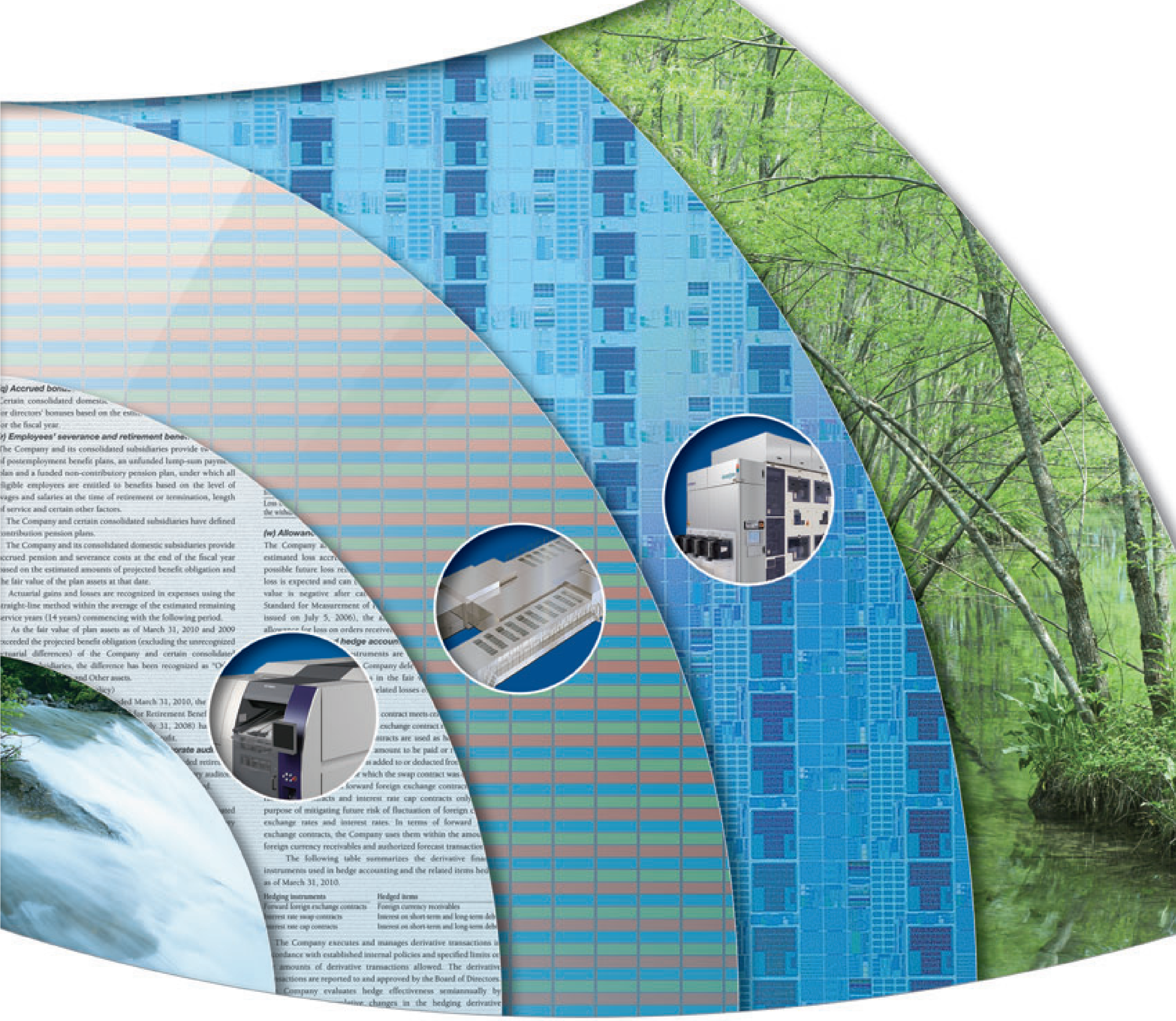
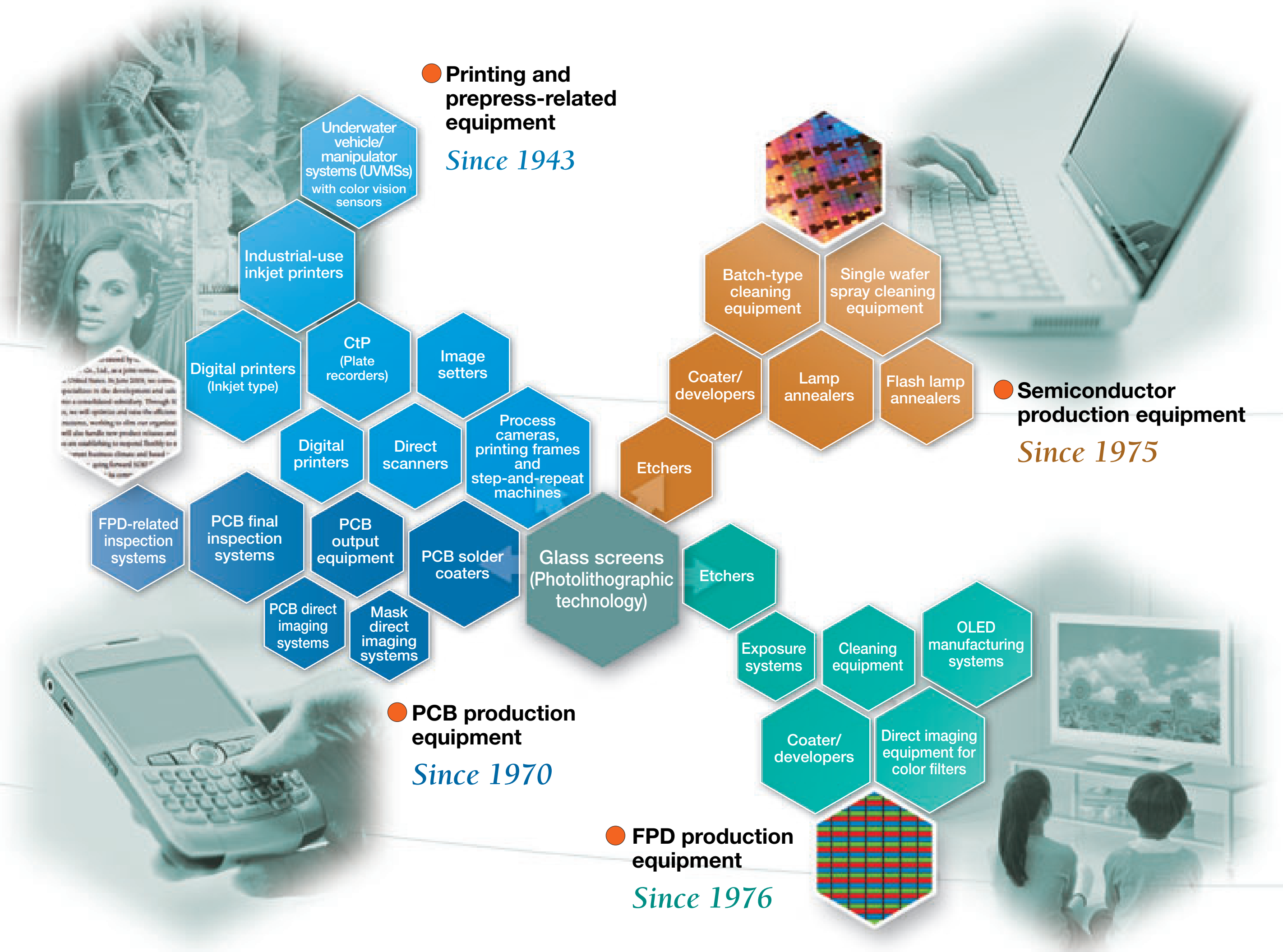
SCREEN



Annual Report 2010

Dainippon Screen Group
Year Ended March 31, 2010



Meeting the Changing Needs of the Times through Our *Shi Kou Ten Kai* Philosophy

Dainippon Screen has focused on research and development from its very beginnings, and our management philosophy of 「思考展開」*Shi Kou Ten Kai* (thinking, considering, developing and opening new businesses, products and technologies) reflects this fact. Based on this philosophy, we have leveraged the image processing technologies cultivated over many years to develop business in related fields to meet the changing needs of the times.

This phrase expresses our commitment to the challenge of developing new businesses and products by constantly monitoring the needs of our customers and society at large, always considering how to apply our technologies and products, and examining what is lacking.

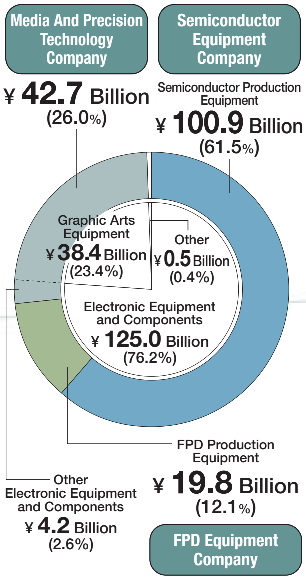
CONTENTS

Corporate Data (As of March 31, 2010)

Company Name: Dainippon Screen Mfg. Co., Ltd.
Established: October 11, 1943
Representative Directors: Akira Ishida, Chairman and CEO
Masahiro Hashimoto, President and COO
Capital: ¥54 billion
Employees : 4,679 employees (Consolidated)
2,124 employees (Nonconsolidated)
Business and Manufacturing Sites: Head Office, Kuze, Rakusai (WHITE CANVAS RAKUSAI), Kumiyama, Yasu, Hikone, Taga and Kudan

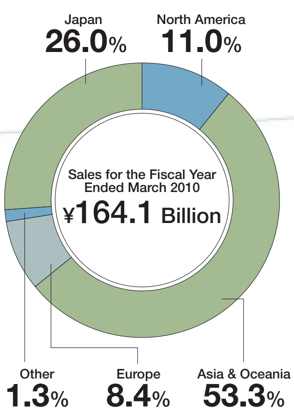
Sales by Segment

(Fiscal Year Ended March 31, 2010)



Sales by Geographic Region

(Fiscal Year Ended March 31, 2010)



Semiconductor Equipment Company

In an environment characterized by the ever-increasing 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 batch-type cleaning equipment, single wafer spray cleaning equipment and spin scrubbers. We also produce coater/developers sold through SOKUDO Co., Ltd., a Dainippon Screen subsidiary.

Global Market Share (Sales value basis in 2009)

Single wafer cleaning equipment **69.7%**

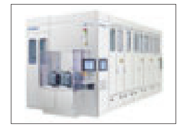
Batch-type cleaning equipment **81.3%**

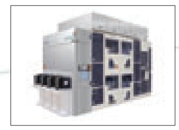
Spin scrubbers **85.2%**

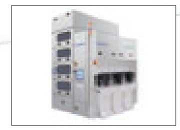
(Source: Gartner, "Market Share: Semiconductor Etch and Clean Process Equipment, Worldwide, 2009", 19 April 2010)

Major Products

- Single wafer spray cleaning equipment
- Batch-type cleaning equipment
- Spin scrubbers
- Annealing systems


Batch-type cleaning equipment


Single wafer spray cleaning equipment


Spin scrubber

FPD Equipment Company

Coater/developers operate using the principles of photographic development to create electronic circuits on the surface of a substrate, handling all processes from coating with photosensitive material to developing. We hold the top share of the global market in coater/developers for the TFT arrays used in LCD panels.

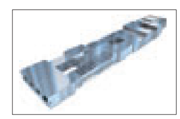
Global Market Share (Unit basis in 2009)

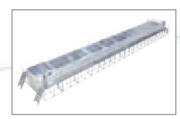
Coater/developers used on TFT arrays **69.0%**

(Source: DisplaySearch)

Major Products

- Coater/developers
- Wet etchers
- Resist strippers
- Exposure systems


Coater/developer


Wet etcher

Media And Precision Technology Company

The Company manufactures and sells Computer to Plate (CTP)-related products and digital printing equipment to rationalize production processes and enhance printing quality. We also supply printed circuit board pattern forming and inspection equipment.

Global Market Share (Unit basis in 2009)

CTP equipment **34.8%**

(Source: Dainippon Screen estimate)

Major Products

Graphic Arts Equipment

- Digital printing equipment
- CTP (plate recorders)
- Workflow RIP
- Fonts

PCB Production Equipment

- Automatic optical inspection systems
- Plotters
- Exposure systems
- Pattern measurement systems
- Film thickness measurement systems


CTP (plate recorder)


POD equipment

Editorial Policy

Through the fiscal year ended March 31, 2009, the Dainippon Screen Group reported the economic portion of information related to its triple bottom line (economic, environmental and social perspectives) in its Annual Report, and information from the environmental and social perspectives in a Social and Environmental Report. This publication (for the fiscal year ended March 31, 2010), integrates the reporting from these two perspectives. Sections are marked as Economy, Environment or Society to make relevant information easy to locate. Please see our website (http://www.screen.co.jp/index.html) for additional information.

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.

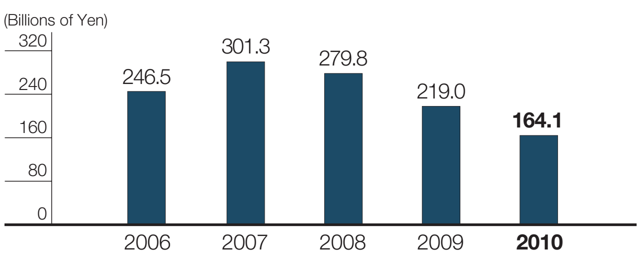
Consolidated Eleven-Year Summary

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

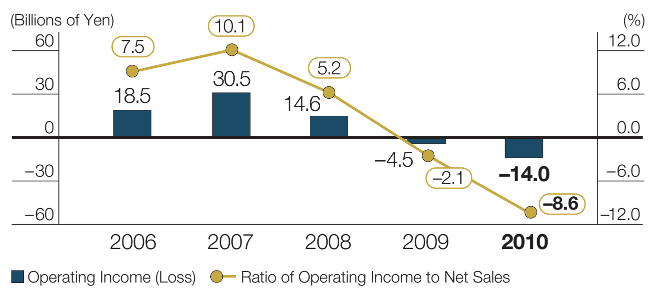
	2010	2009	2008	2007	2006
For the Year:					
Net sales	**¥ 164,129**	¥ 219,049	¥ 279,816	¥ 301,312	¥ 246,534
Cost of sales	**137,827**	169,391	208,266	211,159	173,628
Cost of sales to net sales (%)	**84.0 %**	77.3 %	74.4 %	70.1 %	70.4 %
Operating income (loss)	**¥ (14,046)**	¥ (4,510)	¥ 14,628	¥ 30,541	¥ 18,568
Operating income to net sales (%)	**–8.6 %**	–2.1 %	5.2 %	10.1 %	7.5 %
Net income (loss)	**¥ (8,003)**	¥ (38,191)	¥ 4,578	¥ 18,452	¥ 15,236
Depreciation and amortization	**7,012**	8,414	5,563	4,113	3,823
Cash flows from operating activities	**25,113**	(24,593)	7,934	23,645	14,906
Cash flows from investing activities	**6,885**	(6,921)	(16,510)	(8,519)	(7,482)
Cash flows from financing activities	**(27,124)**	34,071	669	(8,875)	(13,442)
Capital expenditures	**1,911**	4,007	12,866	14,420	5,906
R&D expenses	**11,615**	16,073	16,248	16,884	13,269
Per Share of Common Stock:					
Net income (loss)	**¥ (33.71)**	¥ (160.86)	¥ 18.81	¥ 74.05	¥ 60.66
Net income—diluted	**—**	—	17.39	68.63	55.81
Cash dividends	**—**	—	10.00	15.00	10.00
Net assets	**272.15**	292.12	514.26	542.13	500.30
At Year End:					
Total assets	**¥ 216,622**	¥ 246,918	¥ 291,114	¥ 319,519	¥ 270,238
Return on total assets (%)	**–3.5 %**	–14.2 %	1.5 %	6.3 %	5.8 %
Current assets	**¥ 139,984**	¥ 168,191	¥ 196,989	¥ 223,463	¥ 181,077
Property, plant and equipment, net	**45,413**	50,955	49,069	42,346	36,096
Current liabilities	**93,874**	132,431	123,702	133,784	106,134
Long-term debt	**48,195**	32,967	40,644	43,900	24,674
Equity	**64,607**	69,353	122,094	133,062	126,392
Equity ratio (%)	**29.8 %**	28.1 %	41.9 %	41.6 %	46.8 %
Return on equity (%)	**–11.9 %**	–39.9 %	3.6 %	14.2 %	13.5 %
Common stock	**¥ 54,045**	¥ 54,045	¥ 54,045	¥ 54,045	¥ 53,999
Retained earnings (deficit)	**731**	8,734	49,390	48,497	32,536
Number of shares issued (in thousands)	**253,974**	253,974	253,974	253,974	253,792
Number of employees	**4,679**	4,992	5,041	4,798	4,672

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥93 to US$1.00.
2. Net income (loss) per share of common 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 common stock is not shown for the years that net losses were recorded. Net assets per share of common 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 ending March 31, 2004.

Consolidated Net Sales



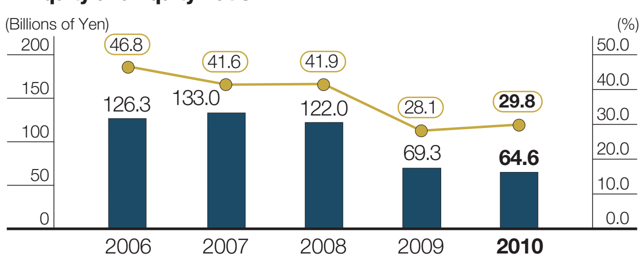
Consolidated Operating Income (Loss) and Ratio of Operating Income to Net Sales



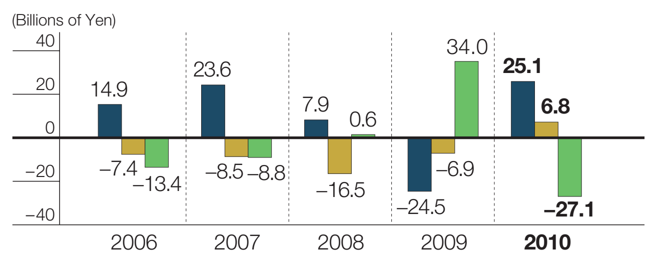
2005	2004	2003	2002	2001	2000	2010
					Millions of yen	Thousands of U.S. dollars
¥ 269,341	¥ 191,939	¥ 167,942	¥ 174,218	¥ 242,726	¥ 174,812	**$ 1,764,828**
190,639	135,389	121,036	126,882	170,896	133,641	**1,482,011**
70.8 %	70.5 %	72.1 %	72.8 %	70.4 %	76.4 %	
¥ 25,292	¥ 9,600	¥ 3,225	¥ 140	¥ 23,903	¥ (4,628)	**$ (151,032)**
9.4 %	5.0 %	1.9 %	0.1 %	9.8 %	–2.6 %	
¥ 14,454	¥ 4,851	¥ (3,466)	¥ (18,900)	¥ 17,806	¥ (7,029)	**$ (86,054)**
5,944	4,000	4,901	7,223	7,534	8,246	**75,398**
22,301	14,681	87	(7,124)	21,197	(2,963)	**270,032**
(5,108)	(82)	4,304	(2,663)	(3,175)	(1,272)	**74,032**
(16,775)	(10,157)	(4,923)	43	(8,666)	7,342	**(291,656)**
6,146	2,465	1,813	3,918	6,256	4,172	**20,548**
12,628	11,134	10,770	10,025	9,960	9,051	**124,892**
					Yen	U.S. dollars
¥ 59.88	¥ 23.04	¥ (18.65)	¥ (101.08)	¥ 97.20	¥ (40.00)	**$ (0.36)**
52.57	18.29	—	—	84.88	—	**—**
7.50	3.00	—	—	5.00	—	**—**
408.03	334.93	238.28	269.75	369.54	286.51	**2.93**
					Millions of yen	Thousands of U.S. dollars
¥ 256,398	¥ 240,512	¥ 218,653	¥ 234,972	¥ 301,784	¥ 256,596	**$ 2,329,269**
5.8 %	2.1 %	–1.5 %	–7.0 %	6.4 %	–2.8 %	
¥ 179,012	¥ 165,506	¥ 149,713	¥ 153,149	¥ 214,756	¥ 162,172	**$ 1,505,204**
34,308	35,627	38,140	45,041	50,351	52,538	**488,312**
111,998	113,771	116,899	120,545	154,396	127,114	**1,009,398**
31,803	38,163	47,491	57,190	74,067	77,365	**518,226**
99,219	77,434	45,100	50,435	69,099	50,630	**694,699**
38.7 %	32.2 %	20.6 %	21.5 %	22.9 %	19.7 %	
16.4 %	7.9 %	–7.3 %	–31.6 %	29.7 %	–13.4 %	
¥ 51,331	¥ 48,172	¥ 37,142	¥ 36,544	¥ 36,544	¥ 33,100	**$ 581,129**
19,284	3,514	(1,314)	(13,147)	6,767	(25,892)	**7,860**
243,164	231,390	189,369	186,987	186,987	176,713	
4,547	4,460	4,468	4,429	4,715	4,672	

5. For the year ended March 31, 2005, depreciation and amortization includes ¥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 valuation gain/loss, translation gain/loss, etc. 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, valuation gain/loss, translation gain/loss, etc. 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 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.

Equity and Equity Ratio



Cash Flows



Staging a Return to Profitability

In the first half of the fiscal year ended March 31, 2010, the difficult market conditions of the preceding fiscal year persisted. As we moved into the second half, however, the economy recovered slightly, boosted by growth in China and other emerging countries and the impact of various countries' economic stimulus measures. This improvement was particularly evident in the semiconductor production equipment business, as orders began to pick up from the second quarter. Through the ongoing implementation of our companywide restructuring plan, we concentrated on reducing fixed costs. As a result, we moved back into the black in the second half. In the fiscal year ending March 31, 2011, we anticipate a solid uptrend in market prices in the Electronic Equipment and Components segment, which should return us to profitability for the year.

Akira Ishida
Chairman and CEO

Masahiro Hashimoto
President and COO

Q Please describe the business environment and operating performance in the fiscal year ended March 31, 2010.

A We staged a return to recovery in the second half, but owing to sluggish market prices in the first half we reported a net loss for the fiscal year.

President: Sales improved in the second half, owing to an upturn in sales of semiconductor production equipment, in line with improved economic circumstances. Sales of flat panel display (FPD) production equipment and graphic arts equipment, however, were sluggish. Consequently, net sales for the year amounted to ¥164.1 billion, down ¥54.9 billion, or 25.1%, from the preceding fiscal year. On the profitability front, owing to the rapid recovery in semiconductor production equipment and the cost-reduction effects of our restructuring plan, we returned to profitability on an operating basis in the second half. However, owing to lackluster first-half sales and the substantial effects of a loss on the revaluation of inventory assets, the Company posted an operating loss for the year of ¥14.0 billion, compared with a ¥4.5 billion operating loss in the preceding fiscal year. The net loss was ¥8.0 billion, compared with a net loss of ¥38.1 billion in the preceding fiscal year.

Q How were dividends in the fiscal year ended March 31, 2010?

A We refrained from the payment of cash dividends. We will do our utmost to stage a return to profitability in the fiscal year ending March 31, 2011.

Chairman: Owing to the fact that we again posted a net loss, as in the preceding fiscal year, it was with deep regret that we refrained from the payment of cash dividends during the year. We recognize that two consecutive years without dividend payments represents a substantial inconvenience for our shareholders, and we apologize sincerely for this situation.

Market prices turned steadily upward in the second half of the fiscal year ended March 31, 2010. This fact, combined with the effects of the cost cuts implemented as part of our restructuring plan have put operating performance on a recovery track. All Dainippon Screen's directors and employees are putting forth their best efforts to stage an early return to profitability and resumption of dividend payments. We would like to ask for your ongoing support of our efforts to achieve these objectives.

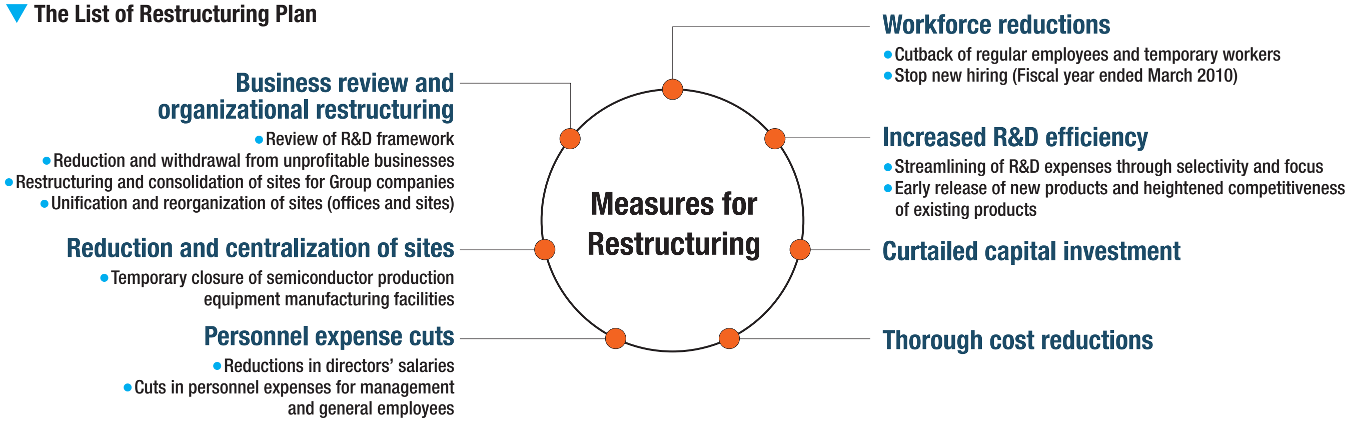
Q How is the financial position?

A To ensure sufficient on-hand liquidity, we took out a syndicated loan of ¥40 billion. We have accelerated payments on this loan, returning ¥20 billion.

President: Amid uncertain economic circumstances, in the first half we raised ¥55 billion in funds thanks to cooperation from financial institutions. Benefiting from the results of cost cuts introduced through our restructuring plan, the reduction of inventories and receivables, and a recovery in the semiconductor industry, cash flow from operating activities recovered in the second quarter. Consequently, late in the second quarter we were able to pay back ¥20 billion of a ¥40 billion syndicated loan. However, as the economic outlook appears likely to remain uncertain for the foreseeable future, we have retained a line of credit totaling ¥40 billion.

On the fisical year ended March 31, 2010, interest-bearing debt amounted to ¥77,217 million, down ¥25,363 million, or 24.7%, from one year earlier. Consequently, as of March 31, 2010, our equity ratio was 29.8%, up 1.7 percentage points from the 28.1% recorded one year previously.

▼ **The List of Restructuring Plan**



Q Please outline the progress of the restructuring plan.

A Our success in reducing costs outperformed our expectations.

Chairman: The restructuring plan called for the Dainippon Screen Group to cut costs amounting to a total of ¥40 billion in the fiscal years ended March 31, 2010 and 2011. This plan was put into effect when the operating environment began its sharp downturn in the second half of 2008. As sales began to fall, we took urgent initiatives to create an organization nevertheless capable of generating profits. In addition to reducing cost of sales and SG&A expenses, we temporarily closed some plant facilities, consolidated sales bases and merged or liquated certain Group companies, and reduced our labor force by accepting voluntary retirements. As we are pushing ahead with efforts to reinforce our structure for generating revenue and profits through operational reform and improving the variable cost ratio, these have been targeted as key issues to address in the fiscal year ending March 31, 2011.

Q How do you view the operating environment for the fiscal year ending March 31, 2011?

A Companies in the semiconductor and FPD industries are boosting their capital investments, but the printing industry appears flat.

Chairman: In the semiconductor production equipment business, we expect that expanding demand for personal computers and smartphones will trigger increased capital investment by manufacturers. We expect the operating environment to remain positive for the foreseeable future. Owing to these circumstances, in April 2010 we recommenced operations at a section of the Taga Site, which had ceased operations in February 2009. In the FPD production equipment business, capital investment by LCD panel manufacturers in China, Taiwan and South Korea is becoming more active. In the graphic arts equipment business, where market prices are soft, we will continue to cut fixed costs and secure sales through expanded product lineups. We have also established Dainippon Screen MT (Hangzhou) Co., Ltd., in China as a base from which to product printing-related equipment for Dainippon Screen. We will shift manufacturing to this facility as part of our efforts to lower the break-even point.

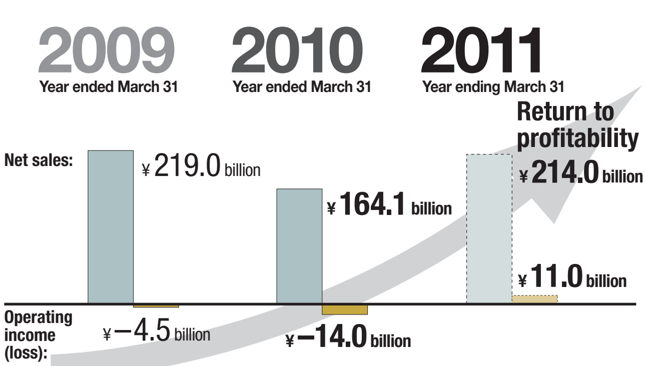
In May 2010, we succeeded in securing numerous orders for CTP and POD equipment at the IPEX trade show, exceeding our expectations. This trade show, which is held in the United Kingdom, is one of the world's four largest trade shows featuring equipment for the printing industry.

Q What is your forecast of operating performance in the fiscal year ending March 31, 2011?

A Through the successful implementation of our restructuring plan, we intend to return firmly to profitability.

President: Looking at the Dainippon Screen Group's operating environment for the year ending March 31, 2011, we expect semiconductor and LCD panel manufacturers to step up their capital investments against a background of rising demand for personal computers, smartphones and LCD televisions. We anticipate sales increases of Semiconductor and FPD production equipment. However, we expect sales related to graphic arts equipment to be flat. Although we anticipate expanded sales in emerging countries, we expect difficult market conditions to prevail in developed countries. In terms of profits, we expect to benefit from higher sales as well as the

Restructuring Plan Progress



1. Cut personnel expenditures .... Achieved
2. Curtail R&D spending .... Achieved
3. Reduce general costs .... Achieved
4. Restructure operations .... Ongoing
5. Improve the variable cost ratio .... Ongoing

Future Measures

Restructure operations

1. Return loss-making subsidiaries to profitability
2. Bolster subordinate operations

Improve the variable cost ratio

1. Reduce cost of sales
2. Shorten lead times
3. Pursue standardization
4. Differentiate products

effects of ongoing cost-cutting measures. However, the sales prices of our products are likely to fall as a result of foreign exchange fluctuations. Consequently, we expect the operating enviroment to remain difficult.

For these reasons, in the fiscal year ending March 31, 2011, our consolidated forecast is for net sales of ¥214 billion, operating income of ¥11 billion, ordinary income of ¥10 billion and net income of ¥9 billion. Ensuring that the Dainippon Screen Group restructuring plan is completed, we are confident of returning to profitability.

At this stage, we have made no decision regarding dividends, as demand situations remain uncertain, particularly for the second half of the fiscal year.

Q What is your future growth strategy?

A We will optimize our business portfolio, including through new business development.

Chairman: The semiconductor production equipment business, which accounts for approximately 60% of Dainippon Screen's consolidated net sales, is subject to the ups and downs of the so-called "silicon cycle," which creates significant shifts in profitability. Furthermore, business dropped off substantially as a result of what some have called a "once-in-a-century" financial crisis, which hit in the first half of the preceding fiscal year.

As it is unlikely that the effects of this downturn will disappear completely from the markets, we have sought to minimize their impact through an improved corporate and earnings structures. To this end, we progress restructuring plan during the fiscal year ended March 31, 2010. We labeled efforts to improve our corporate structure as "defensive" measures. We will now shift to an offensive approach, mounting a strategic structure atop the defensive base that we have built.

Our future focus will be the pursuit of progress. In other words, by revising our corporate and earnings structures we aim to achieve growth and generate substantial profits. To achieve this objective, we will optimize our business portfolio, including through new business development.

Dainippon Screen has a management philosophy that can be translated as the "development of thought." This philosophy has seen our evolution from a glass screen manufacturer to a maker of printing plate-making equipment, with onward development to become an industry leader in semiconductor production and FPD production equipment.

In our new business development, we will begin by observing broad-based trends and then distill down our focus to relatively smaller achievable areas targeted for steady development.

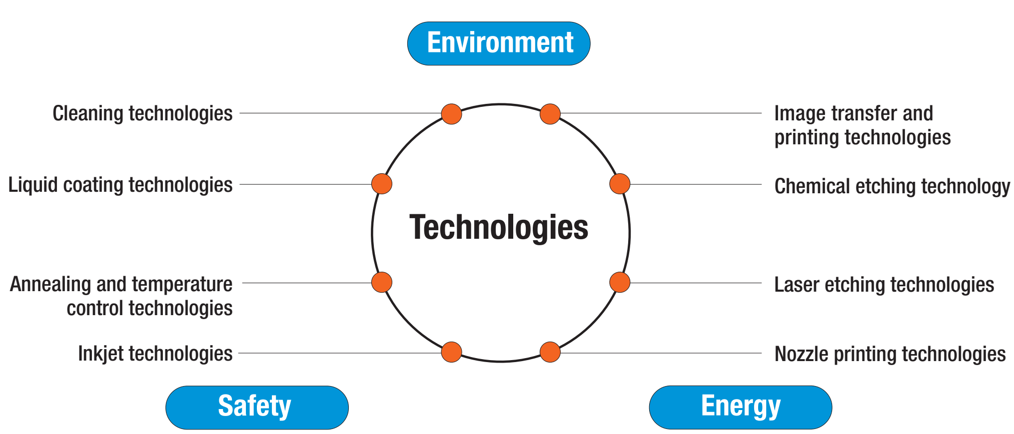
President: In terms of development costs, we will focus our spending by pursuing a path of selection and concentration. This perspective differs from our previous approach of earmarking investment for the semiconductor, FPD or printing industries. Rather, we will look at overall global trends and then drill down to a decision based on our understanding of the overall trends, the knowledge of what Dainippon Screen is capable of achieving and what products and operations require development. To create new products and operations, we will reinforce efforts toward collaboration among our in-house companies and with other business partners.

Q What new businesses are under development?

A We are pursuing developments involving promising new products and fields, including solar cells, organic EL displays and POD.

President: The Dainippon Screen Group is implementing a restructuring plan that aims to create an earnings structure capable of withstanding downturns in the business environment. Developing future activities upon this base, we will optimize our business portfolio, including through new business development, aiming to ensure ongoing growth and substantial

▼ Technologies



profits. We will work to achieve this by remaining sensitive to global trends that go beyond the scope of our individual companies' operations, creating marketing strategies that take into account the Dainippon Screen Group's overall directions.

From the standpoint of new business development, demand for solar power generation is increasing. We are meeting these needs through the development of measurement and evaluation technologies for thin film solar cells. In addition, we are deploying technologies that will reduce the cost of large-panel OLED displays and make their manufacture practical. In the graphic arts equipment business, we are concentrating on inkjet printers. In particular, we are cultivating the POD market (see the feature article).

Going forward, we will focus our management resources on promising new areas that take into consideration the environment, energy and safety, and that have long-term growth potential.

Chairman: In addition to developing new businesses, we are working to create new business structures. In the Semiconductor Equipment Company, we have established a department to focus on post-sales operations. By providing customers with ongoing services, we intend to offset the fluctuations caused by the silicon cycle. We have established SOKUDO Co., Ltd., as a joint venture with Applied Materials, Inc., of the United States. In June 2009, we converted SOKUDO, which specializes in the development and sale of coater/developers, into a consolidated subsidiary. Through SOKUDO and at overseas bases, we will optimize and raise the efficiency of our sales and service structures, working to slim our organization quickly. SOKUDO will also handle new product releases and become part of the system we are establishing to respond flexibly to market demands. Given the current business climate and based on the agreement of both companies, going forward SOKUDO will strive to raise its operational value and boost its competitiveness by making aggressive use of Dainippon Screen's infrastructure to optimize its scale of operations. In addition, Dainippon Screen will manufacture products on consignment for SOKUDO. The decision to turn SOKUDO into a subsidiary was based on the need for a closer relationship in order to achieve these objectives more quickly than in the past.

A new product *SOKUDO DUO* launched in April, 2009 have received high acclaim as new products and will contribute to Dainippon Screen's recovery in the coater/developer market.

Q What are your overseas strategies going forward?

A In Asia, we will strengthen our services and materials procurement. We will also work toward the globalization of our personnel.

Chairman: Dainippon Screen generates approximately 70% of its sales overseas (the fiscal year ended March 31, 2010), and around 70% of this amount originates in Asia. In the past, we created an Asian service structure; we will increase our efforts in this regard. In addition, to achieve further cost reductions we are redoubling the procurement of materials from China.

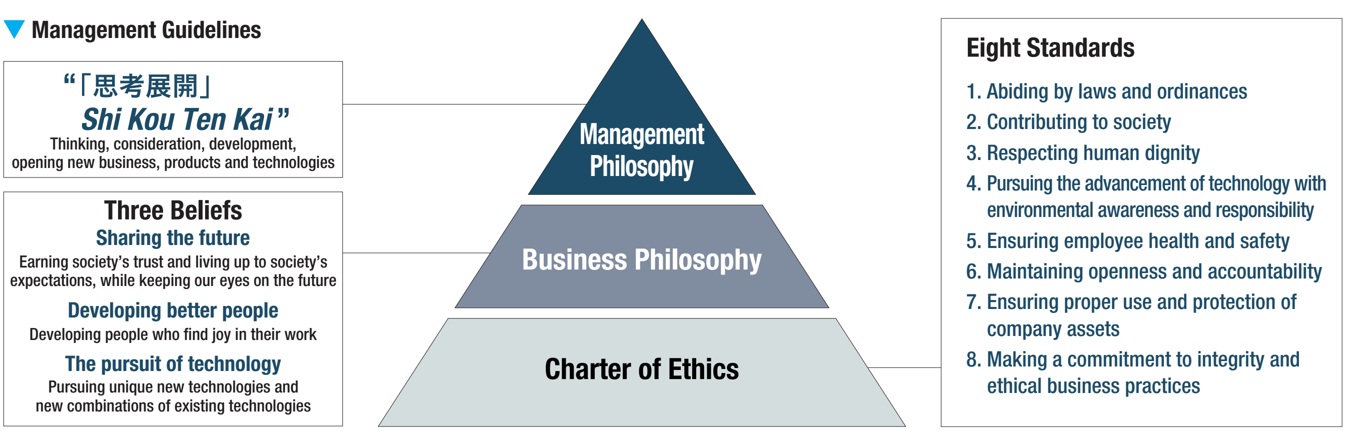
President: Approximately 30% of Dainippon Screen Group personnel are stationed in Asia. As our business becomes increasingly global, international staff will become even more important. We will endeavor to enhance individual employees' capabilities, further expand sales and enhance our service structure to increase customer satisfaction.

Q What are the rules that set in force takeover defense measures?

A Based on a report by an independent committee, we have resolved to confirm shareholders' intentions directly.

Chairman: The validity period for Anti-Takeover Defense

▼ Management Guidelines



Policy introduced following approval by shareholders at the 66th Annual Shareholders' Meeting, held in June 2007, expired in June 2009. We tabled the topic of a structure to better reflect shareholders' intentions by confirming these intentions directly, based on the recommendations of an independent committee. We gained approval for new measures at the 68th Annual Shareholders' Meeting.

Q What are your CSR initiatives?

A We are placing importance on compliance, the environment, safety and product quality.

Chairman: The Dainippon Screen Group sees its corporate social responsibility (CSR) as revolving around the core elements of compliance, the enviroinment, safety and product quality. We contribute to society by paying taxes and distributing profits to shareholders and other investors. We seek to provide products and services that satisfy our cusomters. With regard to suppliers, we strive to steadily increase transaction volumes. We provide employees with steady and appropriate levels of remuneration. Through such efforts, Dainippon Screen aims to enhance its corporate value. Against this background, we sincerely regret our recent downturn in operating performance and the need for workforce reduction.

President: Looking forward, we are striving to raise operating results through the successful ongoing implementation of our restrucutirng plan. We ask for the understanding of our shareholders as we apply our full energy toward increases in Dainippon Screen's economic, environmental and social value.

We are addressing environmental problems through products related to solar cells, OLED display and POD, which will conserve energy and reduce CO_2 emissions for our customers. In our production processes, as well, we are striving to conserve energy, reduce CO_2 emissions, lower our use of hazardous substances and reduce waste emissions. In terms of safety and quality, we conduct thorough risk management on the products and services we provide to customers. We also provide training on working with large equipment as well as training for unskilled employees. In these ways, we aim to raise the level of workplace safety.

Q What are some important future management focuses?

A We will be making the adjustment from a restructuring plan to growth strategies.

President: In the fiscal year ended March 31, 2010, market conditions improved steadily in the second half. This situation, plus the effects of the restructuring plan, caused performance to improve. Rather than rest on our laurels now that the situation appears to be improving, in the fiscal year ending March 31, 2011, we will accelerate the implementation of our restructuring plan, as we work to toward the imperative of returning to profitability.

The growth strategies outlined in the Dainippon Screen Group's medium- to long-term plan call for a recovery in operating performance during the fiscal year ending March 31, 2011. We will announce these results as soon as is feasible.

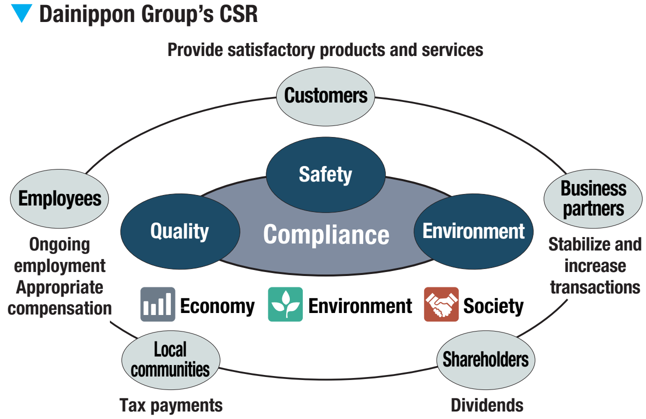
Chairman: To build a more robust base of earnings, expand profitability and strengthen our financial base, we will complete the implementation of our restructuring plan and shift to growth strategies. We ask for the support of our stakeholders as we undertake these endeavors.

June 25, 2010

Akira Ishida
Chairman and CEO

Masahiro Hashimoto
President and COO

▼ Dainippon Group's CSR



Cultivating New Markets under the Theme of Solving Environmental Problems

Print on Demand (POD) Inkjet Printers

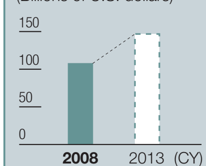
Print Exactly the Right Number, Just When Needed, on Variously Shaped Objects Made of Different Materials

Reducing the Printing Industry's Environmental Impact while Boosting Productivity

According to Japan's Ministry of Economy, Trade and Industry (METI), shipments of printing paper used in Japan in fiscal 2007 totaled approximately 23 million metric tons. Furthermore, approximately 13 million metric tons of CO_2 were emitted to provide the energy used in the papermaking process. The volatile organic compounds (VOCs) emitted by inks and cleaning agents used in the printing process are also said to have a negative effect on humans and the ozone layer. Even worse, typically between 20% and 30% (and sometimes more) of a print run ends up as dead stock, which is processed as waste. The need to find ways to eliminate these wastes of energy, raw materials and costs is a common theme throughout the printing industry in Japan, as well as the rest of the world.

POD Market Forecast (Shipment value)

(Billions of U.S. dollars)



Source: InfoTrends

Dainippon Screen has addressed this situation by developing the *PlateRite* series of Computer to Plate (CTP) products for the commercial printing market, which involves the printing of catalogs and magazines. Whereas conventional printing called for prepress processing, which requires prepress film, the *PlateRite* series eliminates this need, helping to save energy, resources and costs, while boosting productivity. The global printing industry has embraced this series, evidenced by our approximately 35% share of the global CTP market.

We are also working to meet growing needs in the POD market, which allows customers to print exactly the right number of copies, just when needed.

Our development of the *Truepress Jet520* series of POD inkjet printers required us to combine the expertise we had cultivated in imaging technology, precision equipment manufacturing technology and inkjet technology. In addition to being well suited to small-lot printing, this series handles variable printing, which means that it can print documents in

▼ Printing Processes (Simplified)

●Conventional offset printing process

	DTP ▶	Prepress (film output ▶	plate output) ▶	Printing
Equipment used	PC	Image setter	Plate exprosure unit	Press
Consumables		Film	Aluminum printing plates	Ink, paper

●CTP offset printing process

	DTP ▶	▶ Prepress (plate output) ▶	Printing
Equipment used	PC	CTP	Press
Consumables		Aluminum printing plates	Ink, paper

●POD process

	DTP ▶	▶ Printing
Equipment used	PC	Press
Consumables		Ink, paper

Truepress Jet520

which individual pages of each copy contain different information. Financial institutions, among other customers, have found this series helpful for printing the notifications they send out to clients. Such variable printing needs as these are growing worldwide, and we have high hopes for sales of the *TruePress Jet520* series to meet this market expansion.

Environmental performance also is excellent. The *Truepress Jet520* is a series of inkjet printers, so no printing plate is needed. Also, printing requires fewer processes, which helps reduce costs and shorten delivery times, saving resources and energy. According to Dainippon Screen's calculations, using this series for a print run of 1,000 results in a reduction in CO_2 emissions of around 55%, compared with the conventional printing process that requires prepress film.

Expanding Global Printing Market for Billboards, Automobiles and Consumer Electronics

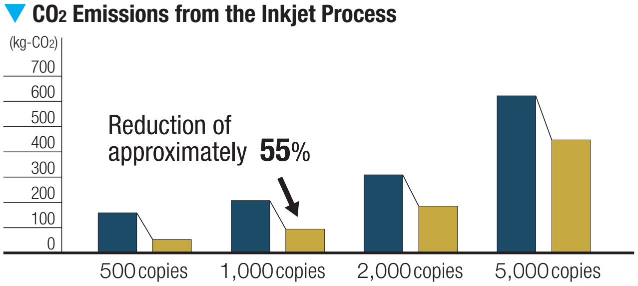
We have also begun full-fledged marketing efforts for our *Truepress JetUV* series. This series employs UV inkjet technology developed by Dainippon Screen subsidiary company Inca Digital Printers, a U.K.-based company acquired in 2005.

UV ink resists color fading due to sunlight exposure and dries quickly, making it an excellent choice for billboards and exterior signage. In addition to paper and cloth, this series facilitates printing on synthetic resins, metals and a host of other materials, and it takes advantage of the inkjet technology's ability to print on curved surfaces as well as flat. These strengths suit the series to printing on various sorts of packaging, materials used in automotive interiors and the exteriors of consumer electronics.

Furthermore, the *Truepress JetUV* series is highly valued for its environmental performance. The series prints using ultraquick-drying UV-cured ink, which reduces VOC emissions.

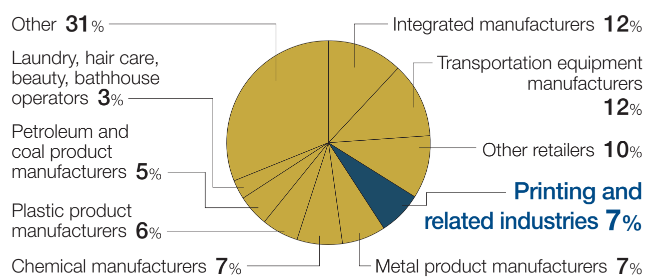
The shipment value of materials printed via POD is said to be rising throughout the world. According to an InfoTrends survey, in 2008 shipments were valued at $110 billion, and by 2013 this market is expected to grow by nearly 40%, to a value of $150 billion. Dainippon Screen looks forward to meeting this expanding demand for POD printing. We also plan to promote the use of *Truepress Jet* series inkjet printers to meet diverse industrial printing needs involving billboards, automobiles and consumer electronics.

▼ CO_2 Emissions from the Inkjet Process



Source: Dainippon Screen (November 2009). Calculation based on power consumed by equipment and paper used and plates.

▼ Fiscal 2005 VOC Emissions by Industry



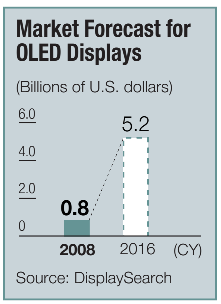
Source: *Fiscal 2007 Report on Volatile Organic Compound (VOC) Emission Inventory*, Ministry of the Environment

Production Technology for Organic EL Displays

Making OLED Displays, a Leading Post-LCD Candidate, Larger and Less Expensive and Reducing Their Environmental Impact

OLED displays work by applying an electric voltage to an organic material, causing it to emit photons. Different from liquid crystal displays (LCDs), OLED displays require no backlights or color filters, which makes them thinner, more lightweight and more energy efficient. At the same time, they offer superior visibility because of their high levels of brightness, wide viewing angle and high response speed. These advantages make OLED displays a top contender for the next generation of displays that will succeed LCDs.

A survey by DisplaySearch, LLC, suggests that the market for OLED displays, which was valued at $826 million in 2009, will rise to $5,201 million in 2016. This number could climb even higher if screen sizes continue to increase, driving anticipated additional demand for televisions and PCs.

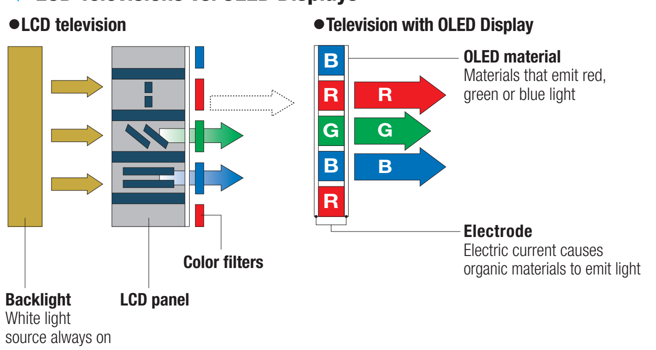


Conventional production technologies present an obstacle, however. In addition to size limitations on the vacuum equipment used for deposition of the OLED film, masking is necessary. The materials that adhere to the masks are wasted, which drives up production costs. Furthermore, masking-related processes are time-consuming.

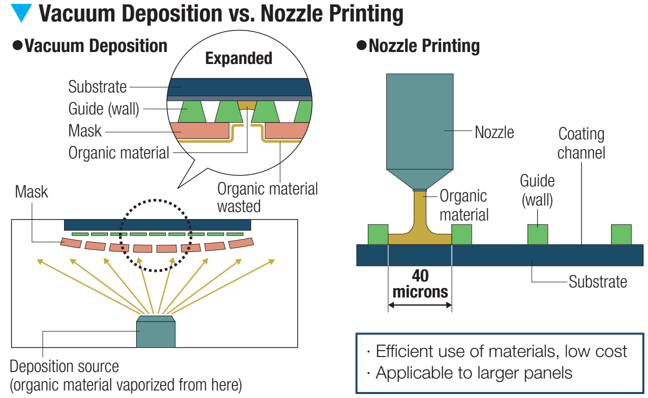
Dainippon Screen has addressed these problems by applying its LCD resist coating development technology, in which it enjoys the top share of the world market. In 2005, Dainippon Screen became the first in the world to successfully develop the nozzle printing method. This technique uses numerous tiny nozzles to discharge organic material steadily and with high precision, coating troughs in a substrate that measure approximately 40 microns in width. As no vacuum equipment or masks are needed, no material is wasted, which has the benefits of holding down manufacturing costs and shortening production time.

The keys to our success with this technology were our coating technologies and development of proprietary liquid OLED materials from DuPont. At the end of 2008, our exclusive patrnership with DuPont culminated in our success in creating the first nozzle printer capable of handling fourth-generation glass substrates (730 × 920 mm). This process has attracted worldwide attention because in addition to conserving materials, it halves the production time needed for each substrate. Our new process is being evaluated for use in the manufacturing processes for larger displays.

▼ LCD Televisions vs. OLED Displays



▼ Vacuum Deposition vs. Nozzle Printing



Technology for Next-Generation Measurement System for Thin Film Solar Cells

Sales Launch of a Film Thickness Measurement System for Thin Film Solar Cells with only 1/100th the Previous Silicon Requirement

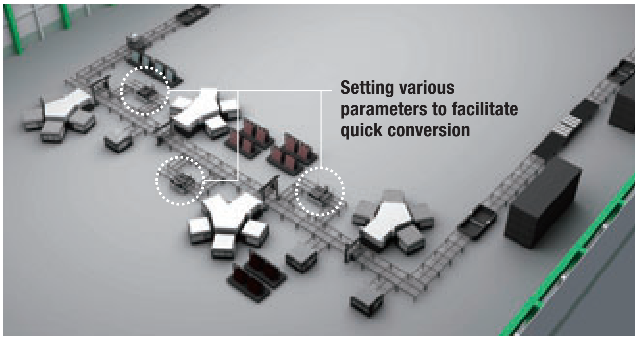
Nowadays, many universities and companies are working to promote the spread of solar cell generation as a new-energy alternative to fossil fuels, and are promoting aggressive research and development toward this end. In this environment, Dainippon Screen developed a spectroscopic ellipsometric film thickness measurement system for thin film solar cells, which launched in 2008. Employing techniques used in measuring film thicknesses on semiconductors and LCD panels, this equipment allows the measurement of thin silicon films for solar cell panels. Used by leading Japanese manufacturers of solar cell panels, this technology helps improve energy conversion efficiency and stabilization.

Also in 2008, we began conducting joint research with Gifu University's Center of Innovative Photovoltaic Systems, pursuing measurement technologies involving next-generation thin film solar cells. The shift to thin film cells was prompted by a shortage in supply and consequent rise in prices, between 2004 and 2008, on silicon for solar cells and semiconductors. Silicon prices have stabilized since 2009, thanks to production increases, but there is little doubt that global demand for solar cells and semiconductors will continue to expand. Thin-film solar cells employ only 1/100th the amount of silicon that was required for conventional silicon crystal solar cells. As thin film solar cell production processes tend to require less time and be more efficient, their production has the benefits of saving energy and reducing costs.

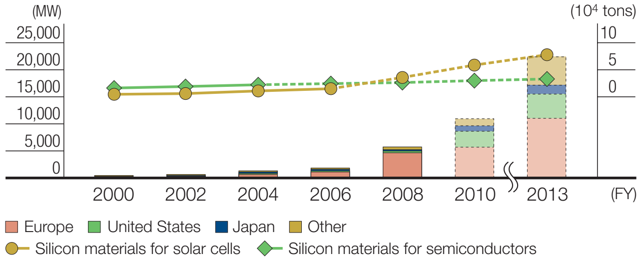
Making a spectroscopic ellipsometric film thickness measurement system for thin film solar cells compatible with the measurement of thin film solar cells required a better method of measuring amorphous and microcrystalline silicon on complex textures. Our joint research with Gifu University removed that roadblock, and, in November 2009, we unveiled the *RE-8000* measurement system for thin film solar cells.

As one of these systems will be needed on each production line, we anticipate strong demand. We displayed our new system at SEMICON China 2010, held in Shanghai in March 2010, as part of our efforts to expand overseas orders, particularly from rapidly growing markets related to the development of solar cells in China, Taiwan, South Korea and other parts of Asia.

▼ Location of the *RE-8000* within the Thin Film Solar Panel Production Process



▼ Forecast Global Demand for Solar Cell Equipment by Region and Global Demand for High-Purity Silicon Materials



Source: European Photovoltaic Industry Association (April 2009)
Trends in Science and Technology, January 2007 edition, National Institute of Science and Technology Policy

Overview of Performance by Company

Semiconductor Equipment Company

Leveraging Leading Market Share and Shifting Operations Swiftly into Top Gear

As we moved into 2009, demand continued to fall, and the company began to brace itself for the fiscal year ended March 31, 2010, which appeared certain to be difficult. However, around summer 2009, orders recovered sharply, as major customers in Taiwan commenced aggressive capital investment. Furthermore, many customers recommenced "investments in miniaturization," and our operations in this category began showing signs of improvement in January 2010.

The forecasts were severe. In 2009, the market for semiconductor production equipment was expected to shrink to around half its 2008 level. This forecast proved inaccurate —in a positive sense—as the Semiconductor Equipment Company recorded a 12.5% increase in sales during the fiscal year ended March 31, 2010, to ¥100.9 billion.

The main reason for this favorable performance was that sales of single wafer cleaning equipment offset the decline in sales of wet stations (batch-type cleaning equipment), while scrubbers sustained a high market share. Furthermore, sales of flash lamp annealing equipment, which had been sluggish, rebounded substantially.

At present, semiconductor manufacturers are making an aggressive effort to supply products for mobile devices, such as smartphones. As numerous research companies predict that in 2010 the semiconductor production equipment market will grow by between 40% and 80%, compared with 2009 levels, this company should enjoy a significant leap in performance in the fiscal year ending March 31, 2011.

Q Please describe your business reorganization initiatives.

A We aim to expand market share and reduce costs.

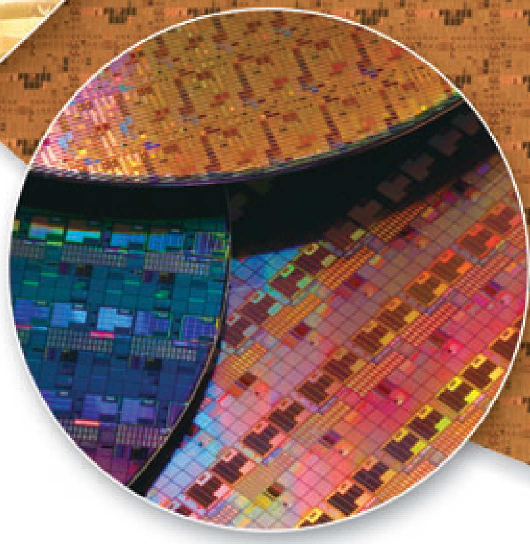
Although we had closed down the Taga Site in February 2009, we recommenced production in April 2010 to meet increased demand. Also, while pushing forward with product R&D in an effort to boost our share of the market for single wafer cleaning equipment, we are continuing to reduce fixed costs. In other words, our theme for the fiscal year ending March 31, 2011, will be the twofold goal of further expanding market share and reducing costs.

We maintain a leading share of the market for cleaning equipment, and we are working to stay a step ahead of customer needs by pushing forward with product standardization and unification before this demand actually emerges. In the future, we will pursue cooperation with other companies in our bid to reduce part counts, curtailing costs through unification. In addition, from the standpoint of upstream design we are shifting toward the inclusion of high-end 3D CAD software in the design process. This will enable us to accelerate design from experimental production mass to production lines. In addition, by holding down fixed and variable costs, this approach will enable us to increase revenues and boost profitability.

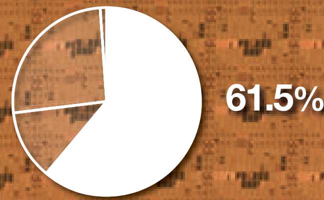
Q What products and businesses will be future focuses?

A We will concentrate on expanding our share in promising new areas, such as single wafer cleaning equipment and flash lamp annealing equipment.

We already enjoy the leading share of the market for single wafer cleaning equipment, but competitors are also stepping up their initiatives in this promising new field. We will focus on reinforcing the strength of our products, thereby expanding our market share.

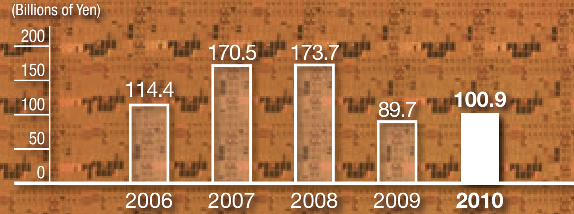


Composition of Net Sales
(Fiscal Year Ended March 31, 2010)



Semiconductor Equipment Company sales rose 12.5% year on year, to ¥100.9 billion.

Net Sales ¥100.9 billion



With regard to flash lamp annealing equipment, which is quickly turning into our second mainstay product, customers are calling for higher levels of performance and greater flexibility in the range of applicable processes (see following page).

Meanwhile, to expand the markets for the products that have been mainstays to date, we will pursue aggressive product development and marketing. Furthermore, we are putting energy into post-sales operations, as we aim to bolster earnings from after-sales services.

In coater/developers, thanks to a substantial increase in productivity at SOKUDO Co., Ltd., a subsidiary company, we expect the full-fledged launch of the *SOKUDO DUO* to bolster sales. Preparing to respond to an increase in orders, we are working to shorten production lead times.

To leverage our advantage as a leading manufacturer, we are shifting operations into top gear as we strive to mount a recovery.

Q Please outline your environmental conservation and other CSR initiatives.

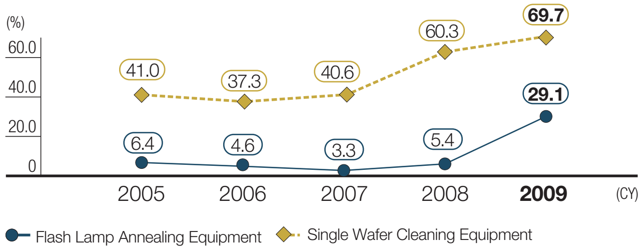
A Our focus is on reducing the environmental impact of our products when in use.

We are concentrating on lowering the environmental impact of our products when in use. Semiconductor production equipment uses large amounts of chemicals and pure water, but by reducing these requirements we can simultaneously meet the needs of our customers: to improve productivity while conserving energy and resources and reducing CO_2 emissions. In terms of social contribution activities, in March 2009, we hosted High Tech U, a program operated by industry organization Semiconductor Equipment and Materials International (SEMI®). This initiative, a free-of-charge program to help train the next generation, involved opening the company's mainstay Hikone Site to help university students. The tour, which helped them understand the role semiconductors play and communicate their intrigue, was a pronounced success.

Going forward, we plan to continue applying our technological capabilities to play a role in society.

Single wafer spray cleaning equipment *SU–3100*

Global Market Share (Sales value basis in 2009)



Source: Gartner, "Market Share: Semiconductor Implant and Thermal Equipment, Worldwide, 2009", 20 April 2010, "Market Share: Semiconductor Etch and Clean Process Equipment, Worldwide, 2009" 19 April 2010

Tadahiro Suhara
President,
Semiconductor Equipment Company

Company Management Highlights

Here, we introduce our recent initiatives from the standpoint of a "triple bottom line."

= Economic perspective = Environmental perspective = Social perspective

New Type of Flash Lamp Annealing Equipment Developed
Offers Improved Performance and Expanded Process Applicability

Conventional flash lamp annealing equipment was only suited for miniaturization technologies down to nodes of 45 nanometers. Meeting customer demand for further performance increases and greater flexibility in process applicability, we created a new lineup of products capable of miniaturization down to 32 nanometers.

The new models feature numerous upgrades and improvement. As a result, rather than just to the circuits formed on the wafer surface, heat is transmitted more deeply to eliminate defects at deeper junctions. In addition to enabling its use on production lines for leading-edge logic devices, these features should suit the model for use on memory device production lines.

Flash lamp annealing equipment *LA-3000-F*

Launch of the *SOKUDO DUO* Coater/Developer
World's Fastest Processing with Up to 40% Higher Wafer Output per Unit Area

In April 2009, SOKUDO Co., Ltd., a Group company of Dainippon Screen, commenced sales of the *SOKUDO DUO*, a coater/developer that achieves unprecedentedly high levels of output per unit area.

Employing a dual-track system that simultaneously applies a photosensitive coating on one line and develops on the other raises throughput to 300 wafers per hour—a world record. The *SOKUDO DUO* improves wafer output per unit area by up to 40% compared with previous single-track systems.

Furthermore, through technologies that can be applied to immersion lithography and other leading-edge miniaturization processes, as well as the employment of proprietary cleaning technologies that boost yields, the new system helps create an environment suitable for the production of next-generation semiconductors.

Coater/developer *SOKUDO DUO*

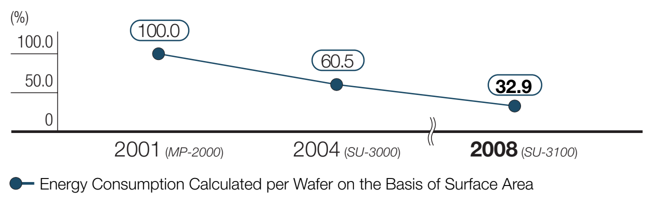
Creation of a Product Energy-Efficiency Roadmap
CO_2 Emissions during Use Down 67% from 2000 Levels

Of the CO_2 emitted during the semiconductor production equipment lifecycle, more than 90% is emitted when customers use these products in manufacturing.

For this reason, in addition to our own production processes, we have concentrated on conserving energy use by products themselves. Measuring energy consumption by using such guidelines as SEMI S23*1, we have created our own product energy-efficiency roadmap in accordance with ITRS*2. As a result, we have achieved a 67%*3 reduction in CO_2 emissions on single wafer cleaning equipment, compared with 2000 levels.

*1 SEMI S23: A guide to the conservation of energy, utilities and materials consumed by semiconductor production equipment.
*2 ITRS (International Technology Roadmap for Semiconductors): A report made by representatives from five economic regions: the United States, Japan, Europe, South Korea and Taiwan.
*3 Comparison of annual energy consumption calculated per wafer on the basis of surface area

Single Wafer Cleaning Equipment Energy Reduction (2001=100)



"Best Delivery Support Award" from Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC)
Customer Support System Rated Highly

Dainippon Screen won the fiscal 2009 "Best Delivery Support Award" from TSMC*, the largest semiconductor manufacturing foundry in the world. This award, presented by TSMC at its supplier chain management forum, is given to suppliers who have made the largest contributions to the company's success. In the "delivery" category, the award is based on strict quarterly reviews that, among other factors, consider the speed with which the supplier is able to deliver products that meet TSMC's demands, the efficiency of system setup and the stability of product operations.

Dainippon Screen delivered many semiconductor cleaning systems that met TSMC's exacting demands. TSMC awarded high ratings to Dainippon Screen's comprehensive service system that provides support every step of the way from system delivery to operation.

* Established in 1987 and located in the city of Hsinchu, Taiwan Semiconductor Manufacturing Company, Ltd. (TMSC), is the world's largest dedicated semiconductor foundry.

Stakeholder Messages

Hiroki Hayashi
Corporate Vice President, Deputy General Manager,
Business Division I, General Manager,
System Unit Business Unit,
Business Division I, USHIO INC.

Supplier Comment

Working Together to Create Products with Strong Environmental Performance and High Productivity

The flash lamp annealing equipment employing the concave surface susception method, which we developed in cooperation with Dainippon Screen, received the Japan Machinery Federation President's award in the 2007 Excellent Saving Energy Equipment category. Compared with equipment employing halogen lamps, this system cuts operational power requirements to one-third or less and reduces to one-half or less the average power required per wafer. We are currently delivering major flash lamp annealing equipment components under consignment for Dainippon Screen. For this production, we are conserving energy through plant power management and reducing resource losses through careful management. In addition, we are striving to cut back on the use of specific chemicals by using alternative substances.

By combining the companies' technologies, we are working together to reduce the environmental impact of our customers. At the same time, we are creating products that contribute to productivity improvements.

Comment from Industry Organization

Cooperating in the Education of the Next Generation of Human Resources

SEMI is an international industry organization serving the companies that manufacture products, provide materials and offer services related to the semiconductor, FPD, photovoltaic generation and other fields. In 2007, we inaugurated High Tech U, a program designed to further the education of high school students by communicating to them the intrigue of science and technology and the importance of semiconductors. Dainippon Screen was the first of our sponsoring companies to open its doors to the program, which led to a tour of its Hikone Site by approximately 50 high school students in 2009.

Dainippon Screen is playing an integral role in activities related to Global Care™, our environmental, health and safety initiative. Going forward, I look forward to communicating to more companies information related to Dainippon Screen's activities and Global Care.

Junko Collins
Senior Manager, EHS & Advocacies
SEMI Japan

Junichi Suketa
Deputy General Manager
Sales Department 1, Sales Operations Division
Semiconductor Equipment Company

Employee Comment

Contributing to Customer Growth

I am in charge of several dozen customers, including a number of leading Japanese semiconductor manufacturers.

These companies curtailed capital investment in 2009, but recent signs indicate that investment levels will increase steadily throughout the industry in 2010. Demand is particularly strong for single wafer cleaning equipment that helps achieve semiconductor miniaturization—a market segment in which our products enjoy a particularly strong reputation and a growing share of the market. In addition to cleaning equipment, demand is growing for our external wafer inspection equipment, which finds application in PCB and LCD production technologies.

Our company's customer-targeted slogan is to "focus on your future." As they recommence their capital expenditures, we will put forth our best efforts to deliver products featuring the levels of quality, service and delivery schedules that will propel them toward future success.

FPD Equipment Company

Pursuing Cost Reductions and Strategic Development to Emerge Victorious from Intense Market Competition

To survive the competition in increasingly vigorous Asian markets, we worked to reduce costs and bolster our competitiveness.
We also endeavored to exploit the technologies we have amassed to date and took proactive measures involving strategic development and collaboration both inside and outside the company to facilitate our entry into promising new fields.

Hayato Hayashi
President,
FPD Equipment Company

During the fiscal year ended March 31, 2010, the FPD Equipment Company posted sales of ¥19.8 billion, down 68.1% from the preceding fiscal year.

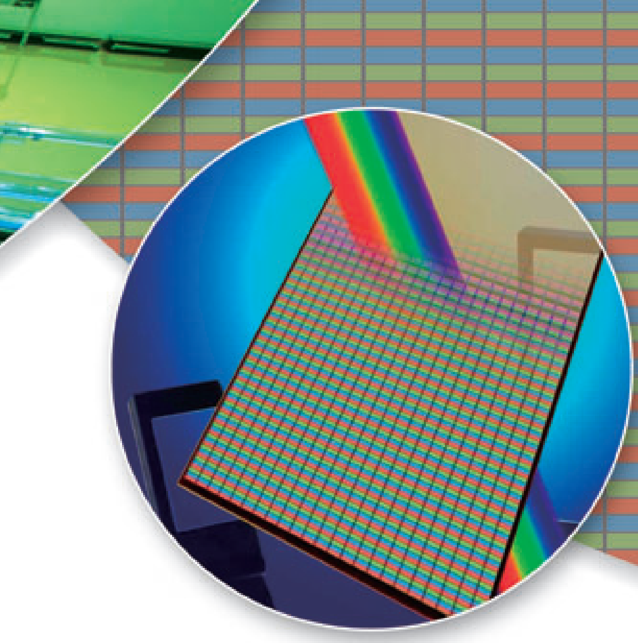
Difficult market conditions, which commenced in autumn 2008, continued throughout the fiscal year ended March 31, 2010. Price competition intensified, particularly against South Korean manufacturers. Under these circumstances, we endeavored to maintain sales levels while reducing costs. We addressed the issue of low-cost products through aggressive ODM sourcing (products that are designed and produced by another company, an original design manufacturer, are specified and branded by another firm) from South Korea. We also prepared to expand parts procurement from China, which included the reinforcement of our quality management system.

Q Please describe your business reorganization initiatives.

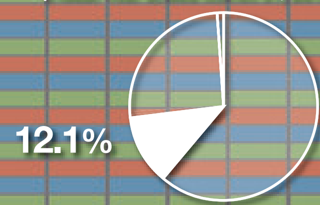
A While shoring up our defenses, we are preparing to take the offensive.

In addition to ODM procurement from South Korea, we are expanding parts procurement from China. FEBACS Co., Ltd., our subsidiary that handles maintenance, has also initiated a project to restructure and expand its operations. This project addresses operations from the defensive standpoint of reducing variable and fixed costs, as well as introducing offensive measures involving the post-LCD business (see the page 21). In the fiscal year ending March 31, 2011, we plan to be particularly proactive in the Chinese market, which is slated for growth. As we believe that the structure of our service organization in China will prove important, we are moving ahead with internal evaluations on this front.

In the field of flat panel display (FPD) production equipment, we have completed the development of coater/developers that are

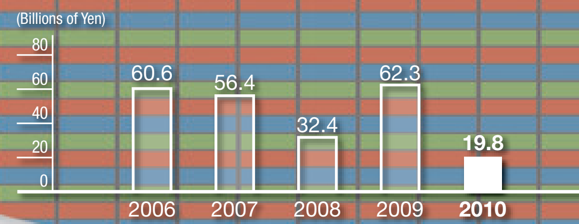


▼ Composition of Net Sales
(Fiscal Year Ended March 31, 2010)



During the year, the company's sales plunged 68.1% year on year, to ¥19.8 billion.

▼ Net Sales ¥19.8 billion



compatible with 11th-generation glass substrates. To reduce costs through process simplification, we have employed a new concept to develop an inkjet spacer printer. With a customer, we are pursuing the test operation and evaluation of equipment that should result in orders for systems that are operational on mass production lines, assuming that capital investments proceed as planned.

In pursuit of sales for OLED display production equipment to panel manufacturers for the South Korean and Taiwanese markets, which have begun making aggressive capital investments, we aim to secure orders for pilot lines in the fiscal year ending March 31, 2011.

Q What products and businesses will be future focuses?

A We are pursuing strategic development in areas that promise growth, including solar cells, lithium-ion batteries and flexible displays.

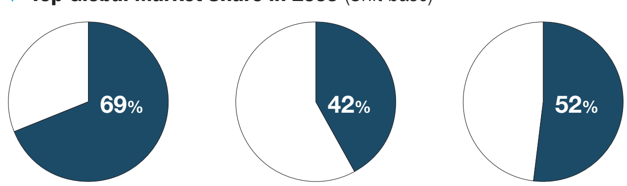
We are concentrating on strategic development that will enable us to enter industries promising future growth. In particular, we are focusing our R&D investments on three related areas: solar cells, lithium-ion batteries and flexible displays.

In solar cells and lithium-ion batteries, we are deploying the company's core coating technologies toward equipment development. We plan to commercialize these technologies in the fiscal years ending March 31, 2012 and 2013.

With regard to flexible displays, recent trends have brought electronic books and electronic paper into the limelight. In addition to the format in which this information is viewed, such developments involve major changes in distribution networks and could have a substantial effect on the entire printing industry. This recent upheaval presents an opportunity for our company. Given the size of this market, we plan to extend our focus from the manufacture and sale of production equipment into the new domain of production processes.

Developing products in new fields will require us to collaborate with other in-house companies, as well as those outside the Group. To this end, we are currently enhancing cooperative relationships with customers, materials manufacturers and equipment manufacturers like ourselves. Such activity represents one aspect of our strategic development, and by searching for fields in which to apply our own technologies, we are strengthening our product development team.

▼ **Top Global Market Share in 2009** (Unit base)

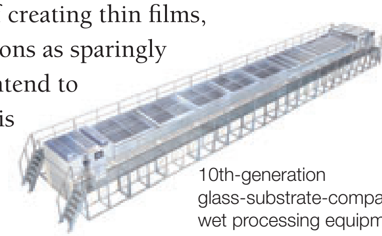


* Production equipment for TFT LCD array processing
Source: DisplaySearch

Q Please outline your environmental conservation and other CSR initiatives.

A We are concentrating on the design of equipment that saves energy and requires fewer resourses.

Production equipment for LCD panel manufacturers currently accounts for around 80% of our company's sales. The size of LCD panels is increasing steadily, and the required amounts of power, water and chemical solutions rise in proportion to the size of their glass substrates. The FPD Equipment Company is working to design equipment that reduces energy and material requirements relative to glass substrate size. In addition, we strive to reduce the environmental impact of customers' production processes by developing equipment capable of creating thin films, using chemical solutions as sparingly as possible, and we intend to redouble efforts in this regard.



10th-generation glass-substrate-compatible wet processing equipment

Company Management Highlights

Here, we introduce our recent initiatives from the standpoint of a "triple bottom line."

= Economic perspective = Environmental perspective = Social perspective

SK **Series of Coater/Developers**

Top Market Share and Industry-Leading Performance for Sixth Consecutive Year

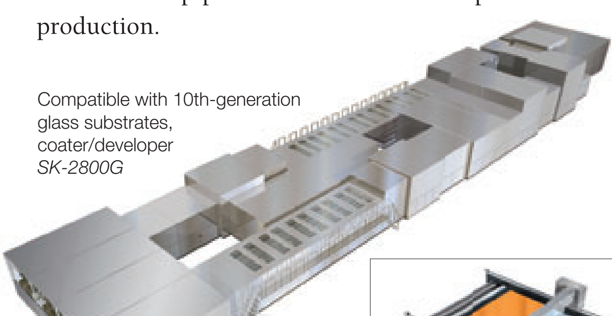
The coater/developers used in FPD production employ photolithography to apply a coating to a resist, which is then developed.

In 2003, Dainippon Screen announced that it would integrate into its existing *SK* series of coater/developers used in FPD production, which already enjoyed a reputation for quality and reliability, the *Linearcoater*® system. We proposed that LCD panel manufacturers try new production methods to take advantage of coater/developers with this superior resist coating system that conserved material and energy use. We followed up this activity with technology and product development initiatives in a bid to meet customer needs for larger glass substrates and low-temperature polysilicon TFTs, among others.

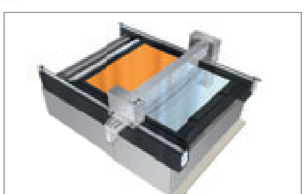
As a result of this addition, the *SK* series now offers the world's top throughput, while achieving a reduced environmental impact. In 2009, our coater/developers for TFT arrays accounted for 69% of total unit shipments, earning us the world's top share of the market for the sixth consecutive year, since 2004. We also maintained our leading industry position in the wet etcher and resist stripper categories.

Twenty years ago, the first generation of LCD glass substrates measured only 320 millimeters by 400 millimeters. Substrates have now progressed into their 10th generation, at 2,850 millimeters by 3,050 millimeters. Meanwhile, demand has mounted for higher productivity, lower costs, greater precision and reduced environmental impact.

By responding promptly to increasingly diverse customer needs in line with FPD advancements, we intend to maintain our leadership position in coater/developers used in FPD production.



Compatible with 10th-generation glass substrates, coater/developer *SK-2800G*



Linearcoater® resist coating system

Progress with the Restructuring and Business Expansion Project

Moving into the Black in the Fiscal Year Ending March 31, 2011

In April 2009, FEBACS, our subsidiary in charge of maintenance for the products we sell, initiated its KJ-PJ initiative. FEBACS has promoted this initiative, which is linked with Dainippon Screen's companywide restructuring project, among all its employees.

KJ-PJ comprises two projects: restructuring (K-PJ) and business expansion (J-PJ). K-PJ involves six themes, including reducing variable costs of production, cutting overheads and improving cash flows. Through these cost improvements, the project seeks to lower the break-even point. J-PJ, meanwhile, emphasizes expansion through the targeting of post-LCD business areas.

Attesting to its success in rolling out these projects, in the fiscal year ended March 31, 2010, the company substantially reduced its losses. In the fiscal year ending March 31, 2011, we aim to put our operations back in the black, despite the severe economic environment.

KJ-PJ Badge

Meeting the Call for Lower Costs

Expanding Parts Procurement from China

The trend toward falling market prices on LCDs has resulted in intense price competition in the market for LCD production equipment. At the same time, while being called upon to lower costs sharply, equipment manufacturers must maintain high levels of quality.

To meet these demands, as one aspect of its restructuring project (K-PJ), the company is working to increase its procurement of parts from China. In April 2010, we stationed personnel in Shanghai, signaling the full-fledged start of the project. This procurement will be in line with our stringent green procurement standards*. We will strive to reduce logistics and other expenses, enabling us to manufacture products in accordance with customers' needs.

* Please refer to the following website for information on green procurement standards.
URL http://www.screen.co.jp/environmentE/green.html

Stakeholder Messages

Supplier Comment

Hoping to Increase Technology and Personnel Exchanges

SEMES is a South Korean manufacturer of FPD production equipment that operates under consignment from Dainippon Screen. For wet processing equipment, we handle all processes from design to parts procurement, processing, assembly and testing. To meet Dainippon Screen's strict quality requirements, we conduct quality control in accordance with ISO 9001 and the SEMES Product System. Our environmental management is based on ISO 14001 guidelines. Out of consideration for our employees, we strive to ensure that our workplace is safe and clean.

As we endeavor to respond quickly and appropriately to changing market needs, in the future we hope to ramp up technology and personnel exchange activities with Dainippon Screen. This cooperation should enable us to take full advantage of both companies' strengths.

Ha-Sang Yoo

Vice President/Board Director
Display Business Division
SEMES Co., Ltd.

Makoto Kikuchi

Managing Director
Musashinoseiki Co., Ltd.

Supplier Comment

Looking Forward to Candid Opinions and Guidance

Although precision equipment processing is our core technology, the products that we deliver to Dainippon Screen are unique for their high degree of precision and difficulty in handling, because of their weight. For these reasons, we take special care when manufacturing these products.

In terms of quality management, we received ISO 9001 certification in November 2005. Our unique technologies in precision processing, combined with our ISO management skills, enable us to meet exacting quality requirements. In the area of environmental management, we received ISO 14001 certification in January 2004, qualifying us under green purchasing requirements. Going forward, we look forward to Dainippon Screen's candid input and guidance with regard to quality and environmental management, as well as measures for ensuring workplace safety.

Employee Comment

Working to Shorten the Interval between Equipment Delivery and the Start of Mass Production

I am involved in processing technology for the coater/developers used in FPD production.

In recent years, the plants that manufacture LCD panels have reduced dramatically the interval between equipment introduction and the start of mass production. Consequently, the level of cleanliness required of the equipment we deliver has risen. To comply with this demand, we assemble equipment in clean rooms and clean all equipment thoroughly prior to delivery. This level of care helps shorten the interval between delivery and the start of mass production. In addition, as equipment increases in size, we address the risk of accidents during assembly and setup by conducting safety training companywide, including courses for partner companies. This type of preventive action has raised our ability to ensure workplace safety. I am working to raise quality and workplace safety levels during the assembly and setup processes, as well as for the equipment itself.

Koji Kizaki

Manager, Production Department 1
Hikone Plant
FPD Equipment Company

Overview of Performance by Company

Media And Precision Technology Company

Developing and Supplying Products in Response to Industry Shifts and Changing Trends

Affected directly by the economic recession, during the fiscal year ended March 31, 2010, the Media And Precision Technology Company strove to respond to the changing market environment and made preparations for a future demand recovery. We are preparing for ongoing increases in sales of our inkjet Print on Demand (POD) systems in the fiscal year ending March 31, 2011. We are also working vigorously in the area of film thickness measurement systems for thin film solar cells—an area harboring promising growth potential. We expect our R&D and market launches in this category to support the company's return to profitability.

Kyohei Fujisawa
President,
Media And Precision Technology Company

During the fiscal year ended March 31, 2010, Media And Precision Technology Company sales amounted to ¥42.7 billion, down 34.4% from the preceding fiscal year.

During the first half, unit sales of Plate Recorders (CTP)—the Graphic Arts Equipment segment mainstay—fell sharply, reflecting the global economic recession. Sales rebounded slightly in the second half, causing the year-on-year decline to be smaller than we had initially expected. A cooling market for digital printers resulted in lower unit sales of equipment related to inkjet printers. Within Other Electronic Equipment and Components, the company fell short of its sales target in the printed circuit board segment, as customers continued to hold back on capital investment. In the second half of the year, however, a sharp recovery centered on the Taiwanese market, prompted a rise in orders for automated optical inspection systems and direct imaging systems.

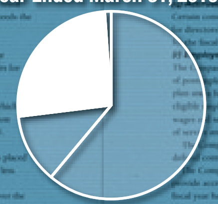
Q What are your business reorganization initiatives?

A We are working to restrain fixed costs and reinforce product capabilities through a focus on selection and concentration.

The progress of our restructuring measures has succeeded in lowering the break-even point. Despite this improvement, however, the company posted a substantial operating loss, stemming from a sharp falloff in sales.

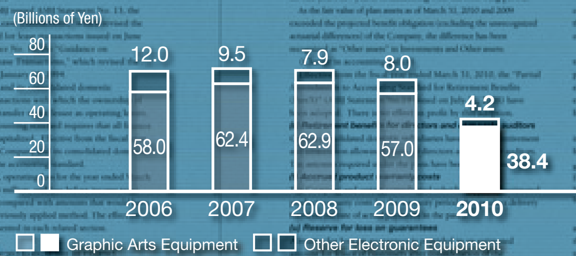
Our efforts toward business reorganization include cutting fixed costs further, securing sales levels by reinforcing our product capabilities and seeking further cost reductions by boosting our capacity in China. In addition, we are pursuing a path of selection and concentration by investing aggressively in R&D in areas of potential growth. Through these combined efforts, we aim to return to profitability in the fiscal year ending March 31, 2011.

▼ Composition of Net Sales
(Fiscal Year Ended March 31, 2010)



During the year, sales of graphic arts equipment dropped 32.7% year on year, and sales of other electronic equipment fell 46.9%. As a result, the company recorded sales of ¥42.7 billion.

▼ Net Sales ¥42.7 billion



Q What products and businesses will be future focuses?

A We are concentrating on variable printing and business related to solar cells.

The printing industry is in a transitional phase characterized by major restructuring. In commercial printing, the previous status quo—demand for high-volume, low-cost printing—is giving way to demand for POD, or printing on an as-needed basis of precisely the number of copies required. In addition to helping reduce costs, this approach is consistent with current societal focuses on the conservation of energy and resources. Consequently, we expect demand in this category to expand. POD is particularly well suited to printing direct mailers and transactional documents, such as invoices and account statements. Compared with conventional commercial printing, the demand for this sort of document is relatively impervious to economic fluctuations. Accordingly, we anticipate steady increases in demand for POD-related products (see the feature article on this topic).

Variable printing allows the printing of individual transactional documents that contain unique information—such as the addressee's personal information. Equipment considerations for variable printers are more elaborate than for conventional printers. We believe that this situation plays to our strengths in inkjet POD equipment. Providing these systems in combination with inspection equipment should contribute to higher sales and profits.

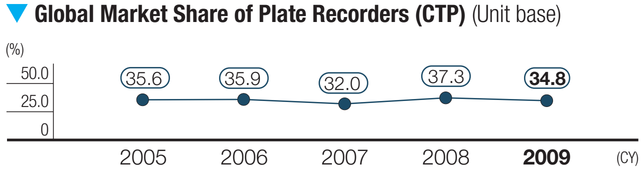
The face of the POD printing industry is changing dramatically, and the Media And Precision Technology Company is responding quickly to the shifting trends by rounding out its portfolio of products featuring higher performance. At IPEX 2010, an international printing industry trade show that began in the United Kingdom on May 18, 2010, we exhibited the *Truepress JetSX*, a full-color variable printing system that handles paper up to B2 size. In addition to print quality rivaling that of offset printing, expectations run high for the system because of its ability to meet market trends toward small-lot, variable printing with short lead times.

For CTP-related equipment, we are increasing the number of models that we produce in China, in line with efforts to achieve further cost reduction and better price competitiveness. We are also in the process of developing a flagship top-performance CTP product.

In Electronic Equipment and Components, we have developed direct patterning systems for manufacturing flexible printed circuits (FPCs) that dramatically reduce power and resource requirements. We expect our systems to have a revolutionary impact on the manufacturing process for FPCs, which are finding increased application in such products as mobile phones and digital cameras (see the following page).

We also have high expectations for film thickness measurement systems for thin film cells, which we have introduced for use in the solar cell industry. We have already delivered such systems to leading Japanese solar cell manufacturers. From the high marks we have received, as solar cell production increases, we look forward to expanded demand for our systems (see feature article).

▼ Global Market Share of Plate Recorders (CTP) (Unit base)



Q Please outline your environmental conservation and other CSR initiatives.

A We have already begun supplying environmental improvement solutions.

The Media And Precision Technology Company makes it a top management priority to provide products and services that help its customers save energy and resources. Media Technology Japan Co., Ltd., a subsidiary that handles domestic sales, working in cooperation with OMRON Corporation, has launched a business that involves proposing environmental improvement solutions, mainly through energy savings, to customers in the printing industry.

Truepress JetSX

Company Management Highlights

Here, we introduce our recent initiatives from the standpoint of a "triple bottom line."

= Economic perspective = Environmental perspective = Social perspective

Development and Launch of the *Truepress Jet520EX*

Meeting the Demand for Monochrome Variable Printing

In recent years, on-demand printing has grown more commonplace. POD is particularly well suited for printing monochrome materials, such as accounting forms and product manuals, in precisely the required numbers and exactly when needed. In May 2010, the company launched the *Truepress Jet520EX*. This high-performance monochrome inkjet printing system features print speeds of up to 128 meters/minute. This model rounds out the company's *Truepress Jet series*, which previously had included only color inkjet printers.

This model attracted attention at IPEX 2010, an international printing industry tradeshow held in Birmingham, the United Kingdom, from May 18 to 25, 2010.

Truepress Jet520EX

Development of the New *Hiragino Kaku Gothic Simplified Chinese Version* Font

First Font by a Japanese Manufacturer to Receive Chinese Government Certification

In August 2009, we launched the *Hiragino Kaku Gothic Simplified Chinese Version*, the newest addition to our *Hiragino* series of fonts, which have earned high acclaim for their quality, both in Japan and overseas. This is the first Chinese font developed by a Japanese manufacturer to receive certification from the Chinese government under the GB18030-2000 official Chinese character sets and coding standard. This font's strengths include a modern design that sets it apart from existing Chinese fonts and quality that can be clearly recognized even at small sizes. The font is ideal for applications that demand readability and superior design, such as packaging, brochures and catalogs for products designed for the Chinese market, as well as books, magazines, websites and signs.

As China's markets continue to expand in tandem with the country's economic growth, global companies are creating China-oriented sales promotion strategies and conducting brand-building exercises. We support these activities from the standpoint of font design.

Launch of the *PlateRite 8000N* Series

New CTP Model Featuring Robust Environmental Performance and Enhanced Operability

In January 2010, we launched the *PlateRite 8000N* series of thermal plate recorders. This series offers enhanced environmental performance, as it helps conserve ink, chemicals solutions and power.

Compared with conventional models, the *PlateRite 8000N* uses up to 28% less power per plate. Furthermore, the model achieves productivity of 36 plates per hour and offers enhanced operability and futher functionality.

Development of Direct Patterning System for Manufacturing Flexible Printed Circuits

Dainippon Screen Earns JPCA Award for Tripling Productivity

Conventional flexible printed circuit (FPC) formation involves the processes of coating photoresist materials, producing and exposing pattern masks and developing and fixing the circuit patterns. Our new direct patterning system streamlines these processes, allowing resist patterns to be printed directly onto the FPCs from drawing data. We unveiled this system in June 2009 through a reference display at the JPCA Show 2009, held by the Japan Electronics Packaging and Circuits Association (JPCA).

Exhibition-goers showed strong interest in our new system, which triples the productivity of conventional methods, lowers equipment and materials costs and features reduced environmental impact. The system's strong showing earned us our fifth JPCA Award, and we conducted a special seminar in a separate conference room.

Direct patterning system

At the award ceremony

***EQUIOSNET*: Turning a New Printing Concept into Reality**

Various Problems Resolved through Full Process Automation

In May 2008, we announced our new *EQUIOSNET* integrated workflow concept at drupa2008, the world's largest trade fair for the print media industry. *EQUIOSNET*, which integrates the CTP and POD workflows, attracted industry attention. Later, in June 2009, we initiated an *EQUIOSNET* partnership program to turn this concept into reality by offering a solution that fully automates all printing processes and employs an open-access environment, providing the solution to printing companies in collaboration with vendor partners.

The advances that this program has made possible have helped to solve a number of persistent issues in the printing industry, such as concentration of personnel and the tendency for mistakes to arise during printing.

Stakeholder Messages

Daisuke Segawa
President and CEO
InfoPrint Solutions Company, LLC

Customer Comment

Partnering with Us to Expand the Variable Printer Market

To move into the variable printer market, we are working to expand sales of the *InfoPrint 5000,* which is capable of the high-speed printing of different information on each sheet in a roll of continuous forms. We have commissioned Dainippon Screen to manufacture this printer for us on an OEM basis. The biggest reason our partnership with Dainippon Screen has come to fruition was that we recognized that the inkjet technology used in its *Truepress Jet520* would be optimal for variable printing.

By adding various functions, we plan to turn the *InfoPrint 5000* into a series. In the process, we look forward to forging an even stronger relationship with Dainippon Screen as we together develop inkjet printing systems and expand the market.

Affiliated Company Comment

Striving to Reduce Costs while Maintaining Japanese Quality Levels

A Dainippon Screen subsidiary based in China, we manufacture printing-related equipment. Our goal is to help reduce costs, while maintaining quality levels equivalent to production in Japan, and thus far our products have been well received in markets throughout the world. To reach our objectives, we are enhancing our manufacturing system to stabilize output meeting higher demand levels. We are also working to procure higher quality parts locally on a stable basis. In the process, we are transferring to China technologies amassed in Japan; we consider the accumulation and development of these technologies in China to be our corporate mission.

In addition to exporting to Japan, we supply products for the Chinese market. The printing market is expanding rapidly, in line with the country's economic growth. We anticipate future increases in sales for CTP, which is garnering attention for its ability to curtail printing costs.

Masato Suemori
Gerenal Manager
Dainippon Screen MT (Hangzhou) Co., Ltd.

Hiroshi Okamoto
Manager
Inkjet Product Development Department
Product Development Division
Media And Precision Technology Company

Employee Comment

Making Further Advances in Full-Color Variable Printing

I am involved in the development of inkjet products, for which demand is expected to continue growing. In recent years, demand for variable printing has increased, as it facilitates printing that can be tailored to individuals, which is particularly useful for such items as direct mail flyers and credit card invoices, which contain different information for each recipient. Our *Truepress Jet520* series full-color variable printing system is well suited to this task, as it enables text and images to be changed on every printed page. In addition, the lineup is extensive, and these systems feature high-speed, high-quality printing. To meet mounting demand, we are incorporating a host of proprietary technologies involving conveyance, drying, dot formation and color management.

At present, I lead a team that is evaluating the performance of inkjet heads and inks. Our mission is to develop the basic technologies and enhanced image quality that will be used in next-generation products. I believe that our team's research efforts on a daily basis will enable further advances in full-color variable printing.

Governance

Corporate Governance and Internal Control Systems

Dainippon Screen will pursue transparent management, financial health, and efficiency.

By enhancing corporate governance, the Screen Group is aiming for transparent management, financial health, and efficiency in order to comprehensively ensure profits for all stakeholders.

Basic Policy

We Aim to Secure Overall Benefits for Shareholders and Other Stakeholders

To ensure its provision of overall benefits to shareholders and other stakeholders, the Dainippon Screen Group is endeavoring to enhance its corporate governance framework, with the aim of greater management transparency, more soundness and higher efficiency.

Moreover, the Group is implementing Corporate Social Responsibility (CSR) Management. Three specific areas are being addressed: "Strengthened Corporate Governance," "Enhanced Internal Control Functions" and "Environmental and Safety Management."

Corporate Governance Structure

Outside Directors and Outside Corporate Auditors Provide Management Check/Audit Function

As the highest management decision-making body of the Dainippon Screen Group, the Board of Directors is responsible for decisions and approval regarding important matters and for supervising the implementation of business operations. The Board convenes regularly once a month, and at other times as deemed necessary.

In 2000, the Group began appointing outside directors to provide a management checking function. At present, the Group has seven directors, three of whom are outside directors. In addition, since April 1999, Dainippon Screen has employed a corporate officer system to speed decision-making by increasing management efficiency and strengthening operational functions. 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. In principle, the Management Committee meets twice a month. In addition, the Company has established the Consolidated Management Committee Meeting, which includes all Management Committee members, as well as outside directors and Group company presidents. This council meets four times per year.

The Dainippon Screen Group has adopted the corporate auditor system. The Board of Auditors comprises four members, including two outside corporate auditors. Auditors conduct director hearings, attend important meetings and undertake audits of Group offices and companies. These audits are conducted to confirm whether operations are being conducted appropriately and meet legal compliance requirements. The Group Auditing Department operates the system that promotes internal control groupwide.

Internal Control System

Internal Controls Evaluated; Operating Status Audited by the Group Auditing Department

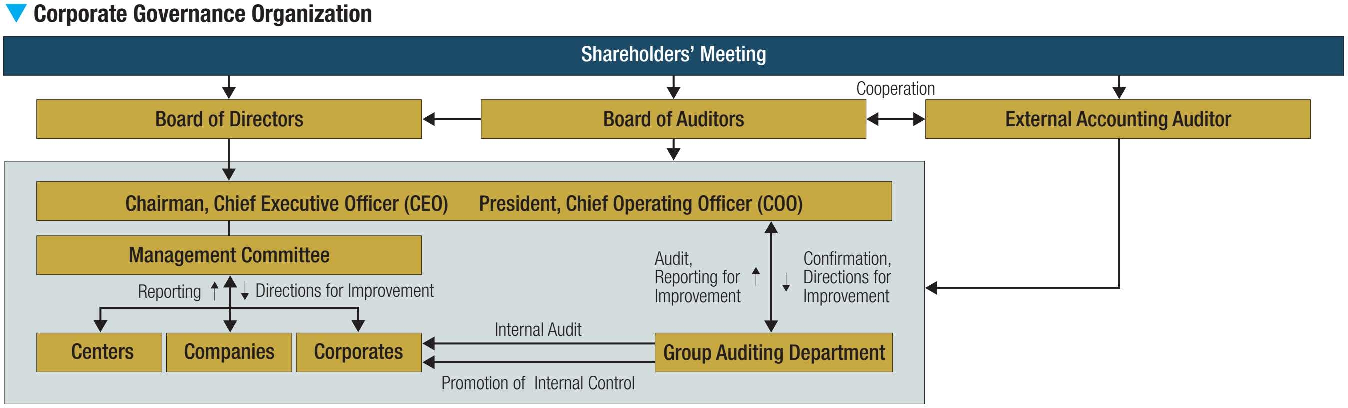
In accordance with a Board of Directors resolution passed in May 2006, the Group created an Internal Control Promotion Department. Upon its creation of an internal control system, this department was absorbed into the Group Auditing Department in October 2009.

The Group Auditing Department manages the operational status of the internal control system by performing internal control audits, which include the confirming the reliability of operational processes and financial indicators.

Purposes of the Internal Control System

1. Disseminating information on the importance and content of the internal control system
2. Documenting the major operations performed by each organizational unit and Group company
3. Building a compliance system
4. Building a business risk management system
5. Building a system for ensuring the reliability of financial reporting

▼ Corporate Governance Organization



Directors

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 Corporate Strategy,
Finance and Accounting,
and General Affairs
General Manager of Management Operation Division
General Manager of Business Service Center

Masashi Arita
Director
Chief Technology Officer (CTO)
General Manager of Technology
Center

Yoshio Tateisi
Director
Chairman of the Board of Directors,
OMRON Corporation

Takeshi Isayama
Director
Senior Advisor to The Carlyle Japan LLC,
Outside Director of Terumo Corporation,
Outside Director of Renault S.A.S.

Toru Matsumoto
Director
Attorney at Law, Admitted to the Bar
in Japan and New York,
Aqua Yodoyabashi Law Offices

Corporate Auditors

Kazuya Noguri
Senior Corporate Auditor

Hiroshi Yamamoto
Corporate Auditor

Hideaki Shirota
Corporate Auditor
Advisor to Kyogin
Lease & Capital Co., Ltd.

Mikio Mori
Corporate Auditor
President of
Shiga DC Card Co., Ltd.
President of
Shigagin JCB Co., Ltd.

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

Corporate Officers

Corporate Executive Officers	**Akira Yamano**	Vice President and Chief Technology Officer (CTO) of SOKUDO Co., Ltd.
	Kyohei Fujisawa	President of Media And Precision Technology Company
	Eiji Kakiuchi	Chief Officer of security trade, GPS Department and sales promotion support
Corporate Officers (Senior)	**Tatsuo Miyawaki**	Deputy General Manager of Business Service Center
	Hayato Hayashi	President of FPD Equipment Company
	Tadahiro Suhara	President of Semiconductor Equipment Company, President and CEO of SOKUDO Co., Ltd.,
Corporate Officers	**Shunichi Kadowaki**	Vice President of Semiconductor Equipment Company
	Soichi Nadahara	Vice President of Semiconductor Equipment Company
	Katsumi Shimaji	Deputy General Manager of Development & Manufacturing Management Division
	Toshio Hiroe	Deputy General Manager of Research & Development Center
	Shin Minamishima	Deputy General Manager of Business Service Center
	Hisao Nishizawa	General Manager of Development & Manufacturing Management Division

Compliance and Risk Management

The company appropriately manages business risk by ensuring thorough legal compliance.

The Dainippon Screen Group emphasizes compliance and risk management as the foundation of its business management and corporate social responsibility (CSR). We practice fair and appropriate Group management through comprehensive auditing of our overall operations.

Compliance Policy

Revising Our "Code of Ethics" to Strengthen Security Trade Control

Since 2002, when the Dainippon Screen Group instituted its Charter of Ethics stating its commitment to comply with legal statues and abide by societal norms, the Group has striven for complete compliance by its officers and employees. When we formulated the Charter of Ethics, we also created a Code of Ethics at a Glance handbook, which provides cautionary notes on the protection of human rights in daily work, gift-giving and business entertainment, and discusses how to eliminate unethical business practices. We have also continually advanced compliance education, including yearly stratified courses making use of the handbook for employees of Dainippon Screen and the Group companies.

We revised the Code of Ethics in April 2009, incorporating new articles concerning full observance of each country's export laws, internal monitoring of compliance status and thorough verification of the intended uses and purchasers of certain products. These new articles specify to all our employees the issues that the Group must constantly bear in mind as a manufacturer and exporter of cutting-edge industrial equipment for electronics manufacturing, in light of the growing societal demand for security trade control triggered by recent concerns about global terrorism and nuclear weapon stockpiles.

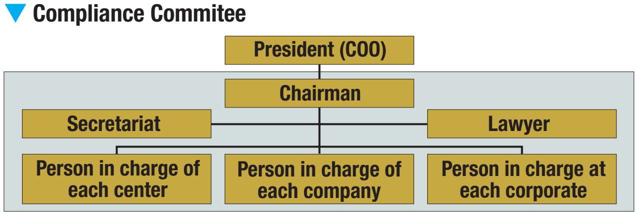
Compliance Promotion System

A Compliance Committee Focused on Observance of the Subcontract Act, Appropriate Contracting and Temporary Employment, and Elimination of Insider Trading

The Group maintains a Compliance Committee as its compliance promotion body. Members of the committee, chaired by the executive in charge of compliance affairs, comprise people in charge of management at corporate departments and of each company and center (organizations that provide various services to the Group companies). The Committee is operated with legal advice provided by a lawyer.

In the fiscal year ended March 31, 2010, under unusually severe economic conditions, the Committee emphasized observance of the Subcontract Act, appropriate contracting and temporary employment, and elimination of insider trading. To ensure observance of the Subcontract Act and appropriate contracting and temporary employment, we held hearings following direct inspection requests issued to personnel at each business site and reviewed contracts with suppliers and work processes. To eliminate insider trading, we furnished top management at each company with specific examples of internal information that could influence share prices to enhance their understanding and encouraged greater familiarity with information management.

▼ Compliance Commitee



Compliance Auditing

Horizontal Deployment of Audit Results within the Group via the Group Auditing Department

The status of legal compliance and adherence to corporate ethics is audited internally by the Group Audit Department, which reports directly to a representative director and performed a total of 19 audits on departments and Group companies in the fiscal year ended March 31, 2010.

Based on the audits of the Group Audit Department, we promptly took measures to correct problems and implemented these measures laterally among all the Group companies. We plan to strengthen audits of overseas Group companies in the fiscal year ending March 31, 2011.

Risk Management

Thorough Risk Ascertainment and Management via the Internal Control Committee, and Comprehensive Risk Audits via the Group Auditing Department

To promote its risk management functions, the Group maintains an Internal Control Committee chaired by the President, a Compliance Committee, a Disaster Risk Committee, an Environmental Steering Committee, a Committee for the Protection of Trade Secrets and a Timely Disclosure Committee.

In the fiscal year ended March 31, 2010, we established disaster risk management rules in April to enhance the management structure. We also provided training for new employees on legal matters, internal controls and security trade control. Moreover, we administered six security trade control internal certification tests and six product classifier tests.

The Group Auditing Department performs risk audits on general work processes and carries out audits and correcting action through management systems, such as ISO 14001, and via security trade control and management of confidential sales information.

Management of the Environment, Safety and Quality

We comprehensively promote environmental conservation, occupational health and safety management.

The Dainippon Screen Group emphasizes its corporate social responsibilities (CSR) concerning the environment, health and safety, and quality. In launching its three-year environment, health and safety management plan, Green Value (GV) 21, in April 2009, the Group supplemented environmental conservation with occupational health and safety management and created a framework for managing these commitments.

Management System (MS) Integration Plan

Formulating Green Value (GV) 21 with the Aim of Integrating the Three Management Systems: Environment, Occupational Health and Safety, and Quality

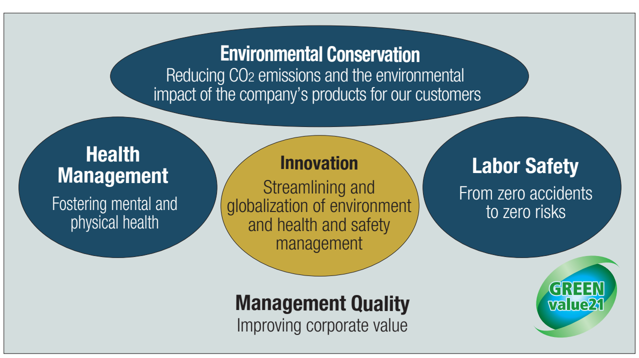
Dainippon Screen formulated its medium-term environment, health and safety management plan, Green Value (GV) 21, in March 2009 with three themes: environmental conservation focusing on curbing global warming, occupational safety that eliminates occupational injury risks attendant to larger product sizes and diversification of employment forms, and health management that protects the mind and body from illness.

Propelled by innovation, GV21 is a three-year plan to integrate the environmental and occupational health and safety management systems of the whole Group worldwide. In achieving this integration, we aim to boost the Group's corporate value and enhance management quality in the eyes of our customers, employees and all our stakeholders. (See Fig. 1)

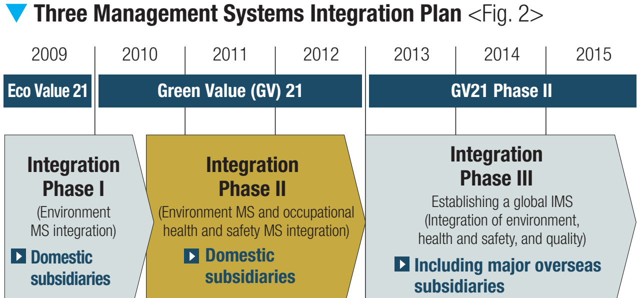
As shown below, we completed Phase I of the integration in the fiscal year ended March 31, 2010, with the integration of the environment MS (ISO 14001) into the Group. For Phase II, we plan to complete the integration of the environment MS and the occupational health and safety MS (OHSAS 18001) in the fiscal year ended March 31, 2012, having commenced preparations for integration and operation of the environment MS and the occupational health and safety MS in April 2010.

In Phase III (GV21, Phase II), we would like to complete integration of the environment and occupational heath and safety MS with the quality MS (ISO 9001) by March 31, 2015. (See Fig. 2)

▼ Green Value (GV) 21 <Fig. 1>



▼ Three Management Systems Integration Plan <Fig. 2>



Please refer to our website for information regarding the status of management system certification. URL http://www.screen.co.jp/environmentE/iso.html

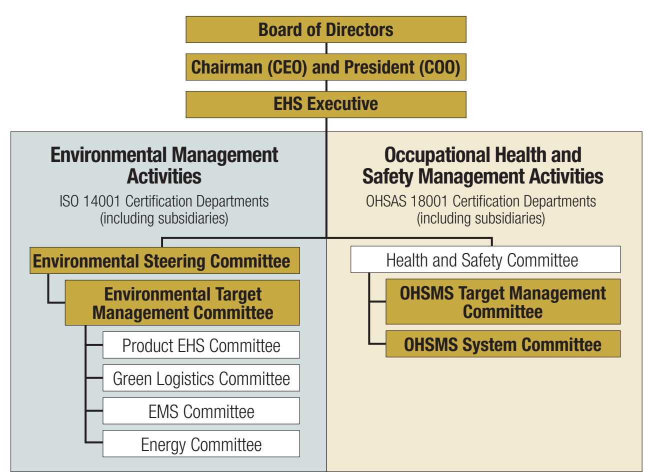
The EHS Management System

Management System for the Environment and Occupational Health and Safety (EHS)

In October 2009, the Dainippon Screen Group integrated the environment MS (ISO 14001) certifications that each of its business sites and the subsidiaries had obtained at that time. Alongside this integration, we established a Group Environmental Policy that unified the environmental policies of the Company and its subsidiaries in Japan. We intend to extend this environmental policy to cover even the business sites and service stations of the subsidiaries in Japan.

In the 13th Evaluation of Environmental Management Level announced in December 2009 by Nikkei Inc., Dainippon Screen ranked No. 125 out of all manufacturers, representing a substantial jump from the previous ranking of No. 230. This improvement recognizes our environmental activities and other efforts that cut across the organization, thanks to the integration of the environment MS into the subsidiaries.

▼ The EHS Management System <Fig. 3>



Please refer to our website for information about our "Basic Policy on Environmental, Health and Safety Management." URL http://www.screen.co.jp/environmentE/concept.html

We will lessen the environmental impact of all aspects of our business activities.

In addition to minimizing the environmental impact of its manufacturing activities, the Dainippon Screen Group actively contributes to its customers' environmental efforts by pursuing products that are kind to people and the planet.

Reducing CO_2 Emissions

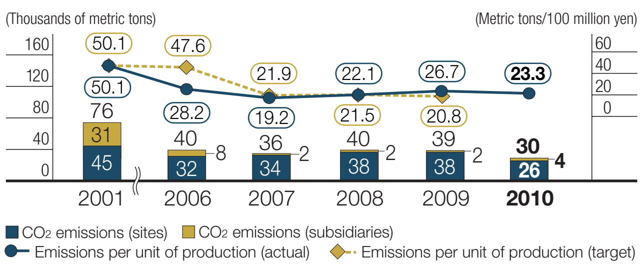
Improved Methods of Equipment Utilization Cut Emissions by 23% Compared with the Preceding Fiscal Year

In the fiscal year ended March 31, 2010, Dainippon Screen optimized its equipment utilization methods, designated "no-overtime" days at Headquarters and each business site, and saved energy used in running computers, with the goal of reducing total CO_2 emissions originating from electric power used in the company's business activities by 5% compared with the preceding fiscal year.

Such efforts lowered CO_2 emissions resulting from the company's business activities by 23%* compared with the preceding fiscal year, to about 30,000 metric tons.

* Please refer to the "Greenhouse Gases" section of the data sheets for information concerning the basis for calculation.

▼ CO_2 Emissions* and Emissions per Unit of Production



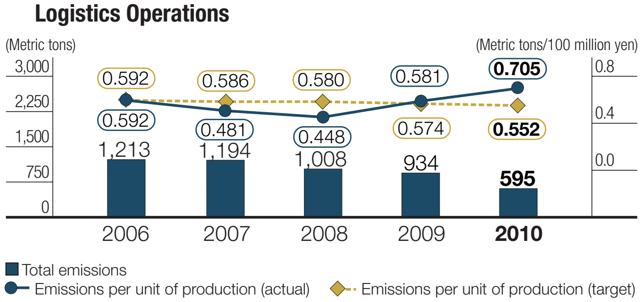
* CO_2 emissions are rounded to the nearest hundred metric tons.

Advancing Marine Shipping and Other Modal Shifts

Dainippon Screen is promoting a modal shift from using trucks for shipping to using marine and rail shipping. We are also expanding our use of low-pollution vehicles for truck shipping.

In the fiscal year ended March 31, 2010, we promoted the use of domestic vessels and Japan Railways containers for shipping between Osaka and Shimonoseki/Hakata. We especially increased utilization of domestic vessels for shipments for which they were an option to 57%, surpassing the preceding fiscal year's 45% utilization rate.

▼ CO_2 Emissions* and Emissions per Unit of Production from Logistics Operations



* Cargo weight (in tons) multiplied by the distance transported (in kilometers)

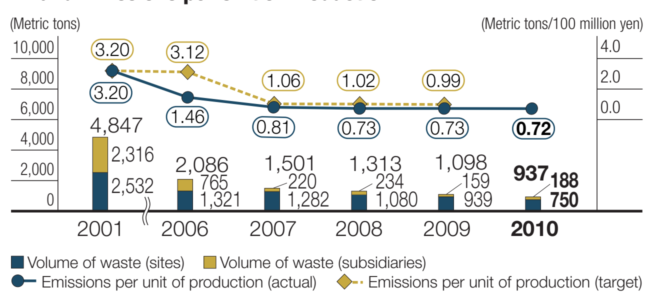
Reduction of Emissions

From Waste Reduction to Reduction of Total Emissions

In the fiscal year ended March 31, 2010, the company expanded its calculations of emissions from its business sites to include all emissions outside the company—both wastes and valuable resources—instead of only counting wastes. We also divided recyclables into thermal and material resources to create another mechanism to curtail environmental impact both quantitatively and qualitatively.

To reduce packaging materials, we advanced mainly new packaging arrangements (SPA) using reinforced corrugated fiberboard to package semiconductor production equipment for export. The changeover to SPA enables a reduction in lumber usage of approximately 50% or more, through which we succeeded in saving approximately 260 metric tons of lumber.

▼ Volume of Emissions (Volume of Waste)* outside the Company and Emissions per Unit of Production



* Indicates volume of waste through March 31, 2009; indicates volume of emissions outside the Company in the year ended March 31, 2010

* Volume of emissions (volume of waste) outside the Company are rounded to the nearest metric tons.

Expanding the Range of Green Products

Disclosing Environmental Performance to Boost Green Products to 40% of Total Sales

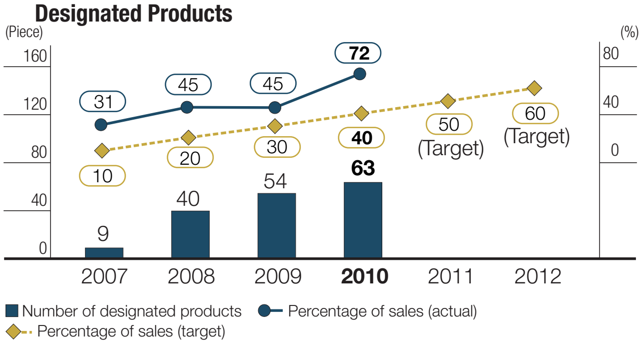
Since the year ended March 31, 2007, the Dainippon Screen Group has designated products that meet its own assessment standards for low energy and resource usage as "green products" (environmentally friendly products) and worked to expand such products.

In the fiscal year ended March 31, 2010, we promoted the virtues of green products on the business introduction pages of our website, aiming to have green products account for at least 40% of our net sales.

▼ Assessment Criteria

- Enegy saving
- Resource conservation
- Reuse or recycle
- Safety and chemical substance management
- Information availability

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



Chemical Substance Management

Managing Substances Requiring Notification under the RoHS Directive as Prohibited Substances

The Company manages 16 groups of chemical substances contained in its products as prohibited substances. These substances include those requiring notification of emission quantities under Japan's Pollutants Release and Transfer Register (PRTR) Law, those specified in the European Union's REACH regulation on chemical substances and those covered in the E.U.'s RoHS Directive, which restricts the use of designated hazardous substances in electrical and electronic devices.

We are steadily pursuing alternative substances based on surveys of the substances contained in the components and parts of major products, with the aim of fully eliminating the use of prohibited substances in major products during the fiscal year ending March 31, 2012.

Preventing Water and Soil Pollution

At our sites subject to applicable laws and regulations in Kuze, Kumiyama, Yasu and Hikone, we measure wastewater and the groundwater quality as part of our efforts to prevent water and soil pollution to verify that there are no issues.

Under an agreement with the local government, the Yasu Site even tests for heavy metals that it does not use, reporting the results to government agencies and cooperating in surveys on the presence, absence and changes in levels of contaminants.

Environmental Education

Holding Study Sessions on Environmentally Friendly Design and the "Eco Test"

In December 2009, the Kyoto Industrial Association held the Fifth Ordinary Meeting of the Kyoto Environmental Management Study Group at the Company's Head Office. Themed around the European Union's ErP Directive* seeking ecological design for products, the meeting included lectures on how Japan's manufacturing industry should accommodate the directive. Eighteen employees of Dainippon Screen attended—most of them on the Product EHS Committee.

Since April 2009, the subsidiary Media Technology Japan Co., Ltd., has also been holding study sessions in a concerted effort for its employees to undertake the Certification Test for Environmental Specialists (Eco Test) administered by the Tokyo Chamber of Commerce and Industry. Out of approximately 120 employees, nearly 70% have already passed the test and are using it to enhance their environmental awareness and implement environmental business practices.

* An E.U. directive requiring environmentally friendly design for products that rely on electricity or fossil fuels


An Eco Test study session

Environmental Accounting

Expense Reduction through Integration of ISO 14001

In the fiscal year ended March 31, 2010, the management- and activities-related maintenance costs for expenditure on environmental conservation did not change significantly compared with the preceding year. However, resource circulation costs–which are directly linked to production quantities–fell, thanks to a decline in the amount of waste.

For administration costs not originating from production quantities, we were also able to cut necessary expenditures for certification and conventional procedures by approximately 50%, through Group integration of ISO 14001 (unifying seven programs into one).

Preserving Biodiversity

International Water Forum for High School Students Giving Tours of Wastewater Treatment Facilities

Tomohiko Horie
Manager, Hikone General Affairs Section, General Affairs Department, General Affairs Group, Business Service Center

In February 2010, 19 high school students from Japan and overseas who were participating in the International Water Forum for High School Students in Shiga Prefecture visited the Company's Hikone Site to tour its wastewater treatment facilities. The forum, hosted by Ritsumeikan Moriyama Senior High School, invited high school students from Japan and abroad in order to raise awareness about water environments and biodiversity. Dainippon Screen was chosen as a tour site because it is one of the companies whose wastewater treatment respects the biodiversity of Lake Biwa. Comments from the visiting students included, "I was surprised that you were taking water from Lake Biwa and making it clean again."

For further information on "Environmental Initiatives," please refer to the *Detailed Environmental Information Edition* and the Data Sheets. URL http://www.screen.co.jp/environmentE/list.html

Society

Our Responsibility to Employees

We are promoting the creation of a safe and comfortable workplace.

We make an effort to create a safe, healthy and nondiscriminatory work environment so that each of our employees can fully develop his or her skills, minds and individuality.

Human Resources Basic Policy

Skills and Performance, Respect for Opinions and Aptitude

The two basic policies: switching from seniority-based promotions to ability and performance-driven promotions; and valuing employee opinions and aptitudes, have been behind several personnel systems and measures we have implemented, including a target monitoring system, an in-house internship system, a job certification bonus system for employees who obtain qualifications, and an in-house FA (Free Agent) system.

In April 2009, we employed 62 new university graduates (88 over the entire Group). We are also continuing efforts to promote the employment of disabled people. Those hired are involved in digitizing product information at the Hikone Site.

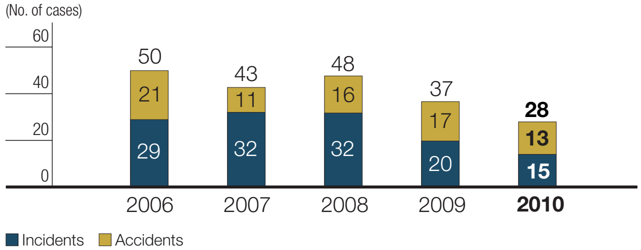
Occupational Health and Safety

Reducing Accidents or Incidents

In the fiscal year ended March 31, 2010, we focused efforts on occupational health and safety activities based on the renewal of our OHSAS 18001 certification, acquired in the preceding fiscal year.

The number of incidents fell from 20 in the preceding fiscal year to 15 in the fiscal year ended March 31, 2010, while the number of accidents declined from 17 in the preceding fiscal year to 13 in the period under review as a result of initiatives to provide comprehensive training to operators and supervisors with limited experience inspecting heavy load operations, a key issue for the Company.

▼ Number of Accidents and Incidents



Stress Management Tests

To support the mental health of our employees, we introduced a stress management checklist in fiscal year ended March 31, 2010, based on the Ministry of Health, Labour and Welfare's occupational stress questionnaire.

We also enhanced options for individual consultation with healthcare staff and strengthened our employee mental and physical health support structure.

Respecting Human Rights

Nondiscrimination Declaration

The Dainippon Screen Charter of Ethics vows to respect the fundamental human rights of each person and repudiate discriminatory or disadvantageous treatment of any kind within the Company based on position, job type, age, gender, place of birth, ancestry, nationality, races, disability, religion, or marital status. We also do not allow sexual or power harassment as stipulated in our ethical guidelines and employment regulations.

We have established a Corporate Ethics Help Line to provide consultation on human rights and other issues, including a special section for reporting sexual or power harassment.

As of the fiscal year ended March 31, 2010, there have been no incidences of child labor or forced labor anywhere in the entire Group.

Respecting Intellectual Property Rights

Encouraging the Submission of Invention Applications

Dainippon Screen 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, 2010, 69 patents were reviewed for inventor compensation. To encourage the submission of invention applications, engineers are provided with training in general patent knowledge, including how to write invention applications and how to research prior art materials.

Employee Education

Technology Education Lectures Motivate the Creation of New Technologies

Megumi Takada
Control Engineering Department, Research & Development Group, Research & Development Center

The panel discussion by the heads of research departments left an impression on me. I was particularly impressed by the way they spoke of advising and fostering a sense of expectation among young employees, regardless of whether they had been labeled "winners" or "losers" when they were younger. These words inspired me to expand my horizons and create new technologies.

For further information on "Responsibility to Employees," please refer to the Data Sheets.
URL http://www.screen.co.jp/environmentE/list.html

Our Responsibility to Customers

We aim to provide quality products in a stable manner.

All employees engage in quality improvement activities, ensuring a stable supply of quality products to satisfy customers.

Quality Policy

Each Operating Company Establishes Independent Policies in Pursuit of Improved Customer Satisfaction

We constantly work to improve the reliability of our products and services in response to the trust our customers place in us. In the fiscal year ended March 31, 2010, we concentrated the collective wisdom and energy of our employees on the quality of products and services and initiatives focused on quality improvements by reducing spoilage costs (outside claims, internal spoilage) and early completion of technological inspections. To this end, we are continuing the thorough development of quality management system (ISO 9001) activities.

▼ **Quality Policies of Each Operating Company**

- **Semiconductor Equipment Company**
  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**
  To gain a clear understanding of customer demands, and work on ongoing improvements to provide products that satisfy customers.
- **Media And Precision Technology Company**
  To provide products and solutions that satisfy customers.

Technological Standardization Activities

Thorough Quality Improvements through Technological Standardization Activities

To provide products with functionality, prices and safety that meet customer needs, we are engaged in the precise standardization of products that is reflected at each stage of the design and manufacturing process in Japan and overseas, as well as the formulation of technological standards regarding internal expertise, technology and technological understanding. At present, approximately 60 employees are participating in the successive revision of 49 different technology standards. We are also engaged in external technological standardization activities, with approximately 20 employees serving as committee leaders and members in various organizations in Japan and overseas. The technological standards gleaned through these activities are reflected in internal standards.

In addition to reviewing and enhancing the companywide structure for developing these standards, we revised 11 technology standards and formulated one new standard in fiscal year ended March 31, 2010.

Information Security

Revised Guidelines for the Management and Inspection of Confidential Sales Information

At Dainippon Screen, we manage confidential information regarding customers and ourselves according to regulations for the management of confidential sales information. In the fiscal year ended March 31, 2010, the Committee for the Protection of Trade Secrets, the companywide administrative authority for confidential sales information, revised the guidelines for the management of confidential sales information upon review of classification policies, improving the method of operation.

In addition, an internal audit was conducted on the Company policy determining the handling of information from important meetings. Concrete internal management rules were created for the handling of Company schematics. Furthermore, an improved awareness of security procedures was inculcated through training on confidential sales information for new employees and activities to notify all employees about the strict management of confidential sales information.

Business Continuity Initiatives

Formulating Various Regulations to Prepare for New Strains of Influenza

In the event of risks involving natural disasters, accidents or illness, we are engaged in various activities to ensure the stable provision of products and services to our customers.

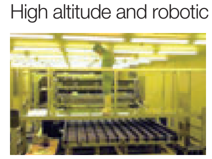
In the fiscal year ended March 31, 2010, we formulated disaster risk regulations to prepare for earthquakes and an outbreak of H1N1 and other new strains of influenza. To this end, we launched a contagion information system and provided face masks and hand sanitizers in the workplace. We also equipped some of our overseas companies with emergency equipment.

Product Safety Improvements

Providing Safe Equipment through Comprehensive Risk Assessment

Hiroshi Shibazaki
Manager, Production Administration Department, Hikone Factory, FPD Equipment Company

High altitude and robotic maintenance work are required for the stable operation of FPD production equipment. We conduct a thorough risk assessment not only at the design stage but on the actual equipment in an effort to manufacture safe equipment and avoid overlooking any risks.



Our Responsibility to Shareholders and Investors

The Company endeavors to provide easily understandable disclosure and encourage dialogue.

We make an effort to engage in a two-way conversation with our shareholders and investors by listening to their needs and providing accurate, timely and easily understandable disclosure.

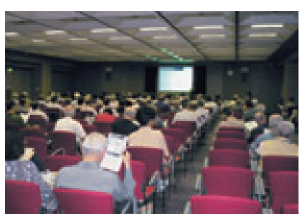
IR Activities

Focusing on Two-Way Communication with Shareholders

We make an effort to reflect the voice of our shareholders and investors in Company management while communicating performance, financial content and management vision in a precise timely and easy-to-understand fashion.

In terms of dialogue-based IR activities, we conduct earnings announcements, technical seminars and plant visits for institutional investors as well as provide earnings explanations for our individual shareholders. Also, we participate in a variety of investor events and do our best to provide institutional investors and analysts with opportunities for one-on-one meetings with management.

Our information disclosure activities include the publication of annual reports and investor guides. The IR pages on our corporate website provide regulatory and voluntary disclosure, schedules of upcoming announcements and an IR library in addition to explanations of current and cutting-edge technologies under development and a glossary of technical terms.



Indisivual invester presentation

▼ Dialogue-Based IR Activities in the Fiscal Year Ended March 31, 2010

Earnings presentations	4
Technical seminars	1
Overseas IR road shows	4
Institutional investor events (Three conferences held by securities companies, one semiconductor booth tour and one explanation of operations)	5
Institutional investor plant visits	3
Individual investor presentations	3
Meetings with institutional investors/analysts	approximately 300 times per year

SRI Index Involvement

Part of the FTSE4 Good Index since 2004

Companies are included in socially responsible investing (SRI) indices not only for their financial performance but also in recognition of their CSR activities.

FTSE4Good

Dainippon Screen has been included in the FTSE4 Good Index (a joint venture between the Financial Times and the London Stock Exchange) since its launch in 2004.

At the Annual Shareholders' Meeting

Avoiding Intensive One-Day Meeting, Providing Easily Understood and Informal Communication

Dainippon Screen aims to provide an open annual shareholders' meeting.

In addition to avoiding an intensive one-day meeting with all shareholders present, we utilize the Internet to enable shareholders who are not present to exercise their voting rights.

We also have created 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, a roundtable discussion that includes the chairman, president and executive officers is held to provide shareholders with a deeper understanding of the Company.

The 68th Annual Shareholders' Meeting in 2009

Disclosure

Recipient of Daiwa IR's 2009 Award for Corporate Excellence in Internet IR

Masahiro Joshi
Deputy General Manager, PR/IR Department

In 2009, Dainippon Screen was the proud recipient of Daiwa Investor Relations Co. Ltd. Award for Corporate Excellence in Internet IR. Recognized for clearly conveying messages from senior management and providing financial data in a professional and standardized format for institutional investors, ours was one of 56 sites chosen out of a total of 1,223 companies. In the future, we will continue to provide even more of our stakeholders with an easy-to-use IR website.

Our Responsibility to Suppliers

We are building partnerships to achieve mutual benefit and prosperity.

We aim to deepen relationships of mutual benefit and prosperity in Japan and overseas based on four basic policies: open and fair, partnerships, global orientation, and green procurement.

Purchasing Basic Policy

Strengthening Partnerships in Japan and Overseas

We conduct procurement activities based on four basic policies: open and fair, partnerships, global orientation, and green procurement.

Dainippon Screen has basic transactional agreements in place with approximately 1,500 companies. Of these, around 265 are with our in-house companies' key suppliers. Amid the economic downturn in the fiscal year ended March 31, 2010, we endeavored to forge new links with our suppliers. These efforts took us a step closer to our goal of mutual benefit and prosperity. Also, owing to our progress in expanding overseas procurement, the number of overseas countries in which we conduct business with suppliers rose from 10 to 12 in the year under review.

▼ **Four Basic Policies**

- **Open and fair:** Fair and impartial procurement activities
- **Partnerships:** Creating mutual prosperity from mutual trust
- **Global orientation:** Internationally minded procurement
- **Green procurement:** Environmental preservation work

Fair Transactions

Making Order-Placement Decisions More Visible through Our Internet-Based Estimate System

Dainippon Screen was an early adopter of creating an Internet-based electronic procurement system. In the fiscal year ended March 31, 2010, the number of suppliers registered on our Internet-based estimate system numbered approximately 610 companies.

The objective of this system is to enhance the visibility of our decision-making process when placing orders, thereby facilitating transaction speed and fairness.

Compliance with the Subcontract Act

Conducting Training Seminars to Prevent Employees from Pushing Subcontractor Companies Too Far

We conduct periodic seminars to familiarize personnel in charge of purchasing at the Dainippon Screen Group with the Subcontract Act. During these sessions, we explain the Subcontract Act and related legislation, hold a question-and-answer session and explain methods of conducting voluntary checks.

Our legal department reviews the results of these voluntary checks and suggests remedial measures, as necessary.

In future seminars, we plan to ensure thorough legal compliance by preventing employees from pushing subcontractors too far in their negotiations and ensuring appropriate payment.

No situations constituting violations of the Subcontract Act were recognized during the fiscal year ended March 31, 2010.

Sharing Management Policies and Presenting Awards

Creating Various Opportunities to Deepen Dialogue with Top Management

Dainippon Screen creates a variety of opportunities to engage suppliers in dialogue with top management, to reinforce relationships, build credibility and promote mutual business development.

In June 2009, we held informal discussions with 265 of our key suppliers. During these talks, Dainippon Screen's president and the presidents of operating companies explained the Company's own goals and directions including medium term forecast. We awarded prizes to the seven companies that offered proposals that contributed the most toward value engineering*. In addition, each December we hold a Best Partner Party. At the most recent gathering, Dainippon Screen's president presented awards to 11 suppliers in recognition of their high levels of contribution.

Best Partner party

* Value engineering: The technique of maintaining functionality and product quality while minimizing costs

Consideration for Business Partners' Occupational Health and Safety

Holding Hearings on Occupational Health and Safety Management Activities at Partner Companies, and Supporting Improvements

Norizo Takao
Manager, Safety & Environmental Department,
General Affairs Group, Business Service Center

In the fiscal year ended March 31, 2010, we prioritized the accident eradication enforcement initiatives by strengthening these efforts targeting partners companies. As part of these activities, we held hearings on occupational health and safety management activities at partner companies and offered guidance in areas where improvements were needed. At the same time, we offered safety training and provided educational materials on the subject to partner companies, as part of our overall guidance on safety and health management. We plan to continue these activities, which should support accident eradication at partner companies.

Society

Our Responsibility to Local Communities

We strive to build trust-based relationships in the regions where we operate and work to resolve societal issues.

Providing products and services that feature superior environmental and safety performance is at the core of an industrial company's growth. From this perspective, we foster trust-based relationships in the regions where our plants operate and conduct local community contribution activities in which all employees can participate.

Basic Policy

Contributing to Society through Our Business Activities

The Dainippon Screen Group's Charter of Ethics states that it will "contribute to society by putting into practice the ideals of our Corporate Philosophy, especially by providing products and services of outstanding environmental awareness and safety."

Contributing to industrial development through innovation in our business activities and creating a revenue structure that generates stable earnings and profits (thereby contributing to society through tax payments) are core components of our CSR activities. The scope of such activities extends beyond the regional and onto the global level as we strive to meet societal needs in the broadest possible sense.

▼ Basic Policy

Supporting Children in Developing Countries

The Dainippon Screen Group participates in PET bottle cap collection activities. We donate the collected bottle caps to an NPO, which sells them to a recycling company. The NPO delivers to developing countries the vaccines that it buys with the resulting revenues. We began collecting bottle caps at the Hikone Site, our largest factory, in the fiscal year ended March 31, 2010, collecting 58,000 caps. The resulting revenue bought vaccines for approximately 70 people.

Since the fiscal year ended March 31, 2009, we have continued our participation in the "Table for Two (TFT) program." Under this program, when employees order a healthy meal option from a special TFT lunch menu at the Head Office or the Hikone Site, a donation equivalent to one cafeteria meal is made to a school in a developing country. During fiscal year ended March 31, 2010, we contributed 12,642 cafeteria meals through this program, raising our cumulative total to approximately 25,000 meals.

PET bottle cap collection box

Corporate Social Initiatives

Developing the Next Generation through Company Field Trips for Students

Dainippon Screen has hosted student tours for a number of years, as part of its efforts to develop the next generation of talented employees. We continued this activity in the fiscal year ended March 31, 2010.

On July 15, 2009, 21 second-year students from the Ritsumeikan Moriyama Senior High School toured our Hikone Site. The tour gave them an opportunity to look into the future of the semiconductor industry and gain a better understanding of semiconductor production equipment. Also, on December 9, 2010, the Kyoto Job Park, a job-search support organization for Kyoto and certain other prefectures, sponsored a tour of our headquarters. During this tour, we explained our products and technologies to 19 university students in Kyoto. One participant commented that, "I gained a new respect for Japan's technical prowess."


High school students touring


The Entire Company Experience tour

Communicating with Local Communities

Holding Clean ups and Participating in Commemorative Activities and Other Events

We meet our duty of disclosure by periodically disseminating information on the environmental impact of our business activities and reductions to this level.

Recognizing the importance of community involvement, we conduct community clean ups in the areas surrounding our sites and participate in commemorative activities and various other events.

Community Clean ups

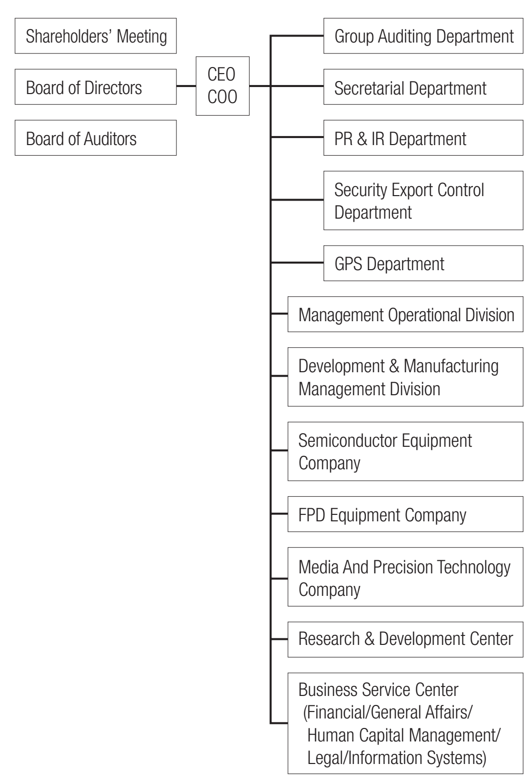
Kumiyama Site Joins Corporate Community Environmental Beautification Movement

Maki Yamamoto
Environmental Planner, Kumiyama General Affairs Section, General Affairs Department, General Affairs Group, Business Service Center

This site participates in the Kumiyama Industrial Activation Vision Association, sponsored by the Kumiyama Chamber of Commerce. One association activity is the Corporate Community Environmental Beautification Movement, through which the local government and companies operating in the community facilitate active communication with the community to raise individual employee awareness of environmental beautification.

Business Performance

Organization Chart



Performance during the Fiscal Year Ended March 31, 2010, and Targets for the Fiscal Year Ending March 31, 2011

Performance during the Fiscal Year Ended March 31, 2010

The fiscal year ended March 31, 2010 was the first year of our Green Value 21, the medium-term environmental, health and safety management plan for the three fiscal years ending March 31, 2012. Under the overarching objective of creating an integrated groupwide environmental management system, the plan establishes a number of key issues to be addressed. These include the promoting of green factories, expanding our range of green products and ensuring product safety, enhancing green logistics, and enhancing efforts to eradicate accidents or incidents.

Owing to lower unit shipments, the Group was unable to achieve a modal shift efficiently. Consequently, the amount of CO_2 per unit of production increased as a result of higher emissions during product transport.

With regard to efforts to eradicate accidents or incidents, although the number of incidents fell to the lowest number in nine years, it did not drop to zero. To ensure mental health, we introduced stress management, which we judge necessary in the current era in which stress is commonplace.

CSR Targets and Performance (Fiscal Year Ended March 31, 2010)

Category		Key measure	Target	Result	Evaluation	Related Page
Environmental conservation	Resource conservation	Promotion of green factories	Reduce emissions of greenhouse gases (CO_2) attributable to energy use by 5% compared to the fiscal year ended Mar. 31, 2009.	CO_2 emissions of 29,993 ton-CO_2, down 23% from levels during the fiscal year ended Mar. 31, 2009.	○	•Data Sheets •Page 31
			Find out the amount of external emissions and consider issues related to the reduction of these emissions.	External emissions (waste and resources) of 937 metric tons (waste 647 tons, resources 291 metric tons).	○	•Data Sheets •Page 31
		Development of green IT	Achieve a green purchasing ratio for new computer systems of at least 20%.	No new IT equipment introduced.	—	—
	Product stewardship	Expanding range of green products and ensuring product safety	Ensure that environmentally friendly products account for at least 40% of sales.	Percentage of sales of 63 environmentally friendly products: 72%.	○	•Data Sheets •Page 31
			Reduce the environmental impact of our products at customer sites according to the roadmap.	Conducted environmental impact reduction measures in accordance with each company's roadmap. Environmental impact reduction measures included consuming less power, utilities, VOCs and harmful substances.	○	•Environmental information detailed version
			Implement safety measures based on product risk assessment according to the product risk reduction roadmap.	According to the roadmap, reduced risks remaining in product risk reduction measures.	○	—
		Enhancing green logistics	Reduce the environmental impact of domestic product transport according to the roadmap.	Reduced CO_2 emissions during product transport, but emissions per unit of production rose compared with levels during the fiscal year ended Mar. 31, 2009.	×	•Data Sheets •Page 31
			Find out the current situation and consider related issues pertaining to the reduction of waste associated with domestically procured materials.	Unable to implement, owing to organizational restructuring.	×	—
	Community service	Improving environmental awareness	Implement social initiatives targeting the environment.	Conducted social contribution activities at each plant, including the cleaning of surrounding areas and rivers and participating in local activities.	○	•Page 37
			Carry out training under the companywide environmental education system.	Conducted general education on environmental management system, training to raise skills of environmental auditors and lectures on eco-design compliance.	○	•Data Sheets •Page 32
Workplace health and safety		Enhance efforts to eradicate accidents or incidents	Aiming to achieve zero incidents resulting in four or more days of lost work, reduce the number of such accidents to two or less.	Four incidents resulting in more than four or more days of lost work.	×	—
			Aiming to reduce the number of accidents or incidents at customer sites to seven or less.	Nine accidents and incidents at customer sites.	×	—
		Reducing company vehicle accidents and accidents that occur while commuting	Reduce the number of trafic accidents resulting in injury to five or less.	Trafic accidents resulting in injury numbered 17.	×	—
		Creating secure, comfortable, and healthy workplaces	Aiming to reduce workplace health risks, introduce stress management initiatives and implement surveys regarding stress.	Introduced stress management checklist based on the Ministry of Health, Labour and Welfare's occupational stress questionnaire.	○	•Page 33
			Understand the results of periodic health checks and establish methods to analyze these results in order to understand trends within the company and instruct employees.	Summarized results of periodic health check and determined company trends, but did not provide instruction.	△	—
Innovation		Streamlining and globalization of EHS management	Create an integrated groupwide environmental management system.	Newly included five Group companies and individually verified for each operational site that integrated environmental management system is in effect.	○	•Page 30

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

Targets for the Fiscal Year Ending March 31, 2011

In the fiscal year ending March 31, 2011, we will strengthen various initiatives related to our key issues. We will redouble efforts to reduce CO_2 emmissions and external waste emissions, expand our range of green products, decrease the environmental impact of our products, lower product risks, eradicate accidents or incidents and improve mental health.

In addition, from the fiscal year ending March 31, 2012, we will endeavor to make our management system (MS) more efficient by taking an integrated approach to environmental, health and safety management.

CSR Targets (Fiscal Years Ending March 31, 2011 and 2012)

Category		Key measure	Target (Fiscal year ending March 31, 2011)	Target (Fiscal year ending March 31, 2012)
Environmental conservation	Resource conservation	Promotion of green factories	Reduce emissions of greenhouse gases (CO_2) attributable to energy use by 1% compared to the fiscal year ended Mar. 31, 2010.	Reduce emissions of greenhouse gases (CO_2) per unit of production by 2%, compared with levels during the fiscal year ended Mar. 31, 2010.
			Reduce external emissions per unit of production by 1% compared with levels during the fiscal year ended Mar. 31, 2010.	Reduce external emissions per unit of production by 3% compared with levels during the fiscal year ended Mar. 31, 2010.
		Development of green IT	Achieve a green purchasing ratio for new computer systems of at least 90%.	Achieve a green purchasing ratio for new computer systems of at least 90%.
	Product stewardship	Expanding range of green products and ensuring product safety	Ensure that environmentally friendly products account for at least 50% of sales.	Ensure that environmentally friendly products account for at least 60% of sales.
			Reduce the environmental impact of our products at customer sites according to the roadmap.	Achieve roadmap objectives.
			Implement safety measures based on product risk assessment according to the product risk reduction roadmap.	Achieve roadmap objectives.
		Enhancing green logistics	Reduce greenhouse gases (CO_2) per unit of production generated in relation to fuel used in transporting products in Japan by 10% of levels during the fiscal year ended Mar. 31, 2009.	Reduce greenhouse gases (CO_2) per unit of production generated in relation to fuel used in transporting products in Japan by 15% of levels during the fiscal year ended Mar. 31, 2009.
			Determine the environmental impact of global product shipments.	Reduce the environmental impact of global product shipments.
	Community service	Improving environmental awareness	Implement social initiatives targeting the environment.	Implement social initiatives targeting the environment.
			Carry out training under the companywide environmental education system.	Carry out training under the companywide environmental education system.
Workplace health and safety		Enhance efforts to eradicate accidents or incidents	Aiming to achieve zero incidents resulting in four or more days of lost work, reduce the number of such incidents to one or less.	Reduce to zero the number of incidents resulting in four or more days of lost work.
			Reduce the number of fatal accidents or incidents at customers to six or less.	Reduce the number of fatal accidents or incidents at customers to five or less.
		Reducing company vehicle accidents and accidents that occur while commuting	Reduce the number of trafic accidents resulting in injury to five or less.	Reduce the number of trafic accidents resulting in injury to five or less.
		Creating secure, comfortable, and healthy workplaces	Perform stress management. (Introducing stress checks for 100% of employees).	Reduce the number of days taken off due to mental health issues.
			Ensure that 100% of employees undergo periodic and special health checks.	Ensure that 100% of employees undergo periodic and special health checks.
			Ensure health checks by 100% of employees posted overseas.	Ensure health checks by 100% of employees posted overseas.
Innovation		Streamlining and globalization of EHS management	Prepare to integrate the Environmental MS and the Occupational Health & Safety MS, and operate integrated system from fiscal year ending Mar.31, 2012.	Conduct operations integrating the Environmental MS and the Occupational Health & Safety MS.

URL For further information on our CSR targets and performance, please refer to the Data Sheets.
http://www.screen.co.jp/environmentE/list.html

Segment Information

Segment Information by Business Field

Years ended March 31,		2010	2009	2008	2007	2006
		Millions of yen				
Net Sales*Note1	Electronic Equipment and Components	**¥ 125,086**	¥ 160,157	¥ 214,350	¥ 236,522	¥ 187,040
	Graphic Arts Equipment	**38,448**	57,095	62,927	62,468	58,080
	Other	**595**	1,797	2,539	2,322	1,414
	Consolidated	**¥ 164,129**	¥ 219,049	¥ 279,816	¥ 301,312	¥ 246,534
Operating Income (Loss)	Electronic Equipment and Components	**¥ (11,449)**	¥ (5,920)	¥ 9,825	¥ 27,234	¥ 16,596
	Graphic Arts Equipment	**(2,491)**	1,601	4,023	2,300	1,361
	Other	**(106)**	(191)	780	1,007	611
	Consolidated	**¥ (14,046)**	¥ (4,510)	¥ 14,628	¥ 30,541	¥ 18,568

Notes: 1. *Sales to customers outside of the Company and its consolidated subsidiaries.*

2. *Consolidated domestic subsidiaries have adopted a new accounting standard for directors' bonuses from the year ended March 31, 2007. As a result of this change, operating expenses for the year ended March 31, 2007 increased by ¥32 million in the Electronic Equipment and Components segment, ¥20 million in the Graphic Arts Equipment segment and ¥35 million in the Other segment, and operating income decreased by the same amounts, respectively, compared with amounts that would have been recorded using the previously applied method.*

3. *Pursuant to an amendment to the Corporation Tax Law, effective from the fiscal year ended March 31, 2008, the Company and its consolidated domestic subsidiaries adopted a new depreciation method under the amended Corporation Tax Law for property, plant and equipment acquired after April 1, 2007. As a result of this change, operating expenses for the year ended March 31, 2008 increased by ¥136 million in the Electronic Equipment and Components segment, ¥26 million in the Graphic Arts Equipment segment and ¥2 million in the Other segment, and operating income decreased by the same amounts, respectively, compared with amounts that would have been recorded using the previously applied method. Furthermore, the Company and its consolidated domestic subsidiaries depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31, 2007 and the memorandum value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition price using the pre-amendment depreciation method. Depreciated amounts are included in depreciation expenses.*

As a result of this change, operating expenses for the year ended March 31, 2008 in the Electronic Equipment and Components segment, Graphic Arts Equipment segment and Other segment increased by ¥128 million, ¥52 million and ¥0 million, respectively, while operating income in those segments decreased by the same amounts, compared with amounts that would have been recorded using the previously applied method.

4. *Changes in accounting policies*

(Changes in evaluation standards and methods for inventories)

Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). As a result of this change, operating loss for the fiscal year ended March 31, 2009 in the Electronic Equipment and Components segment increased by ¥847 million, operating income in the Graphic Arts Equipment segment decreased by ¥525 million and operating loss in the Other segment increased by ¥1 million, compared with amounts that would have been recorded using the previously applied method.

(Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements")

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006) has been adopted and the necessary adjustments have been made for consolidation. As a result of this change, operating loss for the fiscal year ended March 31, 2009 in the Electronic Equipment and Components segment increased by ¥140 million and operating income in the Graphic Arts Equipment segment increased by ¥7 million, compared with amounts that would have been recorded using the previously applied method.

(Application of the "Accounting Standard for Lease Transactions")

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, the "Accounting Standard for Lease Transactions," 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. Formerly, the Company and its consolidated domestic subsidiaries accounted transactions with which the ownership of the leased assets did not transfer to the lessee as operating leases. However, the revised accounting standard requires that all finance lease transactions be capitalized. Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the accounting standard. As a result of this change, operating loss for the fiscal year ended March 31, 2009 in the Electronic Equipment and Components segment decreased by ¥259 million, operating income in the Graphic Arts Equipment segment increased by ¥10 million and operating loss in the Other segment increased by ¥36 million, compared with amounts that would have been recorded using the previously applied method.

(Change in the Depreciation Method for Fixed Assets in Accordance with Tax Reform)

Following revisions to the taxation system in Japan, effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the estimated useful lives of their assets. As a result of this change, operating loss for the fiscal year ended March 31, 2009 in the Electronic Equipment and Components segment decreased by ¥289 million and operating income in the Graphic Arts Equipment segment increased by ¥5 million, compared with amounts that would have been recorded using the previously applied method.

Domestic Sales and Overseas Sales

Years ended March 31,	2010	2009	2008	2007	2006
	Millions of yen				
Domestic sales*Note 1	**¥ 42,714**	¥ 72,281	¥ 95,214	¥ 99,567	¥ 94,450
Overseas sales*Note 2	**121,415**	146,768	184,602	201,745	152,084
North America	**18,012**	38,467	41,227	56,238	36,796
Asia & Oceania	**87,579**	80,603	105,468	113,348	89,315
Europe	**13,748**	20,017	25,681	28,212	24,591
Others	**2,076**	7,681	12,226	3,947	1,382
Ratio of overseas sales to net sales (%)	**74.0%**	67.0%	66.0%	67.0%	61.7%
Net sales	**¥ 164,129**	¥ 219,049	¥ 279,816	¥ 301,312	¥ 246,534

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.*

Segment Information by Geographic Area* Note 1

		Millions of yen				
Years ended March 31,		**2010**	2009	2008	2007	2006
Net Sales* Note 2	Japan	**¥ 132,373**	¥ 149,054	¥ 183,195	¥ 195,852	¥ 169,445
	Overseas	**31,756**	69,995	96,621	105,460	77,089
	North America	**10,644**	30,822	39,665	53,845	40,347
	Asia & Oceania	**10,895**	18,260	23,944	22,110	16,462
	Europe	**10,217**	20,913	33,012	29,505	20,280
	Consolidated	**¥ 164,129**	¥ 219,049	¥ 279,816	¥ 301,312	¥ 246,534
Operating Income (Loss)	Japan	**¥ (16,402)**	¥ (5,790)	¥ 11,747	¥ 25,944	¥ 16,856
	Overseas	**1,317**	1,449	3,681	5,122	1,841
	North America	**(84)**	696	1,067	1,121	192
	Asia & Oceania	**1,468**	1,780	2,420	2,628	1,190
	Europe	**(67)**	(1,027)	194	1,373	459
	Total	**(15,085)**	(4,341)	15,428	31,066	18,697
	Eliminations	**1,039**	(169)	(800)	(525)	(129)
	Consolidated	**¥ (14,046)**	¥ (4,510)	¥ 14,628	¥ 30,541	¥ 18,568
Assets	Japan	**¥ 148,077**	¥ 183,370	¥ 208,857	¥ 229,523	¥ 186,536
	Overseas	**37,677**	37,801	55,724	62,167	50,735
	North America	**10,862**	12,380	15,031	22,309	17,707
	Asia & Oceania	**14,973**	14,135	20,709	17,771	14,013
	Europe	**11,842**	11,286	19,984	22,087	19,015
	Total	**185,754**	221,171	264,581	291,690	237,271
	Eliminations/Corporate	**30,868**	25,747	26,533	27,829	32,967
	Consolidated	**¥ 216,622**	¥ 246,918	¥ 291,114	¥ 319,519	¥ 270,238

Notes:
1. *For the Company and its consolidated subsidiaries located in the respective geographic areas.*
2. *Sales to customers outside of the Company and its consolidated subsidiaries.*
3. *Consolidated domestic subsidiaries have adopted a new accounting standard for directors' bonuses from the year ended March 31, 2007. As a result of this change, operating expenses for the year ended March 31, 2007 increased by ¥87 million, and operating income decreased by the same amount in Japan, compared with amounts that would have been recorded using the previously applied method.*
4. *Pursuant to an amendment to the Corporation Tax Law, effective from the fiscal year ended March 31, 2008, the Company and its consolidated domestic subsidiaries adopted a new depreciation method under the amended Corporation Tax Law for property, plant and equipment acquired after April 1, 2007. As a result of this change, operating expenses for the year ended March 31, 2008 increased by ¥164 million, and operating income decreased by the same amount in Japan, compared with amounts that would have been recorded using the previously applied method. Furthermore, the Company and its consolidated domestic subsidiaries depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31, 2007 and the memorandum value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition price using the pre-amendment depreciation method. Depreciated amounts are included in depreciation expenses.*

   As a result of this change, operating expenses for the year ended March 31, 2008 increased by ¥180 million, while operating income decreased by the same amount in Japan, compared with amounts that would have been recorded using the previously applied method.
5. *Changes in accounting policies*

   (Changes in evaluation standards and methods for inventories)

   Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). As a result of this change, operating loss for the fiscal year ended March 31, 2009 increased by ¥1,373 million in Japan, compared with amounts that would have been recorded using the previously applied method.

   (Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements")

   Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006) has been adopted and the necessary adjustments have been made for consolidation. As a result of this change, operating income for the fiscal year ended March 31, 2009 in Asia and Oceania increased by ¥37 million while operating loss in Europe increased by ¥170 million, compared with amounts that would have been recorded using the previously applied method.

   (Application of the "Accounting Standard for Lease Transactions")

   On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, the "Accounting Standard for Lease Transactions," 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. Formerly, the Company and its consolidated domestic subsidiaries accounted transactions with which the ownership of the leased assets did not transfer to the lessee as operating leases. However, the revised accounting standard requires that all finance lease transactions be capitalized. Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the accounting standard. As a result of this change, operating loss for the fiscal year ended March 31, 2009 decreased by ¥233 million in Japan, compared with amounts that would have been recorded using the previously applied method.

   (Change in the Depreciation Method for Fixed Assets in Accordance with Tax Reform)

   Following revisions to the taxation system in Japan, effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the estimated useful lives of their assets. As a result of this change, operating loss for the fiscal year ended March 31, 2009 decreased by ¥294 million in Japan, compared with amounts that would have been recorded using the previously applied method.

Management's Discussion and Analysis

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31, 2010, and 2009

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

Operating Results

•Sales

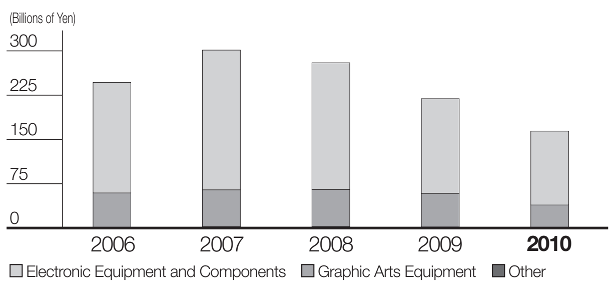
Consolidated net sales for the fiscal year ended March 31, 2010, decreased 25.1% year on year, to ¥164,129 million.

In the Electronic Equipment and Components segment, a second-half resurgence in capital investment by semiconductor manufacturers resulted in a year-on-year increase in semiconductor production equipment (SPE) sales. By product, sales of coater/developers were down, but sales of single wafer cleaning equipments and flash lamp annealing equipments expanded in response to growing industry demand for miniaturization. By region, sales in Japan and North America declined, but sales in Asia—centered on Taiwan—increased. Meanwhile, owing to liquid crystal display (LCD) panel manufacturers' moves to hold back on capital investment, sales of flat panel display (FPD) production equipment plunged. Sales of other electronic equipment and components also decreased year on year, owing to lower capital expenditures by printed circuit board (PCB) manufacturers.

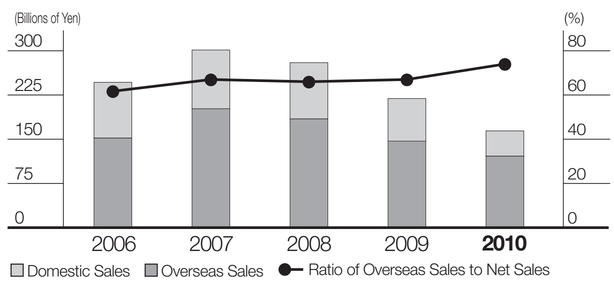
Performance in the Graphic Arts Equipment Segment was affected by year-on-year declines in sales of Computer to Plate (CTP)-related equipment in Japan, Europe and North America, as well as lower sales of Print on Demand (POD) products and large-format inkjet printers.

Total overseas sales fell ¥25,353 million, or 17.3% year on year, to ¥121,415 million, but rose 7.0 percentage points as a percentage of total sales, to 74.0%. North American sales plunged 53.2% year on year, to ¥18,012 million, on the back of declining sales of SPE and graphic arts equipment. In Asia & Oceania, sales of FPD production equipment and graphic arts equipment fell, but a sharp second-half upturn in sales of semiconductor production equipment resulted in sales of ¥87,579 million for this region, up 8.7% year on year. In Europe, sales of SPE increased, while sales of graphic arts equipment dropped sharply to ¥13,748 million, down 31.3%. In other regions, a sharp decline in sales of SPE resulted in regional sales of ¥2,076 million, down 73.0%.

▼ Consolidated Net Sales by Business Field



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



•Cost of Sales and SGA Expenses

The Group's restructuring measures involved robust cost-cutting through the focusing of R&D activity, the solicitation of voluntary retirements and the introduction of wage cuts, and the reduction of capital expenditure, among other expenses. As a result, we succeeded in significantly lowering fixed costs, such as R&D spending, personnel expenditure and amortization and depreciation.

Despite reducing fixed costs through restructuring measures, a substantial decline in sales and an increase in the loss on valuation of inventories contrived to raise the cost of sales ratio to 84.0%, from the preceding year's 77.3%.

Selling, general and administrative (SGA) expenses fell by ¥13,820 million, or 25.5%, to ¥40,348 million, owing to the impact of restructuring measures on reducing personnel and R&D expenses, as well as decreased packaging and shipping costs and a reduction in the transfer to allowance for doubtful receivables. As a result of our efforts to cut expenses amid the sharp drop in sales, The ratio of SGA expenses to net sales fell to 24.6% for the fiscal year under review, down from 24.7% in the preceding term.

Years ended March 31,	2010	2009	2008	2007	2006
	Millions of yen				
Net sales	**¥164,129**	¥219,049	¥279,816	¥301,312	¥246,534
Cost of sales	**137,827**	169,391	208,266	211,159	173,628
Cost of sales to net sales (%)	**84.0%**	77.3%	74.4%	70.1%	70.4%
Gross profit	**¥ 26,302**	¥ 49,658	¥ 71,550	¥ 90,153	¥ 72,906
SGA expenses	**40,348**	54,168	56,922	59,612	54,338
SGA expenses to net sales (%)	**24.6%**	24.7%	20.3%	19.8%	22.1%

•Research and Development Expenses

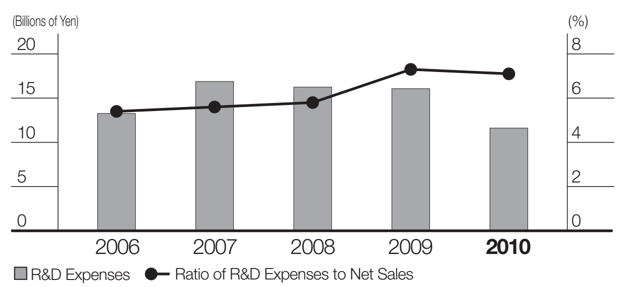
During the year, the Group invested ¥11,615 million in R&D.

In the Electronic Equipment and Components segment, our SPE development targeted next-generation cleaning equipment, and we commercialized a coater/developer featuring a substantially smaller footprint and higher productivity. In FPD production equipment, we completed our development of coating equipment for 11th-generation glass substrates and began working on the development of an inkjet spacer printer that employs a new concept to simplify the process, thereby reducing costs. In other electronic equipment and components, we commercialized a direct patterning system for manufacturing flexible printed circuits (FPCs). This system employs an electrophotographic process to print resist patterns directly onto an FPC, thereby achieving low running costs and high levels of quality and productivity. R&D expenditures on the above-mentioned developments in this segment amounted to ¥9,112 million.

In the Graphic Arts Equipment segment, we redoubled efforts to meet such environmental demands as significantly lower power consumption, commercializing a CTP system that achieves this goal, as well as increased productivity. In addition to working toward the commercialization of an inkjet printing system capable of dual-sided printing and B2-size sheet-fed printing with a quality level that approaches offset printing, we developed a workflow system that integrates the CTP and POD processes. The Group's research and development expenditures in this segment were ¥2,320 million.

In the Other segment, R&D expenses totaled ¥183 million. Part of this investment was spent on the development of a three-dimensional sight system for a robot developed using image-processing technology.

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



Years ended March 31,	2010	2009	2008	2007	2006
	Millions of yen				
R&D expenses	**¥ 11,615**	¥ 16,073	¥ 16,248	¥ 16,884	¥ 13,269
R&D expenses to net sales (%)	**7.1%**	7.3%	5.8%	5.6%	5.4%

•Segment Information

Sales in the Electronic Equipment and Components segment fell 21.9% during the year, to ¥125,086 million. A recovery in capital investment by semiconductor manufacturers in the second half of the fiscal year resulted in a year-on-year increase in sales of semiconductor production equipment. Meanwhile, capital expenditure cutbacks by customers for FPD production equipment and other electronic equipment and components caused sales to decline significantly in these sectors. On the profit front, these sales declines, combined with a loss on valuation of inventories related to semiconductor production equipment, resulted in an operating loss of ¥11,449 million for the year, compared with operating loss of ¥5,920 million during the previous term.

Sales in the Graphic Arts Equipment segment fell 32.7% during the year, to ¥38,448 million. Owing to the worldwide economic recession, sales of CTP-related products were down year on year, and sales of POD equipment and large-format inkjet printers were sluggish. As a result, the segment posted a ¥2,491 million operating loss, compared with operating income of ¥1,601 million in the preceding fiscal year.

In the Other segment, sales declined 66.9%, to ¥595 million. We posted an operating loss for the segment of ¥106 million, compared with operating loss of ¥191 million for the previous fiscal year.

•Earnings Analysis

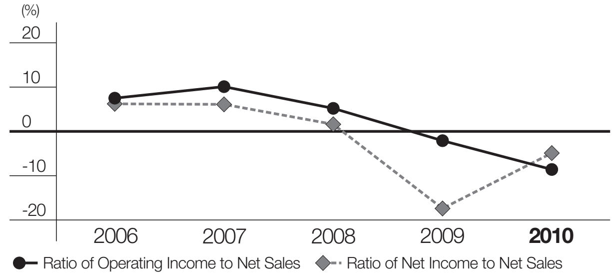
As is explained earlier, the operating environment improved in relation to SPE in the second half of the fiscal year, boosting sales in this category, but sales of FPD production equipment and graphic arts equipment dropped off significantly. Consequently, during the year Group net sales fell 25.1%, or ¥54,920 million, to ¥164,129 million. In terms of profits, the sharp rebound in SPE, coupled with the cost reductions stemming from the implementation of the restructuring plan, brought the Group back into the black on an operating basis in the second half. For the full fiscal year, however, the effects of lower sales and a loss on valuation of inventories in the first half prompted an operating loss of ¥14,046 million, ¥9,536 million worse than in the preceding fiscal year. The ratio of operating income to net sales consequently fell 6.5 percentage points, to minus 8.6%.

Net other income and expenses improved from a net expense amount of ¥21,363 million in the preceding fiscal year, to net income of ¥2,932 million during the year under review. The conversion of SOKUDO Co., Ltd., to a consolidated subsidiary caused equity in losses of affiliates to decrease, and the Company recorded nonoperating income from the gain on the step acquisition of the subsidiary, as well as a gain on negative goodwill. In addition to posting a gain on sales of investment securities, business structure improvement expenses decreased year on year, as did the loss on valuation of investment securities.

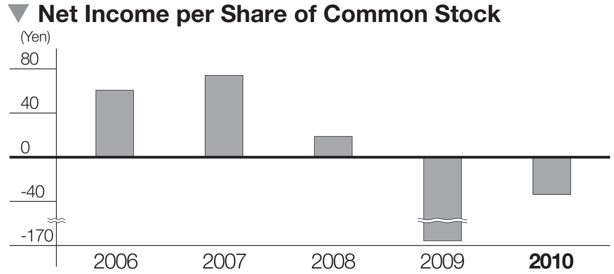
As a result of the above, we recorded a loss before income taxes for the year of ¥11,114 million, an improvement of ¥14,759 million on the previous year's figure. Tax expenses fell substantially, because deferred tax assets, all of which had been reversed in the previous year, were recorded by the Company again. As a result, the net loss improved by ¥30,188 million to ¥8,003 million. The ratio of net income to net sales consequently improved by 12.5 percentage points, to a negative 4.9%.

Net loss per share of common stock improved from the previous year's figure of ¥127.15 to ¥33.71, and return on equity improved 28.0 percentage points, to minus 11.9%. Similarly, return on total assets improved 10.7 percentage points, to a minus 3.5%.

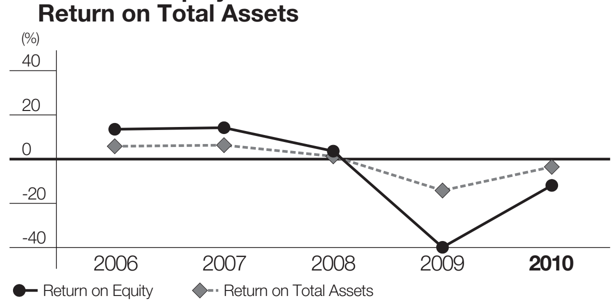
Ratio of Operating Income to Net Sales
Ratio of Net Income to Net Sales



Net Income per Share of Common Stock



Return on Equity
Return on Total Assets



	Millions of yen				
Years ended March 31,	**2010**	2009	2008	2007	2006
Operating income (loss)	**¥(14,046)**	¥ (4,510)	¥14,628	¥30,541	¥18,568
Operating income to net sales (%)	**−8.6%**	−2.1%	5.2%	10.1%	7.5%
Net income (loss)	**¥ (8,003)**	¥(38,191)	¥ 4,578	¥18,452	¥15,236
Net income to net sales (%)	**−4.9%**	−17.4%	1.6%	6.1%	6.2%
Per share of common stock (yen)					
Net income (loss)	**¥ (33.71)**	¥(160.86)	¥ 18.81	¥ 74.05	¥ 60.66
Net income-diluted	**—**	—	17.39	68.63	55.81
Return on equity (%)	**−11.9%**	−39.9%	3.6%	14.2%	13.5%
Return on total assets (%)	**−3.5%**	−14.2%	1.5%	6.3%	5.8%

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

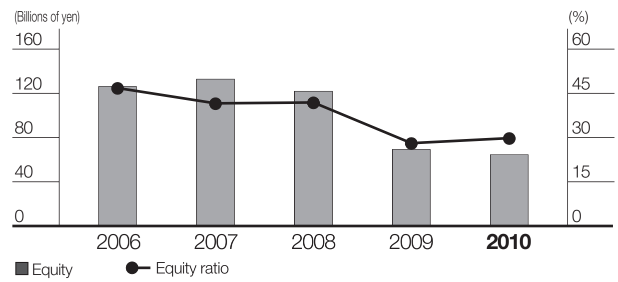
•Assets, Liabilities and Net Assets

Total assets stood at ¥216,622 million as of March 31, 2010, down ¥30,296 million, or 12.3%, from the end of the previous fiscal year. Within current assets, inventories decreased ¥22,767 million, and notes and accounts receivable declined ¥13,970 million.

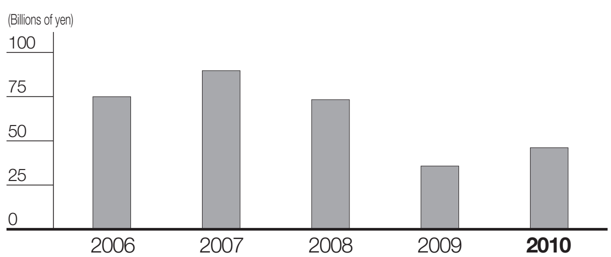
In liabilities, current liabilities at year-end were down ¥38,557 million, or 29.1%, from a year earlier. Principal factors included a rise in purchases to respond to higher orders pushed up trade notes and accounts payable by ¥9,603 million, while short-term debt fell ¥39,095 million. Long-term liabilities increased ¥12,934 million, or 28.9%, from the previous year-end. The main reason for this rise was a ¥15,228 million increase in long-term debt resulting from the Group's raising of funds through a syndicated loan. Interest-bearing debt as of March 31, 2010, was down ¥25,363 million, or 24.7% from a year earlier, to ¥77,218 million.

In net assets, an increase in the value of securities held resulted in an increase of ¥3,224 million on unrealized holding gain on securities, and foreign currency translation adjustments increased ¥103 million. However, the recording of a net loss caused retained earnings to fall ¥8,003 million. As a result, equity, which represents net assets minus minority interests, fell by ¥4,746 million, or 6.8%, compared with the previous fiscal year-end, to ¥64,607 million. Consequently, the equity ratio improved 1.7 percentage points, to 29.8%, from 28.1% as of the previous fiscal year-end.

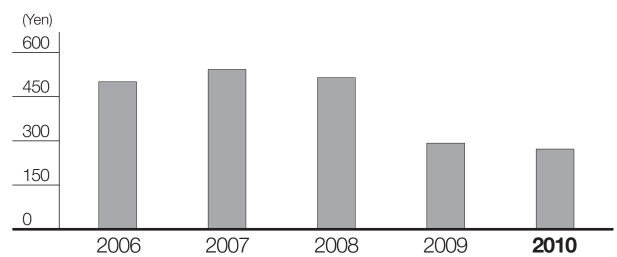
▼ Equity and Equity Ratio



▼ Working Capital



▼ Net Assets per Share of Common Stock



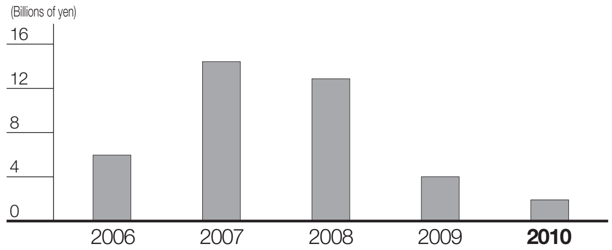
	Millions of yen				
As of March 31,	**2010**	2009	2008	2007	2006
Total assets	**¥216,622**	¥246,918	¥291,114	¥319,519	¥270,238
Electronic Equipment and Components	**130,577**	159,141	178,234	195,371	144,512
Graphic Arts Equipment	**35,637**	39,959	50,011	52,685	51,730
Other	**3,427**	6,250	7,531	7,093	5,553
Eliminations/Corporate	**46,981**	41,568	55,338	64,370	68,443
Working capital	**46,110**	35,760	73,287	89,679	74,943
Equity	**64,607**	69,353	122,094	133,062	126,392
Equity ratio (%)	**29.8%**	28.1%	41.9%	41.6%	46.8%
Net assets per share of common stock (yen)	**¥ 272.15**	¥ 292.12	¥ 514.26	¥ 542.13	¥ 500.30

•Capital Expenditures and Depreciation and Amortization

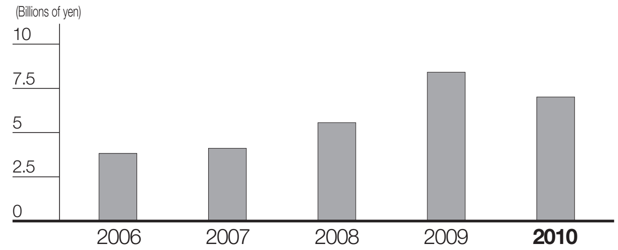
Capital expenditures for the whole Group during the year stood at ¥1,911 million. These expenditures centered on R&D facilities and production facilities in the Electronic Equipment and Components segment. Measures to rebuild the Company included curtailing capital expenditures. As a result, the level of capital expenditure for the year was down compared with ¥4,007 million of the preceding year.

Depreciation and amortization during the year amounted to ¥7,012 million, down ¥1,402 million from the preceding term, owing partly to lower capital expenditure.

▼ Capital Expenditures



▼ Depreciation and Amortization



	Millions of yen				
Years ended March 31,	**2010**	2009	2008	2007	2006
Capital expenditures	**¥ 1,911**	¥ 4,007	¥12,866	¥14,420	¥ 5,906
Electronic Equipment and Components	**1,393**	2,665	9,233	10,797	2,749
Graphic Arts Equipment	**338**	438	856	810	847
Other	**62**	119	123	240	53
Corporate	**118**	785	2,654	2,573	2,257
Depreciation and amortization	**7,012**	8,414	5,563	4,113	3,823
Electronic Equipment and Components	**5,011**	5,934	3,771	2,774	2,825
Graphic Arts Equipment	**744**	951	763	632	538
Other	**154**	249	129	97	55
Corporate	**1,103**	1,280	900	610	405
Impairment loss	**780**	1,442	—	—	—
Electronic Equipment and Components	**717**	—	—	—	—
Graphic Arts Equipment	**5**	567	—	—	—
Other	**—**	766	—	—	—
Corporate	**58**	109	—	—	—

•Cash Flows

Net cash provided by operating activities during the year was ¥25,113 million, compared with ¥24,593 million used in these activities during the preceding term.

Major uses of cash included a ¥11,114 million loss before income taxes, as well as business structure improvement expenses of ¥6,737 million. Other factors included depreciation and amortization of ¥7,012 million, a decrease in notes and accounts receivable of ¥14,067 million, a decrease in inventories of ¥22,954 million and an increase in trade notes and accounts payable of ¥9,695 million.

Net cash provided by investing activities came to ¥6,885 million, compared with ¥6,921 million in net cash used in these activities in the preceding fiscal year. Factors included income related to the conversion of an affiliated company to a consolidated subsidiary, proceeds from sales of investments in securities and proceeds from sale of property of plant and equipment.

Net cash used in financing activities amounted to ¥27,124 million, compared with ¥34,071 million in net cash provided by these activities in the previous term. Although the Group raised funds through a syndicated loan, which caused long-term loans payable to increase, as well as through a sale-and-leaseback scheme, the maturation of convertible notes with stock acquisition rights, combined with repayments of short-term and long-term borrowings caused this reversal in cash from financing activities.

	Millions of yen				
Years ended March 31,	**2010**	2009	2008	2007	2006
Cash flows from operating activities	**¥25,113**	¥(24,593)	¥ 7,934	¥23,645	¥ 14,906
Cash flows from investing activities	**6,885**	(6,921)	(16,510)	(8,519)	(7,482)
Cash flows from financing activities	**(27,124)**	34,071	669	(8,875)	(13,442)
Effect of exchange rate changes on cash and cash equivalents	**(80)**	(2,335)	(1,103)	494	617
Net increase (decrease) in cash and cash equivalents	**¥ 4,794**	¥ 222	¥ (9,010)	¥ 6,745	¥ (5,401)
Increase (decrease) in cash and cash equivalents in line with changes in 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 market supply-demand balance which leads to cyclical upturns and downturns known as the silicon and crystal cycles. Given such market conditions, the Dainippon Screen Group is making every effort to create a business structure that can consistently generate profits during cyclical downturns. However, unexpectedly large cyclical downturns can have a material impact on the Group’s financial condition and business performance.

(2) Exchange rate fluctuations

The overseas sales ratio for the Group for the fiscal year under review was 74.0%. 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 can have a material impact on the Group’s financial condition and business performance.

(3) 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.

(4) Intellectual property rights

The Group has over the years continually strived 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.

(5) Interest rate fluctuations

The Group’s total interest-bearing debt at the end of the fiscal year under review was ¥77,218 million and included interest-bearing debt with variable interest rates. In order to minimize the risk of interest rate fluctuations, the Group fixes a portion of these variable rates through the use of interest rate swaps and other means. Nevertheless, the Group’s financial condition and business performance could be materially affected by the impact of interest rate fluctuations on interest-bearing debt at variable interest rates and on new fund procurement.

(6) Retirement benefit obligations

The Group calculates accrued pension and severance costs based on assumed discount rates set by actuarial calculations and on expected pension asset investment returns. Given differences 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.

(7) 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.

(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) 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.

(10) Financial condition

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 the repayment, the Company may forfeit the benefit of time in relation to such loans. In such case, the Company may in conjunction 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 of lump-sum repayment, it could have a material impact on the Group’s financial condition.

(11) 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, the spread of epidemics, the 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.

Consolidated Balance Sheets

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
Assets	**2010**	2009	**2010**
Current Assets:			
Cash and cash equivalents	**¥ 29,905**	¥ 25,111	**$ 321,559**
Time deposits	**1,349**	789	**14,505**
Trade notes and accounts receivable	**52,030**	66,000	**559,462**
Allowance for doubtful receivables	**(1,428)**	(1,360)	**(15,355)**
Inventories	**49,464**	72,231	**531,871**
Deferred tax assets	**4,027**	1,191	**43,301**
Prepaid expenses and other	**4,637**	4,229	**49,861**
Total current assets	**139,984**	168,191	**1,505,204**
Property, Plant and Equipment, at Cost:			
Land	**9,419**	9,694	**101,280**
Buildings and structures	**54,634**	55,097	**587,462**
Machinery, equipment and other	**41,145**	43,375	**442,420**
Lease assets	**9,417**	7,073	**101,258**
Construction in progress	**197**	287	**2,118**
Total property, plant and equipment	**114,812**	115,526	**1,234,538**
Accumulated depreciation	**(69,399)**	(64,571)	**(746,226)**
Net property, plant and equipment	**45,413**	50,955	**488,312**
Investments and Other Assets:			
Investments in securities	**21,681**	18,478	**233,129**
Investments in affiliates	**2,067**	1,728	**22,226**
Lease assets	**830**	1,248	**8,925**
Deferred tax assets	**569**	954	**6,118**
Other assets	**6,078**	5,364	**65,355**
Total investments and other assets	**31,225**	27,772	**335,753**
Total Assets	**¥ 216,622**	¥ 246,918	**$ 2,329,269**

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

Liabilities and Net Assets	Millions of yen 2010	2009	Thousands of U.S. dollars 2010
Current Liabilities:			
Short-term debt	¥ —	¥ 39,095	$ —
Current portion of long-term debt	**19,773**	22,822	**212,613**
Lease obligations	**2,862**	1,671	**30,774**
Notes and accounts payable—			
Trade	**52,389**	42,786	**563,323**
Construction and other	**3,192**	3,085	**34,323**
Accrued expenses	**4,960**	4,809	**53,333**
Income taxes payable	**1,037**	910	**11,151**
Accrued product warranty costs	**3,816**	3,963	**41,032**
Accrued bonuses to directors	**22**	38	**237**
Allowance for business structure improvement	**—**	6,079	**—**
Allowance for loss on orders received	**516**	325	**5,548**
Other current liabilities	**5,307**	6,848	**57,064**
Total current liabilities	**93,874**	132,431	**1,009,398**
Long-Term Liabilities:			
Long-term debt	**48,195**	32,967	**518,226**
Accrued pension and severance costs	**487**	665	**5,237**
Estimated termination and retirement allowances for directors and corporate auditors	**118**	124	**1,269**
Lease obligations	**6,388**	6,026	**68,688**
Reserve for loss on guarantees	**37**	46	**398**
Other long-term liabilities	**2,482**	4,945	**26,687**
Total long-term liabilities	**57,707**	44,773	**620,505**
Contingent Liabilities (Note 8)			
Net Assets:			
Shareholders' Equity:			
Common stock—			
Authorized—900,000,000 shares in 2010 and 2009			
Issued—253,974,333 shares in 2010 and 2009	**54,045**	54,045	**581,129**
Capital surplus	**30,155**	30,156	**324,247**
Retained earnings	**731**	8,734	**7,860**
Treasury stock, at cost— 16,578,859 shares in 2010 and 16,562,258 shares in 2009	**(12,225)**	(12,220)	**(131,452)**
Total shareholders' equity	**72,706**	80,715	**781,784**
Valuation Gain/Loss, Translation Gain/Loss, etc.:			
Net unrealized holding gain on securities	**3,400**	176	**36,559**
Deferred hedge income and loss	**(68)**	(4)	**(731)**
Foreign currency translation adjustments	**(11,431)**	(11,534)	**(122,913)**
Total valuation gain/loss, translation gain/loss, etc.	**(8,099)**	(11,362)	**(87,085)**
Minority Interests:			
Minority interests	**434**	361	**4,667**
Total net assets	**65,041**	69,714	**699,366**
Total Liabilities and Net Assets	**¥ 216,622**	¥ 246,918	**$ 2,329,269**

Consolidated Statements of Operations

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Net Sales	**¥ 164,129**	¥ 219,049	**$ 1,764,828**
Cost of Sales	**137,827**	169,391	**1,482,011**
Gross profit	**26,302**	49,658	**282,817**
Selling, General and Administrative Expenses	**40,348**	54,168	**433,849**
Operating loss	**(14,046)**	(4,510)	**(151,032)**
Other (Income) Expenses:			
Interest and dividend income	**(420)**	(725)	**(4,516)**
Interest expense	**2,397**	1,490	**25,774**
Exchange loss on foreign currency transactions, net	**358**	1,249	**3,849**
Gain on sale of investments in securities	**(2,761)**	—	**(29,688)**
Loss on disposal of property, plant and equipment	**31**	83	**333**
Equity in losses of affiliates	**437**	5,955	**4,699**
Gain on step acquisitions	**(2,613)**	—	**(28,097)**
Gain on negative goodwill	**(2,471)**	—	**(26,570)**
Subsidy income	**(398)**	(756)	**(4,280)**
Revenue from service contracts	**(108)**	(711)	**(1,161)**
Insurance income	**(74)**	(122)	**(796)**
Business structure improvement expenses	**1,306**	7,278	**14,043**
Impairment loss	**780**	1,442	**8,387**
Loss on investments in securities	**46**	1,688	**495**
Loss on valuation of inventories	**—**	2,427	**—**
One-time amortization of goodwill	**—**	1,312	**—**
Other, net	**558**	753	**6,001**
Net other (income) expenses	**(2,932)**	21,363	**(31,527)**
Loss Before Income Taxes	**(11,114)**	(25,873)	**(119,505)**
Income Taxes			
Current	**967**	1,478	**10,398**
Deferred	**(3,552)**	10,837	**(38,193)**
Total income taxes	**(2,585)**	12,315	**(27,795)**
Minority Interests in Net Income (Loss) of Consolidated Subsidiaries	**(526)**	3	**(5,656)**
Net Loss	**¥ (8,003)**	¥ (38,191)	**$ (86,054)**

Per Share of Common Stock:

	Yen		U.S. dollars
Net loss	**¥ (33.71)**	¥ (160.86)	**$ (0.36)**
Net income-diluted	**—**	—	**—**
Cash dividends, applicable to earnings for the year	**—**	—	**—**

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, 2010 and 2009

		Millions of yen								
		Shareholders' equity				Valuation gain/loss, translation gain/loss, etc.				
	Shares of issued common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gain on securities	Deferred hedge income and loss	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	253,974	¥ 54,045	¥ 30,176	¥ 49,390	¥ (12,238)	¥ 6,347	¥ (6)	¥ (5,620)	¥ 781	¥ 122,875
Net loss				(38,191)						(38,191)
Cash dividends paid, ¥10.00 per share				(2,374)						(2,374)
Effects of changes in accounting policies applied to foreign subsidiaries				(91)						(91)
Net unrealized holding gain on securities						(6,171)				(6,171)
Deferred hedge income and loss							2			2
Foreign currency translation adjustments								(5,914)		(5,914)
Acquisition of treasury stock					(18)					(18)
Disposal of treasury stock			(20)		36					16
Other									(420)	(420)
Balance at March 31, 2009	253,974	¥ 54,045	¥ 30,156	¥ 8,734	¥ (12,220)	¥ 176	¥ (4)	¥(11,534)	¥ 361	¥ 69,714
Net loss				(8,003)						(8,003)
Net unrealized holding gain on securities						3,224				3,224
Deferred hedge income and loss							(64)			(64)
Foreign currency translation adjustments								103		103
Acquisition of treasury stock					(7)					(7)
Disposal of treasury stock			(1)		2					1
Other									73	73
Balance at March 31, 2010	**253,974**	**¥ 54,045**	**¥30,155**	**¥ 731**	**¥ (12,225)**	**¥ 3,400**	**¥ (68)**	**¥ (11,431)**	**¥ 434**	**¥65,041**

	Thousands of U.S. dollars								
	Shareholders' equity				Valuation gain/loss, translation gain/loss, etc.				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gain on securities	Deferred hedge income and loss	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	$ 581,129	$ 324,258	$ 93,914	$ (131,398)	$ 1,892	$ (43)	$ (124,022)	$ 3,883	$ 749,613
Net loss			(86,054)						(86,054)
Net unrealized holding gain on securities					34,667				34,667
Deferred hedge income and loss						(688)			(688)
Foreign currency translation adjustments							1,109		1,109
Acquisition of treasury stock				(76)					(76)
Disposal of treasury stock		(11)		22					11
Other								784	784
Balance at March 31, 2010	**$ 581,129**	**$ 324,247**	**$ 7,860**	**$ (131,452)**	**$ 36,559**	**$ (731)**	**$ (122,913)**	**$ 4,667**	**$ 699,366**

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash Flows from Operating Activities:			
Loss before income taxes	**¥ (11,114)**	¥ (25,873)	**$ (119,505)**
Depreciation and amortization	**7,012**	8,414	**75,398**
Impairment loss	**780**	1,442	**8,387**
Amortization of goodwill	**—**	1,056	**—**
One-time amortization of goodwill	**—**	1,312	**—**
Equity in losses of affiliates	**437**	5,955	**4,699**
Gain on negative goodwill	**(2,471)**	—	**(26,570)**
Gain on step acquisitions	**(2,613)**	—	**(28,097)**
Loss on investments in securities	**46**	1,688	**495**
Loss on disposal of property, plant and equipment	**31**	83	**333**
Gain on sale of investments in securities	**(2,761)**	—	**(29,688)**
Decrease in accrued pension and severance costs	**(179)**	(630)	**(1,925)**
Decrease in accrued bonuses to directors	**(16)**	(58)	**(172)**
Decrease in accrued product warranty costs	**(280)**	(64)	**(3,011)**
Increase in allowance for loss on orders received	**191**	325	**2,054**
Business structure improvement expenses	**1,306**	7,278	**14,043**
Interest and dividend income	**(420)**	(725)	**(4,516)**
Interest expense	**2,397**	1,490	**25,774**
Decrease in trade notes and accounts receivable	**14,067**	18,376	**151,258**
Decrease (increase) in inventories	**22,954**	(1,844)	**246,817**
Decrease (increase) in other current assets	**(69)**	635	**(742)**
Increase (decrease) in trade notes and accounts payable	**9,695**	(30,417)	**104,247**
Decrease in accrued expenses	**(310)**	(3,638)	**(3,333)**
Decrease in other current liabilities	**(1,479)**	(4,909)	**(15,903)**
Other, net	**(884)**	(322)	**(9,506)**
Subtotal	**36,320**	(20,426)	**390,537**
Interest and dividends received	**425**	740	**4,570**
Interest paid	**(2,416)**	(1,526)	**(25,978)**
Contribution in connection with the transition to a defined contribution pension plan	**(1,010)**	(944)	**(10,860)**
Payment of business structure improvement expenses	**(6,737)**	(259)	**(72,441)**
Income taxes paid	**(1,469)**	(2,178)	**(15,796)**
Net cash provided by (used in) operating activities	**25,113**	(24,593)	**270,032**
Cash Flows from Investing Activities:			
Increase (decrease) in time deposits, net	**(513)**	179	**(5,516)**
Acquisition of property, plant and equipment	**(1,003)**	(4,935)	**(10,785)**
Proceeds from sale of property, plant and equipment	**1,984**	75	**21,333**
Purchase of investments in securities	**(13)**	(213)	**(140)**
Proceeds from sale of investments in securities	**4,213**	—	**45,301**
Purchase of investments in subsidiaries	**—**	(300)	**—**
Acquisition of shares of a newly consolidated subsidiary	**—**	(1,276)	**—**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	**2,615**	—	**28,118**
Payments from sale of investments in subsidiaries resulting in change in scope of consolidation	**(5)**	—	**(54)**
Other, net	**(393)**	(451)	**(4,225)**
Net cash provided by (used in) investing activities	**6,885**	(6,921)	**74,032**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debt, net	**(38,588)**	27,295	**(414,925)**
Proceeds from long-term debt	**55,000**	17,451	**591,398**
Repayment of long-term debt	**(27,823)**	(6,375)	**(299,172)**
Proceeds from sale and leaseback	**1,627**	—	**17,495**
Repayment of finance lease obligations	**(2,331)**	(1,917)	**(25,065)**
Redemption of bonds with subscription rights to shares	**(14,999)**	—	**(161,280)**
Increase in treasury stock, net	**(6)**	(2)	**(64)**
Cash dividends paid	**—**	(2,374)	**—**
Cash dividends paid to minority interests	**(4)**	(7)	**(43)**
Net cash provided by (used in) financing activities	**(27,124)**	34,071	**(291,656)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(80)**	(2,335)	**(860)**
Net Increase in Cash and Cash Equivalents	**4,794**	222	**51,548**
Cash and Cash Equivalents at Beginning of Year	**25,111**	24,980	**270,011**
Decrease in Cash and Cash Equivalents in Line with Changes in Scope of Consolidation	**—**	(91)	**—**
Cash and Cash Equivalents at End of Year	**¥ 29,905**	¥ 25,111	**$ 321,559**

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, 2010 and 2009

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.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries had been based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in below, the accounts of the consolidated overseas subsidiaries for the year ended March 31, 2009 were 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 statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18 issued on May 17, 2006) has been adopted and the necessary adjustments of six items have been made for consolidation. As a result of this change, operating loss and loss before income taxes for the year ended March 31, 2009 increased by ¥133 million and ¥189 million, respectively, compared with amounts that would have been recorded using the previously applied method. The effect on segment information is presented in each related section.

Effective from the fiscal year ended March 31, 2010, the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008) have been adopted. This adoption has had no effect on profit.

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), the "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 (Revised 2008) issued on December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 (Revised 2008) released on December 26, 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 (Revised 2008) issued on December 26, 2008) have been adopted, as they have been able to be applied to business combinations, business divestures, etc., implemented for the first time after the fiscal year beginning on April 1, 2009. Changing the evaluation method of subsidiaries' assets and liabilities from the partial fair value evaluation method to the full fair value evaluation method has had no effect on profit or segment information.

The accompanying consolidated financial statements have been translated into U.S. dollars solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2010, ¥93 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.

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 conditions evidencing control by the Company.

Investments in affiliates are accounted for by the equity method.

SOKUDO Co., Ltd. and its subsidiary company SOKUDO USA, LLC, former affiliated companies accounted for by the equity method, are included within the range of consolidation because the Company purchased additional shares and companies were converted from joint venture companies to subsidiaries of the Company.

Prior to the year ended March 31, 2010, in the elimination of investments in subsidiaries, the portion of a subsidiary's assets and liabilities attributable to the shares owned by the Company had been evaluated based on the fair value at the time when the Company acquired control of the subsidiary. The portion of the assets and liabilities attributable to minority shareholders' shares of the subsidiary had been determined using the financial statements of the subsidiary. Effective from the fiscal year ended March 31, 2010, as described above, "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and other standards have been adopted. As a result of this change, the assets and liabilities attributable to both the shares owned by the Company and minority shareholders' shares have been evaluated based on the fair value at the time of the acquisition of the control of the subsidiary.

(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 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 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 mainly state inventories calculated either by the first-in, first-out method or the specific identification method (with regard to the amounts stated in the balance sheet, book value devaluation method based on decline in profitability).

Consolidated overseas subsidiaries mainly state inventories at the lower of cost or market either by the first-in, first-out method or the specific identification method.

(Changes in Accounting Policy)

Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). As a result of this change, operating loss and loss before income taxes for the year ended March 31, 2009 increased by ¥1,373 million, and ¥3,800 million, respectively, compared with amounts that would have been recorded using the previously applied method. The effect on segment information is presented in each related section.

(e) Installment sales

Certain consolidated domestic subsidiaries have installment sales and recognize profits as the related receivables become due. Unrealized income is included in other current liabilities in the accompanying consolidated balance sheets.

(f) Securities

The Company and its consolidated subsidiaries classify securities as all other securities (hereafter, "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 sale of such securities are computed using moving average cost. Other securities with no available fair values are stated at moving average cost.

(g) 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 mainly computed 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 does not transfer 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.

(Additional Information)

Following revisions to the taxation system in Japan effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the estimated useful lives of their assets. As a result of this change, operating loss and loss before income taxes for the year ended March 31, 2009 decreased by ¥294 million and ¥301 million, respectively, compared with amounts that would have been recorded using the previously applied method. The effect on segment information is presented in each related section.

(h) 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.

(i) 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).

(j) Research and development

Expenses related to research and development activities, which are charged to income as incurred, amounted to ¥11,615 million ($124,892 thousand) in 2010 and ¥16,073 million in 2009.

(k) 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.

(l) 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. However, when no significant difference in the amounts exists, it is amortized at one time.

(m) Accounting for leases

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, the "Accounting Standard for Lease Transactions," 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.

Formerly, the Company and its consolidated domestic subsidiaries accounted transactions with which the ownership of the leased assets does not transfer to the lessee as operating leases. However, the revised accounting standard requires that all finance lease transactions be capitalized. Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the accounting standard. As a result of this change, operating loss for the year ended March 31, 2009 decreased by ¥233 million, and loss before income taxes increased by ¥189 million, compared with amounts that would have been recorded using the previously applied method. The effect on segment information is presented in each related section.

(n) Bond issue costs

Bond issue costs are charged to expenses as incurred.

(o) 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 and liability approach.

(p) 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.

(q) Accrued bonuses to directors

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

(r) 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 its consolidated domestic subsidiaries provide accrued pension and severance costs 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.

As the fair value of plan assets as of March 31, 2010 and 2009 exceeded the projected benefit obligation (excluding the unrecognized actuarial differences) of the Company and certain consolidated domestic subsidiaries, the difference has been recognized as "Other assets" in Investments and Other assets.

(Change in accounting policy)

Effective from the fiscal year ended March 31, 2010, the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008) have been adopted. This adoption has had no effect on profit.

(s) Retirement benefits for directors and corporate auditors

Certain consolidated domestic subsidiaries have unfunded retirement and termination allowance plans for directors and statutory auditors. The amounts required under the plans have been fully accrued.

(t) Accrued product warranty costs

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

(u) Reserve for loss on guarantees

A reserve for loss on guarantees is provided in an estimated amount for leases of customers after consideration of the customers' financial position, solvency, etc.

(v) Allowance for business structure improvement

The Company and certain consolidated subsidiaries provided estimated expenses for the fiscal year ended March 31, 2009, such as the premium severance pay accrued in the following fiscal year under the business restructuring plans, including business reforms, the streamlining of organizations and business sites as well as personnel adjustments.

The main items of business structure improvement expenses in "Other Expenses" for the year ended March 31, 2010, were early retirement benefits and reemployment assistance expenses of ¥254 million ($2,731 thousand) and loss on disposal of inventories from the withdrawal from the direct imaging system for TFT LCD business of ¥622 million ($6,688 thousand). The main items of business structure improvement expenses in "Other Expenses" for the year ended March 31, 2009 were early retirement benefits and reemployment assistance expenses of ¥6,260 million, loss on disposal of inventories from the withdrawal from the direct imaging system for color filter business of ¥626 million, and loss on disposal of property, plant and equipment from the withdrawal from the direct imaging system for color filter business of ¥318 million.

(w) Allowance for loss on orders received

The Company and certain consolidated subsidiaries provide for estimated loss accrued in or after the next fiscal year 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 calculating based on the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006), the amounts are provided for as an allowance for loss on orders received.)

(x) Derivatives and hedge accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are 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 items hedged as of March 31, 2010.

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.

Note 2: Consolidated Statements of Cash Flows

The noncash financing activities for the year ended March 31, 2010 were as follows:

Newly booked assets and liabilities relating to finance leases

	Millions of yen	Thousands of U.S. dollars
Lease assets	¥ 237	$ 2,548
Lease obligations	249	2,677

Significant components of assets and liabilities of the newly consolidated subsidiary by acquiring its shares were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 7,499	$ 80,635
Property, plant and equipment	2,166	23,290
Current liabilities	(4,981)	(53,559)
Long-term liabilities	(1,633)	(17,559)
Minority interests	(580)	(6,237)
Negative goodwill	(2,471)	(26,570)
Shares of SOKUDO Co., Ltd. at cost	—	—
Cash and cash equivalents of SOKUDO Co., Ltd.	(2,615)	(28,118)
Net income by acquiring SOKUDO Co., Ltd.	¥ 2,615	$ 28,118

Note 3: Income Taxes

The Company is subject to several taxes based on income with an aggregate statutory tax rate of approximately 39.5% in 2010 and 2009.

As of March 31, 2010, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥67,268 million ($723,312 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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets (current)			
Accrued bonuses for employees	¥ 571	¥ 628	$ 6,140
Loss on valuation of inventories	6,553	3,486	70,462
Accrued product warranty costs	1,397	1,532	15,022
Allowance for business structure improvement expenses	—	2,394	—
Other	2,198	1,605	23,634
Valuation allowance	(6,689)	(8,451)	(71,925)
Deferred tax liabilities (current)			
Adjustment of allowance for doubtful accounts and other	(20)	(26)	(215)
Net deferred tax assets	¥ 4,010	¥ 1,168	$ 43,118
Deferred tax assets (noncurrent)			
Net operating loss carryforwards	¥24,693	10,536	$265,516
Loss on investments in securities	483	632	5,194
Accrued pension and severance costs	222	317	2,387
Depreciation	3,861	3,983	41,516
Other	3,157	2,572	33,946
Valuation allowance	(30,402)	(17,072)	(326,903)
Deferred tax liabilities (noncurrent)			
Undistributed earnings of consolidated overseas subsidiaries	(989)	(855)	(10,634)
Net unrealized holding gain on securities	(1,672)	(198)	(17,978)
Other	(537)	(304)	(5,775)
Net deferred tax assets (liabilities)	¥ (1,184)	¥ (389)	$ (12,731)

The significant differences between the aggregate statutory tax rates and the effective tax rates of the Company and its consolidated subsidiaries for financial statement purposes for the years ended March 31, 2010 and 2009 are not shown due to the loss before income taxes.

Note 4: Short-Term and Long-Term Debt

Short-term debt generally represents short-term notes from banks. The average interest rate on these borrowings at March 31, 2009 was 1.1%. There was no short-term debt at March 31, 2010.

Long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
1.37% to 2.16% loans from Japanese banks, due in installments through 2015			
—secured	**¥ 20,246**	¥ 296	**$ 217,699**
—unsecured	**6,591**	11,667	**70,871**
0.7% to 2.53% loans from a governmental institution, due in installments through 2015			
—secured	**10,000**	—	**107,527**
—unsecured	**3,652**	5,352	**39,269**
1.84% to 2.57% loans from an insurance company, due in installments through 2015			
—secured	**5,000**	—	**53,763**
—unsecured	**2,979**	3,975	**32,032**
2.13% unsecured notes, due Februrary 8, 2013	**7,000**	7,000	**75,269**
0.88% unsecured notes, due January 31, 2012	**2,500**	2,500	**26,882**
1.66% unsecured notes, due Februrary 8, 2011	**10,000**	10,000	**107,527**
Zero coupon unsecured convertible notes (with stock acquisition rights), due September 30, 2009	**—**	14,999	**—**
Total	**67,968**	55,789	**730,839**
Current portion of long-term debt shown in current liabilities	**(19,773)**	(22,822)	**(212,613)**
Long-term debt, less current portion	**¥ 48,195**	¥ 32,967	**$ 518,226**

As of March 31, 2010, certain long-term debt of ¥35,246 million ($378,989 thousand) was secured by property, plant and equipment with a net book value of ¥28,208 million ($303,312 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 and a certain domestic subsidiary have contracts for commitment lines and convertible term loans for financing by which banks are bound to extend loans up to a prearranged amount upon request. As of March 31, 2010, the total financing available under these contracts amounted to ¥20,000 million ($215,054 thousand) each, and no amount of these contracts 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
2012	¥ 37,561	$ 403,883
2013	8,360	89,892
2014	1,660	17,849
2015	614	6,602
2016 and thereafter	—	—
Total	¥ 48,195	$ 518,226

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 common 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 common 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 common 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 stock acquisition rights.

Diluted net income per share of common stock for the year ended March 31, 2010 is not shown due to the net loss.

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, 2010 and 2009 was as follows:

(As lessee)

1) Description of leased assets

1. Tangible fixed assets

Mainly the production facilities in the Electronic Equipment and Components 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, (g) 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, 2010 and 2009, 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 Electronic Equipment and Components 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, (g) Depreciation

2. Operating leases

(As lessee)

Future minimum lease payments as lessee:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 459**	¥ 264	**$ 4,935**
Due after one year	**661**	427	**7,108**
Total	**¥ 1,120**	¥ 691	**$ 12,043**

Note 7: Segment Information

Segment Information by Business Field

Year ended March 31, 2010	Millions of yen				
	Electronic Equipment and Components	Graphic Arts Equipment	Other	Eliminations/ Corporate	Consolidated
Net sales and operating loss					
Sales to customers	**¥ 125,086**	**¥ 38,448**	**¥ 595**	**¥ —**	**¥ 164,129**
Intersegment sales	**—**	**—**	**6,073**	**(6,073)**	**—**
Total	**125,086**	**38,448**	**6,668**	**(6,073)**	**164,129**
Operating expenses	**136,535**	**40,939**	**6,774**	**(6,073)**	**178,175**
Operating loss	**¥ (11,449)**	**¥ (2,491)**	**¥ (106)**	**¥ —**	**¥ (14,046)**
Assets	**¥ 130,577**	**¥ 35,637**	**¥ 3,427**	**¥ 46,981**	**¥ 216,622**
Depreciation and amortization	**5,011**	**744**	**154**	**1,103**	**7,012**
Impairment loss	**717**	**5**	**—**	**58**	**780**
Capital expenditures	**1,393**	**338**	**62**	**118**	**1,911**

Year ended March 31, 2009	Millions of yen				
	Electronic Equipment and Components	Graphic Arts Equipment	Other	Eliminations/ Corporate	Consolidated
Net sales and operating income (loss)					
Sales to customers	¥ 160,157	¥ 57,095	¥ 1,797	¥ —	¥ 219,049
Intersegment sales	—	—	8,160	(8,160)	—
Total	160,157	57,095	9,957	(8,160)	219,049
Operating expenses	166,077	55,494	10,148	(8,160)	223,559
Operating income (loss)	¥ (5,920)	¥ 1,601	¥ (191)	¥ —	¥ (4,510)
Assets	¥ 159,141	¥ 39,959	¥ 6,250	¥ 41,568	¥ 246,918
Depreciation and amortization	5,934	951	249	1,280	8,414
Impairment loss	—	567	766	109	1,442
Capital expenditures	2,665	438	119	785	4,007

Year ended March 31, 2010	Electronic Equipment and Components	Graphic Arts Equipment	Other	Eliminations/ Corporate	Consolidated
	Thousands of U.S. dollars				
Net sales and operating loss					
Sales to customers	$ 1,345,011	$ 413,419	$ 6,398	$ —	$ 1,764,828
Intersegment sales	—	—	65,301	(65,301)	—
Total	1,345,011	413,419	71,699	(65,301)	1,764,828
Operating expenses	1,468,119	440,204	72,838	(65,301)	1,915,860
Operating loss	$ (123,108)	$ (26,785)	$ (1,139)	$ —	$ (151,032)
Assets	$ 1,404,054	$ 383,194	$ 36,849	$ 505,172	$ 2,329,269
Depreciation and amortization	53,882	8,000	1,656	11,860	75,398
Impairment loss	7,709	54	—	624	8,387
Capital expenditures	14,978	3,634	667	1,269	20,548

Notes: 1. Eliminations/Corporate includes corporate assets of ¥59,973 million ($644,871 thousand) and ¥53,478 million for the years ended March 31, 2010 and 2009, respectively.

2. Changes in accounting policies

(Changes in evaluation standards and methods for inventories)

Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). As a result of this change, operating loss for the fiscal year ended March 31, 2009 in the Electronic Equipment and Components segment increased by ¥847 million, operating income in the Graphic Arts Equipment segment decreased by ¥525 million and operating loss in the Other segment increased by ¥1 million, compared with amounts that would have been recorded using the previously applied method.

(Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements")

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006) has been adopted and the necessary adjustments have been made for consolidation. As a result of this change, operating loss for the fiscal year ended March 31, 2009 in the Electronic Equipment and Components segment increased by ¥140 million and operating income in the Graphic Arts Equipment segment increased by ¥7 million, compared with amounts that would have been recorded using the previously applied method.

(Application of the "Accounting Standard for Lease Transactions")

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, the "Accounting Standard for Lease Transactions," 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. Formerly, the Company and its consolidated domestic subsidiaries accounted transactions with which the ownership of the leased assets did not transfer to the lessee as operating leases. However, the revised accounting standard requires that all finance lease transactions be capitalized. Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the accounting standard. As a result of this change, operating loss for the fiscal year ended March 31, 2009 in the Electronic Equipment and Components segment decreased by ¥259 million, operating income in the Graphic Arts Equipment segment increased by ¥10 million and operating loss in the Other segment increased by ¥36 million, compared with amounts that would have been recorded using the previously applied method.

(Change in the Depreciation Method for Fixed Assets in Accordance with Tax Reform)

Following revisions to the taxation system in Japan, effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the estimated useful lives of their assets. As a result of this change, operating loss for the fiscal year ended March 31, 2009 in the Electronic Equipment and Components segment decreased by ¥289 million and operating income in the Graphic Arts Equipment segment increased by ¥5 million, compared with amounts that would have been recorded using the previously applied method.

Segment Information by Geographic Area

Year ended March 31, 2010	Japan	North America	Asia & Oceania	Europe	Eliminations/ Corporate	Consolidated
	Millions of yen					
Net sales and operating income (loss)						
Sales to customers	¥ 132,373	¥ 10,644	¥ 10,895	¥ 10,217	¥ —	¥ 164,129
Intersegment sales	14,396	1,580	4,049	1,107	(21,132)	—
Total	146,769	12,224	14,944	11,324	(21,132)	164,129
Operating expenses	163,171	12,308	13,476	11,391	(22,171)	178,175
Operating income (loss)	¥ (16,402)	¥ (84)	¥ 1,468	¥ (67)	¥ 1,039	¥ (14,046)
Assets	¥ 148,077	¥ 10,862	¥ 14,973	¥ 11,842	¥ 30,868	¥ 216,622

Year ended March 31, 2009	Japan	North America	Asia & Oceania	Europe	Eliminations/ Corporate	Consolidated
	Millions of yen					
Net sales and operating income (loss)						
Sales to customers	¥ 149,054	¥ 30,822	¥ 18,260	¥ 20,913	¥ —	¥ 219,049
Intersegment sales	41,481	1,274	4,887	525	(48,167)	—
Total	190,535	32,096	23,147	21,438	(48,167)	219,049
Operating expenses	196,325	31,400	21,367	22,465	(47,998)	223,559
Operating income (loss)	¥ (5,790)	¥ 696	¥ 1,780	¥ (1,027)	¥ (169)	¥ (4,510)
Assets	¥ 183,370	¥ 12,380	¥ 14,135	¥ 11,286	¥ 25,747	¥ 246,918

Year ended March 31, 2010	Japan	North America	Asia & Oceania	Europe	Eliminations/ Corporate	Consolidated
	Thousands of U.S. dollars					
Net sales and operating income (loss)						
Sales to customers	$ 1,423,365	$ 114,452	$ 117,151	$ 109,860	$ —	$ 1,764,828
Intersegment sales	154,797	16,989	43,537	11,903	(227,226)	—
Total	1,578,162	131,441	160,688	121,763	(227,226)	1,764,828
Operating expenses	1,754,528	132,344	144,903	122,483	(238,398)	1,915,860
Operating income (loss)	$ (176,366)	$ (903)	$ 15,785	$ (720)	$ 11,172	$ (151,032)
Assets	$ 1,592,226	$ 116,796	$ 161,000	$ 127,333	$ 331,914	$ 2,329,269

Notes: 1. Segment information by geographic area is for the Company and its consolidated subsidiaries located in the respective geographic areas. Eliminations/Corporate includes corporate assets of ¥59,973 million ($644,871 thousand) and ¥53,478 million for the years ended March 31, 2010 and 2009, respectively.

2. Changes in accounting policies

(Changes in evaluation standards and methods for inventories)

Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). As a result of this change, operating loss for the fiscal year ended March 31, 2009 increased by ¥1,373 million in Japan, compared with amounts that would have been recorded using the previously applied method.

(Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements")

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006) has been adopted and the necessary adjustments have been made for consolidation. As a result of this change, operating income for the fiscal year ended March 31, 2009 in Asia and Oceania increased by ¥37 million while operating loss in Europe increased by ¥170 million, compared with amounts that would have been recorded using the previously applied method.

(Application of the "Accounting Standard for Lease Transactions")

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, the "Accounting Standard for Lease Transactions," 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. Formerly, the Company and its consolidated domestic subsidiaries accounted transactions with which the ownership of the leased assets did not transfer to the lessee as operating leases. However, the revised accounting standard requires that all finance lease transactions be capitalized. Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have adopted the accounting standard. As a result of this change, operating loss for the fiscal year ended March 31, 2009 decreased by ¥233 million in Japan, compared with amounts that would have been recorded using the previously applied method.

(Change in the Depreciation Method for Fixed Assets in Accordance with Tax Reform)

Following revisions to the taxation system in Japan, effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the estimated useful lives of their assets. As a result of this change, operating loss for the fiscal year ended March 31, 2009 decreased by ¥294 million in Japan, compared with amounts that would have been recorded using the previously applied method.

Domestic Sales and Overseas Sales

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	**2010**	2009	**2010**
Domestic sales	**¥ 42,714**	¥ 72,281	**$ 459,290**
Overseas sales	**121,415**	146,768	**1,305,538**
North America	**18,012**	38,467	**193,677**
Asia & Oceania	**87,579**	80,603	**941,710**
Europe	**13,748**	20,017	**147,828**
Others	**2,076**	7,681	**22,323**
Ratio of overseas sales to net sales	**74.0%**	67.0%	
Net sales	**¥ 164,129**	¥ 219,049	**$ 1,764,828**

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

Note 8: Contingent Liabilities

As of March 31, 2010, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen	Thousands of U.S. dollars
As guarantors of—		
Customers' business loans	**¥ 6**	**$ 65**
Customers' lease payments	**427**	**4,591**
Employees' housing loans	**374**	**4,022**
Trade notes receivable endorsed	**23**	**247**
Total	**¥830**	**$8,925**

Note 9: Financial Instruments

1. Qualitative information on financial instruments

A. Policies for using financial instruments

The Company and its consolidated subsidiaries procure funds necessary to conduct business by means such as loans from financial institutions and the issuance of bonds, based on 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 of 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 of foreign currency exchange rates	The risk is hedged by using forward foreign exchange contracts on more than certain portion of the receivables.
Investments in securities	Risk of fluctuation of market prices	Fair values and financial conditions of issuers are regularly monitored.
Loans, bonds and lease obligations	Liquidity risk	Funding plans are prepared and renewed, and certain level of liquidity on hand is maintained.
—Portion of loans	Risk of fluctuation of interest rates	The risk is hedged by using interest rate swaps and interest rate caps.

Derivative transactions which the company uses are forward foreign exchange contracts, interest rate swap contracts and interest rate cap contracts only for the purpose of mitigating risks of fluctuation of 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(x), Summary of Significant Accounting and Reporting Policies - Derivatives and hedge accounting. The Company believes that the credit risk is very small as contractors of derivative transactions are creditable financial institutions.

C. Supplemental information on fair values

Contract amounts of derivative transactions described in Note 11, Derivative Transactions, themselves do not reflect the market risks of derivative transactions.

2. Fair values of financial instruments

As of March 31, 2010, the book value and fair value of financial instruments and the differences between these figures are set forth in the table below. The table does not include financial instruments whose fair values are not readily determinable. (See Note 2.)

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
Year ended March 31,	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 31,254	¥ 31,254	¥ —	$ 336,065	$ 336,065	$ —
(2) Trade notes and accounts receivable	52,030			559,462		
Allowance for doubtful receivables (*1)	(1,428)			(15,355)		
	50,602	50,600	(2)	544,107	544,085	(22)
(3) Investments in securities						
Available-for-sale securities	20,995	20,995	—	225,753	225,753	—
Total assets	¥102,851	¥102,849	¥ (2)	$1,105,925	$1,105,903	$ (22)
(1) Notes and accounts payable - Trade	¥ 52,389	¥ 52,389	¥ —	$ 563,323	$ 563,323	$ —
(2) Long-term debt	67,968	66,519	(1,449)	730,839	715,258	(15,581)
(3) Lease obligations	9,250	11,624	2,374	99,462	124,989	25,527
Total liabilities	¥129,607	¥130,532	¥ 925	$1,393,624	$1,403,570	$ 9,946
Derivative transactions (*2)						
(1) Without application of hedge accounting	¥ (41)	¥ (41)	¥ —	$ (441)	$ (441)	$ —
(2) With application of hedge accounting	(67)	(67)	—	(720)	(720)	—
Total derivative transactions	¥ (108)	¥ (108)	¥ —	$ (1,161)	$ (1,161)	$ —

*(*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.*

Note 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 calculated 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 12, Securities.

Liabilities

(1) Notes and accounts payable -Trade

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 calculated based on their applicable book values.

(2) Long-term debt

The fair values of bonds with market prices are based on the market prices. The fair values of bonds without market prices and 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.

(3) 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 11, Derivative Transactions.

Note 2. The book value of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2010 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Category	Book value	Book value
Non-listed equity securities	¥2,752	$29,591

The amount in the left table includes investments in affiliates of ¥2,067 million ($22,226 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.

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

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	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	¥31,254	¥ —	¥—	¥—	$336,065	$ —	$—	$—
Trade notes and accounts receivable	51,809	221	—	—	557,086	2,376	—	—
Investments in securities - available-for-sale securities with maturities	—	—	—	—	—	—	—	—
Total	¥83,063	¥221	¥—	¥—	$893,151	$2,376	$—	$—

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

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

Note 10: Related Party Transactions

There were no transactions with significant affiliates for the year ended March 31, 2010. Sales to and balances due from significant affiliates as of and for the year ended March 31, 2009 were as follows:

	Millions of yen
	2009
SOKUDO Co., Ltd.	
(a) Sales and other revenue for the year	¥10,240
(b) Receivables at year end	3,917

Note 11: Derivative Transactions

Outstanding derivative transactions as of March 31, 2010 and 2009 were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2010				2009				**2010**			
Years ended March 31	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)	**¥2,121**	**¥—**	**¥(64)**	**¥(64)**	¥1,408	¥—	¥1,462	¥(54)	**$22,806**	**$—**	**$(688)**	**$(688)**
(Sell–Euro)	**1,801**	**—**	**23**	**23**	763	—	804	(41)	**19,366**	**—**	**247**	**247**
Total	**¥3,922**	**¥—**	**¥(41)**	**¥(41)**	¥2,171	¥—	¥2,266	¥(95)	**$42,172**	**$—**	**$(441)**	**$(441)**

Notes: 1. Method of estimating fair value
The fair value of exchange forward transactions as of March 31, 2010 was estimated based on the prices presented by financial institutions.
The fair value of exchange forward transactions as of March 31, 2009 was translated at the forward foreign exchange rate as of March 31, 2009.
2. The above table does not list derivative transactions for which hedge accounting has been applied.

Note 12: Securities

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2010 and 2009:

Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2010			2009			**2010**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	**¥11,213**	**¥17,360**	**¥ 6,147**	¥ 5,939	¥9,289	¥ 3,350	**$120,570**	**$186,667**	**$ 66,097**
Others	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Total	**¥11,213**	**¥17,360**	**¥ 6,147**	¥ 5,939	¥9,289	¥ 3,350	**$120,570**	**$186,667**	**$ 66,097**
Other securities:									
Equity securities	**¥ 4,694**	**¥ 3,622**	**¥ (1,072)**	¥11,451	¥8,479	¥(2,972)	**$ 50,473**	**$ 38,946**	**$ (11,527)**
Others	**17**	**14**	**(3)**	31	27	(4)	**183**	**151**	**(32)**
Total	**¥ 4,711**	**¥ 3,636**	**¥ (1,075)**	¥11,482	¥8,506	¥(2,976)	**$ 50,656**	**$ 39,097**	**$ (11,559)**

B. The following tables summarize book values of available-for-sale securities whose fair values were not readily determinable as of March 31, 2009. For the information as of March 31, 2010, please see Note 9, Financial instruments.

	Millions of yen
	2009
Available-for-sale securities:	
Non-listed equity securities	¥683
Total	¥683

C. Total sales of available-for-sale securities for the year ended March 31, 2010 amounted to ¥4,213 million ($45,301 thousand), and the related total gain amounted to ¥2,761 million ($29,688 thousand). Total sales of available-for-sale securities sold in the year ended March 31, 2009 amounted to ¥0 million, and the related total gain amounted to ¥0 million.

Note 13: Employees' Severance and Pension Benefits

Accrued pension and severance costs included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥27,867**	¥31,680	**$299,646**
Fair value of plan assets	**(21,434)**	(21,117)	**(230,473)**
Unrecognized actuarial differences	**(7,256)**	(10,597)	**(78,022)**
Prepaid pension expenses	**1,310**	699	**14,086**
Accrued pension and severance costs	**¥ 487**	¥ 665	**$ 5,237**

Severance and pension benefit expenses included in the consolidated statements of income for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service costs—benefits earned during the year	**¥1,356**	¥1,427	**$14,580**
Interest cost on projected benefit obligation	**600**	600	**6,452**
Expected return on plan assets	**(1,147)**	(1,378)	**(12,334)**
Amortization of actuarial differences	**1,029**	596	**11,065**
Severance and pension benefit expenses	**¥1,838**	¥1,245	**$19,763**
Others	**598**	720	**6,431**
Total	**¥2,436**	¥1,965	**$26,194**

The discount rate used by the Company was 2.0% in 2010 and 2009. The rate of expected return on plan assets was 5.70% in 2010 and 2009. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years.

Note 14: 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 the segment information by business field. The consolidated subsidiaries generally group their assets at the subsidiary level. The Company and its consolidated subsidiaries group their idle assets by the individual asset. The recoverable amounts of the business assets and idle assets are based on the net sale values, calculated by subtracting the estimated cost of disposal from the estimated amounts based on similar transactions. The Company and its consolidated subsidiaries recorded impairment loss of ¥780 million ($8,387 thousand), mainly related to buildings and structures and leased tangible assets for the year ended March 31, 2010. The Company and its consolidated subsidiaries recorded impairment loss of ¥1,442 million, mainly related to intangible assets and land, for the year ended March 31, 2009.

Note 15: Business Combinations

The business combination through acquisition for the year ended March 31, 2010 was as follows.

On June 23, 2009, the Company purchased additional shares of its affiliated company SOKUDO Co., Ltd. ("SOKUDO"), whose principle business was the development, manufacture, sale and maintenance of semiconductor-related coat/develop track equipment, and made SOKUDO and its subsidiary, SOKUDO USA, LLC, subsidiaries of the Company on the same date. This acquisition was made because the Company judged that the best way to improve business value and competitiveness of SOKUDO would be to streamline the scale of business by promoting the utilization of the Company's functions, and realize nimbler business operations by further strengthening the cooperation with the Company.

As a result of the acquisition of shares without cost, the Company's shareholding ratio of SOKUDO became 81.0% (previously 52.0 %), and SOKUDO became inapplicable as a joint venture company, thereby the Company became the acquiring party. Also as a result of the purchase, the Company has newly included SOKUDO and its 100% subsidiary, SOKUDO USA, LLC, within its scope of consolidation from the fiscal year ended March 31, 2010. In the consolidated financial statements for the fiscal year ended March 31, 2010, SOKUDO's performance from July 1, 2009 to March 31, 2010 is included, as the deemed acquisition date is June 30, 2009. For the period from April 1, 2009 to June 30, 2009, SOKUDO was regarded as an affiliate and its performance was accounted for by the equity method.

Through this acquisition, the Company recorded ¥2,613 million ($28,097 thousand) of gain on step acquisitions and ¥2,471 million ($26,570 thousand) of gain on negative goodwill. Negative goodwill was recorded because the fair value of the acquired SOKUDO's net assets exceeded the acquisition cost of the Company's additionally acquired shares of SOKUDO. For information about the amounts and significant components of assets and liabilities recorded at the acquisition date, see Note 2, Consolidated Statements of Cash Flows.

With the assumption that the business combination was concluded on April 1, 2009, the estimated impact on the consolidated statements of operations in the current consolidated fiscal year is as follows:

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ (134)	$ (1,441)
Operating income	(1,158)	(12,452)
Income before income taxes	(232)	(2,495)
Net income	¥ (1)	$ (11)

	Yen	U.S. dollars
Net income per share of common stock	¥(0.01)	$ (0.00)

**The amounts indicated as the estimated impact of the combination are the differences between the amount of sales and income calculated by adding adjustments such as the elimination of internal sales and equity in losses of affiliates with the assumption that the business combination was concluded on April 1, 2009 and the amount of sales and income recorded in the consolidated statements of operations of the Company. The estimated amounts of the impact of the combination have not been audited.*

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Dainippon Screen Mfg. Co., Ltd. (the"Company") and its consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 1 to the consolidated financial statements, the "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008) etc. have been adopted from the fiscal year ended March 31, 2010.

As discussed in Note 1 to the consolidated financial statements, effective April 1, 2009, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories."

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 & Co.

Osaka, Japan

June 25, 2010

KPMG AZSA & Co.

Consolidated Companies (As of March 31, 2010)

Overseas

North America

D.S. North America Holdings, Inc./DNS Electronics, LLC/
Dainippon Screen Graphics (USA), LLC/S. Ten Nines California, LLC/
D.S. Venture Investments International, Incorporated/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 (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./SEMES 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./SOKUDO Co., Ltd./
Quartz Lead Co., Ltd./FASSE 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 Link Ring Co., Ltd./
GERANT Co., Ltd./MIXA Co., Ltd.*

* Affiliates accounted for by the equity method

Investor Information (As of March 31, 2010)

Stock Information

Authorized Number of Shares: 900,000,000
Number of Shares Issued: 253,974,333
Number of Shareholders: 18,791
Number of Shares Held by Non-Japanese Companies and Individuals: 46,541,929 (18.32%)
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)	15,569	6.13
The Master Trust Bank of Japan, Ltd. (Accounting in trust)	14,771	5.81
Nippon Life Insurance Company	11,300	4.44
JP Morgan Chase Bank 385078	6,996	2.75
The Bank of Kyoto, Ltd.	6,730	2.65
Resona Bank, Limited	4,562	1.79
Dainippon Screen's Business Partners Shareholders' Association Synchronize	4,363	1.71
The Shiga Bank, Ltd.	4,241	1.67
Dainippon Screen's Employees Shareholders' Association	3,844	1.51
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,823	1.50

* While Dainippon Screen Mfg. Co.,Ltd. holds 16,578,859 shares (6.52%) 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.

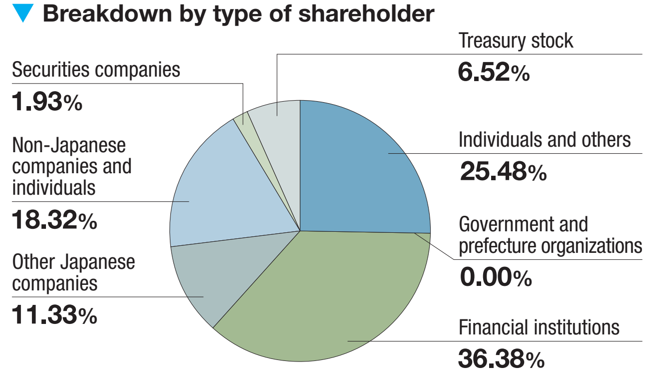
Underwriter

The Nomura Securities Co., Ltd.

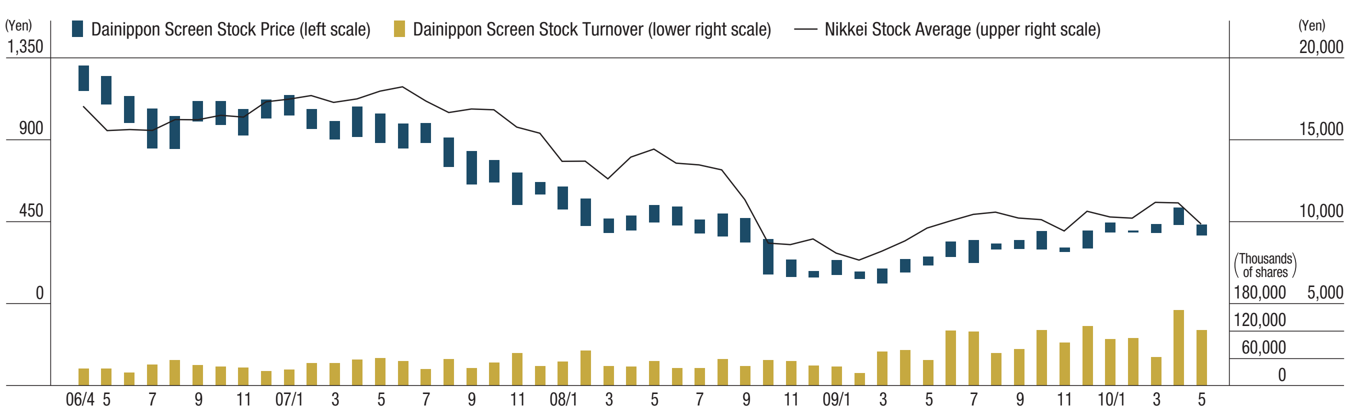
Sub-Underwriters

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd./Daiwa Securities Co. Ltd./
Cosmo Securities Co., Ltd.

Breakdown by type of shareholder



Stock Price Range and Turnover



チャレンジ25

未来が変わる。
日本が変える。

The Dainippon Screen Group is participating in the Challenge 25 Campaign. Through a broad-based appeal to Japanese citizens to reduce CO_2 emissions, this national movement for the prevention of global warming establishes Japan's target of reducing its greenhouse gas emissions by 25% by 2020 compared to the 1990 level.

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