

# DAINIPPON SCREEN MFG. CO., LTD.

## Business Results & Forecast The second quarter ended September 30, 2011

November 8, 2011

President & COO Masahiro Hashimoto

### Agenda

- 2Q Business Result & Analysis
- Business Environment
- Business Forecast
- Three-year Medium-Term Management Plan

Cautionary statement with respect to these materials;

The earnings forecasts contained in these materials and communicated verbally, are based on the most recent information available to Dainippon Screen. However, rapid changes can occur in Dainippon Screen's business environment, due to factors such as global economic changes, technological developments in the electronics industry and changes in the semiconductor and LCD panel markets. As a result, Dainippon Screen's earnings performance and achievements may materially differ from those expressed in these materials.

Figures have been rounded down to eliminate amounts less than ¥100 million, except per share figures.

Business Result  
2<sup>nd</sup> Quarter ended September 30, 2011

# FY2012/ 2Q Business Result

	FY2011					FY2012				
	Result					Result			Forecast 9.Aug	Difference
	1Q	2Q	1H	3Q	4Q	1Q	2Q	1H	1stH	1H
(Unite: Billions of JPY)										
Net Sales	51.4	58.9	110.4	66.2	78.3	64.5	58.4	123.0	132.0	(9.0)
SE	32.7	36.5	69.2	49.5	55.4	48.2	36.1	84.4	93.5	(9.0)
FE	8.2	9.2	17.4	6.1	9.0	5.1	9.3	14.4	13.7	0.7
MP	10.3	13.0	23.3	10.3	13.5	11.0	12.8	23.8	24.5	(0.6)
Graphic Arts Equipment (MT)	8.9	10.6	19.6	9.2	11.6	9.5	11.4	20.9	21.4	(0.4)
PCB Equipment (PE)	1.3	2.3	3.7	1.1	1.9	1.4	1.4	2.8	3.1	(0.3)
Other	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.3	0.3	0.0
Operating Income	4.6	6.3	11.0	7.5	8.1	6.2	2.7	9.0	10.5	(1.5)
SE	4.9	6.1	11.0	8.8	8.1	6.8	2.4	9.3	-	-
FE	0.6	0.0	0.6	(0.5)	(0.0)	(0.7)	(0.3)	(1.0)	-	-
MP	(0.9)	0.1	(0.7)	(0.8)	0.2	0.2	0.8	1.0	-	-
Other/Adjutments	(0.0)	0.0	0.0	0.1	(0.2)	(0.1)	(0.1)	(0.3)	-	-
Ordinary Income	4.6	6.3	10.9	7.4	8.0	6.0	2.7	8.8	10.0	(1.1)
Net Profit	3.8	5.7	9.5	7.7	8.3	4.7	1.8	6.5	9.0	(2.4)

SE: Semiconductor Equipment、FE: FPD Equipment、MP: Medial and Precision Technology

# FY2012/ 2Q Business Result

## Net Sales

**1Q: JPY 64.5bn./ 2Q: JPY 58.4bn. Differential (JPY 6.0bn.)**

(Unit : Billions of JPY)

Segment	FY2012/1Q	FY2012/2Q	Difference	Point
SE	48.2	36.1	(12.0)	Abrupt slow down in foundry investment Both cleaning equipment and coater/developer decreased
FE	5.1	9.3	4.2	G8 equipment for China increased Both coater/developer and wet process equipment increased
MP	11.0	12.8	1.7	
MT	9.5	11.4	1.8	Both CTP and POD increased
PE	1.4	1.4	(0.0)	Shipment for Korea and Taiwan increased but Japan decreased

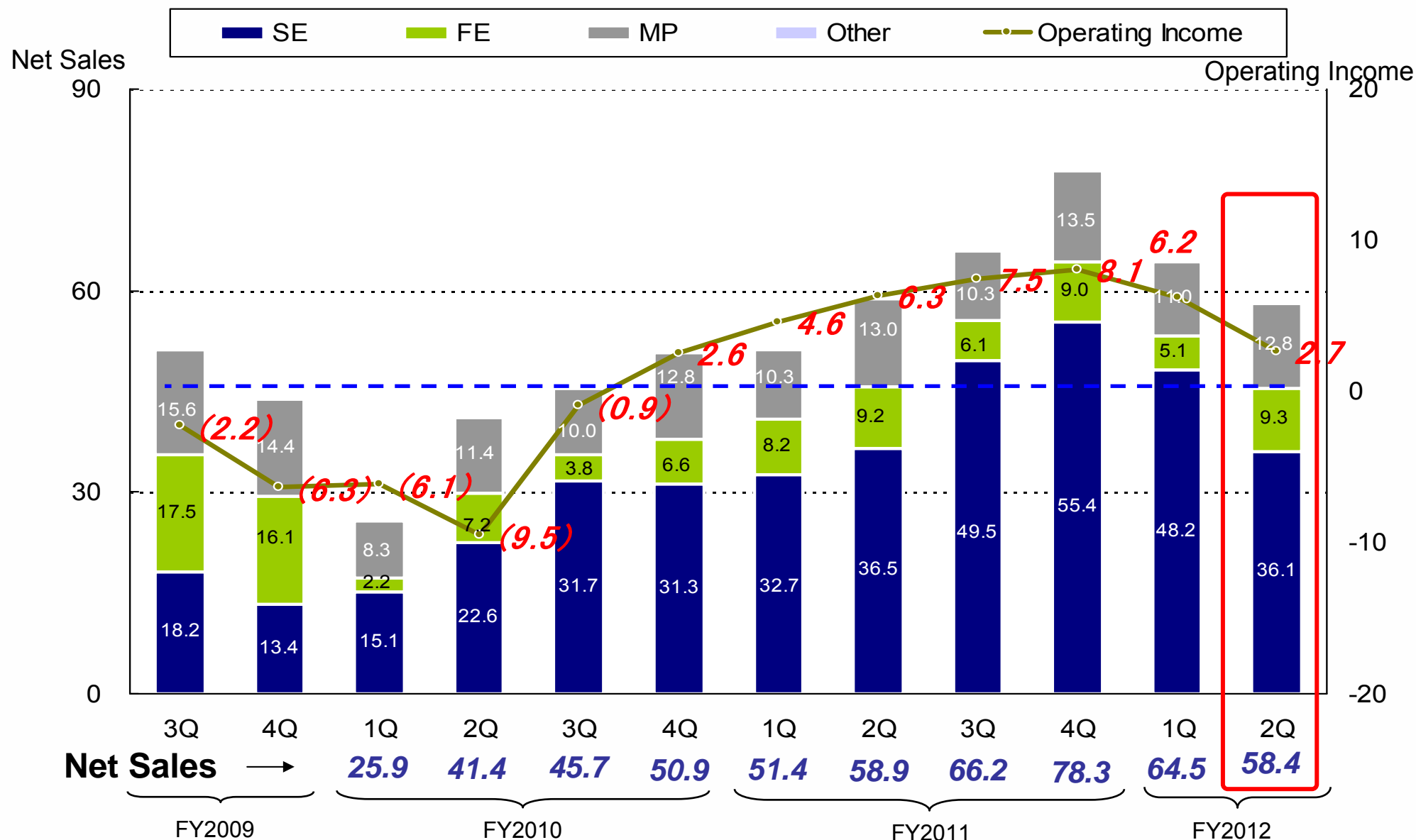
## Operating Income

**1Q: JPY6.2bn./ 2Q JPY 2.7 bn. Differential (JPY3.4bn.)**

(Unit : Billions of JPY)

Segment	1Q	2Q	Difference	Point
SE	6.8	2.4	(4.4)	Decreased operating income due to drop in sales
FE	(0.7)	(0.3)	0.3	Reduced the deficit due to increase sales, however low operating margin business
MP	0.2	0.8	0.6	Increased sales and improve product mix

# Quarterly Net Sales and Operating Income (Consolidated)

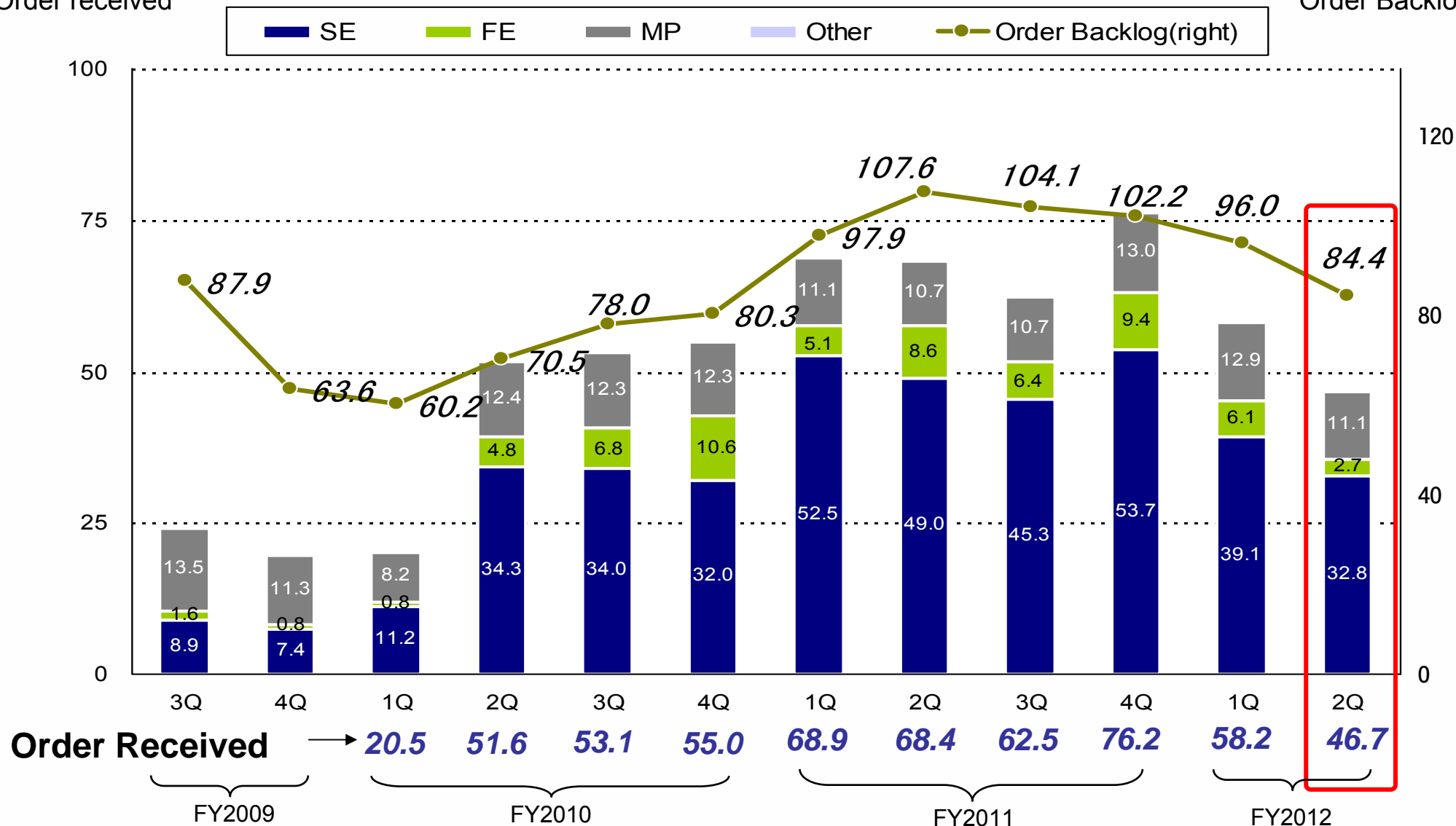


(Unit : Billions of JPY)

# Quarterly Orders Received and Order Backlog (Consolidated)

Order received

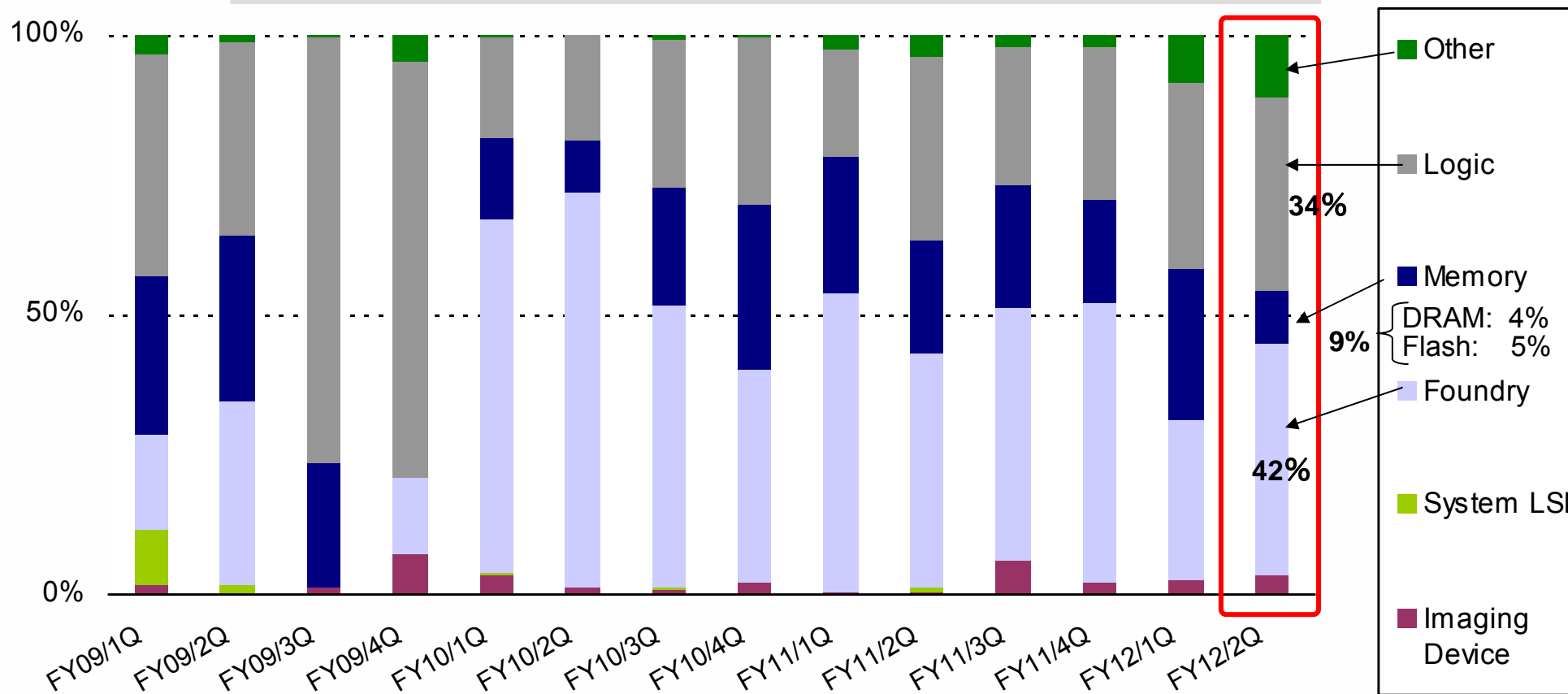
Order Backlog



(Unit: Billions of JPY)

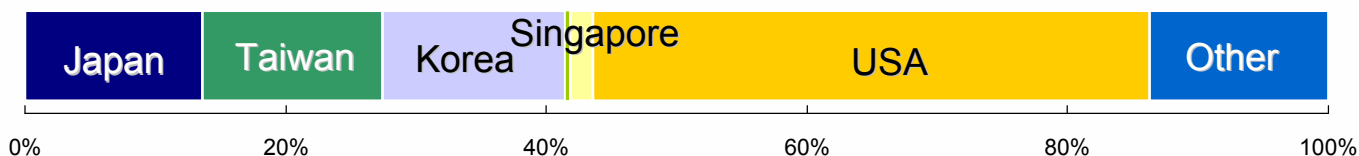
# Semiconductor Production Equipment Quarterly Order Received Ratio by Device Application (Nonconsolidated)

➤ 2 Q order received: JPY 32.8 bn. (consolidated)



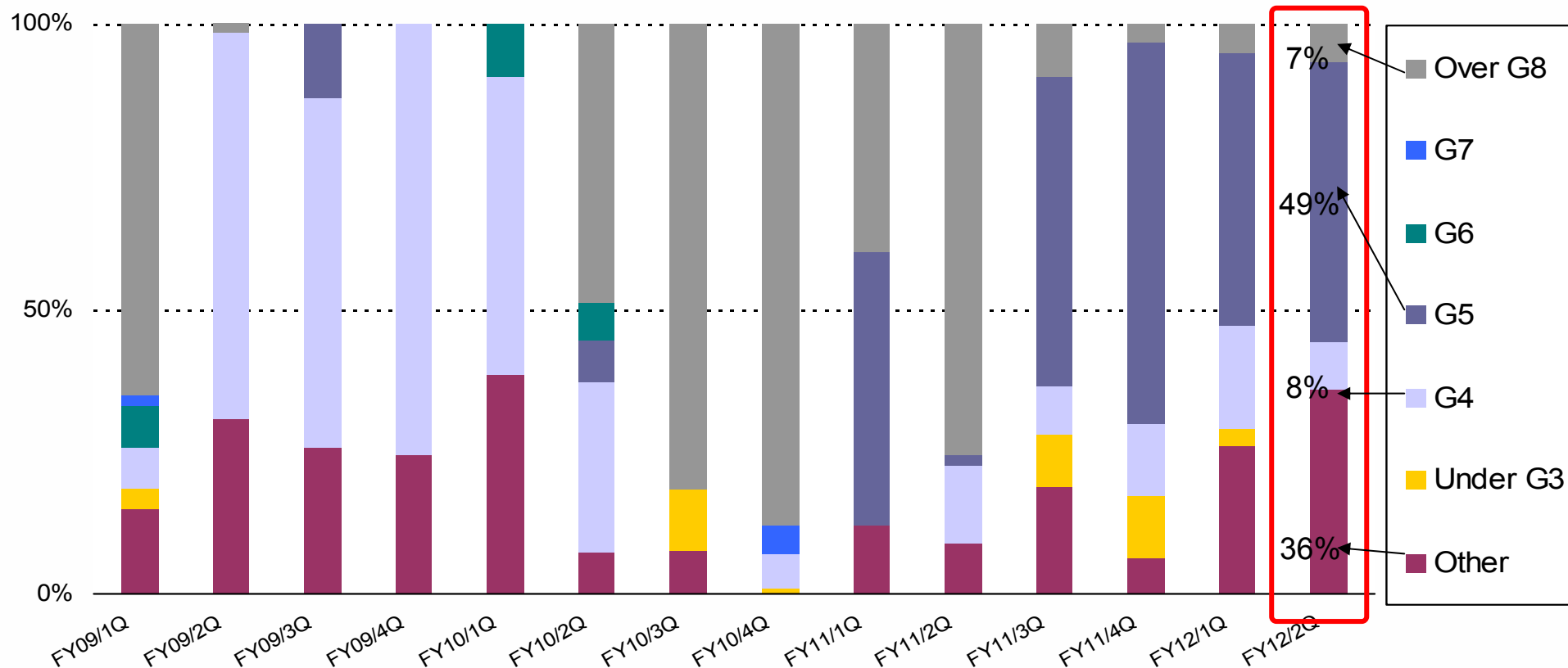
\*Parts are classified with Other from FY12/2Q

FY2012 2Q orders  
by region  
(Nonconsolidated)

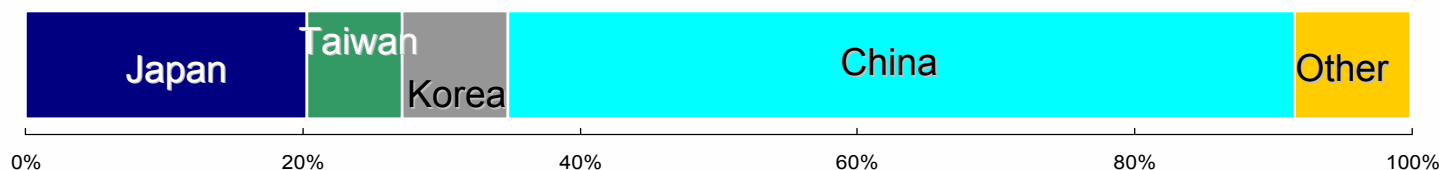


# FPD Production Equipment Quarterly Orders Received by Generation (Nonconsolidated)

➤ 2 Q order received: JPY 2.7 bn. (consolidated)



FY2012 2Q orders  
by region  
(Nonconsolidated)



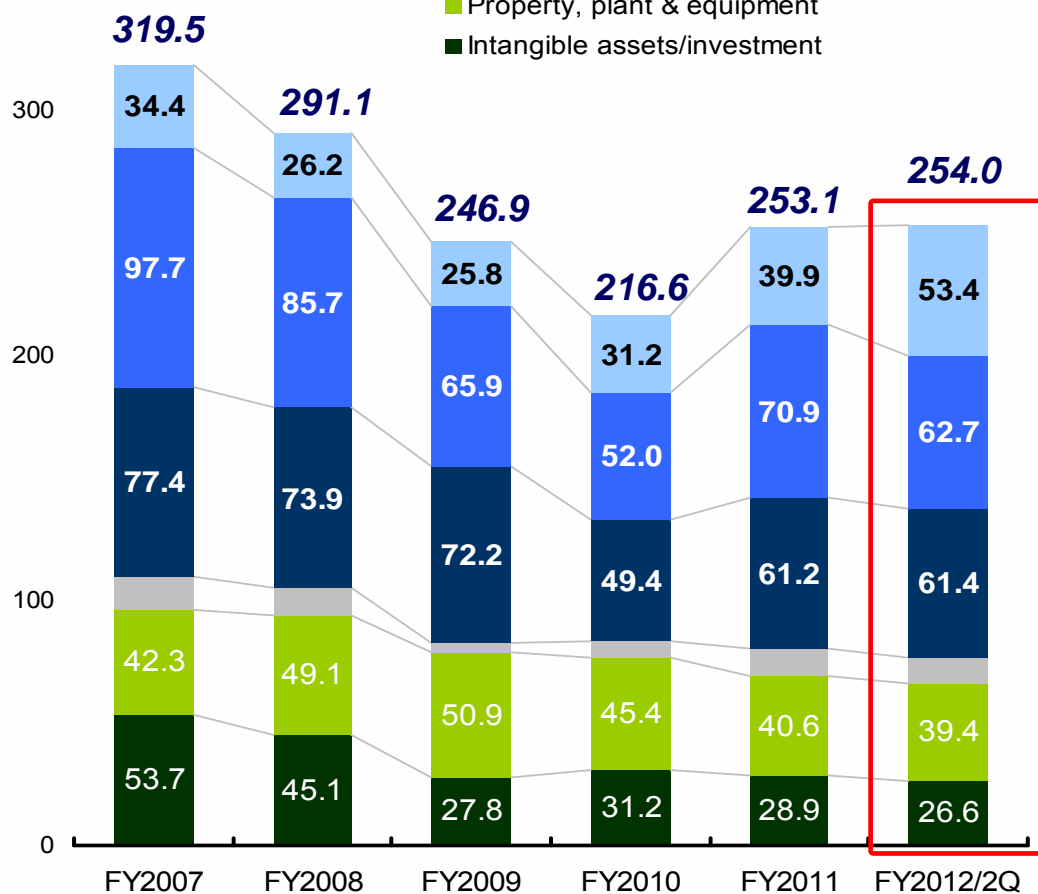


(Unit: Billions of JPY)

# Trend in B/S (Consolidated)

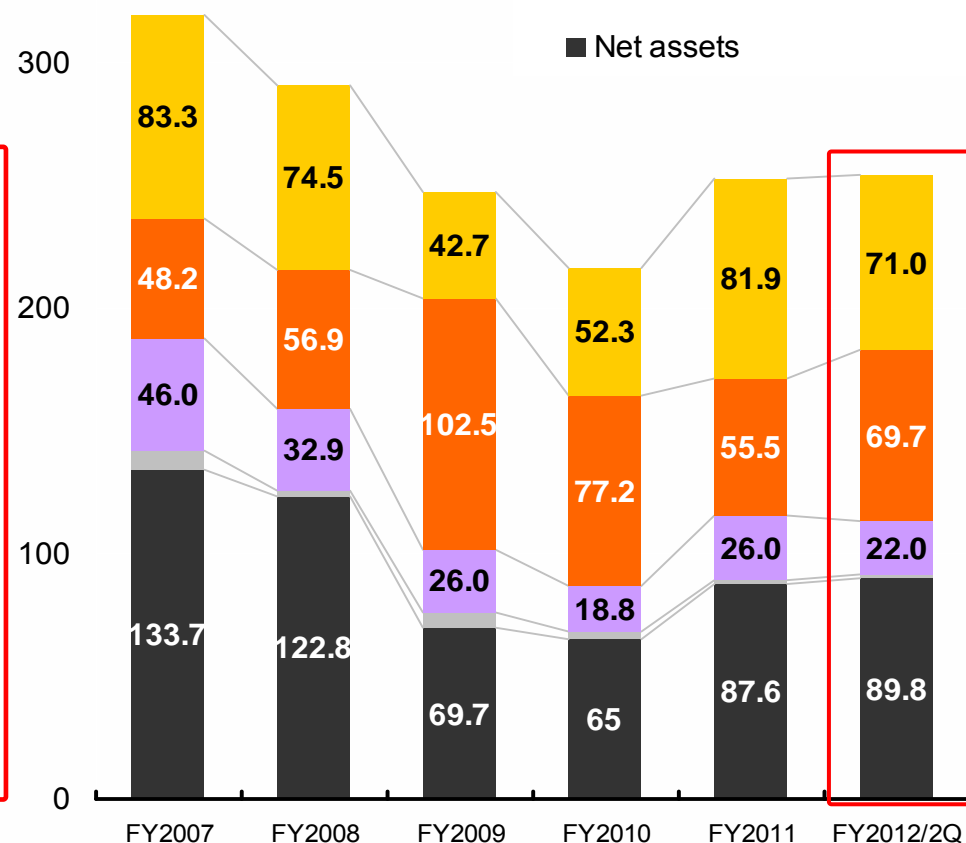
## Assets

- Cash & time deposits
- Notes & accounts receivable
- Inventories
- Other current asset
- Property, plant & equipment
- Intangible assets/investment



## Liabilities and Net Assets

- Notes&accounts payable
- Interest-bearing debt
- Other current liabilities
- Other noncurrent liabilities
- Net assets



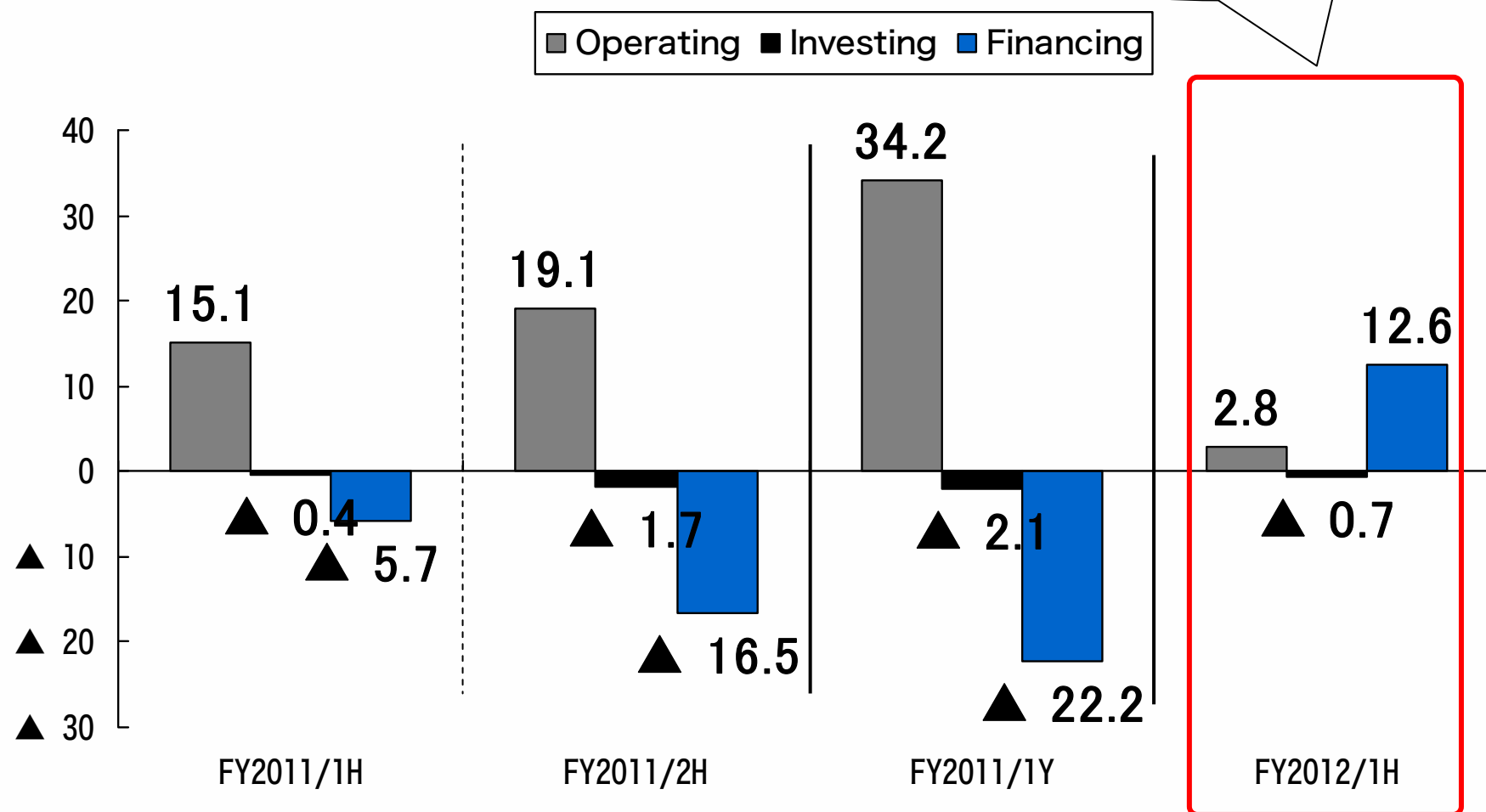
Equity Ratio 34.4% (March 2011) → **35.2% (Sept. 2011)**

## Consolidated Cash Flows

**Free Cash Flow: JPY 2.0 bn.**

(Unit: Billions of JPY)

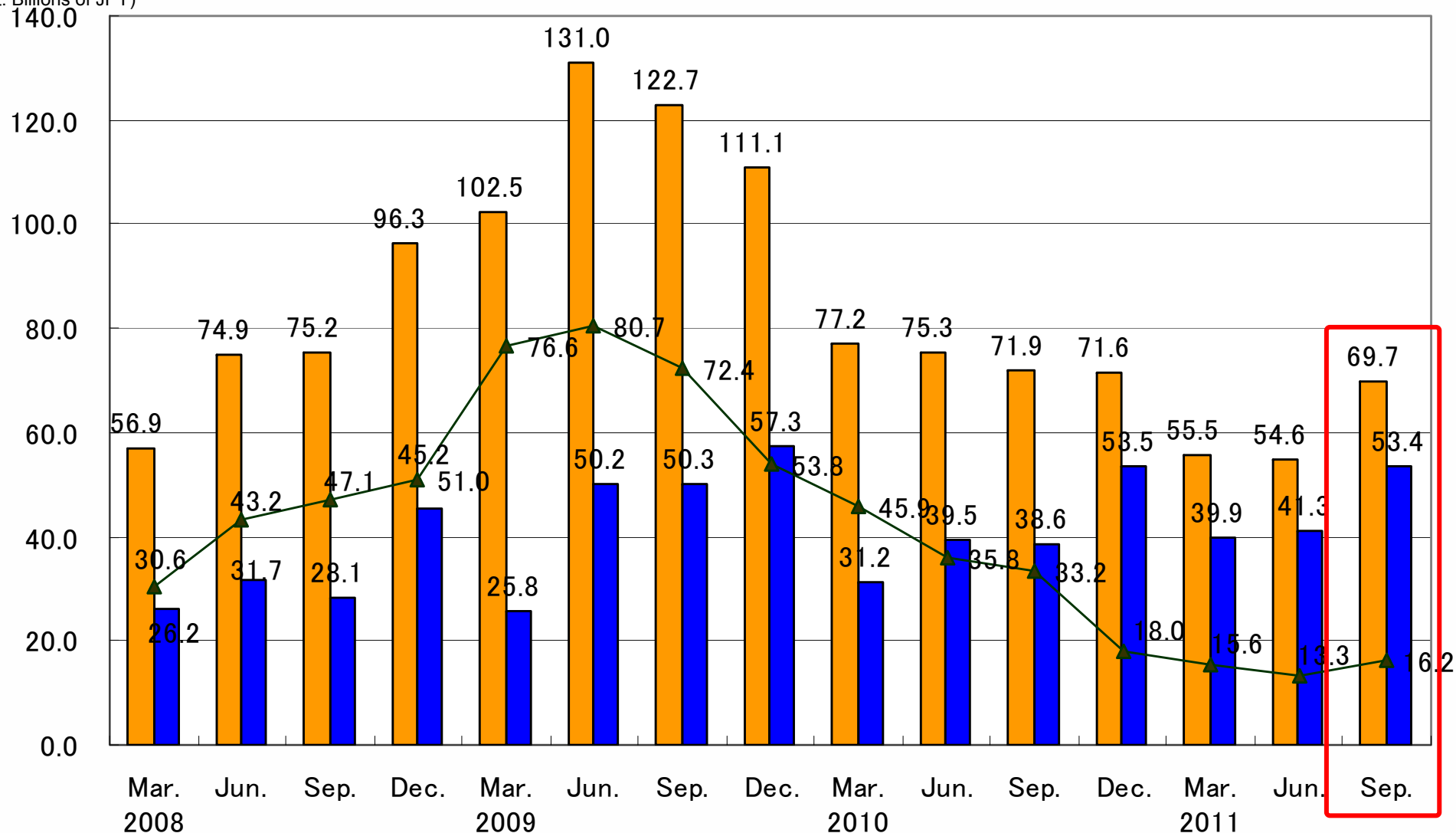
Operating CF : JPY 2.8 bn.  
Investing CF : JPY (0.7 bn.)  
Financing CF : JPY (12.6 bn.)



# Interest-bearing Debt (Consolidated)

Interest-bearing Debt Cash and Time Deposits Net interest-bearing debt

(Unit: Billions of JPY)



\*Lease obligations are not included in interest-bearing debt as end of Mar. 2008

# Business Area

## SE

### 2Q

- Cautious capital investment was seen in many semiconductor manufacturers.  
→ Decrease in both sales and orders received compared with 1Q.
- Since the latter half, foundry moved toward resumption and acceleration of investment for leading-edge lines.  
→ As to foundry, orders received shifted to an increase compared with 1Q.
- Both cleaning equipments and coater/developers decreased compared with 1Q due to the change of capital investment plans by leading customers.
- The new single wafer cleaning equipment, SU-3200 increased steadily.

### Outlook for 3Q and after

- As to logic and foundry, orders received will increase led by investment for miniaturization.
- NAND makers will continue investment while investment for mass production by DRAM makers will be flat.
- Research and development for new products and new technologies will be continued.

## FE

### 2Q

- An ongoing installation of large-sized substrate equipment for TV in China went on as scheduled.
- Freeze on new investments for large-sized substrate for TV.
- Orders received have been flat due to a delay in investment decisions.

### Outlook for 3Q and after

- Continue to install an equipment for TV in China until 4Q.
- LTPS and OLED business deals will be continued, but each investment amount will be smaller compared with ones for TV.
- The development of earnings structure reform plan, which is effective from October 1<sup>st</sup>.
  - Reduction of fixed costs by separating new business fields.
  - Shift of personnel to other business segment in existing business fields as well.
  - Thorough cost reduction in existing business fields by expanding procurement in China and reviewing basic design etc.

## MP

### 2Q

#### <MT>

- POD sales increased in overseas markets.
- In Japan, CTP has been steady with the effect of new products.
- There was a recovery in earnings due to the successful earnings structure reform plan.
- Our POD showroom was opened in Monzen-nakacho, Tokyo.
  - Offer of a complete solution that differentiates us from other competitors.
- Construction for increasing floor space in a CTP production factory in China (Hangzhou) was completed.

#### <PE>

- Investments went slow due to a slowdown in demand for electronic components.



CTP production factory in China (Hangzhou)

## Outlook for 3Q and after

#### <MT>

- POD will continue to be strong.
- Overseas procurement will be promoted and production activity will be shifted to China to lower costs.
- Will establish a framework suitable for POD sales in Europe.

#### <PE>

- New PCB direct patterning equipment “Ledial 5” will be launched ,with high levels of precision and productivity.

Business Forecast for the year  
ending March 31, 2012



# Revised Business Forecast for FY2012

(Unit: Billions of JPY)

Assumed Exchange Rate: 1\$=75 yen 1 €=105yen

			FY2012								FY2011			
			1H		2H				Full					
			Result		Forecast 9-Aug. (10-May)		Revised Forecast 7-Nov.		Forecast 9-Aug.		Revised Forecast 7-Nov.		Result	
Net Sales			123.0		142.0		126.0		274.0		249.0		254.9	
SE			84.4		92.0		81.0		185.5		165.4		174.2	
FE			14.4		25.5		19.1		39.2		33.5		32.7	
MP	MT	23.8	20.9	24.1	20.9	25.6	22.2	48.6	42.3	49.5	43.2	47.3	40.4	
	PE		2.8		3.2		3.4		6.3		6.3		6.8	
Others			0.3		0.4		0.3		0.7		0.6		0.6	
Operating Income			9.0		13.5		5.0		24.0		14.0		26.8	
Ordinary Income			8.8		13.0		4.2		23.0		13.0		26.5	
Net Income			6.5		12.0		3.4		21.0		10.0		25.6	

\* Annual cash dividends per share : JPY 5.00( Year-end) --- not changed

SE: Semiconductor Equipment、FE: FPD Equipment、MP: Medial and Precision Technology

## Three-year Medium-Term Management Plan

## I. Fundamental Policies

### **Establishing a Stable Earnings Structure and Building a Foundation for New Growth**

#### 1. Establishing a stable earnings structure

- Strengthen price competitiveness
- Bolster highly profitable products and cultivate products that create value for customers
- Shift to perpetually evolving business structures capable of rapidly adapting to changes in the external environment

#### 2. Promoting new growth

- Promote new growth by investing R&D for new business
  - Strengthen existing businesses and Promoting new growth
- Enhance global business foundation, Strengthen risk management

## 2. Numerical Targets

**「Equity ratio above 50%, Reduce net interest-bearing debt to zero」(as of March 31, 2014)**

To achieve the above targets, we will improve profitability ratio and increase capital efficiency.

	March 31, 2011	April, 2011 – March, 2014	March 31, 2014
Equity ratio	34.4%	<b>&lt;3-Year Total&gt;</b> Sales JPY800.0 Billion Operating Income JPY 70.0 Billion Net Income JPY 50.0 Billion	Over 50.0%
Net interest-bearing debt	JPY15.6 Billion		Less than zero

R&D : JPY 47.0 Billion  
 Capital Expenditure : JPY 35.0 Billion  
 Human Resource : Max. 5,000 persons\*  
 (Increase staff mainly in overseas offices)

\*Number of employees as of March 31 2011: 4,732 persons

(Reference) Comparison with the past Medium-Term Plans

(Unit: Billions of JPY)	<b>Vision2003</b> (the Medium-Term Plan before Vision2008)	<b>Vision2008</b> (the last Medium-Term Plan)	<b>NextStage70</b> (the current Medium-Term Plan)
	April, 2003 – March, 2006	April, 2006 – March, 2009	April, 2011 – March, 2014
	Result	Result	Plan
Sales	707.8	800.1	800.0
Operating income	53.4	40.6	70.0
Operating income ratio	7.6%	5.1%	8.8%
Net income	34.5	(15.1)	50.0
Net income ratio	4.9 %	-1.9%	6.3%

Equity ratio*	46.8%	28.1%	Over 50.0%
Net interest-bearing debt*	20.1	76.6	Less than zero

\*At the end of each medium-term plan

R&D expenses	37.0	49.2	47.0
Capital expenditures	14.5	31.2	35.0
Max. employees	4,672 persons (March 31, 2006)	5,041 persons (March 31, 2008)	5,000 persons

- Approach to promoting new growth
  - Establishment of the “Green Technology Development Center” in October  
Accelerate development for PV production equipment and lithium-ion batteries related
  - Acquisition of stock of “EMD Corporation.” having plasma technology
  - Development of control technology for teaching less robot
- Approach to strengthening of risk management
  - Acquisition of site for a factory in “Kumamoto Rinku Technopark” in November
    - Purpose :
      - BCP for our manufacturing bases concentrated in Kyoto & Shiga area
      - For business expansion for the future
    - Acquisition cost : JPY1.6 Billion
    - Area : 11.9 hectares
    - Use : Under review in the company project about production item etc.

## Business Area

<SE>

- Delay in market recovery, Thorough cost reduction
- Product differentiation by investing R&D

<FE>

- Earnings recovery in existing businesses and expansion of new areas

<MP>

- Cost reduction of CTP, Expansion of POD sales

## Areas we focus on

- “Aggressive” and “defensive” management in a state of uncertainty to the macroeconomic outlook
- Early launch of new business