

Annual Report 2011

Dainippon Screen Group
Year Ended March 31, 2011



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.

We are now aiming for a new "*Shi Kou Ten Kai* [志高転改], maintaining a strong will to implement reform".

Semiconductor Equipment Company

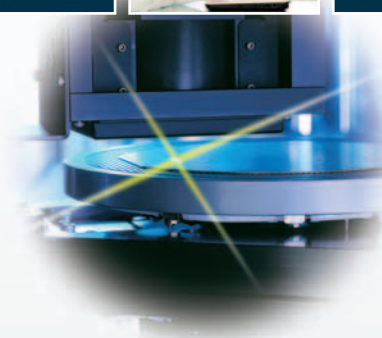
In an environment characterized by the further circuit miniaturization of semiconductors, wafer cleaning processes are of growing importance. We boast the top share of the global market in the three principal categories of single wafer cleaning equipment, batch-type cleaning equipment and spin scrubbers.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



▼ Global Market Share (Sales amount basis in 2010)

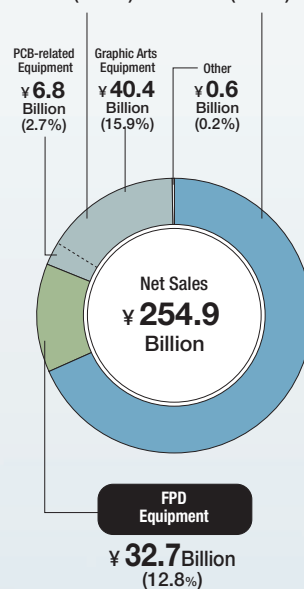
Single wafer cleaning equipment	52.9%
Batch-type cleaning equipment	83.4%
Spin scrubbers	57.7%

(Source: Gartner, "Market Share: Semiconductor Equipment, Worldwide, 2010" 30 March 2011 Single Wafer Processors, Auto Wet Stations, Scrubbers)



▼ Sales by Segment (Fiscal Year Ended March 31, 2011)

Media And Precision Technology	Semiconductor Equipment
¥ 47.3 Billion (18.6%)	¥ 174.2 Billion (68.4%)



FPD Equipment Company

Coater/developers operate using the principles of photographic development to create electronic circuits on a glass substrate by coating with photosensitive material and developing. We hold the top share of the global market in coater/developers for the TFT arrays used in LCD panel production process.

▼ Global Market Share (Unit basis in 2010)

Coater/developers	60.0%
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(Source: Dainippon Screen estimate)



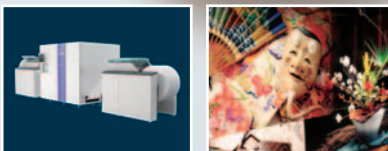
Media And Precision Technology Company

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

▼ Global Market Share (Unit basis in 2010)

CTP equipment	41.4%
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(Source: Dainippon Screen estimate)

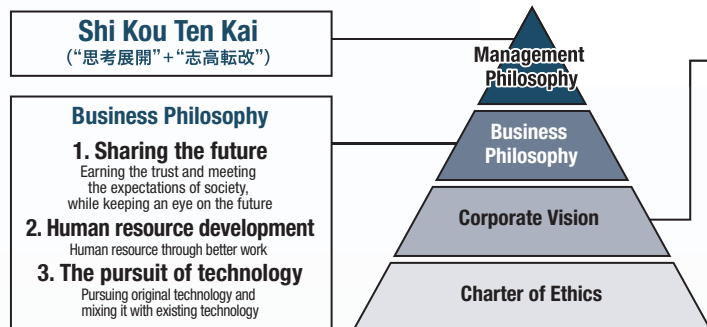


● Reporting Segments

Effective from the fiscal year ended March 31, 2011, the business segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information." The three new reportable segments are Semiconductor Equipment, FPD Equipment and Media and Precision Technology (graphic arts equipment and printed circuit board-related equipment).



▼ Guiding Principles of Screen's Business



Fit your needs, Fit your future

期待に応えて、未来を形に…

The Dainippon Screen Group provides innovative solutions fitting the needs of a changing global society and shares the future benefits with stakeholders by leveraging individual talents and collaborations necessary to overcome challenges.

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

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. From the fiscal year ended March 31, 2010, this publication integrated the reporting from these two perspectives.

Please see our website (<http://www.screen.co.jp/index.html>) for additional information.

Disclaimer

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

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

Corporate Data (As of March 31, 2011)

Company Name:
Dainippon Screen Mfg. Co., Ltd.

Established: October 11, 1943

Representative Directors:
Akira Ishida, Chairman
Masahiro Hashimoto, President

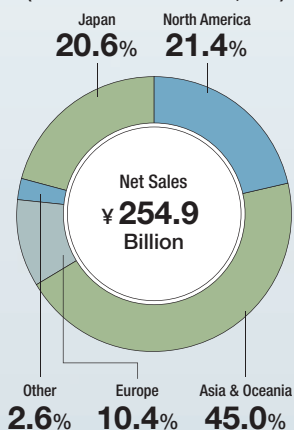
Capital: ¥54 billion

Employees : 4,732 employees (Consolidated)
2,067 employees (Nonconsolidated)

Business and Manufacturing Sites:
Head Office, Kuze*, Rakusai (WHITE CANVAS RAKUSAI), Kumiyaama, Yasu, Hikone, Taga and Kudan

* The Kuze Site was closed in April 2011.

▼ Sales by Geographic Region (Fiscal Year Ended March 31, 2011)



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Consolidated Eleven-Year Summary

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

	2011	2010	2009	2008	2007
For the Year:					
Net sales	¥ 254,953	¥ 164,129	¥ 219,049	¥ 279,816	¥ 301,312
Cost of sales	182,990	137,827	169,391	208,266	211,159
Cost of sales to net sales (%)	71.8 %	84.0 %	77.3 %	74.4 %	70.1 %
Operating income (loss)	¥ 26,811	¥ (14,046)	¥ (4,510)	¥ 14,628	¥ 30,541
Operating income to net sales (%)	10.5 %	-8.6 %	-2.1 %	5.2 %	10.1 %
Net income (loss)	¥ 25,687	¥ (8,003)	¥ (38,191)	¥ 4,578	¥ 18,452
Comprehensive income	22,576	(5,257)	—	—	—
Depreciation and amortization	5,805	7,012	8,414	5,563	4,113
Cash flows from operating activities	34,299	25,113	(24,593)	7,934	23,645
Cash flows from investing activities	(2,191)	6,885	(6,921)	(16,510)	(8,519)
Cash flows from financing activities	(22,250)	(27,124)	34,071	669	(8,875)
Capital expenditures	3,613	1,911	4,007	12,866	14,420
R&D expenses	12,130	11,615	16,073	16,248	16,884

Per Share of Capital Stock:

Net income (loss)	¥ 108.21	¥ (33.71)	¥ (160.86)	¥ 18.81	¥ 74.05
Net income—diluted	—	—	—	17.39	68.63
Cash dividends	5.00	—	—	10.00	15.00
Net assets	367.00	272.15	292.12	514.26	542.13

At Year End:

Total assets	¥ 253,127	¥ 216,622	¥ 246,918	¥ 291,114	¥ 319,519
Return on total assets (%)	10.9 %	-3.5 %	-14.2 %	1.5 %	6.3 %
Current assets	¥ 183,523	¥ 139,984	¥ 168,191	¥ 196,989	¥ 223,463
Property, plant and equipment, net	40,699	45,413	50,955	49,069	42,346
Current liabilities	148,132	93,874	132,431	123,702	133,784
Long-term debt	10,634	48,195	32,967	40,644	43,900
Equity	87,118	64,607	69,353	122,094	133,062
Equity ratio (%)	34.4 %	29.8 %	28.1 %	41.9 %	41.6 %
Return on equity (%)	33.9 %	-11.9 %	-39.9 %	3.6 %	14.2 %
Capital stock	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045
Retained earnings (deficit)	26,418	731	8,734	49,390	48,497
Number of shares issued (in thousands)	253,974	253,974	253,974	253,974	253,974
Number of employees	4,732	4,679	4,992	5,041	4,798

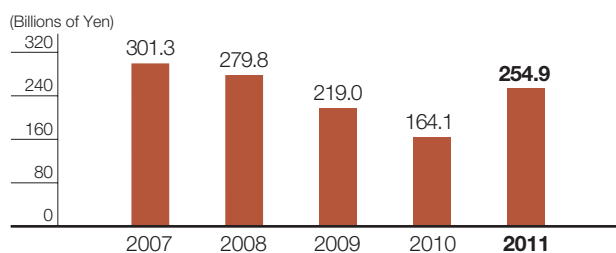
Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥83 to US\$1.00.

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

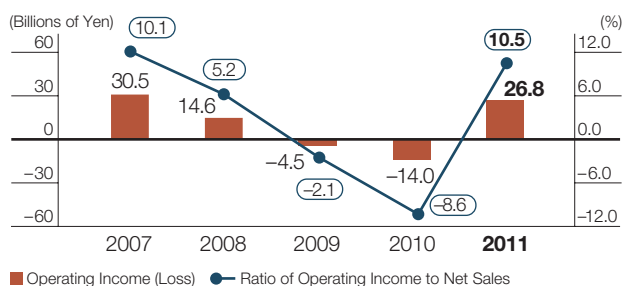
3. Return on total assets and return on equity are calculated on the basis of average total assets and average equity, respectively, at the current and previous fiscal year-ends.

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

▼ Consolidated Net Sales



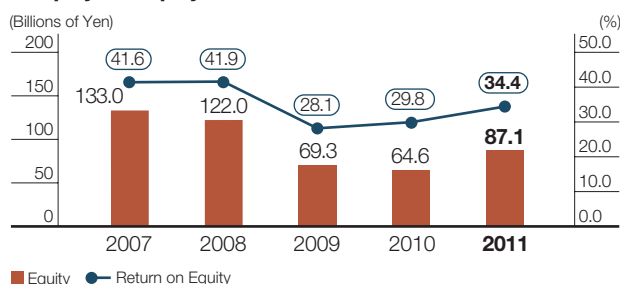
▼ Consolidated Operating Income (Loss) and Ratio of Operating Income to Net Sales



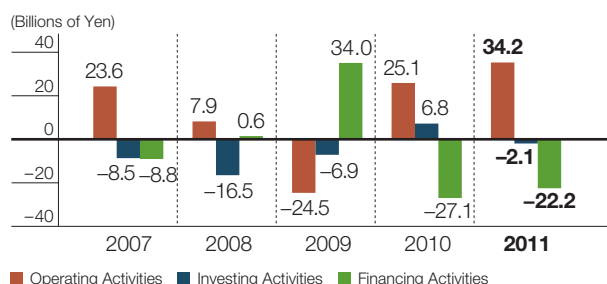
Millions of yen						Thousands of U.S. dollars
2006	2005	2004	2003	2002	2001	2011
¥ 246,534	¥ 269,341	¥ 191,939	¥ 167,942	¥ 174,218	¥ 242,726	\$ 3,071,723
173,628	190,639	135,389	121,036	126,882	170,896	2,204,699
70.4 %	70.8 %	70.5 %	72.1 %	72.8 %	70.4 %	
¥ 18,568	¥ 25,292	¥ 9,600	¥ 3,225	¥ 140	¥ 23,903	\$ 323,024
7.5 %	9.4 %	5.0 %	1.9 %	0.1 %	9.8 %	
¥ 15,236	¥ 14,454	¥ 4,851	¥ (3,466)	¥ (18,900)	¥ 17,806	\$ 309,482
—	—	—	—	—	—	272,000
3,823	5,944	4,000	4,901	7,223	7,534	69,940
14,906	22,301	14,681	87	(7,124)	21,197	413,241
(7,482)	(5,108)	(82)	4,304	(2,663)	(3,175)	(26,398)
(13,442)	(16,775)	(10,157)	(4,923)	43	(8,666)	(268,072)
5,906	6,146	2,465	1,813	3,918	6,256	43,530
13,269	12,628	11,134	10,770	10,025	9,960	146,145
Yen						U.S. dollars
¥ 60.66	¥ 59.88	¥ 23.04	¥ (18.65)	¥ (101.08)	¥ 97.20	\$ 1.30
55.81	52.57	18.29	—	—	84.88	—
10.00	7.50	3.00	—	—	5.00	0.06
500.30	408.03	334.93	238.28	269.75	369.54	4.42
Millions of yen						Thousands of U.S. dollars
¥ 270,238	¥ 256,398	¥ 240,512	¥ 218,653	¥ 234,972	¥ 301,784	\$ 3,049,722
5.8 %	5.8 %	2.1 %	-1.5 %	-7.0 %	6.4 %	
¥ 181,077	¥ 179,012	¥ 165,506	¥ 149,713	¥ 153,149	¥ 214,756	\$ 2,211,120
36,096	34,308	35,627	38,140	45,041	50,351	490,349
106,134	111,998	113,771	116,899	120,545	154,396	1,784,723
24,674	31,803	38,163	47,491	57,190	74,067	128,120
126,392	99,219	77,434	45,100	50,435	69,099	1,049,614
46.8 %	38.7 %	32.2 %	20.6 %	21.5 %	22.9 %	
13.5 %	16.4 %	7.9 %	-7.3 %	-31.6 %	29.7 %	
¥ 53,999	¥ 51,331	¥ 48,172	¥ 37,142	¥ 36,544	¥ 36,544	\$ 651,145
32,536	19,284	3,514	(1,314)	(13,147)	6,767	318,289
253,792	243,164	231,390	189,369	186,987	186,987	
4,672	4,547	4,460	4,468	4,429	4,715	

5. For the year ended March 31, 2005, depreciation and amortization included ¥2,299 million of nonrecurring depreciation of property, plant and equipment and other assets from the withdrawal from the CRT mask business.
6. Equity in the above table represents the total of shareholders' equity and accumulated other comprehensive income in the consolidated balance sheets. This is due to the adoption of the new accounting standards for presentation of net assets in the balance sheet, which require former shareholders' equity and minority interests to be presented as net assets, and net assets to be classified as shareholders' equity, accumulated other comprehensive income and minority interests. Under the new accounting standards, the net assets section includes deferred hedge income and loss, net of taxes, which was previously included in the assets or liabilities section without consideration for the related income tax effects. The accompanying consolidated financial statements after the year ended March 31, 2006 have been prepared in accordance with the new accounting standards, whereas the statements for the previous years are presented pursuant to the previous presentation rules.
7. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted. Under the new accounting standard, the above table includes comprehensive income whereas its amounts are not shown before the years ended March 31, 2010.

▼ Equity and Equity Ratio



▼ Cash Flows



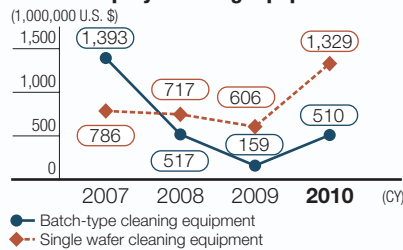
Developed New Single Wafer Cleaning Equipment Featuring World Leading Throughput and Cleanliness, Plus Improved Environmental Performance

We have developed the *SU-3200*, a new single wafer cleaning equipment that cleans semiconductor wafers one at a time. This model achieves world-leading throughput and chamber cleanliness, as well as reduced environmental impact and running cost. By continuing to develop products that offer outstanding productivity and environmental performance, we aim to lead the global market for cleaning equipment.

Demand for Single Wafer Cleaning Equipment Growing in tandem with Semiconductor Miniaturization

Each of the numerous steps in the semiconductor production process requires wafer cleaning to remove any particles, metals or organic substances that have adhered. Cleaning accounts for between 30% and 40% of overall processing. These processes typically employ batch-type cleaning equipment, capable of cleaning 50 wafers at a time. In recent years, however, full-fledged mass-production has begun on some devices with circuit line widths of 32 nanometers. Development is also underway on technology for circuits having even smaller line widths of 22 nanometers*¹. This level of miniaturization requires cleaning technologies that achieve a high level of cleanliness while

Market for Batch-Type and Single Wafer Spray Cleaning Equipment



Source: Gartner, "Forecast: Semiconductor Capital Equipment, 1Q11 Update"

minimizing wafer damage. Accordingly, demand has rapidly increased for single wafer cleaning equipment, which achieves higher yields by cleaning large-diameter wafers one at a time.

The issue is that cleaning wafers one at a time naturally is more time-consuming than batch processing. Given that cleaning accounts for a large portion of the overall production process, customers have eagerly awaited higher-throughput solutions. Meanwhile, from an environmental impact

perspective there has been a strong call to reduce the amounts of chemical solutions, pure water, gases and other items consumed.

Dainippon Screen currently enjoys the highest share of the world market for single wafer cleaning equipment, at 52.9% (2010)*². In the fiscal year ended March 31, 2011, our sales in this category were robust, thanks to aggressive investment in miniaturization and production capacity increases, centered on prominent foundries (companies to which semiconductor manufacturers outsource production) and manufacturers of logic chips (a generic term for LSI chips capable of processing data and performing calculations) and NAND flash memories (a type of memory suited to large-scale data storage).

*1 One one-billionth of a meter.

*2 Source: Gartner, "Market Share: Semiconductor Equipment Worldwide 2010", 19 April 2011.

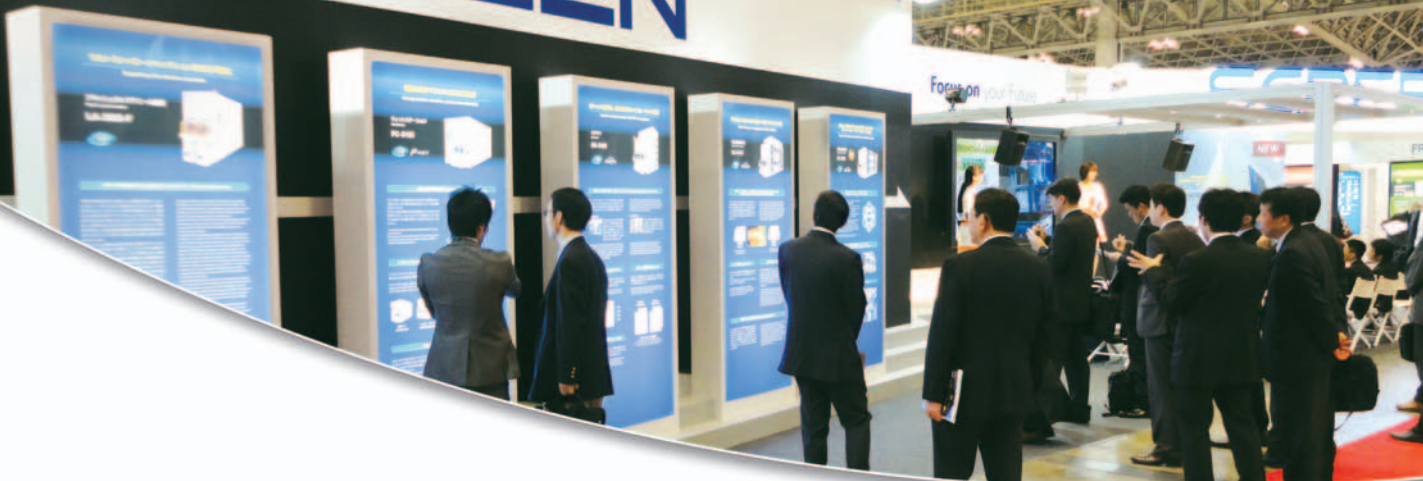
Enhanced Environmental Performance, as well as High Levels of Throughput and Cleanliness

Under these circumstances, the Company developed the *SU-3200*, a single wafer cleaning system capable of handling increasingly miniature devices and achieving throughput of up to 800 wafers per hour. The new model's ability to control air currents meant that its cleaning chamber could be reduced to half the size of previous models, allowing as many as 12 chambers to be placed in one system. The Company also increased the speed of the wafer transport system. The cleaning process employs our proprietary APAC*³ technology to achieve world-leading levels of cleanliness. All in



SU-3200
Single wafer cleaning system
12 chambers, Impressively high throughput of up to 800 wafers per hour.

SCREEN

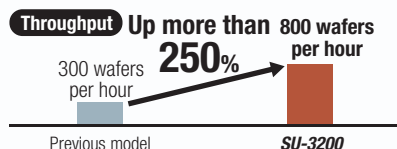


all, this new model is well suited for the ultrasmall 22 nanometer wiring employed in next-generation semiconductor devices.

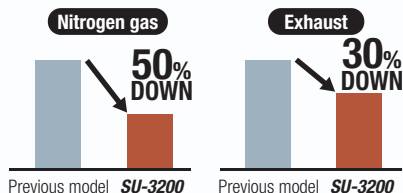
Compared with batch-type cleaning equipment, single wafer cleaning equipment typically consume more energy per wafer. Addressing this issue, we converted to electric power equivalence the amount of energy consumed, adding to actual power consumption the equivalent for the production and use of utilities (pure water, nitrogen gas, dry air, exhaust and others), and then sought to decrease the total amount of energy consumed. On the *SU-3200*, we succeeded in shortening processing times and reducing levels of nitrogen—which requires a major amount of energy—and exhaust. Accordingly, the new model uses only around 50% of the energy required by our previous model (the *SU-3100*), thereby reducing environmental impact and running cost.

*3 An acronym for “advanced process atmosphere control,” a proprietary cleaning technology that enhances venting within the chamber and allows air current control, among other advantages.

▼ Throughput Comparisons with Previous Model



▼ Environmental Performance Comparison with Previous Model



Note: Figures per wafer



Promoting the Adoption of Single Wafer Cleaning Equipment as the Industry Standard

The *SU-3200* generated a strong response at SEMICON Japan 2010 (held December 1–3, 2010, at Makuhari Messe), an international trade show dedicated to semiconductor manufacturing equipment and materials. Customers gave the model high marks for its throughput and cleanliness while handling wafers for next-generation devices with ultrasmall line widths, and sales are proceeding apace.

We are working toward the adoption of this newly developed model as the industry standard for single-wafer cleaning equipment, as we aim to contribute further to the semiconductor industry.



Topics

Offering Wafer Cleaning Equipment for the Production of Green Devices

Making a Full-Fledged Entry into the Environmental Technology Arena, Typified by LED Lighting and Power Semiconductors

“Green devices,” or environmentally conscious electronic components, have become a point of industry focus in recent years. In addition to LED lighting, demand has increased for such energy-saving devices as inverters and other power semiconductors, which are used in air conditioners and hybrid cars. Such green devices are typically produced by relatively small-scale manufacturers and in small lots, and the companies that make them demand more compact and inexpensive production equipment with fewer features. In response, we have launched the FRONTIER development project, which targets this industry. As the first phase of this project, we launched the *CW-1500* batch-type cleaning system in July 2010. This system has a broad range of uses, from providing an alternative to manual cleaning to use in R&D and high-mix, low-volume production. By developing products such as this, Dainippon Screen aims to cultivate a new client category and help make the low-carbon society a reality.

CW-1500
batch-type cleaning system



Environmental Technology and Environmental Patents Concentrating Our Technology Development Capabilities to Expand Revenues in Environmental Fields

Developing environmental technology has become an important theme throughout the world, and one that calls for urgent and strategic initiatives. Dainippon Screen set up WHITE CANVAS RAKUSAI in 2006 to harness its technology development capabilities companywide. At this center, we devote all our Group resources to the challenge of developing environmental technology, and work to acquire environmental patents.

Concentrating Our R&D Capabilities to Create New Technologies and Businesses

Technology management has remained a key focus that Dainippon Screen has promoted since its founding, and we underscored its importance in April 2006, when we opened WHITE CANVAS RAKUSAI (Kyoto) with the aim of reinforcing our groupwide R&D

structure in a way that would go beyond the organizational boundaries of individual companies. The R&D centers allocated to individual companies are concentrated here. Pooling our development resources and consolidating our development structures in this way enables us to boost the R&D potential of the Group as a whole.

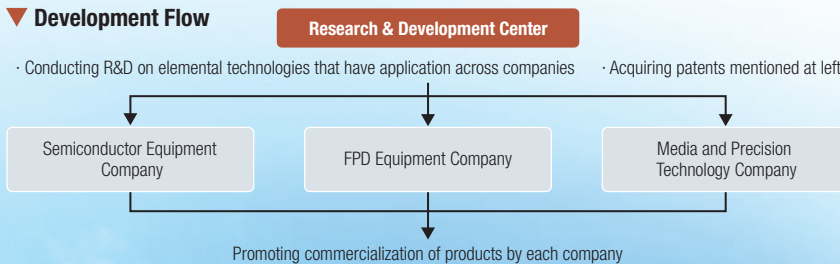
WHITE CANVAS RAKUSAI is named to evoke the desire of freely

expressing emerging ideas and create new technologies and industries. By fostering interaction among the numerous engineers who are gathered at the center, we aim to facilitate the creation of new technologies and businesses and their dissemination.

▼ Achievements

- Entered the semiconductor wafer inspection equipment market
- Established technology to analyze the flow behavior of liquids in semiconductor wafer cleaning
- Launched wafer cleaning system for the production of green devices
- Developed direct patterning systems for the manufacture of flexible printed circuits
- Developed the world's first 300 millimeter semiconductor wafer cleaning system having zero VOC emissions
- Participated in the joint development of basic technologies for large OLED panels

▼ Development Flow



A String of “World-First” and “World’s Best” Achievements in the Environmental Technology Arena

From the time it opened, WHITE CANVAS RAKUSAI has made environmental technology an area of particular emphasis. One example is its participation in NEDO Green IT Project, a joint development project with the New Energy and Industrial Technology Development Organization (NEDO) to conduct basic research involving large OLED panels.

WHITE CANVAS RAKUSAI (Kyoto)
Main site for research and development





Development examples include the world's first 300 millimeter semiconductor wafer cleaning system* employing new technologies and having zero VOC emissions, as well as a process for directly printing flexible printed circuits rather than through pattern exposure and development—a direct patterning system that offers the world's highest processing capabilities and eliminates the need to dispose of waste liquids. These are only a few of the “world-first” and “world's best” achievements the center has delivered to date.

* FC-3100 equipped with the Dry-Air Dryer (DAD), which employs this technology

Filing Environmental Patent Applications to Create New Business

The industrial equipment and systems that we provide to the market are designed to be environmentally considerate by conserving energy, resources, space and reducing the number of processes, so environmental technology is an essential part of our new product development activity. WHITE CANVAS RAKUSAI contributes by developing environmental



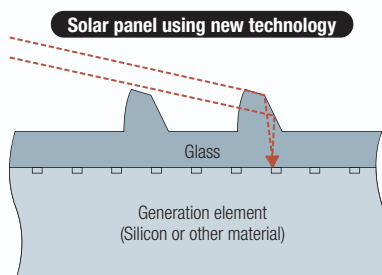
technology and promoting the filing of environmental patent applications. As a result of these efforts, of the 123 patent applications we announced in 2010, 15 were environmental patent applications: eight in the category of energy conservation or new energy, four related to conservation of liquids and three pertaining to the environment or recycling.

For example, one of our new energy patent applications involved solar cell panels and photovoltaic generation systems that generate energy efficiently and are unaffected by changes in the angle of incident sunlight according to time of day. This technology boosts electric power conversion efficiency

by guiding the sun's rays into the photovoltaic cell even when at an incident angle other than 90 degrees.

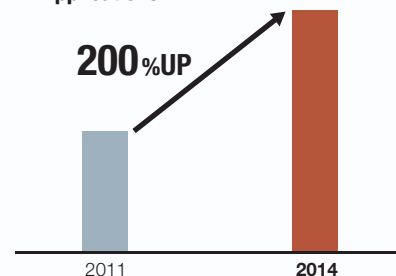
We adopted this theme of promoting technology and product developments that help reduce environmental impact in the Dainippon Group's medium-term environment, health and safety plan, Green Value 21 Phase II, launching in the fiscal year ending March 31, 2012. Compared with the fiscal year ended March 31, 2011, level, by the fiscal year ending March 31, 2014, this plan aims to more than double both our number of environmental technology patent applications and their percentage of the total, comprising projects currently under development that help to reduce the environmental impact. To achieve this goal, we are focusing our companywide resources into environmental technology development initiatives.

▼ Solar Cell Panels and Photovoltaic Generation Systems



Protrusion on the glass surface of the panel catch rays having different incident angles, raising the amount available for generation.

▼ Number of Environmental Technologies, Target Ratio of Environmental Patent Applications





Masahiro Hashimoto
Representative Director
President
Chief Operating Officer(COO)

Akira Ishida
Representative Director
Chairman
Chief Executive
Officer(CEO)

At DAISEN-IN Temple, Kyoto

To Our Stakeholders

Making a New Leap Forward and Achieving Growth through *NextStage70*

Amid the stagnant operating environment following the Lehman shock, the Dainippon Screen Group posted two consecutive net losses for the fiscal years ended March 31, 2009 and 2010, and prompted a restructuring plan that has been a groupwide focus for approximately the past two years. As a result of these efforts, in the fiscal year ended March 31, 2011, the Group recorded its highest level of net income to date, buoyed by a major rebound in the semiconductor equipment business. To achieve even further growth, the Dainippon Screen Group launched *NextStage70*, a new three-year medium-term management plan commencing in the fiscal year ending March 31, 2012, and with the theme “Establishing a stable earnings structure and building a foundation for new growth.”

Q Please describe the business environment and operating performance in the fiscal year ended March 31, 2011.

A We posted increased earnings and profits, thanks to the rapid recovery of the semiconductor market.

Chairman: In the fiscal year ended March 31, 2011, an increase in demand for mobile devices such as smart phones and tablets encouraged

brisk capital investment by semiconductor manufacturers, which led to a ¥90.8 billion increase in net sales, to ¥254.9 billion. Moving back into the black after two years in the red, we posted net income of ¥25.6 billion, our highest figure to date. The biggest contributors to this upswing were, in addition to higher sales, cost reductions and other results of restructuring, and improvements in plant utilization.

Q How were you affected by the Great East Japan Earthquake?

A The impact was limited.

Chairman: I would like to offer my deepest condolences to the families of the people affected by the Great East Japan Earthquake that struck on March 11, and extend my best wishes to all the people in the affected area.

President: We sincerely hope for the quickest possible recovery of the

affected area. The Dainippon Screen Group will do whatever it can to provide support to the disaster-stricken region.

On the day of the earthquake, we formed the Company Emergency Committee, which I chair. We gathered information to determine whether any of our employees or people affiliated with the Company had sustained injuries and to judge the status of the disaster and introduced rescue measures, but damage to the Group was limited.

The majority of the Group's manufacturing facilities for equipment related to semiconductors, FPDs, printers and printed circuit boards (PCBs) are located in Kyoto and Shiga prefectures, and were unaffected by the disaster. Quartz Lead Co., Ltd., a subsidiary that manufactures parts for semiconductor production equipment and has operations in the cities of Koriyama and Iwaki, in Fukushima Prefecture, sustained damage to its plant. However, its Koriyama plant resumed regular production 10 days after the earthquake struck. Resumption of operations at the Iwaki plant has been delayed due to aftershocks, but restoration efforts are making steady headway. In addition, a subsidiary located in the city of Kitakami, Iwate Prefecture, that handles service related to semiconductor production equipment and a subsidiary in Sendai that handles sales related to graphic arts equipment

reported slight damage. However, both businesses had resumed operations only a few days after the disaster and were out supporting recovery at customer sites. Ultimately, the impact of earthquake-related disasters on our operating performance for the fiscal year ended March 31, 2011, was negligible.

Q How were dividends in the fiscal year ended March 31, 2011?

A We have set a dividend for the year of ¥5 per share.

Chairman: Our basic policy is to ensure ample return of profits to shareholders, while retaining earnings for the purpose of business expansion and increasing profitability. During the past two years, amid the sharp deterioration of the business environment in the wake of the Lehman shock, the Group has operated in the red and, consequently, no

dividends have been awarded. However, owing to the sharp rebound in performance during the fiscal year ended March 31, 2011, we have allocated a dividend of ¥5 per share.

Q Please outline the results of the restructuring plan.

A All the measures were successful, and we moved back into the black.

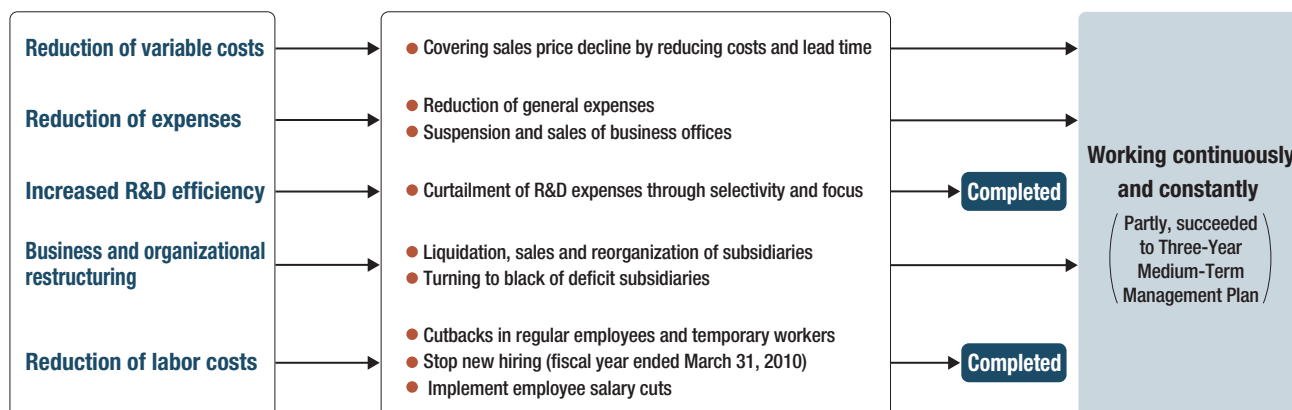
Chairman: We considered our negative performance a good opportunity to implement management reforms. We introduced a groupwide management plan spanning approximately two years that targeted a return to profitability in the fiscal year ended March 31, 2011. Aiming to substantially lower our breakeven point, our plan had five themes: the reduction of variable costs, reduction of expenses, increased R&D efficiency, business and organizational efficiency, business and organizational

Enhancing Customer Satisfaction through Shorter Lead Times and Lower Cost of Defects

The Dainippon Screen Group has a management philosophy “*Shi Kou Ten Kai* [思考展開+志高転改]” that can be translated as the “development of thought” and “maintaining a strong will to implement reform.” One component of its restructuring plan is a project whose name suggests “changing our way of thinking.” Its organization comprises eight cross-functional teams for each theme, with activities designed to foster improvements across the Company.

For example, members of the manufacturing strategy team hail from each internal company, so they can share success stories and information on surmounting difficulties, thereby offering hints as to improvements that could be made. After visiting other companies' plants and learning from their successes, they succeeded in shortening lead times and lowering the cost of defects. This improvement led to increased customer satisfaction.

▼ Summary of Business Restructuring





restructuring, and the reduction of labor costs. Of these themes, during the fiscal year ended March 31, 2010, we made progress toward the reduction of labor costs, reduction of expenses and increased R&D efficiency.

In the fiscal year ended March 31, 2011, we concentrated on business and organizational restructuring and the reduction of variable costs. Owing to these efforts, our subsidiary SOKUDO Co., Ltd. became profitable during the second half of the year, substantially reducing the Group's deficit in the graphic arts business. In this manner, our restructuring measures brought us back into the black and provided substantial motive power to boost earnings.

President: One thing I would particularly like to mention is the cross-functional teams that we set in throughout the

Company. We set up eight teams each with a specific theme, such as inventory reductions, the effective use of human resources, curtailment of general expenditures and implementation production strategies. The teams formulated measures to address their assigned themes, and then supported execution and managed the progress of these measures. This move boosted companywide awareness of inventories and expenses, with positive results of these activities coinciding with the upswing in the semiconductor market.

Q What is your outlook for the business environment?

A The semiconductor industry will continue to grow. We can look forward to developments in new fields within the FPD and printing industries.

President: Although the semiconductor industry will fluctuate in line with the silicon cycle, I believe that growth will continue. Such areas as consumer electronics and automobiles continue to incorporate more digital components. As more business moves into the cloud, the number of devices with Internet connectivity will increase and grow more diverse, and demand will rise for servers that manage content. Internet connections will become faster and the sharing of large video files will increase,

driving demand for high-end CPUs to process the data. In other words, demand will increase for semiconductors that are more miniature and more highly integrated. As a result, we expect demand for semiconductor production equipment to expand.

In the FPD industry, manufacturers are likely to continue increasing their levels of capital investment in equipment to make the small and medium-sized LCDs used in mobile devices such as smart phones and tablets. As a successor to LCD televisions, the market should expand for OLED TVs, which feature high image quality and low power consumption and are thin, assuming that production technologies to make such displays in large sizes can be mastered while holding down costs.

In advanced countries, the shipping value of printed matter continues to decline each year, in line with the proliferation of PCs and mobile devices such as tablets. Amid these conditions, conventional equipment capable of large print runs is giving way to print on demand (POD) systems. Such systems print precisely the required number of copies, exactly when needed. To meet the growing shift toward this type of printing, it will be necessary to expand product lineups ahead of market demand in terms of product quality, startup speeds and productivity. In emerging markets, meanwhile, demand for graphic

▼ Three-year Medium-Term Management Plan, *NextStage70*, April 1, 2011, to March 31, 2014

Fundamental Guidelines

1. Management Targets

Ensuring profitability during market downturns

- Ongoing approach to establishing a stable earnings structures
- Continually increase the added value of existing products and reduce costs

Improving net assets

- Increase equity ratio by improving profitability ratio and increasing capital efficiency

2. Fundamental Policies

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

Establishing a stable earnings structure

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

Promoting new growth

- Promote R&D investment to develop new business to enable further growth
- Enhance global business foundation

3. Numerical Targets

Equity ratio above 50%, Reducing net interest-bearing debt to zero

(as of March 31, 2014)

- Improve profitability ratio: Ratio of net income to net sales above 7.5%
- Increase capital efficiency: Asset turnover ratio above 1.1 times

arts equipment is increasing, prompted by economic growth and growing cultural diversity. In particular, each year sales of CTP equipment are expanding in Asia, led by China, and we expect such demand increases to continue.

Q What is your future strategy?

A In line with our three-year medium-term management plan, we are working to establish a stable earnings structure and building a foundation for new growth.

Chairman: We launched a new three-year medium-term management plan, called *NextStage 70*, in April 2011. The number 70 refers to fact that the plan's final year (the fiscal year ending March 31, 2014) coincides with the Company's 70th anniversary of establishment. The rest of the name expresses our intention to move the Company to the next stage by achieving the targets we have set for three years hence. The management targets of the three-year plan are securing our ability to ensure downside profitability and recovering our equity.

President: Our basic policy is to "Establish a profit-generating structure and set the stage for new growth." In this sense, we are working to ensure stable profits, which should enable us to

bolster price competitiveness, reinforce high-margin product offerings, cultivate products that create value for our customers and enhance our ability to adjust our business flexibly in response to changes in the external environment. To achieve new growth, we also aim to invest aggressively in R&D and shore up our base for full-fledged globalization.

Going forward, we will persevere with groupwide cost-cutting efforts, but we will invest in R&D and human resources even more proactively than in the past. Our numerical targets for the final year of our medium-term plan are an equity ratio of 50% or higher, net interest-bearing debt of zero, a 7.5% or higher ratio of net income to net sales, and total asset turnover ratio of 1.1 times or more.

Q What new businesses are the focuses of your new three-year medium-term management plan?

A We will concentrate on developing OLED production technologies and new businesses in the areas of energy and the environment.

President: In the FPD field, we aim to realize technologies that will reduce material wastes and lower the cost of producing large OLEDs. In November 2009, we moved into measurement systems for thin-film solar cells,



leveraging film thickness measurement systems for semiconductors and FPDs, making inroads into the energy field. We will also strive to expand our lineup of inkjet POD systems to meet growing demand in the printing industry for products that have a reduced environmental impact. Furthermore, through collaboration between wholly owned subsidiary Media Technology Japan Co., Ltd., and OMRON Corporation, we have launched a business involving environmental improvement solutions for the printing industry.

In the future, the Dainippon Screen Group will apply its wealth of technologies to the creation of new businesses, focusing its management resources on areas with promising potential. This should spur us on to new growth.

Promoting New Growth

Enhance Existing Business and Create New Business

Enhance existing businesses by advancing new technologies

- Prioritize R&D investment in the SE business to respond to technological innovation
- Develop businesses related to photovoltaic generation
- Expand applications of inkjet technology (Diversified print media, development to FPD)

Aim to commercialize business in a new sector within three years (promote active development investments)

- New energy sector (lithium-ion batteries equipment using coating technology)
- Printed electronics sector (fusion of print/coating technology and electronics)

Enhance Global Business Foundation

Strengthen risk management

Personnel – Foster global human resources, appropriate human resources, improve the personnel system

Finance and Accounting – Promote IFRS, cash efficiency at global level

IT – Enhance information system infrastructure and bolster security platforms

Chairman: We promote the expansion of existing areas of business at each internal company through R&D budgets earmarked for this purpose. In addition, we have created a new “special CTO expenditure”—an R&D allowance to pursue new businesses that fall outside our main fields of business. We plan to conduct extensive marketing surveys as we invest aggressively in technologies that have promising potential.

Q What are your overseas strategies going forward?

A We will reinforce our overseas procurement and service structures.

Chairman: Our priority markets are: Asia, particularly Taiwan and South Korea, for semiconductor production equipment; China for FPD production equipment; emerging markets for CTP equipment; and Japan, the Americas and Europe for POD equipment.

President: We are stepping up our procurement of parts and materials overseas, notably in China, to cut costs

further. Our export ratio increases each year, and overseas sales currently make up around 80% of the total (fiscal year ended March 31, 2011). Consequently, we are expanding our overseas service structure as we work to enhance customer satisfaction.

We are also focusing on the cultivation of global human resources who can aid our expansion of business overseas.

Q What are your forecasts for the business environment and operating results during the fiscal year ending March 31, 2012?

A Semiconductors will be firm. In FPD and graphic arts equipment, we will focus on improving profitability.

President: In the semiconductor equipment business, we expect robust capital investment by manufacturers to continue, against a backdrop of burgeoning demand for smart phones and other mobile devices, as well as by the leading foundries (companies to which semiconductor manufacturers

outsource production) and by makers of NAND flash memories (a type of memory suited for storing large amounts of data). We also look forward to aggressive investment in cutting-edge sectors in response to increasingly minute circuit line widths. In step with this circuit miniaturization, we anticipate an increase in sales of single wafer cleaning equipment. We will also work to raise our market share and boost sales of coater/developers by leveraging new products that boast high productivity.

In the FPD equipment business, we expect relatively limited investment in equipment to handle large glass substrates, but the market is forecast to remain favorable for the small and medium-sized LCD panels used in such mobile devices as smart phones and tablets. Demand for low-temperature polysilicon* LEDs and OLEDs is also expected to rise. This timing provides an opportunity to expand sales of high-precision coater/developers for low-temperature polysilicon LCDs. At the same time, we aim to generate orders and sales for nozzle printers for OLED panels.

We are reinforcing our financial structure to reach our targets: an equity ratio of 50% or higher and net interest-bearing debt of zero.



Osamu Ryonai
Senior Managing Director
Chief Financial
Officer (CFO)

Over the past approximately two years, the Dainippon Screen Group has implemented a restructuring plan with five main pillars: reduction of variable costs, reduction of expenses, increased R&D efficiency, business and organizational restructuring and reduction of labor costs. As a result of these initiatives, coupled with the sharp rebound in capital investment by semiconductor manufacturers, during the fiscal year ended March 31, 2011, the Group recovered its operating performance with results that substantially outstripped its initial plan and earned its highest net income to date.

However, this improvement was not enough to put our financial structure back on track. Whereas the Group's equity as of March 31, 2007, was ¥133.7 billion, two years of net losses in the fiscal years ended March 31, 2009 and 2010, caused this level to fall. We made some progress toward recovery in the fiscal year ended March 31, 2011, bringing equity to ¥87.6 billion at fiscal year-end. Similarly, although the equity ratio was 41.6% as of March 31, 2007, it remained at 34.4% as of March 31, 2011.

To resolve these issues, the new three-year medium-term management plan sets as its basic policy “Establish a profit-generating structure and set the stage for new growth,” with numerical targets of boosting the equity ratio to 50% or higher and reducing net interest-bearing debt to zero. To ensure future growth, the Group believes it is essential to create an unassailable financial foundation that can weather the troughs of the silicon cycle and withstand global economic downturns.

To improve the balance sheet to this extent, first the Group must create an earnings structure that is stable and that accumulates profits steadily. At the same time, the Group must invest aggressively, although efficiently, to create new business areas that will generate future growth. We intend to boost this level further as we improve our financial structure to the point where we emerge victorious from competition with others in the industry.

Obtaining ISO/DIS 50001 Certification

In July 2010, Dainippon Screen obtained for the first time in the world proposed international energy MS (ISO 50001) certification (ISO/DIS 50001). ISO 50001 was developed to encourage the systematic management of energy by companies and other organizations.

Dainippon Screen was an early recipient of ISO 9001 and ISO 14001 certification, which has gained us increased trust from our customers. Through ISO 50001, we have become a frontrunner in efforts to quantify energy costs and CO₂ emissions and promote ways to reduce costs by improving energy efficiency. As a result of our preparations to earn this certification, the Rakusai Site became the first facility in the world to meet this proposed international standard.

Going forward, we will pursue efforts to attain ISO 50001 certification at all our principal sites in Japan. By the fiscal year ending March 31, 2014, we expect to reduce CO₂ emissions from production by 4% or more compared with the fiscal year ended March 31, 2010. Setting our baseline energy costs as the average for the fiscal years ended March 31, 2008 through 2010, we aim to reduce these costs by more than 5%. We will put forth every effort to meet these objectives.

We intend to return the graphic arts business to profitability in the fiscal year ending March 31, 2012. Shipments of CTP equipment are recovering, centered on emerging markets, and we are raising the ratio of CTP equipment that we manufacture at our production subsidiary in China (MTMC) as we target further cost reductions and higher sales and work to ensure profits. In POD equipment, in addition to developed countries we expect demand from emerging markets to continue increasing. Accordingly, we will expand our product lineup and promote sales of products that match the needs of individual markets. In PCB equipment, we will strive to expand sales of direct-patterning equipment—a market slated for future growth.

* Multicrystal silicon that has lower electrical resistance than amorphous silicon, allowing electricity to flow more freely. This material is becoming indispensable for compact, high-resolution LCDs having finer circuit line widths.

Q What are your CSR policy and initiatives?

A We are prioritizing environmental and occupational health and safety initiatives.

Chairman: The new management vision that we unveiled in January 2011, “Fit your needs, Fit your future,” encapsulates the Dainippon Screen Group’s thoughts on CSR. “Your” refers to all stakeholders and expresses the meaning that we intend to create new value by providing innovative solutions and to work in step with our stakeholders.

President: *NextStage70*, the three-year medium-term management plan that commences in the fiscal year ending March 31, 2012, provides indicators (social mission and values) for quality of management, aiming to contribute to a newly environmentally conscious society and ensure the interests of all

stakeholders. The Dainippon Screen Group is rolling out Phase II of Green Value (GV) 21 of its medium-term environment, health and safety management plan in line with these indicators. Among these CSR initiatives, we have established an activity roadmap for environment and occupational health and safety that identifies four priority issues: developing technologies and products that help to reduce the environmental impact and promote environmental preservation, health and safety in the workplace and reinforcing the environmental, health and safety structure.

Q In closing, please explain your resolve on future growth.

A We aim to achieve new growth by rallying all employees, in Japan and overseas, under the banner of “Fit your needs, Fit your future.”

President: Over the past two years, our restructuring plan has reined in R&D and capital investment. From here on out, however, we plan to aggressively target new growth.

Chairman: “Fit your needs, Fit your future” is a rallying cry for all our employees throughout the world to satisfy stakeholders’ expectations. We have formulated the management vision of a shared future. In these endeavors, we ask for the ongoing support of our shareholders and other stakeholders.

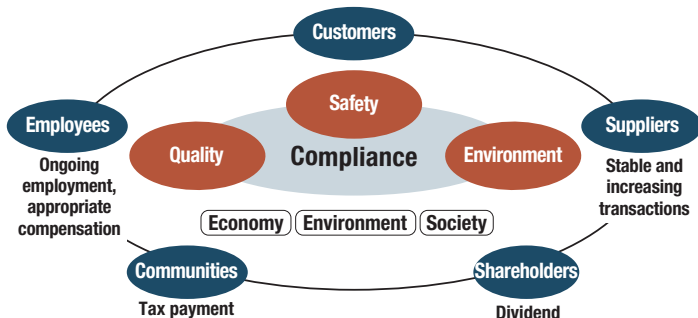
June 28, 2011

Akira Ishida
Chairman CEO

Masahiro Hashimoto
President COO

▼ CSR at the Dainippon Screen Group

Providing products and services that satisfy our customers





**Semiconductor
Equipment
Company**

We aim to increase our market share further through productivity improvements and new product development.

Sales and operating income reached historic highs, as we benefited from robust capital investment by semiconductor manufacturers.

Owing to growing demand for mobile devices such as smart phones and tablets, capital investment by semiconductor manufacturers was robust. Benefiting from this trend, during the fiscal year ended March 31, 2011, the Semiconductor Equipment Company enjoyed a 72.7% jump in sales, to ¥174.2 billion. By product, sales of our mainstay cleaning equipment—both single wafer and batch-type cleaning equipments—and coater/developers surged.

Profits were also robust, as the increase in sales, coupled with the effects of cost reductions and higher plant capacity utilization rates, pushed operating income to the highest levels to date.

Q What were the reasons for the massive improvement in sales and profits?

A We responded to customers' aggressive capital investment needs with products that shorten lead times and boost productivity.

Capital investment by semiconductor manufacturers was brisk, centered on leading foundries (companies that handle outsourced production of semiconductors). This investment expanded at a particularly rapid pace during the second half, bolstering the Semiconductor Equipment Company's sales for the full fiscal year to their highest-ever levels.

Higher sales and the effects of cost reductions naturally had a positive impact on profits. Another major reason for the substantial improvement was that even as we increased production, we managed to minimize our personal and capital

Tadahiro Suhara

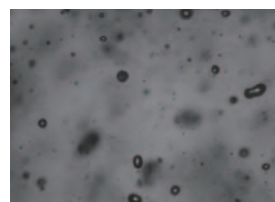
President,
Semiconductor
Equipment Company

Developing the World's First Cleaning Technology Compatible with Ultraminiature Circuit Patterns

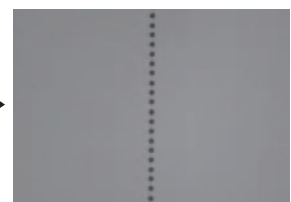
Trends toward circuit miniaturization and multilayered wiring have prompted demand for enhanced functions to prevent damage to miniature circuit patterns by cleaning. To meet these needs, the Semiconductor Equipment Company developed the industry's first spray-based cleaning system, the Nanospray^Å (Nanospray Advance).

This system uses a special nozzle to mist the wafer surface with tens of millions of evenly sized ultrafine droplets every second. Through its ability to eliminate pattern damage resulting from variations in cleaning droplet size and speed, Nanospray^Å contributes significantly toward increasing device yield.

We plan to integrate the system with single wafer cleaning equipments for cutting-edge device manufacturing and gradually launch it into the marketplace.



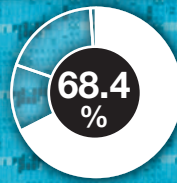
Conventional droplets



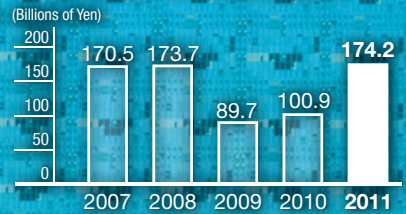
Nanospray^Å droplets



▼ **Composition of Net Sales**
(Fiscal Year Ended March 31, 2011)

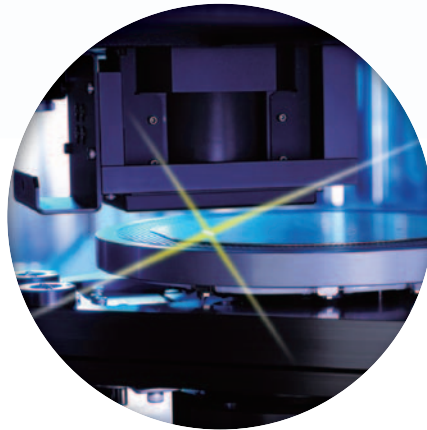


▼ **Net Sales ¥174.2 billion**



During the year, the Company's sales up ¥174.2 billion, were 72.7% year on year.

investment increases, which boosted the plant utilization. For example, compared with the preceding fiscal year we reduced our lead time on batch cleaning equipment by more than two weeks. By quickly grasping customers' investment intentions, we were able to formulate detailed production plans. Through careful management of all processes, spanning design, materials procurement, assembly, testing and shipping, we shortened the time required for each, resulting in dramatic productivity increases.



Furthermore, SOKUDO Co., Ltd., a Group company that handles coater/developers, staged a major turnaround in performance, which also contributed to the Semiconductor Equipment Company's results.

devices is one point of particular focus for the Semiconductor Equipment Company. Green devices used in the environmentally conscious products that will play a major role in realizing a low-carbon society include a host of micro electromechanical systems (MEMS), such as power devices— notably inverters, LEDs and various sensors. The Semiconductor Equipment Company launched the FRONTIER project to encourage the proliferation of green devices. Through this project, Semiconductor

Equipment Company has launched a compact batch cleaning system, the CW-1500, and the ZI-2000 semiconductor wafer pattern inspection system. These new products, which handle wafers measuring less than 200mm, should provide a boost for sales and help us to raise our industry standing.

Q What are your business expansion initiatives?

A We are working to raise market share and expand our operations in new fields.

* Source: Gartner, "Market Share: Semiconductor Equipment, Worldwide, 2010" 30 March 2011 (Auto Wet Stations, Single Wafer Processors, Photoresist Processing, Value of shipments to global markets)

Although the market for semiconductor production equipment is expected to continue expanding, equipment manufacturers in individual fields are becoming increasingly oligopolistic, and competition is growing more severe. Recognizing this phenomenon, the Semiconductor Equipment Company aims to further improve its position in the production equipment industry. To achieve this goal, we intend to raise our market share for existing products. In calendar 2010, our share of the global market for batch-type cleaning equipment was high, at 83.4%*. For mainstay single wafer cleaning equipment, our market share was 52.9%*, which although substantially higher than the second-ranking company, leaves ample room for improvement. At last year's SEMICON Japan 2010 exposition, we unveiled our new SU-3200, which offers substantial productivity gains compared with previous models and has earned high marks from our customers. We aim to leverage this highly competitive product to boost our share of the market for single wafer cleaning equipment. Meanwhile, for coater/developers our market share is unfortunately only 10.3%*. To improve this figure, we are partnering with Applied Materials, Inc., to raise our market share via the SOKUDO DUO, which offers one of the highest levels of wafer processing in the world.

We are also seeking to improve our industry position by expanding operations in new fields. Equipment to produce green

SOKUDO DUO Coater/Developer Achieves World's Highest Level of Throughput

SOKUDO Co., Ltd., which develops, manufactures and sells coater/ developers, launched the SOKUDO DUO in May 2009. This system exposure equipment has been upgraded and now features the world's highest level of throughput (units processed per hour), handling more than 350 wafers per hour in-line with photolithography exposure equipment.

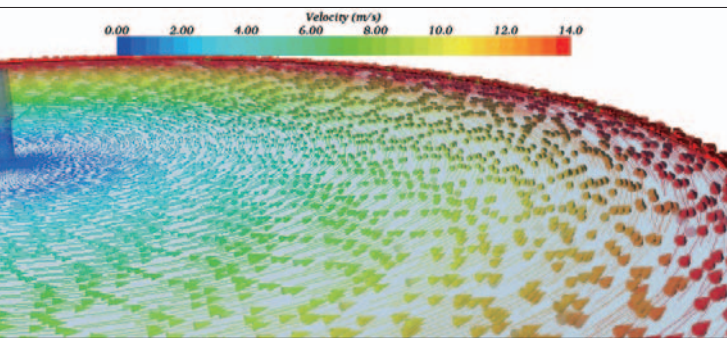
The key to the SOKUDO DUO's productivity is a dual-track system that simultaneously processes wafers in two separate lines, top and bottom levels. The system has already been accepted into application by numerous semiconductor manufacturers for use in photolithography exposure systems for processes with ultrafine line widths such as immersion process. The system is helping to raise customers' productivity and reducing the total cost of increasingly expensive lithography processes.



SOKUDO DUO

Semiconductor
Equipment
Company

We aim to increase our market share further through productivity improvements and new product development.



Behavior of liquid on a wafer surface

More Efficient Development of Equipment and Processes for Proprietary Simulation Analytic Technology

In response to changing market needs, the shortening of development lead times is essential for semiconductor production equipment manufacturers. In this environment, to improve product and process development efficiency Dainippon Screen has developed technology for analyzing the behavior of fluids on the surface of semiconductor wafers.

This analysis technology simplifies the gathering of nanometer-level information that was difficult to grasp with methods incorporating conventional testing and measurement technology. As a result, it becomes possible to accurately forecast equipment performance at the initial stage of product development and feed that information back into the design process. Furthermore, the technology allows us to anticipate the limits of effectiveness and production capacity if processes or materials are changed, permitting a broad range of experimentation, including with large diameter wafers.

Q R&D expenses are increasing. What are your areas of focus?

A We are meeting needs for circuits with smaller line widths, as well as larger wafers.

As the line widths of semiconductor circuits grow ever smaller, demand for 10nm* and 20nm line widths is increasing. Accordingly, cleaning process is growing more important, requiring more sophisticated technologies. Whereas in the past ultrafine particles could be overlooked, they affect the performance of more advanced semiconductors. Consequently, we need to develop new cleaning technologies that can eliminate ultrafine particles without damaging circuit patterns.

Meanwhile, some leading semiconductor manufacturers are planning the switchover from 300mm wafers, which are mainstream at present, to 450mm wafers. To reinforce our position as the leading provider of cleaning equipment, as well as to recover our market share in coater/developers, we are paying close attention to the movements of other manufacturers of equipment, as well as materials, and we aim to accelerate R&D

investment in products capable of handling 450mm wafers.

* One one-billionth of a meter.

Q Please outline your environmental conservation and other CSR initiatives.

A We aim to reduce the environmental impact of our customers and contribute to students' technical education.

Our mainstay semiconductor wafer cleaning equipment uses large amounts of chemicals and pure water, and emits significant quantities of wastewater. Furthermore, for single wafer cleaning equipment electricity requirements rise as the number of modules increases. Customers, meanwhile, are seeking to reduce their use of chemicals and pure water, raise productivity, and use less energy and fewer resources and lower CO₂ emissions. To meet these requirements, the Semiconductor Equipment Company concentrates on lowering the environmental impact of its products when in use. When customers build new plants, we also assist them from the planning stages, taking a proactive approach toward proposing ways to reduce electric power consumption and the amount of chemicals used.

As one of our social contribution activities, we provided a booth for technical colleges at the SEMICON Japan exposition. We also continued our participation in "High Tech U" in an event designed to help high school students understand the role semiconductors play and communicate their intrigue. (In 2011, this event was postponed due to earthquake disasters.) Going forward, we plan to continue with such activities to help cultivate the next generation of human resources.

Technical College Students Announce Research Results at the World's Largest Semiconductor Trade Show

In 2008, the Semiconductor Equipment Company began providing a booth at SEMICON Japan—the world's largest exhibition of semiconductor production equipment and materials—to elicit interest among technical college students about manufacturing and their future employment. We also encouraged student participation by offsetting their lodging and transportation costs.

The event took place from December 1–3, 2010, at Makuhari Messe in the city of Chiba. Including Dainippon Screen, 11 companies provided booths, and 12 schools participated. The schools presented a number of unique ideas, including one about highly absorptive polymers employing crab shells (Tomakomai National College of Technology).



Stakeholder Messages

Business Partner

Applied Materials Partnership in Advanced Patterning



Randhir Thakur, Ph.D.

Executive Vice President and
General Manager, Silicon Systems Group
Applied Materials, Inc.

Applied Materials is a key technology contributor to SOKUDO Co., Ltd. This joint venture company, principally owned by Dainippon Screen, was formed to drive the development of advanced photolithography coat/develop track equipment for the semiconductor industry.

As an example, Applied Materials' software is at the core of *SOKUDO DUO* track system operation. As the *SOKUDO DUO* track product expands installations worldwide, Applied Materials and Dainippon Screen will continue to support SOKUDO's product development to advance its competitiveness in the market.

Applied Materials is also collaborating with SOKUDO and Dainippon Screen in the development of advanced patterning processes in Applied Materials' Maydan Technology Center, where SOKUDO's *RF3* coat/develop track system is an integral part of the demonstration facility's photolithography module.

Applied Materials is committed to continuing its fruitful relationship with Dainippon Screen and SOKUDO.

Key Supplier

Collaborative Development for Mutual Benefit



Bertrand Loy

Chief Operating Officer
Entegris, Inc.

As a leading component and materials supplier to the semiconductor industry, Entegris has been pleased to provide both Dainippon Screen and SOKUDO with fluid handling and filtration solutions for leading edge track (coater/developer) and WEC (Wet, Etch and Clean) tools for many years.

To support both companies' efforts to boost performance, throughput and yield as well as improve chemical conservation on all of its tools; Entegris is meeting the challenge with a new array of solutions. Keeping pace with leading-edge companies like Dainippon Screen and SOKUDO has pushed us to constantly increase the value of our products, which has made us a better supplier of these solutions.

For example, we were able to collaborate with SOKUDO in researching ways to improve lithography yield and recently published our results at several technical symposia. Our close collaboration has also allowed us to develop a new photochemical dispense system that supports the flexibility and high throughput of the *SOKUDO DUO* track, while helping to control defects in advanced lithography processes.

We look forward to supporting Screen and SOKUDO as they continue to drive innovations that enable their customers to cost-effectively manufacture the world's most advanced semiconductors.

Employee Comment

Aiming to Surpass the *SU-3200*'s Already High Levels of Functionality, Throughput, Inexpensiveness and Environmental Performance



Yasuhiko Ohashi

Equipment Design Section 2, Development Design
Department, Engineering Operations Division
Semiconductor Equipment Company

The *SU-3200* single wafer cleaning equipment that we launched in 2010 has enjoyed a strong market response. Nevertheless, now we are developing a system that will extend performance even further.

Naturally, single wafer cleaning equipment meet the high performance requirements for current levels of device miniaturization and satisfy market needs by delivering both high productivity and low product costs. By providing the equipment with newly developed chambers and drying technology, we will be able to meet the requirements posed by increasing miniaturization. In addition, we aim to boost *SU-3200* productivity even further by raising processing speeds above 800 wafers per hour. Although at the early stages of development, we have already set cost targets for each of the system's functions and parts, which we are striving to meet.

To satisfy mounting environmental demands in recent years, in the *SU-3200* we succeeded in reducing the amount of chemicals used for cleaning by 70%, nitrogen gas requirements by 50% and emissions by 30%. With the system under development, we are aiming for even higher levels of environmental performance.



**FPD
Equipment
Company**

We are redoubling our efforts to cut expenses, thereby boosting cost competitiveness and are cultivating business in promising new fields.

Our sales and profits improved substantially, thanks to a recovery in capital investment for LCD panel production, compared with last year.

As capital investment by manufacturers of LCD panels recovered during the fiscal year ended March 31, 2011, FPD Equipment Company net sales surged 64.4% year on year, to ¥32.7 billion. In addition to this sales boost, our efforts to curtail costs bore fruit, enabling us to pull back into the black, albeit slightly.

Although the FPD Equipment Company generates around 70% of its sales from coater/developers for LCD panels, the measurement system business—which includes measurement systems for thin film solar cells—was transferred to the company in October 2010. Accordingly, we are making a full-fledged entry into the area of solar cell equipment. By adding this business to our ongoing developments in OLED material coating equipment, we expect to bolster sales by focusing on these fields, which are slated for future growth.

Hayato Hayashi

President,
FPD Equipment Company



Q What were the factors behind your increase in sales and return to profitability?

A **Converting sales opportunities into orders and efforts to cut costs were the keys to our success.**

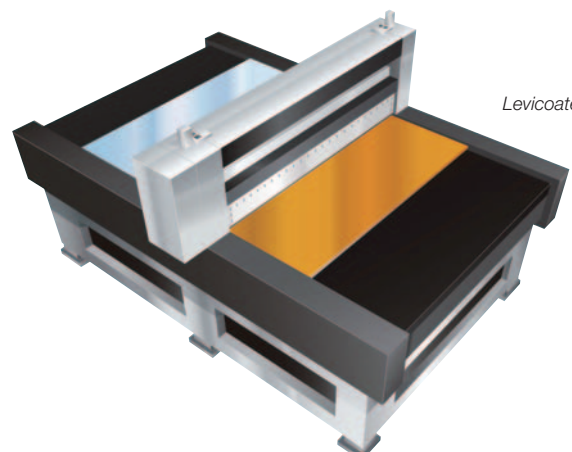
Some manufacturers delayed or revised their capital investment plans involving the production in China of large LCD panels for televisions, so this investment was lower than we had initially anticipated. However, owing to growing demand for mobile devices such as smart phones and tablets, capital investment in equipment to manufacture small and medium-sized panels was robust. As ever higher precision is being required in the small and medium-sized panels, manufacturers are demanding more

Development of New Coating System that Utilizes Levitated Transfer Technology to Improve Productivity and Reduce Running Costs

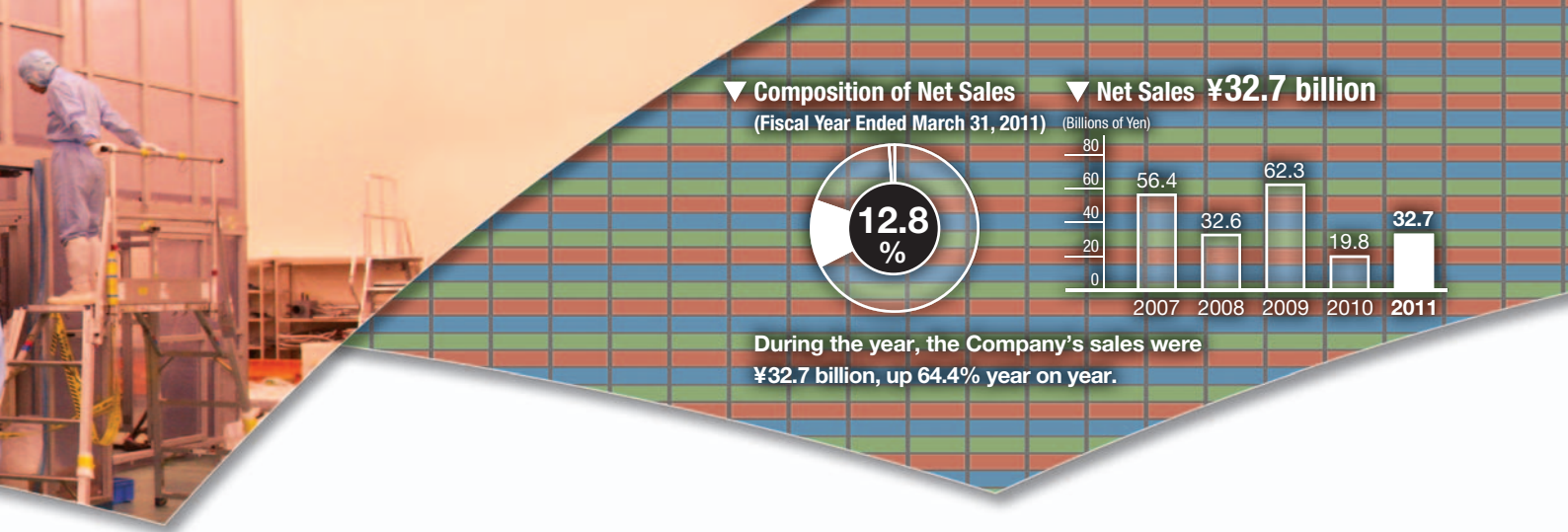
The FPD Equipment Company has developed the *Levicoater*[™], a new coating system for use with large glass substrates.

This system employs proprietary levitated transfer and coating technology. Compared to its predecessor, the *Levicoater* delivers a 20% improvement in productivity and reduces photoresist use by up to 20%.

As the glass substrate does not have to be attached to the stage, contaminants can be prevented from adhering to its rear surface and static during substrate removal is reduced, ensuring stable coating performance that contributes to improved productivity. Moreover, the stage can be split up for transport, resolving issues associated with transporting large equipment.

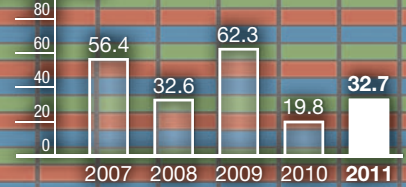
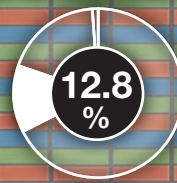


Levicoater[™]



▼ **Composition of Net Sales**
(Fiscal Year Ended March 31, 2011)

▼ **Net Sales ¥32.7 billion**
(Billions of Yen)



During the year, the Company's sales were ¥32.7 billion, up 64.4% year on year.

sophisticated production equipment that delivers higher quality. Although we face increasingly stringent price competition from overseas manufacturers entering the market, our customers continue to rate us highly for our extensive experience and the functionality of our products. As a result, we succeeded in boosting sales by steadily converting sales opportunities to orders.

In addition to the sales increase, another factor behind our return to profitability was our focus on cutting costs through the redoubling of efforts to source parts and materials from China. In April 2010, we assigned engineers to Shanghai to handle quality control on the parts and materials we were sourcing, a move that enabled us to hold down costs while maintaining high product quality. In addition to raw materials costs, sourcing in China helped us reduce transportation and packaging costs.



value engineering (VE) activities and are emphasizing the procurement of parts and materials from China.

VE describes the process of reducing the cost of a product without altering its quality or function. The Company conducts VE on an ongoing basis by continuously reviewing the product design and manufacturing processes. During the fiscal year ended March 31, 2011, our most important VE achievements involved mainstay

coater/developers. For example, the typical approach when designing production equipment to handle specially sized glass substrates would be to simply try to downsize a larger machine. Revising this approach and instead basing our design on a smaller machine allowed us to cut costs substantially.

We currently procure from China effectively 50% of our processing components for some equipment, mainly comprising equipment exterior parts and rollers for transport components. Going forward, we are planning to build up our supply chain so that we can also procure functional products from China.

Q How was your progress on initiatives to expand business in existing areas?

A **VE activities and the procurement of parts and materials from China allowed us to lower costs, enhancing our price competitiveness.**

With the LCD panel production equipment business growing, I would say that our biggest challenge at present is to reduce costs. We view being competitive pricewise as the key to our ability to emerge victorious from severe market competition and boost profits. To this end, we have enhanced our activities through

Q What products and businesses will be future focuses?

A **We will concentrate on equipment for OLEDs, solar cells and lithium batteries.**

We naturally will focus on production equipment for small and medium-sized panels, as sales in this area are growing. In addition, we will concentrate our development

Conference of Chinese Partner Companies

The FPD Equipment Company held its Conference of Chinese Partner Companies in Shanghai in March 2011. Conference objectives were to strengthen relations with business partners within China from whom we procure the parts and materials used in FPD production equipment and to strengthen our supply chain. The Dainippon Screen Group contingent included FPD Equipment Company president Hayato Hayashi and three other company members, who were joined by approximately 40 people from 17 partner companies in China.

At this conference, we shared the latest news about our businesses, reported on procurement conditions for parts and materials in China, and explained our plans for the year ending March 31, 2012. Participants expressed their desire for us to increase procurement levels further and to continue holding such conferences as a means of reinforcing mutual relations.

Going forward, the FPD Equipment Company will strive to enhance relations with its partner companies in China and redouble its business activities in the Chinese market.



FPD
Equipment
Company

We are redoubling our efforts to cut expenses, thereby boosting cost competitiveness and are cultivating business in promising new fields.

energies on three areas that appear likely to become future pillars of our business: OLED-related systems and equipment related to solar cells and lithium-ion batteries.

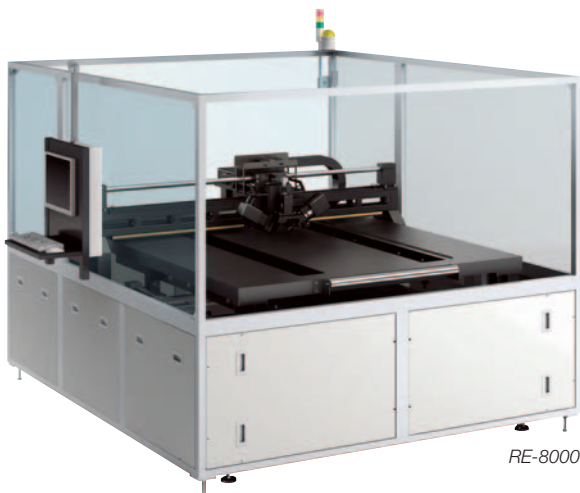
In the area of OLED-related systems, with DuPont of the United States we jointly developed a system utilizing proprietary nozzle printing technologies that allows expensive OLED materials to be coated efficiently. We anticipate that this system will contribute to the practical application and mass production of large OLED displays of the sort used in televisions. We are also concentrating on sealing equipment processes, which are essential to OLED production.

A number of LCD panel manufacturers from South Korea, Taiwan and China have entered the market for solar cells. To cover these customers, in October 2010 the measurement system

Commencement of Sales for World's First System for Measuring the Thickness and Characteristics of Solar Cell Films

The FPD Equipment Company has commenced sales of the *RE-8000* measurement system for thin film solar cells, which incorporates a new technology for analyzing the characteristics of thin films. The result of a joint development effort with Gifu University, the product under development will add to our existing non-contact, non-destructive film thickness measurement system the ability to accurately analyze film characteristics. As the world's first system capable of measuring film thickness and characteristics, this product should help to improve the functionality and stability of thin-film solar cells, which are touted as the next generation of low-cost solar cells, as well as to help rationalize their production.

Through this industry-academia cooperation, the FPD Equipment Company created a new solar cell manufacturing process that we expect to answer burgeoning global demand for renewable energy.



business—which includes measurement systems for thin-film solar cells—was transferred from the Media and Precision Technology Company to the FPD Equipment Company, which has in place an extensive sales and service network covering manufacturers in this arena. Sales of these systems are growing solidly, and we anticipate a major rise in sales during the fiscal year ending March 31, 2012. Furthermore, in addition to solar cells the measurement systems employed herein can be applied to small and medium-sized LCD panels and OLEDs. Consequently, we expect the business to contribute to our sales in these areas as well.

In October 2010, we created a solar cell equipment department within the FPD Equipment Company. This department will leverage its relationships with customers for its measurement systems for thin-film solar cells to accumulate solar cell market data, which will be used in enhancing our lineup of solar cell equipment in a bid to expand business in this area.

By taking advantage of the expertise we have cultivated in the coater/developer business, we aim to commercialize lithium-ion battery production equipment within three years. This segment of the new energy field is slated to expand, owing to the use of lithium-ion batteries in electric cars and mobile devices.

Q Please outline your environmental conservation and other CSR initiatives.

A **We are working on the design of equipment that saves energy and requires fewer resources.**

During the year ended March 31, 2011, we began shipping new production equipment for large LCD panels that reduce energy use by half, compared with initial models. In the fiscal year ending March 31, 2012, we expect to continue numerous shipments of production equipment for the high-resolution panels used in smart phones and other devices. In these shipments, we will extend our application of the energy- and resource-saving technologies cultivated to date. When making improvements, we will also be proactive in proposing energy- and resource-saving technologies, to help customers reduce their environmental impact.

We aim to maximize stakeholder satisfaction by differentiating ourselves from competitors through the introduction of leading-edge technologies.

Stakeholder Messages

Supplier Comment

As a Chinese supplier of parts and materials, we work to ensure that the parts and materials we deliver are trustworthy.



Sawamatsu Hayashi

Director and General Manager (President)
Nihon Kizai (Shanghai) Co., Ltd.

A Shanghai-based provider of air-related equipment, we provide Dainippon Screen with parts processed from stainless sheet metal, as well as machined parts.

We take great care in our pre-delivery testing, and make every effort to ensure that processes are performed correctly and in the correct order. In addition to quality control, we have environmental measures in place. For example, wherever possible we favor recyclable cardboard over wooden packaging materials.

Dainippon Screen periodically dispatches specialists to our company to provide advice on ways to raise our quality levels and reduce our environmental impact. They also advise us on creating an environment that is amenable to employees.

We will continue striving to improve the quality of the products we deliver, shorten delivery lead times, protect the environment and ensure worker health and safety at our processing plants. We ask for Dainippon Screen's ongoing guidance in these areas.

Supplier Comment

We are improving all facets of our management, including quality, environment and occupational health and safety aspects.



Shuichi Sekido

President
Neagari Mfg. Co., Ltd.

Based in Ishikawa Prefecture in Japan, our company designs and manufactures hydraulic presses and fabricates LCD panel production equipment. We have received orders from Dainippon Screen to assemble coater/developers and manufacture such items as base frames.

As these operations take place in clean rooms, we strive to maintain the necessary levels of cleanliness. We also have initiatives underway to reduce our percentage of nonconforming products, using processing checklists and inspection sheets.

We expect to receive ISO 14001 certification for our environmental management system in July 2011. Also, our Health and Safety Committee meets each month to address problem issues.

We are working to enhance our management in the three areas of quality, environment and occupational health and safety. Through these efforts, we aim to become even more skilled in providing the components and materials that are required for the sophisticated new products that Dainippon Screen is developing.

Employee Comment

We aim to satisfy customers by viewing situations from their perspective.



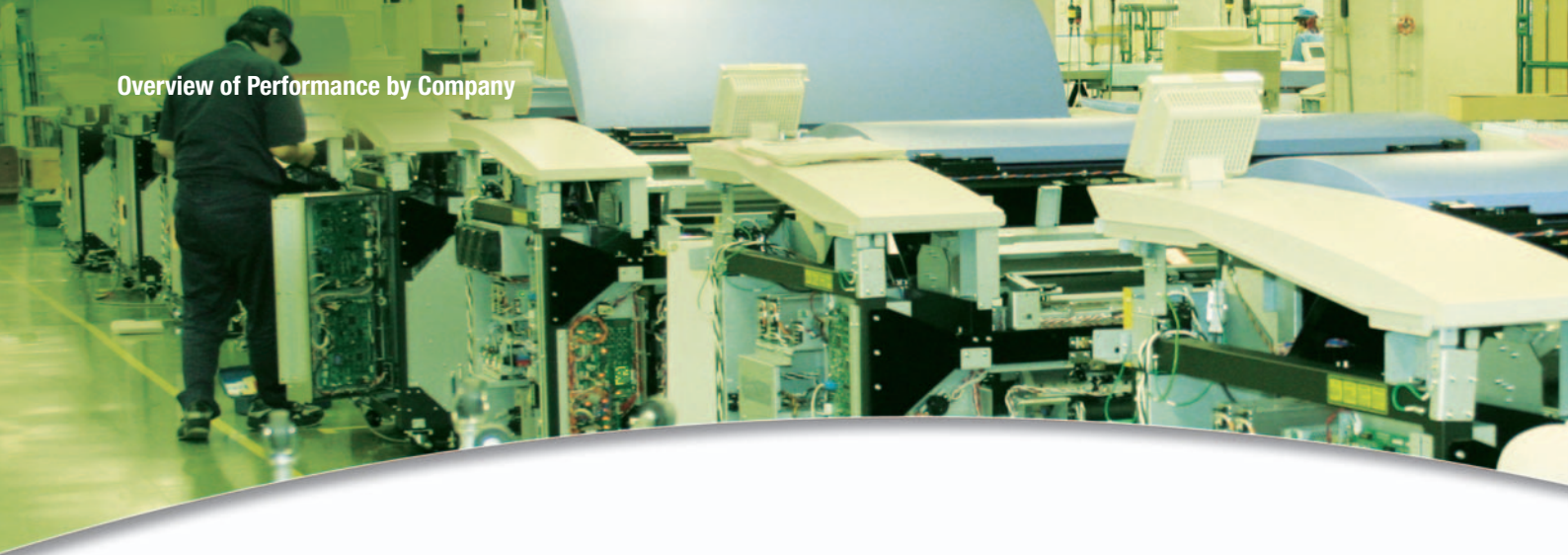
Masayuki Hamakawa

Manager, Sales Operations Division
FPD Equipment Company

Our division handles the sale of LCD panel production equipment, centering on coater/developers. At present, demand is increasing for the small and medium-sized panels used in such mobile devices as smart phones and tablets. Meanwhile, price requirements on the large LCD panels used in televisions are growing more severe as overseas markets become the major focus of large-scale investments.

Despite these circumstances, we have maintained our leading global share of the market for coater/developers. I am convinced that this is because we make every effort to incorporate customer input into the systems we deliver, as well as satisfying them on the service and price fronts. Our customers accord us strong overall ratings as a result.

Going forward, we will continue to incorporate customer input into our activities, as we work always to view situations from their perspective and ensure their satisfaction.



**Media And Precision
Technology
Company**

We are promoting business reforms and staging a return to profitability through growth.

Owing to recoveries in the printing and electronic components industries, net sales increased, and our operating loss declined.

During the fiscal year ended March 31, 2011, Media And Precision Technology Company sales amounted to ¥47.3 billion, up 10.8% from the preceding fiscal year. In graphic arts equipment, sales of CTP equipment (plate recorders) grew, chiefly in emerging markets. In printed circuit board (PCB) related equipment, sales of inspection equipment grew as a result of brisk activity in the areas of mobile devices and automotive electronic components.

On the profit front, we persevered in efforts to cut fixed and variable costs. As a result, the operating loss was down substantially compared with the preceding year.

Q What factors were behind your increase in sales? What were the reasons for the improved profits?

A **Sales of CTP equipment benefited from a demand recovery in emerging markets. On the profit front, we worked to lower our breakeven point.**

The major reasons for the rise in sales were that demand for graphic arts equipment, which had fallen off in the fiscal year ended March 31, 2010, posted a gradual recovery in overseas markets. In addition, a rebound in the electronic components industry caused demand for PCB-related equipment to increase. Within graphic arts equipment, the most noteworthy development was sales of CTP equipment for emerging markets. On a unit basis, these sales outstripped our forecast, boosting our plant utilization and raising production efficiency. However, low-price CTP equipment has become mainstream, price competition has grown stringent, and unfavorable exchange rates reduced the yen value of these sales. As a result, the company as a whole fell short of staging a return to profitability.

Although the overall operating environment remained problematic, the profit situation improved markedly compared with the fiscal year ended March 31, 2010,



**Katsuhiko
Aoki**

President,
Media And Precision
Technology Company

Japanese Hiragino Font Used in Expressway Road Signs

The *Hiragino* font, created and sold by the Company, was adopted for use in major expressway road signs throughout Japan in 2010. This marks the first change to the Japanese fonts used on roadway signs since the country's expressway system opened in 1963. This change of font has attracted a great deal of interest for newspaper and Internet applications.

The requirements for fonts used on expressway signs are strict: they must instantly be legible to drivers travelling at high speeds, at distance and in adverse weather conditions. The *Hiragino* font has passed all these requirements, attesting to the quality with which it is regarded.

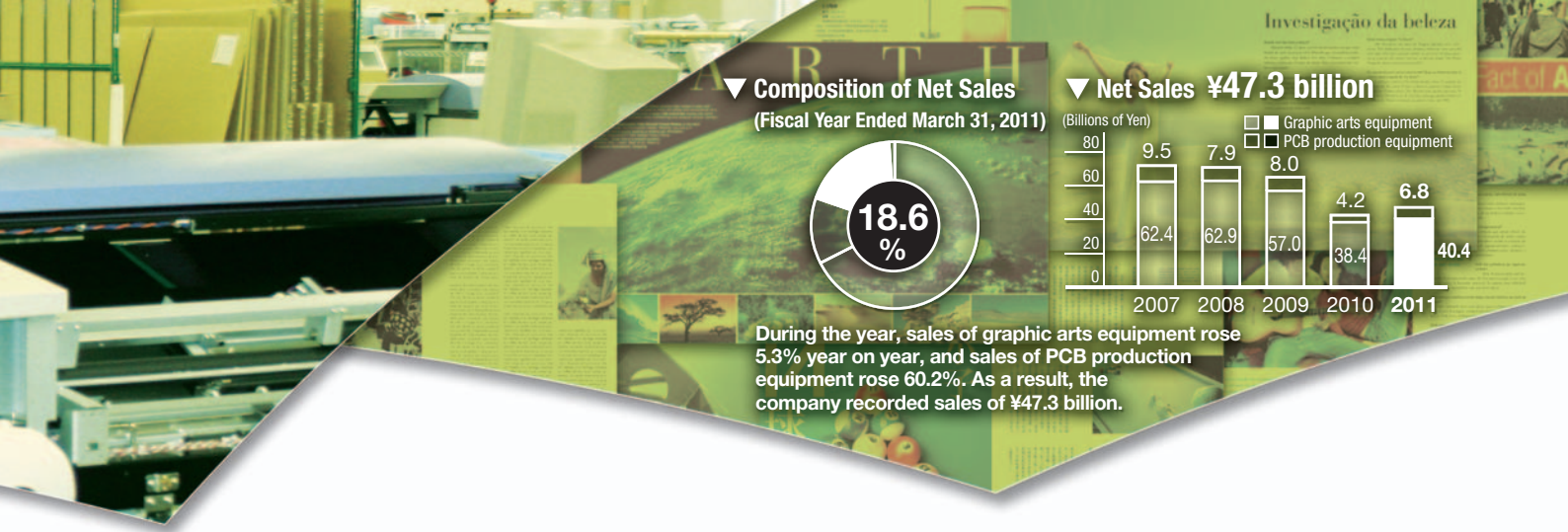
New roadway signs employing this font are being erected at the expressway entry areas. Many drivers have commented favorably on the new signs.



Conventional font



Hiragino font



with the operating loss shrinking considerably. This was the result of our successful efforts to lower the breakeven point by curtailing fixed costs and an ongoing drive to hold down variable costs.



Q What are your initiatives for improving sales and profits?

A While making a return to profitability our foremost objective, we are moving ahead with business restructuring.

In the fiscal year ending March 31, 2012, returning to profitability will be our foremost objective as we work to hold down fixed costs and reach our sales targets. To lower fixed costs, we will continue optimizing the size of our organization—an initiative commenced in the preceding fiscal year to reduce personnel expenses through such measures as relocating employees to other divisions. We are addressing variable costs by setting reduction targets for strategically important models, and we manage progress toward these goals on a monthly basis. We are also moving forward with the reorganization of Group companies. In Japan, we are converting companies that provide services into sales company subsidiaries, thereby strengthening the links between sales and services. In the United States, a sales company absorbed a software company to boost operating efficiency. We also plan to reorganize our operations in Europe to expand sales of POD equipment there. By pushing forward with business restructuring in these ways in the Media And Precision Technology Company, we expect to create a muscular structure capable of generating profits.

Q Please outline your strategies by product and region.

A In CTP equipment, we are transferring production to a manufacturing subsidiary in China, and we are enhancing our POD equipment lineup in response to market expansion.

According to our estimates, Dainippon Screen holds the world's leading share of the market, at 41.4%, for CTP equipment. Demand for CTP equipment is robust in China, India, South America and other emerging markets, which are expected to grow, so we are focusing on these regions. To this end, we have introduced entry-level models tailored to these markets.

Construction is underway to expand plant floor space at our manufacturing subsidiary in China. This construction is scheduled for completion in August 2011, nearly doubling the company's facilities. This additional capacity will allow us to increase the percentage of CTP equipment that is produced locally, thereby reducing costs and improving cost competitiveness. Producing equipment in China, where it is sold, also helps to reduce the impact of exchange rate fluctuations.

As the adoption rate for CTP equipment is high and the market is near saturation in the advanced markets of Japan, North America and Europe, we are introducing faster and more sophisticated CTP equipment to either maintain or enhance our share of the market. On the other hand, small-lot printing is gaining popularity there, and we can look forward to growing sales of POD equipment, which allows customers to print exactly the right number of copies, just when needed. We will round out our product lineup and enhance our sales and service structure to meet market needs, as we strive to boost sales of POD equipment.

Enhancing the Product Appeal of the Truepress Jet520

The Truepress Jet520, a full-color variable printing system that we introduced in 2006, has proven to be highly popular as a POD system capable of handling a variety of applications. To date, we have shipped more than 300 of these printers, including those delivered on an OEM basis.

To extend this solid performance, in the fiscal year ended March 31, 2011, we augmented the lineup, in September introducing the new Truepress Jet520ZZ flagship model and Truepress Jet520EX Color. At the same time, we enhanced the product appeal of the series by introducing a host of optional functions. We are strengthening ties with our U.S. sales partners and Group companies, as we step up our proposal of solutions involving the Truepress Jet520 series.

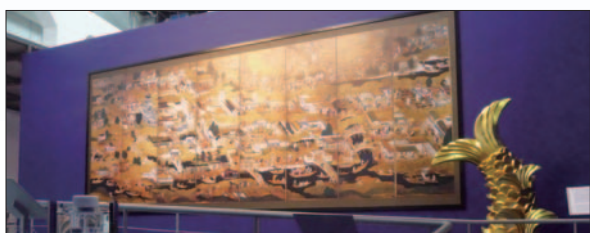
In the Middle East, we delivered a Truepress Jet520 in October 2010 for use by a major printing firm in Dubai, allowing on-demand newspaper printing suitable for various countries and languages.





**Media And Precision
Technology
Company**

We are promoting business reforms and staging a return to profitability through growth.



Dainippon Screen Cooperates in Production of the World Expo 2010 Shanghai Osaka Pavilion Using Inkjet Printer

“Better City, Better Life” was the theme of the Shanghai World Expo, held from May 1 to October 31, 2010.

Recognized as a Kansai company possessing superior technologies, the Media And Precision Technology Company cooperated in the printing of the façade used at the Osaka Pavilion at the Shanghai Expo, as well as a replica production of the Folding Screen Illustrating Osaka during the Toyotomi Period.

The inkjet printer used for this production, our *Truepress Jet2500UV*, was selected for its high level of printed image reproducibility, weather resistance and water-fastness, as well as the environmental performance achieved through the elimination of organic solvents.

Q What products and businesses will be future focuses?

A In the POD equipment arena, we will launch new products to sharpen our focus on the solutions business.

In the category of POD equipment, in March 2011 we unveiled a new fast-printing model in the *Truepress Jet520* series capable of printing on rolled paper at speeds up to 220 meters per minute. We also plan to launch the *Truepress JetSX* full-color variable printing system during the fiscal year ending March 31, 2012. In addition to print quality rivaling that of offset printing, the *Truepress JetSX* allows small-lot printing with short lead times and enables variable printing—in which individual pages can be custom printed as necessary—as well as offering resource and energy savings. Furthermore, through links with other companies, our POD equipment can be used in “complete solution” businesses linking systems from customer relationship management (CRM), polepapers unwinder/rewinder to the binding of documents. By offering this system as a “complete solution,” we are covering the upstream and downstream of printing process.

In CTP equipment, we have begun offering the flagship *PlateRite HD 8900* series, which achieves world-leading levels of production efficiency. In our sales efforts, we are positioning this series as a mainstay CTP system for use in advanced

countries. We have also commenced sales of the *PlateRite 8600M* series as an entry model for emerging markets.

In the PCB-related equipment category, we commenced sales of a new direct patterning system in January 2011. This is because demand is growing for high-density multilayered circuit boards and high-precision packaged circuit boards. To meet this demand, we are launching direct patterning equipment offering high levels of precision and productivity.

Q Please outline your environmental conservation and other CSR initiatives.

A We are prioritizing environmental improvements in the printing industry.

The Media And Precision Technology Company is prioritizing the supply of products that contribute to the energy and resource conservation efforts of its customers. Through cooperation between Media Technology Japan Co., Ltd.—a Dainippon Screen Group company that handles domestic sales—and OMRON Corporation, we are making progress in environmental improvement solutions business targeting the printing industry. In January 2011, we also began collaborating with Creco Lab Inc. on a service that supports carbon footprint (CFP) certification efforts within the printing industry.

Several hundred of our customers in the region affected by the major earthquake that struck Japan recently suffered damage. The day after the earthquake hit, Dainippon Screen Group service company personnel began making service calls at those companies. Thanks to their quick response, we were able to repair the equipment quickly, persevering to restore it nearly to pre-earthquake conditions.

Commencement of CFP Certification Support Service

In January 2011, we began offering a CFP certification support service targeting the printing industry. The service is based on collaboration between Media Technology Japan—a Dainippon Screen Group company—and Creco Lab Inc., which has an extensive track record in the field of environmental solutions.

A product’s CFP indicates the total amount of CO₂ emitted throughout its lifecycle, from raw material procurement to production, distribution, use, and disposal or recycling. In recent years, CFP has grown in importance as a tool for preventing global warming.

In 2010, certification rules were adopted by the printing industry on printed matter for advertising and commercial use, prompting printing companies and their customers to include CFP marks on publications. Through its CFP certification support service, the Media And Precision Technology Company aims to contribute to CO₂-reduction efforts in the printing industry.

Stakeholder Messages

Customer Comment

We have high expectations for Dainippon Screen as our partner in upgrading the printing industry to a digital business.



Wan Jie

Chairman
Artron Enterprises (Group) Ltd.

We have earned a reputation for being the best company in China in the printing of art auction catalogs, and we purchase from Dainippon Screen many of the products that we use, including CTP systems and workflow raster image processors (RIPs). Our reason for selecting Dainippon Screen is that since our establishment in 1993, they have worked with us as a partner. Not only do they supply the products we need, they also provide the necessary engineering support and operator training.

Our group now is planning to establish one of China's largest data processing centers and develop an art database. Our strong cooperative relationship with Dainippon Screen makes this plan possible.

As the printing industry moves from conventional methods to a digital business, we look to Dainippon Screen for help in a broad range of practical developments involving transformation through digital technologies.

Supplier Comment

We are working together to increase the global market share of our products; we expect our relationship to last well into the future.



Hiroshi Ogasawara

Director, General Manager of
Motion Control Division
Yaskawa Electric Corporation

We supply Dainippon Screen on an ongoing basis with motion control devices, such as AC servo drive support tools and motion controllers. Our relationship began around 20 years ago when we proposed to Dainippon Screen that they use our AC servos—a new technology at the time—and we worked together to develop applications. Since that time, we have cooperated in raising our technology levels, along the way developing products that are unrivalled elsewhere. Our partner relationship is excellent.

Yaskawa Electric is currently enhancing its global structure, through which we aim to establish ourselves further as a brand that is trusted by customers throughout world, and we are striving to ensure the long-term reliability of our products. Dainippon Screen has been instrumental in the globalization of markets and services, and plans to move forward in this regard. We believe that by working with Dainippon Screen we can raise our global share of the markets for both companies' products. In this sense, we expect our relationship to last well into the future.

Comment from an Employee at a Subsidiary

Through new businesses, we are helping our customers to cut costs and prevent global warming.



Eichiro Mori

General Manager,
Environmental Business Department
Media Technology Japan Co., Ltd.

We are a Group company that handles sales of Dainippon Screen graphic arts equipment. In this role, we are working on an "electric power visualization solution" to help printing companies reduce their electric power costs and lower CO₂ emissions. Dainippon Screen began this initiative in the fiscal year ended March 31, 2011, in cooperation with OMRON Corporation, which is also headquartered in Kyoto, and we are making steady progress in this new area of business.

In another new business endeavor, we have begun offering a service to support companies' efforts to acquire carbon footprint (CFP) certification, assisting an initiative by Japan's Ministry of Economy, Trade and Industry to systematize this certification. As CFP involves identifying where and how much CO₂ is emitted, our environmental efforts targeting the printing industry should attract the interest of customers in a host of fields.

As well as addressing our customers' needs to lower their electric power costs, through these new businesses we will be contributing to the prevention of global warming—a topic that impacts all the people of the world.

Environment, Safety and Quality Management System

We are working to resolve issues through environmental, health and safety management.

The Dainippon Screen Group's CSR initiatives prioritize the environment, safety and quality. Maintaining this focus, in April 2009 we launched a medium-term plan, Green Value (GV) 21, with three themes: environmental conservation focusing on curbing global warming, occupational safety that minimizes occupational injury risks attendant to larger product sizes, and health management suited to increasingly diverse forms of employment. Through an integrated environmental and occupational health and safety management system (MS), we are building a comprehensive groupwide management structure.

Green Value (GV) 21 Development

GV21, Phase II, Established to Resolve Issues through MS Integration

Dainippon Screen formulated Green Value (GV) 21 as its medium-term environmental, health and safety management plan (from the fiscal years to March 31, 2010 to 2012) in March 2009. Aiming to promote the integration of our environmental and occupational health and safety management systems, in October 2009 we received joint environmental MS (ISO 14001) certification combining those that each of our business sites and subsidiaries had obtained at that time. Thereafter, we began preparing to integrate the environmental MS with the occupational health and safety MS (OHSAS 18001). As

part of this effort, in July 2010 our Rakusai Site became the first facility in the world to obtain draft-version international energy MS certification (ISO/DIS 50001*). Furthermore, in April 2011 we began working to integrate the environmental MS, occupational health and safety MS and energy MS, while keeping each of the systems intact. To this end, we established a structure that we call Integrated EHS MS, for "environment," "health" and "safety."

Our efforts toward MS integration are in response to overarching issues the Group faces, including increasingly stringent international environmental regulations, rising occupational safety risk in line with larger next-generation products, and employee health management attendant to more diverse forms of employment. Accordingly, we are working to standardize and unify our management methods in an aim to increase the efficiency of our environmental,

health and safety management and to reinforce our global structure.

Having completed the initial phase of GV21—the integration of the environmental MS and the occupational health and safety MS—one year ahead of our original plan, we will launch GV21, Phase II, in line with our medium-term business plan, *NextStage70*, a three-year plan that commences in the fiscal year ending March 31, 2012. As part of GV21, Phase II, we have formulated an Environmental, Health, Safety and Energy Policy for the entire Dainippon Screen Group. Within this policy, we have decided four priority action plans, and we are working toward action plan targets to be achieved by the fiscal year ending March 31, 2014.

* A draft version of international certification of management systems related to energy conservation. ISO 50001 was officially issued on June 15, 2011.

▼ Environmental, Health, Safety and Energy Policy

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

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

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

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

We will identify hazards as well as environmental and energy-related aspects of our business. We will comply with laws, regulations and the wishes of our stakeholders. Furthermore, we will set voluntary standards and strive to prevent injury, illnesses and environmental pollution.

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

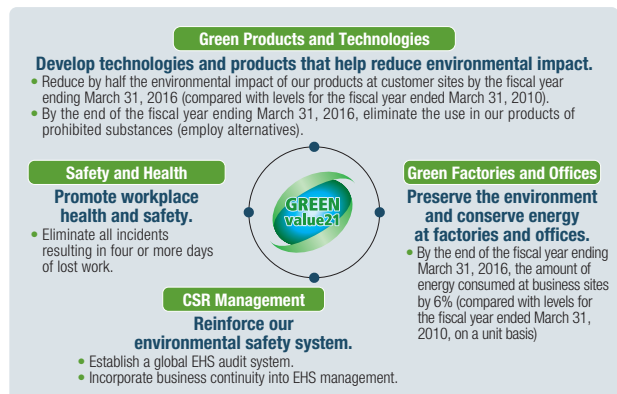
4. We will set specific targets.

We will set targets that are consistent with business characteristics and organizational roles, and strive for continual improvement.

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

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

▼ Our Long-Term Commitment to Green Value (GV) 21, Phase II



▼ Green Value 21

Fiscal years ended March 31, 2010 to 2011

Fiscal year ending March 31, 2012

Fiscal year ending March 31, 2013

Fiscal year ending March 31, 2014

Promotion of Corporate Restructuring Plan

Three-Year Medium-Term Management Plan, *NextStage70*

Medium-Term Environmental, Health and Safety Management Plan (Green Value (GV) 21)

Medium-Term Environmental, Health and Safety Management Plan (Green Value (GV) 21 Phase II)

Previous Green Value Plan

Green Value (GV) 21

The EHS Management System

Operational Management System Revised from a Site-Based to a Line-Based Structure

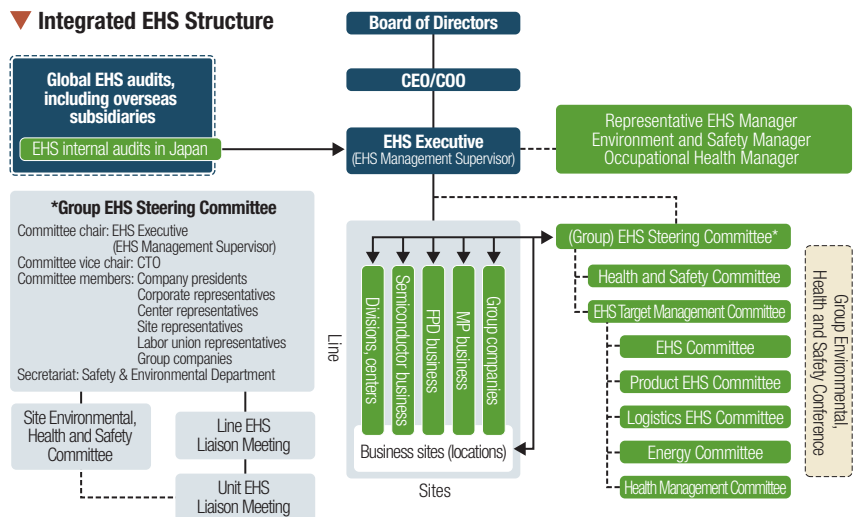
We updated our management system to coincide with the full-fledged launch of Integrated EHS MS in April 2011. Formerly organized on the basis of individual sites, the new structure is set up on a line basis, by business type, with the aim of strengthening operations. The Semiconductor Equipment Company, FPD Equipment Company, Media And Precision Technology Company, divisions, centers and Japanese Group companies are now organized into lines reporting to the EHS Executive, who is the EHS Management Supervisor. Group companies, including overseas subsidiaries during Phase II of

GV21, constitute our global EHS structure. Also, the Representative EHS Manager assigns personnel in charge of environment, safety and occupational health. This manager works with the EHS Executive to promote

integrated management of the Group.

To heighten work efficiency, internal audits are integrated into EHS internal audits. We have also formed a global EHS structure that includes overseas Group companies.

Integrated EHS Structure



Corporate Social Initiatives

Contributing to industrial development through innovation and returning profits to society are fundamental to our efforts to forge relationships of trust with the community. In this manner, we undertake corporate social initiatives in which every employee can participate.

Basic Policy

Business Activities Core to Our Social Contribution

The Dainippon Screen Group's Charter of Ethics outlines our commitment toward contributing to industrial development by providing products and services that feature superior environmental and safety performance, and by returning profits to society. Maintaining a core belief in innovation in our business activities, we will continue striving to meet the needs of the global community.

Basic Policy



Developing the Next Generation of Talented Employees

Elementary School Work-Study Courses and Company Field Trips for Junior/Senior High School and University Students

In February 2011, in cooperation with the Kyoto Children's Manufacturing Business program being promoted by the City of Kyoto Board of Education we held a special program for 45 fourth-year students of the Kyoto Shimogyo Shosei Elementary School. In addition to learning about photolithography, one of our elemental technologies, children learned how

companies are composed of people whose work covers a diverse range of activities.

In addition, we welcomed on a November 2010 field trip to the Rakusai Site 39 overseas high school students taking part in a science-themed international exchange event hosted by Ritsumeikan High School. In English, employees at the site explained the Company's products and businesses.

In December 2010, 38 University of Tokushima Graduate School students visited the Hikone Site. Following the tour, students took part in a question-and-answer session with our engineers covering our technologies and products.

Social Contribution Activities in the Fiscal Year Ended March 2011

- Cooperated with Kyoto Manufacturing Workshop courses
- Held lecture on the "Practical Theory of Corporate CSR" at Ryukoku University Graduate School of Law
- Conducted riverbank cleaning (Ota River) near Takamiya-cho, Hikone
- Participated in TABLE FOR TWO collection of PET bottle caps
- Cooperated with Ritsumeikan High School's Rits Super Science Fair 2010
- Participated in "manner-up" campaign in Toshima-ku, Tokyo



"The Ingenious Mechanics of Printers," a work-study course

Environmental Conservation

We are reducing the environmental impact of products and manufacturing activities.

The Dainippon Screen Group actively contributes to its customers' environmental efforts by pursuing products that are kind to people and the planet. We also strive to reduce the environmental impact of our manufacturing activities in a variety of ways, such as by managing chemical substances and reducing the amount used; decreasing CO₂ emissions through energy used in manufacturing and transporting products; preventing pollutant release into rivers, the soil and the atmosphere; and economizing on product packaging.

Promoting Green Products

New Standard for Assessing Environmental Performance

The Dainippon Screen Group designates products that meet its own assessment standards as "green products," and promotes their adoption through such methods as introducing environmental performance on its website.

To meet growing demand from customers for energy reductions at their factories, in the fiscal year ended March 31, 2011, we added to our assessment criteria the electric power equivalent of exhaust, as well as ultrapure water, nitrogen and other utilities. This

criterion is in line with the SEMI S23* concept of "equivalent energy."

Our range of green products expands each year, and in the fiscal year ended March 31, 2011, we met our goal of generating at least 50% of net sales from such products.

* Guide for conservation of energy, utilities and materials used by semiconductor manufacturing equipment.

the preceding fiscal year, owing to increased demand as the economy recovered.

However, by introducing energy-saving equipment and optimizing other equipment, emissions per unit of production were 14.8 metric tons down 36% year on year.

Ongoing Progress in Modal Shifts

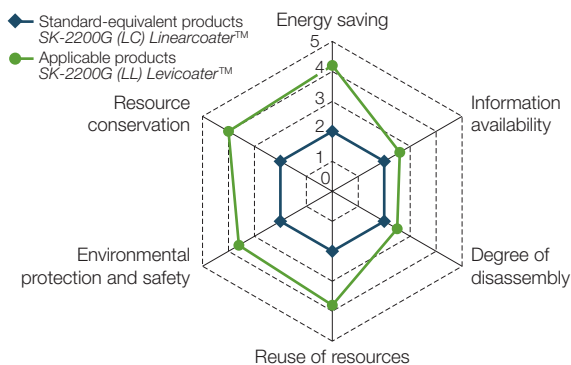
In the fiscal year ended March 31, 2011, we continued to promote a modal shift during shipping from trucks to marine and rail. We also expanded our use of low-pollution vehicles. Nevertheless, CO₂ emissions (per unit of production) amounted to 0.763 metric tons, 8% higher than in the previous year, related to the destinations where we shipped.

Reducing CO₂ Emissions

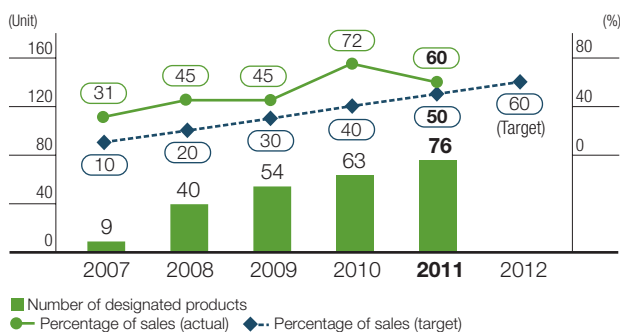
Emissions per Unit of Production Down 36% Year on Year

In the fiscal year ended March 31, 2011, our total CO₂ emissions from energy used in our business activities increased from

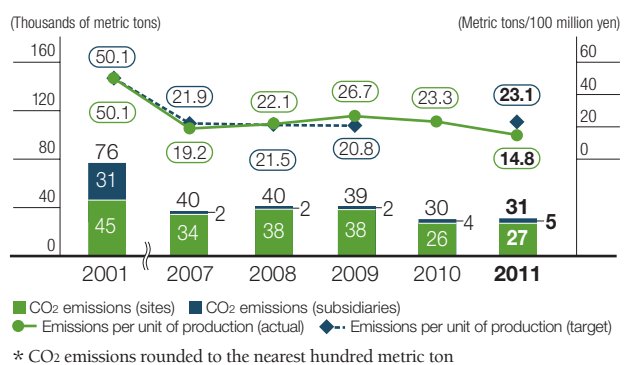
Sample of Green Product Evaluation



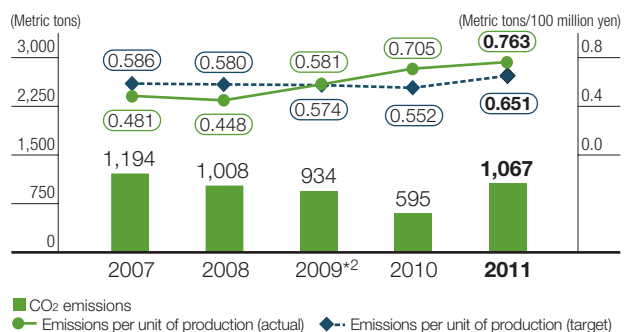
Green Products as a Percentage of Sales and the Number of Designated Products



CO₂ Emissions* and Emissions per Unit of Production



CO₂ Emissions*1 and Emissions per Unit of Production from Logistics Operations



* 1 Cargo weight (in tons) multiplied by the distance transported (in kilometers)
 * 2 Calculated on a unit sales basis through the fiscal year ended March 31, 2008. From the fiscal year ended March 31, 2009 (comparisons with FY2008) figures calculated based on the units of production

Chemical Management

Progress on Alternatives for Regulated Substances

In accordance with Japan's Pollutants Release and Transfer Register (PRTR) Law, the Dainippon Screen Group provides notification on hydrogen fluoride, one of the chemical substances requiring management of the amount handled and emissions volume. The Group strictly manages waste that contains PCB, such as high-voltage transistors and capacitors, in accordance with the Act on Special Measures Concerning Proper Treatment of PCB Waste and the Waste Management and Public Cleansing Act, and provided notice of its storage conditions.

Furthermore, the Dainippon Screen Group promotes the use of alternatives to substances specified in REACH*¹, the European Union's globally influential regulation on chemical substances and the EU's RoHS directive*², which restricts the use of designated hazardous substances in electrical and electronic devices. However, the Dainippon Screen Group's semiconductor and FPD manufacturing equipment fall outside the RoHS directive's scope of application.

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

*2 An EU directive restricting the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl and polybrominated diphenyl ethers.

Reduction of Waste

Seminar on Waste Risk Management

In the fiscal year ended March 31, 2010, we expanded our calculation of waste to include all waste outside the Company (both waste and valuable resources) and we are working to reduce this amount. In the fiscal year ended March 31, 2011, waste outside the Company per unit of production came to 0.79 metric tons, up 10% from the preceding fiscal year. This increase was a result of the preparation for closing our Kuze Site.

In November 2010, we held a seminar on the risk management of waste. Attending the seminar were 31 people, including the people in charge of the environmental MS and those in charge of waste.

Preventing Water, Soil and Air Pollution

At our sites in Kuniyama, Yasu and Hikone, we measure wastewater and groundwater quality as part of our overall efforts to prevent water and soil pollution. 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 or absence of contaminants, among other factors.

When we upgrade site equipment, we convert it over to the use of natural gas, a fuel that emits less atmospheric pollutants. By the fiscal year ended March 31, 2009, we had finished boiler fuel conversions at the Hikone and Taga sites.

Environmental Education

Deploying ISO 50001 throughout the Group

We held a lecture for 44 employees to explain energy management systems (ISO 50001) in April 2010.

In addition, we conducted training for Integrated EHS MS (See page 27), highlighting changes in the environmental and occupational health and safety MS and the secretariats at each of our sites in December 2010. We conducted training on environmentally friendly design for 73 employees involved in product design and manufacturing.

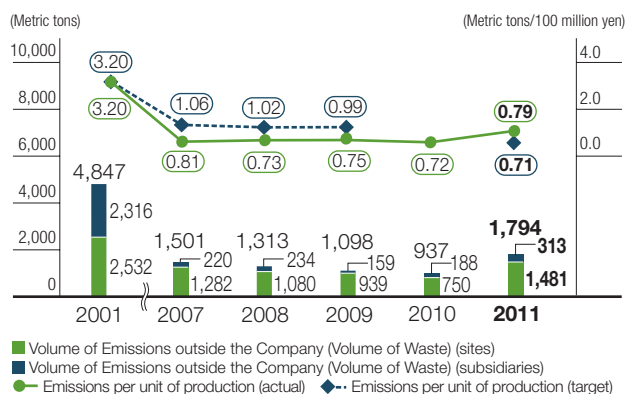
Environmental Accounting

Favorable Business Conditions Push up Cost of Processing Waste

Some equipment was scrapped by the relocation of business sites. In addition, production increases at the Semiconductor Equipment Company resulted in a waste increase.

During the fiscal year ended March 31, 2011, the cost of waste processing was 1.7 times, facilities maintenance was 1.6 times, and the management of environmental pollution (including analysis) was 1.1 times.

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



* Volume of emissions outside the Company (volume of waste) is rounded to the nearest metric ton. Indicates volume of waste through March 31, 2009; indicates volume of emissions outside the Company from the year ended March 31, 2010

Employee Comment



Yoshinori Kawamura
Shiga Logistics Department,
Transup Japan Co., Ltd.

Received Logistics Award for Cutting Packaging Material Requirements

Transup Japan, which handles transportation for the Dainippon Screen Group, received the Logistics Award at the Japan Packaging Contest 2010, in December 2010, for its development of *ESPIE*—a new type of packaging technology. In the past, large and heavy products had to be packaged with wooden materials on all sides. Using *ESPIE* limits the wooden packaging restriction to the wooden floor of the product package; recyclable reinforced cardboard and aluminum joints can be used for the other five sides. This approach reduces wood use by more than 50%.

During the fiscal year ended March 31, 2011, we succeeded in reducing our use of wood by approximately 500 metric tons.



Occupational Health and Safety and an Employee-Friendly Workplace

We are working to create an energetic workplace that gives due consideration to occupational health and safety.

One of the priority action plans in Phase II of Green Value (GV) 21, the Dainippon Screen Group's medium-term environment, health and safety management plan that went into effect in the fiscal year ending March 31, 2011, involves creating a workplace that fosters occupational health and safety. In addition to ensuring safety and health, the plan calls for us to provide a workplace that encourages each of our employees to fully develop his or her skills, minds and individuality, in an environment that respects human rights.

Occupational Health and Safety

Stepping up Measures to Counter Infectious Disease and Prevent Disaster

The Dainippon Screen Group has in place an occupational health and safety MS (OHSAS 18001). Initiatives include risk assessments, advance safety checks and the extension of training to operators and supervisors with limited experience inspecting heavy load operations.

As a result, in the fiscal year ended March 31, 2011, the number of incidents was down to 14, the lowest since the fiscal year ended March 31, 2001. Accidents numbered 13, down from an annual average of 17 in the years since the fiscal year ended March 31, 2001. However, this number failed to meet our occupational health and safety target, which we will again seek to meet in the fiscal year ending March 31, 2012. (See the section below entitled "Occupational Health and Safety Targets and Results.")

On the disaster prevention front, we incorporated earthquake and other disaster-related content into our firefighting plans. We also introduced into our occupational health and safety MS measures to counter infectious diseases, including influenza, out of further consideration for employee health and safety. In May 2010, we bolstered

earthquake countermeasures, employing the J's NAVI overseas business trip management system that we adopted in November 2009 to monitor overseas travel. Training involved confirming safety during a hypothetical earthquake of magnitude 7.0.

In April 2011, SEBACS Co., Ltd., a Dainippon Screen Group company, published its own book of case studies based on employee opinions and covering potential accident experiences, accidents and incidents. Meanwhile, in line with the roll-out of integrated EHS MS in the fiscal year ending March 31, 2012, three additional Group companies will commence occupational health and safety activities based on OHSAS 18001.

Mental Health

To support the mental health of our employees, we introduced a stress management check test in the fiscal year ended March 31, 2010, based on the Ministry of Health, Labour and Welfare's occupational stress questionnaire. To encourage self-care, we provide support for employees in Japan to enable them to visit public health nurses and industrial physicians for individual consultations at their own discretion. In the fiscal year ending March 31, 2012, we will expand this system to include employees posted overseas.

Meanwhile, in the fiscal year ended March 31, 2011, all employees took part in mental health checks held as dialogues with public health nurses.

Human Resource Development

Increasing Employee Motivation through Awards

The Dainippon Screen Group has created a skills development system, with employee training conducted on the basis of an annual level-specific mandatory educational plan. Awareness training focuses on ensuring that employees possess at least the minimum understanding of compliance required at their level. As part of our efforts to boost the overseas sales ratio, we conduct level-specific training (English and Chinese) and objective-specific language training and provide opportunities for employees to take TOEIC exams, supporting the development of language skills. We hold courses for young engineers to help them acquire technical knowledge outside their areas of expertise, and we encourage learning through a training plans covering the first three years after engineers join the Company.

We have also created a host of opportunities for employees to receive awards, for announcing or sharing technical and other expertise, and to boost motivation. For example, we held the VE* Activity

Number of Incidents and Accidents



Occupational Health and Safety Targets and Results

	Target for the Fiscal Year Ended March 31, 2011	Result for the Fiscal Year Ended March 31, 2011	Target for the Fiscal Year Ending March 31, 2012
Incidents resulting in four or more days of lost work	One or fewer	Three	One or fewer
Incident points	300 or less	330	300 or less
Incidents or accidents at customer sites	Six or fewer	Eight	Five or fewer
Traffic accidents resulting in injury	Five or fewer	Eight	Five or fewer

Notes: 1. The lowest aggregate number of incident points to date is 330.
 2. Incidents resulting in four or more days lost work occurred by during work performed by business partners.
 3. Incidents or accidents at customer sites and traffic accidents resulting in injury are trending downward.
 4. In the fiscal year ending March 31, 2012, the integrated EHS system will go into operation, and we will work to increase the visibility of line activities, thereby promoting measures targeting key issues.

Note: In a system unique to the Dainippon Screen Group, incident points are assigned according to the level of severity of workplace incidents (days of lost work and level of injury).

Presentations (Fourth) at the Hikone Site in December 2010. The ceremony targeted engineers, who are key to our manufacturing prowess. Six teams, recommended by the companies, presented their achievements. These were given an overall evaluation based on such factors as the status of the activities themselves, cost-cutting achievements and percentage reductions, and three teams were awarded either first or second prizes. We also hold Technology Presentations each year to boost employee motivation, foster groupwide technical exchange and mutual technical activities. In 2010, the presentations were held in October at the Hikone Site and attended by 370 people. A total of 41 activities were announced, including verbally and through poster-based displays, and awards were presented for 10 themes. These included announcements made by overseas subsidiaries.

* Value Engineering (VE): The practice of lowering costs without reducing product and service values.

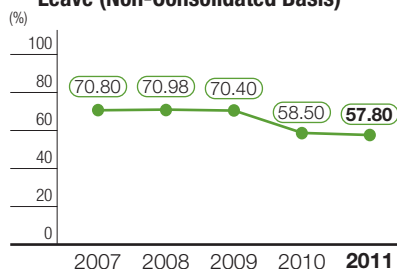
Employment and Reward

Respect for Employee Opinions and Aptitudes

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 the Dainippon Screen Group has implemented, including a target monitoring system, a performance-linked remuneration system, a job certification bonus system for employees who obtain qualifications and an in-house free agent (FA) system. Employees take advantage of these systems, which serve to optimize placement, cultivate a sense of challenge and help employees design their own career paths.

In accordance with the management

Percentage of Employees Taking Paid Leave (Non-Consolidated Basis)



reorganization plans in effect, we employed no new university graduates in April 2010. However, we hired one in October 2010 and 21 in April 2011 (29 over the entire Group).

Respecting Human Rights

Enhanced Consultation Contacts

Dainippon Group ethical guidelines and employment regulations disallow sexual discrimination, sexual harassment and power harassment. On this basis, we have set a Corporate Ethics Helpline to provide consultation contacts both within and outside the Company, aiming to foster an atmosphere in which men and women can work together harmoniously.

There have been no instances of child labor or forced labor.

Respecting Diversity

Promoting Employment of Women in Administrative Positions and Employees with Disabilities

The Company has launched aggressive efforts to recruit women as it seeks to increase the overall number of women in its employ. Once employed, female employees handle a variety of jobs, including in the engineering and planning departments.

We also continue to promote the employment of disabled people. At Parte, a workplace established at the Hikone Site, these employees handle the digitization of product materials. Training manuals are designed for ease of understanding, employing photographs and illustrations, and the overall workplace is designed to cultivate an environment of security and enthusiasm. In the fiscal year ended March 31, 2011, people with disabilities

represented 1.90% of the workforce, satisfying legal employment requirements.

Consideration for the Work-Life Balance

Dainippon Screen has in place a system that permits employees who are raising children to work shorter hours until March 31 of the child's third year in elementary school — exceeding the legally stipulated minimum. Of female employees who gave birth during the year, 100% took advantage of child-rearing leave. Male employees are also taking advantage of these systems: seven men have taken advantage of child-rearing leave and three of shorter working hours. Furthermore, we are encouraging regular employees to take leave. Whereas people taking paid leave was less than 50% in the preceding fiscal year, we have established a program, called "Pit Stop 5" to ensure that all employees take at least five days of consecutive paid leave days in the following fiscal year.

Respecting Intellectual Property Rights

Promoting Invention through Ideas

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, 2011, 40 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 research prior art materials. In the fiscal year ended March 31, 2011, we also began working on medium- to long-term ideas related to inventions and strove to cultivate invention within the development process.

Employee Comment



Masayuki Otsuji
Process Technology
Division, Semiconductor
Equipment Company

Chairman Award Recipient for the "Development of New Drying Technologies" Verbal Presentation Section, Technology Presentations

Our technology was evaluated as being "a practical addition to current systems that would allow conformance with the smaller line widths required by next-generation devices without suffering productivity losses." We received the Chairman Award in the Verbal Presentation Section of the Technology Presentations. We owe this distinction to the cooperation of our colleagues. We worked to make the presentation materials easy to understand for non-engineers, and we must have succeeded, as we were complimented that our presentation was "very easy to understand." We hope to continue contributing to society through technology.



Quality Control

Our quality enhancement initiatives span development, manufacturing and after-sales service.

Dainippon Screen has built a quality management system based on ISO 9001. In addition, each internal company has created its own quality policy, defining its product and service quality improvement initiatives. We also provide extensive training to our engineers to enhance our post-delivery maintenance and support, ultimately aiming to enhance customer satisfaction.

Quality Management System

Quality Management System Based on ISO 9001 Aims to Reduce Defect-Related Costs

Dainippon Screen has in place a quality MS based on ISO 9001 quality MS requirements.

Of particular note in the fiscal year ended March 31, 2011, was the “*Shi Kou Ten Kai*” Project (see page 10), one of our restructuring measures. We set up cross-functional teams to concentrate on reducing the cost of defects by addressing the occurrence of defects during the development and manufacturing processes. In the past, ramping up production came with a proportional increase in defect-related costs. The team has putting together a structure to preempt such defects, reducing these costs by 24% compared with the previous year. This has also reduced post-delivery problems and complaints and enhanced customer satisfaction.

Note: Please refer to our website for information on the status of MS certification.

<http://www.screen.co.jp/environmentE/iso.html>

Quality Management Initiatives

Semiconductor Equipment Company Concentrating on Operational Stability of Our Single Wafer Cleaning System

To meet the quality demands of its customers—which increase almost daily—and help them succeed in their businesses, the Semiconductor Equipment Company inspects every process, conducting quality management to raise its product quality level.

In the fiscal year ended March 31, 2011, orders rebounded rapidly as manufacturers invested aggressively to meet demand stemming from the growing popularity of smart phones and tablet computers. Against this background, we launched a project targeting stable operation of our single wafer cleaning system. By systematically prioritizing our response to customers experiencing problems, we strove to resolve the problem swiftly. Recognizing that a problem in one type of product could be symptomatic of problems with other products, we halted distribution until the issue had been resolved.

FPD Equipment Company Focus on Reducing Trouble by Effectively Employing Preventive Measures

In the fiscal year ended March 31, 2011, the FPD Equipment Company worked to enhance communications between its manufacturing departments and the subsidiaries that maintain its products after they have been delivered to customers. All members, including subsidiaries, suggested ideas for predicting trouble. By adopting measures effective prevention measures, we succeeded in reducing trouble to a minimum.

In the fiscal year ending March 31, 2012, we will continue this initiative that was begun in the fiscal year ended March 31, 2011, as we step up efforts to eliminate all causes of trouble.

Media And Precision Technology Company Making Risk Assessments More Visible during Product Development

In the fiscal year ended March 31, 2011, the Media And Precision Technology Company forged ahead with a project begun in 2006 to reduce the cost of defects, employing a design verification grading system for its *Truepress Jet520ZZ* digital printing system. By

Sites with ISO9001 Certification

Dainippon Screen Mfg. Co., Ltd. Semiconductor Equipment Company / FPD Equipment Company / Media And Precision Technology Company	
MT Service Japan East Co., Ltd.	Inca Digital Printers Ltd.
Tech In Tech Co., Ltd.	MT Service Japan West Co., Ltd.
SEBACS Co., Ltd.	SOKJUDO Co., Ltd.
Quartz Lead Co., Ltd.	Tec Communications Co., Ltd.
Dainippon Screen (Korea) Co., Ltd.	Dainippon Screen MT (Hangzhou) Co., Ltd. (MTMC)
FEBACS Co., Ltd.	Dainippon Screen (Australia) Pty. Ltd.

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.

quantifying the cost of defects in this manner, we made strides toward making the assessment of risks during product development more visible.

To bolster the quality and ensure the stable supply of grating light valves (GLVs), which are key components of our mainstay CTP equipment, we held an engineering conference with our Group company that develops GLVs, U.S.-based Silicon Light Machines Corporation. This sharing of information accelerated our efforts to resolve the issues.

In addition, we continued to provide training in Japan for the leaders of manufacturing, testing and quality assurance divisions at our subsidiary in China (MTMC). We also dispatched employees who handle assembly at our plants in Japan, to share their manufacturing expertise by providing direct guidance.

After-Sales Services

■ Semiconductor Equipment Company Training Field Service Engineers at Our Global Training Center

In 2008, we set up a Global Training Center within the Yasu Site to bolster semiconductor product support. At this facility, we provide field service engineers (FSEs) from around the world with the product expertise and operational skills they need for installation and adjustment of our products. We also provide maintenance training to customers.

More than 95% of the people who undergo training are overseas customers or FSEs. As the number of

products we deliver outside Japan increases, we are training overseas FSEs to provide more advanced services.

■ FPD Equipment Company Offering Customers Advice on Effective Use of Equipment

We have set up service stations in Japan and overseas staffed with engineers who can respond to the needs of customers. These engineers field requests for maintenance, supply parts and respond to other queries.

At the Hikone Site, we take advantage of customer visits to discuss equipment specifications or to participate in delivery to meet with them in regard to delivery. Based on these discussions, we can provide advice on reducing energy use and suggest adding equipment that will facilitate effective use by monitoring the operational status.

Our sales department conducts customer satisfaction surveys covering maintenance and other services, as part of our improvement efforts.

■ Media And Precision Technology Company Creating an Engineering Support System

In Japan, three service subsidiaries handle delivery and installation of the Media And Precision Technology Company's products, explain operations to customers and provide support. Overseas, these activities are conducted by field service engineers (FSEs) at local companies and distributors.

We support this process by providing standardized maintenance training for

FSEs, including those located overseas. We provide FSE backup through a web-based database system that distributes technical information to overseas companies and serves as a repository of information to be shared about troubles encountered, as well as other topics.

We employ remote monitoring to determine the operational status of equipment, allowing us to quickly discern the source of problems, quickly assimilating and providing information on fault recovery. This maintenance system is one aspect of our efforts to improve customer satisfaction.

Information Security

Formulating Group Company Regulations for the Management of Confidential Sales Information and Providing Training

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, 2011, we formulated Regulations for the Management of Confidential Sales Information for all Group companies to protect such information throughout the Dainippon Screen Group. We provided training for all Group companies in Japan on managing confidential sales information, and we plan to offer regular training sessions in the future to ensure that these regulations are being implemented appropriately.



Overseas engineers undergoing training at the Global Training Center

Japanese employees providing guidance directly at subsidiary in China (MTMC)

Employee Comment



Christian Voight

FSE,
DAINIPPON SCREEN
(DEUTSCHLAND) GmbH

Availability of Improved System Made Training Practical

I underwent level 2 and level 3 training on the SU-3100 single wafer cleaning system at the Global Training Center. As the course employed an improved system, parts were easily accessible, and the training was extremely practical. During the training, we removed, broke down and installed a variety of parts, just as we would do in practice.

I plan to remain in contact with the Global Training Center as I work to improve my technical expertise.



CSR performance during the Fiscal Year Ended March 31, 2011, and Targets of Green Value (GV) 21, Phase II for the Fiscal Year Ending March 31, 2012 and 2014

Performance during the Fiscal Year Ended March 31, 2011

During the fiscal year ended March 31, 2011, the second year of our Green Value (GV) 21, the medium-term environmental, health and safety management plan, the Dainippon Screen Group conducted initiatives targeting the key measures of its group-wide environmental MS, “promotion of green factories,” “expanding range of green products and

ensuring product safety” and “enhancing green logistics,” as well as the key measure of its occupational health and safety management plan, “enhance efforts to eradicate accidents or incidents.”

As a result, we did not meet some of targets, waste emissions of “Promotion of a green factory” because a large amount of waste emissions by the close of the Kuze Site was generated, “enhancing green logistics” on a CO₂

emissions during product transport. It was unable to efficiently employ a modal shift because of regions where products were shipped. We also did not meet its target for “enhance efforts to eradicate accidents or incidents” in terms of reducing company vehicle accidents and accidents that occur while commuting. However, we achieved the lowest level of accidents and incidents since the fiscal year ended March 31, 2002.

▼ **CSR Targets and Performance of Green Value (GV) 21 (Fiscal Year Ended March 31, 2011)**

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 per unit of production by 1% compared to the fiscal year ended Mar. 31, 2010.	CO ₂ emissions per unit of production was 14.8 tons of CO ₂ /¥100 million, reduced 36% compared to the fiscal year ended Mar. 31, 2010.	○	•Page 29 •Data Sheets
			Reduce waste emissions per unit of production by 1% compared to the fiscal year ended Mar. 31, 2010.	Waste emissions per unit of production was 0.79 tons of CO ₂ /¥100 million, increased 10% compared to the fiscal year ended Mar. 31, 2010.	×	•Page 30 •Data Sheets
		Development of green IT	Achieve a green purchasing ratio for new computer systems of at least 90%.	Achieved green purchasing ratio for new computer systems of 97%.	○	—
	Product stewardship	Expanding range of green products and ensuring product safety	Ensure that Green Products (environmentally friendly products) account for at least 50% of sales.	Percentage of sales of 76 Green Products (environmentally friendly products) : 60%.	○	•Page 29 •Data Sheets
			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.	○	•website
		Enhancing green logistics	Implement safety measures based on product risk assessment according to the product risk reduction roadmap.	Implemented safety measures based on product risk assessment in accordance with each company's roadmap, but reductions were not achieved in line with certain companies' roadmaps.	△	—
			Reduce greenhouse gases in transporting products in Japan (CO ₂) per unit of production owing to fuel used in transporting products in Japan by 10% of levels during the fiscal year ended Mar. 31, 2009.	CO ₂ emissions in transporting products per unit of production was 0.763 ton/¥100 million, increased 8% compared to the fiscal year ended Mar. 31, 2010.	×	•Data Sheets
	Community service	Improving environmental awareness	Determine the environmental impact of global product shipments.	Determined CO ₂ emissions during overseas transport for some products.	△	—
			Implement social initiatives targeting the environment.	Conducted social contribution activities at each plant, including the cleaning of surrounding areas and rivers, participating in local activities and cooperation with the schools.	○	•Page 28
	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.	Three incidents resulting in more than four or more days of lost work.	×	•Page 31
Reduce the number of fatal accidents or incidents at customers to six or less.			Eight accidents and incidents at customer sites.	×	•Page 31	
Reducing company vehicle accidents and accidents that occur while commuting		Reduce the number of traffic accidents resulting in injury to five or less.	Traffic accidents resulting in injury numbered eight.	×	•Page 31	
		Perform stress management. (Introducing stress management check test for 100% of employees).	Performed stress management check test on 98% of employees.	△	•Page 31	
Creating secure, comfortable, and healthy workplaces		Ensure that 100% of employees undergo periodic and special health checks.	100% of employees underwent periodic and special health checks.	○	—	
		Ensure health checks by 100% of employees posted overseas.	85% of employees posted overseas underwent health checks.	△	—	
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.	Conducted preparations to integrate the Environmental MS and Occupational Health & Safety MS, and began operating integrated EHS system in April 2011.	○	•Page 27	

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

Targets for the Fiscal Year Ending March 31, 2012

For the fiscal year ending March 31, 2012, the Dainippon Screen Group will conduct initiatives to achieve these targets of key measures under the newly formulated Green Value

(GV) 21 Phase II, “develop technologies and products that help reduce environmental impact,” “promote workplace health and safety,” “preserve the environment and conserve energy at factories and offices” and “reinforce our

environmental safety system.” In addition, we will promote the efficiency of EHS management through the integrated EHS MS which went into operation in April 2011.

▼ CSR Targets of Green Value (GV) 21, Phase II (Fiscal Year Ending March 31, 2012)

Key measure	Department	Target (Fiscal year ending March 31, 2012)	Target (Fiscal year ending March 31, 2014)
Develop technologies and products that help reduce environmental impact	Production	Ensure that Green Products (environmentally friendly products) account for at least 60% of sales.	Ensure that Green Products (environmentally friendly products) account for at least 70% of sales.
		Reduce environmental impact of the products at customer sites according to the roadmap.	Achieve the roadmap. Reduce energy consumption (including utilities) on performance basis by 30% or more compared with fiscal year ended Mar. 31, 2010.
		Eliminate the prohibited substances by Mar. 31, 2014.	Eliminate the prohibited substances by Mar. 31, 2014. Set alternatives deadline for the restricted substances and use alternatives by then.
	Development	Develop environmental technologies by 120% or more compared to fiscal year ended Mar. 31, 2011.	Develop environmental technologies by 200% or more compared to fiscal year ended Mar. 31, 2011.
	Logistics	Reduce greenhouse gases (CO ₂) by 15% or more compared to fiscal year ended Mar. 31, 2010, per unit of production in domestic product transporting.	Reduce greenhouse gases (CO ₂) by 20% or more compared to fiscal year ended Mar. 31, 2010, per unit of production in domestic product transporting.
Promote workplace health and safety	Production	Reduce residual risks in product risk assessments according to the roadmap.	Reduce residual risks in product risk assessments by half compared to fiscal year ended Mar. 31, 2011.
	Entire organization	Reduce the number of incidents to one or less resulting in four or more days of lost work.	Reduce the number of incidents to zero resulting in four or more days of lost work.
		Reduce the number of fatal accidents or incidents at customers to five or less.	Reduce the number of fatal accidents or incidents at customers to five or less.
		Reduce the number of traffic accidents resulting in injury to five or less.	Reduce the number of traffic accidents resulting in injury to five or less.
Preserve the environment and conserve energy at factories and offices	Entire organization	Reduce emissions of greenhouse gases (CO ₂) attributable to energy per unit of production and area use by 2% or more compared to the fiscal year ended Mar. 31, 2010.	Reduce emissions of greenhouse gases (CO ₂) attributable to energy per unit of production and area use by 4% or more compared to the fiscal year ended Mar. 31, 2010.
		Reduce energy cost per unit of production by 2% or more compared to the baseline.*2	Reduce energy cost per unit of production by 5% or more on a unit compared to the baseline.*2
		Reduce waste emissions per unit of production by 2% compared to the fiscal year ended Mar. 31, 2010.	Reduce waste emissions per unit of production by 5% compared to the fiscal year ended Mar. 31, 2010.
	BSC*1	Increase material recycling ratio of waste emissions to 80% or more.	Increase material recycling ratio of waste emissions to 90% or more.
	Entire organization	Implement social initiatives targeting the environment.	Implement social initiatives targeting the environment.
Reinforce our environmental safety system	BSC*1	Conduct stratified training and training for workers dispatched overseas.	Conduct stratified training and training for workers dispatched overseas.
	Entire organization	Commence operation of integrated EHS management system.	Continue operation of integrated EHS management system.

*1 Business Service Center

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

URL For further information on our CSR targets and performance, please refer to the website. <http://www.screen.co.jp/environmentE/index.html>

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

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. We also prioritize compliance and risk management in our corporate management and CSR activities, and are mounting initiatives to put them into action.

Basic Policy

Striving for Management Transparency, Soundness and Efficiency

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.”

To ensure its provision of 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.

Corporate Governance Structure

Strengthening the Supervisory and Auditing Functions through the Election of Outside Directors and Outside Auditors

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. To foster a rapid response to changes in the operating environment, we shortened the term of office for directors to one year.

Furthermore, to augment the management auditing function, of the nine directors we have designated three as outside directors.

Since April 1999, 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 that handle R&D and business services. In principle, the Management Committee meets twice a month. Furthermore, the Company has established the Consolidated Management Committee Meeting, which includes all Management Committee members, as well as outside directors and Group company presidents.

This council meets quarterly.

The Board of Auditors comprises four members, including two outside corporate auditors. Auditors conduct director hearings, attend important management-related meetings and undertake audits of Group offices and companies. Cooperation between the Group Auditing Department—which handles internal audits and the internal control system—and the external accounting auditor is designed to ensure the appropriate execution of business.

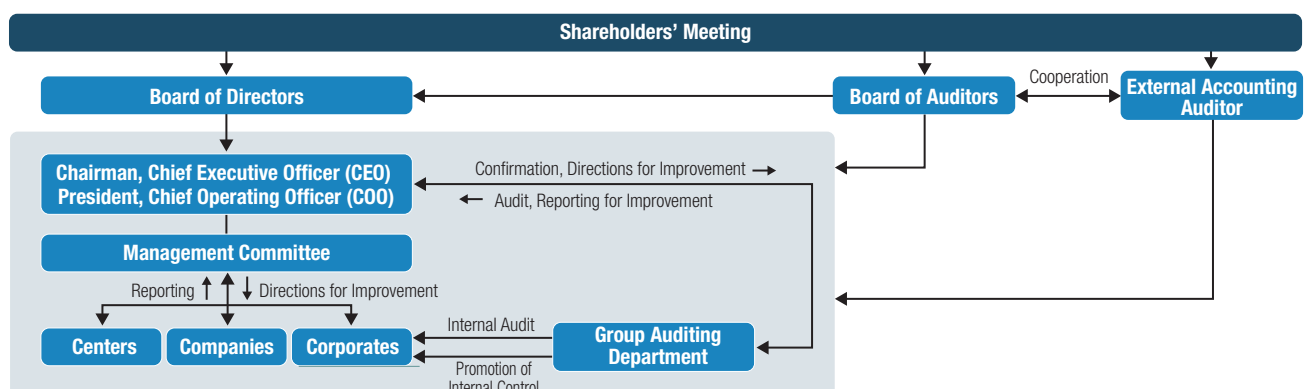
Internal Control System

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

In May 2006, the Group created an Internal Control Promotion Department to lay the groundwork for the internal control system that we deployed in 2008.

This department was absorbed into the Group Auditing Department in October 2009. This department ensures the reliability of financial reporting by evaluating the effectiveness of the internal control system and managing the internal control system’s operating status.

▼ Corporate Governance Organization



Directors

(As of June 28, 2011)



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 Group Auditor,
Corporate Communications



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



Eiji Kakiuchi
Director
Chief Officer of Security
Export Control, GPS,
IR, and Group G10



Shin Minamishima
Director
General Manager of Business
Service Center



Yoshio Tateisi
Director
Honorary Chairman,
OMRON Corporation



Takeshi Isayama
Director
Senior Adviser to The Carlyle
Japan LLC,
Director of Terumo Corporation,
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



Tatsuo Miyawaki
Corporate Auditor



Hideaki Shiota
Corporate Auditor
Adviser to Kyogin Lease &
Capital Co., Ltd.



Mikio Mori
Corporate Auditor
President and Representative
Director, Shiga DC Card Co., Ltd.
President and Representative
Director, Shigagin JCB Co., Ltd.

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

Executive Officers

Corporate Executive Officers

Kyohei Fujisawa
Hayato Hayashi
Tadahiro Suhara

Chairman of Media And Precision Technology Company
President of FPD Equipment Company
President of Semiconductor Equipment Company

Corporate Officers (Senior)

Soichi Nadahara
Toshio Hiroe

Vice President of Semiconductor Equipment Company
Deputy General Manager of Research & Development Center

Corporate Officers

Shunichi Kadowaki
Katsumi Shimaji
Hisao Nishizawa
Masahiro Tateyama
Hitoshi Yamamoto
Kimito Ando
Katsuhiko Aoki
Masato Goto

Vice President of Semiconductor Equipment Company
Deputy General Manager of Development & Manufacturing Management Division
General Manager of Development & Manufacturing Management Division
General Manager of Management Operational Division
Vice President of FPD Equipment Company
Deputy General Manager of Business Service Center
President of Media And Precision Technology Company
Vice President of Semiconductor Equipment Company

Compliance

Compliance Policies Outlined in Handbook and Distributed to All Directors and Employees

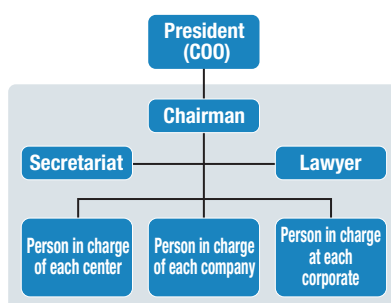
The Dainippon Screen Group formulated a Charter of Ethics in 2002, laying out the eight principles by which it commits to comply with legal statutes and abide by social norms. We then created the Dainippon Screen Group Code of Ethics, including rules of conduct that spell out specifically how to apply these ethics to everyday operations.

At the same time, we 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. A third edition was created in the fiscal year ended March 31, 2011, updated to reflect regulatory revisions and changes in social conditions. We distributed the new edition groupwide to all directors and employees in Japan to reconfirm compliance awareness throughout the Group. We also created English- and Chinese-language versions of the handbook for distribution to employees at companies overseas.

Audits Conducted at 11 Affiliated Companies in Europe and Asia

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. The committee is operated with

▼ Compliance Committee



legal advice provided by a lawyer.

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. In line with our policy of reinforcing compliance at Group companies overseas, in the fiscal year ended March 31, 2011, we conducted audits at 11 companies in Europe and Asia. In Japan, we also audited seven Group companies and four headquarters departments. Follow-up audits confirmed that issues identified in the initial internal audits had been resolved.

Ensuring Appropriate Contracting and Temporary Employment and Promotion of Compliance Overseas

In the fiscal year ended March 31, 2011, we concentrated on appropriate contracting and temporary employment and the promotion of compliance overseas. In the first category, we asked contractors with internal access to the Dainippon Screen Group to conduct voluntary inspections, aiming to raise the compliance awareness of both parties to transactions. In the second category, we

arranged compliance improvement lectures for newly appointed presidents of overseas companies and newly assigned employees.

We also continued to study the full-fledged implementation in the fiscal year ending March 31, 2012, of a compliance promotion structure for overseas companies.

Risk Management

Creation of Various Committees and Audit Structures

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 EHS Steering Committee, a Committee for the Protection of Trade Secrets and a Timely Disclosure Committee.

The Group Auditing Department performs risk audits on general work processes through the development of MS, such as ISO 14001, and via security trade control and management of confidential sales information.

Responding to the Great East Japan Earthquake

None of the Company's major factories suffered damage during the recent earthquake, and the damage sustained by Group companies in the Tohoku region was slight and was limited to facilities. (see pages 9–10.)

One aspect of our disaster risk management is a system for responding to disaster in the event of an earthquake. Under this system, when an earthquake measuring 5-upper or greater on the seismic intensity scale occurs, the disaster early response system automatically sends out an urgent message to the person at each department who is in charge of handling disaster risk. In addition, we have formulated Earthquake Response Management Regulations to ensure a rapid and preemptive companywide response in the event of an earthquake.

In the event of a major calamity—such as the recent large-scale earthquake or

the outbreak of new strains of influenza—the Company's president forms a Company Emergency Committee.

This committee was formed quickly in response to the recent earthquake, and the safety of all people affiliated with the Dainippon Screen Group was confirmed on the day of occurrence. Furthermore, the Company dispatched money, goods and safety management support teams to aid infrastructure and business restoration efforts in the stricken region. We also provided emergency support to customers who requested it.

The Dainippon Screen Group also resolved to donate ¥50 million to assist people in the stricken area via the Japanese Red Cross Society and other organizations.

Going forward, we will continue to upgrade the Group's systems from the standpoint of business continuity management (BCM).

Disclosure

Providing Accurate, Timely and Easily Understandable Disclosure

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

We hold various briefing sessions as part of our dialogue-based IR activities. In addition to participating in seminars, we do our best to provide institutional investors and analysts with opportunities for one-on-one meetings with management. (See chart below.)

Our information disclosure activities include the publication of annual reports and investor guides. In addition to a variety of IR documents, our IR website contains easy-to-understand explanations of our technologies and businesses. In the fiscal year ended March 31, 2011, we augmented this site by providing notice of electronic versions of Annual Shareholders Meeting reports and stock information.

Dainippon Screen's shares were included in the Nikkei stock average on March 29, 2011, attesting to the growing level of stock market interest in our shares. We augment our disclosure accordingly.



Individual investor presentations

Aiming at Open Annual Shareholders' Meetings

Dainippon Screen avoids an intensive one-day meeting with all shareholders present and utilizes the Internet to exercise their voting rights so as to provide an open annual shareholders' meeting.

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 help shareholders understand us better.



The 69th Annual Shareholders' Meeting

SRI Index Involvement

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

Dainippon Screen has been included in the FTSE4Good Index (a joint venture between the Financial Times and the London Stock Exchange) since its launch in 2004.



Fair Transactions

Openness and Fairness Central to Our Procurement

We conduct procurement activities based on four basic policies: open and

fair, partnerships, global orientation, and green procurement.

Dainippon Screen was an early adopter of an Internet-based electronic procurement system. By virtue of this system, we have made our order-placement process more visible and ensure that transactions are speedy and fair. We also conduct periodic seminars to familiarize Dainippon Screen Group personnel in charge of purchasing with the Subcontract Act and confirm thorough compliance by performing voluntary checks on transactions.

Sharing Management Policies and Presenting Awards

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, and presents various awards to suppliers with particularly high levels of contribution.

In June 2010, we held informal discussions with 229 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. Meanwhile, at the Best Partner 2010 party, which is held every December, Dainippon Screen's president held informal chats with nine suppliers (one of which is based overseas) in recognition of their high levels of contribution.



Best Partner party (December 2010)

▼ Dialogue-Based IR Activities in the Fiscal Year Ended March 31, 2011

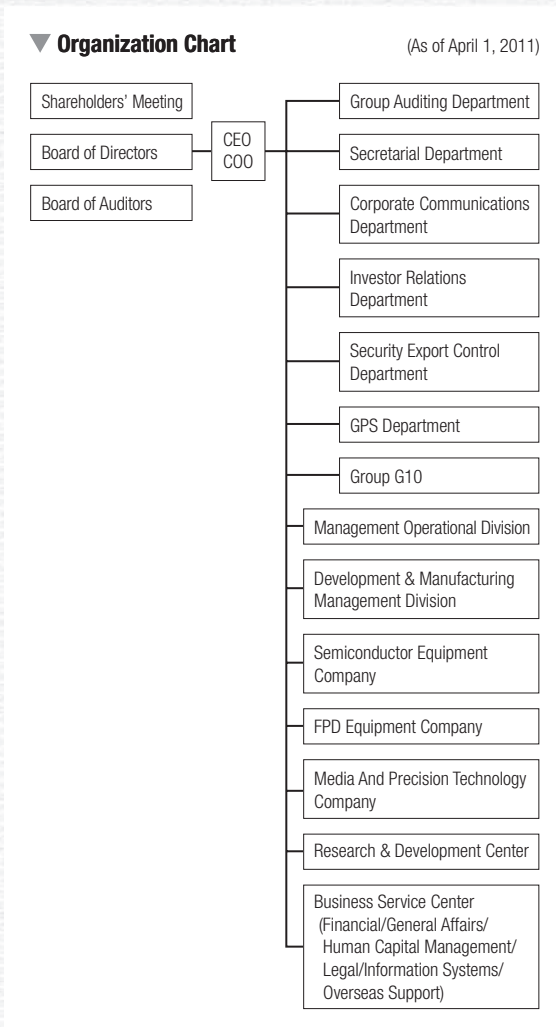
● Earnings presentations	4	● Institutional investor plant visits	9
● Technical seminars	1	● Individual investor presentations	7
● Overseas IR activities	6	● Meetings with institutional investors/analysts	approximately 330 times per year
● Institutional investor events	5		

▼ Four Basic Procurement 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

Financial Section

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Segment Information

Net Sales and Income (Loss) in Reportable Segments

Years ended March 31,		Millions of yen				
		2011	2010	2009	2008	2007
Net Sales	Reportable Segment: SE	¥ 174,279	¥ 100,932	¥ —	¥ —	¥ —
	FE	32,711	19,898	—	—	—
	MP	47,306	42,704	—	—	—
	Other	657	595	—	—	—
	Consolidated	¥ 254,953	¥ 164,129	¥ —	¥ —	¥ —
Operating Income (Loss)	Reportable Segment: SE	¥ 28,141	¥ (7,334)	—	—	—
	FE	34	(1,672)	—	—	—
	MP	(1,304)	(4,674)	—	—	—
	Other	303	16	—	—	—
	Total	¥ 27,174	¥ (13,664)	¥ —	¥ —	¥ —
	Adjustments	(363)	(382)	—	—	—
Consolidated	¥ 26,811	¥ (14,046)	¥ —	¥ —	¥ —	

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

Segment Sales and Income (Loss) by Business Field

Years ended March 31,		Millions of yen				
		2011	2010	2009	2008	2007
Net Sales	Electronic Equipment and Components	¥ —	¥ 125,086	¥ 160,157	¥ 214,350	¥ 236,522
	Graphic Arts Equipment	—	38,448	57,095	62,927	62,468
	Other	—	595	1,797	2,539	2,322
	Consolidated	¥ —	¥ 164,129	¥ 219,049	¥ 279,816	¥ 301,312
Operating Income (Loss)	Electronic Equipment and Components	¥ —	¥ (11,449)	¥ (5,920)	¥ 9,825	¥ 27,234
	Graphic Arts Equipment	—	(2,491)	1,601	4,023	2,300
	Other	—	(106)	(191)	780	1,007
	Consolidated	¥ —	¥ (14,046)	¥ (4,510)	¥ 14,628	¥ 30,541

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

Domestic Sales and Overseas Sales

Years ended March 31,		Millions of yen				
		2011	2010	2009	2008	2007
Domestic sales		¥ 52,629	¥ 42,714	¥ 72,281	¥ 95,214	¥ 99,567
Overseas sales		202,324	121,415	146,768	184,602	201,745
	North America	54,365	18,012	38,467	41,227	56,238
	Asia & Oceania	114,787	87,579	80,603	105,468	113,348
	Europe	26,573	13,748	20,017	25,681	28,212
	Others	6,599	2,076	7,681	12,226	3,947
Ratio of overseas sales to net sales (%)		79.4%	74.0%	67.0%	66.0%	67.0%
Net sales		¥ 254,953	¥ 164,129	¥ 219,049	¥ 279,816	¥ 301,312

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

Management's Discussion and Analysis

Dainippon Screen Mfg. Co., Ltd. and Subsidiaries
Fiscal Years Ended March 31

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

Operating Results

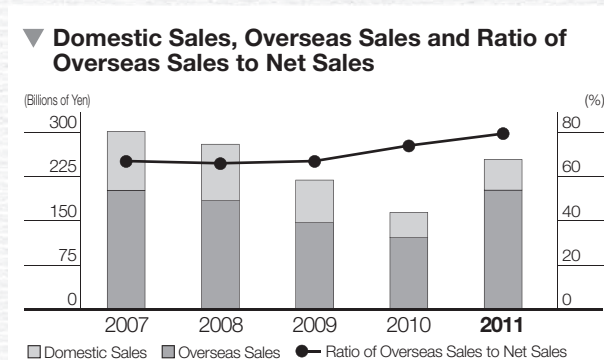
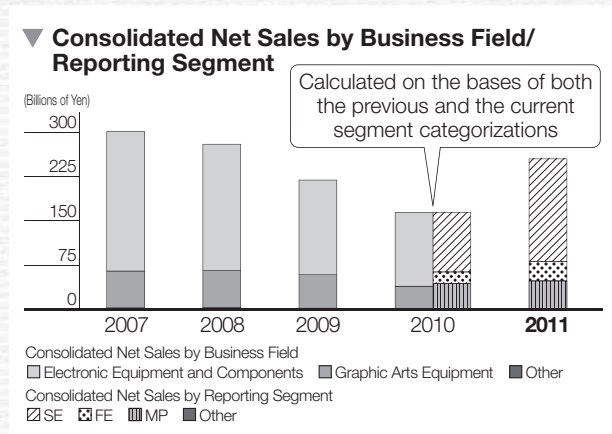
•Sales

Consolidated net sales for the fiscal year ended March 31, 2011, increased 55.3% year on year to ¥254,953 million.

In the Semiconductor Equipment segment, sales of semiconductor production equipment grew substantially compared with the previous fiscal year, as semiconductor manufacturers pursued vigorous capital investment on the back of rising demand for mobile devices such as smart phones and tablets. By product, sales of wafer cleaning equipment increased in line with the increase in sales of coater/developers. Within the FPD Equipment segment, sales of FPD production equipment were up in comparison with the preceding fiscal year, when sluggish capital investment conditions prevailed. By product, sales of coater/developers suitable for large-sized glass substrates have increased. Also, sales of equipment used in small- and medium-sized, high-definition LCD panels were firm.

In the Media and Precision Technology segment, sales of graphic arts equipment in Japan were lackluster, but strong demand overseas,

centered on North America and emerging countries, caused sales to rise year on year. Sales of printed circuit board (PCB)-related equipment grew, reflecting the resumption of capital investment on the part of manufacturers, which had been weak during the previous fiscal year. Total overseas sales increased ¥80,909 million, or 66.6% year on year, to ¥202,324 million, and rose 5.4 percentage points as a percentage of total sales to 79.4%. North American sales increased 201.8% year on year to ¥54,365 million, on the back of soaring sales of the Semiconductor Equipment and the Media and Precision Technology segments. In Asia & Oceania, sales of the FPD Equipment and the Semiconductor Equipment segments rose and resulted in sales of ¥114,787 million for this region, up 31.1% year on year. In Europe, sales of the Semiconductor Equipment and the Media and Precision Technology segments increased, and sales resulted in ¥26,573 million, up 93.3%. In other regions, a sharp increase in sales of the Semiconductor Equipment segment resulted in regional sales of ¥6,599 million, up 217.9%.



•Cost of Sales and SGA Expenses

Contributing to reforms on the cost of sales were efforts to curtail costs and improve factory utilization, and loss on valuation of inventories decreased. As a result, the ratio of cost of sales to net sales fell from 84.0% in the previous fiscal year to 71.8% during the year under review. With regard to selling, general and administrative (SGA) expenses, we continued with the previous term's cost-reduction efforts, but packaging and shipping costs

and other distribution costs rose in line with the increase in sales, and personnel expenses increased as bonuses were paid in line with the performance recovery.

As a result, SGA expenses rose by ¥4,804 million, or 11.9%, to ¥45,152 million. The ratio of SGA expenses to net sales fell to 17.7% for the fiscal year under review, down from 24.6% in the preceding term.

Years ended March 31,	Millions of yen				
	2011	2010	2009	2008	2007
Net sales	¥254,953	¥164,129	¥219,049	¥279,816	¥301,312
Cost of sales	182,990	137,827	169,391	208,266	211,159
Cost of sales to net sales (%)	71.8%	84.0%	77.3%	74.4%	70.1%
Gross profit	¥ 71,963	¥ 26,302	¥ 49,658	¥ 71,550	¥ 90,153
SGA expenses	45,152	40,348	54,168	56,922	59,612
SGA expenses to net sales (%)	17.7%	24.6%	24.7%	20.3%	19.8%

•Research and Development Expenses

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

We continued our efforts toward selectivity and focus, by concentrating R&D spending on specific categories. Consequently, during the year, the Group invested ¥12,130 million in R&D.

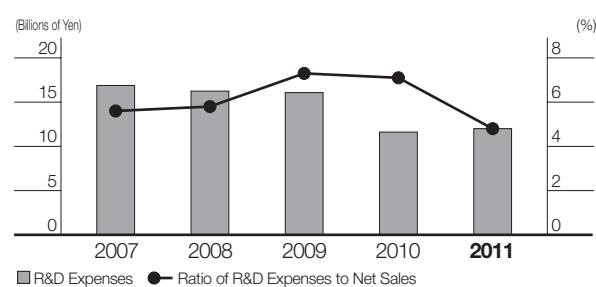
In the Semiconductor Equipment segment, we developed the SU-3200 single wafer cleaning system. This system, designed for use in semiconductor manufacturers' cleaning processes, achieves high productivity and is compatible with ultrafine circuit patterns. We also succeeded in establishing a basic technology to give a further productivity boost to our SOKUDO DUO coater/developer. R&D expenditures on the above-mentioned developments in this segment amounted to ¥4,525 million.

In the FPD Equipment segment, we developed a new coating system for next-generation large-sized glass substrates utilizing levitated transfer technology. The Group's R&D expenditures in

this segment were ¥1,814 million.

In the Media and Precision Technology segment, in graphic arts equipment, for both the Computer to Plate (CTP) and Print on Demand (POD) categories we commercialized flagship models that feature high levels of performance and quality. We also strengthened our lineup with the development of a model that delivers superior cost-performance, giving it broad-based appeal. In PCB-related equipment, we commercialized a direct patterning system that utilizes a new light source system to achieve increased patterning precision and productivity. R&D expenses in this segment totaled ¥2,929 million.

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



Years ended March 31,	Millions of yen				
	2011	2010	2009	2008	2007
R&D expenses	¥ 12,130	¥ 11,615	¥ 16,073	¥ 16,248	¥ 16,884
R&D expenses to net sales (%)	4.8%	7.1%	7.3%	5.8%	5.6%

•Segment Information

Sales in the Semiconductor Equipment segment increased 72.7% during the year to ¥174,279 million as robust capital investment prompted a year-on-year increase in sales of semiconductor production equipment. On the profit front, in addition to the sales growth, cost reductions and improved factory utilization helped push up operating income to ¥28,141 million for the year, compared with an operating loss of ¥7,334 million during the previous term.

In the FPD Equipment segment, sales surged 64.4%, to ¥32,711 million, as sales of FPD production equipment were up in comparison with the previous year's sluggish capital investment levels. Operating income amounted to ¥34 million, compared with

an operating loss of ¥1,672 million in the previous fiscal year.

Sales in the Media and Precision Technology segment grew 10.8%, to ¥47,306 million. Sales of graphic arts equipment were up year on year, benefiting from higher sales overseas-particularly in North America and emerging countries, although sales in Japan were slack. Sales of PCB-related equipment were also up year on year, reflecting a rebound in capital investment by PCB manufacturers, which had curtailed such investment in the previous term. On the profit front, through continued efforts to cut fixed and variable costs, we succeeded in reducing the operating loss to ¥1,304 million, down from ¥4,674 million in the preceding fiscal year.

•Earnings Analysis

As is explained earlier, the Semiconductor Equipment segment enjoyed a substantial rise in sales, and also increased in the FPD Equipment and Media and Precision Technology segments.

Consequently, during the year Group net sales increased 55.3%, or ¥90,824 million, to ¥254,953 million. In terms of profits, operating income was ¥26,811 million, improving ¥40,857 million from the preceding term. Partly owing to our success in curtailing other costs and improving factory utilization, the ratio of operating income to net sales consequently improved 19.1 percentage points, to 10.5%.

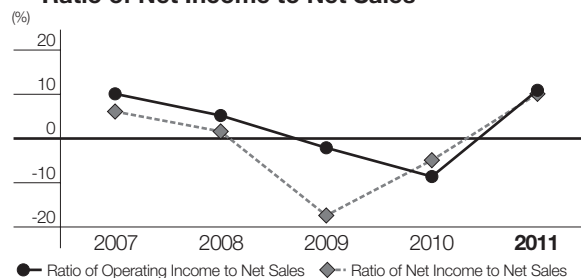
In net other income and expenses, we recorded a gain on sales of subsidiaries and affiliates' stocks owing the sales of stocks in SEMES CO., LTD., as well as an impairment loss on fixed assets in the Media and Precision Technology segment and business structure improvement expenses related to the consolidation of business offices.

As gain on step acquisitions and gain on negative goodwill posted in the previous year were absent during the period under review, and gain on sales of investment securities was lower, net other income and expenses worsened, falling from a net income amount of ¥2,932 million in the previous term to a net expense amount of ¥2,376 million in the year under review.

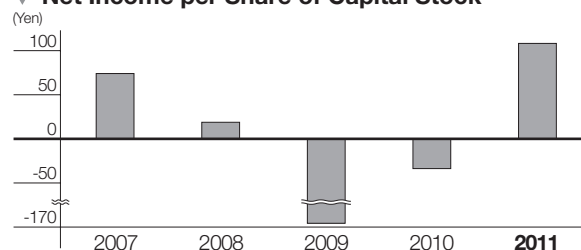
Income before income taxes improved ¥35,549 million from the previous year, to ¥24,435 million, and total income taxes were up ¥1,275 million, to a negative ¥1,310 million, owing mainly to income taxes on consolidated subsidiaries. As a result of the above, net income improved by ¥33,690 million to ¥25,687 million. The ratio of net income to net sales consequently improved by 15.0 percentage points, to 10.1%.

Net income per share of capital stock improved ¥141.92 from the previous year, to ¥108.21, and return on equity was 33.9%. Return on total assets came to 10.9%.

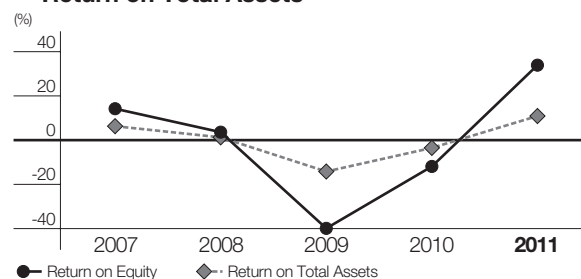
▼ Ratio of Operating Income to Net Sales
Ratio of Net Income to Net Sales



▼ Net Income per Share of Capital Stock



▼ Return on Equity
Return on Total Assets



Years ended March 31,	Millions of yen				
	2011	2010	2009	2008	2007
Operating income (loss)	¥ 26,811	¥(14,046)	¥ (4,510)	¥14,628	¥30,541
Operating income to net sales (%)	10.5%	-8.6%	-2.1%	5.2%	10.1%
Net income (loss)	¥ 25,687	¥ (8,003)	¥(38,191)	¥ 4,578	¥18,452
Net income to net sales (%)	10.1%	-4.9%	-17.4%	1.6%	6.1%
Per share of capital stock (yen)					
Net income (loss)	¥ 108.21	¥ (33.71)	¥(160.86)	¥ 18.81	¥ 74.05
Net income-diluted	—	—	—	17.39	68.63
Return on equity (%)	33.9%	-11.9%	-39.9%	3.6%	14.2%
Return on total assets (%)	10.9%	-3.5%	-14.2%	1.5%	6.3%

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 were recorded in the amount of ¥253,127 million as of March 31, 2011, up ¥36,505 million, or 16.9%, from the end of the previous fiscal year. Within current assets, trade notes and accounts receivable and inventories increased ¥18,950 million,

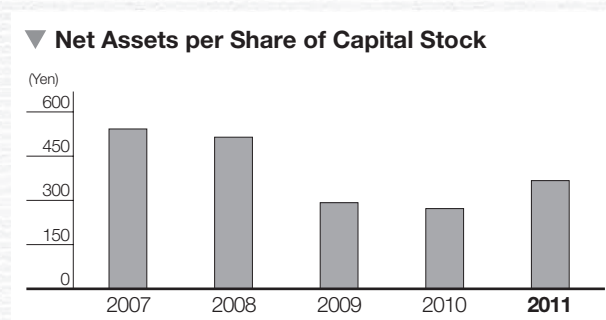
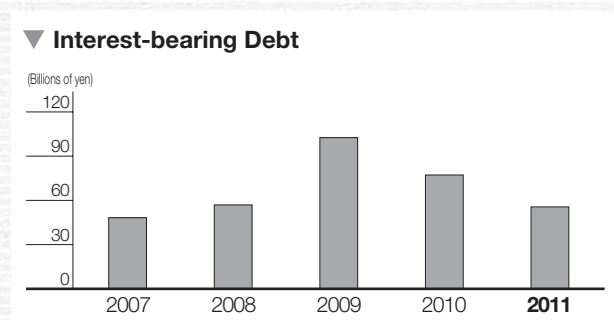
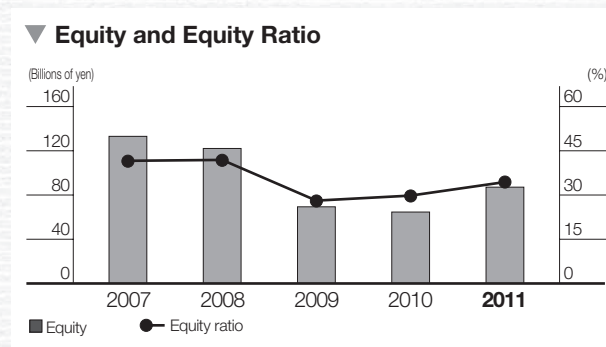
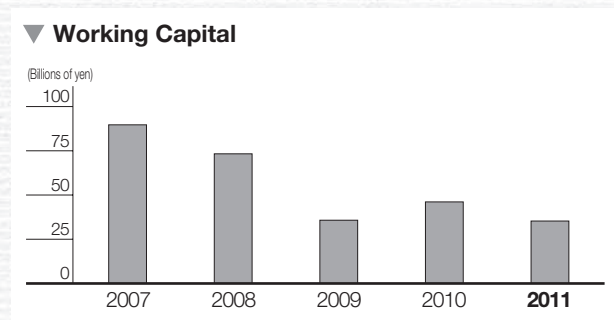
and ¥11,748 million, respectively.

In liabilities, current liabilities at year-end increased by ¥54,258 million, or 57.8%, from a year earlier. This was mainly due to an increase in trade notes and accounts payable, which

rose ¥29,553 million. Owing to the redemption of bonds and the repayments of long-term debt, interest-bearing debt as of March 31, 2011, was down ¥21,628 million, or 28.0% from a year earlier, to ¥55,590 million.

In net assets, a fall in the market value of held stocks and the appreciation of the yen caused, respectively, decreases in valuation difference on available-for-sale securities and foreign currency

translation adjustments. However, the posting of net income caused a rise in retained earnings, and net assets were up ¥22,559 million, to ¥87,600 million. As a result, equity, the balance of net assets less minority interests, increased by ¥22,511 million, or 34.8%, compared with the previous fiscal year-end, to ¥87,118 million. Consequently, the equity ratio improved 4.6 percentage points, to 34.4%, from 29.8% as of the previous fiscal year-end.



As of March 31,	Millions of yen				
	2011	2010	2009	2008	2007
Total assets	¥253,127	¥216,622	¥246,918	¥291,114	¥319,519
Reportable Segment: SE	129,061	103,113	—	—	—
FE	26,446	24,894	—	—	—
MP	39,684	40,916	—	—	—
Other	4,047	3,426	—	—	—
Adjustments	53,889	44,273	—	—	—
Electronic Equipment and Components	—	130,577	159,141	178,234	195,371
Graphic Arts Equipment	—	35,637	39,959	50,011	52,685
Other	—	3,427	6,250	7,531	7,093
Eliminations/Corporate	—	46,981	41,568	55,338	64,370
Working capital	35,391	46,110	35,760	73,287	89,679
Interest-bearing debt	55,590	77,218	102,581	56,925	48,268
Equity	87,118	64,607	69,353	122,094	133,062
Equity ratio (%)	34.4%	29.8%	28.1%	41.9%	41.6%
Net assets per share of capital stock (yen)	¥ 367.00	¥ 272.15	¥ 292.12	¥ 514.26	¥ 542.13

Notes: 1. Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted. The information for the year ended March 31, 2010 is provided in conformity with the previous and new reportable segment.
 2. Effective from the fiscal year ended March 31, 2009, the Company and its subsidiaries have adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on March 30, 2007) which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No. 16, the "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued on January 18, 1994. As a result, interest-bearing debt in the above table includes lease obligations from the fiscal year ended March 31, 2009.

•Capital Expenditures and Depreciation and Amortization

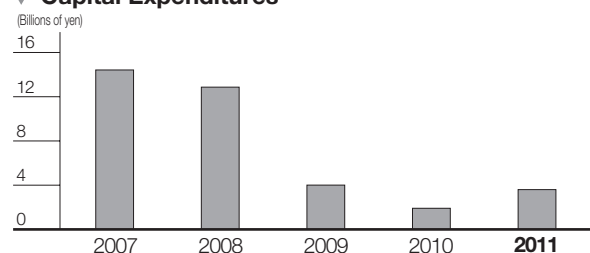
Capital expenditures for the whole Group during the year stood at ¥3,613 million. In the Semiconductor Equipment segment, capital expenditures totaled ¥2,510 million, centered on R&D and manufacturing facilities for semiconductor production equipment.

In the FPD Equipment segment, capital expenditures amounted to ¥323 million, centered on R&D and manufacturing facilities for

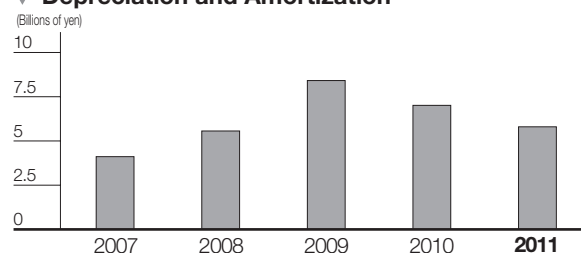
FPD production equipment. Capital expenditures in the Media and Precision Technology segment were ¥539 million, stemming from R&D and manufacturing facilities for graphic arts equipment.

Depreciation and amortization during the year amounted to ¥5,805 million, down ¥1,207 million from the preceding term, owing partly to lower capital expenditure.

▼ Capital Expenditures



▼ Depreciation and Amortization



Years ended March 31,	Millions of yen				
	2011	2010	2009	2008	2007
Capital expenditures	¥ 3,613	¥ 1,911	¥ 4,007	¥12,866	¥14,420
Reportable Segment: SE	2,510	1,184	—	—	—
FE	323	185	—	—	—
MP	539	362	—	—	—
Other	89	62	—	—	—
Adjustments	152	118	—	—	—
Electronic Equipment and Components	—	1,393	2,665	9,233	10,797
Graphic Arts Equipment	—	338	438	856	810
Other	—	62	119	123	240
Corporate	—	118	785	2,654	2,573
Depreciation and amortization	¥ 5,805	¥ 7,012	¥ 8,414	¥ 5,563	¥ 4,113
Reportable Segment: SE	3,452	4,426	—	—	—
FE	460	599	—	—	—
MP	674	879	—	—	—
Other	121	166	—	—	—
Adjustments	1,098	942	—	—	—
Electronic Equipment and Components	—	5,011	5,934	3,771	2,774
Graphic Arts Equipment	—	744	951	763	632
Other	—	154	249	129	97
Corporate	—	1,103	1,280	900	610
Impairment loss	¥ 1,656	¥ 780	¥ 1,442	¥ —	¥ —
Reportable Segment: SE	—	717	—	—	—
FE	—	—	—	—	—
MP	1,656	5	—	—	—
Other	—	—	—	—	—
Adjustments	—	58	—	—	—
Electronic Equipment and Components	—	717	—	—	—
Graphic Arts Equipment	—	5	567	—	—
Other	—	—	766	—	—
Corporate	—	58	109	—	—

Notes: Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" has been adopted. The information for the year ended March 31, 2010 is provided in conformity with the previous and new reportable segment.

•Cash Flows

Net cash provided by operating activities during the year was ¥34,299 million, compared with ¥25,113 million provided by these activities during the preceding term. Major factors included a ¥24,435 million income before income taxes, depreciation and amortization of ¥5,805 million, an increase in trade notes and accounts receivable of ¥18,484 million, an increase in inventories of ¥12,490 million and an increase in trade notes and accounts payable of ¥28,796 million.

Net cash used in investing activities came to ¥2,191 million,

compared with ¥6,885 million in net cash provided by these activities in the preceding fiscal year because, although we recorded proceeds from sales of stocks of subsidiaries and affiliates, we also purchased investment securities and property, plant and equipment.

Net cash used in financing activities amounted to ¥22,250 million, compared with ¥27,124 million in net cash used in these activities in the previous term. This difference was primarily the result of the redemption of bonds at maturity and repayments of long-term debt and lease obligations.

Years ended March 31,	Millions of yen				
	2011	2010	2009	2008	2007
Cash flows from operating activities	¥34,299	¥25,113	¥(24,593)	¥ 7,934	¥23,645
Cash flows from investing activities	(2,191)	6,885	(6,921)	(16,510)	(8,519)
Cash flows from financing activities	(22,250)	(27,124)	34,071	669	(8,875)
Effect of exchange rate changes on cash and cash equivalents	(1,380)	(80)	(2,335)	(1,103)	494
Net increase (decrease) in cash and cash equivalents	¥ 8,478	¥ 4,794	¥ 222	¥ (9,010)	¥ 6,745
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	—	(91)	—	—

Risk Factors

(1) Semiconductor and FPD market trends

While the semiconductor and FPD markets have recorded significant growth on rapid technological innovation, they are also susceptible to deterioration in 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 79.4%. 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 ¥55,590 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) Great East Japan Earthquake

As a result of the Great East Japan Earthquake, which struck on March 11, 2011, we may become unable to source sufficient parts and materials from suppliers, owing to delays in infrastructure development and limitations on the use of electricity, which cause delays in the Group's production activities. Furthermore, customers could delay capital expenditures as a result of postponed production activities or suspend deliveries of production equipment, as a result requesting that our deliveries be delayed. These situations could have a negative impact on the Group's financial condition and business performance.

(12) 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, 2011 and 2010

Assets	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current Assets:			
Cash and cash equivalents	¥ 38,383	¥ 29,905	\$ 462,446
Time deposits	1,603	1,349	19,313
Trade notes and accounts receivable	70,980	52,030	855,181
Allowance for doubtful receivables	(1,007)	(1,428)	(12,133)
Inventories	61,212	49,464	737,494
Deferred tax assets	7,612	4,027	91,711
Prepaid expenses and other	4,740	4,637	57,108
Total current assets	183,523	139,984	2,211,120
Property, Plant and Equipment, at Cost:			
Land	9,253	9,419	111,482
Buildings and structures	53,265	54,634	641,747
Machinery, equipment and other	38,431	41,145	463,023
Lease assets	8,541	9,417	102,904
Construction in progress	1,111	197	13,386
Total property, plant and equipment	110,601	114,812	1,332,542
Accumulated depreciation	(69,902)	(69,399)	(842,193)
Net property, plant and equipment	40,699	45,413	490,349
Investments and Other Assets:			
Investment securities	22,146	21,681	266,819
Investments in affiliates	39	2,067	470
Lease assets	781	830	9,410
Deferred tax assets	621	569	7,482
Other assets	5,318	6,078	64,072
Total investments and other assets	28,905	31,225	348,253
Total Assets	¥ 253,127	¥ 216,622	\$ 3,049,722

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

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current Liabilities:			
Short-term debt	¥ 500	¥ —	\$ 6,024
Current portion of long-term debt	37,561	19,773	452,542
Lease obligations	2,026	2,862	24,410
Notes and accounts payable —			
Trade	81,942	52,389	987,253
Construction and other	3,125	3,192	37,651
Accrued expenses	8,886	4,960	107,060
Income taxes payable	2,243	1,037	27,024
Provision for product warranties	6,059	3,816	73,000
Provision for directors' bonuses	68	22	819
Provision for loss on order received	336	516	4,048
Asset retirement obligations	32	—	386
Other current liabilities	5,354	5,307	64,506
Total current liabilities	148,132	93,874	1,784,723
Long-Term Liabilities:			
Long-term debt	10,634	48,195	128,120
Provision for retirement benefits	280	487	3,373
Provision for directors' retirement benefits	110	118	1,325
Lease obligations	4,869	6,388	58,663
Provision for loss on guarantees	—	37	—
Asset retirement obligations	49	—	590
Other long-term liabilities	1,453	2,482	17,507
Total long-term liabilities	17,395	57,707	209,578
Contingent Liabilities (Note 8)			
Net Assets:			
Shareholders' Equity:			
Capital stock—			
Authorized—900,000,000 shares in 2011 and 2010			
Issued—253,974,333 shares in 2011 and 2010	54,045	54,045	651,145
Capital surplus	30,155	30,155	363,313
Retained earnings	26,418	731	318,289
Treasury stock, at cost—			
16,598,341 shares in 2011 and 16,578,859 shares in 2010	(12,236)	(12,225)	(147,422)
Total shareholders' equity	98,382	72,706	1,185,325
Accumulated Other Comprehensive Income:			
Valuation difference on available-for-sale securities	1,345	3,400	16,205
Deferred gains or losses on hedges	(42)	(68)	(506)
Foreign currency translation adjustment	(12,567)	(11,431)	(151,410)
Total accumulated other comprehensive income	(11,264)	(8,099)	(135,711)
Minority Interests:			
Minority interests	482	434	5,807
Total net assets	87,600	65,041	1,055,421
Total Liabilities and Net Assets	¥ 253,127	¥ 216,622	\$ 3,049,722

Consolidated Statements of Operations

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net Sales	¥ 254,953	¥ 164,129	\$ 3,071,723
Cost of Sales	182,990	137,827	2,204,699
Gross profit	71,963	26,302	867,024
Selling, General and Administrative Expenses	45,152	40,348	544,000
Operating income (loss)	26,811	(14,046)	323,024
Other (Income) Expenses:			
Interest and dividend income	(382)	(420)	(4,602)
Interest expense	1,790	2,397	21,566
Exchange loss on foreign currency transactions, net	161	358	1,940
Gain on sales of investment securities	(162)	(2,761)	(1,952)
Loss (gain) on sales of property, plant and equipment	(234)	10	(2,819)
Equity in (earnings) losses of affiliates	(438)	437	(5,277)
Gain on step acquisitions	—	(2,613)	—
Gain on negative goodwill	—	(2,471)	—
Subsidy income	(261)	(398)	(3,145)
Business structure improvement expenses	649	1,306	7,819
Impairment loss	1,656	780	19,952
Loss on valuation of investment securities	347	46	4,181
Gain on sales of subsidiaries and affiliates' stocks	(526)	—	(6,337)
Reversal of allowance for doubtful accounts	(210)	(87)	(2,530)
Loss on adjustment for changes of accounting standard for asset retirement obligations	298	—	3,590
Loss on disaster	48	—	578
Other, net	(360)	484	(4,337)
Net other (income) expenses	2,376	(2,932)	28,627
Income (Loss) Before Income Taxes	24,435	(11,114)	294,397
Income Taxes			
Current	2,343	967	28,229
Deferred	(3,653)	(3,552)	(44,013)
Total income taxes	(1,310)	(2,585)	(15,784)
Income (Loss) Before Minority Interests	25,745	(8,529)	310,181
Minority Interests in Net Income (Loss) of Consolidated Subsidiaries	58	(526)	699
Net Income (Loss)	¥ 25,687	¥ (8,003)	\$ 309,482

Per Share of Capital Stock:

	Yen		U.S. dollars
	2011	2010	2011
Net income (loss)	¥ 108.21	¥ (33.71)	\$ 1.30
Net income—diluted	—	—	—
Cash dividends, applicable to earnings for the year	5.00	—	0.06

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

Consolidated Statements of Comprehensive Income

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Income (Loss) Before Minority Interests	¥ 25,745	¥ (8,529)	\$ 310,181
Other Comprehensive Income			
Valuation difference on available-for-sale securities	(2,055)	3,224	(24,759)
Deferred gains or losses on hedges	26	(64)	313
Foreign currency translation adjustment	(1,140)	112	(13,735)
Total other comprehensive income	(3,169)	3,272	(38,181)
Comprehensive Income	¥ 22,576	(5,257)	\$ 272,000
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	22,524	(4,740)	271,373
Comprehensive income attributable to minority interests	52	¥ (517)	627

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, 2011 and 2010

	Millions of yen										
	Shares of issued capital stock (thousands)	Shareholders' equity				Accumulated other comprehensive income					Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests		
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)	
Valuation difference on available-for-sale securities	—	—	—	—	—	3,224	—	—	—	3,224	
Deferred gains or losses on hedges	—	—	—	—	—	—	(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	
Net income	—	—	—	25,687	—	—	—	—	—	25,687	
Valuation difference on available-for-sale securities	—	—	—	—	—	(2,055)	—	—	—	(2,055)	
Deferred gains or losses on hedges	—	—	—	—	—	—	26	—	—	26	
Foreign currency translation adjustments	—	—	—	—	—	—	—	(1,136)	—	(1,136)	
Acquisition of treasury stock	—	—	—	—	(12)	—	—	—	—	(12)	
Disposal of treasury stock	—	—	0	—	1	—	—	—	—	1	
Other	—	—	—	—	—	—	—	—	48	48	
Balance at March 31, 2011	253,974	¥ 54,045	¥ 30,155	¥ 26,418	¥ (12,236)	¥ 1,345	¥ (42)	¥ (12,567)	¥ 482	¥ 87,600	

	Thousands of U.S. dollars										
		Shareholders' equity				Accumulated other comprehensive income					Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests		
Balance at March 31, 2010		\$ 651,145	\$ 363,313	\$ 8,807	\$ (147,289)	\$ 40,964	\$ (819)	\$ (137,723)	\$ 5,229	\$ 783,627	
Net income		—	—	309,482	—	—	—	—	—	309,482	
Valuation difference on available-for-sale securities		—	—	—	—	(24,759)	—	—	—	(24,759)	
Deferred gains or losses on hedges		—	—	—	—	—	313	—	—	313	
Foreign currency translation adjustments		—	—	—	—	—	—	(13,687)	—	(13,687)	
Acquisition of treasury stock		—	—	—	(145)	—	—	—	—	(145)	
Disposal of treasury stock		—	0	—	12	—	—	—	—	12	
Other		—	—	—	—	—	—	—	578	578	
Balance at March 31, 2011		\$ 651,145	\$ 363,313	\$ 318,289	\$ (147,422)	\$ 16,205	\$ (506)	\$ (151,410)	\$ 5,807	\$ 1,055,421	

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash Flows from Operating Activities:			
Income (loss) before income taxes	¥ 24,435	¥ (11,114)	\$ 294,398
Depreciation and amortization	5,805	7,012	69,940
Impairment loss	1,656	780	19,952
Equity in (earnings) losses of affiliates	(438)	437	(5,277)
Gain on negative goodwill	—	(2,471)	—
Gain on step acquisitions	—	(2,613)	—
Loss on valuation of investment securities	347	46	4,181
Gain on sales of investment securities	(162)	(2,761)	(1,952)
Gain on sales of subsidiaries and affiliates' stocks	(526)	—	(6,337)
Decrease in provision for retirement benefits	(208)	(179)	(2,506)
Increase (decrease) in provision for directors' bonuses	46	(16)	554
Increase (decrease) in provision for product warranties	2,274	(280)	27,398
Increase (decrease) in provision for loss on order received	(180)	191	(2,169)
Business structure improvement expenses	649	1,306	7,819
Interest and dividend income	(382)	(420)	(4,602)
Interest expenses	1,790	2,397	21,566
Decrease (increase) in trade notes and accounts receivable	(18,484)	14,067	(222,699)
Decrease (increase) in inventories	(12,490)	22,954	(150,482)
Increase in other current assets	(214)	(69)	(2,578)
Increase in trade notes and accounts payable	28,796	9,695	346,940
Increase (decrease) in accrued expenses	4,131	(310)	49,771
Increase (decrease) in other current liabilities	1,129	(1,479)	13,602
Other, net	(280)	(853)	(3,374)
Subtotal	37,694	36,320	454,145
Interest and dividends income received	370	425	4,458
Interest expenses paid	(1,818)	(2,416)	(21,904)
Contribution in connection with the shift to a defined contribution pension plan	(876)	(1,010)	(10,554)
Payment for business structure improvement expenses	(164)	(6,737)	(1,976)
Income taxes paid	(907)	(1,469)	(10,928)
Net cash provided by operating activities	34,299	25,113	413,241
Cash Flows from Investing Activities:			
Increase in time deposits, net	(349)	(513)	(4,205)
Purchase of property, plant and equipment	(2,449)	(1,003)	(29,506)
Proceeds from sales of property, plant and equipment	713	1,984	8,590
Purchase of investment securities	(4,018)	(13)	(48,410)
Proceeds from sales of investment securities	520	4,213	6,265
Proceeds from sales of stocks of subsidiaries and affiliates	3,740	—	45,060
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	2,615	—
Payments from sales of investments in subsidiaries resulting in change in scope of consolidation	—	(5)	—
Other, net	(348)	(393)	(4,192)
Net cash provided by (used in) investing activities	(2,191)	6,885	(26,398)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debt, net	500	(38,588)	6,024
Proceeds from long-term debt	—	55,000	—
Repayments of long-term debt	(9,773)	(27,823)	(117,747)
Proceeds from sale and leasebacks	—	1,627	—
Repayments of finance lease obligations	(2,961)	(2,331)	(35,675)
Redemption of bonds with subscription rights to shares	—	(14,999)	—
Redemption of bonds	(10,000)	—	(120,482)
Increase in treasury stock, net	(11)	(6)	(132)
Cash dividends paid to minority shareholders	(5)	(4)	(60)
Net cash used in financing activities	(22,250)	(27,124)	(268,072)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,380)	(80)	(16,626)
Net Increase in Cash and Cash Equivalents	8,478	4,794	102,145
Cash and Cash Equivalents at Beginning of Year	29,905	25,111	360,301
Cash and Cash Equivalents at End of Year	¥ 38,383	¥ 29,905	\$ 462,446

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, 2011 and 2010

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. (hereinafter the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the six specified items as applicable. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the 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, 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 divestitures, 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.

Effective April 1, 2010, the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on

March 31, 2008) have been adopted. As a result, operating income and income before income taxes for the fiscal year ended March 31, 2011 decreased by ¥82 million (\$988 thousand) and ¥380 million (\$4,578 thousand), respectively.

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, 2011, ¥83 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 in the fiscal year ended March 31, 2010.

In the elimination of investments in subsidiaries, the assets and liabilities attributable to the shares owned by both the Company and minority shareholders 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.

(e) Securities

The Company and its consolidated subsidiaries classify securities as "available-for-sale securities."

Available-for-sale securities with available fair values are stated at fair value. Unrealized holding gains (losses) on these

securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sales of such securities are computed using moving average cost. Other securities with no available fair values are stated at moving average cost.

(f) Depreciation

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed primarily by the declining balance method.

Depreciation of property, plant and equipment of the consolidated overseas subsidiaries is 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 transfers to the lessee are depreciated in the same manner as owned property, plant and equipment.

Leased assets related to finance lease transactions in which ownership does not transfer are depreciated on a straight-line basis, with the lease periods as the useful life and no residual value.

(g) Impairment of fixed assets

The Company and its consolidated subsidiaries evaluate the book value of fixed assets for impairment. If the book value of a fixed asset is impaired, the amount by which the book value exceeds the recoverable amount is recognized as impairment loss.

(h) Software

Software, included in “Other assets,” is amortized using the straight-line method over its estimated useful life (3–5 years for internal use software and 3 years for software for sale).

(i) Research and development

Expenses related to research and development activities, which are charged to income as incurred, amounted to ¥12,130 million (\$146,145 thousand) in 2011 and ¥11,615 million in 2010.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits placed with banks on demand or with maturities of three months or less.

(k) 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.

(l) 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.

(m) Provision for directors' bonuses

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

(n) Employees' severance and retirement benefits

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

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

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

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

As the fair value of plan assets as of March 31, 2011 and 2010 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.

(o) 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.

(p) Provision for product warranties

The Company and certain consolidated subsidiaries provide estimated product warranty costs for the warranty period after product delivery based on actual payments in the past for the fiscal year ended March 31, 2011, and the rate of actual payments in the past for the fiscal year ended March 31, 2010.

(q) Provision for loss on guarantees

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

(r) Provision for loss on order 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 provision for loss on order received.)

(s) 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, 2011.

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.

(Additional information)

Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010) has been adopted. As a result of the adoption of the standard, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

The consolidated balance sheet and the consolidated statement of changes in net assets as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011. In addition, the Company has presented the consolidated statement of comprehensive income for the fiscal year ended March 31, 2010 as well as that for the fiscal year ended March 31, 2011.

Note 2: Consolidated Statements of Cash Flows

1. The significant noncash financing activities for the years ended March 31, 2011 and 2010 were as follows:

Newly booked assets and liabilities relating to finance leases

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease assets	¥ 615	¥ 237	\$ 7,410
Lease obligations	651	249	7,843

2. Significant components of the assets and liabilities of the newly consolidated subsidiary acquired through the purchase of its shares for the fiscal year ended March 31, 2010 were as follows:

	Millions of yen
	2010
Current assets	¥ 7,499
Property, plant and equipment	2,166
Current liabilities	(4,981)
Long-term liabilities	(1,633)
Minority Interests	(580)
Negative goodwill	(2,471)
Shares of SOKUDO Co., Ltd. at cost	—
Cash and cash equivalents of SOKUDO Co., Ltd.	(2,615)
Net income by acquiring SOKUDO Co., Ltd.	¥ 2,615

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 2011 and 2010.

As of March 31, 2011, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥51,121

million (\$615,916 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets (current)			
Accrued bonuses for employees	¥ 1,892	¥ 571	\$ 22,795
Loss on valuation of inventories	3,451	6,553	41,578
Provision for product warranties	2,407	1,397	29,000
Other	2,657	2,198	32,013
Valuation allowance	(2,792)	(6,689)	(33,639)
Deferred tax liabilities (current)			
Adjustment of allowance for doubtful accounts and other	(5)	(20)	(60)
Net deferred tax assets (current)	¥ 7,610	¥ 4,010	\$ 91,687
Deferred tax assets (noncurrent)			
Net operating loss carryforwards	¥20,161	24,693	\$242,904
Loss on valuation of investment securities	458	483	5,518
Depreciation	3,491	3,861	42,060
Other	3,347	3,379	40,325
Valuation allowance	(25,501)	(30,402)	(307,241)
Deferred tax liabilities (noncurrent)			
Undistributed earnings of consolidated overseas subsidiaries	(713)	(989)	(8,590)
Valuation difference on available-for-sale securities	(693)	(1,672)	(8,349)
Other	(768)	(537)	(9,254)
Net deferred tax liabilities (noncurrent)	¥ (218)	¥ (1,184)	\$ (2,627)

A reconciliation of the aggregate statutory income tax rate and the effective income tax rate as a percentage of income before income taxes for the year ended March 31, 2011 was as follows:

Such reconciliation for the year ended March 31, 2010 is not shown due to the loss before income taxes.

	2011
Statutory income tax rate	39.5 %
Nondeductible expenses	0.9 %
Income deducted from gross revenue	(1.9)%
Valuation allowance	(46.6)%
Equity in earnings of affiliates	(0.7)%
Adjustment of gain on sales of subsidiaries and affiliates' stocks	4.7 %
Undistributed earnings of consolidated overseas subsidiaries	(1.1)%
Other, net	(0.2)%
Effective income tax rate	(5.4)%

Note 4: Short-Term and Long-Term Debt

Short-term debt generally consists of short-term notes from banks. The average interest rate on these borrowings at March 31, 2011 was 1.48%. There was no short-term debt at March 31, 2010.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
1.37% to 2.16% loans from Japanese banks, due in installments through 2015			
—secured	¥ 17,196	¥ 20,246	\$ 207,181
—unsecured	2,165	6,591	26,084
0.7% to 2.53% loans from a governmental institution, due in installments through 2015			
—secured	10,000	10,000	120,482
—unsecured	2,401	3,652	28,928
1.84% to 2.57% loans from an insurance company, due in installments through 2015			
—secured	4,500	5,000	54,217
—unsecured	2,433	2,979	29,313
2.13% unsecured notes, due February 8, 2013	7,000	7,000	84,337
0.88% unsecured notes, due January 31, 2012	2,500	2,500	30,120
1.66% unsecured notes, due February 8, 2011	—	10,000	—
Total	48,195	67,968	580,662
Current portion of long-term debt shown in current liabilities	(37,561)	(19,773)	(452,542)
Long-term debt less current portion	¥ 10,634	¥ 48,195	\$ 128,120

As of March 31, 2011, certain long-term debt of ¥ 31,696 million (\$381,880 thousand) was secured by property, plant and equipment with a net book value of ¥ 24,289 million (\$292,639 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, 2011, the total financing available under these contracts amounted to ¥ 20,000 million (\$240,964 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
2013	¥ 8,360	\$ 100,722
2014	1,660	20,000
2015	614	7,398
2016 and thereafter	—	—
Total	¥ 10,634	\$ 128,120

Note 5: Net Assets and Per Share Data

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (the "Law"), in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, and are potentially available for dividends. Both of these appropriations generally require a resolution of the shareholders' meeting.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

Net income per share is based on the weighted average number of shares of capital stock outstanding. Diluted net income per share is computed using the weighted average number of shares after assuming conversion of all dilutive convertible notes and the exercise of stock acquisition rights.

Diluted net income per share of capital stock for the fiscal year ended March 31, 2011 is not shown because there were no dilutive stock.

At the annual shareholders' meeting held on June 28, 2011, the shareholders approved cash dividends of ¥5.00 (\$0.06) per share totaling ¥1,187 million (\$14,301 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

Note 6: Leases

1. Finance leases

A. Information relating to finance lease 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, 2011 and 2010 was as follows:

(As lessee)

1) Description of leased assets

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

2) Depreciation method for leased assets

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

B. Information relating to finance lease, 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 2011 and 2010 was as follows:

(As lessee)

1) Description of leased assets

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

2) Depreciation method for leased assets

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

2. Operating leases

(As lessee)

Future minimum lease payments as lessee:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 332	¥ 459	\$ 4,000
Due after one year	157	661	1,892
Total	¥ 489	¥ 1,120	\$ 5,892

Note 7: Segment Information

1. General information about reportable segments

(1) Calculation Method for Reportable Segments

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

Dainippon Screen adopts an internal company system where each internal company develops business activities and establishes its own comprehensive strategy, for both Japan and overseas markets, in accordance with the products it handles.

Consequently, the Dainippon Screen Group has created three business segments for reporting-Semiconductor Equipment (SE), FPD Equipment (FE) and Media and Precision Technology (MP)- categorized by products based on respective internal companies.

(2) Products and Services of Reportable Segments

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

2. Basis of measurement about reported segment profit (loss), segment assets, segment liabilities and other material items

The accounting methods applied for reported business segments are identical with those stated in Note 1, Summary of Significant Accounting and Reporting Policies. Income for each reportable segment is the amounts based on operating income. Intersegment revenues and transfers are based on market prices.

3. Information about reported segment profit(loss), segment assets, segment liabilities and other material items

As of and for the year ended March 31, 2011	Reportable segment					Consolidated
	SE	FE	MP	Others	Adjustments	
Millions of yen						
Sales						
Sales to outside customers	¥ 174,279	¥ 32,711	¥ 47,306	¥ 657	¥ —	¥ 254,953
Intersegment sales and transfers	—	—	—	7,831	(7,831)	—
Total	174,279	32,711	47,306	8,488	(7,831)	254,953
Segment income (loss)	¥ 28,141	¥ 34	¥ (1,304)	¥ 303	¥ (363)	¥ 26,811
Segment assets	¥ 129,061	¥ 26,446	¥ 39,684	¥ 4,047	¥ 53,889	¥ 253,127
Other						
Depreciation and amortization	3,452	460	674	121	1,098	5,805
Impairment loss	—	—	1,656	—	—	1,656
Capital expenditures	2,510	323	539	89	152	3,613

As of and for the year ended March 31, 2010	Reportable segment					Consolidated
	SE	FE	MP	Others	Adjustments	
Millions of yen						
Sales						
Sales to outside customers	¥ 100,932	¥ 19,898	¥ 42,704	¥ 595	¥ —	¥ 164,129
Intersegment sales and transfers	—	—	—	6,107	(6,107)	—
Total	100,932	19,898	42,704	6,702	(6,107)	164,129
Segment income (loss)	¥ (7,334)	¥ (1,672)	¥ (4,674)	¥ 16	¥ (382)	¥ (14,046)
Segment assets	¥ 103,113	¥ 24,894	¥ 40,916	¥ 3,426	¥ 44,273	¥ 216,622
Other						
Depreciation and amortization	4,426	599	879	166	942	7,012
Impairment loss	717	—	5	—	58	780
Capital expenditures	1,184	185	362	62	118	1,911

As of and for the year ended March 31, 2011	Reportable segment					Consolidated
	SE	FE	MP	Others	Adjustments	
Thousands of U.S. dollars						
Sales						
Sales to outside customers	\$ 2,099,747	\$ 394,108	\$ 569,952	\$ 7,916	\$ —	\$ 3,071,723
Intersegment sales and transfers	—	—	—	94,349	(94,349)	—
Total	2,099,747	394,108	569,952	102,265	(94,349)	3,071,723
Segment income (loss)	\$ 339,048	\$ 410	\$ (15,711)	\$ 3,650	\$ (4,373)	\$ 323,024
Segment assets	\$ 1,554,952	\$ 318,627	\$ 478,120	\$ 48,759	\$ 649,265	\$ 3,049,723
Other						
Depreciation and amortization	41,590	5,542	8,120	1,459	13,229	69,940
Impairment loss	—	—	19,952	—	—	19,952
Capital expenditures	30,241	3,892	6,494	1,072	1,831	43,530

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

2. Segment operating income (loss) adjustments of ¥(363) million (\$ (4,373) thousand) and ¥(382) million for the years ended March 31, 2011 and 2010, respectively, are the corporate expenses not apportioned to each reportable segment. Corporate expenses mainly comprises the headquarters' general and administrative expenses not usually attributed to segments.

Segment assets adjustments of ¥53,889 million (\$649,265 thousand) and ¥44,273 million for the years ended March 31, 2011 and 2010, respectively, are the corporate assets not apportioned in each reportable segment. Corporate assets mainly comprises administrative assets of the parent company not usually attributed to segments.

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

<Related Information>

1. Information about geographic areas

(1) Net sales

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2011	2011
Japan	¥ 52,629	\$ 634,084
Taiwan	60,417	727,916
South Korea	22,421	270,133
China	19,877	239,482
United States	53,955	650,060
Europe	26,573	320,157
Others	19,081	229,891
Total	¥ 254,953	\$ 3,071,723

Note: Net sales are categorized by country or geographic area based on the location of the customer.

(2) Property, plant and equipment

Information about property, plant and equipment by geographic area is omitted because the amount of fixed assets held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

2. Information about major customers

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2011	2011
Net sales		
Taiwan Semiconductor Manufacturing Company (Related segment:SE)	¥ 34,821	\$ 419,530
Intel Corporation (Related segment:SE)	29,712	357,976

*Additional Information

Effective from the fiscal year ended March 31, 2011, the business segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, (Revised 2009), issued on March 27, 2009), and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, issued on March 21, 2008).

Note 8: Contingent Liabilities

As of March 31, 2011, the Company and its consolidated subsidiaries were contingently liable for the following:

As guarantors of—	Millions of yen	Thousands of U.S. dollars
Customers' business loans	¥ 1	\$ 12
Customers' lease payments	216	2,602
Employees' housing loans	267	3,218
Trade notes receivable endorsed	47	566
Total	¥ 531	\$ 6,398

Note 9: Financial Instruments

1. Qualitative information on financial instruments

A. Qualitative information on 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 and in accordance with annual funding plans. Investments of capital are limited to instruments that satisfy safety and liquidity requirements. Derivative transactions are used only to hedge financial risk such as the risk of fluctuations in exchange rates and interest rates. Speculative transactions are not undertaken.

B. Details of financial instruments used, risks and processes for risk management

Financial instruments	Risks	Processes for risk management
Trade notes and accounts receivable	Credit risk of clients	The amounts outstanding are managed for each client and by due date. Also, the financial condition of clients are monitored.
—Accounts receivable denominated in foreign currency	Risk of fluctuation in foreign currency exchange rates	The risk is hedged by using forward foreign exchange contracts on more than certain portions of the receivables.
Investments in securities	Risk of fluctuation in 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 a certain level of liquidity on hand is maintained.
—Portions of loans	Risk of fluctuation in interest rates	The risk is hedged by using interest rate swaps and interest rate caps.

The derivative transactions which the company uses are forward foreign exchange contracts, interest rate swap contracts and interest rate cap contracts and are only used for the purpose of mitigating risks of fluctuation in foreign currency exchange rates and interest rates. For information about hedging instruments, hedged items, hedging policies, evaluation of hedge effectiveness and management of derivative transactions, see Note 1(s), Summary of Significant Accounting and Reporting Policies - Derivatives and hedge accounting. The Company believes that its credit risk is very small as counterparties to derivative transactions are restricted to creditable financial institutions.

C. Supplemental information on fair values

The contract amounts of derivative transactions described in Note 10, *Derivative Transactions* do not reflect the market risks of the derivative transactions themselves.

2. Fair values of financial instruments

As of March 31, 2011 and 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.)

Years ended March 31,	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 39,986	¥ 39,986	¥ —	¥ 31,254	¥ 31,254	¥ —	\$ 481,759	\$ 481,759	\$ —
(2) Trade notes and accounts receivable	70,980	70,980	—	52,030	—	—	855,181	855,181	—
Allowance for doubtful receivables (*1)	(1,007)	(1,007)	—	(1,428)	—	—	(12,133)	(12,133)	—
	69,973	69,973	(0)	50,602	50,600	(2)	843,048	843,048	(0)
(3) Investments in securities									
Available-for-sale securities	21,511	21,511	—	20,995	20,995	—	259,169	259,169	—
Total assets	¥ 131,470	¥ 131,470	¥ (0)	¥ 102,851	¥ 102,849	¥ (2)	\$ 1,583,976	\$ 1,583,976	\$ (0)
(1) Notes and accounts payable - Trade	¥ 81,942	¥ 81,942	¥ —	¥ 52,389	¥ 52,389	¥ —	\$ 987,253	\$ 987,253	\$ —
(2) Short-term debt	500	500	—	—	—	—	6,024	6,024	—
(3) Long-term debt	48,195	48,098	(97)	67,968	66,519	(1,449)	580,663	579,494	(1,169)
(4) Lease obligations	6,895	9,194	2,299	9,250	11,624	2,374	83,072	110,771	27,699
Total liabilities	¥ 137,532	¥ 139,734	¥ 2,202	¥ 129,607	¥ 130,532	¥ 925	\$ 1,657,012	\$ 1,683,542	\$ 26,530
Derivative transactions (*2)									
(1) Without application of hedge accounting	¥ (134)	¥ (134)	¥ —	¥ (41)	¥ (41)	¥ —	\$ (1,614)	\$ (1,614)	\$ —
(2) With application of hedge accounting	(42)	(42)	—	(67)	(67)	—	(506)	(506)	—
Total derivative transactions	¥ (176)	¥ (176)	¥ —	¥ (108)	¥ (108)	¥ —	\$ (2,120)	\$ (2,120)	\$ —

(*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 reported based on their applicable book values.

(2) Trade notes and accounts receivable

The fair values of these assets are based on the current value classified by length of time until settlement and discounted with consideration for the length of time until settlement and credit risk.

(3) Investments in securities

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

Liabilities

(1) Notes and accounts payable -Trade and (2) Short-term debt

As these liabilities are settled on a short-term basis, their fair values are approximately equal to their book values. For this reason, their fair values are reported based on their applicable book values.

(3) Long-term debt

The fair values of bonds 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.

(4) Lease obligations

The fair values of lease obligations are based on the current value, which is the principal discounted with consideration for the length of the remaining period of lease obligation and credit risk.

Derivative transactions

See Note 10, Derivative Transactions.

Note 2. The book value of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2011 and 2010 was as follows:

Category	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	Book value	Book value	Book value
Non-listed equity securities	¥ 672	¥ 2,752	\$ 8,096

The amount in the left table includes investments in affiliates of ¥39 million (\$470 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

Category	Millions of yen								Thousands of U.S. dollars			
	2011				2010				2011			
	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years	Due within one year	Due between one year and five years	Due between five years and ten years	Due after ten years
Cash, cash equivalents and time deposits	¥ 39,925	¥ —	¥ —	¥ —	¥ 31,254	¥ —	¥ —	¥ —	\$ 481,024	\$ —	\$ —	\$ —
Trade notes and accounts receivable	70,956	24	—	—	51,809	221	—	—	854,892	289	—	—
Investments in securities - available-for-sale securities with maturities	—	—	—	—	—	—	—	—	—	—	—	—
Total	¥ 110,881	¥ 24	¥ —	¥ —	¥ 83,063	¥ 221	¥ —	¥ —	\$ 1,335,916	\$ 289	\$ —	\$ —

Note 4. Expected repayment amounts of long-term debt after the consolidated financial statements date
See Note 4, Short-Term and Long-Term Debt.

Note 10: Derivative Transactions

Outstanding derivative transactions as of March 31, 2011 and 2010 were as follows:

Years ended March 31,	Millions of yen								Thousands of U.S. dollars			
	2011				2010				2011			
	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Sell-U.S. dollars)	¥3,293	¥—	¥(39)	¥(39)	¥2,121	¥—	¥(64)	¥(64)	\$39,675	\$—	\$ (470)	\$ (470)
(Sell-Euro)	1,919	—	(95)	(95)	1,801	—	23	23	23,120	—	(1,144)	(1,144)
Total	¥5,212	¥—	¥(134)	¥(134)	¥3,922	¥—	¥(41)	¥(41)	\$62,795	\$—	\$ (1,614)	\$ (1,614)

Notes: 1. Method of estimating fair value

The fair values of exchange forward transactions as of March 31, 2011 and 2010 were estimated based on the prices presented by financial institutions.

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

Note 11: Securities

1. The following table summarizes acquisition costs, book values and any differences of securities with available fair values as of March 31, 2011 and 2010:

Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	¥ 8,603	¥12,738	¥ 4,135	¥11,213	¥17,360	¥ 6,147	\$103,651	\$153,470	\$ 49,819
Others	—	—	—	—	—	—	—	—	—
Total	¥ 8,603	¥12,738	¥ 4,135	¥11,213	¥17,360	¥ 6,147	\$103,651	\$153,470	\$ 49,819
Other securities:									
Equity securities	¥10,853	¥ 8,761	¥ (2,092)	¥ 4,694	¥ 3,622	¥(1,072)	\$130,759	\$105,554	\$ (25,205)
Others	17	13	(4)	17	14	(3)	205	157	(48)
Total	¥10,870	¥ 8,774	¥ (2,096)	¥ 4,711	¥ 3,636	¥(1,075)	\$130,964	\$105,711	\$ (25,253)

2. Total sales of available-for-sale securities for the year ended March 31, 2011 amounted to ¥520 million (\$6,265 thousand), and the related total gain amounted to ¥162 million (\$1,952 thousand). Total sales of available-for-sale securities for the year ended March 31, 2010 amounted to ¥4,213 million, and the related total gain amounted to ¥2,761 million.

Note 12: Employees' Severance and Pension Benefits

Provision for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥27,828	¥27,867	\$335,277
Fair value of plan assets	(22,217)	(21,434)	(267,675)
Unrecognized actuarial differences	(7,268)	(7,256)	(87,566)
Prepaid pension expenses	1,937	1,310	23,337
Provision for retirement benefits	¥ 280	¥ 487	\$ 3,373

Severance and pension benefit expenses included in the consolidated statements of income for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service costs—benefits earned during the year	¥1,103	¥1,356	\$13,289
Interest cost on projected benefit obligation	523	600	6,301
Expected return on plan assets	(792)	(1,147)	(9,542)
Amortization of actuarial differences	864	1,029	10,410
Severance and pension benefit expenses	¥1,698	¥1,838	\$20,458
Others	572	598	6,891
Total	¥2,270	¥2,436	\$27,349

The discount rate used by the Company was 2.0% in 2011 and 2010. The rate of expected return on plan assets was 3.90% in 2011 and 5.70% in 2010. The estimated amount of all retirement benefits to be paid at the future retirement dates is allocated equally to each service year using the estimated number of total service years.

Note 13: Impairment of Fixed Assets

For assessing fixed asset impairment, the Company groups its assets at the business unit level, which is also the basis of segment information. The consolidated subsidiaries generally group their assets at the subsidiary level. The Company and its consolidated subsidiaries group their idle assets by the individual asset. The recoverable amounts of the business assets are based on the net sale values with estimated adjustments for the estimated property tax values.

The Company and its consolidated subsidiaries recorded impairment loss of ¥1,656 million (\$19,952 thousand), mainly related to buildings and structures and machinery, equipment and vehicles, for the year ended March 31, 2011. The Company and its consolidated subsidiaries recorded impairment loss of ¥780 million, mainly related to buildings and structures, for the year ended March 31, 2010.

Note 14: Business Combination

There were no significant business combinations for the year ended March 31, 2011.

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 the business by promoting the utilization of the Company’s function 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 and 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 was 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 of gain on step acquisitions and ¥2,471 million 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 fiscal year ended March 31, 2010 was as follows:

	Millions of yen
Net sales	¥ (134)
Operating income	(1,158)
Income before income taxes	(232)
Net income	(1)

	Yen
Net income per share of capital stock:	¥ (0.01)

**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.*

Note 15: Business Structure Improvement Expenses

The items of business structure improvement expenses in “Other Expenses” for the fiscal year ended March 31, 2011, were expenses related to the disposal of property, plant and equipment due to the consolidation of business offices of ¥649 million (\$7,819 thousand). The main items of business structure

improvement expenses in “Other Expenses” for the fiscal year ended March 31, 2010 were early retirement benefits and reemployment assistance expenses of ¥254 million and loss on disposal of inventories from the withdrawal from the direct imaging system for TFT LCD business of ¥622 million.

Note 16: Significant Subsequent Events

The Company proposed a reduction in additional paid-in capital to make an appropriation of surplus at the Extraordinary General Meeting of Shareholders held on April 22, 2011, and the proposal was approved at the meeting. This is in the interests of covering accumulated deficits brought forward with a view to resuming dividend payments at an early stage as well as ensuring flexibility and mobility in its capital policy. As a result,

additional paid-in capital of ¥26,637 million (\$ 320,928 thousand) was transferred to other capital surplus, and other capital surplus following the increase brought about by the transfer of ¥25,571 million (\$308,084 thousand) and general reserve of ¥28,500 million (\$343,374 thousand) were transferred to retained earnings brought forward.

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, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, 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, 2011 and 2010, 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 16 to the consolidated financial statements, Significant Subsequent Events, the Company proposed a reduction in additional paid-in capital to make an appropriation of surplus at the Extraordinary General Meeting of Shareholders held on April 22, 2011, and the proposal was approved at the meeting.

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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 was made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC

Osaka, Japan

June 28, 2011

Consolidated Companies (As of March 31, 2011)

▼ Overseas

North America

D.S. Venture Investments International, Incorporated/
DNS Electronics, LLC/Dainippon Screen Graphics (USA), LLC/
Silicon Light Machines Corporation/SOKUDO USA, LLC

Europe

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

Asia & Oceania

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

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

▼ Domestic

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

* Affiliates accounted for by the equity method

Investor Information (As of March 31, 2011)

▼ Stock Information

Authorized Number of Shares: 900,000,000
Number of Shares Issued: 253,974,333
Number of Shareholders: 16,186
Number of Shares Held by
Non-Japanese Companies and Individuals: 47,257,496 (18.60%)
Listings: Tokyo and Osaka
Code Number: 7735

▼ Major Shareholders

	Number of shares (thousands)	Percentage of total shares (%)
The Master Trust Bank of Japan, Ltd. (Accounting in trust)	21,757	8.56
Japan Trustee Services Bank, Ltd. (Accounting in trust)	16,694	6.57
Nippon Life Insurance Company	10,170	4.00
The Bank of Kyoto, Ltd.	6,730	2.65
Japan Trustee Services Bank, Ltd. (Accounting in trust 9)	6,620	2.60
Resona Bank, Limited	4,562	1.79
Morgan Stanley & Co. Inc.	4,376	1.72
The Shiga Bank, Ltd.	4,241	1.67
Dainippon Screen's Business Partners Shareholders' Association Synchronize	4,231	1.66
Dainippon Screen's Employees Shareholders' Association	3,858	1.51

* While Dainippon Screen Mfg. Co., Ltd. holds 16,598,341 shares (6.53%) in treasury stock, this is not included in the above list of major shareholders.

▼ Bank References

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

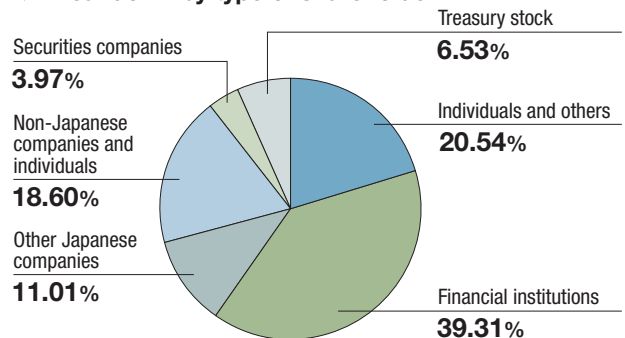
▼ Underwriter

Nomura Securities Co., Ltd.

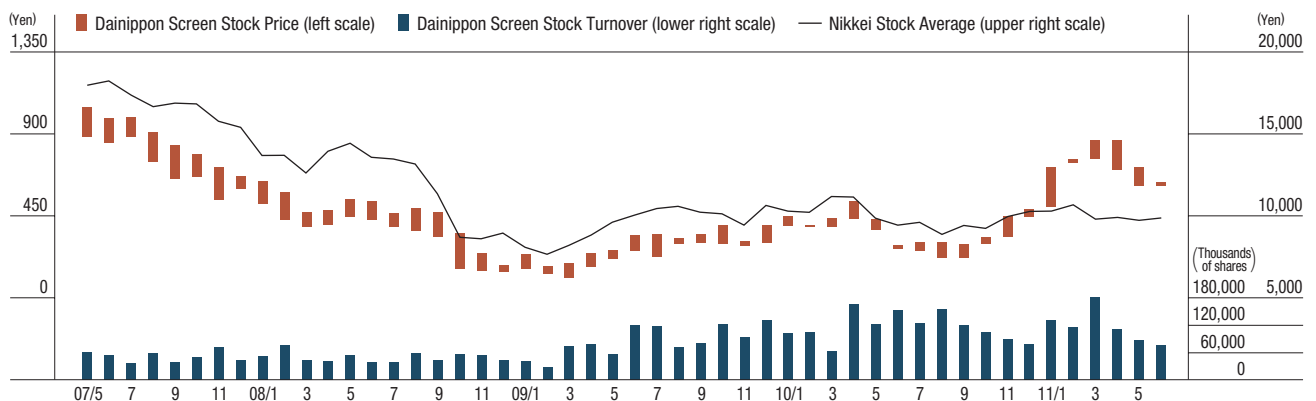
▼ Sub-Underwriters

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

▼ Breakdown by type of shareholder



▼ Stock Price Range and Turnover





The Dainippon Screen Group is participating in the Challenge 25 Campaign. Through a broad-based appeal to Japanese citizens to reduce CO₂ 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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