefits with stakeholders by leveraging individual talents and collaborations necessary to overcome challenges.

\* “+ONE” refers to our hope that Dainippon Screen Group employees will take it upon themselves to work within their various organizations to deal with any problems or issues that they may encounter.



### • Business Philosophy

#### 1. Sharing the future

Earning the trust and meeting the expectations of society, while keeping an eye on the future

#### 2. Human resource development

Human resource through better work

#### 3. The pursuit of technology

Pursuing original technology and mixing it with existing technology

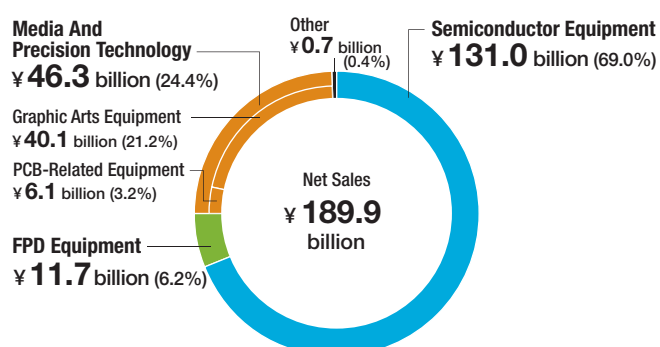
### • Charter of Ethics

1. Abiding by laws and ordinances
2. Contributing to society
3. Respecting human dignity
4. Pursuing the advancement of technology with environmental awareness and responsibility
5. Ensuring employee health and safety
6. Maintaining openness and accountability
7. Ensuring proper use and protection of company assets
8. Making a commitment to integrity and ethical business practices

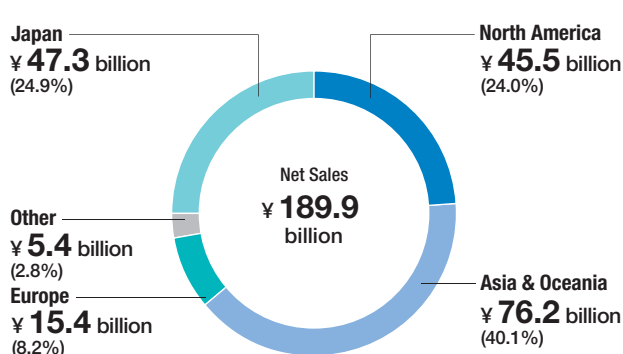


## Performance Highlights

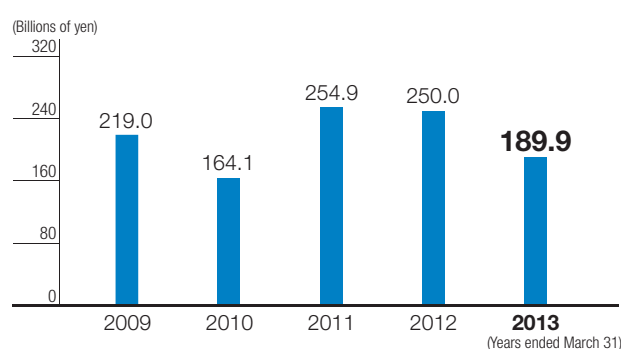
### ▼ Sales by Segment (Fiscal Year Ended March 31, 2013)



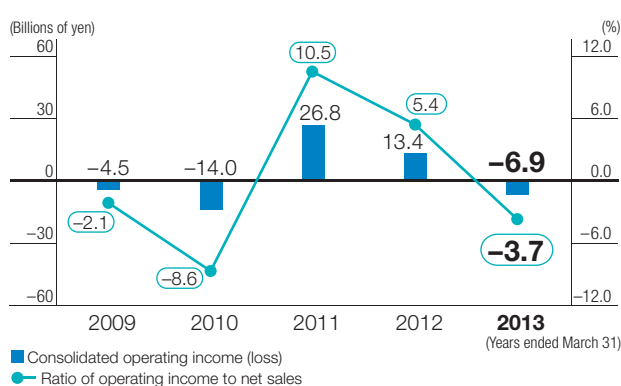
### ▼ Sales by Geographic Region (Fiscal Year Ended March 31, 2013)



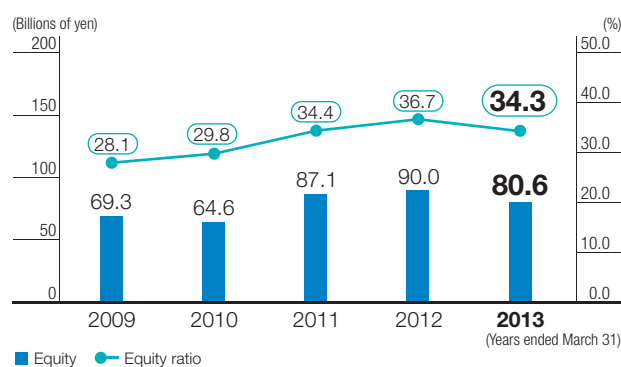
### ▼ Consolidated Net Sales



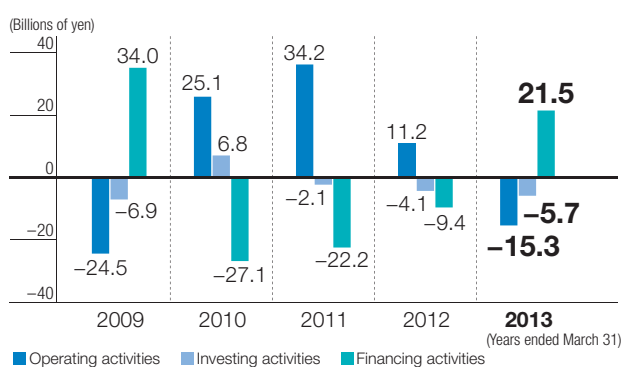
### ▼ Consolidated Operating Income (Loss) and Ratio of Operating Income to Net Sales



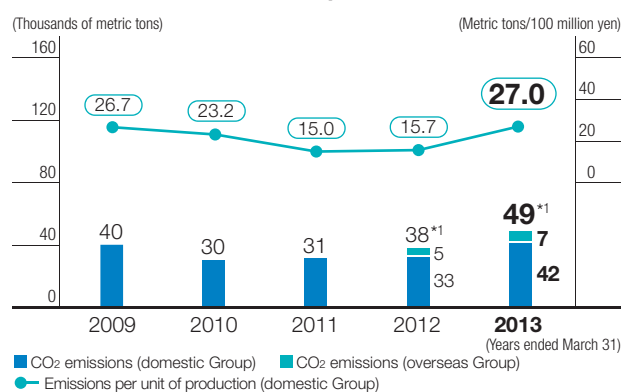
### ▼ Equity and Equity Ratio



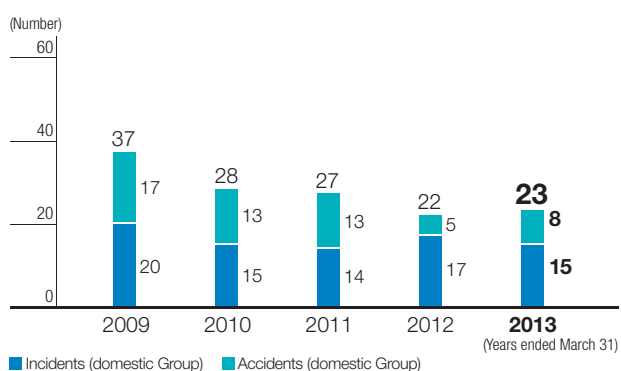
### ▼ Cash Flows



### ▼ CO<sub>2</sub> Emissions and Emissions per Unit of Production



### ▼ Number of Incidents and Accidents



\*1 Includes overseas Group from the fiscal year ended March 31, 2012.

**We will continue to reconfigure the business structure to generate higher earnings and build the foundations for future growth, accelerating commercialization of promising new technologies.**



**Akira Ishida**

Representative Director  
Chairman  
Chief Executive Officer (CEO)

**Q.** Please describe the business environment and operating performance in the fiscal year ended March 31, 2013.

**Market conditions became worse than we had anticipated. Even though we stepped up urgent countermeasures to address this situation, we still recorded losses.**

**CEO** The business environment in the fiscal year ended March 31, 2013, was more difficult than we had expected, due to protracted debt problems in Europe and economic deceleration in emerging markets, including China.

In the semiconductor industry, investment related to such mobile devices as smartphones and tablets was solid, but semiconductor manufacturers' capital investment related to personal computers—the driver of market growth in past years—was down overall.

In the LCD panel industry, as well, a worsening supply–demand balance on TV panels caused new TV-related investment to fall sharply, making conditions increasingly difficult in the manufacturing equipment industry overall.

Operating in this market environment, the Dainippon Screen Group recorded consolidated net sales of ¥189.9 billion for the fiscal year ended March 31, 2013, down a substantial 24.1% from the preceding fiscal year.

**COO** During the year, we stepped up urgent countermeasures, as we expected a significant fall in sales, but ultimately the operating loss amounted to ¥6.9 billion, and the ordinary loss was ¥7.2 billion. The net loss came to ¥13.4 billion, owing to an extraordinary loss stemming from a loss on valuation of investment securities and the recording of deferred income taxes following a partial reversal of deferred tax assets.

**Q.** How were dividends for the fiscal year ended March 31, 2013?

**We decided to forgo dividends for the fiscal year under review. We will do our utmost to move back into the black and resume dividends in the upcoming fiscal year.**

**CEO** Because of the large amount of losses the Company generated during the year, with sincere regret we decided to forgo the year-end dividend for the fiscal



year ended March 31, 2013.

We apologize sincerely to investors for this situation. We are resolved to do our utmost to return the Company to profitability and resume dividends in the upcoming fiscal year, ending March 31, 2014.

**Q.** What is your policy for staging a recovery in operating performance?

**We are building an earnings structure capable of generating profits even at the level of sales recorded in the fiscal year under review.**

**COO** As I see it, our biggest management issue at the moment is to quickly recover our reduced earning power. At the time of the Lehman shock five years ago, we recovered our profitability following reconstruction initiatives that included cutting executive compensation, downsizing on a Group scale and consolidating bases. After that point, though, in the semiconductor industry application demand shifted from personal computers to mobile devices. At the same time, unit chip prices declined and device manufacturers grew increasingly oligopolistic. In the LCD panel industry, customers' capital investment plunged as the supply-demand balance on panels for TVs worsened.

In response to this drastic change in the operating environment, we will further enhance the "urgent countermeasures" we have already been pursuing, and promote "structure reform" to radically boost our earning power. We will move forward with initiatives that should lower our breakeven point and are creating a constitution capable of generating profits even if consolidated net sales are at the levels they were during the fiscal year under review.

**CEO** Our industry as a whole is entering a challenging period. But I am convinced that we have the staying power to survive. Amid the shakeout that equipment manufacturers are facing in line with technological innovation in semiconductors, our market share has increased. In the category of cleaning equipment that uses chemical solutions (liquids), I believe our strength lies in our sophisticated technologies and expertise, which are unrivalled by other companies.


As long as we are able to create a constitution capable of generating profits even with consolidated net sales at the levels we recorded during the fiscal year under review, with such strength we should definitely be able to win out even against severe competition.

## Masahiro Hashimoto

Representative Director  
President  
Chief Operating Officer (COO)







**Q.** Please describe the Company's "urgent countermeasures."

**In the short term, we are doing everything in our power to secure profits.**

**COO** In the third quarter of the fiscal year under review, when we saw the operating environment begin to worsen, we made the decision to curtail executive compensation. After that, we decided to reduce personnel costs, which included cuts to manager salaries and allowances, and then we moved to reduce benefits and other expenses. The results of these measures, which first became apparent in the fourth quarter, were a ¥4.2 billion year-on-year reduction in fixed costs.

**CEO** We will keep these urgent countermeasures in place for the upcoming fiscal year, so that we secure profits even in such a situation, as it is difficult to envision the operating environment turning positive. That being said, to eliminate fundamental problems we need to accomplish structure reforms rather than urgent countermeasures involving a host of sacrifices. Doing this will lower our breakeven point and enable us to generate profits from our business. I see this as our mission as management.

**Q.** What does your "structure reform" entail?

**We will accelerate manufacturing rationalization and efficiency improvements to lower variable costs.**

**COO** First, we must do our utmost to strategically allocate and effectively utilize our limited resources, such as research expenses and capital investment. As part of these measures, we have centralized the multiple divisions involved in the creation of new businesses and technologies, converting to a structure that can develop technologies swiftly while realizing synergies.

Our second move is to slim the organization even more. We are building a simpler structure by redoubling our efforts to allocate employees optimally, including those in Japan and overseas, utilizing personnel effectively. We have already begun consolidating and restructuring administrative departments and departments within individual business companies.

**CEO** Third, we are striving to reduce variable costs by improving productivity and quality. I think this is our most pressing task in response to the drastic changes in the operating environment we currently face. We will reinforce further the manufacturing rationalization and efficiency improvements that have been performed separately by individual business departments. The impact should be most pronounced in the Semiconductor Equipment segment. There, we are promoting efficiencies in design activities by utilizing value engineering (VE) and 3D CAD, boosting overseas procurement and curtailing costs for installing and adjusting equipment. These measures are aimed at reducing the variable cost ratio.

We need to go about these reforms with the strong conviction that "without evolving, there is no value to existing." From April 2013, one of every two twice-monthly Management Committee meetings has been held at the Hikone site, the center of manufacturing for the Semiconductor Equipment segment, our main business. These meetings provide an opportunity for frank discussion between upper management and managers of on-site operations. This initiative is aimed to further reform awareness among all employees of the Group.

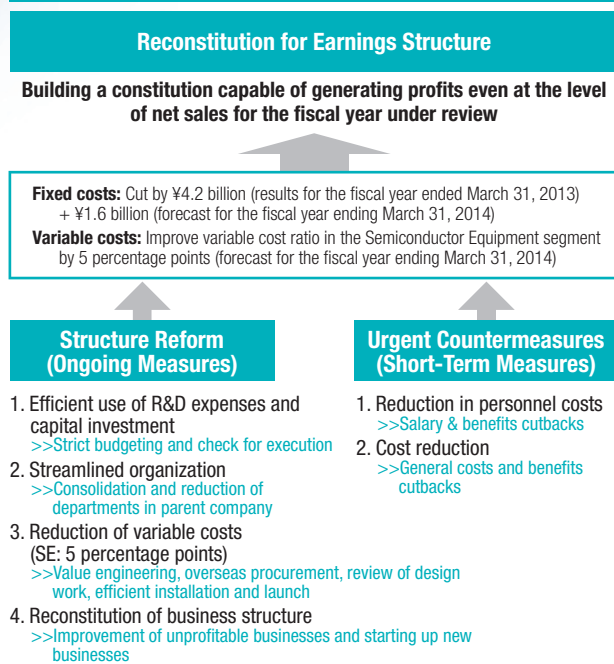
**We will push forward with the development and commercialization of technologies and products in new fields, cultivating the seeds for future growth.**

**COO** The fourth point of our structure reform is to further accelerate the launch of new businesses. Here, for new businesses we are pursuing developments of vacuum deposition equipment and applications for image processing/printing technology. At the same time, we are moving steadily toward product launches and commercialization in the area related to OLEDs, solar cells and lithium-ion batteries that we have already been working on.

**CEO** In recent year, attention has focused on new production techniques that make use of printing technologies. We are focusing on R&D in this area, which we call "printed electronics." This technology involves forming electronic circuits and elements by printing directly with functional materials. This eliminates the need for exposure and etching, which is expected to reduce manufacturing processes and costs. We expect to be able to announce a number of results from this research in the fiscal year ending March 31, 2014.



## Approaches for Earnings Recovery



## Q. What is your forecast for operating performance in the fiscal year ending March 31, 2014?

**Above all, we will move back into the black, build a strong corporate constitution and prepare for growth.**

**COO** In the fiscal year ending March 31, 2014, we expect the economic climate to be characterized by financial uncertainty in Europe and slower growth in the Chinese economy, but since the new government was elected the Japanese economy has been showing signs of growth due to the effects of rising stock prices and yen depreciation. Even so, looking at the semiconductor industry we expect conditions to remain severe for semiconductor manufacturers as the accelerating adoption of smartphones and tablet devices causes demand for personal computers to fall off sharply. We expect our Semiconductor Equipment segment to deliver slightly better performance than during the fiscal year under review. However, we expect sales in the LCD business to recover in China. We do not anticipate substantial improvements overall, but by pursuing urgent countermeasures and structure reform, we should be able to move back into the black somehow in the fiscal year ending March 31, 2014, and build a stronger corporate constitution, which will lead to further growth.

**CEO** The upcoming fiscal year is the final year for *NextStage70*, our three-year medium-term management plan. Numerical targets under this plan are to achieve an equity ratio above 50% and reduce net interest-bearing

debt to zero. Achieving these goals will be difficult, but we will continue moving toward our objective of re-establishing a stable earnings structure and building a foundation for new growth.

## Q. What policies underlie your CSR initiatives?

**We have reinforced our structure for managing an entire group that extends globally.**

**COO** The Group will work to fulfill our business-related social responsibilities, such as those related to compliance, the environment, safety and quality. In this way, we aim to earn the trust of all our stakeholders and sustain our development. We have striven to enhance our corporate governance and promote CSR activities based on this way of thinking. In the fiscal year ended March 31, 2013, we established the CSR Promotion Division to coordinate groupwide efforts in line with the Electronic Industry Citizenship Coalition Code of Conduct and ISO 26000.

As part of this move, we have focused on enhancing our risk management structure. Going forward, we will promote business continuity management throughout our supply chain, aiming at strengthening our business competitiveness and enhancing corporate value.

**CEO** We will continue working to share our corporate vision, "Fit your needs, Fit your future" among employees throughout the Group and implement CSR management. By achieving this, we will meet the expectations of our shareholders and all other stakeholders and fulfill our social responsibilities.

We ask our shareholders and other stakeholders for your continued understanding and support of the Dainippon Screen Group.

June 26, 2013

### Akira Ishida

Representative Director  
Chairman  
Chief Executive Officer (CEO)

### Masahiro Hashimoto

Representative Director  
President  
Chief Operating Officer (COO)





## By bravely taking on challenges in unknown spheres, we aim to create the new technologies that will underpin the future.

Below, Soichi Nadahara, who was appointed Chief Technology Officer (CTO) and General Manager of the Research & Development Center in April 2013, explains the Daiippon Screen's R&D structure, initiatives and policies.

### Dynamically Integrating Diverse Core Technologies to Generate Major Trends

As our management philosophy of [思考展開] *Shi Kou Ten Kai* (thinking, considering, developing and opening new businesses, products and technologies) shows, we have been steadily expanding our business fields on the basis of developing applications of our technologies cultivated through existing businesses into neighboring fields. While responding to needs from societal trends and customer demands, we are continuing our quest to create new technologies, products and businesses that will support our sustained growth into the future.

With our business environment changing rapidly, nowadays we must pursue speed and efficiency in R&D like never before. We are called upon to dynamically

integrate the diverse core technologies that we have cultivated in such areas as optics, image processing, mechatronics, controls and processing technologies, leading to groundbreaking innovations. One of the keys to achieving this aim will be to decide our directions and proceed along those vectors to maximize the net force of sophisticated individual technologies, and accordingly to shift small currents of innovation to a sweeping and strong trend. I believe that this is a CTO's most important mission as the conductor for these processes.

### The Research & Development Center—The Nerve Center of Our R&D Functions Centralizing R&D Departments Involved in Creating New Businesses and Technologies

The Group has a variety of R&D departments. Each of our three internal companies has its own technology departments. On a daily basis, these departments plan and develop products in line with market trends and customer needs in various fields, improve existing products, and develop technologies and products to meet market demands in a timely fashion.

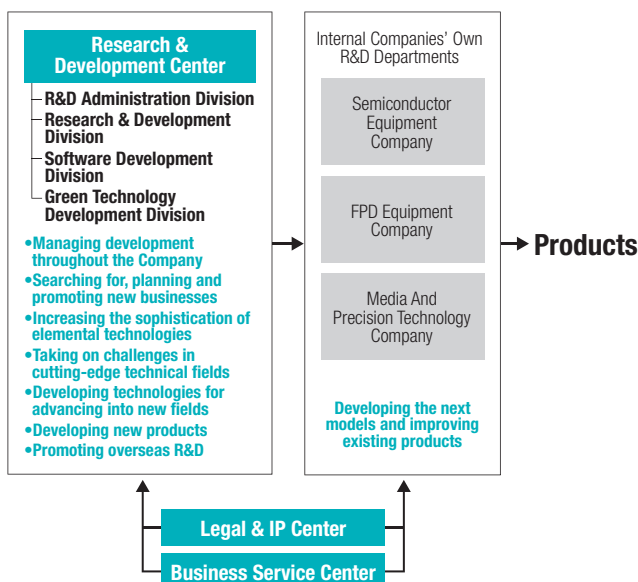
Besides this, the Research & Development Center serves as an R&D institution that goes beyond internal company boundaries. The center's primary role is to support the development functions of each internal company by taking advantage of a host of basic research and elemental technologies. In the Semiconductor Equipment segment, we are taking this approach to promote the steady development of next-generation



**Soichi Nadahara**

Chief Technology Officer (CTO)  
General Manager of Research  
& Development Center

### ▼ R&D Framework







technologies, such as the handling of 450mm wafers and molecular-level simulation technology.

Another important mission of the Research & Development Center is to promote R&D aimed at creating a new business as a fourth pillar of operations to follow our existing three segments. We are already moving forward with the commercialization of products and technologies related to OLEDs and solar cells. In addition to in-house research, we aggressively encourage technology exchanges with other companies and overseas Group companies and promote collaborative research with universities and research institutions in Japan and overseas. In April 2013, we established the R&D Administration Division and the Green Technology Development Division within the Research & Development Center, centralizing R&D functions related to new businesses and technologies under the Chief Technology Officer (CTO) and General Manager of the Research & Development Center. We set up this system to exert synergies and promote swift technological development.

### Pursuing Research into Such Fields as Printed Electronics and Life Science to Create a Fourth Pillar of Operations

We are pursuing a diversity of research themes in the aim of creating a fourth pillar of operations for the Company. One direction is printed electronics, which deploys printing technologies in the field of electronics. This development involves the use of printing technology capable of forming extremely fine patterns to produce electronic circuits, which have been conventionally produced using photolithography principles, thereby simplifying the process considerably and achieving cost reductions. We are also combining our optics, image processing and semiconductor-related technologies, trying to develop applications in the field of life science (human-centered integrated systems).

Another aspect of our management philosophy is [志高転改], also pronounced *Shi Kou Ten Kai*, meaning the implementation of reform with a strong will. As this philosophy shows, I believe that the true technological creation is generated from looking at ideas from a different perspective with a higher aim beyond the simple extension of existing technologies. To achieve this, each and every researcher needs to always take on new challenges and continue to make efforts, without being satisfied with past performance and successes. Every engineer dreams of creating entirely new technologies and products that nobody has ever seen before. I will try to cultivate a creative research environment that enables our engineers to sustain this closely held dream.

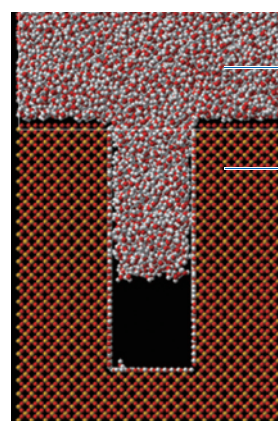
#### R&D Case Study

### Using Molecular-Level Simulation Technology to Support the Development of Next-Generation Cleaning Equipment

One of the factors underpinning the Company's high level of competitiveness in the semiconductor cleaning equipment field is its simulation technology, which allows predicting the performance of equipment and systems and shedding light on various phenomena on the computer. Using the vast amount of data we have accumulated to simulate the behavior of chemical solutions on a wafer surface enabled us to efficiently develop an optimal method for dripping chemical solutions and the shape of nozzles to spray these solutions.

In the future, we will enter the era of ultraminiature line widths, with circuit line widths measuring 10nm or less. This level of precision will require the analysis of liquid movements on a molecular level. To this end, we are collaborating with Osaka University on the development of simulation technology using the "molecular dynamics method." Using this method to simulate phenomena at the molecular level should support our efforts to develop next-generation cleaning equipment and chemical solutions.

#### Nanoscale Simulation Using the Molecular Dynamics Method



Water molecules

Circuit pattern

Simulation technology used to visualize water molecules entering into the trough of a several-nanometer-width circuit pattern

## Semiconductor Equipment Company

**We are aiming to improve profitability through business reform, as well as to increase our market share through new technologies and products.**

During the fiscal year ended March 31, 2013, many semiconductor manufacturers held back on capital investments due to concerns about the uncertain economic outlook and sluggish demand for personal computers. As a result, Semiconductor Equipment Company net sales fell 21.8% year on year, to ¥131.0 billion. On the earnings front, we recorded an operating loss of ¥5.8 billion, owing to the decline in sales as well as a worsening profit ratio due to the change in our product mix and low factory utilization.

**Q** Operating Environment during the Year

**A** Semiconductor manufacturers substantially reduced capital investment.

During the fiscal year ended March 31, 2013, sluggish demand for personal computers prompted manufacturers of logic chips and memories to restrain capital investment, with the exception of some leading-edge investments. At the same time, foundries producing processors for mobile devices such as smartphones and tablets maintained robust capital investment.

The semiconductor industry is currently characterized by a shift toward customer oligopolies, with investment trends differing widely depending on final products. This situation makes the market outlook exceedingly difficult to judge. Also, because processors for mobile devices such as smartphones and tablets are priced lower than PC processors, our business model that more complex production processes (miniaturization) generate commensurately higher earnings no longer applies. In other words, rising production costs do not translate to higher product prices, which puts increasing pressure on the supply chain.

**Q** Key Initiatives during the Year

**A** We strove to expand sales of products such as the SU-3200 and pushed forward with reforms aimed at raising profitability.

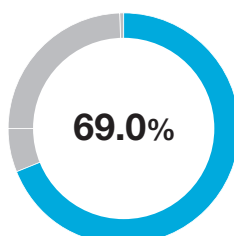
Looking at specific products, single wafer cleaning equipment such as the SU-3200 has been evaluated highly by customers for its ability to meet demands for circuit miniaturization. Accordingly, Dainippon Screen's share of the market\*<sup>1</sup> for single wafer cleaning equipment rose from 51% in 2011 to 55% in 2012. Also, as part of our "frontier strategy," which aims to leverage existing technologies to cultivate new markets, we launched the SU-2000 cleaning system and the ZI-2000 inspection system for wafers measuring 200mm or less. Both products earned high ratings. The average selling price of equipment in this field is relatively low, but given our prospects for business expansion we aim to continue steadily gaining a larger share of the market.

At the same time, we worked to further reinforce our manufacturing ability, including making design processes more efficient by using 3D CAD, PLM and so on. We also pushed forward with value chain reforms intended to maximize customer

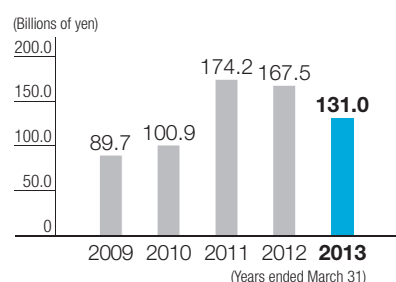
### Tadahiro Suhara

President,  
Semiconductor Equipment  
Company

▼ Composition of Net Sales  
(As of March 31, 2013)



▼ Net Sales ¥131.0 billion







satisfaction and enhance profitability and pursued maximum marginal profits by thoroughly managing all departments' activities, from development to sales, reviewing them against numerical targets.

\*1 Source: Gartner, "Market Share: Semiconductor Manufacturing Equipment, Worldwide, 2012" Barbara Van et al. 4 April 2013, sales amounts based on single-wafer processors

**Q** Outlook for the Operating Environment and Major Initiatives in the Upcoming Fiscal Year

**A** We intend to raise profitability and increase share, centering on the smartphone and tablet markets.

We expect mobile devices such as smartphones and tablets to continue driving the semiconductor market in the fiscal year ending March 31, 2014.

In the memory category, we expect investment in NAND flash memories to regain momentum following demand for DRAMs for mobile phones, for which investment has been on a recovery trend since early 2013. Among new products, the Company will introduce new cleaning systems in the Back End Of Line (BEOL) category, where our share has not been high, aiming to further augment our share in single wafer cleaning equipment. In addition, we

intend to lower our variable cost ratio by continuing to make further inroads on standardization beginning at the design stage and augmenting our overseas procurement ratio on parts and materials.

**Q** Medium- to Long-Term Strategies

**A** We will further strengthen our technological development capabilities in preparation for the era of the 450mm wafer.

We recognize that strengthening our technological development capabilities is essential to expand our business with leading-edge manufacturers, as increasing levels of oligopoly have limited the number of client companies. To this end, in April 2013 we merged the coater/developer engineering division of SOKUDO Co., Ltd., a Group company, with our own single wafer cleaning equipment engineering division, aiming for more innovation by generating synergies for both parties.

We are steadily preparing for the era of next-generation 450mm wafers, as well, in ways such as providing equipment for evaluation to the Global 450 Consortium (G450C), which was set up in the United States.

## TOPICS

### We participated in SEMICON Japan 2012.

We took part in SEMICON Japan 2012, an international exhibition held at Makuhari Messe, Japan, in December 2012. We explained our latest products in various categories, including our mainstay semiconductor cleaning equipment. In addition, we introduced the SU-2000 cleaning system and the ZI-2000 inspection system for the 200mm wafer market, both of which attracted attention from numerous visitors.



Dainippon Screen booth at SEMICON Japan 2012

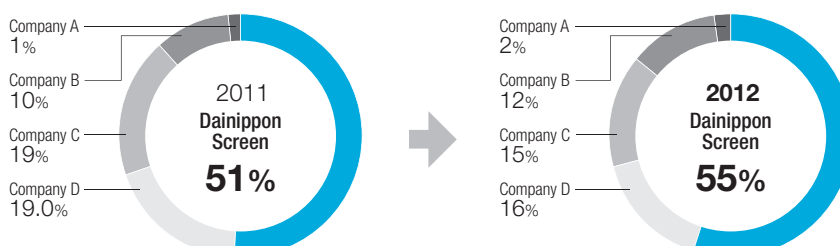


ZI-2000 inspection system



SU-2000 cleaning system

### ▼ Market Share for Single Wafer Cleaning Equipment



Source: Gartner, "Market Share: Semiconductor Manufacturing Equipment, Worldwide, 2012" Barbara Van et al. 4 April 2013



## FPD Equipment Company

### We will make further efforts to reform the business structure and create a profit-generating constitution.

During the fiscal year ended March 31, 2013, as in the preceding year the FPD market was characterized by a slowdown in demand for panels used in large-screen LCD televisions, resulting in lower sales of our mainstay products. As a result, net sales for the FPD Equipment Company dropped 63.9% year on year, to ¥11.7 billion, and we posted an operating loss of ¥0.8 billion. However, by making structural reforms early on, we succeeded in reducing the operating loss compared with the preceding fiscal year, and in the fourth quarter of the fiscal year we were profitable for the first time in five quarters.

**Q** Operating Environment during the Year

**A** The market for large LCD panels slumped, and capital investment in small and medium-sized panels was below our expectations as well.

The fiscal year ended March 31, 2013, was exceedingly difficult for our company. Due to the worsened supply-demand balance for LCD panels, investment opportunities related to large LCD panels for televisions decreased significantly.

Given that the market for final products was booming, we had anticipated vigorous capital investment in the market for the small and medium-sized high-definition LCD panels used in mobile devices such as smartphones and tablets, but new investments were much lower than we had expected at the beginning of the fiscal year, so sales fell below our forecasts in this area as well.

**Q** Key Initiatives during the Year

**A** We proceeded with extensive business structure reform.

Business structure reform was our overriding focus during the year. We had anticipated an extremely difficult scenario in view of market trends, so we began enacting structural reforms in the previous fiscal year. To lower fixed costs, we

stepped up efforts to streamline our organization, and we continued with a special project to thoroughly reduce other fixed costs. For variable costs, as well, we pursued value engineering (VE) activities in key product categories together with partner companies and did our best to significantly slash costs by reviewing products from the basic design stage.

We also expanded our overseas procurement of parts. For processed parts in particular, we employed stringent quality management from the design stage, and by boosting our overseas procurement ratio we lowered purchase costs and boosted price competitiveness.

**Q** Outlook for the Operating Environment and Major Initiatives in the Upcoming Fiscal Year

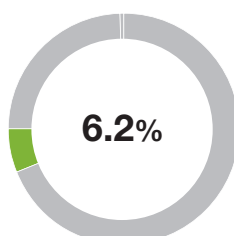
**A** We will move forward with structure reforms, boost sales in the Chinese market and pursue technological developments corresponding to higher-definition panels.

China's fundamental strategy is to domestically produce all the panels for LCD TVs that are manufactured there. In the fiscal year ending March 31, 2014, as televisions made in China account for a growing share of the global total,

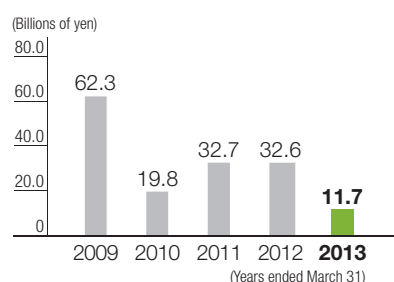
#### Hayato Hayashi

President,  
FPD Equipment Company

▼ Composition of Net Sales  
(Fiscal Year Ended March 31, 2013)



▼ Net Sales ¥11.7 billion





we anticipate increased investment by panel manufacturers to build new factories and augment production as demand for panels recovers.

Assuming that our business negotiations for China that are underway lead steadily to orders, at the moment we predict a significant improvement in both sales and profits. We will continue striving to implement structure reforms, reinforce our VE activities and expand overseas procurement further.

We are moving toward products corresponding to higher definition and thinner glass. Demand for mobile devices such as smartphones and tablets are trending toward higher levels of brightness, higher definition, lower power consumption and lighter weight. To meet these needs, we are focusing on the development and sales of coater/developers for low-temperature polysilicon TFT LCDs, which will harness our strength, namely technological superiority.

We are also embarking on the business of modifying equipment we have sold in the past to meet the need for higher definition. As we have many coater/developers in operation in the marketplace, by making maximum use of these assets we aim to expand our modification business.

**Q** Medium- to Long-Term Strategies

**A** **Operating in a mature industry, we are working to secure steady profits and develop new mainstay products.**

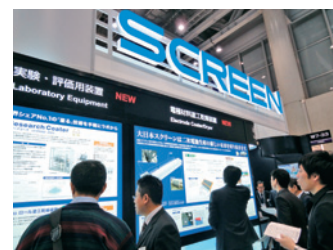
As we believe that large-scale investments in the LCD panel industry are no longer likely going forward, we consider it urgent to cultivate new core products that will become a new pillar of business. One of our most promising development projects is nozzle printers for large OLED TVs. Looking into a host of methods for producing large OLED TVs, we have concluded that our nozzle printing method is superior in terms of mass production. Customers' decisions on production processes for moving to mass production on OLED TVs have been delayed, but we are increasing our level of readiness so that we can provide our products as soon as demand emerges, and we are rapidly making preparations to ship.

We also have high hopes for vacuum deposition equipment for solar cells. This equipment forms high-quality thin films swiftly, contributing to substantial increases in conversion efficiency of solar cells. We are putting every effort toward the launch of these new businesses.

## TOPICS

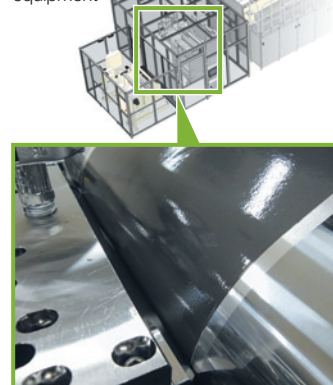
We introduced our battery electrode material coating and drying equipment at the International Rechargeable Battery Expo.

To boost our business in the energy field, in February 2013 we introduced our lithium-ion battery electrode material coating and drying equipment at the BATTERY JAPAN, International Rechargeable Battery Expo, held at Tokyo Big Sight. Applying the high-definition coating technology we have cultivated in the FPD field, this system meets the need to mass produce large, high-performance batteries, for which demand is expected to grow. At the expo, we introduced some of the actual coatings, as well as the system, showcasing its high performance level.

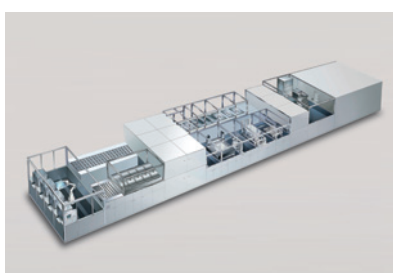


Dainippon Screen booth at the International Rechargeable Battery Expo

Battery electrode coating and drying equipment



Coating



SK-N1300G coater/developer



Nozzle printing equipment for OLEDs



RE-8000 measurement system for thin film solar cells



## Media And Precision Technology Company

### We are working to bolster sales and profits through the introduction of new strategic products.

During the fiscal year ended March 31, 2013, in graphic arts equipment, sales of computer to plate (CTP) equipment increased, but print on demand (POD) equipment sales declined, causing sales in graphic arts equipment to fall. Printed circuit board (PCB)-related equipment sales increased, buoyed by rising sales of direct imaging systems. As a result, net sales for the Media And Precision Technology Company amounted to ¥46.3 billion, down 5.8% year on year, but operating income remained in the black following the previous fiscal year, at ¥1.4 billion.

#### Q Operating Environment during the Year

**A** The going was tough in POD equipment, but in the area of PCB-related equipment, performance for direct imaging systems was favorable.

Sales of POD equipment recovered from the second half of the fiscal year ended March 31, 2013, centered on North America, but the European market was sluggish due to prolonged financial uncertainty throughout the term. As a result, sales in this category were down year on year. In CTP equipment, in China a slowdown in economic growth and the rise of local manufacturers caused unit sales to decline in that market. Vigorous demand for renewal in the Japanese market, however, helped to push up overall sales of CTP equipment, compared with the previous year's levels.

In PCB-related equipment, in line with the growing prevalence of such mobile devices as smartphones and tablets, sales increased for the *Ledia 5* direct imaging system that we launched in the previous fiscal year, leading to an increase in sales and profits from the previous fiscal year.

#### Q Major Achievements during the Year

**A** We worked to boost our price competitiveness for CTP equipment, and in POD equipment we strove to link pre- and post-printing processes.

We continued efforts to increase our earning power in the fiscal year ended March 31, 2013, reducing fixed costs and improving our variable cost ratios in each department.

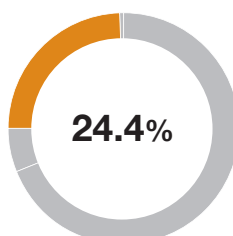
With regard to CTP equipment, we released a new product targeted at China and other emerging markets. To boost its price competitiveness, on this product we conducted all processes in China, from development to design and production. For POD equipment, at our showrooms in Japan and overseas, we sought to expand our business by proposing total solutions centered on our digital printing equipment combining pre- and post-printing processes.

On the sales front, we concentrated on reinforcing our sales network, such as by augmenting our distributors in Europe.

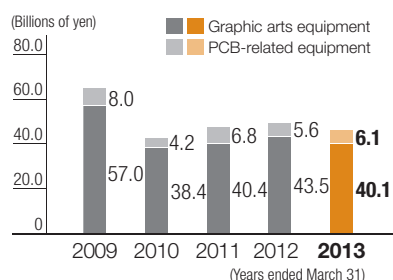
#### Katsuhiko Aoki

President,  
Media And Precision  
Technology Company

#### ▼ Composition of Net Sales (Fiscal Year Ended March 31, 2013)



#### ▼ Net Sales ¥46.3 billion







**Q** Outlook for the Operating Environment and Major Initiatives in the Upcoming Fiscal Year

**A** We will introduce strategic products in each field, which should lead to growth in market share.

With regard to CTP equipment, we plan to further raise the product competitiveness by increasing further the number of items for which we conduct integrated production entirely in China. We will also focus on CTP equipment for flexo printing in packaging market which is expected to grow. In POD equipment, we plan to launch a color high-precision model of our mainstay *Truepress Jet520*, increasing the number of variations. In addition, we will continue working to link the pre- and post-printing processes, striving to increase businesses by forging stronger alliances with peripheral equipment manufacturers.

As part of our new market cultivation efforts, in the summer of 2013 we plan to release new POD equipment for label printing. This is a strategic product on which we have involved in a cross-functional team within the company from the initial stages of development. We are working toward a global vertical startup

from the second half of the fiscal year.

In PCB-related equipment, we will launch the *Ledia 5F* (fine), our new direct imaging system, and the *FP-9000* automatic final visual inspection system, responding to the needs for higher levels of precision.

**Q** Medium- to Long-Term Strategies

**A** We will transform our business model aiming at further growth.

In order for us to continue to grow over the medium to long term in the printing business, which is a mature industry, our business model itself needs to evolve.

In the solutions business, for example, we plan to revise our business model from one of selling packaged software to an approach involving ongoing charges according to the use of cloud-based application software.

Also, instead of offering support services and selling consumables as adjuncts to the equipment business we will take a proactive approach toward developing this as an independent business with a recurring income model. Based on this, in April 2013 we established the Solution Business Division controlling solution and support departments. This department will spearhead our efforts to create a new business model going forward.

## TOPICS

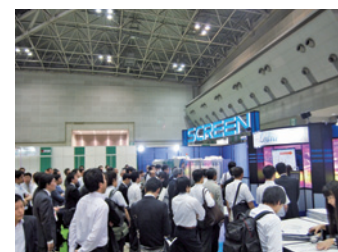
### Showcasing Our Ability to Respond to Various Printing Needs at drupa 2012

We exhibited at drupa 2012 held in Germany in May 2012, the largest printing equipment exhibition in the world. Dainippon Screen products on display included the *Truepress Jet L350UV*, our inkjet printer for label printing, and the *EQUIOS* integrated workflow, showcasing our ability to respond to a diverse range of printing needs.

In August 2012, we also participated in the JPCA Show 2012 in Tokyo. At this PCB industry exhibition, we attracted attention for our inspection technology for transparent electrodes of touch panels.



Dainippon Screen booth at drupa 2012



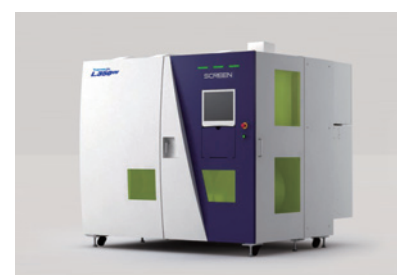
Dainippon Screen booth at JPCA Show 2012



*Ledia 5* direct imaging system



*Truepress Jet520ZZ* POD equipment



*Truepress Jet L350UV* POD equipment for label printing

## Fostering Trust-Based Relationships with All Stakeholders

The Dainippon Screen Group strives to enhance its corporate governance structure on an ongoing basis, as part of the Group's efforts to foster trust-based relationships with all stakeholders. During the fiscal year ended March 31, 2013, we established the CSR Promotion Division and reinforced our risk management system.

### Corporate Governance Structure

#### Supervising the Execution of Business by the Board of Directors

The Board of Directors is responsible for decisions and approval regarding important matters and for supervising the implementation of business operations. To foster a rapid response to changes in the operating environment, we shortened the term of office for directors to one year. Furthermore, to augment the management auditing function, of the nine directors we have designated three as outside directors.

Since April 1999, the Company has employed a corporate officer system to speed decision-making by increasing management efficiency and strengthening operational functions. Furthermore, in April 2002 the Group introduced an internal company system and established the Management Committee as the Group's highest operational decision-making body. The Management Committee comprises the standing directors, corporate officers, company presidents and general managers of centers that handle R&D and business services. In principle, the Management Committee meets twice a month. Furthermore, the Company has established the Consolidated Management Committee which includes all Management Committee members, as well as outside directors and Group company presidents. This council meets quarterly.

We also have structures in place to ensure fairness and transparency in appointing directors and setting their

compensation. The Board of Directors selects director candidates by considering their career history and specialization, and appointments are made at annual shareholders' meetings. We employ a system in which director compensation is linked to the Company's operating performance. Outside specialists propose compensation amounts, taking benchmarks into account. After figures are agreed upon with the representative directors, these amounts are submitted to the Compensation Advisory Committee. If approved, they are submitted to the Board of Directors for a decision.

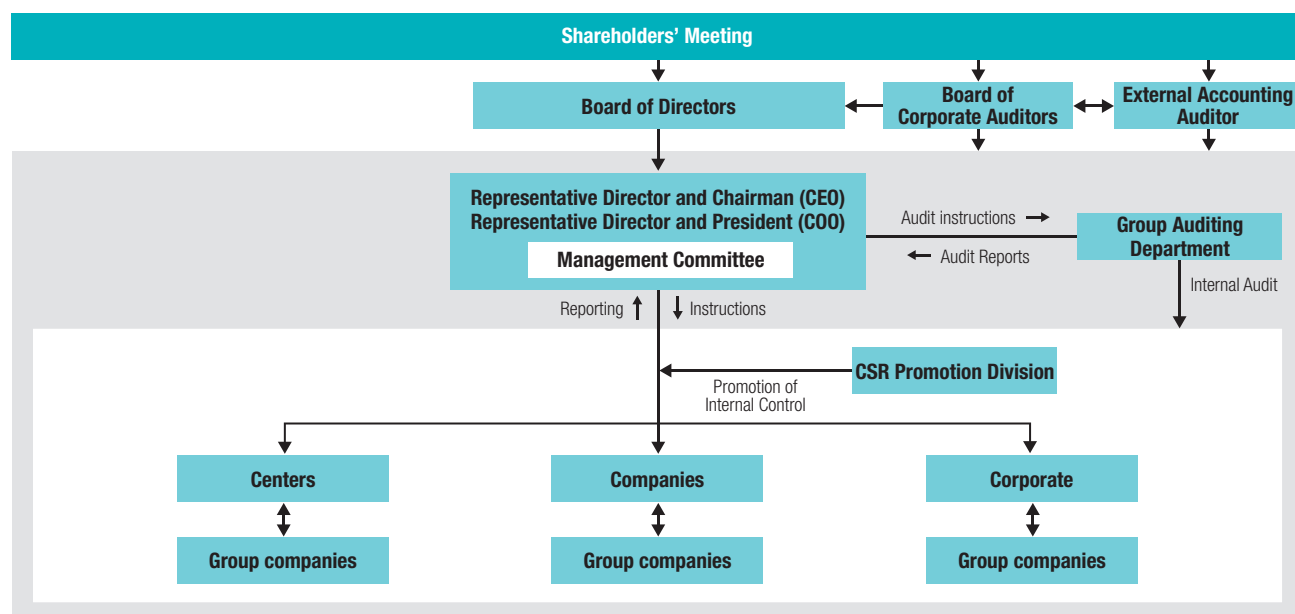
The Board of Directors is responsible for the approval of any transactions involving conflicts of interest for individual directors.

#### Ensuring the Appropriate Execution of Business by the Board of Corporate Auditors

The Company's Board of Corporate Auditors comprises four members, including two outside corporate auditors. Corporate auditors conduct hearings of directors and corporate officers, attend important management-related meetings and undertake audits of organizations and Group companies.

Corporate auditors receive reports on the state of management, finance, compliance and risk management from directors and corporate officers, as well as reports from the Group Auditing Department—which takes charge of internal audits and internal control evaluations—and the external accounting auditor. The auditors confirm the appropriateness of directors' execution of business based on these reports.

#### ▼ Corporate Governance Organization





## Highlight

# We established the CSR Promotion Division and reinforced our risk management structure.

## Establishing the CSR Promotion Division

The Group promotes CSR management, which strives to foster trust-based relationships with stakeholders and targets increases in corporate value.

In December 2012, we launched the CSR Promotion Division to promote the Group's overall CSR management efforts pertaining to the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, the international standard for CSR in the electronics industry supply chain, and ISO 26000, the international standard for social responsibility. This division comprises the CSR Promotion Department, which is in charge of compliance, risk management, internal control systems, and business continuity management (BCM) and environmental (including energy), health and safety (EHS) management; as well as the Security Export Control Department.

We set up the CSR Promotion Division to increase the efficiency and coherence of CSR-related activities that in the past had been handled independently within departments, thereby consolidating planning and promotional functions. By linking departments in this way, we aim to promote stronger CSR management throughout the Group, including overseas.

## Reinforcing the Risk Management Structure

In April 2011, we formulated the Principles for Dainippon Screen Group Risk Management Outline to reduce risks with the potential to affect Group management. During the fiscal year ended March 31, 2012, we created Risk Management Operating Rules as a basis for the Company and its Group companies to conduct Group risk management under this outline. We designated the president as the person with topmost responsibility for risk management and appointed as "risk managers" executives in charge of each division and the presidents of 20 domestic Group companies and 17 overseas Group companies. This structure was established to handle risk management for the Group as a whole.

Going forward, the CSR Promotion Division will support these risk managers in their promotion of risk management and encourage the lateral

deployment of risk countermeasures, thereby boosting the efficiency of risk management activities and fostering their development globally.

Each department and Group company will identify risks in the categories of human rights, compliance, labor, safety and the environment, finance, security export controls, information security and quality. They will then evaluate these risks and consider and introduce countermeasures in a risk management PDCA cycle. The CSR Promotion Division will summarize these evaluation results and countermeasures and report those deemed important to the Management Committee, thereby promoting risk management throughout the Group.

By operating this effective risk management structure, the Group expects to substantially reduce risks with the potential to affect management. We believe this approach will raise the level of certainty of management planning and enhance corporate value.

## Yukihiro Kitamura

Division Head,  
CSR Promotion Division



## Internal Control System

### Fulfilling Our Corporate Social Responsibility

In line with our business philosophy of “Sharing the future,” “Human resource development” and “The pursuit of technology,” we consider it our corporate social responsibility to forge relationships of trust with our stakeholders, including shareholders, customers, business partners, investors, employees and local communities. We also comply with legal statutes and societal norms in Japan and other countries, and conduct business in an increasingly moral manner.

Based on this fundamental stance, we have systems in place to ensure the appropriateness of operations, and the Group Auditing Department evaluates these internal structures and their status of operations. We have formulated the Dainippon Screen Group Internal Control Design Principles for Financial Reporting, and established systems to ensure that financial reports are trustworthy.

## Compliance

### Promoting Compliance throughout the Group, Including Overseas

We conduct compliance in accordance with the Dainippon Screen Group Code of Ethics. This code includes our Charter of Ethics, which lays out the universal principles by which we expect all executives and employees of the Group to comply with legal statutes and abide by social norms, as well as a Code of Conduct and Implementation Guidelines, spelling out specifically how to apply and implement these ethics in everyday operations. We have compiled the Business Ethics Handbook to ensure that all executives and employees are thoroughly aware of this code of ethics and apply it in their everyday operations. The handbook is distributed to all executives and employees throughout the Group.

In the past, Compliance Committees have formed the core of the Company's structure for promoting compliance. In December 2012, however, we set up the new CSR Promotion Division to promote compliance as part of our CSR activities. At each overseas Group company, we appoint compliance officers to work with local attorneys conversant in local laws to determine the state of compliance, clarify any issues and implement improvement measures.

The Group Auditing Department conducts internal audits on the status of legal compliance and adherence to corporate ethics. During the fiscal year ended March 31, 2013, this department conducted internal audits at 27 organizations, including 11 overseas Group companies. The department also conducts follow-up audits each year to confirm that issues identified in the previous year's audits have been resolved.

We also formed a new internal audit team in the fiscal year ended March 31, 2013, aimed at preventing fraudulent

activity by executives and employees.

We have set up the Corporate Ethics Help Line for all executives and employees of the domestic Group, and our Legal Division works to ensure thorough awareness through compliance training. We have also set up a help line to facilitate reporting by all employees of Group companies in Europe, and two Group companies in the United States have set up help lines. Preparations are currently underway to set up similar systems at other Group companies in the United States, as well as Group companies in China.

We conduct training aimed at raising compliance awareness among executives and all employees in Japan and overseas. In the fiscal year ended March 31, 2013, we held lectures on customer information management at each overseas Group company. We also held lectures in the United States on overall compliance.

### Conducting Thorough Management as a Security Export Control and Authorized Economic Operator (AEO)

Within the CSR Promotion Division, the Security Export Control Department handles CSR promotion on the key issue of security export control, ensuring thorough compliance with legislation on exporting products and parts. This department obtains updates on the Foreign Exchange and Foreign Trade Act and other export control-related legislation, making this information available to executives and employees involved in export-related business. Furthermore, the department promotes and supports export control processes defined by internal regulations, such as product classification and transaction screening.

In May 2011, the Company was recognized by the Director of Osaka Customs as an “authorized exporter” under the Authorized Economic Operator (AEO) program for exporters that exhibit superior compliance. During the fiscal year ended March 31, 2013, the Security Export Control Department and the Finance Division's Export And Import Operations Support Department conducted joint audits and general training to sustain AEO activities.

### Preventing Anti-Competitive Behavior and Corruption

To prevent collusion, private monopoly and other behavior that runs counter to anti-monopoly and other anti-competition legislation, the Group's code of ethics espouses fair transactions, and the Group provides training on anti-competition legislation to ensure awareness among executives and employees. We have also reinforced the supervisory function of outside directors and are working to prevent anti-competitive behavior and corruption.

During the fiscal year ended March 31, 2013, no violations constituting anti-competitive behavior or anti-trust or monopolistic practices were observed.

### Status of SRI Index Involvement

Companies are included in socially responsible investing (SRI) indices not only for their financial performance but also in recognition of their CSR activities. The Company has been included in the FTSE4Good Index (a joint venture between the Financial Times and the London Stock Exchange) since its launch in 2004.



FTSE4Good



## Business Continuity Management (BCM)

### Formulation of Incident Management Plans (IMPs) at Seven Principal Sites

The Company considers BCM that minimizes potential damage from emergency situations such as natural disasters and ensuring the continuation and early resumption of business operations a key element of CSR. In May 2012, we formulated the Business Continuity Management Regulation, which defines BCM promotion, management and execution systems. We are working to strengthen our BCM system on the basis of this regulation. Under this guideline, the president forms a Screen Disaster Headquarter in the event of a major calamity—such as a large-scale earthquake or new outbreak of pandemic influenza.

During the fiscal year, we completed IMPs at our seven principal sites, and completed the formulation of business continuity plans (BCPs) at all operating companies, the Research & Development Center and two overseas Group companies.

In the fiscal year ending March 31, 2014, we will introduce a Safety Confirmation Support System for executives and employees throughout the domestic Group. This system will be constructed for initial response to quickly confirm safety in the event an earthquake measuring 5-upper or greater on the seismic intensity scale occurs. During the year, we will also reinforce our BCM system by incorporating it into our EHS management system.

## EHS management

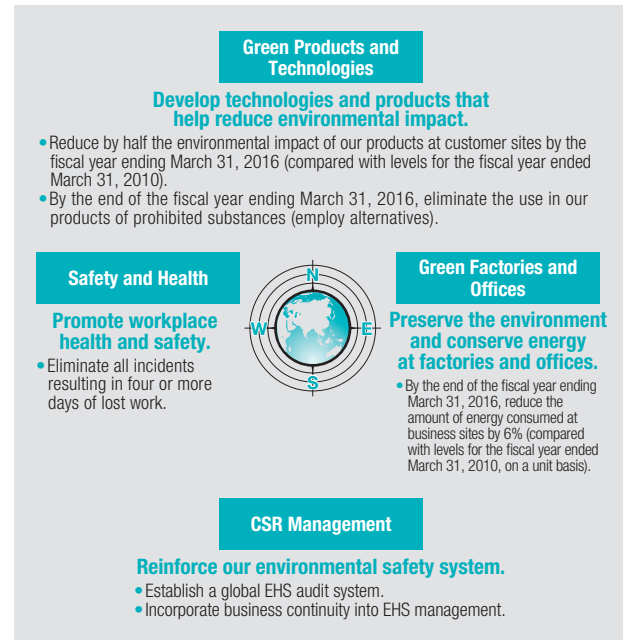
### Green Value (GV) 21 Phase II

In 2009, the Group formulated Green Value (GV) 21, its medium-term strategy on the three themes of environmental conservation, occupational safety and health management. In April 2011, we integrated our environmental management system, which is based on ISO 14001; our energy management system, which is compliant with ISO 50001; and our occupational health and safety management system, compliant with OHSAS 18001, and we have continued to conduct our management systems on this basis since that time. We established a structure that we call Integrated EHS Management System, for “environment,” “health” and “safety.” Under this system, we are working to manage the overarching risks the Group faces, including climate change, increasingly stringent international environmental regulations and growing demand for products having low environmental impact, rising occupational safety risk in line with larger products, and more complex employee health management attendant to more diverse forms of employment.

In the fiscal year ended March 31, 2012, we launched GV21, Phase II (lasting through the fiscal year ending March 31, 2014), in line with our three-year medium-term business plan, *NextStage70*. We have also formulated an Environmental, Health, Safety and Energy Policy for the entire Group and decided on four long-term commitments. We have defined long-term targets to be met by the fiscal year ending March 31, 2016, and are working toward medium-term targets to be met by the fiscal year ending March 31, 2014. (Please refer to “CSR Targets and Performance” on pages 25–26.)

The domestic Group has obtained third-party certification for its integrated EHS management system under ISO 14001, OHSAS 18001 and ISO 50001.

### ▼ Our Long-Term Commitment to Green Value (GV) Phase II



### ▼ Environmental, Health, Safety and Energy Policy

#### 1. We will contribute to the formation of a new environmentally conscious society through our operations.

Specifically, the Dainippon Screen Group aims to achieve the objectives outlined below via its products, actions and services.

- Develop technologies and products that help reduce environmental impact.
- Promote workplace health and safety.
- Preserve the environment and conserve energy at our factories and offices.
- Reinforce our environmental safety system.

#### 2. We will conform to applicable laws and regulations, and meet stakeholder expectations.

We will identify hazards as well as environmental and energy-related aspects of our business.

We will comply with laws, regulations and the wishes of our stakeholders.

Furthermore, we will set voluntary standards and strive to prevent injury, illnesses and environmental pollution.

#### 3. We will establish, maintain and periodically review an EHS management system.

We will also prepare for crises by implementing a business continuity management process in line with our business continuity policy.

#### 4. We will set specific targets.

We will set targets that are consistent with business characteristics and organizational roles, and strive for continual improvement in EHS performance, including energy.

We will also ensure that we use information and resources employed to reach the targets we have set.

#### 5. We will conduct training and publicity activities to communicate to all employees activities related to this policy.

#### 6. We will make this policy available to the public, as well as within the Company.

April 1, 2013

**Shin Minamishima**

EHS Management Supervisor

Director

Dainippon Screen Mfg. Co., Ltd.

## Creating a Global System for EHS Internal Audits

We conducted EHS internal audits at 34 locations in Japan during the fiscal year ended March 31, 2013. Despite some minor nonconformities and observations, we found no examples of significant non-compliance. We are now preparing to extend EHS internal audits to overseas Group companies in our efforts to roll out the EHS system globally.

During the fiscal year ended March 31, 2013, we prepared global audit standards and checklists concentrating on compliance in the areas of the environment and occupational health and safety. We conducted a global audit test on one overseas Group company.

## EHS Training System

We are creating an integrated EHS education and training system as part of our efforts to conduct integrated EHS management throughout the Group. We have set up a Basic Course for employees, supervisors and managers; an EHS Management Course for people in charge of EHS management; and courses specific to certain job types and organizations.

In the fiscal year ended March 31, 2013, the EHS Management Course contained risk assessment implementation methods and we held the Assessor Training Course, containing related regulations. Some 112 people at our six principal sites attended this training. We also conducted training for internal EHS auditors in the Tokyo area and appointed five new auditors, raising our total to 310 auditors.

Furthermore, we are in the process of creating training materials about EHS-related legislation and conducting training on an ongoing basis.

## Quality Management

### Striving to Enhance Customer Satisfaction Based on ISO 9001

The Group recognizes boosting customer satisfaction and earning their trust as topmost priorities. As part of this endeavor, we are acquiring ISO 9001 international quality management system certification.

Going forward, in addition to creating a quality management system based on ISO 9001 we will strive to enhance customer satisfaction with our products and services in line with the quality policies established by each internal company.

### ▼ Quality Policies (Outline)

#### Semiconductor Equipment Company

We are pursuing a level of quality that contributes to our customers' businesses through the provision of products and services that meet customer needs.

#### FPD Equipment Company

We strive to gain a clear understanding of customer demands, and work on ongoing improvements to provide products that satisfy customers.

#### Media And Precision Technology Company

We provide products and solutions that satisfy customers.

## Supply Chain Management

### Complying with the EICC Code of Conduct

The Company strives to meet the requirements outlined in the EICC Code of Conduct, which is a standard for CSR among the electronics industry supply chain. We are responding steadily to the issue of conflict minerals\*1.

In the past, the Company endeavored to conduct fair procurement transactions based on basic policies. In April 2012, we formulated CSR Procurement Standards to work with our suppliers in promoting CSR initiatives and commenced CSR procurement on that basis.

In the fiscal year ended March 31, 2013, we surveyed the compliance of 219 companies with our CSR Procurement Standards. Suppliers that had low evaluations were requested to make improvements. Meanwhile, in May 2013 we formulated the new SCREEN Supplier Code of Conduct, which consolidates the former Procurement Standards and CSR Procurement Standards and includes our policy regarding conflict minerals.

\*1 Conflict minerals are minerals (tin, tantalum, tungsten and gold) determined to have originated in politically unstable parts of Central Africa. The excavation and sale of these minerals has become an international issue because of their role in funding armed insurgency groups in the Democratic Republic of the Congo and surrounding region.

## Information Security

### Promoting the Standardization of Security Levels throughout the Group

The Company has established Rules for the Management of Securing Confidential Information and Trade Secrets, which cover the handling of confidential information held by the Company and Information Security Management Regulations, for information systems managed by the Company. Group companies have also established regulations with similar content.

To manage confidential information, we have prepared English- and Chinese-language versions of our Securing Confidential Information and Trade Secrets Handbook and distributed it to overseas Group companies.

Employee training focuses during the fiscal year ended March 31, 2013, included lectures and e-learning conducted for employees at Dainippon Screen and its domestic and overseas Group companies in relation to the management of confidential information.

INITOUT Japan Co., Ltd., MT Service Japan East Co., Ltd. and MT Service Japan West Co., Ltd.—have acquired certification for information security management under ISO/IEC 27001.

To ensure the consistency of security levels throughout the Group, in the fiscal year ended March 31, 2013, we introduced a network-based system to manage information centrally. This system is designed to prevent information leaks and security accidents from occurring and respond quickly to stop damage from spreading. Going forward, we plan to roll out the system at Group companies as well.



## Disclosure

### Providing Accurate, Timely and Easily Understandable Disclosure

Our basic policy on investor relations (IR) involves making the utmost effort to reflect feedback from our shareholders and investors in Company management while communicating our management vision, status of operations and financial content in a precise, timely and easy-to-understand fashion, as well as achieving sustained increases in our corporate value.

In the fiscal year ended March 31, 2013, we expanded our dialogue-based IR activities by increasing from six to 10 our number of presentations to individual investors and the personnel at securities firms in charge of individual investors. We also took advantage of drupa (the leading international trade fair for the print and media industry), which is held in Germany once every four years, to invite securities analysts and domestic institutional investors to drupa and took them on a tour of a semiconductor research institution in Belgium (the Interuniversity Microelectronics Centre, IMEC). The purpose of the tour was to deepen participants' understanding of the position of the Company and its products in the global printing equipment market, as well as our cooperative relationship with IMEC. As in previous years, we continued to hold presentations and group meetings for domestic institutional investors. As part of our overseas IR activities, we visited Canada for the first time, in addition to other parts of North America and Europe.

We continue to provide disclosure to shareholders and investors through our annual report, investors' guide and our quarterly Japanese-language shareholder newsletter, *SCREEN NOW*. We use these tools to communicate messages from top management, quarterly performance reports and updates

#### ▼ Dialogue-Based IR Activities in the Fiscal Year Ended March 31, 2013

- Earnings presentations: Four
- Overseas IR activities: Five
- Institutional investor events, domestic conferences: Nine
- Plant tours for Institutional investors: five
- Corporate presentations for individual investors: 10
- Meetings with institutional investors/analysts—approximately 450



Corporate presentation for individual investors

on our technologies and operations. We solicit shareholders' comments through enclosed questionnaires. Our IR website contains IR materials, news and schedules and provides answers to frequently asked questions.

### Aiming at Open Annual Shareholders' Meetings

In its aim to hold open annual shareholders' meetings, the Company avoids scheduling the meeting on days when other companies' meetings tend to be concentrated. Since 2007, we have enabled shareholders to exercise their voting rights over the Internet. We also create easily understood charts and other materials to report on business and explain items for resolution, which are displayed on large video monitors throughout the venue.

At the conclusion of the annual shareholders' meeting, we hold a roundtable discussion attended by the chairman, the president and executives to foster communication and help shareholders understand us better.

## Consideration for Local Communities

### Managing the Impact of Our Business Activities on Local Communities

The Group conducts evaluations of internal controls targeting the Company's departments and Group companies. These evaluations cover the environmental and social impact of our business activities on local communities.

With regard to impact on the environment, we conduct employee training, introduce facility countermeasures and strive to manage our operations appropriately to prevent leaks containing hazardous and other substances into groundwater under our EHS management system.

In the fiscal year ended March 31, 2013, we recorded no incidents in which our operations had environmental or social impacts on local communities. There were also no economic effects resulting from the relocation of sites or changes in their businesses.

### Continuing to Conduct Community Contribution Activities, Including Efforts to Cultivate the Next Generation

Contributing to industrial development through innovation and returning profits to society are fundamental to the Group's efforts to forge relationships of trust with the community. In this manner, we undertake corporate social initiatives in which each employee can participate. At each of our sites, we strive to develop the next generation by offering site tours to elementary school through to university students. We also conduct activities to beautify the areas surrounding our business sites. Many ongoing activities such as these are conducted every year.

One such activity is the Kyoto Manufacturing Workshop courses, with which we have cooperated since the fiscal year ended March 31, 2011. In the fiscal year ended March 31, 2013, we hosted a total of 297 students from seven municipal elementary schools in Kyoto, offering them a course entitled "Printing Technology Changing the World." The course involved an easy-to-understand introduction of the history of printing technology, and we used a puzzle of a photo that had been separated into four colors to help them learn how printing works.

During the year, some 63 elementary school students visited our WHITE CANVAS MON-NAKA showroom in Tokyo's Monzennaka-cho. In addition to viewing the showroom, they learned how calendars and posters are printed.

▼ **Principal Community Contribution Activities in the Fiscal Year Ended March 31, 2013**

<b>Developing the next generation of talented employees</b>	<ul style="list-style-type: none"> <li>Cooperated with Kyoto Manufacturing Workshop courses (four courses)</li> <li>Held lecture on the "Practical CSR Theory" at Faculty of Policy Science Ryukoku University.</li> <li>Work experience tours for elementary school through to university students (Rakusai, Kumiya, Hikone and Monzennakacho sites)</li> </ul>
<b>Commitment to local communities and cultural inheritance</b>	<ul style="list-style-type: none"> <li>Cooperation with local festivals (Hikone Site, Kumiya Site)</li> <li>Cooperation with "Parent and Child PET Bottle Rocket Contest" (Taga Site)</li> </ul>
<b>International exchange</b>	<ul style="list-style-type: none"> <li>Participated in TABLE FOR TWO, contributing to meals for children in developing countries at ¥20 per meal (Head Office and Hikone Site cafeteria)</li> <li>Participated in collection of PET bottle caps (eco-cap movement) (sites in Japan)</li> <li>Participated in the Stanford 5-Kilometer Run, which donates entry fees to Habitat for Humanity, an NGO that supports housing construction (Silicon Light Machines Corporation, our Group company in the United States)</li> </ul>
<b>Social welfare</b>	<ul style="list-style-type: none"> <li>Provided employment support for people with disabilities through snack sales by a social welfare corporation (Hikone Site cafeteria)</li> <li>Volunteer activity using horse riding as rehabilitation for people with disabilities (Dainippon Screen (Korea) Co., Ltd., our Group company in South Korea)</li> <li>Support for children from low-income families (book donations, making bread and kimchi, video viewing and other activities) (Dainippon Screen (Korea) Co., Ltd., our Group company in South Korea)</li> </ul>
<b>Sports and culture</b>	<ul style="list-style-type: none"> <li>Posted signboard for the Kyoto Sanga F.C. Field</li> <li>Lending pitch to local boys' soccer team (Hikone Site)</li> </ul>
<b>Environmental conservation</b>	<ul style="list-style-type: none"> <li>Held cleanup along a river in Takamiya-cho, Hikone (Ota River) (Hikone Site)</li> <li>Monthly participation in Ohmi Eco-Foster (Hikone Site)</li> <li>Conducted beautification activities near our sites(headquarters and other sites)</li> <li>Participated in Earth Aware (Dainippon Screen (Australia) Pty. Ltd., our Group company in Australia)</li> </ul>



"Printing Technology Changing the World" course underway

## Public Policy and Relations with Administrative Institutions and Political Bodies

### Working toward Sector Growth and Regional Industrial Development

The Company is a member of the Semiconductor Equipment Association of Japan (SEAJ) and other organizations that strive to make policy recommendations that support the growth of Japan's semiconductor production equipment, FPD production equipment and printing equipment industries. The Chairman also serves as senior adviser of the Kyoto Industrial Support Organization 21, and we participate in other organizations aiming to promote corporate and industrial development in Kyoto, where our headquarters is located.

We do not make donations or contributions to political parties, politicians or related institutions. During the fiscal year ended March 31, 2013, we received government subsidies and other financial support totaling ¥191 million.

## Respect for Human Rights

### Specifying Respect for Human Rights in Our Charter of Ethics and Striving to Create a Workplace Environment Free of Human Rights Violation

The Group's Charter of Ethics vows respect for the fundamental human rights of each person and repudiates discriminatory or disadvantageous treatment of any kind within the Company based on position, job type, age, gender, place of birth, ancestry, nationality, race, disability, religion, or marital status.

To prevent power, sexual and other types of harassment in the workplace, we hold lectures about power harassment for all executives and employees of the domestic Group, including temporary workers. In the fiscal year ended March 31, 2013, more than 90% of these people attended the lectures. We have set up the Corporate Ethics Help Line to facilitate reporting of and consultation regarding harassment or other human rights abuses, as well as unfair or illegal business practices. (Refer to "Compliance" on page 19.)



## Director

(As of June 26, 2013)



**Akira Ishida**  
Representative Director  
Chairman  
Chief Executive Officer (CEO)



**Masahiro Hashimoto**  
Representative Director  
President  
Chief Operating Officer (COO)



**Osamu Ryonai**  
Senior Managing Director  
Chief Financial Officer (CFO)  
Chief Officer of CSR Promotion,  
Legal & I.P., and Group Auditor



**Eiji Kakiuchi**  
Director  
Chief Officer of PR & IR,  
GPS, and Imaging & Solutions



**Shin Minamishima**  
Director  
General Manager of Management  
Operational Division  
General Manager of Business  
Service Center



**Katsutoshi Oki**  
Director  
Deputy General Manager of  
Business Service Center



**Yoshio Tateisi**  
Director  
Honorary Chairman,  
OMRON Corporation



**Shosaku Murayama**  
Director  
President & CEO,  
iPS Academia Japan, Inc.



**Shigeru Saito**  
Director  
President and CEO,  
TOSE CO., LTD.

## Corporate Auditor



**Tatsuo Miyawaki**  
Senior Corporate Auditor



**Kazuya Noguri**  
Corporate Auditor



**Mikio Mori**  
Corporate Auditor  
President and Representative  
Director, Shigagin JCB Co., Ltd.



**Tsutomu Tsutsumi**  
Corporate Auditor  
President and Representative  
Director, Kyoyu Shoji Co., Ltd.

**Substitute Corporate Auditor:** **Katsuyuki Toyobe** Managing Director of The Bank of Kyoto, Ltd.

## Corporate Officer

<b>Senior Corporate Executive Officer</b>	<b>Tadahiro Suhara</b>	President of Semiconductor Equipment Company
<b>Corporate Executive Officer</b>	<b>Hayato Hayashi</b>	President of FPD Equipment Company
<b>Corporate Officer (Senior)</b>	<b>Soichi Nadahara</b>	Chief Technology Officer (CTO) General Manager of Research & Development Center
	<b>Toshio Hiroe</b>	Deputy General Manager of Research & Development Center
	<b>Katsuhiko Aoki</b>	President of Media And Precision Technology Company
	<b>Hirofumi Uchida</b>	Vice President of Semiconductor Equipment Company
	<b>Yoichi Kondo</b>	Deputy Chief Financial Officer Deputy General Manager of Business Service Center
<b>Corporate Officer</b>	<b>Katsumi Shimaji</b>	General Manager of Manufacturing Management Division
	<b>Hitoshi Yamamoto</b>	Vice President of Media And Precision Technology Company
	<b>Kimito Ando</b>	Vice President of Semiconductor Equipment Company
	<b>Masato Goto</b>	Vice President of Semiconductor Equipment Company
	<b>Hiroataka Wada</b>	General Manager of Legal & I.P. Center
	<b>Yoshinori Tsuruya</b>	Vice President of Media And Precision Technology Company

▼ Fiscal Year Ended March 31, 2013

Key Measure	Department	Target	Result	Evaluation	Related Page
Develop technologies and products that help reduce environmental impact	Product	Ensure that Green Products (environmentally friendly designated products) account for at least 65% of sales.	Percentage of sales of 93 Green Products (environmentally friendly designated products): 83%.	○	Page 27
		Reduce environmental impact of the products at customer sites according to the roadmap.	Conducted environmental impact reduction measures in accordance with each internal company's roadmap. Environmental impact reduction measures included consuming less power, utilities, VOCs and hazardous substances.	○	Page 27
		Substitute the substance in three years after it is designated as "Substances whose use is limited". (Eliminate prohibited substances by Mar. 31, 2016)	Continued working to eliminate RoHS prohibited substances and find alternatives to substances whose use is limited. Completed companywide deployment of REACH-compliance chemical substance survey system.	○	Page 33
	Development	Develop environmental technologies by 160% or more compared to fiscal year ended Mar. 31, 2011.	Developed of environmental technologies 160% of level in year ended Mar. 31, 2011.	○	—
	Logistics	Reduce greenhouse gases (CO <sub>2</sub> ) by 18% or more compared to fiscal year ended Mar. 31, 2010, per unit of production in domestic product transporting.	CO <sub>2</sub> emissions in transporting products per unit of was 0.53 metric ton of CO <sub>2</sub> /¥100 million, decreased 24% compared to the fiscal year ended Mar. 31, 2010.	○	Page 31
Promote workplace health and safety	Product	Reduce residual risks in product risk assessments according to the roadmap.	Reduced residual risks in each internal company according to the roadmap.	○	—
	Entire organization	Reduce the number of incidents to one or less resulting in four or more days of lost work.	One incident resulting in more than four or more days of lost work.	○	CSR Data Sheets, page 4
		Reduce the number of accidents or incidents at customers to five or less.	Nine accidents and incidents at customer sites.	×	CSR Data Sheets, page 4
Preserve the environment and conserve energy at factories and offices	Entire organization	Reduce emissions of greenhouse gases (CO <sub>2</sub> ) attributable to energy per unit of production and area use by 3% or more compared to the fiscal year ended Mar. 31, 2010.	CO <sub>2</sub> emissions per unit of production was 27.0 metric ton of CO <sub>2</sub> /¥100 million, increased 16% compared to the fiscal year ended Mar. 31, 2010.	×	Page 31
		Reduce energy cost per unit of production by 3% or more compared to the baseline.*2	Energy cost per unit of production amounted to ¥1.21 million/¥100 million. Up 33% compared to the baseline.	×	—
		Reduce waste emissions per unit of production by 3% compared to the fiscal year ended Mar. 31, 2010.	Waste emissions per unit of production was 1.06 metric ton of CO <sub>2</sub> /¥100 million, up 47% compared to the fiscal year ended Mar. 31, 2010.	×	Page 32
	BSC*1	Increase material recycling ratio of waste emissions to 85% or more.	Material recycling ratio of waste outside the company was 85%.	○	Page 32
		Determine current issues in order to increase the percentage reduction in water use.	Found that the Hikone Site accounted for 90% or more of water used by the Company, and made this a site of particular emphasis.	○	Page 32
	Entire organization	Implement social contribution initiatives targeting the environment.	Conducted social contribution activities at each site including the cleaning of surrounding areas and rivers, participating in local activities and cooperation with the schools.	○	Page 22 & 32
Reinforce our environmental safety system	BSC*1	Conduct stratified training and training for workers dispatched overseas.	Conducted training for new employees, promoted employees and mid-career hires. Prepared training materials based on education and training chart.	○	Page 21
	Entire organization	Continue operations of integrated EHS management.	Continued to operate integrated EHS management systems.	○	Page 20

\*1 Business Service Center

Evaluation standard ○: Achieved △: Partially achieved (50% or more) ×: Not achieved (less than 50%)

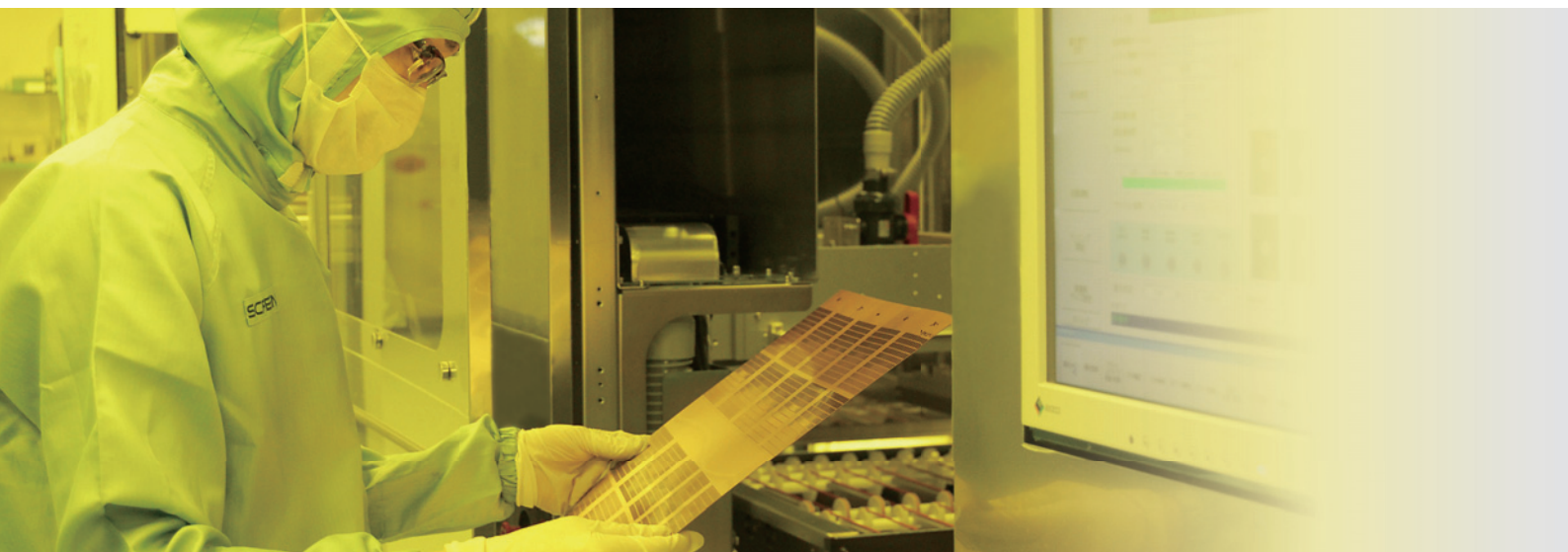
\*2 Yearly average from fiscal year ended March 31, 2008, to fiscal year ended March 31, 2010.

▼ Fiscal Year Ending March 31, 2014

Key Measure	Department	Target
Develop technologies and products that help reduce environmental impact	Product	Ensure that Green Products (environmentally friendly designated products) account for at least 70% of sales.
		Achieve the roadmap. Reduce energy consumption (including utilities) on performance basis by 30% or more compared with fiscal year ended Mar. 31, 2010.
		Substitute the substance in three years after it is designated as "Substances whose use is limited". (Eliminate prohibited substances by Mar. 31, 2016)
	Development	Develop environmental technologies by 200% or more compared to fiscal year ended Mar. 31, 2011.
	Logistics	Reduce greenhouse gases (CO <sub>2</sub> ) by 20% or more compared to fiscal year ended Mar. 31, 2010, per unit of production in domestic product transporting.
Promote workplace health and safety	Product	Reduce residual risks in product risk assessments by half compared to fiscal year ended Mar. 31, 2011.
	Entire organization	Reduce the number of incidents to zero resulting in four or more days of lost work.
		Reduce the number of accidents or incidents at customers to five or less.
		Reduce the number of traffic accidents resulting in injury to five or less.
Preserve the environment and conserve energy at factories and offices	Entire organization	Reduce emissions of greenhouse gases (CO <sub>2</sub> ) attributable to energy per unit of production and area use by 4% or more compared to the fiscal year ended Mar. 31, 2010.
		Reduce energy cost per unit of production by 5% or more compared to the baseline.* <sup>2</sup>
		Reduce waste emissions per unit of production by 5% compared to the fiscal year ended Mar. 31, 2010.
	BSC* <sup>1</sup>	Increase material recycling ratio of waste emissions to 90% or more.
		Establish target for increasing the percentage reduction in water use based on results for the year ending Mar. 31, 2013.
	Entire organization	Implement social contribution initiatives targeting the environment.
Reinforce our environmental safety system	BSC* <sup>1</sup>	Conduct stratified training and training for workers dispatched overseas.
	Entire organization	Continue operation of integrated EHS management.

Note: Targets for the fiscal year ending March 31, 2015, or later are currently being formulated.





## Topics 1

# We are working to develop and popularize green products, which feature reduced use of energy and chemicals.

### Promoting the Development and Popularization of Green Products

The Dainippon Screen Group promotes the development of products that excel in areas such as energy savings, resource conservation, degree of disassembly and reuse of resources. Products that meet our proprietary standards are certified as “green products.” We encourage the take-up of these products through methods such as introducing them on our website.

More than 90% of the CO<sub>2</sub> emitted during the lifecycles of our semiconductor production equipment is generated during customer use. Amid calls by customers to reduce energy use

by manufacturing equipment at their plants, during the fiscal year ended March 31, 2011, we revised the assessment criteria that we use when certifying products. Using the SEMI S23 standard\*<sup>1</sup>, an energy conservation guide for semiconductor production equipment, as a standard, we calculate the amounts of exhaust, ultra pure water, nitrogen and other utilities used, convert these figures to their electricity equivalent and evaluate the results. This approach has enabled us to better assess overall energy consumption. The check sheet used for this assessment contains a function that automatically creates a product’s eco profile (a Dainippon

Screen standard). Simply entering the figures into the sheet automatically generates graphs showing how a product compares with previous models in terms of its green procurement ratio, energy use, material use, materials consumed, volatile organic compounds (VOCs) and other aspects. As a result, we can compare the environmental performance of products at a glance.

\*1 Guide for conservation of energy, utilities and materials used by semiconductor manufacturing equipment. The basic methodology of SEMI S23 is to convert to an energy equivalent (kWh) the amount of electricity, ultra pure water, exhaust and other inputs required by a product over the course of a year and to then express the result as total energy use. Utilities are prioritized to reduce the total amount of energy used.

### ▼ Green Product Certification Standards

#### Requirements:

Evaluated according to five stages, at levels 1–5 for energy saving, resource conservation, degree of disassembly, reuse of resources, environmental protection and safety, and information availability

#### Certification standards:

Must be level 2 or higher for all requirements (same as for previous models). Also, one of the three standards below must be satisfied.

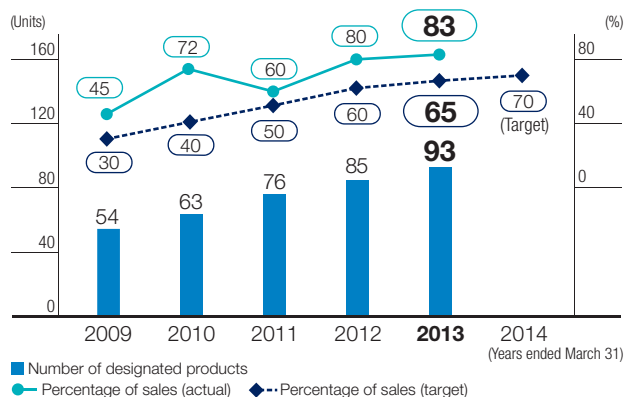
Standard 1: Average of requirements level 3 or above

Standard 2: A level 4 or above for energy saving, resource conservation or environmental protection and safety

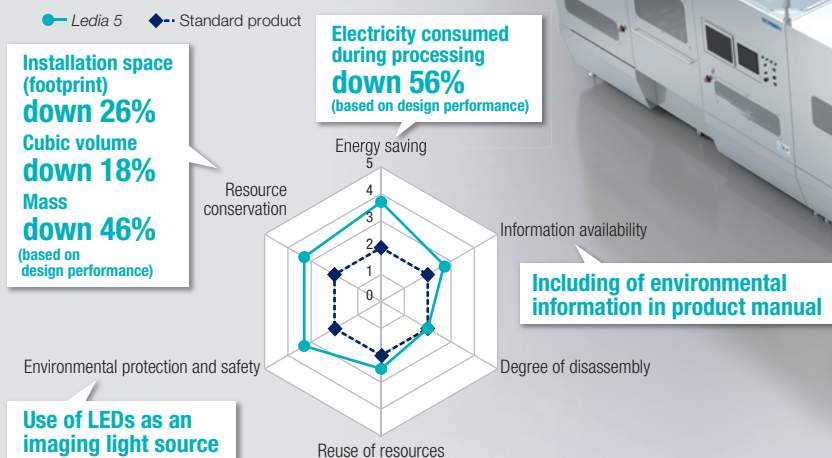
Standard 3: Achieves either a reduction of 25% in energy; achieves a savings of 25% in materials consumed during use; or has a green procurement ratio of 100%

Note: Reductions in energy and materials consumed during use are based on design performance.

### ▼ Green Products as a Percentage of Sales and the Number of Designated Products



## ▼ Ledia 5 Standard Product Comparison



Ledia 5

## Setting Targets for Green Products as a Percentage of Total Sales

The Group has set numerical targets for green products as a percentage of total sales, and we strive to meet these levels. During the fiscal year ended March 31, 2013, we greatly exceeded our 65% target, with green products accounting for 83% of total sales. By company, the Semiconductor Equipment Company achieved a rate of 84%, the FPD Equipment Company 65% and the Media And Precision Technology Company 96%.

## The Ledia 5, Which Uses LED Light Sources in Place of Mercury Lamps

The rapid proliferation of smartphones and tablet devices in recent years has called for further improvements in the productivity of printed circuit board manufacturing facilities. To meet these needs and respond to the environmental considerations of our customers, in January 2012 the Media And Precision Technology Company launched the Ledia 5 direct imaging system for printed circuit boards.

In place of conventional mercury lamps, this product employs a world-first high-intensity ultraviolet LED exposure head capable of exposing multiwavelength light, as well as a newly designed autoloader. The result is a unit that delivers 1.6 times the productivity of conventional products.

Because it does not use mercury lamps, the Ledia 5 clears increasingly stringent industry standards on the

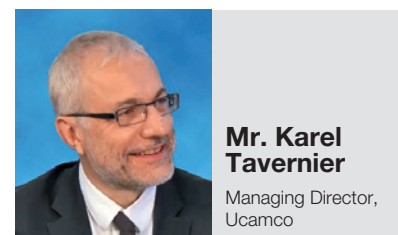
use of such light sources. Aiming to prevent environmental pollution and damage to health, a United Nations treaty on mercury is set for adoption in the second half of 2013, and in principle the production, import, export and disposal of products using mercury are likely to be prohibited after 2020.

## Energy Consumption Down 56% Compared with Conventional Products, with Eight Times the Light Source Life

By using LEDs—which reduce electricity consumption and offer long life—we have substantially lowered the electricity consumption of the light source unit, decreasing the amount of electricity required for imaging one side of a printed circuit board by 56% compared with conventional equipment. At the same time, the life of the light source is increased eightfold, thereby contributing to lower running costs. Furthermore, the use of LEDs means that the time and hassle involved in applying to dispose of mercury-containing waste can be avoided.

Going forward, the Group aims to continue contributing to environmental preservation through the development and popularization of green products such as these.

## Stakeholder Comment



**The Ledia 5 is garnering industry attention in Europe, which is proactive in the areas of energy conservation and the management of chemical substances.**

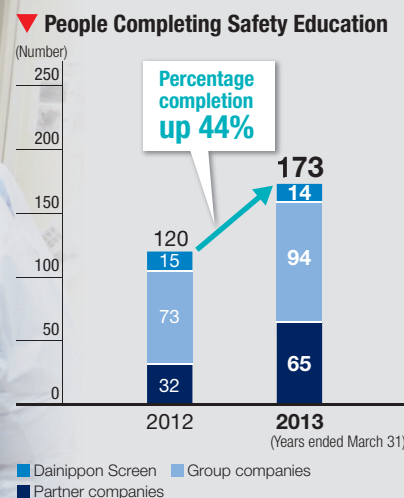
Ucamco develops and sells CAD/CAM software to companies that handle printed circuit boards, as well as being involved in the sale of manufacturing equipment. One year ago, we began selling Dainippon Screen's Ledia 5. European countries, particularly Germany, are sensitive to the issues of energy savings and chemical waste.

The Ledia 5, which uses an LED light source, earns high marks for its dramatic reduction in energy use compared with conventional light sources, as well as lasers. The Ledia 5 is also the first direct imaging system in the industry to expose solder masks\*1 effectively, and it is attracting industry attention for this fact, as well as for its improved yields and reduction in chemical waste.

We look forward to maintaining a long cooperative relationship with Dainippon Screen going forward.

\*1 Insulation layers on the surfaces of printed circuit boards to protect circuit patterns





Experiential safety education

## Topics 2

## We are conducting safety education for employees of Group and partner companies, as well as employees of Dainippon Screen.

### Aiming to Promote Workplace Health and Safety

One of the Company's most important priorities is to "promote workplace health and safety." We have created an occupational health and safety management system that is compliant with OHSAS 18001 for all domestic Group companies, and initiatives include risk assessments, advance health and safety review processes, inspections of heavy load operations and training of operators and supervisors.

Each internal company also conducts safety education and strives to enhance workplace health and safety.

### Promoting Safety Education at the Global Training Center

For example, at the Global Training Center—an integrated training facility that the Semiconductor Equipment Company set up at the Yasu Site in 2008—we conduct safety training for employees of domestic and overseas Group companies, as well for the Company's employees. The center supports employee efforts to obtain qualifications for work in high places, electrical work, industrial robots, piping and the handling of chemical solutions, among others, mainly

targeting people involved in the installation, assembly, start-up and repair of semiconductor equipment. The center also provides training recommended by the Semiconductor Equipment Association of Japan (SEAJ) on fundamental knowledge and techniques for safe work inside clean rooms.

In addition to training via classroom lectures, we conduct experiential safety education as practical training. This helps employees develop their ability to anticipate danger, preventing workplace accidents.

In the past, we had provided this training to field service engineers at the Company, as well as domestic and overseas Group companies. In the fiscal year ended March 31, 2013, we also opened the training to employees of partner companies outside the Group, as much of our work has been relegated to these companies in recent years. During the fiscal year ended March 31, 2013, we also began incorporating experiential safety education into safety training for newly appointed managers. As a result, the number of people who have completed safety training rose to 173, up 44% year on year.

### Stakeholder Comment



**Mr. Koichi Fukuda**

Section Head  
Customer Service  
Section 1  
KYOTOTECHNICA,  
INC.

### Participating in experiential safety education reconfirmed the importance of being aware of the safety of my surroundings.

Our company is involved in the production, adjustment, testing, installation and start-up of equipment related to semiconductor production. During my recent participation in Dainippon Screen's experiential safety education, I experienced staged incidents involving chemical solutions, electrical leaks and falling objects. Our company emphasizes safety awareness, but this training taught me anew the importance of confirming the safety of my surroundings.

When you work at a job site every day, you tend to grow less sensitive on the safety front. The training taught me the fearfulness of accidents and provided an important learning opportunity regarding safety procedures and protective equipment. I hope Dainippon Screen will continue offering this sort of education in the future.





SS-3200



SU-3200

## ▼ Overview of Quality Reform Activities

Quality system assessments



Basic plan for improving issues



### Launch of five project teams (PTs)

Formulation of new operating schemes incorporating quality reforms for each project team

- Design Quality Reform PT
- Quality Management Reform PT
- Production Quality Reform PT
- Product Assurance Reform PT
- Quality System Reform PT

## Topics 3

# We focus on providing highly productive cleaning systems and reducing quality defects.

## Cleaning Systems That Offer World-Leading Cleaning Performance, Improve Yields and Reduce Energy Consumption

Wafer cleaning accounts for approximately 30% of semiconductor production processes. As electronic terminals have grown more compact and higher-performance in recent years, circuits have evolved toward ultrafine line widths and multilayered wiring. This trend has spurred demand for cleaning systems that offer superior cleaning performance and high productivity.

The SS-3200, a scrubber-type wafer cleaning system that the Semiconductor Equipment Company launched in November 2011, now employs the transport system used on our newest single wafer cleaning system, the SU-3200. As a result, the SS-3200 achieves cleaning speeds of up to 800 wafers per hour, the world's highest cleaning performance and double that of previous scrubber-type cleaning equipment. Furthermore, to meet emerging needs as semiconductor devices move to ultrafine line widths and three-dimensional structures the SS-3200 uses a spray-based cleaning system that cleans wafers without damaging ultrafine patterns, contributing greatly to higher yields.

The SS-3200 is also excellent in terms of operability and maintenance. In addition, the system helps to reduce energy consumption—an important issue as production processes grow increasingly complex and their number increases.

## Deploying Quality Reforms Aimed at Reducing Quality Defects

During the fiscal year ended March 31, 2012, the Semiconductor Equipment Company set up a specialized organization to provide steady feedback about design defects to the development and design verification process as part of its efforts to stabilize quality for its mainstream single wafer cleaning equipment. Since then, the company has been working on efforts to prevent defects from recurring.

In April 2012, this organization played a central role in the commencement of new quality reform activities. First, it created quality system assessments that incorporated other companies' benchmarks and proposed basic plans for making improvements on issues that arise. In accordance with this basic plan, the organization then set up five project teams to promote "design quality reforms," "quality management reforms," "production quality reforms," "product assurance reforms" and

"quality system reforms," and designed a new operational scheme taking these quality reforms into account.

Thereafter, the organization piloted the new operational scheme, limited to the SU-3200. After incorporating the results of pilot operations and making improvements, we plan to deploy the operational scheme to each operation from the fiscal year ending March 31, 2014, launching it into actual operation.

## External quality evaluation



PQS award ceremony

In April 2013, we received the Preferred Quality Supplier (PQS) award from Intel Corporation—one of our customers—in recognition of our ongoing quality improvement activities.

Criteria for the PQS award are scores of 80% or more against targets on cost, quality, supply system, technological capabilities and environmental, social and governance programs.

## Environmental Conservation

The Dainippon Screen Group actively contributes to its customers' environmental efforts by pursuing products that are kind to people and the planet. We are working to reduce CO<sub>2</sub> emissions from our manufacturing activities, manage and decrease chemical use and lower waste.

### Reducing CO<sub>2</sub> Emissions

#### Initiatives for Reducing CO<sub>2</sub> Emissions in Our Business Activities

##### (Reduction Efforts under "Scope 1+2" of the GHG Protocol<sup>\*1</sup>)

During the fiscal year ended March 31, 2013, total CO<sub>2</sub> emissions by the Group came to 49,208 metric tons, up 30% year on year. Our target for the domestic Group was to reduce CO<sub>2</sub> emissions derived from the use of energy in production activities by 3% or more compared to the fiscal year ended March 31, 2010, but we missed this target, exceeding it by more than 16 percentage points. The main reason for this rise was the increase in the emission factors<sup>\*2</sup>, resulting from factors such as the halt of nuclear power plant operations following the Great East Japan Earthquake. The emission factor of Kansai Electric Power Company, our principal supplier of electricity, was up by 45% year on year. Had the emission factors not changed, CO<sub>2</sub> emissions by the domestic Group would have been down 3% year on year.

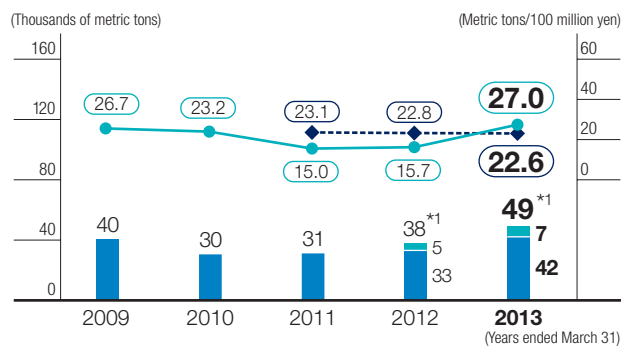
In 2011, we began responding to a CDP<sup>\*3</sup> questionnaire concerning its CO<sub>2</sub> emissions and efforts to reduce them.

<sup>\*1</sup> An international standard for calculating greenhouse gases (GHGs) emitted during corporate activities. The standard comprises three categories, depending on the form of the emissions. Scope 1 involves emissions emitted directly as a result of corporate activities; Scope 2 is for indirect emissions resulting from energy used in corporate activities; and Scope 3 is for indirect emissions other than those covered by Scope 2.

<sup>\*2</sup> CO<sub>2</sub> emissions per unit of electricity used

<sup>\*3</sup> CDP, which got its start in the United Kingdom in 2000, is a not-for-profit organization operated through the support of investors from various countries. CDP sends questionnaires to private-sector companies and analyzes and publicizes information related to climate change based on their responses.

#### CO<sub>2</sub> Emissions and Emissions per Unit of Production

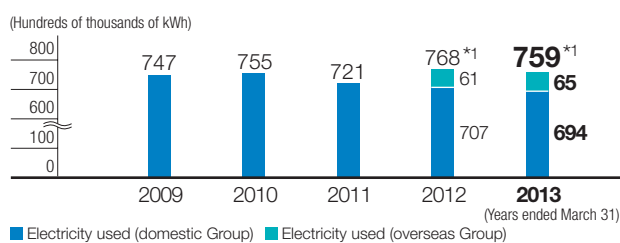


<sup>\*1</sup> Includes the overseas Group from the fiscal year ended March 31, 2012.

#### Responding to Energy Shortages by Promoting Electricity-Saving Activities

The domestic Group continued efforts from the previous fiscal year to reduce peak electricity. We introduced "demand monitoring systems" at eight locations, including our principal sites. This system sends out alerts via email and public address systems when summertime electricity consumption is in danger of exceeding seasonal targets and prompts temporary shutdowns in cooling and lighting systems. We have also introduced initiatives such as reducing lighting counts, "cool biz" (lightweight clothing in summer) and "warm biz" (warmer clothing in winter). Thanks to these initiatives, in the summer of 2012 we achieved an average 22% reduction in peak electricity consumption, compared with the volume of electricity initially contracted. As a result, the domestic Group's electricity consumption was down 8% compared to levels in the fiscal year ended March 31, 2010.

#### Electricity Used



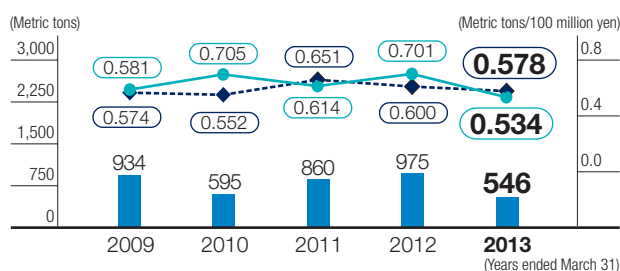
<sup>\*1</sup> Includes the overseas Group from the fiscal year ended March 31, 2012.

#### Efforts to Reduce CO<sub>2</sub> Emissions from Logistics Operations (Reduction Efforts under "Scope 3" of the GHG Protocol)

The Group is working to reduce the amount of CO<sub>2</sub> emitted during the shipping of its products. To reach our target for the fiscal year ended March 31, 2013, which was to reduce CO<sub>2</sub> by 18% or more compared to the fiscal year ended March 31, 2010, per unit of production in domestic product transport, we promoted a modal shift from using trucks for shipping to using marine and rail shipping. We also worked to make packaging materials more lightweight.

As a result, during the fiscal year ended March 31, 2013, CO<sub>2</sub> emissions (per unit of production) arising from the transport of our products was 0.534 metric ton per ¥100 million. This figure amounted to a year-on-year reduction of 24% (down 24% compared with levels for the fiscal year ended March 31, 2010), meeting our target.

#### CO<sub>2</sub> Emissions<sup>\*1</sup> and Emissions per Unit of Production from Logistics Operations



<sup>\*1</sup> Cargo weight (in tons) multiplied by the distance transported (in kilometers)

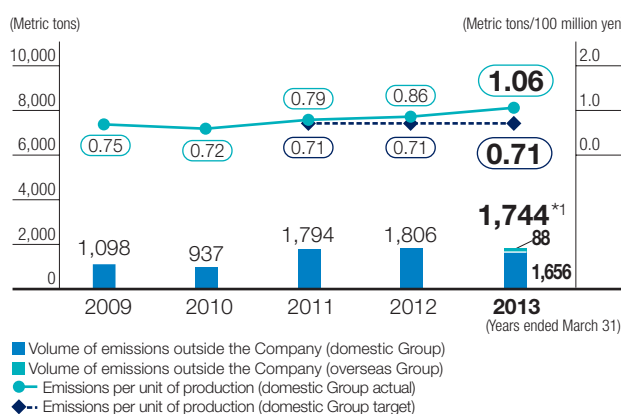
## Reduction of Waste

### Initiatives to Calculate and Reduce Valuable Waste and Waste Outside the Company

During the fiscal year ended March 31, 2013, the Group's volume of waste amounted to 1,744 metric tons, down 3% year on year.

In the fiscal year ended March 31, 2010, the domestic Group commenced initiatives to reduce "waste outside the Company," comprising both waste and valuable resources. During the fiscal year ended March 31, 2013, waste emitted outside the Company per unit of production was up 23% year on year, to 1.06 metric tons per ¥100 million (up 47% compared with levels for the fiscal year ended March 31, 2010). This level was short of our target of reducing this waste by 3% or more compared with levels for the fiscal year ended March 31, 2010. The main reasons for the increase in waste were changes in production volume and a rise in the amount of metal, plastic and paper stemming from the disposal of prototypes and other items. At the same time, the material recycling ratio for waste during the fiscal year ended March 31, 2013, was 85%, meeting our target of 85% or more.

### ▼ Volume of Emissions outside the Company and Emissions per Unit of Production

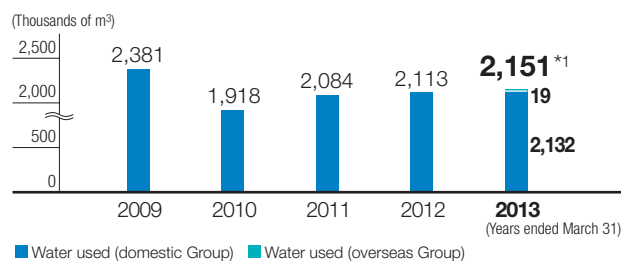


## Conserving Water Resources

### Working to Reduce Water Usage Volume

The Company used 2.15 million metric tons of water during the fiscal year ended March 31, 2013, up 1% from the preceding fiscal year. We are conducting an investigation on

### ▼ Water Used



ways to reduce our use, and we plan to set numerical targets with a view to reducing this usage. The water that is taken in as part of our business activities has no particular impact on water sources.

### Preserving Water Quality at Lake Biwa

The Company, which operates at three sites in Shiga Prefecture, recognizes an important social responsibility in the preservation of water quality at Lake Biwa, which has a high level of biodiversity. Our environmental impact evaluations take respecting biodiversity into consideration. As Shiga Prefecture has set strict ordinance-based wastewater standards, our three sites meet these requirements by using wastewater processing equipment to treat effluent appropriately.

We join local residents in clean-up activities along the Ota River, which feeds into Lake Biwa. In July 2012, 103 employees participated.



Clean-up activity along the Ota River, a firefly habitat

## Promoting EHS Activities,

### Internal Award System to Recognize Employee Participation

To foster a greater sense of awareness and encourage employee participation in EHS activities, we set up an internal award system, the "Green Value Award," in the fiscal year ended March 31, 2013.

This system offers awards in eight categories for activities, products and services that have been particularly effective from an EHS standpoint, based on innovation, originality, social spirit and applicability.



Green Value Award 2013 ceremony



## Managing and Reducing Chemical Substances Contained in Products

### Appropriately Managing Chemical Substances Based on Green Procurement Standards and Product Chemical Management Standards

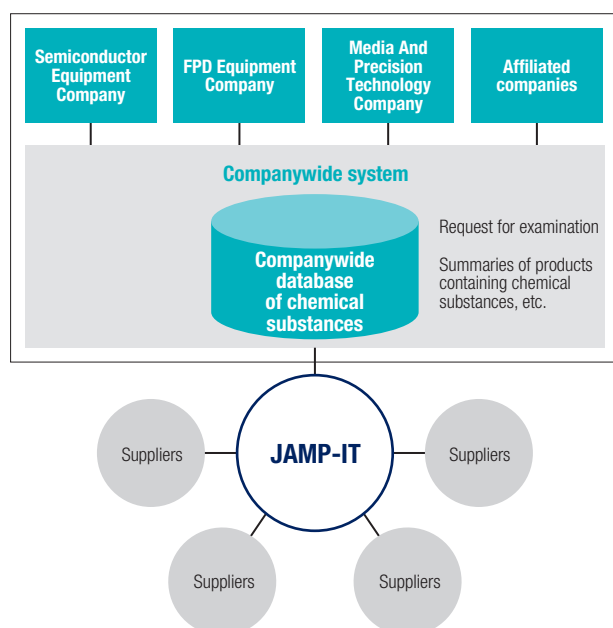
The Company manages chemical substances appropriately, with development and design departments following management and product presentation methods prescribed by Product Chemical Management Standards and procurement departments following Green Procurement Standards stipulating prohibited substances. We provide information on Green Procurement Standards on our website so that suppliers can refer to these guidelines.

We have initiated compliance in our policy on conflict minerals, which are covered in the “Screen Supplier Code of Conduct,” formulated in May 2013.

### Compliance with Legislation Related to Chemical Substances

In response to the EU’s REACH<sup>\*1</sup>, we have introduced an information system capable of collectively gathering and managing information on designated chemical substances, and we began using this system companywide during the fiscal year ended March 31, 2013. In the past, each internal company created its own frameworks, which meant that in some cases suppliers received requests for and needed to respond to requests for examinations from each of these companies. This situation presented issues with regard to information collection speed and accuracy. Under the recently introduced system, component response data can be shared smoothly throughout the Company, allowing us to respond swiftly to customer requests for information about contained substances. The new system makes use of the information distribution platform of the cross-industry body JAMP<sup>\*2</sup> for the creation and diffusion of structures for managing chemical substances, and the substances we manage make reference to JAMP Declarable Substances.

### ▼ Companywide System for Gathering and Managing Information on Chemical Substances



Regarding the EU’s RoHS directive<sup>\*3</sup>, we are working to respond to the recast RoHS directive (RoHS 2), which went into application in January 2013.

The Media And Precision Technology Company has raised its use of alternative components to 98% and uses the CE marking to declare conformity on products that meet all EU requirements. As the principal products of the Semiconductor Equipment Company and the FPD Equipment Company fall under the exemption of large-scale stationary industrial tools, they are not subject to RoHS 2.

We are moving forward with efforts to conform with RoHS 2 category 9 (industrial monitoring and control instruments) and category 11 (other electrical and electronic equipment) regulations.

\*1 An EU regulation requiring the comprehensive registration, evaluation, authorization and restriction of chemicals by companies that manufacture and import equipment.

\*2 Acronym for the Joint Article Management Promotion-consortium.

\*3 An EU directive that restricts the use of designated hazardous substances in electrical and electronic devices. RoHS 2 describes compliance standards for products entering the European market on or after January 2, 2013, and requires the attachment of CE markings.

## Green Products

### Reducing the Environmental Impact of Products Based on Our Own Certification System (Including Reduction Efforts under “Scope 3” of the GHG Protocol)

The Group designates products that meet its own assessment standards, chiefly for reduced energy consumption, as “green products.” We promote their use by introducing these products on our website. (Please refer to page 27 for details.)

### ▼ Examples of Green Products

#### Semiconductor Equipment Company:

#### **SU-3200 Single Wafer Cleaning Equipment**

(Launch: Fiscal Year Ended March 31, 2011)

In addition to achieving the world’s fastest cleaning speed, the SU-3200 also uses significantly less energy than other models. The SU-3200 uses approximately 82% less energy per wafer than our previous single wafer cleaning equipment, launched in 2001.

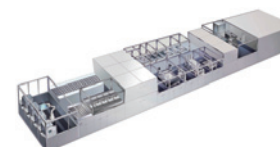


#### FPD Equipment Company:

#### **SK-N1500G Coater/Developer**

(Launch: Fiscal Year Ended March 31, 2013)

The SK-N1500G, a member of the SK-N Series developed in response to rising demand for panels for use in smartphones and tablet devices, uses 16% less photo resist and 19% less electricity than previous models.



#### Media And Precision Technology Company:

#### **Ledia 5 Direct Imaging System for Printed Circuit Boards.**

(Launch: Fiscal Year Ended March 31, 2012)

Please refer to page 28 for details.

## Occupational Health and Safety and an Employee-Friendly Workplace

One of our most important priorities is to promote workplace health and safety, and we strive to provide a workplace that enables diverse employees to maximize their potential.

### Occupational Health and Safety

**Based on OHSAS 18001, we are strengthening efforts to reduce incidents and accidents and enhancing mental health and disaster prevention measures.**

One of the targets in GV21, Phase II, is to reduce to zero the number of incidents resulting in four or more days of lost work. Accordingly, Dainippon Screen is moving forward with efforts to eradicate accidents and incidents. (Please refer to “CSR Targets and Performance” on pages 25-26.) We are conducting initiatives companywide in Japan, including at Group companies, based on OHSAS 18001. These activities include risk assessments, advance health and safety review processes, the extension of training to operators and supervisors with limited experience and inspecting heavy load operations. We are developing an occupational health and safety management infrastructure overseas, as well.

In the fiscal year ended March 31, 2013, we conducted risk assessments, seeking to reduce the amount of work involving a high degree of risk. As a result, the total number of days of work lost to incidents reached the lowest number in 10 years. These figures include such measures as conducting worksite confirmation surveys of incidents and accidents that occur, analyzing the factors behind such occurrences, introducing countermeasures and measuring their effectiveness.

We continued with mental health measures conducted in the previous fiscal year. In addition to mental health checks involving discussions with occupational health nurses, we enacted stress management check tests for employees, including those on temporary assignment overseas. During the fiscal year ended March 31, 2013, we commenced training for worksite managers using case studies to aid in the early detection of issues and a return to health within their organizations. These initiatives were instrumental in reducing the number of days required for employees to return to the workplace.

On the disaster prevention front, we distributed the Survival Card, which outlines responses and conduct for all executives and employees of domestic Group in the event of an earthquake. As in the previous fiscal year, we continued to conduct e-learning programs to teach employees the fundamentals of how to respond to earthquakes, educating them on internal regulations and imparting basic knowledge. During the fiscal year ended March 31, 2013, we reinforced our safety measures overseas by producing the new Overseas Safety Manual for employees posted overseas or on business trips. Going forward, we will also distribute this manual to business partners' employees posted overseas or on business trips.

In the fiscal year ending March 31, 2014, which is the final year for GV21, Phase II, we will conduct safety training targeting specific types of accidents and incidents, stepping up efforts to reduce the number of accidents and incidents to zero.

### Human Resource Development

#### Cultivating Skills in a Well-Planned Manner

For each of our departments, we have assigned a person to be in charge of encouraging the cultivation of skills within that group. These members attend meetings to help them consider ways for cultivating employee skills, set required and recommended education and training courses for each skill level and facilitate employee training. Required training at each level helps to develop expertise in such areas as compliance, mental health, labor management and information security. In the fiscal year ended March 31, 2013, as a recommended course we held management training for employees at the stage prior to becoming managers.

We also focus on training engineers, seeking to provide well-planned training and cultivate an engineering mindset among young engineers. Throughout the Group, we provide a host of announcement and award opportunities, one of these being Frontier Gate 2012, a technology presentation held in October 2012. The presentation was attended by 320 people throughout the Group, and awards were presented for 12 of the 26 presentations given.

#### Boosting Efforts to Cultivate Employees Effective in a Global Atmosphere

Overseas sales account for 75% of our total, and given the importance of overseas business activities we strive to cultivate employees who can be effective in a global atmosphere. We have expanded the language training component of our recommended level-specific training. Also, we dispatch employees in Japan to overseas Group companies for short periods of time, have in place a overseas study and training systems and conduct function-specific training as part of our efforts to cultivate leaders with a global perspective.

Furthermore, we encourage the global intermingling of employees, such as by hosting employees on temporary transfer from overseas Group companies.

### Employment and Reward

#### Making Steady Inroads on a Personnel System Targeting Roles and Operating Performance, Focused on Recruiting Globally Competitive Personnel

In April 2013, we introduced a role classification system, marking a shift from a personnel system focused on job capabilities to one that emphasizes roles and operating performance.

Our recruiting efforts aim at ensuring employee diversity and globally competitive human resources. To that end, on new graduate recruiting sites we have expanded website descriptions of opportunities for women and exchange students. We also hold recruiting briefings in locations throughout Japan as part of our proactive new graduate recruiting efforts. During the fiscal year ended March 31, 2013, we employed 38 new graduates (61 throughout the Group).

## Respecting Diversity

### **Fostering an Environment Where Diverse Human Resources Can Make the Most of Their Capabilities and Making Steady Progress Toward 100% Returns of Employees on Childcare Leave**

The Company endeavors to maintain an environment that fosters individuality among its personnel, encourages employees to work vigorously and is responsive to changing life stages. Encouraging women to make the most of their skills, we are promoting their recruitment as general employees. As of March 31, 2013, we had hired 58 women on this basis. During the fiscal year ended March 31, 2013, nine employees took advantage of our child-rearing leave program, and all of them returned to work afterward. Also, all the people who returned from child-rearing leave in the preceding fiscal year have remained in their positions for one year or more. A total of 42 employees are taking advantage of our system that permits employees who are raising children to work shorter hours.

Furthermore, we are encouraging employees to take paid leave. We have set up a program whereby people taking less than 50% of the paid leave allotted to them during one year must take at least five days of consecutive leave in the following year. From the fiscal year ended March 31, 2013, we began encouraging employees to take regular leave by sending a reminder email to employees and their superiors once every two months. During the fiscal year ended March 31, 2013, the percentage of people taking paid leave was 72.2%.

To enable employees to be more flexible in their post-employment lifestyle decisions, we have introduced a defined benefit corporate pension offering a reduced provision period or lump-sum payment, as well as a defined contribution corporate pension.

## Respecting Intellectual Property Rights

### **Compensating Employees Appropriately for Their Inventions**

The Group regulations stipulate that employees will be appropriately compensated if an invention made by an employee is inherited by the Company. In the fiscal year ended March 31, 2013, 31 patents were reviewed for inventor compensation.

During the year, we encouraged employee invention by conducting seminars for engineers on the importance of intellectual property rights and holding the Frontier Gate 2012 intellectual property awards. Going forward, we plan to simplify our system for submitting invention applications in order to increase their number.

## Respecting Workers' Rights

### **Developing Cooperative Health and Safety Activities for Labor and Management**

We regularly hold labor-management meetings with the labor union (participation rate in the fiscal year ended March 31, 2013: 96.8%) to discuss various themes related to the working environment, building positive relations between labor and management. Labor union members also attend Health and Safety Committee meetings, where we decide on annual occupational health and safety action plans for pursuing health and safety activities on an everyday basis.

## Maintaining and Improving Quality

All internal companies are working to enhance the quality of their products and services through a quality management system based on ISO 9001. In addition to the appropriate dissemination of information and marketing, we are taking thorough action on information security based on our personal information protection policy.

We have in place structures to ensure compliance with security export control legislation when exporting products and repair parts.

## Semiconductor Equipment Company

### **Ensuring Safety and Promoting Quality Improvement**

In accordance with its fundamental policy on providing products and services in compliance with various types of rules and regulations and thorough operations to ensure safety and no accidents, the Semiconductor Equipment Company evaluates product safety in accordance with SEMI S2 Standards, semiconductor production equipment safety guidelines that are broadly employed worldwide, EU Machinery Directive and our own internal standards. Furthermore, the Legal & I.P. Center cooperates on preliminary reviews to ensure fair advertising and promotion, compliance with anti-monopoly legislation, intellectual property protection and rules of conduct.

In the fiscal year ended March 31, 2013, we conducted full-fledged quality improvement activities to reduce product defects. (See page 30 for details.) We also extended our product training and safety education for field service engineers handling after-sales service on products.

## FPD Equipment Company

### **Focusing on Raising Customer Satisfaction by Using Satisfaction Surveys to Clarify Customer Requirements**

The FPD Equipment Company's basic policy is to provide products and services that meet customer demand and legal and regulatory requirements, as well as conforming to a host of technological standards for such factors as performance, safety and reliability. In accordance with this policy, we conduct initiatives to ensure that products meet customer requirements and comply with the laws in their region of destination. We also perform double checks and have in place controls for external announcements and notifications to ensure that they are accurate and present no issues on the legal and intellectual property fronts.

Furthermore, we conduct questionnaires to determine our level of customer satisfaction. We evaluate these on a scale of five according to six categories—performance, reliability, operability, cost, delivery time and support—and work to sustain customer satisfaction based on these evaluations.



### **Cooperating with Group Companies on Activities to Reduce Quality Issues and Augmenting Support Locations Overseas**

To boost quality management, we hold monthly quality meetings to discuss outstanding quality-related issues, and report on and confirm the progress of corrective actions. We also cooperate with two Group companies on activities designed to reduce quality issues. In the fiscal year ended March 31, 2013, we held joint monthly meetings attended by our production and sales departments, as well as members of Group companies, to share information about quality issues and work on ways to improve design and production quality.

We operate a total of nine service stations that conduct after-sales service in Japan, Taiwan, South Korea and China. During the fiscal year ending March 31, 2014, we plan to open two new stations in China, where we anticipate a number of equipment installations.

As leaks of technical information occurred in our industry during the fiscal year ended March 31, 2013, we have redoubled our own vigilance when taking out and managing the customer information required to provide our services.

### **Media And Precision Technology Company**

#### **Formation of a Specialized Department to Reinforce Quality Assurance**

The Media And Precision Technology Company ensures that its product safety complies with international safety standards, individual countries' regulations on chemical substances and other laws and regulations. We also acquire verifications by third-party institutions to ensure that the level of our product safety guarantees is sufficient. Our PR & IR Department and Legal & I.P. Center vet product and service information prior to its external release. In this way, we work to prevent leaks of trademark reviews, intellectual property rights and confidential information.

In the fiscal year ended March 31, 2013, we set up a new Quality Assurance Department within the existing Production Division to handle efforts to maintain and improve manufacturing quality, thereby strengthening and improving our quality assurance system.

#### **Promoting Quality Improvements and Increasingly Supply Stability through Engineer Interchanges with Suppliers**

In the past, we have conducted engineer interchanges with suppliers in order to boost quality and increase the stability of supply for our mainstay products. We are now accelerating our efforts to share information and resolve issues. Each year, we continue to provide education and training to bolster quality management.

To augment support services, we have added a remote monitoring function to our CTP products to gather information on equipment operations. We have also provided a remote maintenance function on our inspection systems for PCB-related equipment that allows testing conditions to be set remotely, allowing efficient maintenance. Going forward, we plan to continue augmenting remote operating functions that support customer operations.

### **Business Service Center**

#### **Separating Planning and Control Functions to Boost Operational Quality and Efficiency throughout the Group**

In July 2012, we reorganized the Business Service Center, which takes charge of planning and control functions for the Group's back-office departments, such as finance, general affairs, global human resources and information systems, to enhance operational quality and efficiency. We separated the finance, general affairs and global human resources groups from organizational and operational support sections that handle planning and control functions and clarify their individual roles. This move was designed to further reinforce Group management on the planning and control fronts. At the same time, we consolidated back-office processes for support functions, increasing their efficiency and speed. As a result, we aim to slim the organization and cut costs.

This reorganization is in line with the objective of "establishing a stable earnings structure and building a foundation for new growth", one of the fundamental policies of our three-year medium-term plan, *NextStage70*. Eliminating the inefficiency of having multiple organizations and personnel handle the same operations, we divide the organization along functional lines to improve overall operational quality.

### **Status of Regulatory Compliance**

#### **Thorough Regulatory Compliance at Each Internal Company**

In the fiscal year ended March 31, 2013, there were no legal violations at any internal company regarding the provision of information and labeling concerning products and services or in relation to marketing.

Going forward, we intend to conduct thorough checks of each internal company to ensure that this state of no infractions continues.

## Eleven-Year Trends in Key Management Indicators

### Consolidated Eleven-Year Summary

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31

	2013	2012	2011	2010	2009
<b>For the Year:</b>					
Net sales	¥ 189,924	¥ 250,090	¥ 254,953	¥ 164,129	¥ 219,049
Cost of sales	150,072	187,325	182,990	137,827	169,391
Cost of sales to net sales (%)	79.0 %	74.9 %	71.8 %	84.0 %	77.3 %
Operating income (loss)	¥ (6,987)	¥ 13,498	¥ 26,811	¥ (14,046)	¥ (4,510)
Operating income to net sales (%)	-3.7 %	5.4 %	10.5 %	-8.6 %	-2.1 %
Net income (loss)	¥ (13,487)	¥ 4,637	¥ 25,687	¥ (8,003)	¥ (38,191)
Comprehensive income	(8,184)	4,192	22,576	(5,257)	—
Depreciation and amortization	4,731	4,986	5,805	7,012	8,414
Cash flows from operating activities	(15,320)	11,279	34,299	25,113	(24,593)
Cash flows from investing activities	(5,768)	(4,162)	(2,191)	6,885	(6,921)
Cash flows from financing activities	21,534	(9,468)	(22,250)	(27,124)	34,071
Capital expenditures	6,450	7,347	3,613	1,911	4,007
R&D expenses	12,685	13,889	12,130	11,615	16,073
<b>Per Share of Capital Stock:</b>					
Net income (loss)	¥ (56.82)	¥ 19.54	¥ 108.21	¥ (33.71)	¥ (160.86)
Net income—diluted	—	—	—	—	—
Cash dividends	—	5.00	5.00	—	—
Net assets	339.61	379.44	367.00	272.15	292.12
<b>At Year End:</b>					
Total assets	¥ 235,023	¥ 245,382	¥ 253,127	¥ 216,622	¥ 246,918
Return on total assets (%)	-5.6 %	1.9 %	10.9 %	-3.5 %	-14.2 %
Current assets	¥ 164,247	¥ 177,543	¥ 183,523	¥ 139,984	¥ 168,191
Property, plant and equipment, net	39,902	38,669	40,699	45,413	50,955
Current liabilities	118,285	123,223	148,132	93,874	132,431
Long-term debt	29,642	25,988	10,634	48,195	32,967
Equity	80,610	90,069	87,118	64,607	69,353
Equity ratio (%)	34.3 %	36.7 %	34.4 %	29.8 %	28.1 %
Return on equity (%)	-15.8 %	5.2 %	33.9 %	-11.9 %	-39.9 %
Capital stock	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045
Retained earnings (deficit)	40,767	55,440	26,418	731	8,734
Number of shares issued (in thousands)	253,974	253,974	253,974	253,974	253,974
Number of employees	4,955	4,890	4,732	4,679	4,992

### Key Environmental and Safety Indicators

CO <sub>2</sub> emissions (metric tons)* <sup>1</sup>	49,208	37,858	31,312	29,993	39,164
CO <sub>2</sub> emissions per unit of production (metric tons/100 million yen)* <sup>2</sup>	27.0	15.7	15.0	23.2	26.7
Water used (thousands of m <sup>3</sup> )* <sup>3</sup>	2,151	2,113	2,084	1,918	2,381
Volume of emissions outside the Company (metric tons)* <sup>3</sup>	1,744	1,806	1,794	937	1,098
Incidents* <sup>2</sup>	15	17	14	15	20
Accidents* <sup>2</sup>	8	5	13	13	17

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥94 to US\$1.00.

2. Net income (loss) per share of capital stock is calculated based on the weighted average number of shares outstanding during each term, excluding the Company's treasury stock. Fully diluted net income per share of capital stock is not shown for the years that net losses were recorded or that no dilutive stock existed. Net assets per share of capital stock is calculated based on the fiscal year-end total number of shares outstanding, excluding the Company's treasury stock.

3. Return on total assets and return on equity are calculated on the basis of average total assets and average equity, respectively, at the current and previous fiscal year-ends.

4. The definition of "employee" was revised in the fiscal year ended March 31, 2004.

5. For the year ended March 31, 2005, depreciation and amortization included ¥2,299 million of nonrecurring depreciation of property, plant and equipment and other assets from the withdrawal from the CRT mask business.

6. Equity in the above table represents the total of shareholders' equity and accumulated other comprehensive income in the consolidated balance sheets. This is due to the adoption of the new accounting standards for presentation of net assets in the balance sheet, which require former shareholders' equity and minority interests to be presented as net assets, and net assets to be classified as shareholders' equity, accumulated other comprehensive income and minority interests. Under the new accounting standards, the net assets section includes deferred hedge income and loss, net of taxes, which was previously included in the assets or liabilities section.

2008	2007	2006	2005	2004	2003	2013
Millions of yen						Thousands of U.S. dollars
¥ 279,816	¥ 301,312	¥ 246,534	¥ 269,341	¥ 191,939	¥ 167,942	<b>\$ 2,020,468</b>
208,266	211,159	173,628	190,639	135,389	121,036	<b>1,596,511</b>
74.4 %	70.1 %	70.4 %	70.8 %	70.5 %	72.1 %	
¥ 14,628	¥ 30,541	¥ 18,568	¥ 25,292	¥ 9,600	¥ 3,225	<b>\$ (74,330)</b>
5.2 %	10.1 %	7.5 %	9.4 %	5.0 %	1.9 %	
¥ 4,578	¥ 18,452	¥ 15,236	¥ 14,454	¥ 4,851	¥ (3,466)	<b>\$ (143,479)</b>
—	—	—	—	—	—	<b>(87,064)</b>
5,563	4,113	3,823	5,944	4,000	4,901	<b>50,330</b>
7,934	23,645	14,906	22,301	14,681	87	<b>(162,979)</b>
(16,510)	(8,519)	(7,482)	(5,108)	(82)	4,304	<b>(61,362)</b>
669	(8,875)	(13,442)	(16,775)	(10,157)	(4,923)	<b>229,085</b>
12,866	14,420	5,906	6,146	2,465	1,813	<b>68,617</b>
16,248	16,884	13,269	12,628	11,134	10,770	<b>134,947</b>
Yen						U.S. dollars
¥ 18.81	¥ 74.05	¥ 60.66	¥ 59.88	¥ 23.04	¥ (18.65)	<b>\$ (0.60)</b>
17.39	68.63	55.81	52.57	18.29	—	<b>—</b>
10.00	15.00	10.00	7.50	3.00	—	<b>—</b>
514.26	542.13	500.30	408.03	334.93	238.28	<b>3.61</b>
Millions of yen						Thousands of U.S. dollars
¥ 291,114	¥ 319,519	¥ 270,238	¥ 256,398	¥ 240,512	¥ 218,653	<b>\$ 2,500,245</b>
1.5 %	6.3 %	5.8 %	5.8 %	2.1 %	−1.5 %	
¥ 196,989	¥ 223,463	¥ 181,077	¥ 179,012	¥ 165,506	¥ 149,713	<b>\$ 1,747,309</b>
49,069	42,346	36,096	34,308	35,627	38,140	<b>424,489</b>
123,702	133,784	106,134	111,998	113,771	116,899	<b>1,258,351</b>
40,644	43,900	24,674	31,803	38,163	47,491	<b>315,340</b>
122,094	133,062	126,392	99,219	77,434	45,100	<b>857,553</b>
41.9 %	41.6 %	46.8 %	38.7 %	32.2 %	20.6 %	
3.6 %	14.2 %	13.5 %	16.4 %	7.9 %	−7.3 %	
¥ 54,045	¥ 54,045	¥ 53,999	¥ 51,331	¥ 48,172	¥ 37,142	<b>\$ 574,947</b>
49,390	48,497	32,536	19,284	3,514	(1,314)	<b>433,691</b>
253,974	253,974	253,792	243,164	231,390	189,369	
5,041	4,798	4,672	4,547	4,460	4,468	
39,903	35,749	40,408	55,987	62,069	60,334	
22.1	20.9	28.2	32.5	52.6	53.1	
2,528	2,527	4,101	6,113	6,579	6,616	
1,313	1,501	2,086	3,564	4,720	4,561	
32	32	29	23	27	30	
16	11	21	14	22	19	

without considering the related income tax effects. The accompanying consolidated financial statements after the year ended March 31, 2006 have been prepared in accordance with the new accounting standards, whereas the statements for the previous years are presented pursuant to the previous presentation rules.

7. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted. Under the new accounting standard, the above table includes comprehensive income, whereas these amounts are not shown before the years ended March 31, 2010.

\*1 CO<sub>2</sub> emissions are calculated based on "Guidelines for Calculating Greenhouse Gas Emission from Businesses" prepared by the Ministry of the Environment. Through the fiscal year ended March 31, 2009, the emission conversion factors = average of greenhouse gas emissions of domestic power companies 0.378 kg CO<sub>2</sub>/kWh. From the fiscal year ended March 31, 2010, these figures have been calculated on the basis of domestic electric power companies' emission factors and includes overseas Group from the fiscal year ended March 31, 2012.

\*2 Includes only domestic Group.

\*3 Includes overseas Group from the fiscal year ended March 31, 2013.



This section presents an analysis of the consolidated financial statements prepared in accordance with generally accepted accounting standards in Japan.

### CFO Message

## We will reinforce our financial underpinnings, enabling us to reconstitute our business and earnings structures and respond to global economic trends.

We consider that there were three principal factors affecting business results for the fiscal year ended March 31, 2013, where both sales and profits were substantially lower than our forecasts at the beginning of the fiscal year. The first was the shrinking of overall semiconductor and electronics market, to which the Dainippon Screen Group belongs. Second, the customer structure and capital investment trends in the semiconductor and electronics market have changed. The third factor stems from a problem with the earnings structure of our business itself, leading to a situation in which we were unable to generate the profits we had aimed for due to high variable cost ratios in our core businesses. As chief financial officer, I am most concerned about this third factor. In the fiscal year ending March 31, 2014, we will promote thorough structural reforms through the actions across the Company aimed at improving the variable cost ratio.

We were unable to reinforce our financial structure during the fiscal year ended March 31, 2013, as business performance worsened. However, we will continue working toward this goal, proceeding with reconstituting our business and earnings structures to ensure that we have in place the strong financial underpinnings that can stand up to a difficult operating environment.

However, the financial strength that will enable us to aggressively make strategic investments, such as developing equipment for 450mm wafers, at critical moments is vital. With an eye to uncertain global economic trends such as protracted financial uncertainty in Europe and a growing sense of economic slowdown in China, we will implement a balanced financial strategy between protective and proactive operations as we bolster our ability to handle financial risks and make strategic investments.



**Osamu  
Ryonai**

Senior Managing  
Director  
Chief Financial  
Officer (CFO)

## Operating Results

### •Sales

Consolidated net sales for the fiscal year ended March 31, 2013, fell 24.1% year on year, to ¥189,924 million.

In the Semiconductor Equipment segment, semiconductor manufacturers reduced capital investment sharply. By product, sales of batch-type cleaning equipment decreased significantly compared with the preceding fiscal year, but the rate of decline in sales of single wafer cleaning equipment was relatively small. By region, sales to Asia increased, whereas sales in Japan and to Europe and the United States declined.

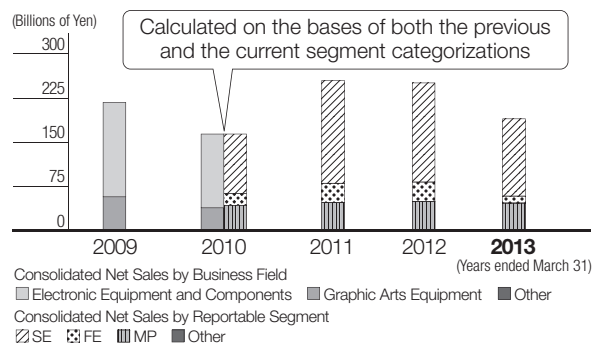
In the FPD Equipment segment, the Group faced a decline in sales of production equipment for small and medium-sized high-definition LCD panels, as well as for large LCD panels.

In the Media and Precision Technology segment, sales of graphic arts equipment decreased year on year, reflecting falling sales of print on demand (POD) equipment, although sales of computer to plate (CTP) equipment increased and wide-format sheet-fed inkjet printers began to contribute to sales. Sales of printed circuit board (PCB)-related equipment increased year on year, reflecting rising sales of direct imaging systems.

Total overseas sales fell ¥45,336 million, or 24.1% year on year, to ¥142,619 million, and 0.1 percentage point as a percentage of total sales, to 75.1%. In North America, sales in the Semiconductor Equipment and Media and Precision Technology segments decreased, resulting in regional sales of ¥45,525 million, down

14.9% year on year. In Asia & Oceania, sales increased in the Semiconductor Equipment segment but declined in the FPD Equipment segment, causing sales in this region to fall 17.2% year on year, to ¥76,204 million. In Europe, lower sales in the Semiconductor

#### ▼ Consolidated Net Sales by Business Field/Reportable Segment

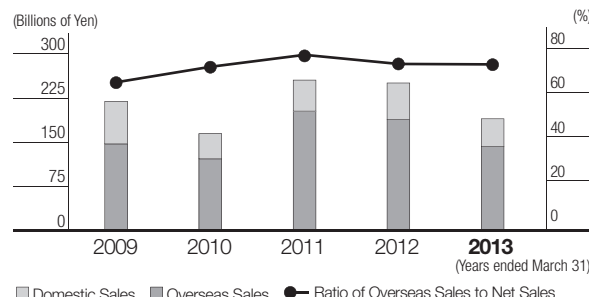


#### •Cost of Sales and SGA Expenses

Fixed costs such as personnel and R&D expenses were down compared with the previous year, but cost of sales worsened due to the sharp decline in sales, changes in our product mix and lower factory utilization, among other factors. As a result, the ratio of cost of sales to net sales rose from 74.9% in the previous fiscal year to 79.0% during the year under review. Selling, general

Equipment and Media and Precision Technology segments led to a 40.8% year-on-year drop in sales in this region, to ¥15,479 million. In other regions, lower sales in the Semiconductor Equipment segment prompted a 66.8% year-on-year decline, to ¥5,411 million.

#### ▼ Domestic Sales, Overseas Sales and Ratio of Overseas Sales to Net Sales



and administrative (SGA) expenses decreased ¥2,428 million, or 4.9% year on year, to ¥46,839 million, as logistic costs including packing and freightage expenses, R&D and other expenses fell in line with the decrease in sales. The ratio of SGA expenses to net sales rose to 24.7% for the fiscal year under review, up from 19.7% in the preceding term.

Years ended March 31,	2013	2012	2011	2010	2009
Net sales	<b>¥189,924</b>	¥250,090	¥254,953	¥164,129	¥219,049
Cost of sales	<b>150,072</b>	187,325	182,990	137,827	169,391
Cost of sales to net sales (%)	<b>79.0%</b>	74.9%	71.8%	84.0%	77.3%
Gross profit	<b>¥ 39,852</b>	¥ 62,765	¥ 71,963	¥ 26,302	¥ 49,658
SGA expenses	<b>46,839</b>	49,267	45,152	40,348	54,168
SGA expenses to net sales (%)	<b>24.7%</b>	19.7%	17.7%	24.6%	24.7%

#### •Research and Development Expenses

At the Dainippon Screen Group, we maintain a close relationship between the Research & Development Center, internal companies and Group companies to foster the combination and development of diverse technologies that are a key to photolithography, such as cleaning, coating, graphic arts, optical system, and inspection and measurement technologies. This approach enables us to launch aggressive R&D initiatives spanning the basic research to product development.

Consequently, during the year the Group invested ¥12,685 million in R&D. We invested aggressively in our field of focus, the Semiconductor Equipment segment, as well as in R&D targeting an energy-related and other field for additional growth.

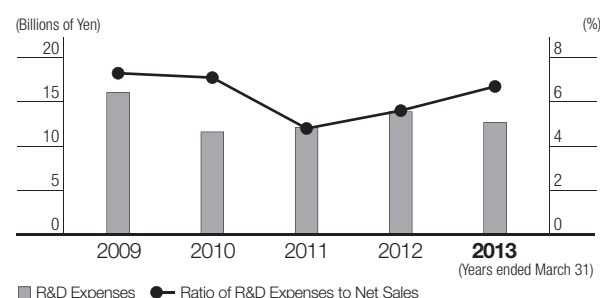
In the Semiconductor Equipment segment, we worked on the development of ultraminiaturization technologies for semiconductor circuits having line widths of less than 10nm, as well as three-dimensional technologies for semiconductors of increasing density. We also developed new products compatible with the Back End Of Line (BEOL). Furthermore, we pursued the development of technologies for 450mm wafers, in preparation

for the transition to larger semiconductor wafers. As a result, the Group's R&D expenses for this segment amounted to ¥6,195 million.

In the FPD Equipment segment, R&D expenses came to ¥539 million. These expenditures went toward increasing the size of nozzle printers for OLED TVs.

In the Media and Precision Technology segment, within the area of graphic arts equipment we pursued initiatives to further

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



increase the precision of UV inkjet printers targeting the label printing industry, which is expected to grow substantially. In the category of PCB-related equipment, we developed the Ledia 5F, a

direct imaging system for PCBs that enables imaging for even more precise circuit patterns. R&D expenses in this sector totaled ¥1,867 million.

Years ended March 31,	Millions of yen				
	2013	2012	2011	2010	2009
R&D expenses	<b>¥ 12,685</b>	¥ 13,889	¥ 12,130	¥ 11,615	¥ 16,073
R&D expenses to net sales (%)	<b>6.7%</b>	5.6%	4.8%	7.1%	7.3%

### •Segment Information

Sales in the Semiconductor Equipment segment fell 21.8% during the year, to ¥131,073 million. As semiconductor manufacturers reduced capital investment sharply, sales of batch-type cleaning equipment decreased significantly compared with the preceding fiscal year, but the rate of decline in sales of single wafer cleaning equipment was relatively small. By region, sales to Asia increased, but sales in Japan and to Europe and the United States declined. On the profit front, factors such as the significant drop in sales, changes in our product mix and lower factory utilization caused profitability to fall. Consequently, the segment generated an operating loss of ¥5,882 million for the year, compared with operating profit of ¥13,628 million in the preceding fiscal year.

Sales in the FPD Equipment segment dropped 63.9% year on year, to ¥11,787 million. This decrease reflected a decline in sales of production equipment for small and medium-sized

high-definition LCD panels, as well as for large LCD panels. Despite the substantial sales decline, a decrease in the loss on valuation of inventories and a reduction of fixed costs resulting from the transfer of the R&D department for the alternative energy field narrowed the operating loss to ¥860 million, compared with an operating loss of ¥1,217 million in the previous fiscal year.

Sales in the Media and Precision Technology segment amounted to ¥46,324 million, down 5.8% from the preceding year. Sales of graphic arts decreased year on year, reflecting falling sales of POD equipment, although sales of CTP equipment increased and wide-format sheet-fed inkjet printers began to contribute to sales. Sales of PCB-related equipment increased year on year, reflecting rising sales of direct imaging systems. Affected by the drop in sales, operating income declined 36.0% year on year, to ¥1,475 million.

### •Earnings Analysis

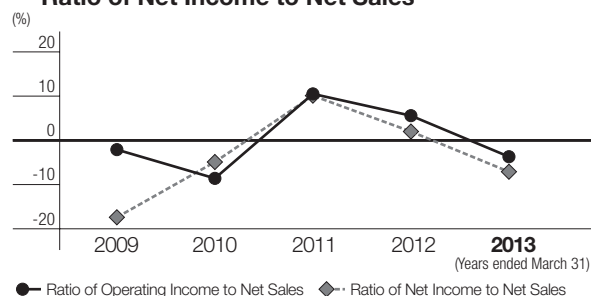
As is described above, sales decreased in the Semiconductor Equipment, FPD Equipment and Media and Precision Technology segments. Consequently, net sales for the Group as a whole were down ¥60,166 million, or 24.1% year on year, to ¥189,924 million. This significant decline in sales led to an operating loss of ¥6,987 million, compared with operating profit of ¥13,498 million in the preceding fiscal year. The ratio of operating profit to net sales worsened 9.1 percentage points year on year, to negative 3.7%.

Net other income and expenses improved from a net expense amount of ¥6,220 million in the preceding fiscal year to a net expense amount of ¥642 million in the year under review. The loss stemmed from a loss on valuation of investment securities due to a fall in the market values of stocks held. However, the reduction of interest-bearing debt caused interest expense to decline during the year, and impairment losses on

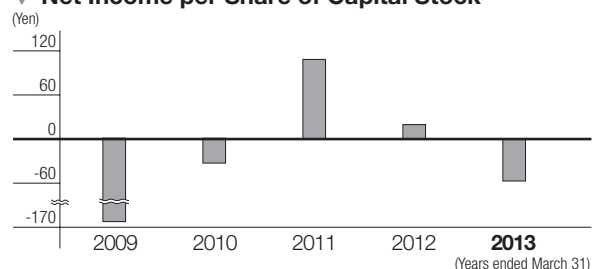
fixed assets in the FPD Equipment segment posted in the previous year decreased, as did a provision of allowance for doubtful accounts covering trade notes and accounts receivable.

The loss before income taxes was ¥7,629 million, compared with income before income taxes of ¥7,278 million in the previous year, and the net loss was ¥13,487 million, compared with net income of ¥4,637 million. The ratio of net income to net sales

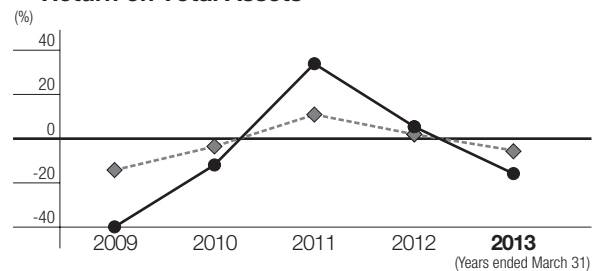
### ▼ Ratio of Operating Income to Net Sales Ratio of Net Income to Net Sales



### ▼ Net Income per Share of Capital Stock



### ▼ Return on Equity Return on Total Assets





worsened 9.0 percentage points year on year, to negative 7.1%.

Net loss per share of common stock was ¥56.82, compared with net income per share of ¥19.54 in the previous year, and return on equity worsened 21.0 percentage points from the

preceding fiscal year, to a negative 15.8%. Return on total assets worsened 7.5 percentage points from the previous term, to negative 5.6%.

	Millions of yen				
Years ended March 31,	2013	2012	2011	2010	2009
Operating income (loss)	¥ (6,987)	¥ 13,498	¥ 26,811	¥(14,046)	¥ (4,510)
Operating income to net sales (%)	-3.7%	5.4%	10.5%	-8.6%	-2.1%
Net income (loss)	¥ (13,487)	¥ 4,637	¥ 25,687	¥ (8,003)	¥(38,191)
Net income to net sales (%)	-7.1%	1.9%	10.1%	-4.9%	-17.4%
Per share of capital stock (yen)					
Net income (loss)	¥ (56.82)	¥ 19.54	¥ 108.21	¥ (33.71)	¥(160.86)
Net income - diluted	—	—	—	—	—
Return on equity (%)	-15.8%	5.2%	33.9%	-11.9%	-39.9%
Return on total assets (%)	-5.6%	1.9%	10.9%	-3.5%	-14.2%

Note: Return on equity and return on total assets are calculated on the basis of average equity and average total assets, respectively, for the current and previous fiscal year-ends.

## Financial Position and Liquidity

### •Assets, Liabilities and Net Assets

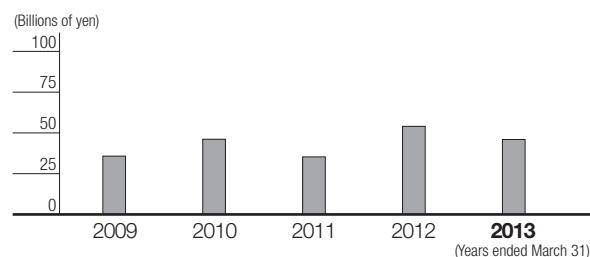
Total assets as of March 31, 2013, were ¥235,023 million, down ¥10,359 million, or 4.2% from the end of the previous fiscal year, owing to a decrease in trade notes and accounts receivable.

Total liabilities were down ¥979 million, or 0.6% year on year, to ¥153,807 million, reflecting a decrease in trade notes and accounts payable, although short-term loans payable rose. Interest-bearing debt was ¥70,443 million as of March 31, 2013, up ¥22,767 million compared with the end of preceding term. Net interest-bearing debt, which is interest-bearing debt excluding cash and deposits, increased ¥20,009 million from the previous fiscal year-end, to ¥30,022 million.

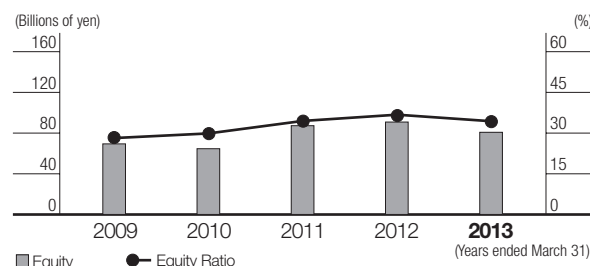
Total net assets were ¥81,216 million at fiscal year-end,

down ¥9,380 million, or 10.4%, from a year earlier. This was mainly attributable to a decrease in retained earnings due to the payment of cash dividends and posting of a net loss for the year, although the valuation difference on available-for-sale securities and foreign currency translation adjustment each increased, due to the effects from declining yen values and the rising market values of stocks held. As a result, equity, the balance of net assets less minority interests, decreased ¥9,459 million, or 10.5%, compared with the previous fiscal year-end, to ¥80,610 million. Consequently, the equity ratio worsened 2.4 percentage points, to 34.3%, from 36.7% as of the previous fiscal year-end.

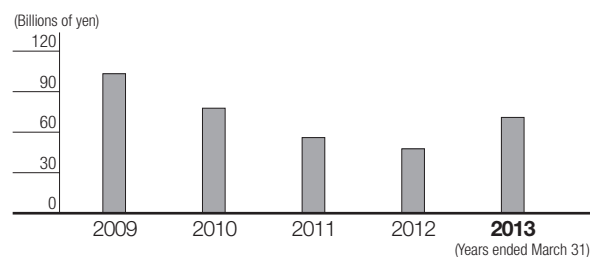
### ▼ Working Capital



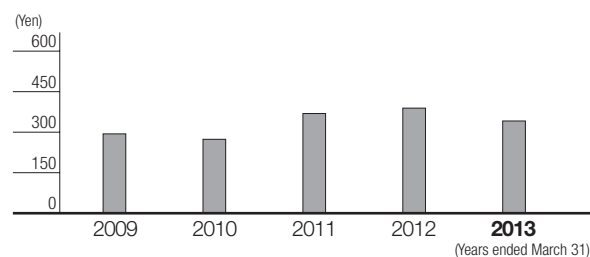
### ▼ Equity and Equity Ratio



### ▼ Interest-Bearing Debt



### ▼ Net Assets per Share of Capital Stock



As of March 31,	Millions of yen				
	2013	2012	2011	2010	2009
Total assets	<b>¥235,023</b>	¥245,382	¥253,127	¥216,622	¥246,918
Reportable segment: SE	<b>119,748</b>	133,927	129,061	103,113	—
FE	<b>14,027</b>	15,662	26,446	24,894	—
MP	<b>46,653</b>	41,226	39,684	40,916	—
Other	<b>4,043</b>	4,763	4,047	3,426	—
Adjustments	<b>50,552</b>	49,804	53,889	44,273	—
Electronic Equipment and Components	—	—	—	130,577	159,141
Graphic Arts Equipment	—	—	—	35,637	39,959
Other	—	—	—	3,427	6,250
Eliminations/Corporate	—	—	—	46,981	41,568
Working capital	<b>45,962</b>	54,320	35,391	46,110	35,760
Interest-bearing debt	<b>70,443</b>	47,676	55,590	77,218	102,581
Equity	<b>80,610</b>	90,069	87,118	64,607	69,353
Equity ratio (%)	<b>34.3%</b>	36.7%	34.4%	29.8%	28.1%
Net assets per share of capital stock (yen)	<b>¥ 339.61</b>	¥ 379.44	¥ 367.00	¥ 272.15	¥ 292.12

Notes: 1. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" has been adopted. The information for the year ended March 31, 2010 is provided in conformity with the previous and new reportable segment.

2. Effective from the fiscal year ended March 31, 2009, the Company and its subsidiaries have adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on March 30, 2007), which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No. 16, the "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued on January 18, 1994. As a result, interest-bearing debt in the above table includes lease obligations from the fiscal year ended March 31, 2009.

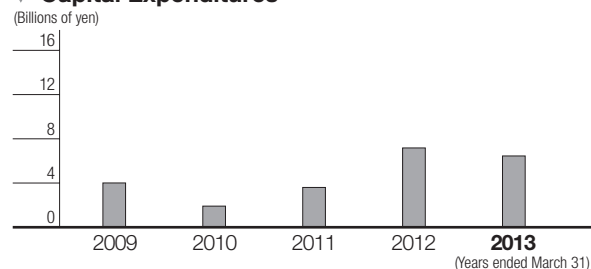
### •Capital Expenditures and Depreciation and Amortization

Capital expenditures for the whole Group during the year stood at ¥6,450 million. In the Semiconductor Equipment segment, capital expenditures amounted to ¥4,238 million, centered on R&D and manufacturing facilities for semiconductor production equipment. In the FPD Equipment segment, capital expenditures totaled ¥132 million, stemming from R&D and manufacturing facilities for FPD production equipment. Capital expenditures in the Media and Precision Technology segment were ¥899 million,

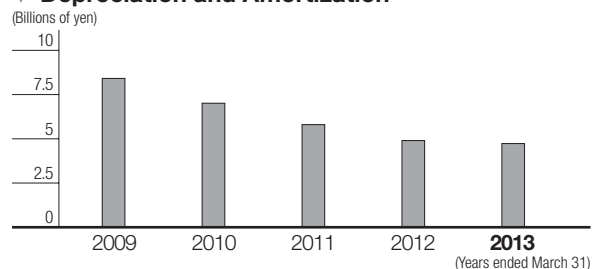
for R&D and manufacturing facilities for graphic arts equipment. Capital expenditures for other segments came to ¥154 million, going toward areas such as information system-related equipment. On a companywide basis, capital expenditures amounted to ¥1,027 million, centering on R&D facilities.

Depreciation and amortization during the year came to ¥4,731 million, down ¥255 million, or 5.1%, from the preceding term.

#### ▼ Capital Expenditures



#### ▼ Depreciation and Amortization



Millions of yen					
Years ended March 31,	2013	2012	2011	2010	2009
Capital expenditures	¥ 6,450	¥ 7,347	¥ 3,613	¥ 1,911	¥ 4,007
Reportable segment: SE	4,238	2,951	2,510	1,184	—
FE	132	448	323	185	—
MP	899	1,041	539	362	—
Other	154	114	89	62	—
Adjustments	1,027	2,793	152	118	—
Electronic Equipment and Components	—	—	—	1,393	2,665
Graphic Arts Equipment	—	—	—	338	438
Other	—	—	—	62	119
Corporate	—	—	—	118	785
Depreciation and amortization	¥ 4,731	¥ 4,986	¥ 5,805	¥ 7,012	¥ 8,414
Reportable segment: SE	2,970	3,204	3,452	4,426	—
FE	79	329	460	599	—
MP	407	310	674	879	—
Other	103	112	121	166	—
Adjustments	1,172	1,031	1,098	942	—
Electronic Equipment and Components	—	—	—	5,011	5,934
Graphic Arts Equipment	—	—	—	744	951
Other	—	—	—	154	249
Corporate	—	—	—	1,103	1,280
Impairment loss	¥ —	¥ 2,866	¥ 1,656	¥ 780	¥ 1,442
Reportable segment: SE	—	848	—	717	—
FE	—	1,840	—	—	—
MP	—	—	1,656	5	—
Other	—	—	—	—	—
Adjustments	—	178	—	58	—
Electronic Equipment and Components	—	—	—	717	—
Graphic Arts Equipment	—	—	—	5	567
Other	—	—	—	—	766
Corporate	—	—	—	58	109

Notes: Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" has been adopted. The information for the year ended March 31, 2010 is provided in conformity with the previous and new reportable segment.

## •Cash Flows

Net cash used in operating activities during the year was ¥15,320 million, compared with ¥11,279 million provided by these activities during the preceding term. Major factors included a loss before income taxes of ¥7,629 million, depreciation and amortization of ¥4,731 million, a decrease in trade notes and accounts receivable of ¥15,162 million, a ¥21,144 million decline in trade notes and accounts payable, a ¥2,010 million decrease in accrued expenses and income taxes paid of ¥2,475 million.

In the fourth quarter, however, operating activities provided net cash of ¥4,412 million, as the Group posted quarterly income before income taxes.

Net cash used in investing activities came to ¥5,768 million, compared with ¥4,162 million in net cash used in these activities in the preceding fiscal year. This was mainly due to the purchase of property, plant and equipment, such as equipment for R&D.

Net cash provided by financing activities amounted to ¥21,534 million, compared with ¥9,468 million in net cash used in these activities in the previous year. The positive figure, despite the redemption of bonds, repayment of long-term loans payable and cash dividends paid, was due to the procurement of funds through indirect financing methods to cover the net cash used in operating and investing activities.

Millions of yen					
Years ended March 31,	2013	2012	2011	2010	2009
Cash flows from operating activities	¥(15,320)	¥ 11,279	¥34,299	¥25,113	¥(24,593)
Cash flows from investing activities	(5,768)	(4,162)	(2,191)	6,885	(6,921)
Cash flows from financing activities	21,534	(9,468)	(22,250)	(27,124)	34,071
Effect of exchange rate changes on cash and cash equivalents	1,949	(400)	(1,380)	(80)	(2,335)
Net increase (decrease) in cash and cash equivalents	¥ 2,395	¥ (2,751)	¥ 8,478	¥ 4,794	¥ 222
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	—	—	—	(91)

## Risk Factors

### (1) 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 the market supply-demand balance which leads to cyclical upturns and downturns. Given such market conditions, the Dainippon Screen Group is making every effort to

create a market structure that can consistently generate profits during cyclical downturns. However, unexpectedly large market downturns can have a material impact on the Group's financial condition and business performance.

### (2) Concentration of Transactions with Specific Customers

The Dainippon Screen Group delivers production equipment to



leading semiconductor manufacturers in Japan and overseas. However, as raising production capacity and responding to miniaturization trends 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, fluctuations in capital investments and orders by these specific customers could have a material impact on the Group's financial condition and business performance.

### **(3) Concentration of Production Sites**

The Dainippon Screen Group's domestic manufacturing sites are concentrated in the Kyoto and Shiga regions, and a large-scale earthquake or other disaster affecting this area could seriously damage the Group's operations. To minimize the potential for losses and ensure continuation or early resumption of business operation, the Group has formulated its business continuity plan (BCP). However, the halting of operations at a production site as a result of such a disaster could have a material impact on the Group's financial condition and business performance.

### **(4) Product Quality**

The Dainippon Screen Group has created its quality management system on the basis of standards for quality management systems (ISO 9001) and works to enhance the quality of its products and services. Nevertheless, if a product defect should arise and lead to a large-scale recall or product liability, resulting in losses to a customer, the Group could incur significant additional expenses and suffer a decrease in trust, prompting a decline in sales. Such cases could have a material impact on the Group's financial condition and business performance.

### **(5) New product development**

In order to strengthen its earnings structure by expanding market share, the Group is working to concentrate development themes in line with the respective strategies of each in-house company, to share technologies held within the Group and effectively utilize external technology resources to strengthen and invigorate its development capabilities in the timely introduction of products incorporating the latest technologies. This notwithstanding, extended development periods could result in delays in new product releases, which could have a material impact on the Group's financial condition and business performance.

### **(6) Intellectual property rights**

The Group has over the years continually striven to introduce products utilizing the latest technologies into the market and has created various proprietary technologies within each business division. In addition, the Group has worked to establish and protect its intellectual property rights under related intellectual property laws and in contracts with other companies. However, given the increasing complexity of intellectual property rights in leading-edge technology fields, there is the risk that the Group could in the future become involved in intellectual property disputes, and that such disputes could have a material impact on the Group's financial condition and business performance.

### **(7) Information security**

The Group in the course of its business operations handles various personal, customer and technology information. The Group has established "Network System Management Regulations" in order to strengthen the security of internal information systems and is working to thoroughly implement corporate ethics through the "Dainippon Screen Code of Ethics" in order to strengthen its information management system. However, unforeseen leaks of confidential information could have a material impact on the Group's financial condition and business performance.

### **(8) Corporate acquisitions and capital participation**

The Group may engage in corporate acquisitions or capital participation in other companies as part of its business strategy. While the Group will thoroughly examine each specific project before taking action, business plans may not proceed as originally planned after an acquisition or a business alliance is concluded, and this could have a material impact on the Group's financial condition and business performance.

### **(9) Interest rate fluctuations**

All the Group's interest-bearing debt as of the end of the fiscal year was fixed-rate debt and was, therefore, not subject to interest rate fluctuation risk. Nevertheless, the Group's financial condition and business performance could be materially affected by the impact of interest rate fluctuations on new fund procurement at variable interest rates.

### **(10) Procurement of funds**

Certain loan contracts of the Company 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 Company could be forced to forfeit the benefit of time in relation to such loans. In such case, the Company could also forfeit the benefit of time in relation to its bonds and other loans. If the Company forfeits the benefit of time for its loans and incurs the obligation to make a lump-sum repayment, it could have a material impact on the Group's financial condition.

### **(11) Exchange rate fluctuations**

As the 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 is working to minimize the impact of exchange rate fluctuations by using forward exchange contracts and other measures to minimize the impact on its business performance, rapid fluctuations in exchange rates could have a material impact on the Group's financial condition and business performance.

### **(12) Retirement benefit obligations**

The Group calculates accrued pension and severance costs based on assumed discount rates set by actuarial calculations and on expected returns on pension asset investments. If differences arise between actual results and assumed costs, changes in assumed parameters and/or declines in pension fund returns, future cumulative differences in these obligations must be recognized, generally having an effect on the recognition of future costs and the recording of benefit obligations. While the Group is working through a conversion from a qualified retirement pension system to a cash balance plan and a defined contribution plan and taking other measures to reduce the impact of retirement benefit obligations, worse than forecasted investment returns and other factors could have a material impact on the Group's financial condition and business performance.

### **(13) Impact of impairment accounting**

Due to the application of impairment accounting for fixed assets, future trends in property prices and the earnings outlook for the business could have a material impact on the Group's financial condition and business performance.

### **(14) Recoverability of deferred tax assets**

The Dainippon Screen Group records deferred tax assets against temporary differences due to future losses and loss carryforwards for tax purposes based on rational forecasts of future income taxes and its judgments of their recoverability. The Group reviews its assumptions on future income taxes based on such factors as changes in the management environment. A resulting decision that some or all of these deferred tax assets are unrecoverable and that the drawing down of deferred tax assets is necessary could have a material impact on the Group's financial condition and business performance.

### **(15) Other risks**

In addition to the above described risks, the Group's business operations are affected, as are other companies, by risks of the global and domestic political environment, the economic environment, natural disasters such as earthquakes and floods, wars, terrorism, epidemics, stock markets, commodity markets, regulations by government and etc., the supply systems of business associates and employment conditions. Adverse developments in any of the above areas could, therefore, have a material impact on the Group's financial condition and business performance.

## Segment Information

### Net Sales and Income (Loss) in Reportable Segments

Years ended March 31,		Millions of yen				
		2013	2012	2011	2010	2009
Net sales	Reportable segment: SE	¥ 131,073	¥ 167,593	¥ 174,279	¥ 100,932	¥ —
	FE	11,787	32,611	32,711	19,898	—
	MP	46,324	49,164	47,306	42,704	—
	Other	740	722	657	595	—
	Consolidated	¥ 189,924	¥ 250,090	¥ 254,953	¥ 164,129	¥ —
Operating income (loss)	Reportable segment: SE	¥ (5,882)	¥ 13,628	¥ 28,141	¥ (7,334)	¥ —
	FE	(860)	(1,217)	34	(1,672)	—
	MP	1,475	2,305	(1,304)	(4,674)	—
	Other	(159)	3	303	16	—
	Total	¥ (5,426)	¥ 14,719	¥ 27,174	¥ (13,664)	¥ —
	Adjustments	(1,561)	(1,221)	(363)	(382)	—
	Consolidated	¥ (6,987)	¥ 13,498	¥ 26,811	¥ (14,046)	¥ —

Notes: 1. Effective from the fiscal year ended March 31, 2011, the business segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, (Revised 2009) issued on March 27, 2009), and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, issued on March 21, 2008). Segment information is provided in conformity with the new reportable segments from the fiscal year ended March 31, 2010.  
2. The Dainippon Screen Group has created three business segments for reporting: "Semiconductor Equipment," "FPD Equipment" and "Media and Precision Technology," categorized by products based on respective internal companies. Products and services of each segment are as follows:  
SE: Development, manufacturing and sale of and maintenance services for semiconductor production equipment  
FE: Development, manufacturing and sale of and maintenance services for FPD production equipment  
MP: Development, manufacturing and sale of and maintenance services for graphic arts equipment and PCB related equipment  
3. The "Other" category incorporates operations not included in reportable segments, including software development, planning and production of printed matter, logistics operations and other businesses.  
4. For more information such as details of each reportable segment, see Note 7, "Segment Information."

### Segment Sales and Income (Loss) by Business Field

Years ended March 31,		Millions of yen				
		2013	2012	2011	2010	2009
Net sales	Electronic Equipment and Components	¥ —	¥ —	¥ —	¥ 125,086	¥ 160,157
	Graphic Arts Equipment	—	—	—	38,448	57,095
	Other	—	—	—	595	1,797
	Consolidated	¥ —	¥ —	¥ —	¥ 164,129	¥ 219,049
Operating income (loss)	Electronic Equipment and Components	¥ —	¥ —	¥ —	¥ (11,449)	¥ (5,920)
	Graphic Arts Equipment	—	—	—	(2,491)	1,601
	Other	—	—	—	(106)	(191)
	Consolidated	¥ —	¥ —	¥ —	¥ (14,046)	¥ (4,510)

Notes: 1. The amounts in the above table are presented pursuant to the previous segment standard.  
2. Primary products of each segment category were as follows:  
Electronic Equipment and Components: Semiconductor production equipment, FPD production equipment, PCB production equipment, and maintenance and repair services  
Graphic Arts Equipment: CTP (Plate recorders), digital press machines, other printing and prepress machines, fonts, maintenance and repair services  
Other: Printing, logistics services and other businesses

### Domestic Sales and Overseas Sales

Years ended March 31,		Millions of yen				
		2013	2012	2011	2010	2009
Domestic sales		¥ 47,305	¥ 62,135	¥ 52,629	¥ 42,714	¥ 72,281
Overseas sales		142,619	187,955	202,324	121,415	146,768
	North America	45,525	53,479	54,365	18,012	38,467
	Asia & Oceania	76,204	92,063	114,787	87,579	80,603
	Europe	15,479	26,138	26,573	13,748	20,017
	Others	5,411	16,275	6,599	2,076	7,681
Ratio of overseas sales to net sales (%)		75.1%	75.2%	79.4%	74.0%	67.0%
Net sales		¥ 189,924	¥ 250,090	¥ 254,953	¥ 164,129	¥ 219,049

Notes: 1. Sales to customers in Japan by the Company and its consolidated subsidiaries.  
2. Sales to customers outside Japan by the Company and its consolidated subsidiaries.  
3. For information by geographic areas, see Note 7, "Segment Information."

## Consolidated Balance Sheets

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
As of March 31, 2013 and 2012

Assets	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 38,027	¥ 35,632	\$ 404,543
Time deposits	2,394	2,031	25,468
Trade notes and accounts receivable	57,420	72,949	610,851
Allowance for doubtful receivables	(935)	(1,125)	(9,947)
Inventories	59,450	57,118	632,447
Deferred tax assets	3,985	7,214	42,394
Prepaid expenses and other	3,906	3,724	41,553
Total current assets	164,247	177,543	1,747,309
<b>Property, Plant and Equipment, at Cost:</b>			
Land	9,811	9,742	104,372
Buildings and structures	51,587	50,929	548,798
Machinery, equipment and other	43,787	39,240	465,820
Lease assets	6,294	7,390	66,957
Construction in progress	1,260	1,558	13,404
Total property, plant and equipment	112,739	108,859	1,199,351
Accumulated depreciation	(72,837)	(70,190)	(774,862)
Net property, plant and equipment	39,902	38,669	424,489
<b>Investments and Other Assets:</b>			
Investment securities	21,798	21,110	231,894
Investments in affiliates	38	38	404
Lease assets	271	479	2,883
Deferred tax assets	365	587	3,883
Other assets	8,402	6,956	89,383
Total investments and other assets	30,874	29,170	328,447
<b>Total Assets</b>	<b>¥ 235,023</b>	<b>¥ 245,382</b>	<b>\$ 2,500,245</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.



<b>Liabilities and Net Assets</b>	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Current Liabilities:</b>			
Short-term debt	¥ 33,783	¥ 8,049	\$ 359,394
Current portion of long-term debt	3,350	8,650	35,638
Lease obligations	733	1,348	7,798
Notes and accounts payable —			
Trade	60,751	81,459	646,287
Construction and other	2,656	4,593	28,255
Accrued expenses	4,792	6,477	50,979
Income taxes payable	844	1,586	8,979
Provision for product warranties	4,940	5,522	52,553
Provision for directors' bonuses	40	58	426
Provision for loss on order received	133	247	1,415
Other current liabilities	6,263	5,234	66,627
Total current liabilities	118,285	123,223	1,258,351
<b>Long-Term Liabilities:</b>			
Long-term debt	29,642	25,988	315,340
Provision for retirement benefits	152	315	1,617
Provision for directors' retirement benefits	79	110	840
Lease obligations	2,934	3,641	31,213
Deferred tax liabilities	2,149	835	22,862
Asset retirement obligations	49	49	521
Other long-term liabilities	517	625	5,501
Total long-term liabilities	35,522	31,563	377,894
<b>Contingent Liabilities (Note 8)</b>			
<b>Net Assets:</b>			
<b>Shareholders' Equity:</b>			
Capital stock			
Authorized—900,000,000 shares in 2013 and 2012			
Issued—253,974,333 shares in 2013 and 2012	54,045	54,045	574,947
Capital surplus	4,583	4,583	48,755
Retained earnings	40,767	55,440	433,691
Treasury stock, at cost			
16,613,829 shares in 2013 and 16,605,094 shares in 2012	(12,245)	(12,241)	(130,266)
Total shareholders' equity	87,150	101,827	927,127
<b>Accumulated Other Comprehensive Income:</b>			
Valuation difference on available-for-sale securities	2,717	1,386	28,904
Foreign currency translation adjustment	(9,257)	(13,144)	(98,478)
Total accumulated other comprehensive income	(6,540)	(11,758)	(69,574)
<b>Minority Interests:</b>			
Minority interests	606	527	6,447
Total net assets	81,216	90,596	864,000
<b>Total Liabilities and Net Assets</b>	<b>¥ 235,023</b>	<b>¥ 245,382</b>	<b>\$ 2,500,245</b>

## Consolidated Statements of Operations

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Net Sales</b>	<b>¥ 189,924</b>	<b>¥ 250,090</b>	<b>\$ 2,020,468</b>
<b>Cost of Sales</b>	<b>150,072</b>	<b>187,325</b>	<b>1,596,511</b>
Gross profit	39,852	62,765	423,957
<b>Selling, General and Administrative Expenses</b>	<b>46,839</b>	<b>49,267</b>	<b>498,287</b>
Operating income (loss)	(6,987)	13,498	(74,330)
<b>Other (Income) Expenses:</b>			
Interest and dividend income	(502)	(508)	(5,340)
Interest expense	1,049	1,497	11,160
Exchange loss on foreign currency transactions, net	63	299	670
Insurance income	(303)	(102)	(3,223)
Subsidy income	(156)	(125)	(1,660)
Sales discounts	113	331	1,202
Gain on sales of investment securities	(353)	(36)	(3,755)
Impairment loss	—	2,866	—
Provision of allowance for doubtful accounts	(3)	1,323	(32)
Loss on valuation of investment securities	776	830	8,255
Loss on disaster	—	19	—
Other, net	(42)	(174)	(447)
Net other expenses	642	6,220	6,830
<b>Income (Loss) Before Income Taxes</b>	<b>(7,629)</b>	<b>7,278</b>	<b>(81,160)</b>
<b>Income Taxes</b>			
Current	1,535	2,041	16,330
Deferred	4,266	542	45,383
Total income taxes	5,801	2,583	61,713
<b>Income (Loss) Before Minority Interests</b>	<b>(13,430)</b>	<b>4,695</b>	<b>(142,872)</b>
<b>Minority Interests in Net Income of Consolidated Subsidiaries</b>	<b>57</b>	<b>58</b>	<b>606</b>
<b>Net Income (Loss)</b>	<b>¥ (13,487)</b>	<b>¥ 4,637</b>	<b>\$ (143,479)</b>

### Per Share of Capital Stock:

	Yen		U.S. dollars
	2013	2012	2013
Net income (loss)	¥ (56.82)	¥ 19.54	\$ (0.60)
Net income—diluted	—	—	—
Cash dividends, applicable to earnings for the year	—	5.00	—

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated Statements of Comprehensive Income

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Income (Loss) Before Minority Interests</b>	<b>¥ (13,430)</b>	<b>¥ 4,695</b>	<b>\$ (142,872)</b>
<b>Other Comprehensive Income</b>			
Valuation difference on available-for-sale securities	1,331	41	14,160
Deferred gains or losses on hedges	—	42	—
Foreign currency translation adjustment	3,915	(586)	41,648
Total other comprehensive income	5,246	(503)	55,808
<b>Comprehensive Income</b>	<b>¥ (8,184)</b>	<b>¥ 4,192</b>	<b>\$ (87,064)</b>
Comprehensive income attributable to			
Owners of the parent	(8,267)	4,142	(87,947)
Minority interests	83	50	883

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated Statements of Changes in Net Assets

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2013 and 2012

	Shares of issued capital stock (thousands)	Millions of yen								
		Shareholders' equity				Accumulated other comprehensive income				
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at the beginning of fiscal 2012	253,974	¥ 54,045	¥30,155	¥26,418	¥ (12,236)	¥ 1,345	¥ (42)	¥ (12,567)	¥ 482	¥ 87,600
Net income	—	—	—	4,637	—	—	—	—	—	4,637
Transfer to retained earnings from capital surplus	—	—	(25,572)	25,572	—	—	—	—	—	—
Cash dividends paid, ¥5.00 per share	—	—	—	(1,187)	—	—	—	—	—	(1,187)
Valuation difference on available-for-sale securities	—	—	—	—	—	41	—	—	—	41
Deferred gains or losses on hedges	—	—	—	—	—	—	42	—	—	42
Foreign currency translation adjustments	—	—	—	—	—	—	—	(577)	—	(577)
Acquisition of treasury stock	—	—	—	—	(5)	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	0	—	—	—	—	0
Other	—	—	—	—	—	—	—	—	45	45
Balance at the end of fiscal 2012	253,974	¥ 54,045	¥ 4,583	¥55,440	¥ (12,241)	¥ 1,386	¥ —	¥ (13,144)	¥ 527	¥ 90,596
<b>Balance at the beginning of fiscal 2013</b>	<b>253,974</b>	<b>¥ 54,045</b>	<b>¥ 4,583</b>	<b>¥55,440</b>	<b>¥ (12,241)</b>	<b>¥ 1,386</b>	<b>¥ —</b>	<b>¥ (13,144)</b>	<b>¥ 527</b>	<b>¥ 90,596</b>
Net loss	—	—	—	(13,487)	—	—	—	—	—	(13,487)
Cash dividends paid, ¥5.00 per share	—	—	—	(1,186)	—	—	—	—	—	(1,186)
Valuation difference on available-for-sale securities	—	—	—	—	—	1,331	—	—	—	1,331
Foreign currency translation adjustments	—	—	—	—	—	—	—	3,887	—	3,887
Acquisition of treasury stock	—	—	—	—	(4)	—	—	—	—	(4)
Other	—	—	—	—	—	—	—	—	79	79
<b>Balance at the end of fiscal 2013</b>	<b>253,974</b>	<b>¥ 54,045</b>	<b>¥ 4,583</b>	<b>¥40,767</b>	<b>¥ (12,245)</b>	<b>¥ 2,717</b>	<b>¥ —</b>	<b>¥ (9,257)</b>	<b>¥ 606</b>	<b>¥ 81,216</b>

	Thousands of U.S. dollars									
	Shareholders' equity				Accumulated other comprehensive income				Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments			
Balance at the beginning of fiscal 2013	\$ 574,947	\$ 48,755	\$ 589,787	\$ (130,223)	\$ 14,745	\$ —	\$ (139,830)	\$ 5,606	\$ 963,787	
Net loss	—	—	(143,479)	—	—	—	—	—	(143,479)	
Cash dividends paid, \$0.05 per share	—	—	(12,617)	—	—	—	—	—	(12,617)	
Valuation difference on available-for-sale securities	—	—	—	—	14,159	—	—	—	14,159	
Foreign currency translation adjustments	—	—	—	—	—	—	41,352	—	41,352	
Acquisition of treasury stock	—	—	—	(43)	—	—	—	—	(43)	
Other	—	—	—	—	—	—	—	841	841	
Balance at the end of fiscal 2013	\$ 574,947	\$ 48,755	\$ 433,691	\$ (130,266)	\$ 28,904	\$ —	\$ (98,478)	\$ 6,447	\$ 864,000	

The accompanying notes to the consolidated financial statements are an integral part of these statements.



## Consolidated Statements of Cash Flows

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Cash Flows from Operating Activities:</b>			
Income (loss) before income taxes	¥ (7,629)	¥ 7,278	\$ (81,160)
Depreciation and amortization	4,731	4,986	50,330
Impairment loss	—	2,866	—
Loss (gain) on valuation of investment securities	776	830	8,255
Loss (gain) on sales of investment securities	(353)	(36)	(3,755)
Increase (decrease) in provision for retirement benefits	(164)	36	(1,745)
Increase (decrease) in provision for directors' bonuses	(18)	(10)	(191)
Increase (decrease) in provision for product warranties	(639)	(535)	(6,798)
Increase (decrease) in provision for loss on order received	(114)	(90)	(1,213)
Interest and dividend income	(502)	(508)	(5,340)
Interest expenses	1,049	1,497	11,160
Decrease (increase) in trade notes and accounts receivable	15,162	(1,835)	161,298
Decrease (increase) in inventories	(924)	3,033	(9,830)
Decrease (increase) in other current assets	135	627	1,436
Increase (decrease) in trade notes and accounts payable	(21,144)	(605)	(224,936)
Increase (decrease) in accrued expenses	(2,010)	(2,341)	(21,383)
Increase (decrease) in other current liabilities	32	(396)	340
Other, net	(667)	(478)	(7,096)
Subtotal	(12,279)	14,319	(130,628)
Interest and dividends income received	497	499	5,287
Interest expenses paid	(1,045)	(1,496)	(11,117)
Contribution in connection with the shift to a defined contribution pension plan	(18)	(55)	(191)
Income taxes paid	(2,475)	(1,988)	(26,330)
Net cash provided by (used in) operating activities	(15,320)	11,279	(162,979)
<b>Cash Flows from Investing Activities:</b>			
Decrease (increase) in time deposits, net	(23)	(490)	(245)
Purchase of property, plant and equipment	(6,037)	(4,491)	(64,223)
Proceeds from sales of property, plant and equipment	364	1,856	3,872
Purchase of investment securities	(85)	(13)	(904)
Proceeds from sales of investment securities	947	125	10,074
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(313)	—
Other, net	(934)	(836)	(9,936)
Net cash used in investing activities	(5,768)	(4,162)	(61,362)
<b>Cash Flows from Financing Activities:</b>			
Increase (decrease) in short-term debt, net	25,725	7,547	273,670
Proceeds from long-term debt	7,000	5,000	74,468
Repayments of long-term debt	(1,646)	(35,227)	(17,510)
Repayments of finance lease obligations	(1,350)	(1,986)	(14,362)
Proceeds from issuance of bonds	—	18,895	—
Redemption of bonds	(7,000)	(2,500)	(74,468)
Decrease (increase) in treasury stock, net	(4)	(5)	(43)
Cash dividends paid	(1,186)	(1,187)	(12,617)
Cash dividends paid to minority shareholders	(5)	(5)	(53)
Net cash provided by (used in) financing activities	21,534	(9,468)	229,085
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>1,949</b>	<b>(400)</b>	<b>20,735</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,395</b>	<b>(2,751)</b>	<b>25,479</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>35,632</b>	<b>38,383</b>	<b>379,064</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥38,027</b>	<b>¥ 35,632</b>	<b>\$ 404,543</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Notes to the Consolidated Financial Statements

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2013 and 2012

### Note 1: Summary of Significant Accounting and Reporting Policies

#### **(a) Basis of presenting consolidated financial statements**

The accompanying consolidated financial statements of Dainippon Screen Mfg. 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 six 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, 2013, which was ¥94 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 affiliates 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 year-end rates.

Except for shareholders’ equity accounts, which are translated at historical rates, balance sheets of the consolidated overseas subsidiaries are translated into Japanese yen at year-end rates.

Except for transactions with the Company, which are translated at the rates used by the Company, income statements of the consolidated overseas subsidiaries are translated at average rates.

The resulting translation adjustments are presented as foreign currency translation adjustments 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 regard 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 market 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 (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 and its consolidated domestic subsidiaries is computed primarily by the declining balance method.

Depreciation of property, plant and equipment of the consolidated overseas subsidiaries is computed mainly by the straight-line method.

Estimated useful lives are as follows:

Buildings and structures 2–60 years

Machinery and equipment 2–17 years

Maintenance and repairs, including minor renewals and betterments, are charged to income 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.

#### **(g) Impairment of fixed assets**

The Company and its consolidated subsidiaries evaluate the book value of fixed assets for impairment. If the book value of a fixed 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 (3-5 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 ¥12,685 million (\$134,947 thousand) in 2013 and ¥13,889 million in 2012.

#### **(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 purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over a period of five years.

#### **(l) Bonds 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 directors' bonuses**

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

**(p) Employees' severance and retirement benefits**

The Company and its consolidated subsidiaries provide two types of postemployment benefit plans, an unfunded lump-sum payment plan and a funded non-contributory pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Company and certain consolidated subsidiaries have defined contribution pension plans.

The Company and certain consolidated domestic subsidiaries provide provision for retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years (14 years) commencing with the following period.

If the fair value of plan assets at the end of the fiscal year exceeds the projected benefit obligation (excluding the unrecognized actuarial differences), the difference is recognized as prepaid pension expenses included in "Other assets" in Investments and Other assets.

**(q) 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.

**(r) Provision for product warranties**

The Company and certain consolidated subsidiaries provide for estimated product warranty costs for the warranty period after product delivery based on actual payments in the past.

**(s) Provision for loss on order received**

Estimated loss accrued in or after the next fiscal years is provided to cover possible future loss related to orders received contracts, if future loss is expected and can be reasonably estimated. (If the net sales value is negative after calculations based on the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006), the amounts are provided for as provision for loss on order received.)

**(t) 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.

Also, 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, interest rate swap contracts and interest rate cap contracts only for the purpose of mitigating future risk of fluctuation of 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
Interest rate cap 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 amounts 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.

**(Changes of accounting policies)**

**(Changes in depreciation method)**

From the first quarter under review, following the revision of the Corporation Tax Act, the Company and its consolidated domestic subsidiaries changed the depreciation method based on the revised Corporation Tax Act for property, plant and equipment acquired on or after April 1, 2012. As a result of this change, operating loss for the year ended March 31, 2013 decreased by ¥94 million (\$1,000 thousand), and loss before income taxes decreased by ¥94 million (\$1,000 thousand), respectively, compared with amounts that would have been recorded using the previously applied method.

**(Accounting standards issued but not yet applied)**

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

1. Summary

To improve financial reporting and in consideration of international trends, the application of these accounting standards is intended to improve the accounting methods applied to actuarial gains and losses and past service costs that are yet to be recognized and the calculation method for retirement benefit obligations and service cost, and expand disclosure.



## 2. Date of application

The Company expects to apply the accounting standards from the end of the fiscal year ending March 31, 2014. However, the amendment of the calculation method for present value of defined benefit obligations and current service costs will be adopted from the beginning of the fiscal year ending March 31, 2015.

## 3. Effect of applying these accounting standards

The effect of applying these accounting standards was under assessment at the time of preparation of the accompanying consolidated financial statements.

## Note 2: Consolidated Statements of Cash Flows

The significant noncash financing activities for the years ended March 31, 2013 and 2012 were as follows:

Newly booked assets and liabilities relating to finance leases

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease assets	¥ 27	¥ 84	\$ 287
Lease obligations	28	87	298

## Note 3: Income Taxes

The Company is subject to several taxes based on income with an aggregate statutory tax rate of approximately 37.9% in 2013 and 39.5% in 2012. As of March 31, 2013, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥74,845 million (\$796,223 thousand), which were

available to offset the respective future taxable incomes of these companies. Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets (current)			
Accrued bonuses for employees	¥ 524	¥ 1,173	\$ 5,574
Loss on valuation of inventories	2,825	2,448	30,053
Provision for product warranties	1,763	2,119	18,755
Other	1,722	3,928	18,321
Valuation allowance	(2,845)	(2,452)	(30,266)
Deferred tax liabilities (current)			
Adjustment of allowance for doubtful accounts and other	(13)	(6)	(139)
Net deferred tax assets (current)	¥ 3,976	¥ 7,210	\$ 42,298
Deferred tax assets (noncurrent)			
Net operating loss carryforwards	¥28,270	¥ 21,578	\$300,745
Research and development expenses	1,640	1,619	17,447
Depreciation	1,675	1,779	17,819
Other	3,854	4,371	41,000
Valuation allowance	(34,072)	(27,469)	(362,468)
Deferred tax liabilities (noncurrent)			
Undistributed earnings of consolidated overseas subsidiaries	(964)	(780)	(10,255)
Valuation difference on available-for-sale securities	(1,139)	(509)	(12,117)
Prepaid pension cost	(1,028)	(831)	(10,936)
Other	(20)	(6)	(214)
Net deferred tax liabilities (noncurrent)	¥ (1,784)	¥ (248)	\$ (18,979)

A reconciliation of the aggregate statutory income tax rate and the effective income tax rate as a percentage of income before income taxes for the year ended March 31, 2013 is not shown due to the loss before income taxes.

The reconciliation for the year ended March 31, 2012 is not shown due to the fact that the rate difference was not greater than five hundredths of the aggregate statutory income tax rate.

#### Note 4: Short-Term and Long-Term Debt

Short-term debt generally consists of short-term notes from banks. The average interest rate on these borrowings at March 31, 2013 and 2012 was 0.70% and 0.55%, respectively.

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
1.02% to 1.9% loans from Japanese banks, due in installments through 2019			
Secured	¥ 100	¥ 150	\$ 1,064
Unsecured	4,714	5,200	50,149
0.99% to 1.99% loans from a governmental institution, due in installments through 2018			
Secured	—	—	—
Unsecured	4,837	1,401	51,457
1.59% to 2.17% loans from an insurance company, due in installments through 2018			
Secured	—	—	—
Unsecured	4,341	1,887	46,181
1.34% unsecured notes, due September 26, 2016	5,000	5,000	53,191
1.06% unsecured notes, due September 26, 2014	14,000	14,000	148,936
2.13% unsecured notes, due February 8, 2013	—	7,000	—
Total	32,992	34,638	350,978
Current portion of long-term debt shown in current liabilities	(3,350)	(8,650)	(35,638)
Long-term debt less current portion	¥ 29,642	¥ 25,988	\$ 315,340

As of March 31, 2013, certain long-term debt of ¥ 100 million (\$1,064 thousand) was secured by property, plant and equipment with a net book value of ¥ 5 million (\$53 thousand).

As is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that additional security 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. To date, the Company has not received any 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, 2013, the total financing available under these contracts amounted to ¥ 30,000 million (\$319,149 thousand), and no amount of these commitment lines had been used.

The aggregate annual maturities of long-term debt are as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 16,299	\$ 173,394
2016	1,686	17,936
2017	6,685	71,117
2018	1,686	17,936
2019 and thereafter	3,286	34,957
Total	¥ 29,642	\$ 315,340

#### Note 5: 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 nonconsolidated 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 of capital stock for the fiscal year ended March 31, 2013 is not shown because there was a net loss recorded and there was no dilutive stock.

## Note 6: Leases

### 1. Finance leases

A. Information relating to finance leases for which the ownership of the leased assets is considered to be transferred to the lessee as of and for the years ended March 31, 2013 and 2012 was as follows:

#### (As lessee)

##### 1) Description of leased assets

1. Tangible fixed assets: Mainly the production facilities in the Semiconductor Equipment business ("Machinery, equipment and other")

2. Intangible fixed assets: Software

##### 2) Depreciation method for leased assets

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

B. Information relating to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2013 and 2012 was as follows:

#### (As lessee)

##### 1) Description of leased assets

1. Tangible fixed assets: Mainly the production facilities and the R&D facilities in the Semiconductor Equipment business ("Buildings and structures" and "Machinery, equipment and other")

2. Intangible fixed 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
	2013	2012	2013
Due within one year	¥ 313	¥ 192	\$ 3,330
Due after one year	466	232	4,957
Total	¥ 779	¥ 424	\$ 8,287

## Note 7: Segment Information

### 1. General information about reportable segments

#### (1) Calculation Method for Reportable Segments

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

The Dainippon Screen Group has adopted an internal company system in which each internal company develops business activities and establishes its own comprehensive strategy for both Japan and overseas markets in accordance with the products it handles.

Consequently, the Dainippon Screen Group has created three business segments for reporting: the Semiconductor Equipment (SE) segment, the FPD Equipment (FE) segment and the Media and Precision Technology (MP) segment, categorized by products

based on respective internal companies.

#### (2) Products and Services of Reportable Segments

The SE segment develops and manufactures semiconductor production equipment and conducts sales and maintenance services. The FE segment develops, manufactures and markets FPD production equipment, and it also conducts maintenance services. In the MP segment, graphic arts equipment and PCB related equipment are developed, manufactured, sold and maintained.

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

The accounting methods applied to reported business segments are identical to those stated in Note 1, "Summary of Significant Accounting and Reporting Policies." Income for each reportable segment reflects operating income. Intersegment revenues and transfers reflect market prices.



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

Millions of yen

As of and for the year ended March 31, 2013	Reportable segment			Others	Adjustments	Consolidated
	SE	FE	MP			
Sales						
Sales to outside customers	¥ 131,073	¥ 11,787	¥ 46,324	¥ 740	¥ —	¥ 189,924
Intersegment sales and transfers	—	—	—	7,309	(7,309)	—
Total	131,073	11,787	46,324	8,049	(7,309)	189,924
Segment income (loss)	¥ (5,882)	¥ (860)	¥ 1,475	¥ (159)	¥ (1,561)	¥ (6,987)
Segment assets	¥ 119,748	¥ 14,027	¥ 46,653	¥ 4,043	¥ 50,552	¥ 235,023
Other						
Depreciation and amortization	2,970	79	407	103	1,172	4,731
Impairment loss	—	—	—	—	—	—
Capital expenditures	4,238	132	899	154	1,027	6,450

Millions of yen

As of and for the year ended March 31, 2012	Reportable segment			Others	Adjustments	Consolidated
	SE	FE	MP			
Sales						
Sales to outside customers	¥ 167,593	¥ 32,611	¥ 49,164	¥ 722	¥ —	¥ 250,090
Intersegment sales and transfers	—	—	—	8,657	(8,657)	—
Total	167,593	32,611	49,164	9,379	(8,657)	250,090
Segment income (loss)	¥ 13,628	¥ (1,217)	¥ 2,305	¥ 3	¥ (1,221)	¥ 13,498
Segment assets	¥ 133,927	¥ 15,662	¥ 41,226	¥ 4,763	¥ 49,804	¥ 245,382
Other						
Depreciation and amortization	3,204	329	310	112	1,031	4,986
Impairment loss	848	1,840	—	—	178	2,866
Capital expenditures	2,951	448	1,041	114	2,793	7,347

Thousands of U.S. dollars

As of and for the year ended March 31, 2013	Reportable segment			Others	Adjustments	Consolidated
	SE	FE	MP			
Sales						
Sales to outside customers	\$ 1,394,394	\$ 125,394	\$ 492,809	\$ 7,871	\$ —	\$ 2,020,468
Intersegment sales and transfers	—	—	—	77,755	(77,755)	—
Total	1,394,394	125,394	492,809	85,626	(77,755)	2,020,468
Segment income (loss)	\$ (62,574)	\$ (9,149)	\$ 15,691	\$ (1,691)	\$ (16,607)	\$ (74,330)
Segment assets	\$ 1,273,915	\$ 149,223	\$ 496,309	\$ 43,011	\$ 537,787	\$ 2,500,245
Other						
Depreciation and amortization	31,596	840	4,330	1,096	12,468	50,330
Impairment loss	—	—	—	—	—	—
Capital expenditures	45,085	1,404	9,564	1,638	10,926	68,617

Notes: 1. The "Other" category incorporates operations not included in reportable segments, including software development, planning and production of printed matter, logistics operations and other businesses.

2. Segment operating income (loss) adjustments of ¥(1,561) million (\$ (16,607) thousand) and ¥(1,221) million for the years ended March 31, 2013 and 2012, respectively, are the corporate expenses not apportioned to each reportable segment. Corporate expenses consist mainly of the headquarters' general and administrative expenses not usually attributed to segments.

Segment assets adjustments of ¥50,552 million (\$537,787 thousand) and ¥49,804 million for the years ended March 31, 2013 and 2012, respectively, are the corporate assets not apportioned to each reportable segment. Corporate assets consist mainly of administrative assets of the parent company not usually attributed to segments.

3. Segment income (loss) is adjusted with operating income (loss) under consolidated statements of operations.

#### <Related Information>

##### 1. Information about geographic areas

###### (1) Net sales

Years ended March 31,	Millions of yen				Thousands of U.S. dollars
	2013		2012		2013
Japan	¥ 47,305	(24.9%)	¥ 62,135	(24.8%)	\$ 503,245
Taiwan	49,134	(25.9%)	32,286	(12.9%)	522,702
South Korea	15,092	(7.9%)	30,043	(12.0%)	160,553
China	7,166	(3.8%)	20,742	(8.3%)	76,234
United States	45,171	(23.8%)	52,873	(21.1%)	480,543
Europe	15,479	(8.1%)	26,138	(10.5%)	164,670
Others	10,577	(5.6%)	25,873	(10.4%)	112,521
Total	¥ 189,924	(100.0%)	¥ 250,090	(100.0%)	\$ 2,020,468

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

Information about property, plant and equipment by geographic area is omitted because the amount of fixed 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, 2013	Millions of yen	Thousands of U.S. dollars
Net sales		
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥ 42,615	\$ 453,351
Year ended March 31, 2012	Millions of yen	
Net sales		
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥ 25,064	

## Note 8: Contingent Liabilities

As of March 31, 2013, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen	Thousands of U.S. dollars
As guarantors of		
Customers' lease payments	¥ 29	\$ 309
Employees' housing loans	185	1,968
Trade notes receivable endorsed	52	553
Liquidation of receivables with recourse	16	170
Total	¥ 282	\$ 3,000

## Note 9: Financial Instruments

### 1. Qualitative information on financial instruments

#### A. Qualitative information on financial instruments

The Dainippon Screen Group procures funds necessary to conduct business by means such as 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
Trade notes and accounts receivable	Credit risk of clients	The amounts outstanding are managed for each client and by due date. Also, the financial condition of clients are monitored.
Accounts receivable denominated in foreign currency	Risk of fluctuation in foreign currency exchange rates	The risk is hedged by using 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.
Trade notes and accounts payable, 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 using interest rate swaps.

The derivative transactions which the Company uses are forward foreign exchange contracts and interest rate swap contracts and are only used 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(t), *Summary of Significant Accounting and Reporting Policies - Derivatives and hedge accounting*. The Company 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 10, *Derivative Transactions*, do not reflect the market risks of the derivative transactions themselves.

## 2. Fair values of financial instruments

The book value and fair value of financial instruments and the differences between these figures as of March 31, 2013 and 2012 are set forth in the table below. The table does not include financial instruments whose fair values were not readily determinable. (See note 2.)

Years ended March 31,	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 40,421	¥ 40,421	¥ —	¥ 37,663	¥ 37,663	¥ —	\$ 430,011	\$ 430,011	\$ —
(2) Trade notes and accounts receivable	57,420	57,420	—	72,949	72,949	—	610,851	610,851	—
Allowance for doubtful receivables (*1)	(935)	(935)	—	(1,125)	(1,125)	—	(9,947)	(9,947)	—
	56,485	56,485	(0)	71,824	71,824	(0)	600,904	600,904	(0)
(3) Investments in securities									
Available-for-sale securities	21,161	21,161	—	20,497	20,497	—	225,117	225,117	—
Total assets	¥ 118,067	¥ 118,067	¥ (0)	¥ 129,984	¥ 129,984	¥ (0)	\$ 1,256,032	\$ 1,256,032	\$ (0)
(1) Notes and accounts payable - trade	¥ 60,751	¥ 60,751	¥ —	¥ 81,459	¥ 81,459	¥ —	\$ 646,287	\$ 646,287	\$ —
(2) Short-term debt	33,783	33,783	—	8,049	8,049	—	359,394	359,394	—
(3) Long-term debt	32,992	32,428	(564)	34,638	34,834	196	350,978	344,978	(6,000)
(4) Lease obligations	3,667	6,158	2,491	4,989	7,966	2,977	39,011	65,511	26,500
Total liabilities	¥ 131,193	¥ 133,120	¥ 1,927	¥ 129,135	¥ 132,308	¥ 3,173	\$ 1,395,670	\$ 1,416,170	\$ 20,500
Derivative transactions (*2)									
(1) Without application of hedge accounting	¥ (353)	¥ (353)	¥ —	¥ (223)	¥ (223)	¥ —	\$ (3,755)	\$ (3,755)	\$ —
(2) With application of hedge accounting	0	0	—	—	—	—	0	0	—
Total derivative transactions	¥ (353)	¥ (353)	¥ —	¥ (223)	¥ (223)	¥ —	\$ (3,755)	\$ (3,755)	\$ —

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

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

Notes: 1. Method of estimating fair values of financial instruments and items regarding investment 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) Trade notes and accounts receivable

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.

(3) Investments in securities

The fair values of securities are based on market prices on the stock exchange. For information about securities classified by purpose, see Note 11, 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) Long-term debt

The fair values of bonds are based on the "Reference Statistical Prices [Yields] for OTC Bond Transactions" released by Japan Securities Dealers Association. The fair values of other long-term debt are based on the current value, which is the principal discounted with consideration for the length of time until repayment and credit risk.

(4) 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 10, Derivative Transactions.

2. The total book value of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2013 and 2012 was as follows:

Category	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Book value	Book value	Book value
Non-listed equity securities	¥ 675	¥ 651	\$ 7,181

The amount in the left table includes investments in affiliates of ¥38 million (\$404 thousand). These items do not have market prices and are deemed to require excessive cost to estimate the future cash flows. Therefore, they are not included in (3) "Investments in securities" as it is deemed to be exceedingly difficult to estimate the fair values.

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

	Millions of yen								Thousands of U.S. dollars			
	2013				2012				2013			
	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	¥ 40,390	¥ —	¥ —	¥ —	¥ 37,626	¥ —	¥ —	¥ —	\$ 429,681	\$ —	\$ —	\$ —
Trade notes and accounts receivable	57,270	150	—	—	72,939	10	—	—	609,255	1,596	—	—
Investments in securities - available-for-sale securities with maturities	—	—	—	—	—	—	—	—	—	—	—	—
Total	¥ 97,660	¥ 150	¥ —	¥ —	¥ 110,565	¥ 10	¥ —	¥ —	\$ 1,038,936	\$ 1,596	\$ —	\$ —

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

See Note 4, Short-Term and Long-Term Debt.

## Note 10: Derivative Transactions

Outstanding derivative transactions as of March 31, 2013 and 2012 were as follows:

Years ended March 31,	Millions of yen								Thousands of U.S. dollars			
	2013				2012				2013			
	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. dollars)	¥3,909	¥ —	¥(202)	¥(202)	¥3,172	¥ —	¥(129)	¥(129)	\$41,585	\$ —	\$(2,149)	\$(2,149)
(Sell—Euro)	1,079	—	(152)	(152)	1,808	—	(94)	(94)	11,479	—	(1,617)	(1,617)
Total	¥4,988	¥ —	¥(354)	¥(354)	¥4,980	¥ —	¥(223)	¥(223)	\$53,064	\$ —	\$(3,766)	\$(3,766)

Notes: 1. Method of estimating fair value

The fair values of exchange forward transactions as of March 31, 2013 and 2012 were estimated based on the prices presented by financial institutions.

2. The above table does not list derivative transactions for which hedge accounting has been applied.

## Note 11: Securities

- The following table summarizes acquisition costs and book values and any differences between these amounts of securities with available fair values as of March 31, 2013 and 2012:

### Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	¥ 9,994	¥15,278	¥ 5,284	¥ 7,335	¥10,900	¥ 3,565	\$106,319	\$162,532	\$ 56,213
Others	—	—	—	—	—	—	—	—	—
Total	¥ 9,994	¥15,278	¥ 5,284	¥ 7,335	¥10,900	¥ 3,565	\$106,319	\$162,532	\$ 56,213
Other securities:									
Equity securities	¥ 7,312	¥ 5,884	¥ (1,428)	¥11,249	¥ 9,584	¥(1,665)	\$ 77,787	\$ 62,596	\$(15,191)
Others	—	—	—	18	13	(5)	—	—	—
Total	¥ 7,312	¥ 5,884	¥ (1,428)	¥11,267	¥ 9,597	¥(1,670)	\$ 77,787	\$ 62,596	\$(15,191)

- Total sales of available-for-sale securities for the year ended March 31, 2013 amounted to ¥947 million (\$10,074 thousand), and the related total gain and loss amounted to ¥353 million (\$3,755 thousand) and ¥0 million (\$0 thousand), respectively. Total sales of available-for-sale securities for the year ended March 31, 2012 amounted to ¥125 million, and the related total gain and loss amounted to ¥39 million and ¥2 million, respectively.



## Note 12: Employees' Severance and Pension Benefits

Provision for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥33,262	¥28,404	\$353,851
Fair value of plan assets	(27,808)	(23,833)	(295,830)
Unrecognized actuarial differences	(8,177)	(6,631)	(86,989)
Prepaid pension expenses	2,875	2,375	30,585
Provision for retirement benefits	¥ 152	¥ 315	\$ 1,617

Severance and pension benefit expenses included in the consolidated statements of income for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service costs—benefits earned during the year	¥1,137	¥1,355	\$12,096
Interest cost on projected benefit obligation	529	522	5,628
Expected return on plan assets	(669)	(626)	(7,117)
Amortization of actuarial differences	947	927	10,074
Severance and pension benefit expenses	¥1,944	¥2,178	\$20,681
Others	482	593	5,128
Total	¥2,426	¥2,771	\$25,809

The discount rate used by the Company was 0.90% in 2013 and 2.00% in 2012. The rate of expected return on plan assets was 3.00% in 2013 and 2012. The estimated amount of all retirement benefits to be paid at the future retirement dates is allocated equally to each service year using the estimated number of total service years.

## Note 13: Impairment of Fixed Assets

For assessing fixed asset impairment, the Company groups its assets at the business unit level, which is also the basis of segment information. The consolidated subsidiaries generally group their assets at the subsidiary level. The Company and its consolidated subsidiaries group their idle assets and assets planned for sale by individual asset. The recoverable amounts of the business assets are based on the net sales values, and assets whose sales values are deemed difficult to estimate are assessed

on the basis of their memorandum values. The recoverable amounts of assets to be sold are based on their net sales values, which are the estimated sales values less agents' commission fees.

For the year ended March 31, 2012, the Company and its consolidated subsidiaries recorded impairment loss of ¥2,688 million mainly related to buildings and structures and machinery, equipment and vehicles and ¥178 million, related to land.

## Note 14: 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 periods and the tax effects for each component of other comprehensive income for the year ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ 1,538	¥ (941)	\$ 16,362
Reclassification adjustments	423	798	4,500
Subtotal, before tax	1,961	(143)	20,862
Tax (expense) or benefit	(630)	184	(6,702)
Subtotal, net of tax	1,331	41	14,160
Deferred gains or losses on hedges:			
Increase (decrease) during the year	—	(1)	—
Reclassification adjustments	—	43	—
Subtotal, before tax	—	42	—
Tax (expense) or benefit	—	—	—
Subtotal, net of tax	—	42	—
Foreign currency translation adjustment:			
Increase (decrease) during the year	3,915	(586)	41,648
Total other comprehensive income	¥ 5,246	¥ (503)	\$ 55,808

## Note 15: Related Party Transactions

Transactions between the Company and related parties for the year ended March 31, 2013 are not shown because there were no significant transactions.

Significant transactions between the Company and one of its directors for the year ended March 31, 2012 were as follows:

Name of related party	Description of transactions	Millions of yen
Toru Matsumoto	Fees for legal services for the year	¥ 10

Notes: With respect to the fees for legal services, the services were provided by Toru Matsumoto, a director of the Company, as part of his attorney services. The conditions for providing the services and the remuneration received by Mr. Matsumoto were determined using the same method as that for third party transactions.

## Note 16: Significant Subsequent Events

The issuance of unsecured notes

Based on the resolution made at the Board of Directors' meeting held on May 10, 2013, the Company issued unsecured notes as follows:

Dainippon Screen Mfg. Co., Ltd. 16th unsecured notes

- (1) Total amount of issue: ¥8,600 million (\$91,489 thousand)
- (2) Issuance price: 100% of the principal amount
- (3) Coupon rate: 2.00% per annum
- (4) Closing date: June 7, 2013
- (5) Maturity date: June 7, 2016
- (6) Redemption price: 100% of the principal amount
- (7) Use of proceeds: Funds for repayments of long-term loans payable and redemption of notes
- (8) Covenant: Negative pledge clause

## Independent Auditor's Report

### To the Board of Directors of Dainippon Screen Mfg. Co., Ltd.:

We have audited the accompanying consolidated financial statements of Dainippon Screen Mfg. Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of operations, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dainippon Screen Mfg. Co., Ltd. and its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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.

KPMG AZSA LLC

KPMG AZSA LLC

June 26, 2013

Osaka, Japan

## Corporate Data (As of March 31, 2013)

Company Name ..... Dainippon Screen Mfg. Co., Ltd.  
 Established ..... October 11, 1943  
 Representative Director ..... Akira Ishida, Chairman and CEO  
 Masahiro Hashimoto, President and COO  
 Capital ..... ¥54 billion  
 Employees ..... 4,955 employees (Consolidated)  
 2,130 employees (Nonconsolidated)

Business and  
 Manufacturing Sites ..... Head Office, Rakusai (WHITE CANVAS RAKUSAI),  
 Kumiya, Yasu, Hikone, Taga, Kudan, Otsuka and  
 Monzennakacho (WHITE CANVAS MON-NAKA)

## Consolidated Companies (As of March 31, 2013)

### ▼ Overseas

#### North America

D.S. North America Holdings, Inc./DNS Electronics, LLC/  
 Dainippon Screen Graphics (USA), LLC/Silicon Light Machines Corporation/  
 SOKUDO USA, LLC

#### Europe

Dainippon Screen (U.K.) Ltd./Inca Digital Printers Ltd./  
 Dainippon Screen (Deutschland) GmbH/Dainippon Screen Ireland Ltd./  
 Dainippon Screen Electronics France Sarl/Dainippon Screen Italy S.R.L./  
 Dainippon Screen Israel Ltd./Dainippon Screen Unterstuetzungskasse GmbH/  
 Dainippon Screen (Nederland) B.V.

#### Asia & Oceania

Dainippon Screen Electronics (Shanghai) Co., Ltd./Dainippon Screen (China) Ltd./  
 Screen Media Technology Ltd./Dainippon Screen Mt (Hangzhou) Co., Ltd./

Dainippon Screen (Korea) Co., Ltd./Dainippon Screen Electronics (Taiwan) Co., Ltd./  
 DNS Feats (Taiwan) Co., Ltd./Dainippon Screen (Taiwan) Co., Ltd./  
 Dainippon Screen Singapore Pte. Ltd./Dainippon Screen (Australia) Pty. Ltd.

### ▼ Domestic

Tech In Tech Co., Ltd./SEBACS Co., Ltd./Quartz Lead Co., Ltd./  
 FASSE Co., Ltd./SOKUDO Co., Ltd./  
 Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd./  
 FEBACS Co., Ltd./MEBACS Co., Ltd./Media Technology Japan Co., Ltd./  
 MT Service Japan East Co., Ltd./MT Service Japan West Co., Ltd./  
 S. Ten Nines Kyoto Co., Ltd./Tec Communications Co., Ltd./DS Finance Co., Ltd./  
 INITOUT Japan Co., Ltd./TRANSUP Japan Co., Ltd./ReVersion 65 Co., Ltd./  
 Miyako LinkRing Co., Ltd./GERANT Co., Ltd./EMD Corporation/  
 SCREEN KUMAMOTO Co., Ltd./MIXA Co., Ltd.\*

\* Affiliate accounted for by the equity method

## Investor Information (As of March 31, 2013)

### ▼ Stock Information

Authorized Number of Shares ..... 900,000,000  
 Number of Shares Issued ..... 253,974,333  
 Number of Shareholders ..... 16,528  
 Number of Shares Held by  
 Non-Japanese Companies and Individuals ..... 38,701,152 (15.23%)  
 Listings ..... Tokyo and Osaka  
 Code Number ..... 7735

### ▼ Major Shareholders

	Number of shares (thousands)	Percentage of total shares (%)
Japan Trustee Services Bank, Ltd. (Accounting in trust)	23,271	9.16
The Master Trust Bank of Japan, Ltd. (Accounting in trust)	20,557	8.09
Nippon Life Insurance Company	10,170	4.00
The Bank of Kyoto, Ltd.	6,730	2.65
Dainippon Screen's Business Partners Shareholders' Association Synchronize	4,613	1.81
Resona Bank, Limited	4,562	1.79
The Shiga Bank, Ltd.	4,241	1.67
Dainippon Screen's Employees Shareholders' Association	4,150	1.63
Trust & Custody Services Bank, Ltd. (Investment trust account)	3,969	1.56
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,923	1.54

\* While Dainippon Screen Mfg. Co., Ltd. holds 16,613,829 shares (6.54%) in treasury stock,  
 this is not included in the above list of major shareholders.

### ▼ Bank References

The Bank of Tokyo-Mitsubishi UFJ, Ltd./Resona Bank, Ltd./  
 The Bank of Kyoto, Ltd./The Shiga Bank, Ltd./  
 Development Bank of Japan Inc.

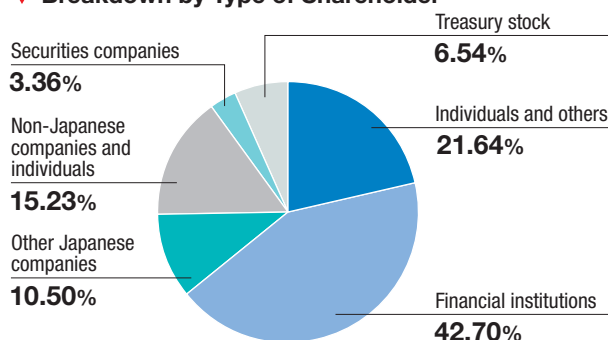
### ▼ Underwriter

Nomura Securities Co., Ltd.

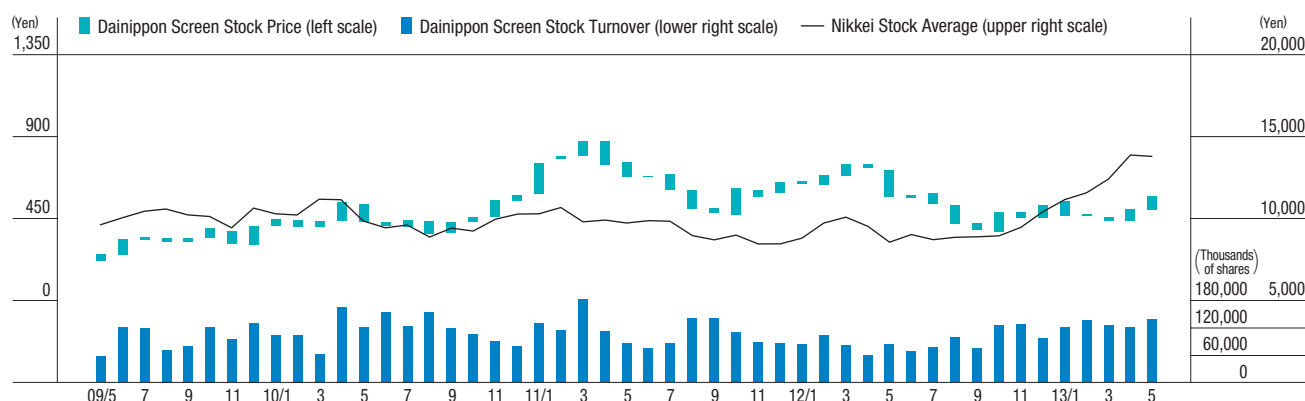
### ▼ Sub-Underwriters

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd./Daiva Securities Co. Ltd.

### ▼ Breakdown by Type of Shareholder



### ▼ Stock Price Range and Turnover





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