SCREEN

Annual Report 2012

Dainippon Screen Group
Year Ended March 31, 2012

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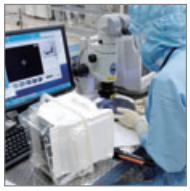


Editorial Policy

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/eng) for additional information.

WEB **Information posted on our website**

Information Shown on our Website

Our website contains IR information, as well as information on our social and environmental activities. We endeavor to disclose information impartially and completely.

Corporate Data (As of March 31, 2012)

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

Established: October 11, 1943

Representative Directors:
Akira Ishida, Chairman
Masahiro Hashimoto, President

Capital: ¥54 billion

Employees: 4,890 employees (Consolidated)
2,089 employees (Nonconsolidated)

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

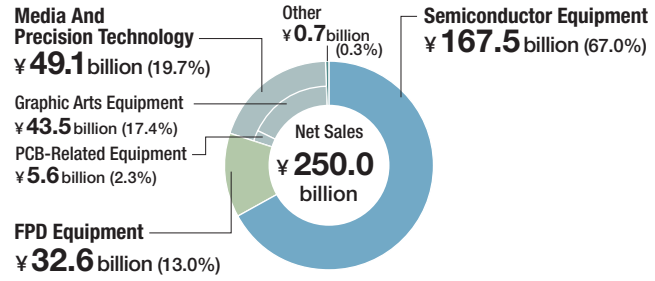
Disclaimer

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.

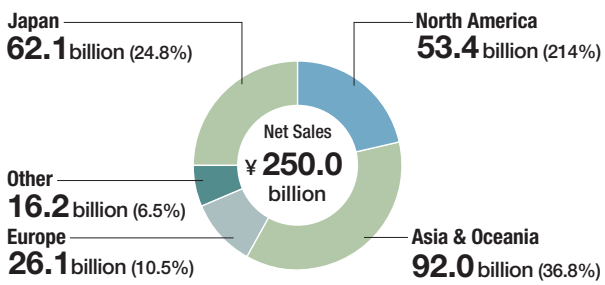
Notes:

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.

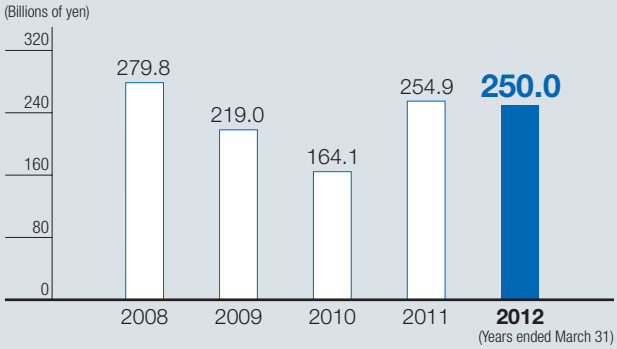
Sales by Segment (Fiscal Year Ended March 31, 2012)



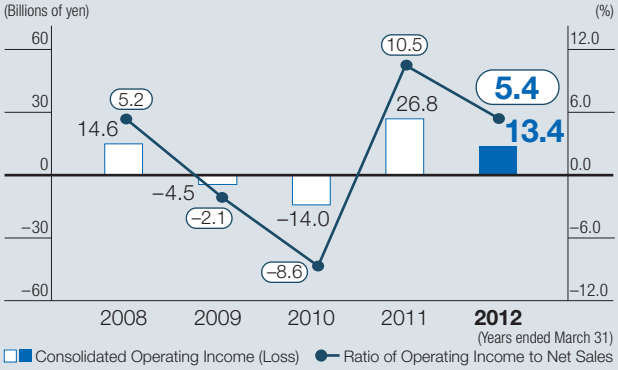
Sales by Geographic Region (Fiscal Year Ended March 31, 2012)



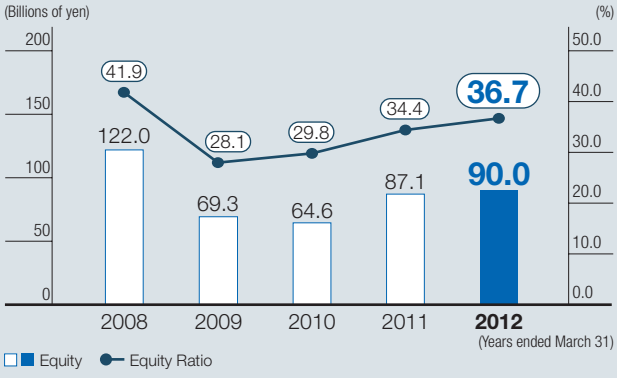
Consolidated Net Sales



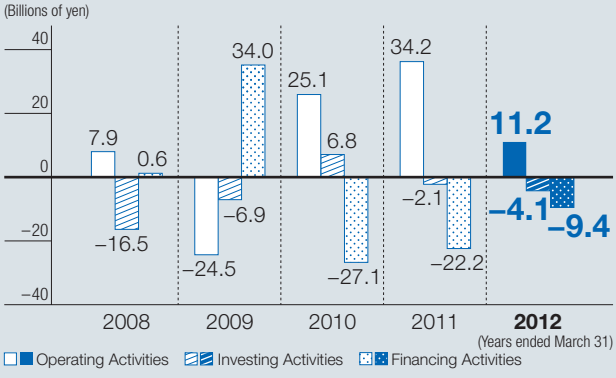
Consolidated Operating Income (Loss) and Ratio of Operating Income to Net Sales



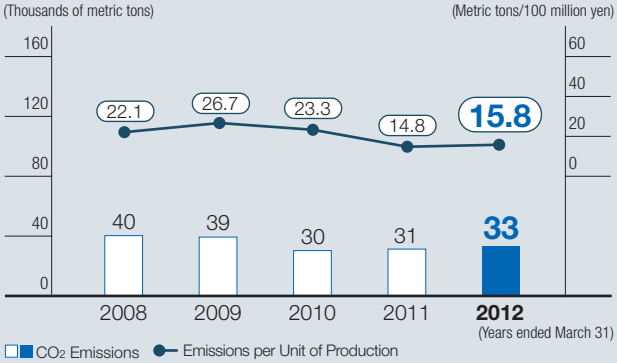
Equity and Equity Ratio



Cash Flows

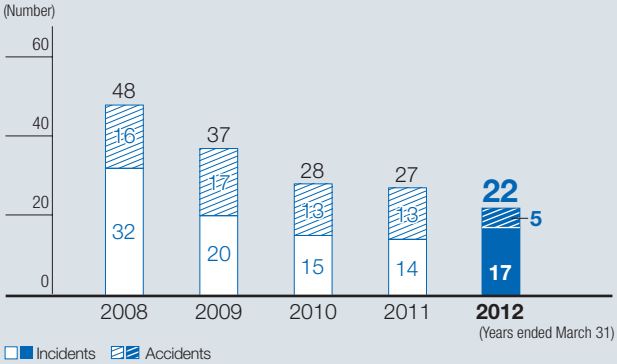


CO_2 Emissions and Emissions per Unit of Production (Dainippon Screen Group in Japan)



Note: CO_2 emissions rounded to the nearest hundred metric tons

Number of Incidents and Accidents (Dainippon Screen Group in Japan)



Consolidated Summary

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

	2012	2011	2010	2009	2008
For the Year:					
Net sales	**¥ 250,090**	¥ 254,953	¥ 164,129	¥ 219,049	¥ 279,816
Cost of sales	**187,325**	182,990	137,827	169,391	208,266
Cost of sales to net sales (%)	**74.9 %**	71.8 %	84.0 %	77.3 %	74.4 %
Operating income (loss)	**¥ 13,498**	¥ 26,811	¥ (14,046)	¥ (4,510)	¥ 14,628
Operating income to net sales (%)	**5.4 %**	10.5 %	–8.6 %	–2.1 %	5.2 %
Net income (loss)	**¥ 4,637**	¥ 25,687	¥ (8,003)	¥ (38,191)	¥ 4,578
Comprehensive income	**4,192**	22,576	(5,257)	—	—
Depreciation and amortization	**4,986**	5,805	7,012	8,414	5,563
Cash flows from operating activities	**11,279**	34,299	25,113	(24,593)	7,934
Cash flows from investing activities	**(4,162)**	(2,191)	6,885	(6,921)	(16,510)
Cash flows from financing activities	**(9,468)**	(22,250)	(27,124)	34,071	669
Capital expenditures	**7,347**	3,613	1,911	4,007	12,866
R&D expenses	**13,889**	12,130	11,615	16,073	16,248
Per Share of Capital Stock:					
Net income (loss)	**¥ 19.54**	¥ 108.21	¥ (33.71)	¥ (160.86)	¥ 18.81
Net income—diluted	**—**	—	—	—	17.39
Cash dividends	**5.00**	5.00	—	—	10.00
Net assets	**379.44**	367.00	272.15	292.12	514.26
At Year End:					
Total assets	**¥ 245,382**	¥ 253,127	¥ 216,622	¥ 246,918	¥ 291,114
Return on total assets (%)	**1.9 %**	10.9 %	–3.5 %	–14.2 %	1.5 %
Current assets	**¥ 177,543**	¥ 183,523	¥ 139,984	¥ 168,191	¥ 196,989
Property, plant and equipment, net	**38,669**	40,699	45,413	50,955	49,069
Current liabilities	**123,223**	148,132	93,874	132,431	123,702
Long-term debt	**25,988**	10,634	48,195	32,967	40,644
Equity	**90,069**	87,118	64,607	69,353	122,094
Equity ratio (%)	**36.7 %**	34.4 %	29.8 %	28.1 %	41.9 %
Return on equity (%)	**5.2 %**	33.9 %	–11.9 %	–39.9 %	3.6 %
Capital stock	**¥ 54,045**	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045
Retained earnings (deficit)	**55,440**	26,418	731	8,734	49,390
Number of shares issued (in thousands)	**253,974**	253,974	253,974	253,974	253,974
Number of employees	**4,890**	4,732	4,679	4,992	5,041

Key Environmental and Safety Indicators (Dainippon Screen Group in Japan)

CO_2 emissions (metric tons)[1]	**32,938**	31,312	29,993	39,164	39,903
CO_2 emissions per unit of production (metric tons/100 million yen)	**15.8**	14.8	23.3	26.7	22.1
Volume of water resources used (m^3)	**2,113,608**	2,072,401	1,917,327	2,372,761	2,495,343
Volume of emissions outside the Company (metric tons)[2]	**1,806**	1,794	937	1,098	1,313
Incidents	**17**	14	15	20	32
Accidents	**5**	13	13	17	16

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥82 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.
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

2007	2006	2005	2004	2003	2002	2012
					Millions of yen	Thousands of U.S. dollars
¥ 301,312	¥ 246,534	¥ 269,341	¥ 191,939	¥ 167,942	¥ 174,218	**$ 3,049,878**
211,159	173,628	190,639	135,389	121,036	126,882	**2,284,451**
70.1 %	70.4 %	70.8 %	70.5 %	72.1 %	72.8 %	
¥ 30,541	¥ 18,568	¥ 25,292	¥ 9,600	¥ 3,225	¥ 140	**$ 164,610**
10.1 %	7.5 %	9.4 %	5.0 %	1.9 %	0.1 %	
¥ 18,452	¥ 15,236	¥ 14,454	¥ 4,851	¥ (3,466)	¥ (18,900)	**$ 56,549**
—	—	—	—	—	—	**51,122**
4,113	3,823	5,944	4,000	4,901	7,223	**60,805**
23,645	14,906	22,301	14,681	87	(7,124)	**137,549**
(8,519)	(7,482)	(5,108)	(82)	4,304	(2,663)	**(50,756)**
(8,875)	(13,442)	(16,775)	(10,157)	(4,923)	43	**(115,463)**
14,420	5,906	6,146	2,465	1,813	3,918	**89,598**
16,884	13,269	12,628	11,134	10,770	10,025	**169,378**
					Yen	U.S. dollars
¥ 74.05	¥ 60.66	¥ 59.88	¥ 23.04	¥ (18.65)	¥ (101.08)	**$ 0.24**
68.63	55.81	52.57	18.29	—	—	**—**
15.00	10.00	7.50	3.00	—	—	**0.06**
542.13	500.30	408.03	334.93	238.28	269.75	**4.63**
					Millions of yen	Thousands of U.S. dollars
¥ 319,519	¥ 270,238	¥ 256,398	¥ 240,512	¥ 218,653	¥ 234,972	**$ 2,992,464**
6.3 %	5.8 %	5.8 %	2.1 %	–1.5 %	–7.0 %	
¥ 223,463	¥ 181,077	¥ 179,012	¥ 165,506	¥ 149,713	¥ 153,149	**$ 2,165,159**
42,346	36,096	34,308	35,627	38,140	45,041	**471,573**
133,784	106,134	111,998	113,771	116,899	120,545	**1,502,720**
43,900	24,674	31,803	38,163	47,491	57,190	**316,927**
133,062	126,392	99,219	77,434	45,100	50,435	**1,098,402**
41.6 %	46.8 %	38.7 %	32.2 %	20.6 %	21.5 %	
14.2 %	13.5 %	16.4 %	7.9 %	–7.3 %	–31.6 %	
¥ 54,045	¥ 53,999	¥ 51,331	¥ 48,172	¥ 37,142	¥ 36,544	**$ 659,085**
48,497	32,536	19,284	3,514	(1,314)	(13,147)	**676,098**
253,974	253,792	243,164	231,390	189,369	186,987	
4,798	4,672	4,547	4,460	4,468	4,429	
35,749	40,408	55,987	62,069	60,334	65,169	
20.9	28.2	32.5	52.6	53.1	54.0	
2,527,282	4,101,170	6,112,973	6,579,494	6,615,516	6,657,600	
1,501	2,086	3,564	4,720	4,561	3,390	
32	29	23	27	30	39	
11	21	14	22	19	20	

accounting standards, the net assets section includes deferred hedge income and loss, net of taxes, which was previously included in the assets or liabilities section without considering the related income tax effects. The accompanying consolidated financial statements after the year ended March 31, 2006 have been prepared in accordance with the new accounting standards, whereas the statements for the previous years are presented pursuant to the previous presentation rules.

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

1 CO_2 emissions are calculated based on "Guidelines for Calculating Greenhouse Gas Emission from Businesses" prepared by the Ministry of the Environment. Through the fiscal year ended March 31, 2009, the emission conversion coefficient = average of greenhouse gas emissions of domestic power companies 0.378 kg CO_2/kWh. From the fiscal year ended March 31, 2010, these figures have been calculated on the basis of electric power companies' emission coefficients.

2 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

We work continuously toward the creation of new businesses. In addition to our core image processing technologies, we work to develop new business related to printing equipment, semiconductor manufacturing equipment and energy.

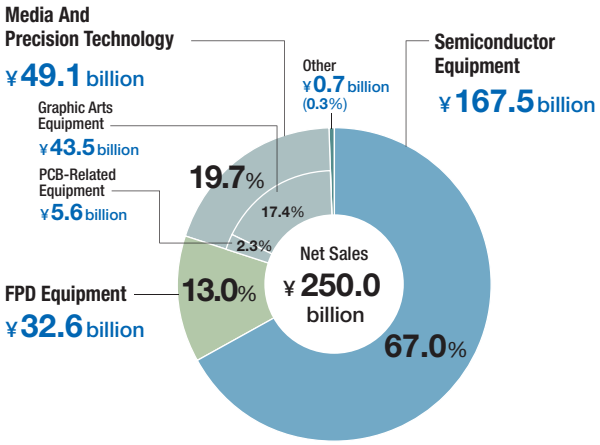
Meeting the Changing Needs of the Times through Our *Shi Kou Ten Kai* Philosophy

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.

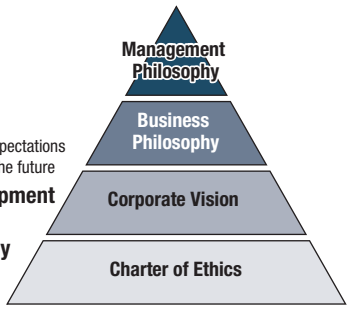
This phrase expresses our commitment to the challenge of developing new businesses and products by constantly monitoring the needs of our customers and society at large, always considering how to apply our technologies and products, and examining what is lacking.

Sales by Segment (Fiscal Year Ended March 31, 2012)



Guiding Principles of Screen's Business

- **Management Philosophy**
  思考展開＋志高転改
- **Business Philosophy**
  1. **Sharing the future**
     Earning the trust and meeting the expectations of society, while keeping an eye on the future
  2. **Human resource development**
     Human resource through better work
  3. **The pursuit of technology**
     Pursuing original technology and mixing it with existing technology



- **Corporate Vision**

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.

Media And Precision Technology Company

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

Global Market Share No.1
(Unit basis in 2011)

CTP equipment
40.0%
(Source: Dainippon Screen estimate)


CTP equipment


Digital printing press

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.

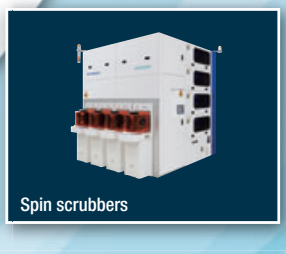
Global Market Share No.1 (Sales amount basis in 2011)

Single wafer cleaning equipment	Batch-type cleaning equipment	Spin scrubbers
50.9%	89.2%	68.9%

(Source: Gartner, "Market Share: Semiconductor Manufacturing Equipment, Worldwide, 2011" 30 March 2012 [Revenue from Shipments of Single Wafer Processors, Auto Wet Stations and Scrubbers, Worldwide])


Single wafer cleaning equipment


Batch-type cleaning equipment


Spin scrubbers


FPD production equipment


Nozzle printing for OLED

New Business

We make a sustained effort to take on the development of new businesses that leverage our strengths in coating, nozzle dispensing, *Linearcoater*™ and other technologies. Anticipating further expansion in the energy field, we are currently conducting R&D on thin-film solar cell panel production equipment and electrode coating equipment for lithium-ion secondary batteries, among other items.

FPD Equipment Company

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

Global Market Share No.1
(Unit basis in 2011)

Coater/developers
77.0% (Source: Dainippon Screen estimate)

New Technology for Next Generation Manufacturing, such as Ultra-Miniaturization and Three-Dimensional and 450mm Wafers

Applying Technological Innovation in Strong Areas to Move into New Fields in Response to Anticipated Changes

Demand for miniaturization of semiconductor circuits is growing to meet the need for electronic devices that are smaller, have higher performance and use less power. Accordingly, we are nearing the era of ultraminiature line widths in the 10nm range. Attention is also focusing on three-dimensional technologies for semiconductors, and in the near future wafer diameters are expected to increase to 450mm. To meet these anticipated changes, we are accelerating our efforts toward technological innovation in cleaning and other areas of expertise, as we pursue developments in new areas of technology and equipment.

Developing Technology for Cleaning Ultraminiature Circuits in the 10nm Range

Equipment that uses semiconductors with circuit line widths in the 20nm range is currently being mass produced, and we will soon enter the era of ultraminiature circuits, with line widths in the 10nm range.

Circuit miniaturization requires even more thorough cleaning than in the past, because the sizes of particles (metal and organic or other particles) that were previously allowable now worsen yields. However, the smaller particles are, the more adsorptive they become, making them more difficult to eliminate. Furthermore, as their line widths grow finer, circuit patterns can be damaged through application of very slight physical force or chemical solutions. The question therefore becomes how to remove ultrasmall particles efficiently and with certainty, while doing as little damage as possible to circuits. These are the issues we sought to overcome through the development of NanosprayÅ (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, the method enables precise cleaning of ultraminiature circuits in the 10nm range with little damage.

Dainippon Screen is also moving forward with other leading-edge technologies, such as "freeze cleaning," whereby cleaning solutions are frozen at −190°C with liquid nitrogen and volumetric expansion is used to remove particles, as well as techniques for preventing pattern collapse when drying ultraminiature circuits.

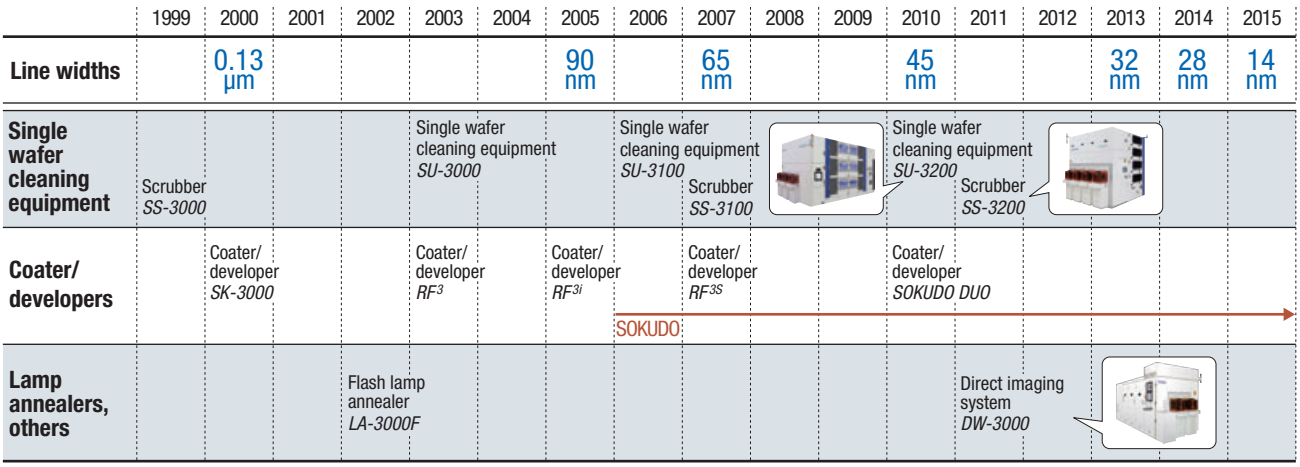
Sophisticated analysis and simulation technology underpins these developments. The more miniature circuits become, the more difficult it is to verify cleaning results. By using the analysis and simulation technology which has developed over the years, Dainippon Screen visualizes and models these processes to be achieved, confirming cleaning results at a molecular level.

Pursuing Three-Dimensional Developments in New Areas of Technology and Equipment

As the degree of semiconductor integration is increasing in addition to circuit miniaturization, in recent years attention has focused on three-dimensional technologies. These developments are of two types: three-dimensional transistor structure and the three-dimensional stacking of multiple chips.

Dainippon Screen's approach to three-dimensional transistor structure naturally involves steady progress in the area of cleaning systems. We have also begun taking on challenges in new fields of technology. For example, Dainippon Screen has conducted joint research with SEMATECH[1], and at the end of 2011 we commenced new research involving a next-generation monolayer doping method[2]. This technology helps to prevent the damage that is difficult to avoid using the widely prevalent ion implantation method and allows surface doping of three-dimensional structures, which helps to resolve

▼ **Response to Miniaturization**

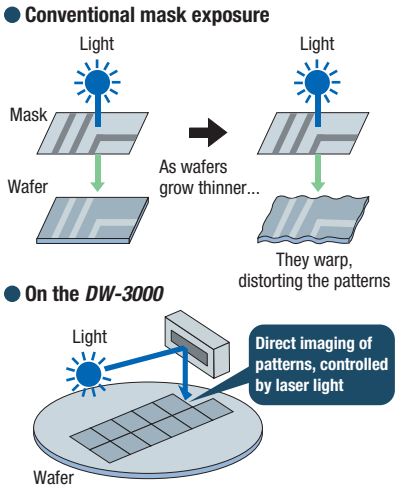


problems related to three-dimensional transistor configuration and circuit miniaturization.

With regard to the three-dimensional stacking of multiple chips, in December 2011 Dainippon Screen forayed into advanced packages by launching the *DW-3000*, a direct imaging system. By integrating the image processing and optics technologies cultivated in the graphic arts equipment business, this system uses high-output laser beams to directly image patterns onto a wafer resist coat. This achieves precision in the wiring patterns bridging chips, which has been a key issue for chip integration, and contributes toward increasing yields.

1 A non-profit global consortium that cultivates new semiconductor manufacturing technologies under outsourcing agreements from leading semiconductor manufacturers.

▼ Increased Precision owing to Direct Imaging System



2 We are taking part in an initiative to employ our cleaning and annealing equipment in the doping process for next-generation semiconductor production using monolayer doping technologies.

Making Steady Preparations for the Era of 450mm Wafers

Another trend that will have a major impact on the semiconductor manufacturing equipment business is larger wafer sizes. Currently, 300mm wafers are mainstream, but 450mm wafers are expected in the near future.

The trend toward larger wafers is likely to cause a paradigm shift in the industry. In the cleaning equipment field, Dainippon Screen secured its current position by moving ahead of other companies in investing aggressively in development and mass production during the move from 200mm to 300mm wafers. Market share soared as a result. We likewise see the move to 450mm wafers as an opportunity for further growth.

Compared with the shift to 300mm wafers, the move to 450mm raises significantly more challenging technical issues. As we will not be able to achieve these advances simply by pushing forward with current cleaning equipment technologies, we will need to look to the advanced technological prowess that is the Company's hallmark. Dainippon Screen is steadily making preparations for the era of the 450mm wafer.

Comments from a Business Partner

Mr. Raj Jammy
Vice President of Materials and Emerging Technologies
SEMATECH

Cooperating on New Innovations in Semiconductor Production Processes

We selected Dainippon Screen as a development partner on our monolayer doping project because of its superior technologies, including its leading-edge FEOL cleaning and flash lamp annealing technologies. We also gave high marks to Dainippon Screen's track record on mass production equipment employing these technologies. As the development of cutting-edge process technology as well as the application of this technology to mass production under stringent conditions is the mission of this consortium, we believed that Dainippon Screen's solid performance in this area would made the company a strong partner for us.

In line with the ever-increasing miniaturization of semiconductors and the shift to three-dimensional transistors, monolayer doping technology is expected to become an effective part of the semiconductor production process. Going forward, we look forward to building a stronger partnership with Dainippon Screen and working together to achieve new innovations in semiconductor production processes.

Responding to Customer Needs to Reduce Environmental Impact and Curtail Costs

Increasing the Sale of Green Products that Lower Consumption of Energy, Water and Chemicals

When used by customers, semiconductor wafer cleaning systems use large amounts of energy, chemicals and water. In addition to enhancing the cleaning capabilities of its products, during development Dainippon Screen focuses on ways to conserve on their use of energy and resources, thereby lowering costs. Evincing market acclaim for these efforts, Dainippon Screen received the Environmental Excellence Award from Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC).

Reducing Energy Consumption

Lowering CO_2 Emissions from Single Wafer Cleaning Equipment by 82% Compared with Levels in the Fiscal Year Ended March 31, 2001

Many types of companies are addressing the issue of global warming by working to reduce their CO_2 emissions. For semiconductor manufacturing equipment, the majority of CO_2 emissions produced during the product lifecycle occurs when they are used by customers. More than 90% of the emissions produced by Dainippon Screen equipment are generated during use[1].

Therefore, while striving to reduce CO_2 emissions during manufacture and transport, we concentrate in particular on reducing emissions during use. In accordance with the SEMI S23 standard[2], we comprehensively measure the energy consumed during product use, including by utility equipment[3], and work to reduce product energy use in line with a development roadmap we have formulated on this basis.

Taking as an example one of our mainstay products, single wafer cleaning equipment for semiconductor wafers, our newest model—the *SU-3200*, launched in December 2010—uses substantially less energy than our previous model introduced in 2001—with CO_2 emissions per wafer down approximately 82%. Through savings such as these, we are simultaneously meeting two customer needs: to reduce energy costs and lower environmental impact.

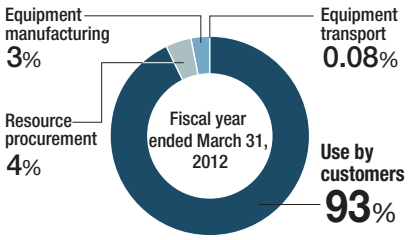
1 Products shipped during the past 10 years.
2 A standard developed to promote energy reduction by measuring, quantifying and reporting the total amount of energy consumed by semiconductor production equipment.
3 Equipment that is auxiliary to semiconductor production equipment, such as for providing cooling water, dry air, vacuum and exhaust.

Reducing Water Use

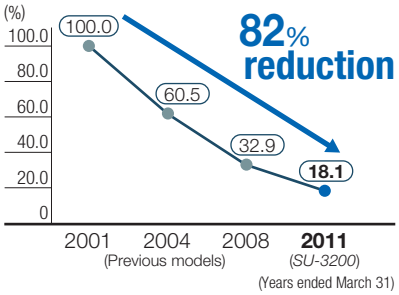
Ultra Pure Water Use Reduced by 47%, Owing to Optimization of Water Cleaning Method

Desertification is a growing problem in many parts of the world, and populations in emerging markets are increasing. With water resources a topic of increasing focus, demands to reduce the overall amount of water used by industry are growing more pronounced. In the past, semiconductor manufacturing has placed

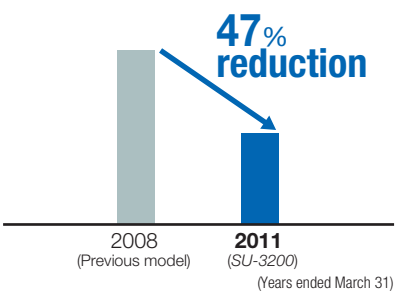
▼ CO_2 Emissions for Dainippon Screen Semiconductor Production Equipment



▼ CO_2 Emissions per Wafer



▼ Ultra Pure Water Use per Wafer



▼ Inputs and Outputs During Product Use (Product Shipments[1])

INPUTS

Energy
Electricity 271,000 GJ
Energy other than electricity[2] 644,000 GJ

Water
Ultra pure water 3,503,000 m³
Cooling water 5,174,000 m³

Chemical solutions
Ammonia
Hydrogen peroxide solution
Hydrochloric acid
Hydrogen fluoride, others

OUTPUTS

Greenhouse gases (from all energy sources)
Total emissions 96,000 tons

Use of circulation by customers
Ultra pure water Cooling water

Processing by customers
Waste liquids (Chemical solutions+Ultra pure water)
PRTR substances (Hydrogen fluoride, others)

1 Use during a one-year period by customers of semiconductor production equipment shipped in the year ended March 31, 2012
2 Energy for utility (ultra pure water, dry air, nitrogen, exhaust, cooling water) equipment
Note: Figures rounded to the nearest hundred

a serious drain on water resources, by using ultra pure water to clean away the chemical solutions used in various washing processes, as well as cooling water for high-temperature waste liquids.

Against this backdrop, Dainippon Screen is working to reduce the amount of ultra pure water used by shortening cleaning processes, raising the ultra pure water recycling ratio by employing a system that diverts output to different locations depending on the concentration of liquids, and revising processes to lower demands for cooling water. We have also developed a number of unique improvement measures. For example, whereas in the past trickles of ultra pure water constantly flowed through equipment piping to prevent contamination, we have made this cleaning intermittent.

These initiatives have led to such successes as a 47% reduction in the use of ultra pure water on the *SU-3200*, compared with its predecessor.

Curtailing the Use of Process Chemicals

Revising Processing to Reduce Chemical Solutions Used in Cleaning by 70%

The process of producing ultrafine circuit patterns on semiconductor wafers requires cleaning more than 100 times. These cleaning processes use ultra pure water, as well as ammonia, hydrogen peroxide, hydrochloric acid, hydrogen fluoride and other chemical substances. In addition to the cost of procuring these chemical solutions, they involve management costs to prevent environmental damage due to leakage.

To reduce the burden on customers, Dainippon Screen has reviewed the processing methods used by its cleaning systems, aiming to shorten processing time and reduce the amount of chemical solutions emitted. As a result, we have succeeded in reducing the amount of chemical solutions used, as well as in decreasing the amount of time needed for cleaning processes.

Through efforts such as these, on the *SU-3200* we have lowered the amount of chemical solutions used by 70%, compared with our previous model. Dainippon Screen's products have earned market acclaim for their contribution to reducing customers' environmental impact and costs.

In December 2011, we received the first Environmental Excellence Award from TSMC, world's largest semiconductor foundry (contract manufacturer). TSMC presents this award to only one company among its numerous suppliers that has made a major contribution to the company's environmental efforts.

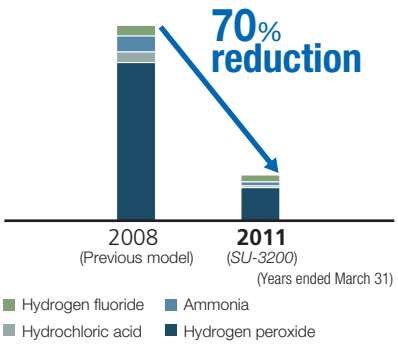
Environmental Excellence Award

Raising Sales of Green Products to 77% of the Total

In 2007, Dainippon Screen established its own "green product" assessment standards (see page 33), and has since worked to boost sales of these products.

Each year, green products account for a rising percentage of semiconductor manufacturing equipment sales. In the fiscal year ended March 31, 2012, the addition of the *SU-3200* boosted this percentage to 77%. The Semiconductor Equipment Company's figure is 80%, attesting to its ongoing efforts.

▼ **Use of Chemical Solutions per Wafer**



Putting Forth Every Effort to Meet the Objectives of *NextStage70*

The Dainippon Screen Group faced a difficult operating environment, both in Japan and overseas, in the fiscal year ended March 31, 2012. Against this backdrop, we took proactive steps to conduct initiatives for each of our businesses in accordance with the themes of *NextStage70*, our new three-year medium-term management plan, namely "establishing a stable earnings structure" and "promoting new growth."
From the fiscal year ending March 31, 2013, we will work toward the objectives outlined in *NextStage70*, concentrating our energies on reforming the earnings structure of each of our businesses and rapidly creating new businesses.

Akira Ishida
Representative Director
Chairman
Chief Executive
Officer (CEO)

Masahiro Hashimoto
Representative Director
President
Chief Operating Officer (COO)

Photo location:

Dendengu Shrine, Horinji Temple, (Arashiyama, Nishikyo-ku, Kyoto, Japan)

Dendengu Shrine, located on the grounds of the Horinji Temple complex, is dedicated to the god of thunder and lightning and, by extension, electricity and radio waves. The temple grounds also house, on both sides of a monument, bronze portraits of Thomas Edison, who conducted research on electricity, and Heinrich Hertz, who experimented with radio waves.

Q Please describe the business environment and operating performance in the fiscal year ended March 31, 2012.

A **Although the operating environment was challenging, we succeeded in maintaining sales at the preceding year's level.**

(CEO)

During the fiscal year ended March 31, 2012, growing financial uncertainty surrounding the European debt crisis prompted mounting fears of a worldwide economic slowdown. In Japan, meanwhile, we experienced the effects of the Great East Japan Earthquake, as well as historically high yen exchange rates. Under these conditions, the Dainippon Screen Group's net sales amounted to ¥250.0 billion, down 1.9% from the preceding fiscal year.

On the profit front, unit sales prices fell, while R&D and personnel costs increased, causing operating income to drop 49.7% year on year, to ¥13.4 billion and ordinary income to decrease by 53.7% year on year, to ¥12.2 billion. Net income plunged 81.9% year on year, to ¥4.6 billion, owing to extraordinary losses, including an impairment loss on fixed assets, a provision of allowance for doubtful accounts covering trade notes and accounts receivable and a loss on valuation of investment securities due to the fall in market values of stocks held.

(COO)

In the semiconductor equipment business, semiconductor manufacturers—our customers—tightened capital investment overall, reflecting deterioration in the market's supply–demand balance and growing concerns about global economic deceleration. However, anticipating increased demand for such mobile devices as smartphones and tablets, manufacturers invested in equipment for producing semiconductors with finer circuit patterns. As a result, the year-on-year sales decrease in this business was slight.

In the FPD equipment business, capital investment in large LCD panels plummeted, owing to a drop in television prices, but sales of coater/developers for small- and medium-sized LCD panels rose, owing to increased demand for smartphones and other applications. Accordingly, segment sales remained on a par with the previous year's level.

Regarding the media and precision technology business, sales of POD equipment were up, centering on North America. This increase, combined with thoroughgoing efforts aimed at reducing fixed and other related costs, enabled this business to pull back into the black for the first time in three years, since the fiscal year ended March 31, 2009.

(CEO)

We awarded a year-end dividend of ¥5 per share for the fiscal year ended March 31, 2012. This level is in line with the Company's basic policy on dividends. We aim to maintain stable cash dividends, striking an appropriate balance between ensuring ample return of profits to shareholders and the amount of retain earnings required to ensure business expansion and profitability improvement. We do this with comprehensive consideration based on our dividend payout ratio, operating environment and earning conditions.

Q What are some of your initiatives toward "establishing a stable earnings structure?"

A **We are improving the cost structure in each business and working to strengthen competitiveness.**

(COO)

In the semiconductor equipment business, we are carrying out structural reforms aimed at enhancing cost competitiveness and boosting profitability. For example, for *SU-3200* single wafer cleaning equipment we promoted standardization from the design stage, which enabled us to hold down the variable cost ratio.

In the FPD equipment business, we are revising our designs and expanding overseas procurement (mainly in China) to improve our variable cost ratio. At the same time, we are accelerating technological development on OLED-related equipment as post-LCD displays.

In the media and precision technology business, we are accelerating our shift in production of CTP equipment to China to enhance our price competitiveness in emerging markets. Meanwhile, for POD equipment, for which sales are expanding, we are stepping up efforts on the sales front to propose digital printing solutions. In September 2011, we opened a new showroom in Monzennakacho, Tokyo, centering on POD equipment, and we have begun using the showroom to make integrated proposals (see page 22).

(CEO)

Developments in each of our areas of business continue to grow more global. Going forward, the markets will be driven by emerging countries, including China, India, Brazil, Eastern Europe and Russia, and price competitiveness will be a key to our ability to survive in these markets. In advanced markets, we will concentrate on high-value-added manufacturing, working at the same time to standardize components and designs across all our businesses. We are pushing forward with thoroughgoing measures to heighten business efficiency and transform ourselves further into a business with a low-cost structure.

Q Please describe your initiatives for "promoting new growth."

A **We are accelerating initiatives designed to create new businesses in markets that are growing.**

(CEO)

In recent years, the semiconductor equipment business has accounted for a growing percentage of the Dainippon Screen

Group's business portfolio, and this business is subject to major market shifts in the "silicon cycle." To stabilize earnings and ensure sustained growth, we need to quickly create a new pillar of business. This thinking was behind our October 2011 establishment of the Green Technology Development Center, which has now begun full-fledged development of technologies and equipment related to lithium-ion batteries and solar cells.

In terms of new business domains, we are preparing to enter the industrial robotics field. In the fiscal year ended March 31, 2012, we unveiled at an industry trade show a teachingless system robot that autonomously corrects its motion and position. We developed this system in cooperation with YASKAWA Electric Corporation.

Rather than ideas that push back the boundaries of existing businesses, creating new businesses requires the bold creativity to change a market's fundamentals entirely. We will move ahead in our areas of core competence—technologies to "coat, wash and depict." Simultaneously, we will deploy creative research and development to expand our technological domains. If necessary, we will proactively introduce technologies and expertise from outside the Company as we endeavor to create businesses in markets that are growing.

(COO)

We will also continue to further reinforce our existing semiconductor equipment business. For example, we are investing aggressively in R&D in preparation for the upcoming "era of the 450mm semiconductor wafer." We see the transition to 450mm wafers as a major opportunity to propel our business forward, but timing is critical. We are monitoring industry trends and preparing steadily for this shift.

Q How do you view the business environment and what are your growth strategies going forward?

A **We will expand each of our businesses with technological innovation in line with customers and market developments as well as strengthening our ability to make proposals.**

(COO)

We expect the market for semiconductor devices to continue expanding, buoyed by growth in smartphones and other electronic devices. We are responding to technology and product innovations that keep pace with advanced customer needs in such areas as miniaturization and the adoption of 3D structures. We will work with customers in the memory, logic and foundry sectors to develop equipment in line with their individual roadmaps.

In the FPD market, capital investment in large-screen televisions is expected to level off, and accordingly we are pursuing development and sales that target the OLED production equipment market. We are developing nozzle printing equipment for OLED coating, and we are aiming for early orders and sales of this product. Over the medium to long term, we believe that the FPD business itself will have to undergo structural transformation. We intend to respond by commercializing successful developments at

▼ **Overview of the Three-Year Medium-Term Management Plan**

I. Fundamental Policies
Establishing a Stable Earnings Structure and Building a Foundation for New Growth

1. Establishing a stable earnings structure

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

2. Promoting new growth

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

II. Numerical Targets
Equity Ratio above 50%, Reducing Net Interest-Bearing Debt to Zero (as of March 31, 2014)

Strive to improve the profitability ratio and increase capital efficiency, as well as improving the equity ratio

our newly established Green Technology Development Center. We have already rolled out some technologies and equipment related to solar cells, and we plan to accelerate development for growth markets including the megasolar market, which is slated for growth as energy demand increases.

In printing-related markets, POD equipment is growing more widespread in response to the global shift toward digital printing, so we will concentrate on expanding sales of this equipment. We naturally aim to capture demand arising from the changeover from conventional processes, but we also expect to expand applications to include package printing and sign/display printing, thereby cultivating new customers.

(CEO)

In line with increasingly severe global competition, both the semiconductor industry and the production equipment industry are realigning and growing more oligopolistic. Looking at the semiconductor industry, the top 10 semiconductor manufacturers currently account for 80% of capital investment. Members of the production equipment industry are realigning, as well, with business only being viable for companies that are in either the number one or number two position in each category. Furthermore, only the company at the top is able to generate sufficient profits.

(COO)

We currently hold the top share of the market for cleaning equipment, but we aim to expand this business and secure an overwhelming lead. We intend to expand our market share in such areas as back end of line (BEOL, an interconnecting process), where our presence is relatively small. As a manufacturer of cleaning equipment, this extension will allow us to offer a full product lineup.

Neglecting to invest heavily in technological development is tantamount to withdrawing from a market. Conversely, we believe that ample opportunities exist to further entrench our position through technological innovation.

(CEO)

Surviving in an increasingly oligopolistic semiconductor

production equipment industry will require us to expand our scale. During the past 10 years, the Dainippon Screen Group's position in the semiconductor production equipment industry has risen steadily. We currently rank sixth, and we intend to rise still higher. Achieving this will require us to forge business alliances with other companies and in some cases engage in M&A activity. We need to ensure that our financial foundation is strong enough to allow us to do so.

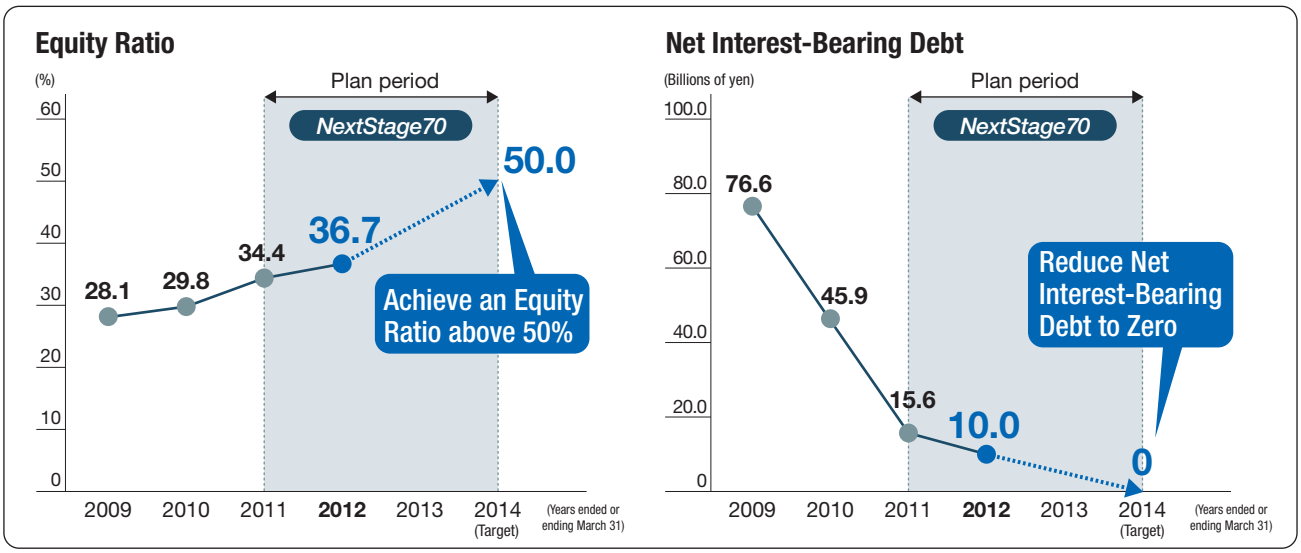
Q Would you explain your corporate governance and internal control initiatives?

A **We have in place a number of checking systems and strive to ensure conduct in line with our corporate ethics.**

(CEO)

Several corporate scandals involving Japanese companies that have come to light recently are drawing renewed attention to the state of corporate governance. In the past few years, we

▼ **Progress on the Three-Year Medium-Term Management Plan**



have strengthened our governance and risk management by establishing such bodies as the Internal Control Committee, Compliance Committee and Disaster Prevention BCM Committee. As our business grows more global, we are also concentrating on creating internal control and internal audit structures at our overseas locations. Simply speaking of "audit," though, is an oversimplification. I believe that it is important to take a broad-based view from a variety of angles, and audits need to be conducted repeatedly.

(COO)

In 1999, we introduced a corporate officer system to increase management efficiency and strengthen operational functions, and in 2002 we adopted an internal company system. To ensure a third-party perspective, we adopted a system of outside directors in 2000, and at present three of our nine directors are outside directors. Also, two of our four auditors are outside auditors, who work to ensure the appropriateness of business execution. In addition, our internal auditing organization that reports directly to the president was set up in 2009 to confirm the status of internal control throughout the Group. Their audits are thorough, extending even to business content.

(CEO)

In addition to strengthening internal control by building systems, we believe that it is important to establish a corporate vision for transmission throughout the entire Group. Ultimately, I believe that preventing scandals is all about corporate ethics. The Dainippon Screen Group formulated a Charter of Ethics and Rules of Conduct in 2002 to heighten management fairness and transparency. We communicate these organizational standards thoroughly to all divisions and business sites and strive to cultivate these as part of our corporate ethics and culture.

Q Please explain "Human resource development" in the context of your business globalization.

A **We aim to cultivate global leaders who can enhance mutual understanding in locations throughout the world.**

(CEO)

Exports account for nearly 80% of our sales, and of our some 5,000 employees on a consolidated basis, 1,600 of them work at overseas Group companies. Accordingly, we seek to strengthen human resources from a global standpoint. We endeavor to deepen our understanding of each of the regions and countries in which we operate, and we strive to cultivate leaders who have a global perspective.

To expand our business overseas, in places with different languages, cultures and business customers, it is important to foster mutual understanding by ensuring close communications between local and Japanese employees. As the Dainippon Screen Group's corporate vision of "Fit your needs, Fit your future" indicates, we aim to cultivate a deeper understanding and sense of collaboration with local employees throughout the world and build loyalty toward the Company.

In a difficult operating environment, we made steady progress on improving our financial structure.

During the fiscal year ended March 31, 2012, from a financial perspective, despite the problematic business environment we made steady progress toward the objectives of our medium-term management plan: an equity ratio of 50% and net interest-bearing debt of zero. My candid opinion as CFO was that our results were "passable."

We reduced net interest-bearing debt significantly, from ¥15.6 billion as of March 31, 2011, to around ¥10.0 billion as of March 31, 2012, putting our target of "net interest-bearing debt of zero" into our sights.

The improvement in the equity ratio was small, from 34.4% at the end of the previous fiscal year to 36.7% as of March 31, 2012. By holding down total assets, including accounts receivable and inventories, accumulating retained earnings and reducing debt, we expect to achieve our target "equity ratio of 50%" within two years. This target is aimed at reinforcing our financial structure to the point where we emerge victorious from competition with others in the industry.

However, while working toward the objectives of our medium-term plan, we will also need to continue investing aggressively for future growth. We are in the process of considering such factors as the next-generation semiconductor business, R&D investment to create the new businesses that will promote new growth and capital expenditures from the perspective of strengthening our BCP.

Given the lengthening European financial crisis and concerns about effects that this situation might have on the global economy, we recognize the need to become more financially responsive. Going forward, as we work to strengthen our financial structure further, we will continue making strategic investments from the standpoint of capital efficiency and targeting future growth.

Osamu Ryonai
Senior Managing Director
Chief Financial Officer (CFO)

(COO)
We dispatch employees in Japan to overseas Group companies for short periods of time and have in place a domestic MBA system. We conduct function-specific training and other training programs as part of our ongoing and persistent efforts to develop the next generation of management and cultivate global leaders to support each of our businesses.

Q What are your forecasts for the business environment and operating results during the fiscal year ending March 31, 2013?

A **We are simultaneously pursuing "offensive" and "defensive" strategies to achieve the objectives of our medium-term plan.**

(COO)
In the semiconductor equipment business, we expect customers to remain cautious with regard to capital investment, but at the same time we anticipate aggressive investments in response to circuit miniaturization. As a result, we forecast the same sales level as the fiscal year ended March 31, 2012.

Conversely, in the FPD equipment business we expect a major downturn in sales, as capital investment by panel manufacturers is expected to tail off.

In the media and precision technology business, we anticipate increased sales of POD equipment, owing to expanding global demand. We also look forward to higher sales of direct imaging system for printed circuit boards.

On the profit front, we expect unit sales prices to remain sluggish. We will continue with our cost-cutting activities to boost profits.

(CEO)
A leading producer of semiconductor memories went out of business this February, indicating just how difficult it is to judge future economic conditions and the market environment. Against this background, the fiscal year ending March 31, 2013, will be an important year for us, as it is the second year of our three-year medium-term plan, *NextStage70*. We will proceed carefully with our activities in each area—development, production and sales.

In addition to the "defensive" approach of shifting to low-cost management, we also need to pursue "offensive" strategies. All employees throughout the Group will continue putting all their energies into pursuing high levels of profitability and achieving the objectives of our medium-term plan.

Q What are your CSR policy and initiatives?

A **We aim to be trusted by all our stakeholders and will continue working to be a company of value.**

(CEO)
The Dainippon Screen Group aims to contribute to society through its core business. At the same time, we will work to fulfill our business-related social responsibilities, such as those related to compliance, environment, safety and quality. In this way, we aim to earn the trust of all our stakeholders and remain a company of value.

(COO)
Among the social responsibilities related to our core business, we will place special emphasis on the environment, health and safety. We have set forth four key measures to achieve as our roadmap for these activities, based on Green Value 21 Phase II, our medium-term strategy. They are "Develop technologies and products that help reduce environmental impact," "Promote workplace health and safety, "Preserve the environment and conserve energy at our factories and offices" and "Reinforce our environmental safety system."

In the fiscal year ended March 31, 2012, we formulated a business continuity plan (BCP) outlining our response to such crises as a large-scale earthquake or the outbreak of new strains of influenza. The Dainippon Screen Group had already created a BCP for the Semiconductor Equipment Company, but in the aftermath of the Great East Japan Earthquake that struck last year, we recognized the need to create a groupwide BCP. I am taking the lead on this BCP Formulation Project to review the Semiconductor Equipment Company's BCP, formulate the Incident Management Plan (IMP) modeled on Company headquarters and the Hikone Site and review our IT restoration plan. From the perspective of averting management risk, we acquired land in Kumamoto Prefecture that can be used in the future as an alternative production site. Beginning in the upcoming fiscal year, we will create BCPs for the FPD Equipment Company and the Media And Precision Technology Company as well, increase the number of sites covered by IMPs and extend our model to incorporate Group companies in Japan and overseas. In this manner, we will focus on business continuity management for the Group as a whole.

(CEO)
Going forward, we will continue communicating our philosophy of "Fit your needs, Fit your future" among employees throughout the world and putting sustainable management into practice. In this way, we will meet the expectations of our shareholders and all other stakeholders and fulfill our responsibilities. We ask for your ongoing understanding and support of the Dainippon Screen Group.

June 27, 2012

Akira Ishida
Chairman CEO

Masahiro Hashimoto
President COO

Semiconductor Equipment Company

Aiming to Increase Our Market Share further through Technological Development and Reforms to Our Business Structure

During the fiscal year ended March 31, 2012, the Semiconductor Equipment Company recorded sales of ¥167.5 billion, down 3.8% year on year. This performance reflected retained capital investment among semiconductor manufacturers to restrain capital investment, although sales benefited from manufacturers' robust investments toward miniaturization, led by mobile devices such as smartphones and tablets.

On the earnings front, operating income fell 51.6% year on year, to ¥13.6 billion. The decrease was attributable to such factors as R&D investment targeting next-generation products and higher personnel expenses related to our efforts to reinforce field service, particularly overseas, as well as a decreased profit ratio due to the fall in unit sales prices and changes in the product mix.

Q What is the current state of the semiconductor industries and the semiconductor production equipment industries?

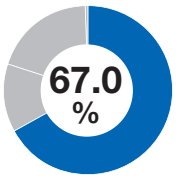
A **Our customers are growing more oligopolistic, making it more important than ever to achieve an overwhelming market share.**

Although some fluctuations exist, overall the semiconductor production equipment market continues to grow. Manufacturers' capital investment is robust, particularly spending that targets miniaturization. This situation is prompting higher sales of single wafer cleaning equipment, which has even more cleaning ability, constituting an increasing percentage of the Semiconductor Equipment Company's sales.

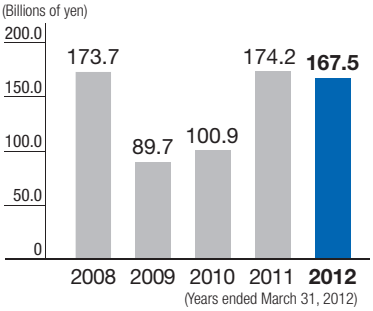
Furthermore, consolidation and realignments among our customers mean that our transaction volumes per customer are increasing. Accordingly, unsuccessful negotiations may have a significant effect on our performance, causing increased risks. We already maintain a leading share of the market for cleaning equipment. Nevertheless, to reduce risks we recognize the need to secure an overwhelming share of the market.

Tadahiro Suhara
President,
Semiconductor Equipment Company

▼ Composition of Net Sales
(Fiscal Year Ended March 31, 2012)



▼ Net Sales ¥167.5 billion



Q What were some of your major initiatives during the year ended March 31, 2012, and what is the state of progress on the medium-term management plan?

A **We are seeking to be proactive in reforming our business structure and targeting higher profitability.**

Working on a project that it has drawn up, the Semiconductor Equipment Company pushed ahead with more specific initiatives to achieve the goals set forth in the medium-term management plan. This project calls for us to transform our business approach, making proactive proposals instead of waiting passively for business opportunities. In addition to production functions, our approach concentrates on standardizing design and production processes, greatly reducing lead times, as well as the time required for installation and setup. With this we are seeking to develop our business where there is no place for another company, making active proposals that match customers' investment timing along with market conditions. Our *SU-3200* single wafer cleaning equipment is one example of this focus. Many of our principal customers have completed their evaluations of the *SU-3200*, and we have commenced full-fledged product introduction.

We also maintain our "frontier strategy" of brushing up existing technologies and targeting new markets. In line with this strategy, in the fiscal year ended March 31, 2012, we introduced the *DW-3000* direct imaging system, the Semiconductor Equipment Company's first product entered into advanced package market in semiconductor production process. In this market, we anticipate further developments related to Through Silicon Via (TSV) technology, an enabling technology that allows electrical connections to be formed through silicon wafers or multi-wafer devices. We aim to make steady inroads to gain ourselves a steady position in this field, as well.

Q How do you view the operating environment and what strategies will you pursue in the fiscal year ending March 31, 2013?

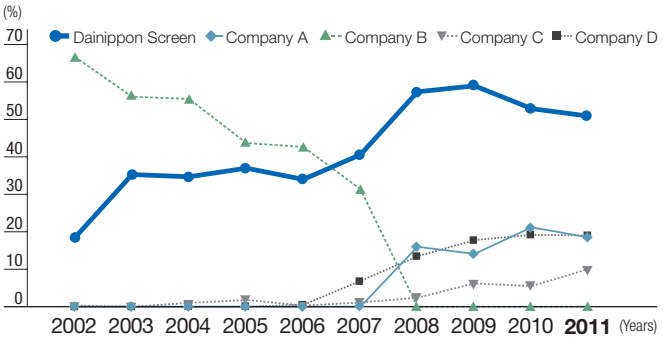
A **We will seek to expand our market share through higher sales of the *SU-3200*, boost profitability and increase our involvement in new markets.**

In the fiscal year ending March 31, 2013, we expect our principal customers to continue making investments toward miniaturization. Accordingly, we anticipate higher sales of the *SU-3200*, which has the advantages of being compatible with miniaturization and heightening throughput. This sales increase should bolster our market share and push up profits. In the fiscal year ended March 31, 2012, the *SU-3200* accounted for above 10% of our sales of single wafer cleaning equipment. We aim to increase this ratio.

In cleaning equipment, we believe that the Semiconductor Equipment Company has ample room to increase its market share in strategic products for back end of line (BEOL, an interconnecting process). We are developing such products and aim to secure a solid position in this area.

On the sales front, in April 2012 we reorganized our sales structure, shifting from a product-specific organization to one by area including an integration of a single sales division at SOKUDO Co., Ltd., a Group company. This division will oversee sales for each region—Japan, Taiwan, Europe and the United States, and East Asia. By making proposals and providing support tailored to the needs of customers in each of these regions, we will put into practice the Semiconductor Equipment Company's belief in contributing to customers' businesses.

▼ Market Share for Single Wafer Cleaning Equipment



Source: Gartner (March 2012)

TOPICS

New Products, the *SS-3200* and the *DW-3000*, Unveiled at SEMICON Japan 2011

In December 2011, we unveiled our *SS-3200* scrubber and *DW-3000* direct imaging system at SEMICON Japan 2011, one of the world's largest trade shows for semiconductor production equipment and materials, held at Makuhari Messe, Chiba, Japan. The *SS-3200* is a single wafer cleaning equipment that is the world's fastest scrubber-type cleaner[1] performing high-throughput cleaning at a rate of 800 wafers per hour and features high reliability. The *DW-3000* is an exposure system that is compatible with the layering of multiple wafers, a growing market trend. This system handles the exposure of complex 3D multilayer substrates while adjusting for warping and distortion of individual wafers (see pages 7 and 8).

1 As of November 2011, based on Dainippon Screen's research.

Our booth at SEMICON Japan 2011

FPD Equipment Company

Despite Difficult Operating Conditions, Aiming to Lower Our Breakeven Point and Achieve a Return to Profitability

During the fiscal year ended March 31, 2012, the FPD market was characterized by a global slowdown in demand for panels used in large-screen LCD televisions, but demand related to small- and medium-sized panels for mobile devices such as smartphones and tablets was firm. Accordingly, sales of coater/developers for mainstay LCD panels, which are the mainstay products of the FPD Equipment Company, concentrated on small- and medium-sized products.

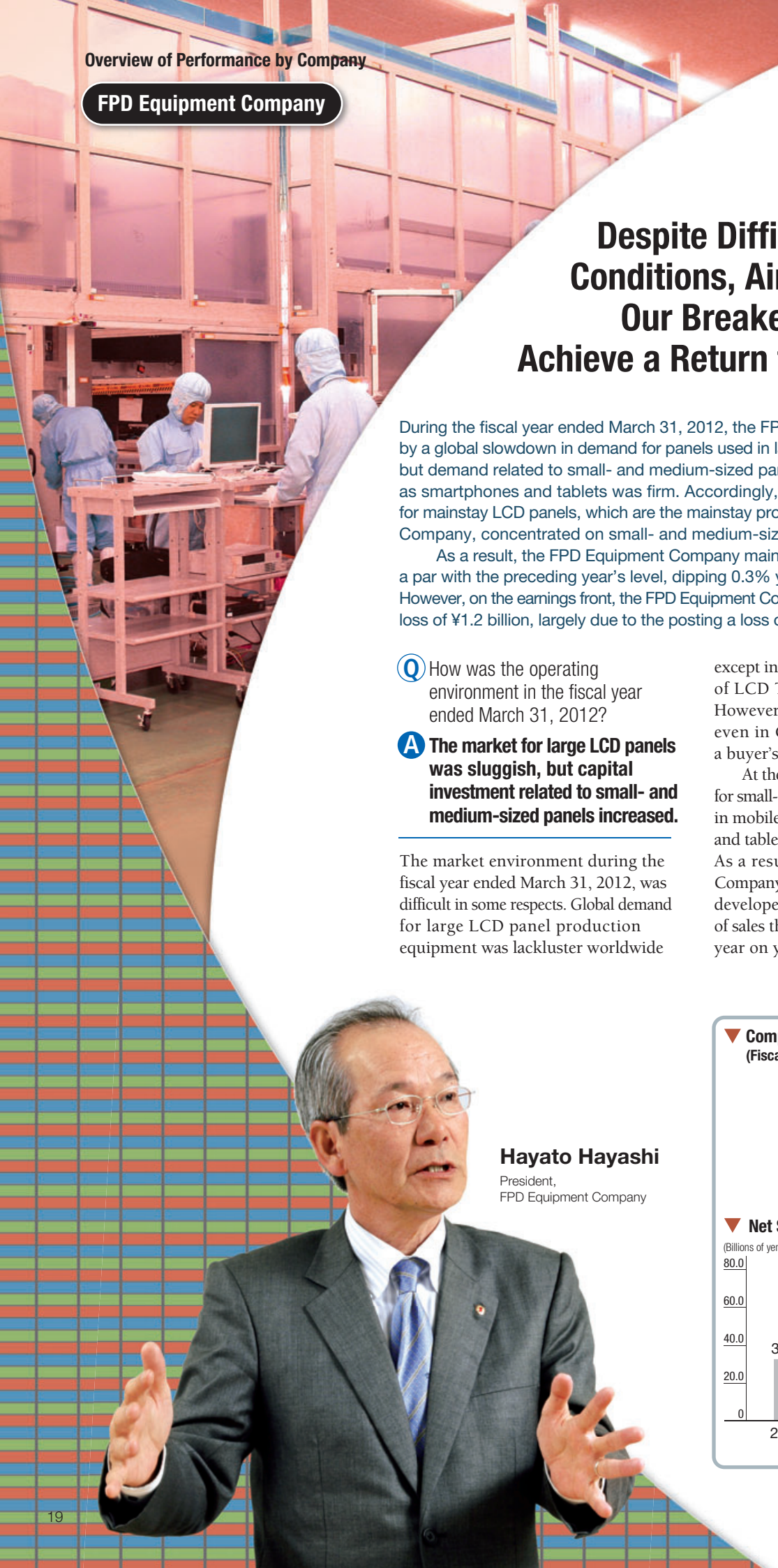
As a result, the FPD Equipment Company maintained net sales generally on a par with the preceding year's level, dipping 0.3% year on year, to ¥32.6 billion. However, on the earnings front, the FPD Equipment Company recorded an operating loss of ¥1.2 billion, largely due to the posting a loss on valuation of inventories.

Q How was the operating environment in the fiscal year ended March 31, 2012?

A **The market for large LCD panels was sluggish, but capital investment related to small- and medium-sized panels increased.**

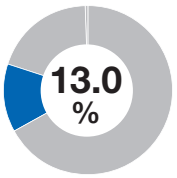
The market environment during the fiscal year ended March 31, 2012, was difficult in some respects. Global demand for large LCD panel production equipment was lackluster worldwide except in China, where the popularity of LCD TVs continues unabated. However, price competition was stiff even in China, which has become a buyer's market.

At the same time, capital investment for small- and medium-sized panels used in mobile devices such as smartphones and tablet computers remained robust. As a result, the FPD Equipment Company increased its sales of coater/developers, thereby ensuring a level of sales that was essentially unchanged year on year.

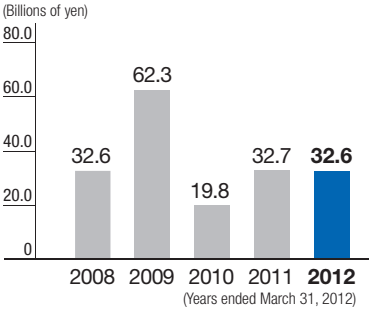


Hayato Hayashi
President,
FPD Equipment Company

Composition of Net Sales
(Fiscal Year Ended March 31, 2012)



Net Sales ¥ 32.6 billion



Nozzle printer for OLED

Q What were some of your chief initiatives during the fiscal year ended March 31, 2012, and how was progress on *NextStage70*?

A **Thanks to thorough efforts to curtail costs and rationalize operations, we lowered our breakeven point substantially.**

Amid challenging market conditions in the fiscal year ended March 31, 2012, we focused on reforming our business structure. We introduced thorough initiatives to curtail costs and rationalize our operations, reviewing activities from the design stage and expanding overseas procurement, significantly improving our variable cost ratio as a result.

We also shifted company departments focused on development in new fields to the Green Technology Development Center, which was established in October 2011. We introduced companywide initiatives to accelerate development of equipment related to new areas such as solar cells and lithium-ion batteries, which we have been challenging as post-LCD products. Accordingly, the FPD Equipment Company's development department has concentrated in particular on FPD production equipment and measurement systems related to LCDs and OLEDs. This shift reduced the number of employees in the FPD Equipment Company by around 70, lowering our fixed costs.

One aspect of our efforts to reinforce the business structure involved nozzle printers, which are used for coating OLED materials, in a development we are pursuing with DuPont of the United States. We made steady progress on resolving technological issues and made major strides toward commercialization.

Global expectations are high for OLEDs as next-generation displays, as they are superior in a number of ways—higher levels of brightness, better image quality and lower power consumption among them. Manufacturers have already commenced full-fledged use of these displays in small and medium-sized panels for such devices as smartphones. In recent years, panel manufacturers have begun investing aggressively in this area on the assumption that this technology is a winner for next-generation thin-screen televisions. Therefore, we continue working to step up development for this promising market from the upcoming fiscal year on. In the measurement system field, we are pursuing the development of measurement systems for thin film solar cells as a strategic product, and are targeting a product launch in the year ending March 31, 2013.

Q How do you see the operating environment for the fiscal year ending March 31, 2013, and what are your strategies?

A **We expect the challenging market environment to continue unabated and will focus on efforts to reduce costs aiming at returning to profitability.**

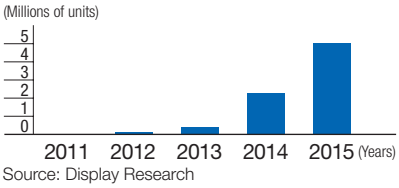
In the fiscal year ending March 31, 2014, capital investment in equipment for large LCD panels for the Chinese market is forecasted to rebound, and the market for small and medium-sized panels is expected to continue growing. As a result, we anticipate resurgence in the FPD market, although we believe that market conditions will remain difficult throughout the fiscal year ending March 31, 2013.

We have low expectations for capital investment in coater/developers for large panels in the fiscal year ending March 31, 2013. For this reason, we intend to push forward vigorously with investment negotiations on products for small and medium-sized panels, aiming to secure steady orders by leveraging our technological expertise and track record in this area.

We will also continue focusing on business structure reform. In particular, we plan to improve our variable production costs on coater/developers for small and medium-sized panels, which are a pillar of the FPD Equipment Company's sales. We will strive to hold down costs by reviewing products from the design stage, reducing the number of commercial components. In addition, we will reinforce price competitiveness further by stepping up overseas procurement, including from China.

Although we expect performance to be extremely difficult in the fiscal year ending March 31, 2013, we aim to achieve a return to profitability by lowering our breakeven point through cost reductions and ongoing reforms to our business structure. Furthermore, by introducing new products for markets, such as nozzle printers for OLEDs, we plan to increase the weight of our business in new fields. Through these efforts, we expect to begin staging a return to growth from the fiscal year ending March 31, 2014.

▼ Expected Increase in Unit Demand for OLED TVs

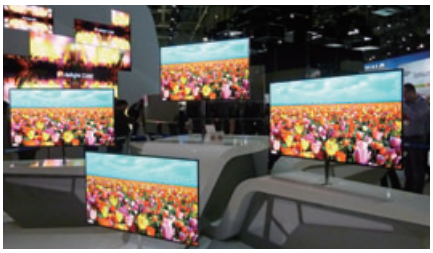


Source: Display Research

TOPICS

Aiming to Be an Innovator in OLED Production Equipment

OLEDs offer a number of advantages over LCDs: they are thinner and more lightweight, offer superior image quality and consume less power. For these reasons, technological development has been proceeding apace on OLEDs for the past several years, and expectations are high in a variety of fields. OLEDs are already being used in small displays for smartphones and other equipment that are currently on the market, and manufacturers have announced plans to introduce large-screen OLED televisions by the end of 2012. As sales of OLEDs televisions are expected to increase to around 5 million units by 2015, we see this as a market with massive potential. The FPD Equipment Company is accelerating the development to be an innovator in this market.



Large-screen OLED TVs displayed at CES 2012 (United States)

Media And Precision Technology Company

Working to Expand Sales of POD Equipment and Boost Competitiveness in CTP Equipment

In graphic arts equipment, during the year ended March 31, 2012, sales of POD equipment grew significantly, centering on overseas markets. However, sales of printed circuit board (PCB) related equipment declined, reflecting weak capital investment by PCB manufacturers.

As a result, Media And Precision Technology Company sales amounted to ¥49.1 billion, up 3.9% from the preceding fiscal year. On the profit front, thanks to efforts to hold down fixed and other costs, operating income improved significantly, to ¥2.3 billion, bringing us back into the black for the first time in three years.

Q How was the operating environment during the year ended March 31, 2012?

A **In developed countries, sales of POD equipment rose, as did CTP equipment sales in emerging markets.**

As the digitization of printing progresses throughout the world, the market of POD equipment are expanding favorably, particularly in developed countries. During the year ended March 31, 2012, we augmented the *Truepress Jet520* series—our mainstay in the POD equipment business—with high-throughput and monochrome models, in a bid to achieve a major increase in sales, concentrated on overseas markets.

By contrast, the market for CTP equipment is flat for the world as a whole, but it is growing in China, India and other emerging markets. Expansion in the Chinese market is particularly robust. During the year ended March 31, 2012, we achieved higher sales, notably in Asia, as the result of our introduction of models targeting emerging markets.

Katsuhiko Aoki
President,
Media And Precision
Technology Company

Composition of Net Sales
(Fiscal Year Ended March 31, 2012)

Net Sales ¥ 49.1 billion

Q Please describe some of your major achievements in the year ended March 31, 2012, and the state of progress on *NextStage70*.

A **We made a companywide effort to curtail fixed and variable costs, surpassing our cost-cutting targets.**

Our key focus was on lowering costs to put ourselves back in the black after two years of operating in the red. We revised our product lineup and made an all-out company effort involving all employees—in development, production and sales—to curtail fixed and variable costs through measures such as reducing lead times. As a result, we succeeded in lowering costs even more than we had planned. To reinforce our price competitiveness in CTP equipment, we expanded the floor space and tripled production capacity at DAINIPPON SCREEN MT CO., LTD. (MTMC), our Group company and manufacturing base in China. We also began conducting design locally for products aimed at emerging markets.

On the sales front, in addition to increasing sales of POD equipment we stepped up our efforts to propose solutions centered on the *EQUIOS* universal workflow. From order receipt through to prepress and printing, *EQUIOS* allows the integrated management and automation of multiple different devices, including those produced by other companies. These proposals led to higher sales of output equipment such as POD and CTP. Furthermore, we proposed "see-through specialty printing"[1] and other new applications and ramped up sales of UV inkjet printers produced by Inca Digital Printers, earning us enhanced recognition in the sign and display markets. To demonstrate the appeal of the company's integrated strength, including new products, we opened a showroom in Monzennakacho, Tokyo, and began making proposals to a broad-ranging base of customers. (Refer to the TOPICS section.)

In PCB-related equipment, we launched a strategic product in direct imaging, the *Ledia 5*, in November 2011. Featuring the industry's highest levels of productivity, this product should increase our sales in the direct imaging market, where demand is increasing for use in smartphones and higher-precision, increasingly miniature circuits.

1 Different design treatments can be used on the front and back surfaces of the glass to maintain legibility, facilitating impactful advertisements and effective rendering of space.

Ledia 5

Q How do you see the operating environment for the year ending March 31, 2013, and what will be some of your primary strategies?

A **In POD equipment, we will cultivate new markets outside commercial printing. We will also continue strengthening marketing of CTP equipment in emerging markets.**

In POD equipment, which includes our mainstay products, during the past four years we have shipped some 400 variable inkjet web printing systems. This level of sales gives us the industry lead, but we believe there is leeway to raise unit sales still further. Furthermore, we will cultivate demand in areas outside general commercial printing, such as packages and labels, packaging materials, films and exteriors. Our market initiatives for the year ending March 31, 2013, include the introduction of UV inkjet printers, such as the *Truepress JetL350UV* for printing labels and stickers and the *Truepress JetW1632UV* for large signs and displays.

With regard to CTP equipment, we will enhance our strategies targeting emerging markets. In the year ending March 31, 2013, we plan to launch the first product developed locally by MTMC staff, and we will move forward with product development there in response to market needs. We will also open our first representative office in India, using this as a base for local marketing and reinforcing our support for our agencies there.

For PCB-related equipment, we will introduce a high-end product in our series of direct imaging system. Through alliances with materials manufacturers, we will also reinforce our sales structure targeting key Asian markets.

As a consequence of these initiatives, we anticipate higher sales and profits in the year ending March 31, 2013.

Truepress Jet SX

TOPICS

Bolstering Solution Proposals via WHITE CANVAS MON-NAKA

In September 2011, we opened the doors to WHITE CANVAS MON-NAKA in Koto-ku, Tokyo. This showroom is designed to serve as a place that demonstrates our company's ability to propose comprehensive solutions related to POD equipment, as well as a location that customers can visit to experience our offerings first-hand. Featuring integrated production processes spanning POD equipment data processing to post-press processes, the facility will enable us to verify and resolve some of the numerous issues the printing industry faces. Going forward, we will also revamp our showrooms in other locations—the United States and the Netherlands—enhancing their appeal as a source of information. We will also seek to use them as a place to expand partnerships by proposing new solutions, moving forward with our efforts to cultivate new markets on a global basis.

WHITE CANVAS MON-NAKA

Taking on the Challenge of Creating New Businesses Targeting the Energy Field, for Which Market Growth is Expected

The basis of Dainippon Screen's technology development strategy is to leverage technologies cultivated through existing businesses aimed at expanding business fields. In the fiscal year ended March 31, 2012, we established the Green Technology Development Center and have been pursuing new technologies as part of our ongoing quest to create new businesses that will underpin sustainable future growth.

Our R&D Framework as a Technology-Driven Company

Technological expertise is Dainippon Screen's strongest lifeline. Located throughout the Group are a rich variety of research and development departments pursuing a host of objectives, themes and methods of approach.

Dainippon Screen has three internal companies — Semiconductor Equipment, FPD Equipment, and Media And Precision Technology. Each has its own R&D department, which works on a daily basis to satisfy customers' needs by improving existing products and developing the next models. The Research & Development Center (WHITE CANVAS RAKUSAI), meanwhile, concentrates on the elemental technologies that support the three companies' efforts and on developing next-generation technologies to solve challenges in leading-edge technology fields and create new business. This approach has supported numerous product and technology successes for our businesses, such as the single wafer cleaning equipment that has become a mainstay for the Semiconductor Equipment Company. The center is currently concentrating on the application of printed electronics technologies to such growth markets as mobile phones and tablets, and on technology developments in energy—a field that will involve global challenges in the 21st century. To strengthen our development in the energy field, we have established the Green Technology Development Center during the current period, aimed at the early commercialization of technology in this field.

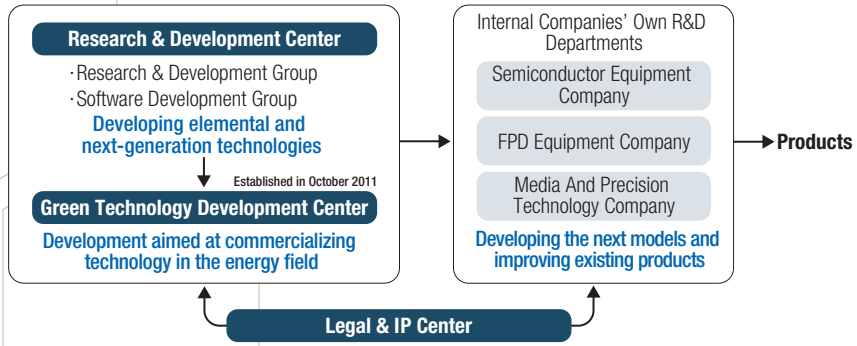
Proactively Pursuing Industry–Academia Collaboration and Globalization

In addition to in-house technology development, Dainippon Screen is proactively collaborating on research with other companies, as well as universities and research institutions, and is involved in around 20 joint research themes each year.

In October 2011, our joint research with Osaka University resulted in the world's first success on visualization of instantaneous power generation within a solar cell, with detection of the terahertz waves generated by projecting a laser beam onto a solar cell for an extremely short time. This technology should play a role in boosting generation efficiency, and we will conduct further research as we move toward commercialization (see figure at right).

Dainippon Screen also began joint research with Tokyo Metropolitan University in 2008 to promote the development of technologies involving lithium-ion secondary batteries with 3D

▼ R&D Framework



structures. This research involves the application of proprietary coating technology (nozzle dispensing technology) capable of manufacturing high-speed charge-discharge and high-capacity secondary batteries. This success was announced to the Electrochemical Society of Japan in March 2012. (See figure at right.)

Dainippon Screen is also conducting R&D overseas with the aim of globalizing its business. We dispatch engineers to international research institutions, such as the University of Cambridge in the United Kingdom, Stanford University in the United States and IMEC in Belgium. In addition to pursuing industry–academia collaboration to expand the global scale of our research activities, we promote technology exchanges with overseas Group companies and are expanding the offshore development of software in countries such as India and Vietnam.

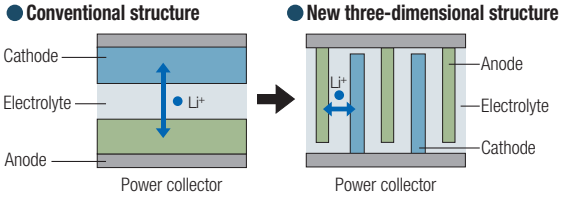
Development Case Study 2

Using Coating Technology to Realize Three-Dimensional Electrodes

Dainippon Screen' s joint research with Tokyo Metropolitan University involves three-dimensional secondary batteries. Transforming the secondary battery electrodes on a typical planar structure into a three-dimensional structure with surface irregularities enables the space between electrodes to be reduced. This also allows the electrode surface area to be increased substantially, paving the way for high-speed charging and discharging. The key to this development lies in the ability to coat irregular surfaces having a high aspect ratio (ratio of width to height) with electrode materials. The researchers aim to use the nozzle dispensing technology that Dainippon Screen has cultivated to realize three-dimensional electrodes.

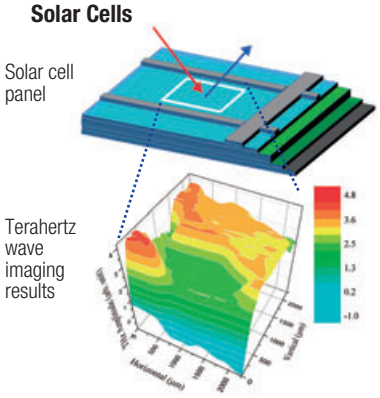
Commercialization of this technology could result in batteries that are lightweight and can be charged in a short time. Such batteries might be used in mobile phones and tablet PCs, as well as electric vehicles having a substantially longer travel range.

▼ Conceptual Rendering of 3D Structures



Lithium-ion battery prototype, with laminated pouch structure

▼ Terahertz Waves Enable Visualization of Instantaneous Power Generation in Solar Cells



Establishment of the Green Technology Development Center

In October 2011, Dainippon Screen established a new research organization, the Green Technology Development Center. The center's major objective is the early creation of the new businesses spelled out in our medium-term plan. Leveraging the Company's core technologies (coating technology that employs *Linearcoater*™ and other nozzle dispensers), the center will target the energy field, which has become a growing market emphasis in recent years. We will pursue the creation of this fourth pillar of operations, pushing forward with new technology developments with a view to commercialization within three to five years.

Currently under development are FPD production equipment using *Linearcoater*™ technologies to manufacture thin-film solar cells and lithium-ion secondary battery electrode coating and drying equipment. Going forward, the center will seek to create new businesses by cultivating new possible applications to Dainippon Screen's technologies throughout the energy field, including generation, storage and smart grids.

Development Case Study 1

Applying Printing Technology toward the Low-Cost Production of Electronic Paper

One development theme that the Research & Development Center has pursued in recent years is printed electronics technology. This approach harnesses Dainippon Screen's core technologies in printing and electronics to dramatically reduce material and energy requirements, which we believe will help to cultivate new market opportunities.

One application for this technology is in the production of display devices (electronic paper, or e-paper) that allow ultrafine text to be easily displayed and rewritten. Compared with previous production methods, forming transistor circuits by printing them onto a plastic substrate requires fewer resources and greatly simplifies the manufacturing process, substantially reducing energy costs. If mass production and lower prices were achieved, this technology could lead to the popularization of electronic paper having extremely low power requirements.

Electronic paper prototype
Provided by Sony Corporation

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

Promoting Our Business Foundation Globally

To ensure its provision of overall benefits to shareholders and other stakeholders, the Dainippon Screen Group is endeavoring to strengthen its corporate governance framework and enhance a thorough internal control function, with the aim of greater management transparency, more soundness and higher efficiency. As we expect our operating environment to grow increasingly global, we are concentrating on preparing the necessary foundation. For example, we are promoting compliance at overseas Group companies, reinforcing information security and risk management, and rolling out to Group companies overseas the environmental, health and safety (EHS) management system that we have developed in Japan.

Basic Policy

Striving for Management Transparency, Soundness and Efficiency

The Group considers "Strengthened Corporate Governance," "Enhanced Internal Control Functions" and "Environmental and Safety Management" to be management priorities.

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

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. Furthermore, in April 2002 the Group introduced an internal company system and established the Management Committee as the Group's highest operational decision-making body. The Management Committee comprises the standing directors, corporate officers, company presidents and general managers of centers that handle R&D and business services. In principle, the Management Committee meets twice a month.

Furthermore, the Company has established the Consolidated Management Committee 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 legitimate execution of business.

Internal Control System

Conducting Internal Audits at All Group Companies

In line with our business philosophy of "Sharing the future," "Human resource development" and "The pursuit of technology," we consider it our corporate social responsibility to forge relationships of trust with our stakeholders, including shareholders, customers, investors and local communities. We also comply with legal statutes and societal norms, and conduct business in a highly moral manner.

Based on this fundamental stance, we have systems in place to address information security, risk management, the efficient execution of business by directors, and compliance. The Group Auditing Department evaluates these internal control structures and their status of operation on this basis. During the fiscal year ended March 31, 2012, in its audits of key divisions the department audited Group companies in North America and China. During the year, we also conducted audits of all 44 Group companies with regard to their management of cash and deposits, management of credit, and Group company governance. The audited entities are following up and making improvements where issues were identified.

We also formulated the Dainippon Screen Group Internal Control Design Principles for Financial Reporting, which we are using to construct a system for ensuring the reliability of financial reporting.

Information Security

Preparing Awareness Tools in English and Chinese, and Distributing Them to Employees at Overseas Group Companies

The Dainippon Screen Group has established Regulations for the Management of Confidential Sales Information, which cover the handling of confidential information between Dainippon Screen and its customers; Information Security Management Regulations, for information systems managed by the Company; and other regulations with similar content. Where necessary, Group companies and departments are acquiring certification for information security management under ISO/IEC 27001.

During the fiscal year ended March 31, 2012, we introduced certain revisions to the Regulations for the Management of Confidential Sales Information to facilitate application of the PDCA cycle to information management. The Guidelines for Securing Confidential Information and Trade Secrets were accordingly revised to reflect the revisions in internal policies, and behavioral guidelines were added to address information management in everyday operations. We also prepared English- and Chinese-language versions of the Securing Confidential Information and Trade Secrets Handbook, which had previously been drafted in Japanese, and distributed it to employees at overseas companies.

With regard to education, we conducted basic training for new employees one time and conducted training three times to ensure thorough commitment to the management of confidential sales information. We also used e-learning to provide training on information systems to Group companies in Japan and contractors with internal access. Overseas, we held seminars at three Group companies in North America concerning the management of information and intellectual property rights.

Going forward, we will continue conducting periodic checks on the status of confidential sales information management at the Company's principal sites and will ensure that contractors with internal access receive thorough guidance. We will roll out a groupwide certification platform to ensure that security levels are consistent throughout the Group.

Risk Management

Promoting Group Risk Management

After recognizing the various risks that could affect the management of the Dainippon Screen Group, we seek to prevent incidents and accidents from occurring. We have also formulated the Principles for Dainippon Screen Group Risk Management to set forth basic policies outlining measures for recovering from incidents and preventing recurrence, thereby maintaining operational continuity in the event that risks do materialize that have the potential to affect our corporate management.

We have also prepared and are implementing Risk Management Operating Rules at each Group company for specific risk management developments (clarifying structures, roles and responsibilities and promoting awareness) in accordance with this outline.

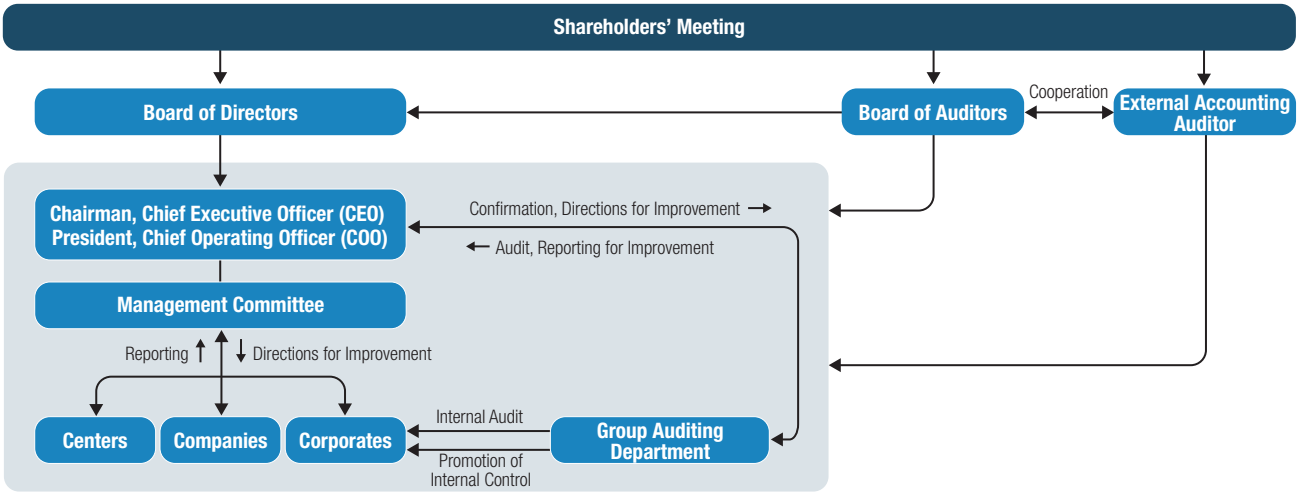
Promoting its risk management functions, the Group maintains a variety of committees, including an Internal Control Committee chaired by the president, a Compliance Committee, a Disaster Prevention BCM Committee, a Screen Group EHS Steering Committee, an IT Committee, a Committee for the Protection of Trade Secrets and a Timely Disclosure Committee.

Preparing for Disaster by Creating Business Continuity Management Regulations

Having experienced the Great East Japan Earthquake, on May 1, 2012, we put in place companywide Business Continuity Management Regulations and Bylaws, with a renewed emphasis on business continuity management (BCM). To ensure that we are able to restore key operations speedily and ensure operational continuity in times of crisis, such as when disaster strikes or an accident occurs, we have established business continuity plan promotion, management and implementation systems. At the same time, we have made initial arrangements for our headquarters and the Hikone Site in the event of disaster.

We will also formulate initial arrangements outside headquarters and the Hikone Site and will work to make the content of these provisions more effective.

▼ **Corporate Governance Organization**



Compliance

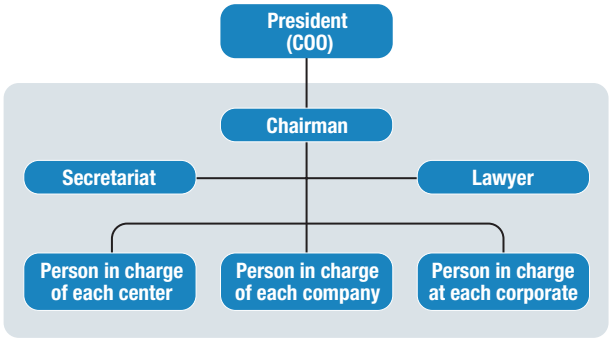
Constructing a Global Compliance Promotion Structure

The Dainippon Screen Group formulated a Charter of Ethics in 2002, laying out the universal principles by which it expects all directors and employees to comply with legal statutes and abide by social norms, as well as a Code of Conduct. Our Charter of Ethics comprises eight standards, including "Abiding by laws and ordinances," "Contributing to society" and "Respecting human dignity," and the Rules of Conduct spell out specifically how to apply these ethics to everyday operations.

At the top of the Group's compliance promotion structure is an executive in charge of compliance affairs, below whom are Compliance Committee members in charge of compliance at various corporate departments, internal companies and centers. The committee operates in accordance with legal advice provided by an attorney.

The Group Auditing Department, which reports directly to a representative director, conducts internal audits on the status of legal compliance and adherence to corporate ethics. Follow-up audits confirmed that issues identified in the initial internal audits had been resolved.

▼ **Compliance System**



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

To ensure that each and every employee understands the Charter of Ethics and Code of Conduct and can apply them in business activities, we have created a Business Ethics 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 and communicate this message throughout the Group. To reflect regulatory revisions and changes in social conditions during the fiscal year ended March 31, 2011, we have now published this handbook in its third edition and distributed it to directors and employees throughout the Group, in Japan and overseas, to reconfirm compliance awareness.

In the fiscal year ended March 31, 2012, we also prepared English- and Chinese-language versions of the handbook, which was distributed to all employees at overseas companies.

Business Ethics Handbook, in English and Chinese

Activities to Promote Compliance at Overseas Group Companies

During the fiscal year ended March 31, 2012, we concentrated on activities to promote compliance at overseas Group companies. We appointed compliance officers to promote compliance at all overseas Group companies and worked with attorneys conversant in local laws to compile compliance checklists. Attorneys and people in charge of compliance at headquarters also interviewed compliance officers regarding the results of these checks. The results of these checks were used to highlight potential issues.

Overseas Group companies first submit a compliance report to headquarters. Based on this information, headquarters clarifies actions that need to be taken.

Corporate Ethics Help Line Established in Europe

We have set up a Corporate Ethics Help Line for directors, employees, temporary workers and employees of business partners within Dainippon Screen Group in Japan, allowing contact via telephone, facsimile and e-mail. To facilitate communications, we have set an outside legal office as the help line's point of contact, and the reporting system uses a dedicated website to protect anonymity. To encourage use of the help line, we provide publicity through posters and portable cards.

In the fiscal year ended March 31, 2012, we set up a point of contact for Group companies in Europe in August. Taking cultural differences into account, we are also considering measures for the United States and China.

Help line awareness poster

Enhancing Compliance Education

Dainippon Screen cultivates an understanding of compliance through new employee education, meetings at each work site and at times of promotion, via lectures and e-learning.

In the fiscal year ended March 31, 2012, Dainippon Screen and its Group companies in Japan conducted lectures covering such topics as appropriate contracting and temporary employment, the Subcontract Act, and information management and insider trading regulations. More than 400 employees throughout the Group attended these lectures.

Turning to overseas Group companies, we regularly have consulting attorneys conduct legal lectures at DAINIPPON SCREEN MT CO., LTD. (MTMC), our subsidiary in China. We also hold various other lectures, as necessary, taking current social conditions into account.

WEB
- Charter of Ethics
- Purchasing Basic Policy, CSR Procurement Standards
- Actual and Planned Purchasing
- Purchasing Department
- Procurement EC

Fair Transactions

Openness and Fairness Central to Our Procurement

Dainippon Screen was an early adopter of an Internet-based electronic procurement system that has made our order placement process more visible and ensures that transactions are speedy and fair. In the fiscal year ended March 31, 2012, we conducted a seminar on electronic data interchange (EDI) as one aspect of our education on the purchasing function.

In September 2011, we held a seminar for 21 participants covering the Subcontract Act, including the gist of its enactment and operation, its scope of application, and responsibilities and prohibited items for a company outsourcing work to subcontractors. We introduced past case studies and covered practical application. To ensure thorough compliance with the Subcontract Act, we also conduct voluntary inspections of transactions. In the fiscal year ended March 31, 2012, we updated our list of subcontractors and inspected terms of payment.

Going forward, we plan to cover compliance even more thoroughly as part of our education on the purchasing function, and—learning a lesson from the Great East Japan Earthquake—strengthen our supply chain in an effort to prevent supply disruptions.

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

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 May 2011, we held informal discussions with key suppliers in the fields of design, software, assembly, commercial sales, processing and distribution, attended by 221 companies. On the day, the president of Dainippon Screen and internal company presidents described operating performance for the Group and each individual company, and explained our directions for the fiscal year ending March 31, 2012. Awards were presented to four companies that delivered outstanding value engineering[1] proposals. Furthermore, we invited nine suppliers to our Best Partner 2011 party, which is held every December, in recognition of their high levels of contribution. This party provided a chance for interaction among these companies, Dainippon Screen's president, the three internal company presidents and the heads of purchasing at internal companies.

1 Value engineering: The technique of maintaining product quality and functionality while lowering costs.

Setting CSR Procurement Standards and Promoting CSR Procurement

Dainippon Screen introduced CSR procurement in April 2012 as part of its efforts to promote CSR initiatives through interaction with its suppliers and to enhance corporate value mutually. CSR procurement standards were publicized on our website. Dainippon Screen itself complies with CSR standards and asks suppliers to do likewise.

In the fiscal year ending March 31, 2013, we conducted a survey of some 200 key suppliers to determine the state of compliance with CSR Procurement Standards. Survey items were taken from a check sheet in the Japan Electronics and Information Technologies Association (JEITA) supply chain CSR promotion guidebook, which meets EICC[1] requirements, covering all items: general social responsibility (CSR) promotion, human rights and labor, occupational health and safety, the environment, fair trade and ethics, quality and safety, information security, and contributing to society.

1 Electronic Industry Code of Conduct (EICC): A code that outlines standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible.

Disclosure

Providing Accurate, Timely and Easily Understandable Disclosure

We make the utmost effort to reflect feedback from our shareholders and investors in Company management while communicating our Corporate Vision, status of operations and financial content in a precise, timely and easy-to-understand fashion.

During the fiscal year ended March 31, 2012, we held various presentations, seminars and events, and worked to increase our frequency of face-to-face communications with Japanese and overseas analysts and investors. Accordingly, face-to-face interviews numbered approximately 400, marking an increase of more than 20% from the preceding term and underscoring our efforts to enhance dialogue-based IR activities. We are also widening the scope of our IR activities, such as by holding a factory tour for individual investors, an activity that we have performed frequently for institutional investors in the past.

Our information disclosure activities include the publication of annual reports and investor guides. We also publish a quarterly Japanese-language shareholder newsletter,


Individual investor presentation

Dialogue-Based IR Activities in the Fiscal Year Ended March 31, 2012

- Earnings presentations—4
- Overseas IR activities—5
- Institutional investor events—9
- Plant tours for Institutional investor—4
- Plant tours for individual investors—1
- Individual investor presentations—6
- Meetings with institutional investors/analysts—approximately 400

SCREEN NOW, containing messages from top management and responding to shareholder questions. 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, 2012, we augmented this site by providing notice of electronic versions of Annual Shareholders Meeting reports and stock information.

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

IR sitemap screen

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.

Environment, Safety and Quality Management System

Green Value 21 Development

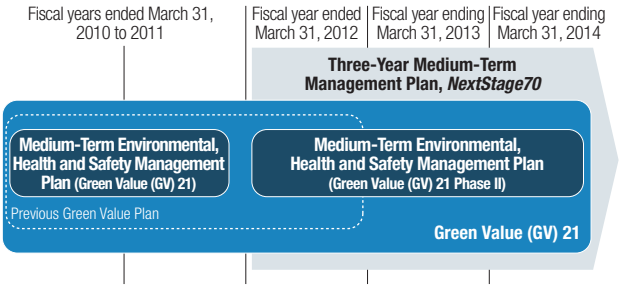
The Dainippon Screen Group's CSR initiatives prioritize the environment, safety and quality. In March 2009, we formulated a medium-term plan for the fiscal years ending March 31, 2010 to 2012, Green Value (GV) 21, with three themes: environmental conservation focusing on curbing global warming, occupational safety that minimizes occupational injury risks attendant to larger product sizes, and health management suited to increasingly diverse forms of employment. This plan marks the start of our efforts to introduce comprehensive management throughout the Dainippon Screen Group.

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 move, in July 2010 the Rakusai Site obtained draft-version international energy MS certification (ISO/DIS 50001) related to energy savings for the first time in the world. As of March 31, 2012, our six main sites had obtained this certification. 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 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 launched GV21, Phase II, in line with our three-year medium-term business plan, *NextStage70*, that commenced

Green Value 21



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

Green Products and Technologies

Develop technologies and products that help reduce environmental impact.

- Reduce by half the environmental impact of our products at customer sites by the fiscal year ending March 31, 2016 (compared with levels for the fiscal year ended March 31, 2010).
- By the end of the fiscal year ending March 31, 2016, eliminate the use in our products of prohibited substances (employ alternatives).

Safety and Health

Promote workplace health and safety.

- Eliminate all incidents resulting in four or more days of lost work.

Green Factories and Offices

Preserve the environment and conserve energy at factories and offices.

- By the end of the fiscal year ending March 31, 2016, the amount of energy consumed at business sites by 6% (reduce with levels for the fiscal year ended March 31, 2010, on a unit basis).

CSR Management

Reinforce our environmental safety system.

- Establish a global EHS audit system.
- Incorporate business continuity into EHS management.

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 on four long-term commitments (refer to the figure on page 29). While defining specific targets to be achieved by the fiscal year ending March 31, 2016, we have begun working toward more detailed medium-term targets to be met by the fiscal year ending March 31, 2014.

Progress toward Medium-Term Objectives of GV21, Phase II

Toward our goal of reducing by half the environmental impact of our products at customer sites, for each fiscal year we set reduction targets for energy consumed and volatile organic compounds (VOCs). We reached these objectives for the fiscal year ended March 31, 2012.

Regarding the goal of eliminating the use in our products of prohibited products by employing alternatives, we have eliminated nearly all RoHS-designated substances from printing and prepress equipment, but we are still working find alternatives on other products. Our target is to employ alternatives to substances that will require authorization under the REACH regulation from 2015.

Addressing the goal of eliminating all incidents resulting in four or more days of lost work, we conducted thorough education, as well as inspection tours, and operated a qualification system. However, as two such incidents occurred during the year, we will continue working toward our target.

We achieved our CO_2 reduction target for the amount of energy consumed at business sites during the fiscal year (emissions per unit of production of 22.8 metric tons / 100 million yen).

Going forward, we will commence in earnest the operation of a REACH-compliant system for managing the substances contained in our products, implement the medium-term plan to reduce energy, perform audits based on Control Self Assessments (CSAs) for voluntarily evaluations, and conduct education and training on health and safety. Through measures such as these, we aim to reach the targets for our priority action plans.

Strengthening EHS Internal Audits Globally

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. To strengthen these activities, internal companies, divisions, centers and Group companies in Japan are now organized into lines reporting to the EHS Executive, who is the EHS Management Supervisor. Also, the Representative EHS Manager assigns personnel in charge of the environment, safety and occupational health. This manager works with the EHS Executive to promote integrated management of the Group.

To heighten operational efficiency, internal audits are integrated into EHS internal audits. As a result, during the fiscal year ended March 31, 2012, EHS internal audits were performed on 34 organizations. These audits represented a 30% reduction in overall auditing time and total number of auditing personnel, compared with audits conducted in the pre-integration system.

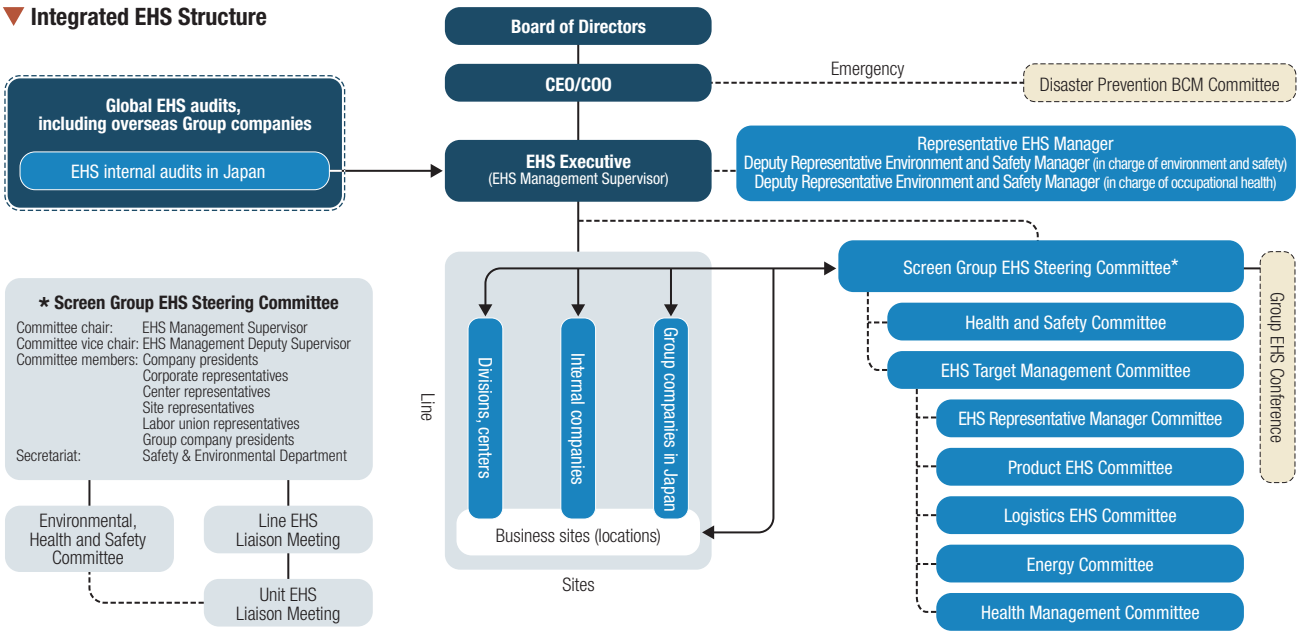
We also plan to hold audits at overseas Group companies, in the aim of extending out the EHS system globally. We plan to create a global auditing system by March 31, 2013.

Local Community Contribution Activities

Conducting Numerous Activities to Cultivate the Next Generation and Beautify the Environment

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

▼ Integrated EHS Structure



WEB
• Basic Policy of Social Contribution Activities
• External Assessment Results

At our sites throughout Japan, we strive to develop the next generation of talented employees by offering site tours to elementary school students. We also conduct activities to beautify the areas surrounding our business sites. Many ongoing activities such as these are conducted every year.

We began participating in the Kyoto Children's Manufacturing Business program in the fiscal year ended March 31, 2011, and we continued these activities during the current term. We hosted a total of 178 students from four municipal elementary schools in Kyoto, offering them a course entitled "Printing Technology Changing the World." Using slides to introduce the history of printing technology and its mechanism, we used a puzzle of a photo that had been separated into four colors to help them learn how printing works, providing educational content that would interest them in the world of printing, as well as in our business.

Elementary school students intent on puzzle

▼ Principal Activities

Developing the next generation of talented employees
- Cooperated with Kyoto Manufacturing Workshop courses (four courses)
- Held lecture on the "Practical Theory of Corporate CSR" at Graduate School of Policy Science Ryukoku University.
- Lectured at the Ritsumeikan High School's Rits Super Science Fair 2011
- Hosted tour of WHITE CANVAS MON-NAKA showroom (social studies tour)
- Lectured at an economics course laboratory for the Cosmos Course at Sagano High School

Commitment to local communities and cultural inheritance
- Participated in the Cool Kyoto exhibition
- Participated in the Cherry Tree Rejuvenation Project at the Kyoto Botanical Gardens

International exchange
- Participated in TABLE FOR TWO (headquarters, Hikone Site)
- Participated in collection of PET bottle caps

Social welfare
- Provided employment support for people with disabilities through snack sales at our Hikone Site cafeteria

Sports and culture
- Posted signboard for the Kyoto Sanga F.C. Field

Environmental conservation
- Held cleanup along a river in Takamiya-cho, Hikone (Ota River)
- Monthly participation in Ohmi Eco-Foster
- Conducted beautification activities near our sites (headquarters, Kumiyama, Rakusai, Yasu, Hikone, others)

SRI Index Involvement

Selected for Inclusion in FTSE4Good since 2004

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

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.

Establishing the Overseas Support Group and Initiating Reform

Overseas sales account for nearly 80% of the total for the Dainippon Screen Group, non-Japanese employees number more than 1,500, and one-third of Group employees work outside Japan. This situation highlights the growing importance of our globalization of people, things, money, information and compliance. Recognizing this phenomenon, we have made enhancing our global business foundation a pillar of *NextStage70*, our three-year medium-term management plan. The plan calls for us to strengthen risk management, develop global resources, and enhance our finance, accounting and IT strategies.

Within our Business Service Center (BSC), the management organization in charge of supervising these actions, during the fiscal year ended March 31, 2012, we established the Overseas Support Group and moved ahead on a number of initiatives.

For example, on the compliance front we strengthened relations with overseas Group companies and legal offices to ensure compliance with individual countries' laws and to better understand local employees' attitudes and customs. We are promoting activities in Asia and Oceania, following those in Europe and the United States. In some overseas locations, we conducted health checks for all employees and enhanced our mental health support. In the future, we plan to conduct overseas training for management personnel as we concentrate on developing global human resources.

As we work to enhance our global business foundation, it will be essential to internalize the cultures and attitudes of people in different countries. Going forward, we will communicate closely with overseas Group companies as we introduce far-reaching reforms, in an aim to anticipate the issues that are likely to arise.

Shin Minamishima
Director
General Manager of
Business Service Center

Directors

(As of June 27, 2012)

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, Security Export Control, Legal and IP

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

Eiji Kakiuchi
Director
Chief Officer of Corporate Communications, IR, GPS 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 Renault S.A.S.
Director of Fidelity International Limited

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

Corporate Auditors

Tatsuo Miyawaki
Senior Corporate Auditor

Kazuya Noguri
Corporate Auditor

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

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

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

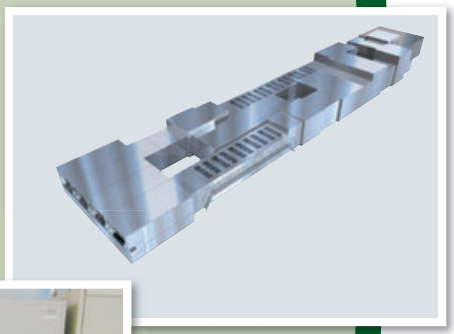
Executive Officers

Senior Corporate Executive	**Tadahiro Suhara**	President of Semiconductor Equipment Company
Corporate Executive Officers	**Hayato Hayashi**	President of FPD Equipment Company
	Katsutoshi Oki	Deputy General Manager of Business Service Center
Corporate Officers (Senior)	**Soichi Nadahara**	Vice President of Semiconductor Equipment Company Deputy General Manager of Research & Development Center
	Toshio Hiroe	General Manager of the Green Technology Development Center Deputy General Manager of Research & Development Center
Corporate Officers	**Shunichi Kadowaki**	Deputy General Manager of Development & Manufacturing Management Division Vice President of Semiconductor Equipment Company
	Katsumi Shimaji	Deputy General Manager of Development & Manufacturing Management Division
	Hisao Nishizawa	General Manager of Development & Manufacturing Management Division
	Masahiro Tateyama	General Manager of Management Operational Division
	Hitoshi Yamamoto	Vice President of FPD Equipment Company
	Kimito Ando	Deputy General Manager of Business Service Center
	Katsuhiko Aoki	President of Media And Precision Technology Company
	Masato Goto	Vice President of Semiconductor Equipment Company

Environmental Conservation

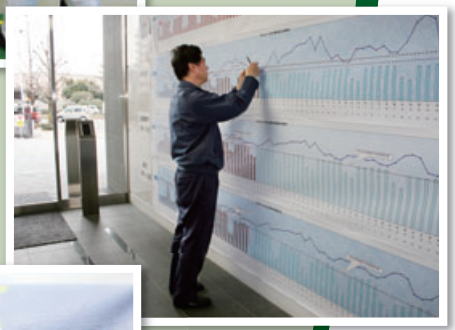
We are reducing the environmental impact of products and manufacturing activities.

The Dainippon Screen Group actively contributes to its customers' environmental efforts by pursuing products that are kind to people and the planet. By reducing CO_2 emissions from our manufacturing activities, the amount of chemicals we use and emissions from product use, we are working to lower the environmental impact of both our products and our manufacturing activities.



SK-2200G coater/developer, which is certified as a Green Product

Separating trash at Dainippon Screen MT Co., Ltd. (MTMC), a Dainippon Screen Group company in China



Bar chart in front of the Headquarters General Affairs Department depicting electricity savings

Receiving the Ministry of Land, Infrastructure, Transport and Tourism, Maritime Bureau Chief Award for our contribution to modal shifts

Reducing the Environmental Impact of Our Products

Increasing Green Products to 80% of Total Group Sales

Dainippon Screen has designated products that meet its own assessment standards as Green Products. We disclose their environmental performance on our website, and work to increase sales of these products.

Adding *SU-3200* single wafer cleaning equipment to its list of certified Green Products, in the year ended March 31, 2012, the Semiconductor Equipment Company raised its Green Product sales percentage to 77%. Currently working to raise this percentage above 80%, *SS-3200* single wafer cleaning equipment (see page 18) is now undergoing certification assessments.

During the year ended March 31, 2012, the FPD Equipment Company earned certification for the *SK-2200G* coater/developer and the *SK-N1300G*, which offer substantially reduced power consumption. As a result, the company's green product percentage rose to 75.8% of its sales. In the year ending March 31, 2013, the company will work to decrease its environmental impact further by proceeding with certification for its automatic thickness measurement systems for thin-film solar cell panels, as part of the solar cell business it entered in earnest in 2010.

In the Media And Precision Technology Company, 92% of sales are Green Products, owing to the company's emphasis in product design to reduce power consumption both in standby mode and during operation. In the year ending March 31, 2013, the company will pursue product development and design efforts to maintain high performance while lowering power consumption on its printed circuit board manufacturing equipment, as well.

As a result of these efforts, during the fiscal year ended March 31, 2012, as a percentage of sales Green Products accounted for 80%, greatly surpassing our 60% target. We plan to raise this

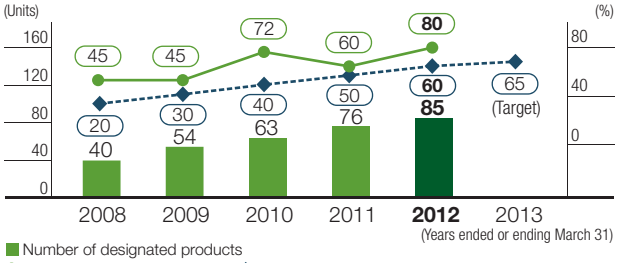
Green Product Certification Standards

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

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

Standard 1: Average of requirements level 3 or above
Standard 2: A level 4 or above for energy saving, resource conservation or environmental protection and safety
Standard 3: Achieves either a reduction of 25% in energy; achieves a savings of 25% in materials consumed during use; or has a green procurement ratio of 100%

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



WEB
- Green Products, Green Procurement Standards
- Company Vehicle and Commuting Initiatives
- Chemical Management
- Material Balance
- Environmental Education
- Respecting Biodiversity
- Environmental Accounting

percentage even further in the year ending March 31, 2013.

To manage the chemical substances contained in products, the Semiconductor Equipment Company has begun employing a REACH-compliant procurement system. In the year ending March 31, 2013, we plan to extend this system to all our internal companies. We have asked our suppliers to also check their use of REACH-designated substances and asked them to comply with the RoHS directive as part of our efforts to reduce hazardous chemical substances throughout the supply chain.

Reducing CO_2 Emissions from Manufacturing Activities

CO_2 Emissions Increased 7% from the Preceding Fiscal Year

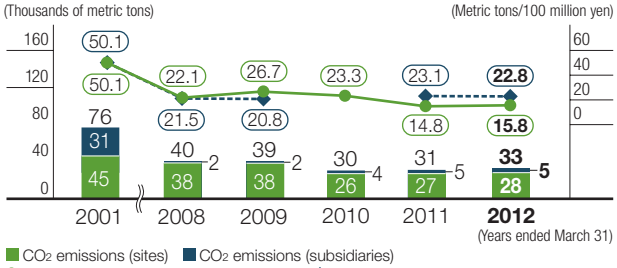
During the fiscal year ended March 31, 2012, CO_2 emissions derived from the use of energy in business activities was 15.8 metric tons per 100 million yen. This was 7% more than in the preceding fiscal year, owing to such factors as the establishment of the Monzennakacho Site and the increase in the emission coefficient. However, we achieved our goal for emissions per unit of production, at 22.8 metric tons per 100 million yen.

To reduce CO_2 by saving electricity at offices and other locations, we enforced the "cool biz" dress code and made sure all the lights were off during lunch breaks. These moves enabled us to reach our target of a 15% reduction during the months of July through September, compared with the volume of electricity initially contracted.

In 2008, Dainippon Screen also began participating in the Development Bank of Japan's "environmental rating system on loans," whereby companies receive preferential interest rates on financing if they promise to reduce CO_2 emissions per unit of production 5% or more by the year ending March 31, 2013, compared with the year ended March 31, 2008. In the fiscal year ended March 31, 2012, CO_2 emissions per unit of production amounted to 0.150 metric ton per million yen, clearing the agreed-upon amount with a 31.6% decrease.

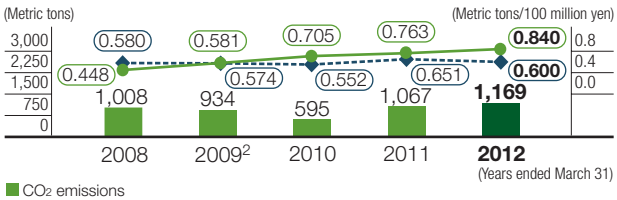
The Company is also working proactively to achieve a modal shift during shipping, from trucks to marine and rail. However, during the fiscal year ended March 31, 2012, CO_2 emissions resulting from logistics operations amounted to 0.84 metric ton per 100 million yen, up 10% from the preceding fiscal year.

▼ CO_2 Emissions and Emissions per Unit of Production (Dainippon Screen Group in Japan)



Note: CO_2 emissions rounded to the nearest hundred metric ton

▼ CO_2 Emissions[1] and Emissions per Unit of Production from Logistics Operations (Dainippon Screen Group in Japan)



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

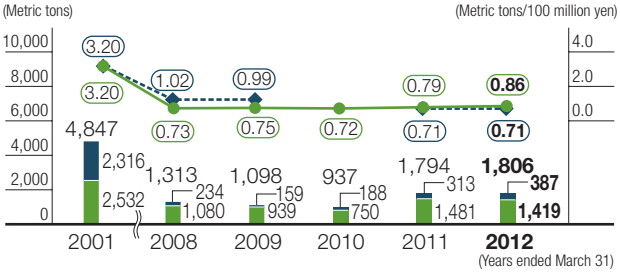
2 Calculated on a unit sales basis through the fiscal year ended March 31, 2008. From the fiscal year ended March 31, 2009 (comparisons with FY2008) figures calculated based on the units of production

Reduction of Waste

Volume of Emissions outside the Company up 9% Year on Year

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, 2012, waste outside the Company per unit of production came to 0.86 metric ton per 100 million yen, up 9% from the preceding fiscal year, owing to such factors as site relocation and an increase in customer evaluations.

▼ Volume of Emissions outside the Company and Emissions per Unit of Production (Dainippon Screen Group in Japan)



Note: 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

External Evaluations

Receipt of Ministry of Land, Infrastructure, Transport and Tourism, Maritime Bureau Chief Award for Reducing CO_2 Emissions through a Modal Shift to Marine Transport

In February 2012, we received the Ministry of Land, Infrastructure, Transport and Tourism, Maritime Bureau Chief Award as a result of our proactive use of marine transport and the contribution this move has made to increasing transportation efficiency and reducing environmental impact. As overseas sales account for nearly 80% of our sales, we assemble much of the equipment we produce in Japan at customer sites overseas. Accordingly, we have made reducing CO_2 emissions during transport a key priority.

We began our marine modal shift in April 2007. Shipping products from the Port of Osaka to the Port of Shimonoseki lowered CO_2 emissions 55% compared with inland transport, and these efforts gained us attention from manufacturers, logistics companies and marine transport operators alike. Going forward, we will continue to promote a modal shift as we work to reduce environmental impact even further.

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 Dainippon Screen's most important priorities is to "promote workplace health and safety." Accordingly, we make every effort to create an environment that ensures employee health and safety and allows employees to maximize their potential. Based on the medium-term plan that went into effect in the fiscal year ended March 31, 2012, "Green Value (GV) 21, Phase II," we are rolling out globally our core program for managing worker health and safety.

Experiential safety education (shock experiment)

"DNA Transmission Course" for passing on engineering attitudes

Announcing technology winners at Frontier Gate 2011

Receiving "Promoting Prize" at Kyoto Occupational Health and Safety Convention (Rakusai Site)

Occupational Health and Safety

Promoting Worker Health and Safety Globally

Based on its occupational health and safety management system (OHSAS 18001), the Dainippon Screen Group conducts occupational health and safety activities through risk assessments, advance safety checks and the extension of training to operators and supervisors with limited experience, and by inspecting heavy load operations.

As a result, in the fiscal year ended March 31, 2012, the number of incidents was 17, compared with an annual average of 26 since the fiscal year ended March 31, 2001. Also, accidents numbered only five, compared with 17. In the fiscal year ended March 31, 2012, however, although the Company met its target number of incident points[1], it fell short of its other targets (see page 39).

On the disaster prevention front, during the year ended March 31, 2012, the Company distributed the Survival Card, which outlines responses and conduct for Group employees in Japan in the event of an earthquake. We hope that this card will encourage a smooth response to emergencies.

We aim to meet our planned occupational health and safety targets for the fiscal year ending March 31, 2013 (see page 40). As the second year of our medium-term environment, health and safety plan, Green Value 21, Phase II, we plan to gather information on incidents and accidents overseas as well, and introduce our auditing system at overseas Group companies.

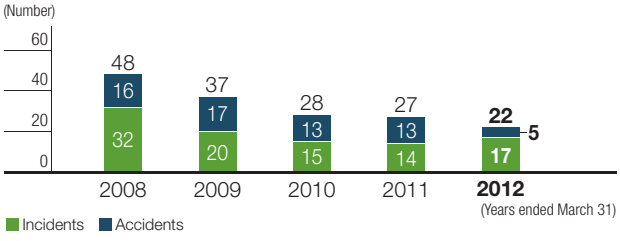
1 In a system unique to the Dainippon Screen Group, incident points are assigned according to the level of severity of workplace incidents (days of lost work and grades of disability).

Initiatives based on Mental Health

To support the mental health of our employees, we introduced a stress test management check test for employees in Japan in the fiscal year ended March 31, 2010. In the fiscal year ended March 31, 2011, we extended this system to include employees posted overseas. We are in the process of augmenting our mental care in response to changes in the working environment stemming from business fluctuations.

When care or guidance is necessary, we provide support for employees to enable them to visit public health nurses and industrial physicians for consultations at their own discretion via our external employee assistance program (EAP). These types of support are consistent with our aim of creating a vibrant workplace.

Number of Incidents and Accidents (Dainippon Screen Group in Japan)



Note: At 22, the total number of incidents and accidents is currently at its lowest number in 10 years.

WEB
• Percentage of Employees Taking Paid Leave
• Number of Employees on Child-Rearing Leave
• Respecting Human Rights

Human Resource Development

Supporting Employee Career Development

For each of our departments, we have assigned a person to be in charge of encouraging the cultivation of skills within that group. These members attend meetings to help them plan and implement methods for developing employee skills, set required and recommended education and training courses for each skill level and facilitate employee training.

Required training at each level helps to develop expertise in such areas as compliance, mental health, labor management and information security. As recommended courses, we have introduced language training, which is important in a company with a rising percentage of overseas sales and helps to cultivate employees who can be effective in a global atmosphere. During the year ended March 31, 2012, we enhanced our system targeting employee career development. For example, we held a middle career design course for employees in their 40s and conducted training to address ways of supporting subordinates' careers.

Sustaining an Engineering Mindset

As engineers are central to our manufacturing activities, we encourage learning and help to sustain an engineering mindset by holding courses for young engineers through training plans covering the first three years after they join the Company. Carrying on the previous year's initiatives, in the year ended March 31, 2012, we continued working to invigorate our engineers and held "DNA Transmission Courses" to encourage the development of existing business and cultivate new areas of business twice at the Hikone Site. A total of 500 people attended these courses.

We also offer a host of announcement and award opportunities throughout the Group for employees to share technical and other expertise, thereby boosting motivation. During the year, we recast our former Technology Presentations as "Frontier Gate." This new naming reflects our conviction that engineers are on the front lines of development efforts that will contribute to the business, and that they are the gateway to pioneering new efforts. Some 350 people from throughout the Group joined this presentation, which was held at the Hikone Site in November 2011. Of the 33 presentations given this year, the top 12 earned awards.

Employment and Reward

Rewarding Ability and Respecting Employees' Own Objectives

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 the fiscal year ended March 31, 2012, we hired 22 new graduates, with a total of 30 for the Dainippon Screen Group as a whole.

Respecting Diversity

Creating an Environment Responsive to Changing Life Stages

Dainippon Screen endeavors to maintain an environment that encourages individuality among its men and women, encourages employees to work vigorously and that is responsive to changing life stages. We are offering more opportunities for women to hone their skills by increasing the number of women. Women currently handle a variety of jobs, including in the engineering and planning departments. We also make efforts to employ people with disabilities, offering them an opportunity to work energetically. At Parte, a workplace established at the Hikone Site, these employees handle the digitization of product materials.

We assist employees who are balancing work and child-rearing by allowing employees who are raising children to work shorter hours under arrangements that exceed the legally stipulated minimums. To encourage employees to provide child-rearing support, we are also encouraging male employees to take advantage of these systems. As a result, since their introduction in 1991, 166 employees have taken part in our systems for child-rearing leave and shorter working hours for employees raising children.

Respecting Intellectual Property Rights

Encouraging Employee Invention and Cultivating New Discoveries

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, 2012, 33 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. During the year, we also worked to cultivate new discoveries by holding "development search meetings" for each development theme.

Outside Evaluation

Rakusai Site Wins "Promoting Prize (for Health Measures)" at Kyoto Occupational Health and Safety Convention

In July 2011, Dainippon Screen's Rakusai Site participated in the Kyoto Occupational Health and Safety Convention, sponsored by the Kyoto Federation of Labor Standards, winning the Kyoto Labor Bureau Chief Award "Promoting Prize (for Health Measures)" for fiscal 2011. The award recognizes the Dainippon Screen Group's mental health measures and detailed support structure that the Group has in place to protect the health of its employees.

At the Kyoto Occupational Health and Safety Convention, which takes place each year, the Kuze Site[1] won the Minister of Health, Labor and Welfare Award "Promoting Prize (Safety Assurance Measures)" in 2010, too. This prize attests to the Group's ongoing promotion of occupational health and safety activities based on an integrated EHS structure and its efforts to create a workplace that is both safe and comfortable.

1 The Kuze Site was closed in April 2011.

Maintain or Improve Quality

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 is working on its own product and service quality improvement initiatives. Our specialized engineers enhance our post-delivery maintenance and support, ultimately aiming to enhance customer satisfaction.

Efforts to reduce the number of complaints at the FPD Equipment Company

SU-3200 product training

Field service engineer from SEBACS Co., Ltd., conducting recovery work following the Great East Japan Earthquake

Using remote operational function to perform maintenance on printed circuit board testing equipment

Quality Management System

Ongoing Efforts to Acquire ISO 9001 Certification

In line with the Dainippon Screen Group's guideline of "earning society's trust and living up to society's expectations, while keeping our eyes on the future," our priorities are to boost customer satisfaction and earn their trust.

As part of these efforts, we are working to receive certification for a quality MS based on ISO 9001, which we are promoting throughout the Group, including at overseas companies. We will continue formulating quality MSs based on ISO 9001 and will strive to raise product and service quality based on each internal company's quality policies.

▼ Quality Policies (Outline)

Semiconductor Equipment Company

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

FPD Equipment Company

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

Media And Precision Technology Company

We provide products and solutions that satisfy customers.

Increasing Quality of Delivered Products

Contributing to Safe International Trade and Quality as an "Authorized Exporter" under AEO System

On May 31, 2011, Dainippon Screen was recognized by the Director of Osaka Customs as an "authorized exporter" under the Authorized Economic Operator (AEO) system for exporters that exhibit superior compliance.

Certification as an authorized exporter

Being recognized as an authorized exporter will enable us to control lead times more accurately. Going forward, we should thereby be able to meet customers' delivery schedules more quickly.

Quality Management Initiatives

Semiconductor Equipment Company

Creating a Special Organization to Reduce Defects

As part of our quality stabilization initiatives for our mainstay single wafer cleaning equipment, in the year ended March 31, 2012, after confirming a defect on a core component we carefully assessed all products that had been delivered to determine the impact and implemented appropriate countermeasures. As a measure for preventing recurrence, we also set up a special organization to ensure that information about the product's design defect was fed back accurately to the design verification mechanism.

In the fiscal year ending March 31, 2013, we will systematize product risk management activities for these products, in an aim of creating a more efficient development design process.

WEB • ISO Certification Status

FPD Equipment Company

Conducting Activities to Reduce Complaints through Coordination among Group Companies

In the year ended March 31, 2012, demand for high-precision displays increased in line with the growing popularity of smartphones and tablet devices. Amid the resulting demands for ever higher quality from manufacturing equipment, we pursued activities to reduce complaints through coordination among Group companies. These involved accurately determining the conditions under which our equipment was operated so that we could respond promptly to potential sources of instability, thereby pre-empting trouble.

We will continue to reinforce such activities, in line with our efforts to ensure stable equipment operation and heighten customer satisfaction.

Media And Precision Technology Company

Coordinating with Business Partners and Suppliers to Stabilize Quality

During the year ended March 31, 2012, we took advantage of an increased number of opportunities to visit business partners and components suppliers. Based on the company's independent quality standards, we sought to establish and improve quality assurance and strengthened quality audits to preempt defects.

We also continued the previous year's efforts to enhance quality and stabilize supplies of key parts by encouraging technical exchanges with suppliers. In addition to sharing information, we worked to accelerate problem-solving efforts. Regarding printed circuit board production equipment, we held regular meetings among people involved in the development, manufacture and sales of special-order and new products and sought to circumvent potential trouble at the point of delivery.

After-Sales Services

Semiconductor Equipment Company

Number of Safety Courses Held Surges 38% Year on Year

During the year ended March 31, 2012, the Global Training Center expanded its experiential safety training (practical training) as part of its efforts to enhance safety education. Including service safety training provided by the Semiconductor Equipment Association of Japan (SEAJ), safety course offerings were up 38% year on year. The center also initiated a product training program targeting the provision of high-quality services on our core, newly introduced single wafer cleaning system. This program provided training for the worldwide field service engineers (FSEs) in charge of providing product support, imparting the necessary technical and practical understanding. The center provided such training twice as quickly as it had for the previous model.

We will continue setting up and offering training in the future when we enhance new product functionality.

FPD Equipment Company

Proposing Improvements to Maximize Equipment Performance

We have set up service stations in Japan and overseas staffed with engineers who can respond to customers' needs by addressing equipment problems or supply parts promptly as needed. Fostering close ties between service stations and manufacturing departments enables us to resolve issues quickly. This is part of our effort to provide a wide range of high-quality technical services, ranging from proposing approaches that will maximize equipment functionality to providing maintenance, repairs and model makeovers.

We have also staffed service stations with full-time safety managers, who are in charge of training workers on safety matters and providing worksite management. These managers work toward enhancing safety awareness and preventing accidents, thereby helping to maintain or enhance safety environments at customers' factories.

Media And Precision Technology Company

Using Remote Maintenance to Provide Support from Afar

We have added remote monitoring functionality to our CTP equipment to improve service efficiency by enabling our engineers to provide support from afar. Combined with self-diagnostic functionality, remote monitoring is part of a system for accurately determining operating conditions.

We are also developing remote maintenance functions for our printed circuit board testing and other equipment. Remote operational functions can be used to conduct maintenance on PCB testing equipment, augmenting the support team by assisting FSEs at customer sites. This approach can be used to set testing conditions efficiently, improving customer equipment quality and eliminating downtime.

Outside Evaluation

Commemorative Items Received in Thanks for Groupwide Efforts to Bring about a Swift Recovery

Many of Dainippon Screen's customers suffered damage as a result of the Great East Japan Earthquake. To address this situation, the Semiconductor Equipment Company dispatched to customer locations FSEs not only in Kansai, but also those serving in the Kyushu region. As a result of this groupwide effort, we were able to swiftly enact recovery support measures. We received letters of appreciation and commemorative items. Comments included "Dainippon Screen responded more quickly than other companies to check our status," "In a very short period of time, Dainippon Screen had delivered new equipment and put it on line" and "You rapidly supplied parts and dispatched engineers, so we were able to recommence production much more quickly than we had expected."

Going forward, the Dainippon Screen Group will continue working with customers to develop the industry and take part in activities that develop close-knit customer relations.

CSR Targets and Performance

▼ Performance during the Fiscal Year Ended March 31, 2012

Key Measure	Department	Target (Fiscal Year Ended March 31, 2012)	Result	Evaluation	Related Page
Develop technologies and products that help reduce environmental impact	Product	Ensure that Green Products (environmentally friendly products) account for at least 60% of sales.	Percentage of sales of 86 Green Products (environmentally friendly products): 80%.	○	•Page 33 •Data sheets
		Reduce environmental impact of the 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
		Substitute the substance in three years after it is designated as "Substances whose use is limited". (Eliminate prohibited substances by Mar. 31, 2016)	Continued working to eliminate the RoHS prohibited substances. Introduced a REACH-compliant chemical substance survey system, designate the substances for REACH authorization as "Substances whose use is limited" and began working for the substitution.	○	•Page 30
	Development	Develop environmental technologies by 120% or more compared to fiscal year ended Mar. 31, 2011.	Development of environmental technologies 140% of level in year ended Mar. 31, 2011.	○	•Website
	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.	CO_2 emissions in transporting products per unit of production was 0.88 metric ton/¥100 million, increased 47% compared to the fiscal year ended Mar. 31, 2009.	×	•Data sheets •Website
Promote workplace health and safety	Product	Reduce residual risks in product risk assessments according to the 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.	△	—
	Entire organization	Reduce the number of incidents to one or less resulting in four or more days of lost work.	Two incidents resulting in more than four or more days of lost work.	×	•Data sheets
		Reduce the number of fatal accidents or incidents at customers to five or less.	Six accidents and incidents at customer sites.	×	•Data sheets
		Reduce the number of traffic accidents resulting in injury to five or less.	Traffic accidents resulting in injury numbered 18.	×	•Data sheets
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.	CO_2 emissions per unit of production was 15.8 metric tons/¥100 million, reduced 32% compared to the fiscal year ended Mar. 31, 2010.	○	•Page 34 •Data sheets
		Reduce energy cost per unit of production by 2% or more compared to the baseline.[2]	Energy cost per unit of production amounted to ¥8.6 million/¥1 billion.	○	•Data sheets
		Reduce waste emissions per unit of production by 2% compared to the fiscal year ended Mar. 31, 2010.	Waste emissions per unit of production was 0.86 metric ton/¥100 million, increased 19% compared to the fiscal year ended Mar. 31, 2010.	×	•Page 34 •Data sheets
	BSC[1]	Increase material recycling ratio of waste emissions to 80% or more.	Material recycling ratio of waste outside the company was 83%.	○	•Data sheets
	Entire organization	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.	○	•Pages 30-31 •Website
Reinforce our environmental safety system	BSC[1]	Conduct stratified training and training for workers dispatched overseas.	Conducted training for new employees, promoted employees and mid-career hires. Prepared training materials based on education and training chart.	○	•Page 36
	Entire organization	Commence operation of integrated EHS management system.	Began integrating environmental and occupational health and safety management systems.	○	•Page 29 •Website

1 Business Service Center

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

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

▼ Targets for the Fiscal Years Ending March 31, 2013 and 2014

Key Measure	Department	Target (Fiscal Year Ending March 31, 2013)	Target (Fiscal Year Ending March 31, 2014)
Develop technologies and products that help reduce environmental impact	Product	Ensure that Green Products (environmentally friendly products) account for at least 65% 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.
		Substitute the substance in three years after it is designated as "Substances whose use is limited". (Eliminate prohibited substances by Mar. 31, 2016)	Substitute the substance in three years after it is specified as "Substances whose use is limited". (Eliminate prohibited substances by Mar. 31, 2016)
	Development	Develop environmental technologies by 160% 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 18% 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	Product	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 3% 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 3% or more compared to the baseline.[2]	Reduce energy cost per unit of production by 5% or more compared to the baseline.[2]
		Reduce waste emissions per unit of production by 3% 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 85% or more.	Increase material recycling ratio of waste emissions to 90% or more.
		Determine current issues in order to increase the percentage reduction in water use.	Establish target for increasing the percentage reduction in water use based on results for the year ending Mar. 31, 2013.
	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	Continue integrated operations.	Continue operation of integrated EHS management system.

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, 2012, fell 1.9% year on year to ¥250,090 million.

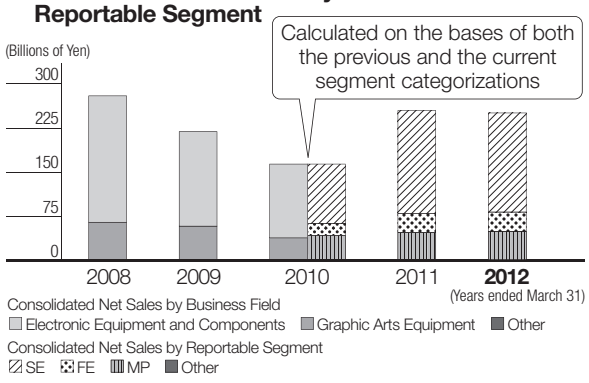
In the Semiconductor Equipment segment, semiconductor manufacturers curtailed capital investment. By product, sales of single wafer cleaning equipment increased in line with semiconductor miniaturization, but sales of batch-type cleaning equipment fell significantly.

In the FPD Equipment segment, sales of coater/developers for small- and medium-sized panels increased, but those for large panels declined.

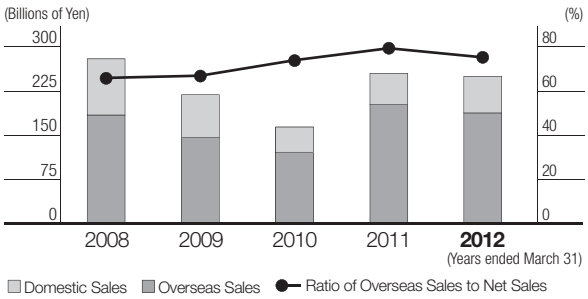
In the Media and Precision Technology segment, sales of graphic arts equipment were buoyed by higher sales of POD equipment for the North American market, while sales of PCB-related equipment fell off in tandem with lower capital investment by PCB manufacturers. As a result, sales in this segment were up year on year.

Total overseas sales fell ¥14,369 million, or 7.1% year on year, to ¥187,955 million, and 4.2 percentage points as a percentage of total sales, to 75.2%. In North America, Semiconductor Equipment segment sales decreased, whereas sales in the Media and Precision Technology segment rose, resulting in a 1.6% year on year decline, to ¥53,479 million. In Asia & Oceania, sales of the Semiconductor Equipment and the FPD Equipment segments declined and resulted in sales of ¥92,063 million for this region, down 19.8% year on year. In Europe, sales of the Semiconductor Equipment and the Media and Precision Technology segments dropped, and sales resulted in ¥26,138 million, down 1.6%. In other regions, a sharp increase in sales of the Semiconductor Equipment segment resulted in regional sales of ¥16,275 million, up 146.6%.

▼ Consolidated Net Sales by Business Field/ Reportable Segment



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



•Cost of Sales and SGA Expenses

As in the previous year, we continued our efforts to cut costs, but selling prices declined and we revamped the product mix, which caused cost of sales to worsen. In addition, personnel and R&D expenses rose as measures introduced in the preceding fiscal year as part of the emergency plan ended during the year under review.

As a result, the ratio of cost of sales to net sales rose 3.1 percentage points, from 71.8% in the previous fiscal year to 74.9% during the year under review. Selling, general and administrative (SGA) expenses rose by ¥4,115 million, or 9.1%, to ¥49,267 million. The ratio of SGA expenses to net sales rose 2.0 percentage points, to 19.7% for the fiscal year under review, up from 17.7% in the preceding term.

	Millions of yen				
Years ended March 31,	**2012**	2011	2010	2009	2008
Net sales	**¥250,090**	¥254,953	¥164,129	¥219,049	¥279,816
Cost of sales	**187,325**	182,990	137,827	169,391	208,266
Cost of sales to net sales (%)	**74.9%**	71.8%	84.0%	77.3%	74.4%
Gross profit	**¥ 62,765**	¥ 71,963	¥ 26,302	¥ 49,658	¥ 71,550
SGA expenses	**49,267**	45,152	40,348	54,168	56,922
SGA expenses to net sales (%)	**19.7%**	17.7%	24.6%	24.7%	20.3%

•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. In October 2011, the Group transferred the R&D organization within the FPD Equipment segment that had concentrated on equipment related to solar cells and lithium-ion batteries to the newly established Green Technology Development Center. This move was designed to accelerate the Group's developments in the field related to the energy and lead to early commercialization.

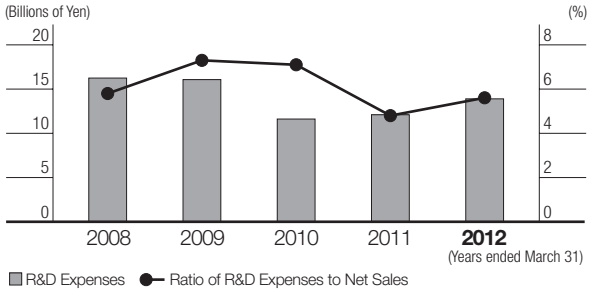
Consequently, during the year, the Group invested ¥13,889 million in R&D. We invested aggressively in our field of focus, the Semiconductor Equipment segment, as well as in R&D targeting additional growth.

In the Semiconductor Equipment segment, we developed the *SS-3200* single wafer cleaning equipment. This equipment, designed for use in semiconductor manufacturers' cleaning processes, achieves high productivity and is compatible with ultra-miniaturization. By integrating the image processing and optics technology built up over many years in the printing and prepress equipment business with the exposure technologies established in the PCB manufacturing equipment business, we developed the *DW-3000* direct imaging system, which boosts yields and productivity in semiconductor post-processing. As a result, the Group's R&D expenses for this segment amounted to ¥6,122 million.

In the FPD Equipment segment, R&D expenses came to ¥1,780 million. These expenditures went toward increasing the size of OLED nozzle printers and raising their speed.

In the Media and Precision Technology segment, we developed the *Truepress JetL350UV*, a UV inkjet printer targeting the label printing industry, which is expected to grow substantially. In the category of PCB-related equipment, we developed the *Ledia 5*. This direct imaging system for PCBs achieves a 50% increase in productivity compared with the Group's previous models, using the world's first multi-wavelength high-intensity UV LED as a light source and a newly developed autoloader. R&D expenses in this segment totaled ¥1,997 million.

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



	Millions of yen				
Years ended March 31,	**2012**	2011	2010	2009	2008
R&D expenses	**¥ 13,889**	¥ 12,130	¥ 11,615	¥ 16,073	¥ 16,248
R&D expenses to net sales (%)	**5.6%**	4.8%	7.1%	7.3%	5.8%

•Segment Information

Sales in the Semiconductor Equipment segment fell 3.8% during the year to ¥167,593 million. Although semiconductor manufacturers curtailed capital investment, sales of single wafer cleaning equipment increased in line with miniaturization of semiconductor, but sales of batch-type cleaning equipment dropped significantly. On the profit front, a decline in unit sales prices and a revision of our product portfolios caused profitability to decline. Furthermore, R&D, personnel and other expenses increased, causing operating income to fall ¥14,513 million, or 51.6%, to ¥13,628 million.

In the FPD Equipment segment, sales slipped 0.3%, to ¥32,611 million. Sales of coater/developers for small- and medium-sized panels rose, but sales of coater/developers for large LCD panels declined. Accordingly the segment posted an operating loss of ¥1,217 million, compared with operating income of ¥34 million in the preceding fiscal year. This change was due primarily to a loss on valuation of inventories.

Sales in the Media and Precision Technology segment grew 3.9%, to ¥49,164 million. In graphic arts equipment, sales of POD equipment in North America increased. Sales of PCB-related equipment, meanwhile, fell due to lower capital investment by PCB manufacturers. Higher sales and the result of successful efforts to restrain costs and curtail fixed expenses prompted a return to profitability. The segment posted operating income of ¥2,305 million, compared with an operating loss of ¥1,304 million in the preceding term.

•Earnings Analysis

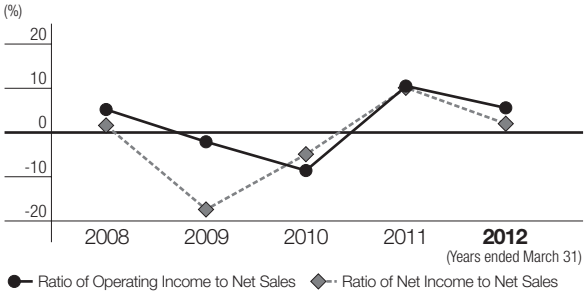
As is described above, sales increased in the Media and Precision Technology segment, but fell in the Semiconductor Equipment and FPD Equipment segments. Consequently, net sales for the Group as a whole were down ¥4,863 million, or 1.9% year on year, to ¥250,090 million. Operating income declined ¥13,313 million during the year, to ¥13,498 million, owing to lower unit sales prices and increased R&D and personnel expenses. The ratio of operating income to net sales consequently fell 5.1 percentage points, to 5.4%.

Net other income and expenses worsened from a net expense amount of ¥2,376 million to a net expense amount of ¥6,220 million. This change reflected an impairment loss on fixed assets in the FPD Equipment segment and a provision of allowance for doubtful accounts covering trade notes and accounts receivable, as well as a loss on valuation of investment securities due to a fall in the market values of stocks held.

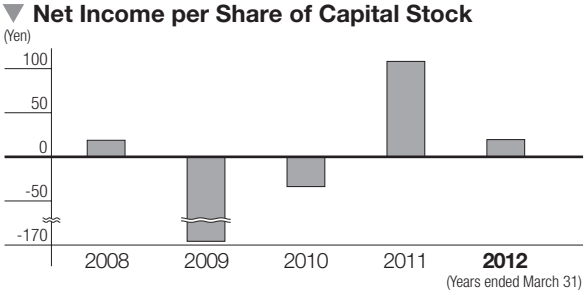
Income before income taxes worsened ¥17,157 million from the previous year, to ¥7,278 million, net income fell by ¥21,050 million to ¥4,637 million. The ratio of net income to net sales consequently fell by 8.2 percentage points, to 1.9%.

Net income per share of capital stock dropped by ¥88.67 from the previous year, to ¥19.54, and return on equity fell by 28.7 percentage points, to 5.2%. Return on total assets dropped by 9.0 percentage points, to 1.9%.

▼ 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

	Millions of yen				
Years ended March 31,	**2012**	2011	2010	2009	2008
Operating income (loss)	**¥ 13,498**	¥ 26,811	¥(14,046)	¥ (4,510)	¥14,628
Operating income to net sales (%)	**5.4%**	10.5%	-8.6%	-2.1%	5.2%
Net income (loss)	**¥ 4,637**	¥ 25,687	¥ (8,003)	¥(38,191)	¥ 4,578
Net income to net sales (%)	**1.9%**	10.1%	-4.9%	-17.4%	1.6%
Per share of capital stock (yen)					
Net income (loss)	**¥ 19.54**	¥ 108.21	¥ (33.71)	¥(160.86)	¥ 18.81
Net income-diluted	**—**	—	—	—	17.39
Return on equity (%)	**5.2%**	33.9%	-11.9%	-39.9%	3.6%
Return on total assets (%)	**1.9%**	10.9%	-3.5%	-14.2%	1.5%

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

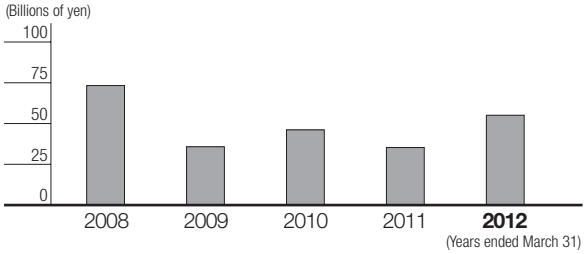
Total assets were recorded in the amount of ¥245,382 million as of March 31, 2012, down ¥7,745 million, or 3.1%, from the end of the previous fiscal year. Within current assets, accounts receivable increased, but inventories and cash and deposits declined. In noncurrent assets, property, plant and equipment declined, mainly owing to an impairment loss.

Total liabilities were down ¥10,741 million, or 6.5%, to ¥154,786 million, owing to such factors as a decrease in long-term loans payable and rises in corporate bonds and short-term loans payable. Interest-bearing debt fell ¥7,914 million, or 14.2%, from the end of

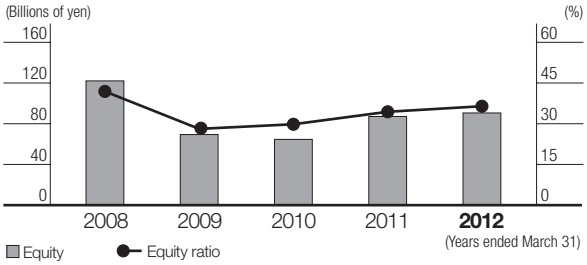
the preceding term, to ¥47,676 million. Net interest-bearing debt, which excludes cash and deposits, amounted to ¥10,013 million as of March 31, 2012, down ¥5,591 million, or 35.8%, from a year earlier.

Total net assets were ¥90,596 million at fiscal year-end, up ¥2,996 million, or 3.4%, from the end of the preceding fiscal year. The rise reflected an increase in retained earnings owing to a net income, which offset the payment of cash dividends. As a result, equity, the balance of net assets less minority interests, increased by ¥2,951 million, or 3.4%, compared with the previous fiscal year-end, to ¥90,069 million. Consequently, the equity ratio improved 2.3 percentage points, to 36.7%, from 34.4% as of the previous fiscal year-end.

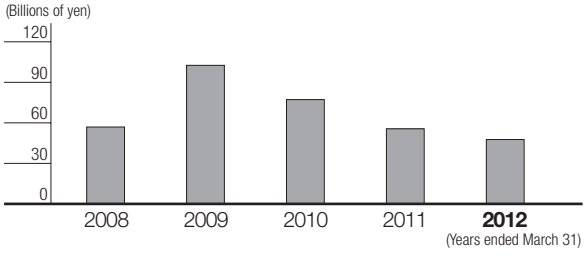
▼ Working Capital



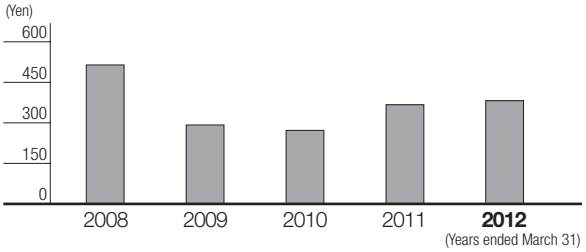
▼ Equity and Equity Ratio



▼ Interest-Bearing Debt



▼ Net Assets per Share of Capital Stock



	Millions of yen				
As of March 31,	**2012**	2011	2010	2009	2008
Total assets	**¥245,382**	¥253,127	¥216,622	¥246,918	¥291,114
Reportable Segment: SE	**133,927**	129,061	103,113	—	—
FE	**15,662**	26,446	24,894	—	—
MP	**41,226**	39,684	40,916	—	—
Other	**4,763**	4,047	3,426	—	—
Adjustments	**49,804**	53,889	44,273	—	—
Electronic Equipment and Components	**—**	—	130,577	159,141	178,234
Graphic Arts Equipment	**—**	—	35,637	39,959	50,011
Other	**—**	—	3,427	6,250	7,531
Eliminations/Corporate	**—**	—	46,981	41,568	55,338
Working capital	**54,320**	35,391	46,110	35,760	73,287
Interest-bearing debt	**47,676**	55,590	77,218	102,581	56,925
Equity	**90,069**	87,118	64,607	69,353	122,094
Equity ratio (%)	**36.7%**	34.4%	29.8%	28.1%	41.9%
Net assets per share of capital stock (yen)	**¥ 379.44**	¥ 367.00	¥ 272.15	¥ 292.12	¥ 514.26

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

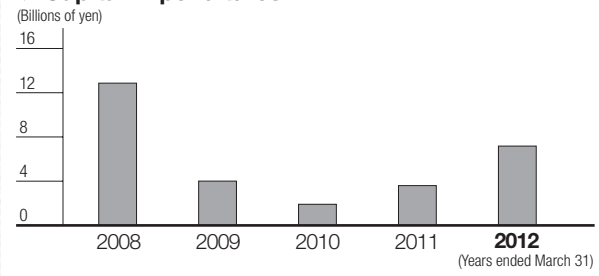
2. Effective from the fiscal year ended March 31, 2009, the Company and its subsidiaries have adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on March 30, 2007) which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ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

•Capital Expenditures and Depreciation and Amortization

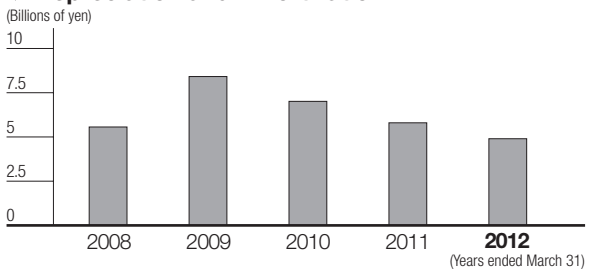
Capital expenditures for the whole Group during the year stood at ¥7,347 million. In the Semiconductor Equipment segment, capital expenditures totaled ¥2,951 million, centered on R&D and manufacturing facilities for semiconductor production equipment.

In the FPD Equipment segment, capital expenditures amounted to ¥448 million, centered on R&D and manufacturing facilities for FPD production equipment. Capital expenditures in the Media and Precision Technology segment were ¥1,041 million, stemming from R&D and manufacturing facilities for graphic arts equipment. On a companywide basis, capital expenditures amounted to ¥2,792 million, centering on the acquisition of land for a production site and core business systems. Depreciation and amortization during the year amounted to ¥4,986 million, down ¥819 million, or 14.1%, from the preceding term.

▼ Capital Expenditures



▼ Depreciation and Amortization



	Millions of yen				
Years ended March 31,	**2012**	2011	2010	2009	2008
Capital expenditures	**¥ 7,347**	¥ 3,613	¥ 1,911	¥ 4,007	¥12,866
Reportable Segment: SE	**2,951**	2,510	1,184	—	—
FE	**448**	323	185	—	—
MP	**1,041**	539	362	—	—
Other	**114**	89	62	—	—
Adjustments	**2,793**	152	118	—	—
Electronic Equipment and Components	**—**	—	1,393	2,665	9,233
Graphic Arts Equipment	**—**	—	338	438	856
Other	**—**	—	62	119	123
Corporate	**—**	—	118	785	2,654
Depreciation and amortization	**¥ 4,986**	¥ 5,805	¥ 7,012	¥ 8,414	¥ 5,563
Reportable Segment: SE	**3,204**	3,452	4,426	—	—
FE	**329**	460	599	—	—
MP	**310**	674	879	—	—
Other	**112**	121	166	—	—
Adjustments	**1,031**	1,098	942	—	—
Electronic Equipment and Components	**—**	—	5,011	5,934	3,771
Graphic Arts Equipment	**—**	—	744	951	763
Other	**—**	—	154	249	129
Corporate	**—**	—	1,103	1,280	900
Impairment loss	**¥ 2,866**	¥ 1,656	¥ 780	¥ 1,442	¥ —
Reportable Segment: SE	**848**	—	717	—	—
FE	**1,840**	—	—	—	—
MP	**—**	1,656	5	—	—
Other	**—**	—	—	—	—
Adjustments	**178**	—	58	—	—
Electronic Equipment and Components	**—**	—	717	—	—
Graphic Arts Equipment	**—**	—	5	567	—
Other	**—**	—	—	766	—
Corporate	**—**	—	58	109	—

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

•Cash Flows

Net cash provided by operating activities during the year was ¥11,279 million, compared with ¥34,299 million provided by these activities during the preceding term.

Major factors included ¥7,278 million in income before income taxes, depreciation and amortization of ¥4,986 million, an increase in trade notes and accounts receivable of ¥1,835 million, a decrease in inventories of ¥3,033 million, a ¥605 million decline in trade notes and accounts payable, and income taxes paid of ¥1,988 million.

Net cash used in investing activities came to ¥4,162 million, compared with ¥2,191 million in net cash used in these activities in the preceding fiscal year. This figure is the result of sales of property, plant and equipment at the Kuze Site, the purchase of property, plant and equipment for a production site in Kumamoto Prefecture and the purchase of stocks in a subsidiary.

Net cash used in financing activities amounted to ¥9,468 million, compared with ¥22,250 million in net cash used in these activities in the previous term. This was attributable to the repayments of long-term loans payable and finance lease obligations, which offset the proceeds from issuance of bonds.

	Millions of yen				
Years ended March 31,	**2012**	2011	2010	2009	2008
Cash flows from operating activities	**¥11,279**	¥34,299	¥25,113	¥(24,593)	¥ 7,934
Cash flows from investing activities	**(4,162)**	(2,191)	6,885	(6,921)	(16,510)
Cash flows from financing activities	**(9,468)**	(22,250)	(27,124)	34,071	669
Effect of exchange rate changes on cash and cash equivalents	**(400)**	(1,380)	(80)	(2,335)	(1,103)
Net increase (decrease) in cash and cash equivalents	**¥ (2,751)**	¥ 8,478	¥ 4,794	¥ 222	¥ (9,010)
Decrease in cash and cash equivalents resulting from change of scope of consolidation	**—**	—	—	(91)	—

Risk Factors

(1) Semiconductor and FPD market trends

While the semiconductor and FPD markets have recorded significant growth on rapid technological innovation, they are also susceptible to deterioration in the market supply-demand balance which leads to cyclical upturns and downturns. Given such market conditions, the Dainippon Screen Group is making every effort to create a market structure that can consistently generate profits during cyclical downturns. However, unexpectedly large market downturns can have a material impact on the Group's financial condition and business performance.

(2) Exchange rate fluctuations

The overseas sales ratio for the Group for the fiscal year under review was 75.2%. 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 ¥47,676 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 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) Concentration of Transactions with Specific Customers

The Dainippon Screen Group delivers production equipment to leading semiconductor manufacturers in Japan and overseas. However, as

raising production capacity and responding to miniaturization trends in this industry requires huge capital investments, certain leading manufacturers are consolidating. Accordingly, the Group's sales are tending to concentrate on specific customers. As a result, fluctuations in capital investments and orders by these specific customers could have a material impact on the Group's financial condition and business performance.

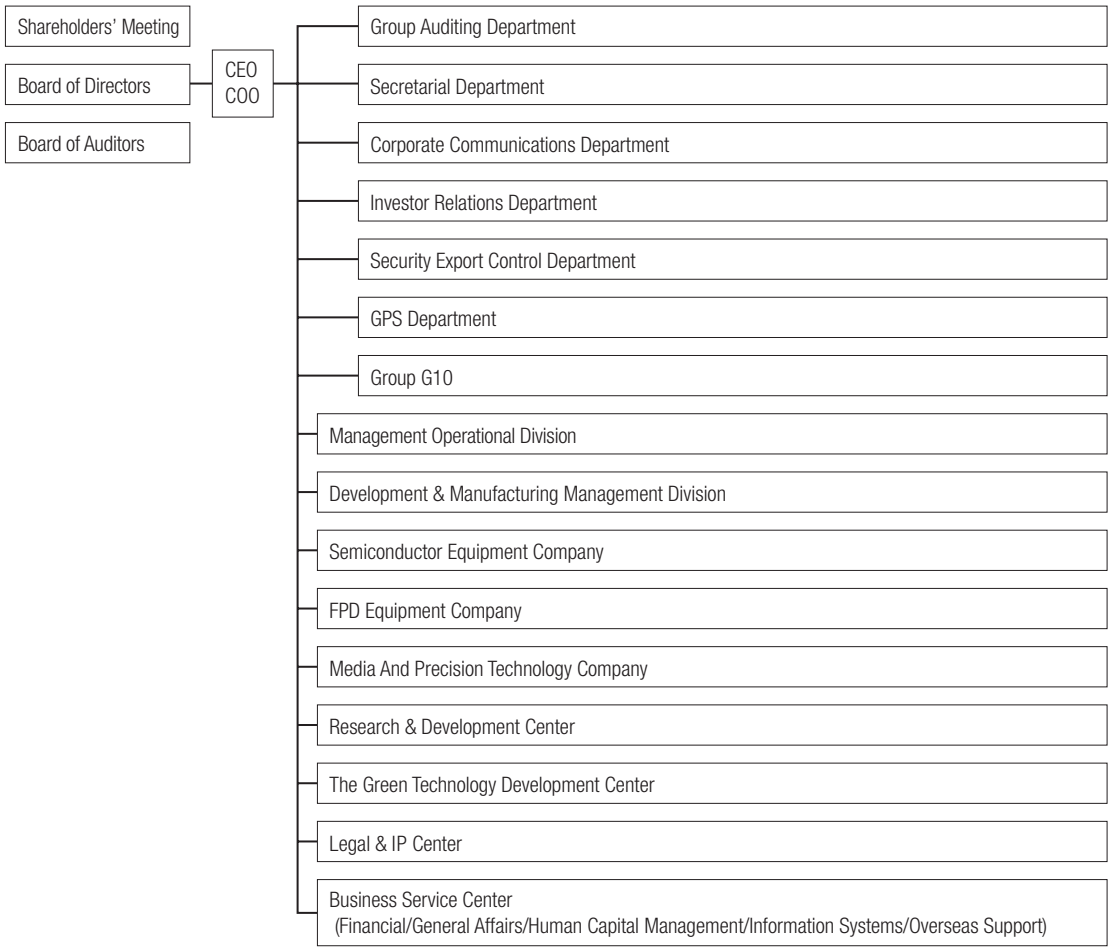
(12) Concentration of Production Sites

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

(13) 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.

Organization Chart (As of April 1, 2012)



Segment Information

Net Sales and Income (Loss) in Reportable Segments

Years ended March 31,			Millions of yen 2012	2011	2010	2009	2008
Net Sales	Reportable Segment:	SE	**¥ 167,593**	¥ 174,279	¥ 100,932	¥ —	¥ —
		FE	**32,611**	32,711	19,898	—	—
		MP	**49,164**	47,306	42,704	—	—
	Other		**722**	657	595	—	—
	Consolidated		**¥ 250,090**	¥ 254,953	¥ 164,129	¥ —	¥ —
Operating Income (Loss)	Reportable Segment:	SE	**¥ 13,628**	¥ 28,141	¥ (7,334)	¥ —	¥ —
		FE	**(1,217)**	34	(1,672)	—	—
		MP	**2,305**	(1,304)	(4,674)	—	—
	Other		**3**	303	16	—	—
	Total		**¥ 14,719**	¥ 27,174	¥ (13,664)	¥ —	¥ —
	Adjustments		**(1,221)**	(363)	(382)	—	—
	Consolidated		**¥ 13,498**	¥ 26,811	¥ (14,046)	¥ —	¥ —

Notes: 1. Effective from the fiscal year ended March 31, 2011, the business segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, (Revised 2009) issued on March 27, 2009), and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, issued on March 21, 2008). Segment information is provided in conformity with the new reportable 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 details of each reportable segment, see Note 7, "Segment Information".

Segment Sales and Income (Loss) by Business Field

Years ended March 31,		Millions of yen 2012	2011	2010	2009	2008
Net Sales	Electronic Equipment and Components	**¥ —**	¥ —	¥ 125,086	¥ 160,157	¥ 214,350
	Graphic Arts Equipment	**—**	—	38,448	57,095	62,927
	Other	**—**	—	595	1,797	2,539
	Consolidated	**¥ —**	¥ —	¥ 164,129	¥ 219,049	¥ 279,816
Operating Income (Loss)	Electronic Equipment and Components	**¥ —**	¥ —	¥ (11,449)	¥ (5,920)	¥ 9,825
	Graphic Arts Equipment	**—**	—	(2,491)	1,601	4,023
	Other	**—**	—	(106)	(191)	780
	Consolidated	**¥ —**	¥ —	¥ (14,046)	¥ (4,510)	¥ 14,628

Notes: 1. The amounts in the above table are presented pursuant to the previous segment standard.

2. Primary products of each segment category were as follows:
Electronic Equipment and Components: Semiconductor production equipment, FPD production equipment, PCB production equipment, and maintenance and repair services
Graphic Arts Equipment: CTP (Plate recorders), digital press machines, other printing and prepress machines, fonts, maintenance and repair services
Other: Printing, logistics services and other businesses

Domestic Sales and Overseas Sales

Years ended March 31,	Millions of yen 2012	2011	2010	2009	2008
Domestic sales	**¥ 62,135**	¥ 52,629	¥ 42,714	¥ 72,281	¥ 95,214
Overseas sales	**187,955**	202,324	121,415	146,768	184,602
North America	**53,479**	54,365	18,012	38,467	41,227
Asia & Oceania	**92,063**	114,787	87,579	80,603	105,468
Europe	**26,138**	26,573	13,748	20,017	25,681
Others	**16,275**	6,599	2,076	7,681	12,226
Ratio of overseas sales to net sales (%)	**75.2%**	79.4%	74.0%	67.0%	66.0%
Net sales	**¥ 250,090**	¥ 254,953	¥ 164,129	¥ 219,049	¥ 279,816

Notes: 1. Sales to customers in Japan by the Company and its consolidated subsidiaries.

2. Sales to customers outside Japan by the Company and its consolidated subsidiaries.

3. For information by geographic areas, see Note 7, "Segment Information".

Consolidated Balance Sheets

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
Assets	**2012**	2011	**2012**
Current Assets:			
Cash and cash equivalents	**¥ 35,632**	¥ 38,383	**$ 434,537**
Time deposits	**2,031**	1,603	**24,768**
Trade notes and accounts receivable	**72,949**	70,980	**889,622**
Allowance for doubtful receivables	**(1,125)**	(1,007)	**(13,720)**
Inventories	**57,118**	61,212	**696,561**
Deferred tax assets	**7,214**	7,612	**87,976**
Prepaid expenses and other	**3,724**	4,740	**45,415**
Total current assets	**177,543**	183,523	**2,165,159**
Property, Plant and Equipment, at Cost:			
Land	**9,742**	9,253	**118,805**
Buildings and structures	**50,929**	53,265	**621,085**
Machinery, equipment and other	**39,240**	38,431	**478,537**
Lease assets	**7,390**	8,541	**90,122**
Construction in progress	**1,558**	1,111	**19,000**
Total property, plant and equipment	**108,859**	110,601	**1,327,549**
Accumulated depreciation	**(70,190)**	(69,902)	**(855,976)**
Net property, plant and equipment	**38,669**	40,699	**471,573**
Investments and Other Assets:			
Investment securities	**21,110**	22,146	**257,439**
Investments in affiliates	**38**	39	**463**
Lease assets	**479**	781	**5,841**
Deferred tax assets	**587**	621	**7,159**
Other assets	**6,956**	5,318	**84,830**
Total investments and other assets	**29,170**	28,905	**355,732**
Total Assets	**¥ 245,382**	¥ 253,127	**$ 2,992,464**

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

Liabilities and Net Assets	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Current Liabilities:			
Short-term debt	**¥ 8,049**	¥ 500	**$ 98,159**
Current portion of long-term debt	**8,650**	37,561	**105,488**
Lease obligations	**1,348**	2,026	**16,439**
Notes and accounts payable —			
Trade	**81,459**	81,942	**993,402**
Construction and other	**4,593**	3,125	**56,012**
Accrued expenses	**6,477**	8,886	**78,988**
Income taxes payable	**1,586**	2,243	**19,341**
Provision for product warranties	**5,522**	6,059	**67,341**
Provision for directors' bonuses	**58**	68	**707**
Provision for loss on order received	**247**	336	**3,012**
Asset retirement obligations	**—**	32	**—**
Other current liabilities	**5,234**	5,354	**63,831**
Total current liabilities	**123,223**	148,132	**1,502,720**
Long-Term Liabilities:			
Long-term debt	**25,988**	10,634	**316,927**
Provision for retirement benefits	**315**	280	**3,841**
Provision for directors' retirement benefits	**110**	110	**1,341**
Lease obligations	**3,641**	4,869	**44,402**
Asset retirement obligations	**49**	49	**598**
Other long-term liabilities	**1,460**	1,453	**17,806**
Total long-term liabilities	**31,563**	17,395	**384,915**
Contingent Liabilities (Note 8)			
Net Assets:			
Shareholders' Equity:			
Capital stock			
Authorized—900,000,000 shares in 2012 and 2011			
Issued—253,974,333 shares in 2012 and 2011	**54,045**	54,045	**659,085**
Capital surplus	**4,583**	30,155	**55,890**
Retained earnings	**55,440**	26,418	**676,098**
Treasury stock, at cost 16,605,094 shares in 2012 and 16,598,341 shares in 2011	**(12,241)**	(12,236)	**(149,280)**
Total shareholders' equity	**101,827**	98,382	**1,241,793**
Accumulated Other Comprehensive Income:			
Valuation difference on available-for-sale securities	**1,386**	1,345	**16,902**
Deferred gains or losses on hedges	**—**	(42)	**—**
Foreign currency translation adjustment	**(13,144)**	(12,567)	**(160,293)**
Total accumulated other comprehensive income	**(11,758)**	(11,264)	**(143,391)**
Minority Interests:			
Minority interests	**527**	482	**6,427**
Total net assets	**90,596**	87,600	**1,104,829**
Total Liabilities and Net Assets	**¥ 245,382**	¥ 253,127	**$ 2,992,464**

Consolidated Statements of Income

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Net Sales	**¥ 250,090**	¥ 254,953	**$ 3,049,878**
Cost of Sales	**187,325**	182,990	**2,284,451**
Gross profit	**62,765**	71,963	**765,427**
Selling, General and Administrative Expenses	**49,267**	45,152	**600,817**
Operating income	**13,498**	26,811	**164,610**
Other (Income) Expenses:			
Interest and dividend income	**(508)**	(382)	**(6,195)**
Interest expense	**1,497**	1,790	**18,256**
Exchange loss on foreign currency transactions, net	**299**	161	**3,646**
Gain on sales of investment securities	**(36)**	(162)	**(439)**
Gain on sales of property, plant and equipment	**(387)**	(234)	**(4,720)**
Equity in earnings of affiliates	**(0)**	(438)	**(0)**
Sales discounts	**331**	248	**4,037**
Business structure improvement expenses	**—**	649	**—**
Impairment loss	**2,866**	1,656	**34,951**
Provision of allowance for doubtful accounts	**1,323**	—	**16,134**
Loss on valuation of investment securities	**830**	347	**10,122**
Gain on sales of subsidiaries and affiliates' stocks	**—**	(526)	**—**
Reversal of allowance for doubtful accounts	**—**	(210)	**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**—**	298	**—**
Loss on disaster	**19**	48	**232**
Other, net	**(14)**	(869)	**(170)**
Net other expenses	**6,220**	2,376	**75,854**
Income Before Income Taxes	**7,278**	24,435	**88,756**
Income Taxes			
Current	**2,041**	2,343	**24,890**
Deferred	**542**	(3,653)	**6,610**
Total income taxes	**2,583**	(1,310)	**31,500**
Income Before Minority Interests	**4,695**	25,745	**57,256**
Minority Interests in Net Income of Consolidated Subsidiaries	**58**	58	**707**
Net Income	**¥ 4,637**	¥ 25,687	**$ 56,549**

Per Share of Capital Stock:

	Yen		U.S. dollars
	2012	2011	**2012**
Net income	**¥ 19.54**	¥ 108.21	**$ 0.24**
Net income—diluted	**—**	—	**—**
Cash dividends, applicable to earnings for the year	**5.00**	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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Income Before Minority Interests	**¥ 4,695**	¥ 25,745	**$ 57,256**
Other Comprehensive Income			
Valuation difference on available-for-sale securities	**41**	(2,055)	**500**
Deferred gains or losses on hedges	**42**	26	**512**
Foreign currency translation adjustment	**(586)**	(1,140)	**(7,146)**
Total other comprehensive income	**(503)**	(3,169)	**(6,134)**
Comprehensive Income	**¥ 4,192**	¥ 22,576	**$ 51,122**
Comprehensive income attributable to			
Owners of the parent	**4,142**	22,524	**50,512**
Minority interests	**50**	52	**610**

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, 2012 and 2011

	Millions of yen									
		Shareholders' equity				Accumulated other comprehensive income				
	Shares of issued capital stock (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at the beginning of fiscal 2011	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 the end of fiscal 2011	253,974	¥ 54,045	¥30,155	¥26,418	¥ (12,236)	¥ 1,345	¥ (42)	¥ (12,567)	¥ 482	¥ 87,600
Balance at the beginning of fiscal 2012	**253,974**	**¥ 54,045**	**¥30,155**	**¥26,418**	**¥ (12,236)**	**¥ 1,345**	**¥ (42)**	**¥ (12,567)**	**¥ 482**	**¥ 87,600**
Net income	—	—	—	4,637	—	—	—	—	—	4,637
Transfer to retained earnings from capital surplus	—	—	(25,572)	25,572	—	—	—	—	—	—
Cash dividends paid, ¥5.00 per share	—	—	—	(1,187)	—	—	—	—	—	(1,187)
Valuation difference on available-for-sale securities	—	—	—	—	—	41	—	—	—	41
Deferred gains or losses on hedges	—	—	—	—	—	—	42	—	—	42
Foreign currency translation adjustments	—	—	—	—	—	—	—	(577)	—	(577)
Acquisition of treasury stock	—	—	—	—	(5)	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	0	—	—	—	—	0
Other	—	—	—	—	—	—	—	—	45	45
Balance at the end of fiscal 2012	**253,974**	**¥ 54,045**	**¥ 4,583**	**¥ 55,440**	**¥ (12,241)**	**¥ 1,386**	**¥ —**	**¥ (13,144)**	**¥ 527**	**¥ 90,596**

	Thousands of U.S. dollars							
	Shareholders' equity				Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at the beginning of fiscal 2012	**$ 659,085**	**$ 367,744**	**$ 322,171**	**$ (149,220)**	**$ 16,402**	**$ (512)**	**$ (153,256)**	**$ 5,879**	**$1,068,293**
Net income	—	—	56,549	—	—	—	—	—	56,549
Transfer to retained earnings from capital surplus	—	(311,854)	311,854	—	—	—	—	—	—
Cash dividends paid, $0.06 per share	—	—	(14,476)	—	—	—	—	—	(14,476)
Valuation difference on available-for-sale securities	—	—	—	—	500	—	—	—	500
Deferred gains or losses on hedges	—	—	—	—	—	512	—	—	512
Foreign currency translation adjustments	—	—	—	—	—	—	(7,037)	—	(7,037)
Acquisition of treasury stock	—	—	—	(60)	—	—	—	—	(60)
Disposal of treasury stock	—	0	—	0	—	—	—	—	0
Other	—	—	—	—	—	—	—	548	548
Balance at the end of fiscal 2012	**$ 659,085**	**$ 55,890**	**$ 676,098**	**$ (149,280)**	**$ 16,902**	**$ —**	**$ (160,293)**	**$ 6,427**	**$1,104,829**

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 7,278**	¥ 24,435	**$ 88,756**
Depreciation and amortization	**4,986**	5,805	**60,805**
Impairment loss	**2,866**	1,656	**34,951**
Equity in earnings of affiliates	**(0)**	(438)	**(0)**
Loss on valuation of investment securities	**830**	347	**10,122**
Gain on sales of investment securities	**(36)**	(162)	**(439)**
Gain on sales of subsidiaries and affiliates' stocks	**—**	(526)	**—**
Increase (decrease) in provision for retirement benefits	**36**	(208)	**439**
Increase (decrease) in provision for directors' bonuses	**(10)**	46	**(122)**
Increase (decrease) in provision for product warranties	**(535)**	2,274	**(6,524)**
Decrease in provision for loss on order received	**(90)**	(180)	**(1,098)**
Business structure improvement expenses	**—**	649	**—**
Interest and dividend income	**(508)**	(382)	**(6,195)**
Interest expenses	**1,497**	1,790	**18,256**
Gain on sales of property, plant and equipment	**(387)**	(234)	**(4,720)**
Increase in trade notes and accounts receivable	**(1,835)**	(18,484)	**(22,378)**
Decrease (increase) in inventories	**3,033**	(12,490)	**36,988**
Decrease (increase) in other current assets	**627**	(214)	**7,646**
Increase (decrease) in trade notes and accounts payable	**(605)**	28,796	**(7,378)**
Increase (decrease) in accrued expenses	**(2,341)**	4,131	**(28,549)**
Increase (decrease) in other current liabilities	**(396)**	1,129	**(4,829)**
Other, net	**(91)**	(46)	**(1,108)**
Subtotal	**14,319**	37,694	**174,623**
Interest and dividends income received	**499**	370	**6,085**
Interest expenses paid	**(1,496)**	(1,818)	**(18,244)**
Contribution in connection with the shift to a defined contribution pension plan	**(55)**	(876)	**(671)**
Payment for business structure improvement expenses	**—**	(164)	**—**
Income taxes paid	**(1,988)**	(907)	**(24,244)**
Net cash provided by operating activities	**11,279**	34,299	**137,549**
Cash Flows from Investing Activities:			
Increase in time deposits, net	**(490)**	(349)	**(5,976)**
Purchase of property, plant and equipment	**(4,491)**	(2,449)	**(54,768)**
Proceeds from sales of property, plant and equipment	**1,856**	713	**22,634**
Purchase of investment securities	**(13)**	(4,018)	**(159)**
Proceeds from sales of investment securities	**125**	520	**1,524**
Proceeds from sales of stocks of subsidiaries and affiliates	**—**	3,740	**—**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(313)**	—	**(3,817)**
Other, net	**(836)**	(348)	**(10,194)**
Net cash used in investing activities	**(4,162)**	(2,191)	**(50,756)**
Cash Flows from Financing Activities:			
Increase in short-term debt, net	**7,547**	500	**92,037**
Proceeds from long-term debt	**5,000**	—	**60,976**
Repayments of long-term debt	**(35,227)**	(9,773)	**(429,598)**
Repayments of finance lease obligations	**(1,986)**	(2,961)	**(24,219)**
Proceeds from issuance of bonds	**18,895**	—	**230,427**
Redemption of bonds	**(2,500)**	(10,000)	**(30,488)**
Increase in treasury stock, net	**(5)**	(11)	**(61)**
Cash dividends paid	**(1,187)**	—	**(14,476)**
Cash dividends paid to minority shareholders	**(5)**	(5)	**(61)**
Net cash used in financing activities	**(9,468)**	(22,250)	**(115,463)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(400)**	(1,380)	**(4,878)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(2,751)**	8,478	**(33,548)**
Cash and Cash Equivalents at Beginning of Year	**38,383**	29,905	**468,085**
Cash and Cash Equivalents at End of Year	**¥ 35,632**	¥ 38,383	**$ 434,537**

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

Note 1: Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Dainippon Screen Mfg. Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the six specified items as applicable. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Certain Japanese yen amounts in the accompanying consolidated financial statements have been translated into U.S. dollars solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2012, which was ¥82 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 other conditions evidencing control by the Company.

Investments in affiliates are accounted for by the equity method.

(c) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

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

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

The resulting translation adjustments are presented as foreign currency translation adjustments in net assets.

(d) Inventories

The Company and its consolidated domestic subsidiaries 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, the book value devaluation method is used to write down the value of inventory in the event of a decline in profitability.

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

(e) Securities

The Company and its consolidated subsidiaries classify securities as "available-for-sale securities." Available-for-sale securities with available fair values are stated at fair value. Unrealized holding gains (losses) on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sales of such securities are computed using moving average cost. Other securities with no available fair values are stated at moving average cost.

(f) Depreciation

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

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

Estimated useful lives are as follows:

Buildings and structures 2–60 years
Machinery and equipment 2–17 years

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

Leased assets related to finance lease transactions in which ownership transfers to the lessee are depreciated in the same manner as owned property, plant and equipment.

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

(g) Impairment of fixed assets

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

(h) Software

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

(i) Research and development

Expenses related to research and development are charged to income as incurred and amounted to ¥13,889 million ($169,378 thousand) in 2012 and ¥12,130 million in 2011.

(j) Cash and cash equivalents

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

(k) Goodwill

Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over a period of five years.

(l) Bonds issue costs

Bonds issue costs are charged to expenses as incurred.

(m) Income taxes

The Company and its consolidated subsidiaries record deferred tax assets and liabilities on loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes by using the asset and liability approach.

(n) Allowance for doubtful receivables

An allowance for doubtful receivables is provided to cover possible losses on collection. The Company and its consolidated domestic subsidiaries provide the allowance for doubtful receivables by adding individually estimated uncollectible amounts of specific items to an amount based on the actual rate of past uncollected receivables.

The consolidated overseas subsidiaries provide the allowance for doubtful receivables based mainly on the estimated uncollectible amounts of specific receivables.

(o) Provision for directors' bonuses

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

(p) Employees' severance and retirement benefits

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

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

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

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

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

(q) Retirement benefits for directors and corporate auditors

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

(r) Provision for product warranties

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

(s) Provision for loss on order received

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

(t) Derivatives and hedge accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of 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 hedged items.

Hedging instruments:	Hedged items :
Forward foreign exchange contracts	Foreign currency receivables
Interest rate swap contracts	Interest on short-term and long-term debt
Interest rate cap contracts	Interest on short-term and long-term debt

The Company executes and manages derivative transactions in accordance with established internal policies and specified limits on the amounts of derivative transactions allowed. The derivative transactions are reported to and approved by the Board of Directors.

The Company evaluates hedge effectiveness semiannually by comparing the cumulative changes in the hedging derivative instruments and the items hedged.

(Additional information)

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

Note 2: Consolidated Statements of Cash Flows

The significant noncash financing activities for the years ended March 31, 2012 and 2011 were as follows:

Newly booked assets and liabilities related to finance leases

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease assets	**¥ 84**	¥ 615	**$ 1,024**
Lease obligations	**87**	651	**1,061**

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 2012 and 2011.

As of March 31, 2012, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥61,013 million ($744,061 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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets (current)			
Accrued bonuses for employees	**¥ 1,173**	¥ 1,892	**$ 14,305**
Loss on valuation of inventories	**2,448**	3,451	**29,854**
Provision for product warranties	**2,119**	2,407	**25,841**
Other	**3,928**	2,657	**47,902**
Valuation allowance	**(2,452)**	(2,792)	**(29,902)**
Deferred tax liabilities (current)			
Adjustment of allowance for doubtful accounts and other	**(6)**	(5)	**(73)**
Net deferred tax assets (current)	**¥ 7,210**	¥ 7,610	**$ 87,927**
Deferred tax assets (noncurrent)			
Net operating loss carryforwards	**¥21,578**	¥20,161	**$263,146**
Research and development expenses	**1,619**	1,626	**19,744**
Depreciation	**1,779**	1,865	**21,695**
Other	**4,371**	3,805	**53,306**
Valuation allowance	**(27,469)**	(25,501)	**(334,988)**
Deferred tax liabilities (noncurrent)			
Undistributed earnings of consolidated overseas subsidiaries	**(780)**	(713)	**(9,512)**
Valuation difference on available-for-sale securities	**(509)**	(693)	**(6,207)**
Other	**(837)**	(768)	**(10,208)**
Net deferred tax liabilities (noncurrent)	**¥ (248)**	¥ (218)	**$ (3,024)**

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

	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)%

(Additional information)

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No. 117 of 2011) (below, collectively, the "Revised Tax Regulations") on December 2, 2011, the corporate income tax rate will be lowered and a special restoration surtax will be imposed from fiscal years beginning on or after April 1, 2012. Accordingly, the Company and its consolidated domestic subsidiaries have used the aggregate statutory income tax rate calculated using the tax rate provided in the Revised Tax Regulations for the calculation of deferred tax assets and deferred tax liabilities.

As a result of this change in tax rates, net deferred tax assets decreased by ¥254 million ($3,098 thousand), and deferred income taxes and the valuation difference on available-for-sale securities increased by ¥311 million ($3,793 thousand) and ¥57 million ($695 thousand), respectively.

In addition, following the revised system for the carryforward of net tax losses, from the fiscal year beginning on or after April 1, 2012, the maximum amount of deduction will be equivalent to 80% of the amount of income before carryforward. As a result of this change, deferred tax assets decreased by ¥400 million ($4,878 thousand), and deferred income taxes increased by the same amount.

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, 2012 and 2011 was 0.55% and 1.48%, respectively.

Long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
1.02% to 1.9% loans from Japanese banks, due in installments through 2019			
Secured	**¥ 150**	¥ 17,196	**$ 1,829**
Unsecured	**5,200**	2,165	**63,415**
0.99% to 1.99% loans from a governmental institution, due in installments through 2015			
Secured	**—**	10,000	**—**
Unsecured	**1,401**	2,401	**17,085**
1.84% to 2.17% loans from an insurance company, due in installments through 2015			
Secured	**—**	4,500	**—**
Unsecured	**1,887**	2,433	**23,012**
1.34% unsecured notes, due September 26, 2016	**5,000**	—	**60,976**
1.06% unsecured notes, due September 26, 2014	**14,000**	—	**170,732**
2.13% unsecured notes, due February 8, 2013	**7,000**	7,000	**85,366**
0.88% unsecured notes, due January 31, 2012	**—**	2,500	**—**
Total	**34,638**	48,195	**422,415**
Current portion of long-term debt shown in current liabilities	**(8,650)**	(37,561)	**(105,488)**
Long-term debt less current portion	**¥ 25,988**	¥ 10,634	**$ 316,927**

As of March 31, 2012, certain long-term debt of ¥ 150 million ($1,829 thousand) was secured by property, plant and equipment with a net book value of ¥ 6 million ($73 thousand).

As is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that additional security and guarantees for present and future indebtedness will be given upon request by the bank and that any collateral so furnished will be applicable to all indebtedness to that bank. In addition, the agreements provide that the bank has the right to offset cash deposited against any long-term or short-term debt that becomes due and, in case of default and certain other specified events, against all other debts payable to the bank. To date, the Company has not received any such requests from its banks.

The Company has contracts for commitment lines by which banks are bound to extend loans up to a prearranged amount upon request. As of March 31, 2012, the total financing available under these contracts amounted to ¥ 20,000 million ($243,902 thousand), and no amount of these commitment lines had been used.

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

Years ended March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 1,946	$ 23,732
2015	14,899	181,695
2016	286	3,488
2017	5,286	64,463
2018 and thereafter	3,571	43,549
Total	¥ 25,988	$ 316,927

Note 5: Net Assets and Per Share Data

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

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

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

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

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

On April 22, 2011 the Company proposed and the Extraordinary General Meeting of Shareholders approved a reduction in additional paid-in capital to make an appropriation of surplus. This action was 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 the Company's capital policy. As a result, additional paid-in capital of ¥26,637 million ($324,841 thousand) was transferred to other capital surplus, and other capital surplus following the increase brought about by the transfer of ¥25,572 million ($311,854 thousand) and general reserve of ¥28,500 million ($347,561 thousand) were transferred to retained earnings brought forward.

Diluted net income per share of capital stock for the fiscal year ended March 31, 2012 is not shown because there was no dilutive stock.

At the annual shareholders' meeting held on June 27, 2012, the shareholders approved cash dividends of ¥5.00 ($0.06) per share, totaling ¥1,187 million ($14,476 thousand). The application has not been accrued in the consolidated financial statements as of March 31, 2012. 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 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, 2012 and 2011 was as follows:

(As lessee)

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

2) Depreciation method for leased assets
   As described in Note 1, *Summary of Significant Accounting and Reporting Policies, (f) Depreciation*

B. Information relating to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2012 and 2011 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
	2012	2011	**2012**
Due within one year	**¥ 192**	¥ 332	**$ 2,342**
Due after one year	**232**	157	**2,829**
Total	**¥ 424**	¥ 489	**$ 5,171**

Note 7: Segment Information

1. General information about reportable segments

(1) Calculation Method for Reportable Segments

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

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

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

(2) Products and Services of Reportable Segments

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

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

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

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

Millions of yen

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

Millions of yen

As of and for the year ended March 31, 2011	Reportable segment SE	FE	MP	Others	Adjustments	Consolidated
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

Thousands of U.S. dollars

As of and for the year ended March 31, 2012	Reportable segment SE	FE	MP	Others	Adjustments	Consolidated
Sales						
Sales to outside customers	**$ 2,043,817**	**$ 397,695**	**$ 599,561**	**$ 8,805**	**$ —**	**$ 3,049,878**
Intersegment sales and transfers	**—**	**—**	**—**	**105,573**	**(105,573)**	**—**
Total	**2,043,817**	**397,695**	**599,561**	**114,378**	**(105,573)**	**3,049,878**
Segment income (loss)	**$ 166,195**	**$ (14,841)**	**$ 28,110**	**$ 36**	**$ (14,890)**	**$ 164,610**
Segment assets	**$ 1,633,256**	**$ 191,000**	**$ 502,756**	**$ 58,085**	**$ 607,366**	**$ 2,992,463**
Other						
Depreciation and amortization	**39,073**	**4,012**	**3,780**	**1,367**	**12,573**	**60,805**
Impairment loss	**10,341**	**22,439**	**—**	**—**	**2,171**	**34,951**
Capital expenditures	**35,988**	**5,463**	**12,695**	**1,391**	**34,061**	**89,598**

Notes: 1. *The "Other" category incorporates operations not included in reportable segments, including software development, planning and production of printed matter, logistics operations and other businesses.*
2. *Segment operating income (loss) adjustments of ¥(1,221) million ($(14,890) thousand) and ¥(363) million for the years ended March 31, 2012 and 2011, respectively, are the corporate expenses not apportioned to each reportable segment. Corporate expenses consist mainly of the headquarters' general and administrative expenses not usually attributed to segments.*
Segment assets adjustments of ¥49,804 million ($607,366 thousand) and ¥53,889 million for the years ended March 31, 2012 and 2011, respectively, are the corporate assets not apportioned to each reportable segment. Corporate assets consist mainly of administrative assets of the parent company not usually attributed to segments.
3. *Segment income (loss) is adjusted with operating income under consolidated statements of income.*

<Related Information>

1. Information about geographic areas

(1) Net sales

Years ended March 31,	Millions of yen 2012		2011		Thousands of U.S. dollars 2012
Japan	**¥ 62,135**	**(24.8%)**	¥ 52,629	(20.6%)	**$ 757,744**
Taiwan	**32,286**	**(12.9%)**	60,417	(23.7%)	**393,732**
South Korea	**30,043**	**(12.0%)**	22,421	(8.8%)	**366,378**
China	**20,742**	**(8.3%)**	19,877	(7.8%)	**252,951**
United States	**52,873**	**(21.1%)**	53,955	(21.2%)	**644,793**
Europe	**26,138**	**(10.5%)**	26,573	(10.4%)	**318,756**
Others	**25,873**	**(10.4%)**	19,081	(7.5%)	**315,524**
Total	**¥ 250,090**	**(100.0%)**	¥ 254,953	(100.0%)	**$ 3,049,878**

Notes: 1 Net sales are categorized by country or geographic area based on the location of customer.
2 The numbers shown in parentheses are component ratios.

(2) Property, plant and equipment

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

2. Information about major customers

Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Net sales		
Taiwan Semiconductor Manufacturing Co., Ltd. (Related segment: SE)	**¥ 25,064**	**$ 305,659**

Year ended March 31, 2011	Millions of yen
Net sales	
Taiwan Semiconductor Manufacturing Co., Ltd. (Related segment: SE)	¥ 34,821
Intel Corporation (Related segment: SE)	29,712

Note 8: Contingent Liabilities

As of March 31, 2012, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen	Thousands of U.S. dollars
As guarantors of		
Customers' lease payments	**¥ 93**	**$ 1,134**
Employees' housing loans	**235**	**2,866**
Trade notes receivable endorsed	**26**	**317**
Total	**¥ 354**	**$ 4,317**

Note 9: Financial Instruments

1. Qualitative information on financial instruments

A. Qualitative information on financial instruments

The Dainippon Screen Group procures funds necessary to conduct business by means such as loans from financial institutions and the issuance of bonds, in accordance with annual funding plans. Investments of capital are limited to instruments that satisfy safety and liquidity requirements. Derivative transactions are used only to hedge financial risk such as the risk of fluctuations in exchange rates and interest rates. Speculative transactions are not undertaken.

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

Financial instruments	Risks	Processes for risk management
Trade notes and accounts receivable	Credit risk of clients	The amounts outstanding are managed for each client and by due date. Also, the financial condition of clients are monitored.
Accounts receivable denominated in foreign currency	Risk of fluctuation in foreign currency exchange rates	The risk is hedged by using forward foreign exchange contracts on certain portions of the receivables.
Investments in securities	Risk of fluctuation in market prices	The fair values of the instruments and financial conditions of issuers are regularly monitored.
Loans, bonds and lease obligations	Liquidity risk	Funding plans are prepared and renewed, and a certain level of liquidity on hand is maintained.
Portion of loans	Risk of fluctuation in interest rates	The risk is hedged by using interest rate swaps.

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

C. Supplemental information on fair values

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

2. Fair values of financial instruments

As of March 31, 2012 and 2011, the book value and fair value of financial instruments and the differences between these figures are set forth in the table below. The table does not include financial instruments whose fair values are not readily determinable. (See note 2.)

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
Years ended March 31,	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 37,663	¥ 37,663	¥ –	¥ 39,986	¥ 39,986	¥ —	$ 459,305	$ 459,305	$ –
(2) Trade notes and accounts receivable	72,949	72,949		70,980	70,980		889,622	889,622	
Allowance for doubtful receivables (*1)	(1,125)	(1,125)		(1,007)	(1,007)		(13,720)	(13,720)	
	71,824	71,824	(0)	69,973	69,973	(0)	875,902	875,902	(0)
(3) Investments in securities									
Available-for-sale securities	20,497	20,497	–	21,511	21,511	—	249,964	249,964	–
Total assets	¥ 129,984	¥ 129,984	¥ (0)	¥ 131,470	¥ 131,470	¥ (0)	$1,585,171	$1,585,171	$ (0)
(1) Notes and accounts payable - trade	¥ 81,459	¥ 81,459	¥ –	¥ 81,942	¥ 81,942	¥ —	$ 993,402	$ 993,402	$ –
(2) Short-term debt	8,049	8,049	–	500	500	—	98,159	98,159	–
(3) Long-term debt	34,638	34,834	196	48,195	48,098	(97)	422,415	424,805	2,390
(4) Lease obligations	4,989	7,966	2,977	6,895	9,194	2,299	60,841	97,146	36,305
Total liabilities	¥ 129,135	¥ 132,308	¥ 3,173	¥ 137,532	¥ 139,734	¥ 2,202	$1,574,817	$1,613,512	$ 38,695
Derivative transactions (*2)									
(1) Without application of hedge accounting	¥ (223)	¥ (223)	¥ –	¥ (134)	¥ (134)	¥ —	$ (2,720)	$ (2,720)	$ –
(2) With application of hedge accounting	–	–	–	(42)	(42)	—	–	–	–
Total derivative transactions	¥ (223)	¥ (223)	¥ –	¥ (176)	¥ (176)	¥ —	$ (2,720)	$ (2,720)	$ –

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

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

Notes: 1. Method of estimating fair values of financial instruments and items regarding investment in securities, and derivative transactions

Assets

(1) Cash, cash equivalents and time deposits

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

(2) Trade notes and accounts receivable

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

(3) Investments in securities

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

Liabilities

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

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

(3) Long-term debt

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

(4) Lease obligations

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

Derivative transactions

See Note 10, Derivative Transactions.

2. The book value of financial instruments whose fair values were deemed to be exceedingly difficult to estimate as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Category	Book value	Book value	Book value
Non-listed equity securities	¥ 651	¥ 672	$ 7,939

The amount in the left table includes investments in affiliates of ¥38 million ($463 thousand). These items do not have market prices and are deemed to require excessive cost to estimate the future cash flows. Therefore, they are not included in (3) "Investments in securities" as it is deemed to be exceedingly difficult to estimate the fair values.

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

	Millions of yen								Thousands of U.S. dollars			
	2012				2011				2012			
	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	¥ 37,626	¥ —	¥ —	¥ —	¥ 39,925	¥ —	¥ —	¥ —	$ 458,854	$ —	$ —	$ —
Trade notes and accounts receivable	72,939	10	—	—	70,956	24	—	—	889,500	122	—	—
Investments in securities - available-for-sale securities with maturities	—	—	—	—	—	—	—	—	—	—	—	—
Total	¥ 110,565	¥ 10	¥ —	¥ —	¥ 110,881	¥ 24	¥ —	¥ —	$ 1,348,354	$ 122	$ —	$ —

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, 2012 and 2011 were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2012				2011				2012			
Years ended March 31,	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)	Contracted amount	Portion exceeding one year	Fair value	Recognized gain (loss)
Non-exchange traded forward foreign exchange contracts												
(Sell–U.S. dollars)	**¥3,172**	**¥—**	**¥(129)**	**¥(129)**	¥3,293	¥—	¥ (39)	¥ (39)	**$38,683**	**$—**	**$(1,574)**	**$(1,574)**
(Sell–Euro)	**1,808**	**—**	**(94)**	**(94)**	1,919	—	(95)	(95)	**22,049**	**—**	**(1,146)**	**(1,146)**
Total	**¥4,980**	**¥—**	**¥(223)**	**¥(223)**	¥5,212	¥—	¥(134)	¥(134)	**$60,732**	**$—**	**$(2,720)**	**$(2,720)**

Notes: 1. Method of estimating fair value
The fair values of exchange forward transactions as of March 31, 2012 and 2011 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, 2012 and 2011:

Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	**¥ 7,335**	**¥10,900**	**¥ 3,565**	¥ 8,603	¥12,738	¥ 4,135	**$ 89,451**	**$132,927**	**$ 43,476**
Others	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Total	**¥ 7,335**	**¥10,900**	**¥ 3,565**	¥ 8,603	¥12,738	¥ 4,135	**$ 89,451**	**$132,927**	**$ 43,476**
Other securities:									
Equity securities	**¥11,249**	**¥ 9,584**	**¥ (1,665)**	¥10,853	¥ 8,761	¥(2,092)	**$137,183**	**$116,878**	**$ (20,305)**
Others	**18**	**13**	**(5)**	17	13	(4)	**220**	**159**	**(61)**
Total	**¥11,267**	**¥ 9,597**	**¥ (1,670)**	¥10,870	¥ 8,774	¥(2,096)	**$137,403**	**$117,037**	**$ (20,366)**

2. Total sales of available-for-sale securities for the year ended March 31, 2012 amounted to ¥125 million ($1,524 thousand), and the related total gain and loss amounted to ¥39 million ($476 thousand) and ¥2 million ($24 thousand), respectively. Total sales of available-for-sale securities for the year ended March 31, 2011 amounted to ¥520 million, and the related total gain amounted to ¥162 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligation	**¥28,404**	¥27,828	**$346,390**
Fair value of plan assets	**(23,833)**	(22,217)	**(290,646)**
Unrecognized actuarial differences	**(6,631)**	(7,268)	**(80,866)**
Prepaid pension expenses	**2,375**	1,937	**28,963**
Provision for retirement benefits	**¥ 315**	¥ 280	**$ 3,841**

Severance and pension benefit expenses included in the consolidated statements of income for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service costs—benefits earned during the year	**¥1,355**	¥1,103	**$16,524**
Interest cost on projected benefit obligation	**522**	523	**6,366**
Expected return on plan assets	**(626)**	(792)	**(7,634)**
Amortization of actuarial differences	**927**	864	**11,305**
Severance and pension benefit expenses	**¥2,178**	¥1,698	**$26,561**
Others	**593**	572	**7,232**
Total	**¥2,771**	¥2,270	**$33,793**

The discount rate used by the Company was 2.00% in 2012 and 2011. The rate of expected return on plan assets was 3.00% in 2012 and 3.90% in 2011. The estimated amount of all retirement benefits to be paid at the future retirement dates is allocated equally to each service year using the estimated number of total service years.

Note 13: Impairment of Fixed Assets

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

For the year ended March 31, 2012, the Company and its consolidated subsidiaries recorded impairment loss of ¥2,688 million ($32,780 thousand), mainly related to buildings and structures and machinery, equipment and vehicles, and ¥178 million ($2,171 thousand), related to land. For the year ended March 31, 2012, the Company and its consolidated subsidiaries recorded impairment loss of ¥1,656 million, mainly related to buildings and structures and machinery, equipment and vehicles.

Note 14: Business Structure Improvement Expenses

There was no business structure improvement expense in "Other Expenses" for the fiscal year ended March 31, 2012. The items of business structure improvement expense 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.

Note 15: Consolidated Statements of Comprehensive Income

Amounts reclassified as net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Valuation difference on available-for-sale securities:		
Increase(decrease) during the year	**¥ (941)**	**$ (11,476)**
Reclassification adjustments	**798**	**9,732**
Sub-total, before tax	**(143)**	**(1,744)**
Tax (expense) or benefit	**184**	**2,244**
Sub-total, net of tax	**41**	**500**
Deferred gains or losses on hedges:		
Increase(decrease) during the year	**(1)**	**(12)**
Reclassification adjustments	**43**	**524**
Sub-total, before tax	**42**	**512**
Tax (expense) or benefit	**—**	**—**
Sub-total, net of tax	**42**	**512**
Foreign currency translation adjustment:		
Increase(decrease) during the year	**(586)**	**(7,146)**
Total other comprehensive income	**¥ (503)**	**$ (6,134)**

Note 16: Related Party Transactions

Significant transactions between the Company and one of its directors for the years ended March 31, 2012 and 2011 were as follows:

		Millions of yen		Thousands of U.S. dollars
Name of related party	Description of transactions	**2012**	2011	**2012**
Toru Matsumoto	Fees for legal services for the year	**¥ 10**	¥ 27	**$ 122**

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

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Dainippon Screen Mfg. Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated income statement, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dainippon Screen Mfg. Co., Ltd. and its consolidated subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 27, 2012
Osaka, Japan

Consolidated Companies (As of March 31, 2012)

Overseas

North America

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

Europe

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

Asia & Oceania

Dainippon Screen Electronics (Shanghai) Co., Ltd./
Dainippon Screen (China) Ltd./Screen Media Technology Ltd./
Dainippon Screen Mt (Hangzhou) Co., Ltd./
Dainippon Screen (Korea) Co., Ltd./
Dainippon Screen Electronics (Taiwan) Co., Ltd./
DNS Feats (Taiwan) Co., Ltd./Dainippon Screen (Taiwan) Co., Ltd./
Dainippon Screen Singapore Pte. Ltd./
Dainippon Screen (Australia) Pty. Ltd.

Domestic

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

*Affiliate accounted for by the equity method

Investor Information (As of March 31, 2012)

Stock Information

Authorized Number of Shares:	900,000,000
Number of Shares Issued:	253,974,333
Number of Shareholders:	15,050
Number of Shares Held by Non-Japanese Companies and Individuals:	47,782,544 (18.81%)
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)	25,360	9.98
Japan Trustee Services Bank, Ltd. (Accounting in trust)	18,570	7.31
Nippon Life Insurance Company	10,170	4.00
The Bank of Kyoto, Ltd.	6,730	2.65
Resona Bank, Limited	4,562	1.79
Dainippon Screen's Business Partners Shareholders' Association Synchronize	4,341	1.70
The Shiga Bank, Ltd.	4,241	1.67
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,923	1.54
Dainippon Screen's Employees Shareholders' Association	3,888	1.53
Trust & Custody Services Bank, Ltd. (Investment trust account)	3,536	1.39

*While Dainippon Screen Mfg. Co., Ltd. holds 16,605,094 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.

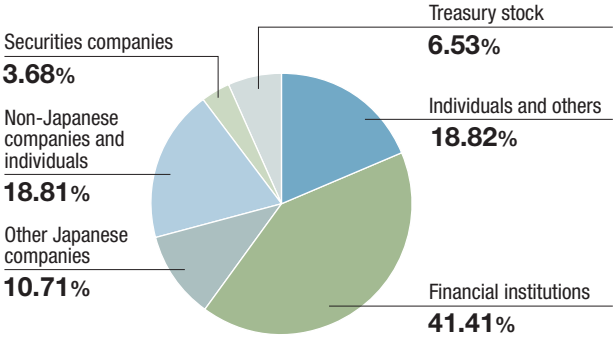
Underwriter

Nomura Securities Co., Ltd.

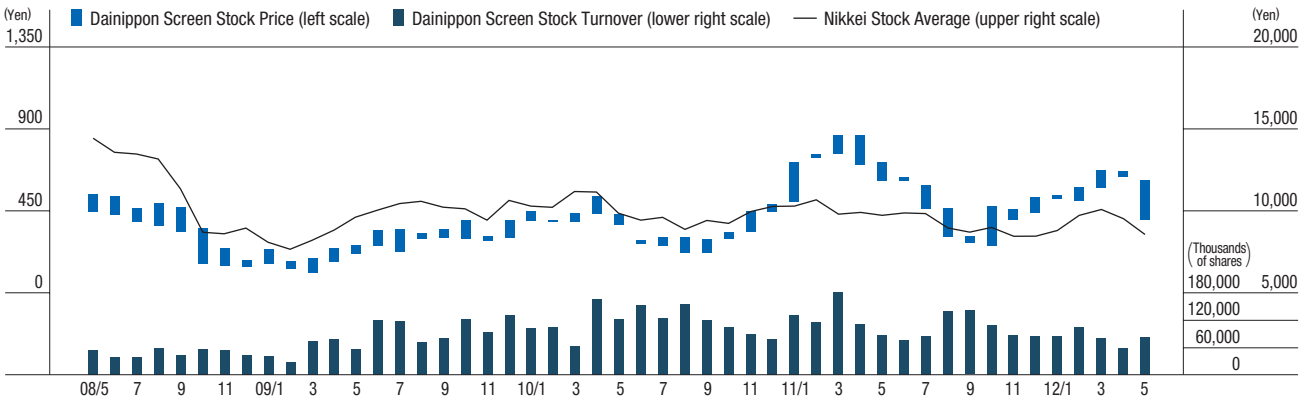
Sub-Underwriters

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

Breakdown by type of shareholder



Stock Price Range and Turnover



森の町内会
間伐に寄与する紙
www.mori-cho.org

森の町内会: Morino Chonai-kai
(Forest Neighborhood Association)

DAINIPPON SCREEN MFG. CO., LTD.

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