

February 4, 2014

Dainippon Screen Mfg. Co., Ltd.
Tenjinkita-machi 1-1, Teranouchi-agaru 4-chome, Horikawa-dori,
Kamigyo-ku, Kyoto 602-8585, Japan

CONSOLIDATED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED DECEMBER 31, 2013 [Japanese GAAP]

Dainippon Screen Mfg. Co., Ltd. is listed on the First Section of the Tokyo Stock Exchange with the securities code number 7735.
(URL <http://www.screen.co.jp/>)

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

PERFORMANCE FOR THE THIRD QUARTER ENDED DECEMBER 31, 2013 (APR. 1, 2013-DEC. 31, 2013)

(Millions of yen, except per share figures)

(1) Business Results

(Percentage are the rate of increase or decrease from the previous corresponding period.)

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Nine months ended Dec. 31, 2013	¥163,259	13.1%	¥ 4,563	— %	¥ 4,086	— %
Nine months ended Dec. 31, 2012	144,361	—	(6,096)	—	(6,665)	—

Note: Comprehensive income

Nine months ended Dec. 31, 2013: ¥ 11,459 million (- %)

Nine months ended Dec. 31, 2012: ¥ (11,186) million (- %)

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended Dec. 31, 2013	¥ 2,257	— %	¥ 9.51	¥ —
Nine months ended Dec. 31, 2012	(12,235)	—	(51.55)	—

Note: The rate of increase or decrease from the previous corresponding period for the third quarter ended Dec. 31, 2012 is not shown due to the retroactive application along with the changes of accounting policies.

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share of Capital Stock (Yen)
Dec. 31, 2013	¥245,246	¥88,303	35.8%	¥369.47
Mar. 31, 2013	232,390	76,854	32.8	321.24

Note: Equity

As of Dec. 31, 2013: ¥ 87,693 million

As of Mar. 31, 2013: ¥ 76,249 million

CASH DIVIDENDS

Record date	Cash Dividends per Share				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Annual
Fiscal year ended Mar. 31, 2013	¥ —	¥ —	¥ —	¥0.00	¥0.00
Fiscal year ending Mar. 31, 2014	—	—	—		
Fiscal year ending Mar. 31, 2014 (Forecast)				3.00	3.00

Note: Revision of the latest forecast of cash dividends: No

FORECAST OF BUSINESS RESULTS FOR FISCAL YEAR ENDING MARCH 31, 2014(Millions of yen, except per share figures)
(Percentage are the rate of increase or decrease from the previous corresponding period.)

	Net Sales	Percentage Change	Operating Income	Percentage Change
Fiscal year ending Mar. 31, 2014	¥ 231,000	15.6 %	¥ 9,000	— %

	Ordinary Income	Percentage Change	Net Income	Percentage Change	Net Income per Share (Yen)
Fiscal year ending Mar. 31, 2014	¥ 8,200	— %	¥ 6,100	— %	¥25.70

Note: Revision of the latest business forecast: Yes

NOTES

(1) Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation): No

New Company: Not applicable Exclusion: Not applicable

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: Yes

Please refer to P.5 [Summary Information (Notes)] for more information.

(3) Changes of accounting policies, changes in accounting estimates and retrospective restatement

1. Changes of accounting policies accompanied by revision of accounting standard etc.: No

2. Changes of accounting policies other than 1: Yes

3. Changes in accounting estimates: Yes

4. Retrospective restatement: No

Please refer to P.5 [Summary Information (Notes)] for more information.

(4) Number of shares outstanding

1. Number of shares outstanding as of end of period (including treasury stock)

As of Dec. 31, 2013: 253,974,333 shares As of Mar. 31, 2013: 253,974,333 shares

2. Number of treasury stock as of end of period

As of Dec. 31, 2013: 16,623,918 shares As of Mar. 31, 2013: 16,613,829 shares

3. Average number of shares outstanding

Nine months ended Dec. 31, 2013: 237,356,894 shares Nine months ended Dec. 31, 2012: 237,366,078 shares

*Indication of quarterly review procedure implementation status:

This quarterly earnings report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Law. It is under the review procedure process at the time of disclosure of this report.

*Explanation for appropriate use of forecasts and other notes:

(1) Dainippon Screen has revised our business forecast for the fiscal year ending March 31, 2014 that was previously announced on November 5, 2013, as noted in this financial report.

(2) The forward-looking statements such as operational forecasts contained in this document are based on the information currently available to Dainippon Screen and certain assumptions that are regarded as legitimate. Dainippon Screen does not promise that the forecasts or estimates will be accurate. Large discrepancies may be seen in the actual results due to various factors. Please refer to P.4 "2. Qualitative information regarding consolidated business results forecasts" for the assumptions used and other notes.

[Qualitative Information, Financial Statements]

1. Qualitative information regarding the status of consolidated business results

During the first nine months of the fiscal year ending March 31, 2014 (April 1, 2013 to December 31, 2013), the global economy, and economies of developed nations in particular, maintained a moderate upswing. The U.S. economy continued to rebound supported by improvements in consumer spending and housing markets despite concerns about the effects of reduced monetary easing and increasing uncertainty over the nation's fiscal policies. Major economies in still-struggling Europe showed signs of recovery on the back of Germany's increasing exports and expanding domestic demand. Although the growth of emerging economies slowed overall, China's economy continued to expand moderately owing to government economic supports aimed at promoting stable growth. The Japanese economy saw continued recovery as Abenomics took hold and demand began to spike ahead of the April 2014 consumption tax hike.

With regard to the business conditions surrounding the Dainippon Screen Group, in the semiconductor industry, capital investment by logic chip manufacturers remained restrained due to markedly stagnant demand for personal computers. Memory chip manufacturers and foundries, however, increased their capital investment, reflecting the expanding demand for smartphones and tablets. In the LCD panel industry although the market for televisions remained sluggish, the business environment showed improvement as demand for small- and medium-sized LCD panels increased and capital investment in China resumed. In graphic arts equipment, a harsh business environment persisted mainly due to the economic stagnation in Europe and intensifying competition, despite rising demand for print on demand (POD) equipment as its prevalence increases with digital printing continuing to gain in popularity.

Under these circumstances, the Dainippon Screen Group posted consolidated net sales totaling ¥163,259 million for the first nine months of the fiscal year ending March 31, 2014, up ¥18,898 million, or 13.1%, from the corresponding period of the previous fiscal year. On the earnings front, operating income totaled ¥4,563 million, a reversal of ¥10,659 million from the ¥6,096 million operating loss in the same period of the previous fiscal year, due in part to efforts to reduce variable and fixed costs in addition to a significant increase in net sales. Ordinary income amounted to ¥4,086 million, compared with an ordinary loss of ¥6,665 million a year before. As a result, the Group posted a net income of ¥2,257 million for the first nine months of the fiscal year ending March 31, 2014, compared with a net loss of ¥12,235 million in the corresponding period of the previous fiscal year.

Performance by reportable segment is explained below.

The Semiconductor Equipment (SE) Segment

In the Semiconductor Equipment segment, although sales to logic chip manufacturers saw a significant decrease, sales of coater/developers rose year on year following increased investment by memory chip manufacturers and major foundries. By geographical region, domestic sales and sales to Asian markets both increased. As a result, net sales in this segment amounted to ¥112,469 million, up 8.9% year on year. On the earnings front, operating income in this segment came to ¥4,785 million, compared with an operating loss of ¥3,906 million in the same period of the previous fiscal year, reflecting efforts made to reduce variable and fixed costs in addition to increased sales.

The FPD Equipment (FE) Segment

In the FPD Equipment segment, sales of small- and medium-sized production equipment for high-definition LCD panels in domestic and Asian markets increased, as did sales of production equipment for large-sized LCD panels for televisions in China. As a result, net sales in this segment amounted to ¥14,303 million, up 59.1% year on year. On the earnings front, this segment posted an operating loss of ¥241 million, compared with an operating loss of ¥814 million in the corresponding period of the previous fiscal year.

The Media and Precision Technology (MP) Segment

In the Media and Precision Technology segment, amid a weakening yen on foreign exchange markets, sales of graphic arts equipment increased from the corresponding period of the previous fiscal year as sales of print on demand (POD) equipment increased while sales of computer to plate (CTP) equipment decreased. Sales of printed circuit board (PCB)-related equipment increased year on year due to rising sales of direct imaging systems used for circuit formation. As a result, net sales in this segment came to ¥35,883 million, up 13.6% year on year. On the earnings front, this segment posted an operating income of ¥1,512 million, compared with an operating income of ¥14 million in the corresponding period of the previous fiscal year.

2. Qualitative information regarding changes in consolidated financial position

Total assets as of December 31, 2013 stood at ¥245,246 million, an increase of ¥12,856 million, or 5.5%, compared with March 31, 2013. This was mainly due to increases in notes and accounts receivable-trade and inventories as well as an increase in investment securities accompanying the rising market values of stocks held.

Total liabilities amounted to ¥156,942 million, up ¥1,407 million, or 0.9%, compared with the end of the previous fiscal year. This was mainly due to an increase in notes and accounts payable-trade. Interest-bearing debt decreased by ¥19,725 million, or 28.0%, from March 31, 2013, to ¥50,717 million, mainly due to the repayments of loans payable in spite of the issuance of bonds. Net interest-bearing debt, or interest-bearing debt minus cash and time deposits, decreased by ¥14,337 million or 47.8%, compared with March 31, 2013, to ¥15,684 million.

Total net assets amounted to ¥88,303 million, up ¥11,449 million, or 14.9%, from March 31, 2013. This was mainly attributable to an increase in retained earnings due to the posting of net income, as well as an increase in valuation difference on available-for-sale securities due to the rising market values of stocks held and an increase in foreign currency translation adjustment due to the yen depreciation.

As a result, the equity ratio as of December 31, 2013 improved 3.0 percentage points compared with the end of the previous fiscal year to 35.8%.

Status of Cash Flows

The status of cash flows during the first nine months of the fiscal year ending March 31, 2014 is as follows.

Net cash provided by operating activities significantly improved to ¥15,024 million, compared with ¥19,731 million used in operating activities in the corresponding period of the previous fiscal year. For the period under review, total cash inflows, including posting of income before income taxes, depreciation and amortization and a decrease in notes and accounts payable-trade, outpaced total cash outflows such as an increase in inventories and an increase in notes and accounts receivable-trade.

Net cash used in investing activities amounted to ¥3,441 million, compared with ¥4,305 million used in investing activities a year ago. This was mainly due to the purchase of property, plant and equipment, such as equipment for R&D.

Net cash used in financing activities amounted to ¥19,906 million, compared with ¥28,018 million provided by financing activities in the corresponding period of the previous fiscal year. This was attributable mainly to the repayments of loans payable, in spite of financing through the issuance of bonds.

As a result, cash and cash equivalents as of December 31, 2013 totaled ¥32,250 million, down ¥5,776 million from March 31, 2013.

(Note) As noted in P.5 [Summary Information (Notes)], 3. Changes of accounting policies, changes in accounting estimates and retrospective restatement, from the first quarter of the fiscal year ending March 31, 2014, as for main unit sales in the SE segment and FE segment, Dainippon Screen and its consolidated subsidiaries changed its accounting policy for revenue recognition from shipment basis to completion of installation basis. Accordingly, a comparative analysis has been made using amounts for the corresponding period of the previous fiscal year and as of end of the previous fiscal year that have been calculated applying retroactively this new accounting policy.

3. Qualitative information regarding consolidated business results forecasts

Dainippon Screen has revised its consolidated business forecast for the fiscal year ending March 31, 2014, from the previously announced forecast on November 5, 2013 as listed below. This is attributable to the background that in the SE segment, sales of single wafer cleaning equipment that is our core product are expected to exceed our assumption, reflecting the favorable order situation for semiconductor production equipment.

Business forecast

For the fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Net sales	Operating Income	Ordinary Income	Net Income
Previously announced forecast (A)	227,000	7,800	7,000	5,100
Revised forecast (B)	231,000	9,000	8,200	6,100
Amount of change (B - A)	4,000	1,200	1,200	1,000

Note: The aforementioned forecasts are based on foreign currency exchange rate estimates of US\$1.00 = ¥100 and EUR1.00 = ¥130. Business forecasts are also made in accordance with currently available information and rational assumptions. Dainippon Screen does not promise that the forecasts or estimates will be accurate. Therefore, it should be noted that actual results could differ significantly due to a variety of factors.

[Summary Information (Notes)]

1. Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation):
None
2. Application of accounting methods specific to the preparation of quarterly consolidated financial statements:
Calculation of income taxes
Income tax amount is calculated principally by multiplying reasonably estimated annual effective tax rate through the third quarter ended December 31, 2013, with the effects of deferred taxes reflected, by the amount of year-to-date income before income taxes. When calculation using reasonably estimated annual effective tax rate causes irrational results, income tax amount is calculated based on the legal tax rate.
3. Changes of accounting policies, changes in accounting estimates and retrospective restatement:
Changes of accounting policies

Changes in depreciation method

Dainippon Screen and its consolidated domestic subsidiaries had depreciated its property, plant and equipment, principally using the declining balance method. From the first quarter ended June 30, 2013, we changed the depreciation method principally to the straight-line method.

As part of our structure reform based on the change of business environment, we focus on enhancing the versatility of equipment and increasing the ratio of equipment which are operated stably. Against such a background, we have decided it is more properly in terms of utilization for property, plant and equipment to adopt the straight-line method which evenly allocates depreciation expenses over estimated usable period.

As a result of this change, operating income for the nine months ended December 31, 2013 increased by ¥677 million, and ordinary income and income before income taxes increased by ¥709 million, respectively, compared with amounts that would have been recorded using the previously applied method.

The impact on segment information is noted in the corresponding section.

Changes in revenue recognition

Dainippon Screen and its consolidated subsidiaries had adopted the revenue recognition method on shipment basis for main unit sales in the SE segment and the FE segment. From the first quarter ended June 30, 2013, we changed to the revenue recognition method on completion of installation basis. The period from shipment to completion of installation has become longer due to the increasing overseas sales ratio and the system to collect data on completion of installation has been developed by reviewing an operation process from shipment to completion of installation. Against such a background, under the trend of recent international accounting practice we have decided this change to better reflect the earnings situation.

This change of accounting policies is to be applied retroactively. Accordingly, new accounting policies are retroactively applied to the financial statements for each quarter of the previous fiscal year and for the previous fiscal year.

As a result of this change, operating loss, ordinary loss and loss before income taxes for the nine months ended December 31, 2012 decreased by ¥4,426 million, respectively, compared with amounts before the retroactive application. In addition, a balance of retained earnings at beginning of the fiscal year ended March 31, 2013 decreased by ¥6,514 million as a cumulative effect was reflected in net assets at beginning of the previous fiscal year.

The impact on segment information is noted in the corresponding section.

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	Mar. 31, 2013	Dec. 31, 2013
ASSETS		
Current assets:		
Cash and time deposits	¥ 40,420	¥ 35,032
Notes and accounts receivable-trade	41,093	44,310
Merchandise and finished goods	41,721	47,572
Work in process	25,549	27,610
Raw materials and supplies	5,874	5,433
Deferred tax assets	3,984	4,068
Other	3,906	4,392
Allowance for doubtful accounts	(935)	(870)
Total current assets	161,614	167,551
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	51,586	52,137
Machinery, equipment and vehicles	33,315	33,965
Other	27,837	27,937
Accumulated depreciation	(72,837)	(74,553)
Total property, plant and equipment	39,902	39,486
Intangible assets:		
Other	2,624	2,554
Total intangible assets	2,624	2,554
Investments and other assets:		
Investment securities	21,836	28,983
Other	7,467	7,490
Allowance for doubtful accounts	(1,054)	(819)
Total investments and other assets	28,249	35,654
Total noncurrent assets	70,776	77,695
Total assets	232,390	245,246

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	Mar. 31, 2013	Dec. 31, 2013
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	¥ 60,750	¥ 71,977
Short-term loans payable	33,783	8,095
Current portion of long-term loans payable	3,349	2,580
Current portion of bonds payable	—	14,000
Lease obligations	732	834
Income taxes payable	843	965
Notes payable-facilities	112	41
Provision for directors' bonuses	39	39
Provision for product warranties	4,940	4,815
Provision for loss on order received	132	312
Other	15,327	22,707
Total current liabilities	120,013	126,370
Noncurrent liabilities:		
Bonds payable	19,000	13,600
Long-term loans payable	10,642	9,276
Lease obligations	2,934	2,330
Provision for retirement benefits	151	54
Provision for directors' retirement benefits	78	99
Asset retirement obligations	48	48
Other	2,666	5,164
Total noncurrent liabilities	35,521	30,572
Total liabilities	155,535	156,942
NET ASSETS		
Shareholders' equity:		
Capital stock	54,044	54,044
Capital surplus	4,583	4,583
Retained earnings	36,405	38,662
Treasury stock	(12,245)	(12,250)
Total shareholders' equity	82,788	85,040
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,716	7,375
Foreign currency translation adjustment	(9,255)	(4,722)
Total accumulated other comprehensive income	(6,539)	2,653
Minority interests	605	609
Total net assets	76,854	88,303
Total liabilities and net assets	232,390	245,246

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Apr.1, 2012 – Dec. 31, 2012	Apr.1, 2013 – Dec. 31, 2013
Net sales	¥ 144,361	¥ 163,259
Cost of sales	115,542	123,228
Gross profit	28,818	40,031
Selling, general and administrative expenses	34,915	35,468
Operating income (loss)	(6,096)	4,563
Non-operating income		
Interest income	56	87
Dividends income	367	359
House rent income	155	247
Other	337	442
Total non-operating income	916	1,136
Non-operating expenses		
Interest expenses	746	850
Foreign exchange losses	94	68
Other	644	694
Total non-operating expenses	1,485	1,613
Ordinary income (loss)	(6,665)	4,086
Extraordinary income		
Gain on sales of investment securities	0	10
Total extraordinary income	0	10
Extraordinary loss		
Loss on valuation of investment securities	883	5
Other	0	0
Total extraordinary loss	883	5
Income (loss) before income taxes	(7,548)	4,091
Income taxes	4,654	1,845
Income (loss) before minority interests	(12,202)	2,245
Minority interests in income (loss)	32	(12)
Net income (loss)	(12,235)	2,257

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Apr.1, 2012 – Dec. 31, 2012	Apr.1, 2013 – Dec. 31, 2013
Income (loss) before minority interests	¥ (12,202)	¥ 2,245
Other comprehensive income		
Valuation difference on available-for-sale securities	(493)	4,658
Foreign currency translation adjustment	1,509	4,554
Total other comprehensive income	1,016	9,213
Comprehensive income	(11,186)	11,459
(Comprehensive income attributable to)		
Owners of the parent	(11,223)	11,450
Minority interests	37	9

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

Apr.1, 2012- Dec. 31, 2012**Apr.1, 2013 – Dec. 31, 2013****Cash flow from operating activities:**

Income (loss) before income taxes	¥ (7,548)	¥ 4,091
Depreciation and amortization	3,388	3,026
Loss (gain) on valuation of investment securities	883	5
Loss (gain) on sales of investment securities	0	(10)
Increase (decrease) in provision for retirement benefits	4	(98)
Increase (decrease) in provision for directors' bonuses	(18)	(0)
Increase (decrease) in provision for product warranties	(955)	(182)
Increase (decrease) in provision for loss on order received	77	180
Interest and dividends income	(423)	(446)
Interest expenses	746	850
Decrease (increase) in notes and accounts receivable-trade	9,371	(2,654)
Decrease (increase) in inventories	3,408	(4,792)
Decrease (increase) in other current assets	163	(362)
Increase (decrease) in notes and accounts payable-trade	(23,340)	11,313
Increase (decrease) in accrued expenses	(192)	190
Increase (decrease) in other current liabilities	(2,367)	6,382
Other, net	(325)	(754)
Subtotal	(17,127)	16,738
Interest and dividends income received	444	481
Interest expenses paid	(620)	(801)
Contribution in connection with the shift to a defined-contribution pension plan	(18)	(16)
Income taxes paid	(2,410)	(1,377)
Net cash provided by (used in) operating activities	(19,731)	15,024

Cash flow from investing activities:

Decrease (increase) in time deposits	21	(101)
Purchase of property, plant and equipment	(4,076)	(2,737)
Proceeds from sales of property, plant and equipment	364	6
Other, net	(614)	(610)
Net cash used in investing activities	(4,305)	(3,441)

Cash flow from financing activities:

Net increase (decrease) in short-term loans payable	31,225	(25,700)
Repayments of long-term loans payable	(835)	(2,135)
Repayments of finance lease obligations	(1,176)	(606)
Proceeds from issuance of bonds	—	8,546
Net decrease (increase) in treasury stock	(3)	(5)
Cash dividends paid	(1,186)	—
Cash dividends paid to minority shareholders	(4)	(5)
Net cash provided by (used in) financing activities	28,018	(19,906)

Effect of exchange rate change on cash and cash equivalents	734	2,546
Net increase (decrease) in cash and cash equivalents	4,714	(5,776)
Cash and cash equivalents at beginning of period	35,631	38,026
Cash and cash equivalents at end of period	40,346	32,250

SEGMENT INFORMATION**[Segment Information]**

The previous third quarter ended Dec. 31, 2012

Net sales and income (loss) in reportable segment

(Millions of yen)

	Reportable segment *1				Other *2	Total	Adjustments *3	Consolidated *4
	SE	FE	MP	Total				
Sales								
(1)Sales to outside customers	¥ 103,317	¥ 8,988	¥ 31,594	¥ 143,900	¥ 460	¥ 144,361	¥ —	¥ 144,361
(2)Intersegment sales and transfers	—	—	—	—	5,202	5,202	(5,202)	—
Total	103,317	8,988	31,594	143,900	5,663	149,564	(5,202)	144,361
Segment income (loss)	(3,906)	(814)	14	(4,706)	(241)	(4,948)	(1,148)	(6,096)

Notes

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

*3 Segment operating income (loss) adjustment of ¥ (1,148) million is the corporate expense not apportioned in each reportable segment. Corporate expense mainly comprises the headquarters’ general and administrative expenses not usually attributed to segments.

*4 Segment income (loss) is adjusted with operating loss under consolidated statements of income.

The third quarter ended Dec. 31, 2013

1. Net sales and income (loss) in reportable segment

(Millions of yen)

	Reportable segment *1				Other *2	Total	Adjustments *3	Consolidated *4
	SE	FE	MP	Total				
Sales								
(1) Sales to outside customers	¥ 112,469	¥ 14,303	¥ 35,883	¥ 162,656	¥ 603	¥ 163,259	¥ —	¥ 163,259
(2) Intersegment sales and transfers	—	—	—	—	5,197	5,197	(5,197)	—
Total	112,469	14,303	35,883	162,656	5,800	168,457	(5,197)	163,259
Segment income (loss)	4,785	(241)	1,512	6,055	(336)	5,719	(1,156)	4,563

Notes

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

*3 Segment operating income (loss) adjustment of ¥ (1,156) million is the corporate expense not apportioned in each reportable segment. Corporate expense mainly comprises the headquarters’ general and administrative expenses not usually attributed to segments.

*4 Segment income (loss) is adjusted with operating income under consolidated statements of income.

2. Changes in reportable segment

Changes of accounting policies

(Changes in depreciation method)

As noted in P5 [Summary Information (Notes)] 3, Dainippon Screen and its consolidated domestic subsidiaries changed the depreciation method for property, plant and equipment.

As a result of this change, segment income for the third quarter ended December 31, 2013 in the SE segment and MP segment increased by ¥545 million and ¥96 million, respectively, and segment loss in the FE segment decreased by ¥31 million, compared with amounts that would have been recorded using the previously applied method.

(Changes in revenue recognition)

As noted in P5 [Summary Information (Notes)] 3, as for main unit sales in the SE segment and FE segment, Dainippon Screen and its consolidated subsidiaries changed the revenue recognition.

This change of accounting policies is to be applied retroactively. Accordingly, new accounting policies are retroactively applied to segment information for the third quarter ended December 31, 2012.

As a result of this change, segment loss for the third quarter ended December 31, 2012 in the SE segment and FE segment decreased by ¥3,965 million and ¥460 million, respectively, compared with amounts before the retroactive application.

Consolidated Financial Highlights for the Third Quarter Ended Dec. 31, 2013 (*1)

(Figures less than one million yen have been omitted and other figures have been rounded.)

	FY2013	FY2014	Difference		FY2013	FY2014
	9 months ended Dec. 31, 2012	9 months ended Dec. 31, 2013			12 months ended Mar.31, 2013	12 months ending Mar.31, 2014
	Result	Result	Amount	Percentage	Result	Forecast
Net sales	¥ 144,361	¥ 163,259	¥ 18,898	13.1%	¥ 199,795	¥ 231,000
Operating income	(6,096)	4,563	10,659	—	(4,833)	9,000
[to net sales ratio]	-4.2 %	2.8 %	7.0 pt	—	-2.4 %	3.9 %
Ordinary income	(6,665)	4,086	10,751	—	(5,052)	8,200
[to net sales ratio]	-4.6 %	2.5 %	7.1 pt	—	-2.5 %	3.5 %
Net income	(12,235)	2,257	14,493	—	(11,333)	6,100
[to net sales ratio]	-8.5 %	1.4 %	9.9 pt	—	-5.7 %	2.6 %
Total assets	228,308	245,246	* 12,856	5.5%	232,390	—
Net assets	71,699	88,303	* 11,449	14.9%	76,854	—
Equity	71,139	87,693	* 11,444	15.0%	76,249	—
Equity ratio	31.2 %	35.8 %	* 3.0 pt	—	32.8 %	—
Net assets per share	¥ 299.71	¥ 369.47	* ¥ 48.23	15.0%	¥ 321.24	—
Interest-bearing debt	76,909	50,717	* (19,725)	-28.0%	70,442	—
Net interest-bearing debt	34,441	15,684	* (14,337)	-47.8%	30,021	—
Cash flows from operating activities	(19,731)	15,024	—	—	(15,319)	—
Cash flows from investing activities	(4,305)	(3,441)	—	—	(5,767)	—
Cash flows from financing activities	28,018	(19,906)	—	—	21,533	—
Depreciation and amortization	3,388	3,026	(362)	-10.7%	4,731	4,200
Capital expenditures	5,312	2,435	(2,877)	-54.2%	6,450	6,300
R&D expenses	9,728	8,739	(989)	-10.2%	12,685	12,200
Number of employees	4,975	4,968	* 13	0.3%	4,955	—
Number of consolidated subsidiaries	45	44	* (1)	—	45	—
[Domestic]	[21]	[21]	* —	—	[21]	—
[Overseas]	[24]	[23]	* (1)	—	[24]	—
Number of affiliates	1	1	* —	—	1	—
[Number of affiliates accounted for by equity method]	[1]	[1]	* —	—	[1]	—

* show changes in amount from Mar. 31, 2013

Note *1

As for main unit sales in the Semiconductor Equipment segment and the FPD Equipment segment, the revenue had been recognized on shipment basis. From the first quarter ended June 30, 2013, the revenue recognition method was changed to completion of installation basis. Accordingly, results of nine months ended December 31, 2012 and twelve months ended March 31, 2013 have been reclassified with amounts calculated applying retroactively this change of accounting policies.

Sales Breakdown (Consolidated) (*2)

(Millions of yen)

		FY2013				FY2014					
		6 months ended	3 months ended	9 months ended	12 months ended	3 months ended	3 months ended	6 months ended	3 months ended	9 months ended	12 months ending
		Sept. 30, 2012	Dec. 31, 2012	Dec. 31, 2012	Mar.31, 2013	Jun. 30, 2013	Sept. 30, 2013	Sept. 30, 2013	Dec. 31, 2013	Dec. 31, 2013	Mar.31, 2014
		Result	Result	Result	Result	Result	Result	Result	Result	Result	Forecast
Semiconductor Equipment	Domestic	9,414	3,464	12,878	17,401	8,120	5,212	13,332	6,910	20,243	—
	Overseas	70,325	20,113	90,439	123,287	35,242	27,107	62,349	29,877	92,226	—
	Total	79,740	23,577	103,317	140,689	43,362	32,319	75,682	36,787	112,469	159,500
FPD Equipment	Domestic	2,120	1,106	3,226	6,130	2,613	1,477	4,090	300	4,390	—
	Overseas	4,780	980	5,761	5,911	1,515	5,353	6,868	3,043	9,912	—
	Total	6,901	2,087	8,988	12,041	4,129	6,830	10,959	3,344	14,303	20,000
Media and Precision Technology	Domestic	9,983	3,604	13,587	19,884	4,650	4,881	9,532	4,270	13,803	—
	Overseas	12,540	5,466	18,006	26,439	7,008	7,566	14,575	7,505	22,080	—
	Total	22,524	9,070	31,594	46,323	11,658	12,448	24,107	11,775	35,883	50,500
	Graphic Arts Equipment	Domestic	8,664	3,222	11,886	17,414	4,283	4,259	8,543	3,931	12,475
		Overseas	11,014	4,903	15,918	22,782	5,813	6,221	12,034	6,191	18,226
		Total	19,678	8,125	27,804	40,196	10,097	10,481	20,578	10,122	30,701
	PCB Equipment	Domestic	1,319	381	1,701	2,470	367	621	988	338	1,327
		Overseas	1,525	562	2,088	3,657	1,194	1,345	2,540	1,314	3,854
		Total	2,845	944	3,789	6,127	1,561	1,967	3,529	1,652	5,182
	Other	Domestic	285	160	446	692	132	169	301	184	486
		Overseas	14	—	14	47	34	56	90	26	117
		Total	300	160	460	739	166	226	392	210	603
Grand Total	Domestic	21,804	8,335	30,139	44,109	15,516	11,740	27,257	11,665	38,923	—
	Overseas	87,661	26,560	114,222	155,685	43,800	40,083	83,884	40,452	124,336	—
	Total	109,466	34,895	144,361	199,795	59,316	51,824	111,141	52,118	163,259	231,000
	Overseas Ratio	80.1%	76.1%	79.1%	77.9%	73.8%	77.3%	75.5%	77.6%	76.2%	—

Orders received & Order backlog (Consolidated) (*2)

(Millions of yen)

		FY2013				FY2014					
		3 months ended Dec. 31, 2012		3 months ended Mar. 31, 2013		3 months ended Jun. 30, 2013		3 months ended Sept. 30, 2013		3 months ended Dec. 31, 2013	
		Orders received	Order backlog	Orders received	Order backlog	Orders received	Order backlog	Orders received	Order backlog	Orders received	Order backlog
Semiconductor Equipment	Domestic	5,374	8,062	4,649	8,188	7,987	8,055	4,744	7,586	4,777	5,453
	Overseas	23,637	53,587	30,382	51,120	27,142	43,020	35,968	51,881	40,279	62,282
	Total	29,011	61,649	35,030	59,308	35,129	51,074	40,712	59,467	45,056	67,735
FPD Equipment	Domestic	1,157	6,537	471	4,104	668	2,158	2,582	3,264	396	3,360
	Overseas	7,290	9,450	1,863	11,164	6,668	16,317	1,655	12,619	1,747	11,322
	Total	8,447	15,988	2,334	15,268	7,336	18,476	4,238	15,883	2,143	14,682
Media and Precision Technology	Domestic	4,005	1,363	6,240	1,306	4,826	1,482	4,920	1,520	5,145	2,395
	Overseas	6,881	4,115	7,202	2,885	8,100	3,977	7,348	3,758	10,181	6,434
	Total	10,886	5,479	13,442	4,191	12,926	5,459	12,269	5,279	15,327	8,829
	Graphic Arts Equipment	Domestic	3,363	856	5,891	1,220	4,351	1,287	4,397	1,424	4,304
		Overseas	5,648	3,170	6,021	2,327	7,079	3,593	6,061	3,433	8,396
		Total	9,011	4,027	11,912	3,547	11,430	4,880	10,458	4,857	12,700
	PCB Equipment	Domestic	642	507	348	86	475	195	523	96	599
		Overseas	1,233	945	1,181	558	1,021	384	1,287	326	1,786
		Total	1,875	1,452	1,530	644	1,496	578	1,811	422	2,385
	Other	Domestic	—	—	—	—	—	—	—	—	—
		Overseas	—	—	—	—	—	—	—	—	—
		Total	—	—	—	—	—	—	—	—	—
Grand Total	Domestic	10,535	15,963	11,359	13,598	13,482	11,695	12,246	12,369	10,319	11,208
	Overseas	37,809	67,152	39,447	65,168	41,910	63,314	44,972	68,258	52,207	80,039
	Total	48,344	83,116	50,806	78,767	55,392	75,009	57,218	80,628	62,526	91,246
	Overseas Ratio	78.2%	80.8%	77.6%	82.7%	75.7%	84.4%	78.6%	84.7%	83.5%	87.7%

Note *2

As for main unit sales in the Semiconductor Equipment segment and the FPD Equipment segment, the revenue had been recognized on shipment basis. From the first quarter ended June 30, 2013, the revenue recognition method was changed to completion of installation basis. Accordingly, net sales for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated applying retroactively this change of accounting policies. In addition, along with this, order backlog as of end of each quarter of the fiscal year ended March 31, 2013 has been changed.