

**Fit your needs, Fit your future**



# Fit your needs,

The Dainippon Screen Group's management principle is the "Shi Kou Ten Kai (the pursuit of new ideas and fields)," which is to always challenge itself for creation of new businesses, technologies, and products based upon its core technologies. Since its establishment in 1943, Dainippon Screen has put this into practice, applying its photolithographic technologies to various areas, including printing and technological solutions for manufacture of printed circuit boards (PCB) and electronic devices.

To promote speedy management that can respond to changing markets, the Company will become a holding company, "SCREEN Holdings Co., Ltd.," effective from October 1, 2014. Under a new structure, we will continue to apply our technological expertise to meeting social needs, reinforcing the spirit of Shi Kou Ten Kai with a determination to implement reform with a strong will.

## Guiding Principles of SCREEN's Business

### ● Management Philosophy

Shi Kou Ten Kai (思考展開 + 志高転改)

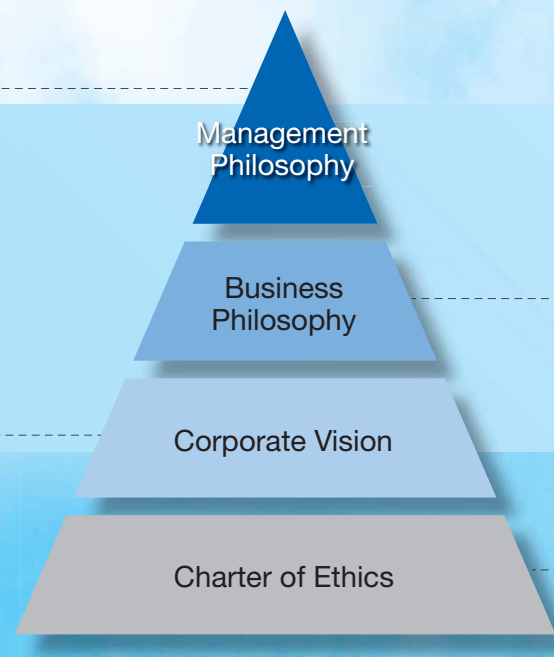
### ● Corporate Vision

Fit your needs, Fit your future

思考展開 (pronounced Shi Kou Ten Kai) means thinking, considering, developing and opening new businesses, products and technologies. The phrase embodies our commitment to the challenge of developing new businesses and products while identifying growing applications for our technologies, and continuously seeking ever better possibilities.

+

志高転改 (also pronounced Shi Kou Ten Kai) means to implement reforms with a strong will.



The Company has been included in the FTSE4Good since its launch in 2004. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalize on the benefits of responsible business practice.

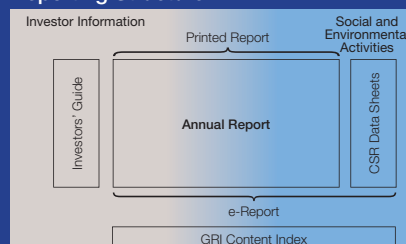
## Editorial Policy

Our annual reports integrate information on business activities and financial, social and environmental performances for the purpose of more comprehensive reporting of our corporate activities. In addition to the printed *Annual Report 2014*, we have made available on our website CSR data sheets to supplement information related to corporate social responsibility (CSR).

We provide CSR-related information using the Global Reporting Initiative (GRI) G3.1 and G4 Sustainability Reporting Guidelines.\* For G3.1, we self-declare the application level of B.

\* The GRI Content Index is available on our website.

## Reporting Structure



Website (<http://www.screen.co.jp/eng>)

We disclose a variety of IR, social and environmental information in addition to that mentioned above on our website.

## 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.

# Fit your future

## ● 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

## ● Charter of Ethics

### 1. Abiding by laws and ordinances

### 2. Contributing to society

### 3. Respecting human dignity

### 4. Pursuing the advancement of technology with environmental awareness and responsibility

### 5. Ensuring employee health and safety

### 6. Maintaining openness and accountability

### 7. Ensuring proper use and protection of company assets

### 8. Making a commitment to integrity and ethical business practices

## Sustainable Value Creation

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## Reinforcing Core Technologies, and Enhancing Long-Term

In October 1, 2014, Dainippon Screen Mfg. Co., Ltd. will make a fresh start as SCREEN Holdings Co., Ltd. Under the new corporate structure, we will further reinforce our core technologies developed through our involvement in both the printing and electronics industries and pursue open innovation. We will thereby build on a platform for sustainable growth and consistently high earnings.

Dainippon Screen has developed core technologies centered on photolithography. By always thinking about new applications for these technologies, we are able to consistently meet evolving demand. This growth model reflects the Company's management philosophy of "the pursuit of new ideas and fields" and, I believe, the way in which we seek to contribute to society.

In 1934, Dainippon Screen's predecessor, Ishida Kyokuzan Printing Works, became the first in Japan to successfully produce glass screens. Since then, the Company has grown by applying its core photolithography technologies to graphic arts equipment and later to such then-new areas as shadow masks for color televisions and, eventually, to semiconductor and LCD production equipment.

Today, the Company's operations are divided into the Semiconductor Equipment segment, the FPD Equipment segment and the Media and Precision Technology segment. These businesses are becoming increasingly specialized and complex. As such, we have decided to transition to a holding company structure, making these businesses into wholly owned subsidiaries to facilitate speedier management that better responds to market changes. This decision was approved at the June 26, 2014 General Meeting of Shareholders.

In October 2014, the Company will be reborn. We will continue to value our legacy of "the pursuit of new ideas and fields," always asking how we can use our technologies and products to meet social needs. We will take on the challenges of expanding existing businesses and creating new businesses and push forward to meet the expectations of all our stakeholders.

### Akira Ishida

Representative Director  
Chairman  
Chief Executive Officer

## Pursuing Open Innovation Corporate Value

In fiscal 2012, the year ended March 31, 2012, the Company launched the *NextStage70*, the previous three-year medium-term management plan, with the aim of establishing a stable earnings structure and building a foundation for new growth. However, in the second year of the plan, results in the mainstay semiconductor and FPD equipment businesses suffered as a result of restrained capital investment by device and panel manufacturers. And, although we were able to post profit and resume paying dividends in the final year of the plan, the task of establishing a stable earnings structure remains.

Under the new three-year medium-term management plan, Challenge2016 (April 2014–March 2017), after completing the earnings structure reforms of the previous medium-term management plan, the Group will tackle the challenges of securing an operating income to net sales ratio of 10% or more, generating profits in new business fields and achieving an equity ratio of 50% or more. To achieve the goals of Challenge2016, we decided to transition to a holding company structure, thereby giving each operating company clear responsibility and authority to accelerate decision making.

As semiconductor production equipment manufacturers reorganize, growth in the FPD production equipment market slows and the digitization of printing processes accelerates, our business environment is changing considerably, and the need to transition to a business structure that can respond to such changes is pressing. It is precisely because of these circumstances that we will maintain the Company's legacy of responding to evolving demand by adapting and reinforcing our areas of strength and creating new businesses for growth in a speedy manner. Going forward, I ask for the continued support and confidence of all our stakeholders.

### Eiji Kakiuchi

Representative Director  
President  
Chief Operating Officer

Photograph courtesy of Kyoto Kitayama Maruta Productive Cooperative

## Strengthening Existing Businesses and Creating New Businesses for Future Growth



From left: Vice Chairman Masahiro Hashimoto, Chairman Akira Ishida and President Eiji Kakiuchi

### Review of Business Environment and Performance for the Fiscal Year Ended March 31, 2014

During the fiscal year under review, the global economy made a moderate recovery, led by an economic pickup in developed countries. In the semiconductor industry, capital investment among logic chip manufacturers

remained restrained due to weak demand for personal computers. Memory chip manufacturers and foundries, however, stepped up capital investment, reflecting growing demand for smartphones and tablets. The LCD panel industry also saw improvement in the business environment as demand for small- and medium-sized

LCD panels increased and capital investment in China resumed. Business conditions for graphic arts equipment remained challenging due to economic stagnation in Europe and intensifying competition despite the growing market for print on demand (POD) equipment.

Under these circumstances, the Dainippon Screen Group posted consolidated net sales totaling ¥235.9 billion for the fiscal year under review, up ¥36.1 billion, or 18.1%, from the previous fiscal year. On the earnings front, operating income totaled ¥8.9 billion, up ¥13.7 billion from the ¥4.8 billion operating loss of the previous fiscal year, due to the increase in net sales and reduced variable costs. Ordinary income amounted to ¥8.3 billion, compared with an ordinary loss of ¥5.0 billion in the year before. As a result, the Group posted net income of ¥5.4 billion for the fiscal year under review, compared with a net loss of ¥11.3 billion in the previous fiscal year, thereby achieving recovery.

### **A Tumultuous Decade**

During the four years between my taking office as president in 2005 and the advent of the global financial crisis, we were able to advance growth-oriented management. Backed by solid results, we were able to make major capital investments, for example, establishing in 2006 a manufacturing base for FPD production equipment, the CS-1, and for semiconductor production equipment, the Fab.FC-2. Investment in R&D was at a similarly high level; in 2008, we established the Process Technology Center for developing semiconductor manufacturing processes.

Then, with the global financial crisis of 2008, came a major turning point. As clients made unprecedented cuts to capital investment we recorded losses for two consecutive years and had no choice but to solicit early retirement applications. Although we achieved a rapid recovery, with net income hitting an all-time high in fiscal 2011, we were not able to return to a steady profit track. This was due to what we like to call the “PC shock,” that is, the shift in demand from personal computers to smartphones and tablets. Fiscal 2013



sales thus dropped precipitously, and we were once again in loss. In short, for the five years or so since late 2008, management has been mainly defense-oriented, and we have not been free to make bold investments.

During my term of office, I have made a deliberate effort to seek out and incorporate outside perspectives, perhaps in part because of my background in banking and because I was the first president from outside the Company’s founding family. I have placed emphasis on active IR aimed at both individual and institutional investors around the world and on taking into account the perspectives of shareholders and other stakeholders to build a stronger, more financially sound company. Even so, looking at stakeholder satisfaction, in the previous fiscal year we again recorded a net loss and did not pay a dividend, nor did we accomplish the numerical targets of the previous medium-term management plan. With performance recovery now in sight, I have high expectations of risk-aware, growth-oriented management from the new president.

Director  
Vice Chairman

**Masahiro Hashimoto**

## Reinforcing Our Strengths and Accelerating New Business Creation



### Forecast for the Fiscal Year Ending March 31, 2015

Overall economic conditions in the current fiscal year are expected to continue to gradually improve. While the effects of slowing growth in emerging economies and the possible reemergence of anxiety regarding China's financial system remain causes for concern, ongoing monetary easing in developed countries is expected to provide economic support. In the Semiconductor Equipment segment, despite an anticipated rise in demand for low-cost smartphones and tablet devices, some device manufacturers are expected to put off capital investment, therefore, we are remaining conservative as to our sales estimates. Sales in the FPD Equipment segment are expected to rise on the back of robust investment in China for TV LCD panels. In the Media and Precision Technology segment, sales are likewise expected to increase due to the promotion of POD equipment and direct imaging systems. In terms of earnings, the Group will work to increase profitability by completing earnings structure reforms.

### Three Changes to Generate Sustainable Growth

Having returned to profitability in the previous fiscal year and in line with our tenet of challenging ourselves, we must now achieve the three goals of the three-year

medium-term management plan.

The first of these is to improve the earnings structure and secure an operating income to net sales ratio of 10% or more in the final year of the plan. The upcoming transition to a holding company structure will reinforce the independent profit management of each business and thus contribute greatly to improving overall profitability, helping to achieve this goal. We will continue to persevere in our efforts to reduce variable costs in each business while revising resource allocation to optimize fixed costs. We will flexibly shift key business and geographic areas as we make strategic investment to meet changes in demand and markets.

Second, while reinforcing existing businesses, we will advance new business creation. Under the new three-year medium-term management plan, we have identified energy, life science, inspection and measuring and printed electronics as four areas in which to concentrate resources to quickly establish new businesses. We are steadily bringing new products in these areas to market. For example, in the energy field, we are working on the commercialization of lithium ion battery production equipment that employs even coating technology developed in the LCD field, and, in the life science field, in July 2013 we released 3D cell scanning equipment that enables the observation of cells over multiple days without the use of reagents. We hope to further cultivate such new products to achieve profitability in these businesses and add them into our portfolio for future growth. To succeed in these new businesses we will move away from the idea of self-sufficiency and embrace open innovation that takes advantage of resources from outside the Group to secure growth. This is another reason that we must further reinforce our existing strengths.

Third, we will strengthen our financial standing and achieve an equity ratio of 50% or above by March 31, 2017. The semiconductor industry is subject to major shifts in market conditions known as the "silicon cycle." We must reinforce our financial standing so that we can



steadily continue investing in future growth and making shareholder returns even when the market is weak. To this end, we will work to further reign in inventories and accounts payable while increasing profitability.

### Meeting the Expectations of Our Stakeholders

Advancing CSR management is one of the fundamental policies of the new medium-term management plan. While striving to achieve our targets, we will work to bolster corporate governance and as the Company as a whole reform our awareness of social responsibility.

From October 2014 onward, the holding company will formulate flexible, unified Groupwide strategies, optimize the distribution of management resources and monitor the business execution of subsidiaries, while each operating company will conduct business with speedy and bold decision making, further separating management and execution.

Meanwhile, good products and services alone are no guarantee of sustainable growth; I believe the fulfillment of societal and environmental requirements is essential to business success. I firmly believe that by ensuring that all employees work with stakeholders in mind we can realize our long-term corporate vision, "Fit your needs, Fit your future."

Generating profit is of course necessary to ensuring continued corporate success, but also necessary is ensuring that employees feel positive and confident about their company's future. It is this positive and confident approach that will enable us to meet the expectations of investors, customers, business partners and other stakeholders. We want to develop a clear vision for the future that shows our employees and other stakeholders that we are making sure strides toward sustainable growth.

“

Cultivating future sources of growth: expanding existing businesses and diversifying into new businesses

”

#### Eiji Kakiuchi

Representative Director President & COO

March 1978 Graduated from faculty of foreign language in Tenri University

March 1978 Employed at Iwakura Corporation

April 1981 Joined Dainippon Screen

July 2000 Appointed president of Dainippon Screen Graphics (USA), LLC

April 2005 Appointed Corporate Officer and president of Media Technology Company

April 2006 Appointed Corporate Officer (Senior)

April 2007 Appointed Corporate Executive Officer and president of Semiconductor Equipment Company

April 2010 Appointed Chief Officer of security trade and in charge of GPS

April 2011 In charge of IR and G10

June 2011 Appointed Director

April 2012 In charge of PR & IR

April 2014 Appointed President and Chief Operating Officer

## Medium-term

New Three-Year Medium-Term Management Plan and  
Change to a Holding Company Structure

# Challenge2016

### Enhancing Profitability and Financial Structure

Beginning in fiscal 2012 (fiscal year ended March 31, 2012), the Dainippon Screen Group implemented the previous three-year medium-term management plan *NextStage70*, based on a fundamental policy of establishing a stable earnings structure and building a foundation for new growth. Despite its efforts, however, the task of establishing a stable earnings structure remains. Under its new three-year medium-term management plan, Challenge2016 (April 2014–March 2017), the Group will seek to achieve consistently higher earnings after completing the earnings structure reforms remaining from the previous medium-term management plan as well as to generate profits from new business fields.

#### Fundamental Policies

**1. Enhance profitability through a holding company structure**

Change to a holding company structure to speed up business execution and implement a stricter project-based budget management approach

**2. Build a high-profit business portfolio**

Capitalize on our core competences and advance open innovation strategy to build a high-profit business portfolio

**3. Promote balance sheet management**

Place greater emphasis on balance sheet management to create a more robust financial structure

**4. Advance CSR management**

Nurture a Groupwide CSR mind-set; contribute to society through business

# New Three-Year Medium-Term Management Plan “Challenge2016”

We seek to transform into a company capable of generating consistently high profits by reinforcing the competitiveness of our main businesses and accelerating new business creation.

## Three Targets

**10%**  
**Profit Structure Reform**  
 Achieve an operating income ratio of 10% or more

**+4**  
**New Business Creation**  
 Generate profits in each new business field

**50%**  
**Financial Structure Enhancement**  
 Achieve an equity ratio of 50% or above

## Four New Business Fields

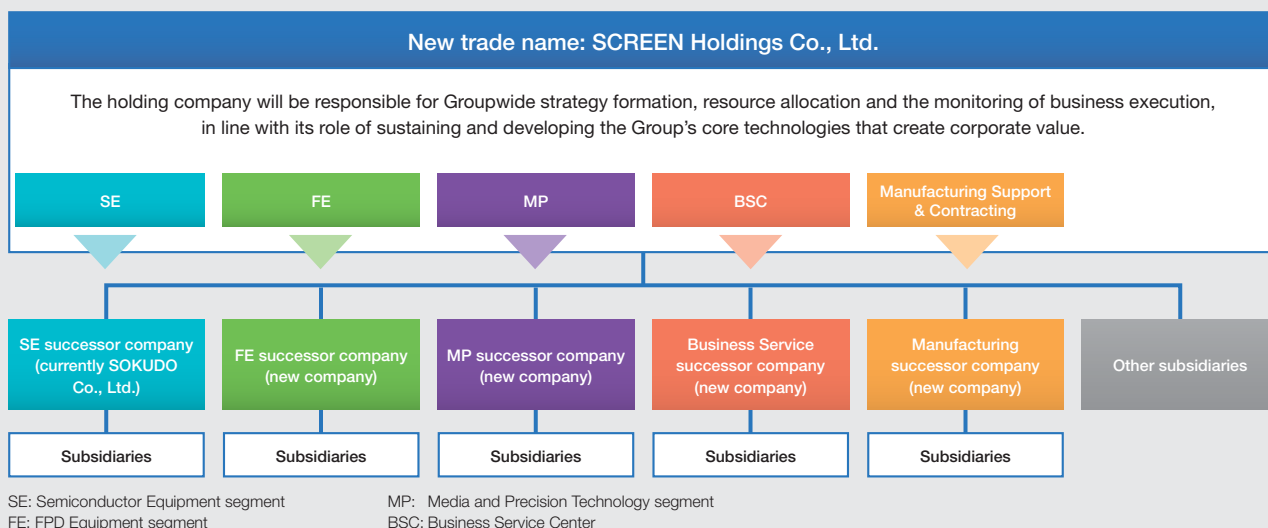


### Change to a Holding Company Structure

As approved at the 73rd general meeting of stakeholders, the Dainippon Screen Group will change to a holding company structure, effective from October 1, 2014. This structural change is intended to ensure that we achieve the targets of our new three-year medium-term management plan.

Dainippon Screen Mfg. Co., Ltd. (the “Company”) will become a holding company, changing its trade name to SCREEN Holdings Co., Ltd. The Company’s semiconductor

production equipment business will be taken over by SOKUDO Co., Ltd., a 100% subsidiary of the Company. The remaining functions, namely, the FPD production equipment business, the media and precision technology business (printing and PCB production equipment related business), manufacturing support and manufacturing contracting operations, and shared services operations, will be taken over by four newly established successor companies.



# Drawing the Map to New Growth by Applying Core Technologies

## The 4<sup>th</sup> Pillar

– Accelerating New Business Creation

Focusing on the three areas of surface processing, direct imaging and image processing, we aim to develop our core technologies and combine them with other technologies to create new businesses that will drive future growth.

Soichi Nadahara  
Managing Director  
Chief Technology Officer  
General Manager of Research  
& Development Center

### Surface processing

Modifying surfaces through such processes as coating, cleaning and etching.

### Direct imaging

Forming patterns on substrate surfaces using lithography, inkjet and other techniques.

### Image processing

Performing such processing of image data as retouching, matching or converting.

#### Functions of the Research & Development Center Enhanced to Accelerate New Business Creation

The role of the Group's Research & Development Center is to support the development of next-generation technologies in each of our current business fields and facilitate the creation of new businesses through new technological combinations and applications. Under the new three-year medium-term management plan "Challenge2016" (April 2014–March 2017), the weight of new business development in R&D will increase and the target markets and

applications for next-generation technologies are thus more clearly defined. For this, we now have an R&D budget aimed at new businesses to ensure steady funding. By reinforcing our current strengths and seeking out technological innovations in new areas, we are working to maximize the Group's technological potential.

#### Opening Up Four New Business Areas

In formulating the new three-year medium-term management plan, we reorganized the Group's proprietary

technologies into the three areas of surface processing, direct imaging and image processing and identified four new business fields—energy, life science, inspection and measuring and printed electronics—to be developed by extending and combining core technologies to create innovative applications.

In the energy field, we already released a thickness measuring system for thin film solar cells in November 2009 and are currently working toward the commercialization of battery electrode coating and drying equipment for the manufacture of lithium ion batteries (LiBs). This application combines the coating technology of coater/developers for large LCD panels with control technology to realize the even, high-speed coating of electrode materials. Trials of prototypes with customers are ongoing.

In the life science area, in July 2013 we released the Cell3 iMager cell scanner, which employs our image processing technologies. This system enables the rapid measurement and analysis of growth and changes in cancer cells. Because Cell3 iMager requires no staining reagents, we can see the development of living cells over days, giving this product a particular advantage.

In the inspection and measurement field, we hope to contribute to factory efficiency through automation and labor saving technologies. We particularly aim to apply our unique expertise and technologies to areas that still rely on visual inspection.

The Group has been working in the printed electronics area (see below), combining printing and electronics technologies. For several years already, we have been employing our ultra-fine printing technology to develop circuit pattern formation technology of a completely new kind.

## Breaking into the Printed Electronics Field

### *Applications ranging from circuit formation to functional materials printing*

Printed electronics refers to methods of manufacturing electronic devices by printing electronic circuits and other components on substrates, much like printing words on paper. This technology is receiving attention for its potential to greatly improve electronics manufacturing productivity far beyond what is possible with conventional photolithography methods. Furthermore, because this

## Market Strategy and the Path to Open Innovation

When developing a new business into an income pillar, drawing out a strategy starting from the matching of seeds and needs and envisaging commercialization and market penetration is essential. We must identify the unique ways that the Company can address market demand and search for ways to provide solutions. We aim to bring about high-quality solutions that provide additional value to customers.

At the same time, we need to focus on cultivating the skills of the next generation of young engineers. We have our young engineers participate in conferences around the world to broaden their perspectives.

Across the Group, companies are aiming to shift from being just production equipment manufacturers to providers of solutions capable of offering technologies in a comprehensive package. In the course of doing so, we must assess our technological strengths and weaknesses and seek to redress those weaknesses where required from sources outside the Group. One way of doing this is through open innovation, as outlined in the new medium-term management plan. In exchange for sharing our core technologies outside the Company, we can gain the expertise and technology needed to enter target markets. In this way, we aim to broaden the range of solutions we provide and bring new businesses to market as quickly as possible.

### Terminology

• **Coater/developer**

Equipment that forms coats of and develops photosensitive materials. Used in the manufacture of semiconductor wafers and LCD panels.

**Printro**  **inics** = Print+Invisible+Electronics

# Semiconductor Equipment Company



President, Semiconductor Equipment Company

Tadahiro Suhara

## Increasing the Profitability of Existing Product Lineups While Expanding into New Areas

**Business Overview:** The Semiconductor Equipment Company provides equipment for the surface processing that is an essential part of circuit formation on silicon wafers for semiconductor devices. Processing includes cleaning, coating/developing and annealing.

### ■ Fiscal 2014 Business Environment and Performance Review

Thanks to increased investment by memory chip manufacturers and major foundries, sales of cleaning equipment, mainly single-wafer cleaning equipment, increased. Sales of coater/developers also rose due to successful marketing to major clients. As a result, net sales of the Semiconductor Equipment Company rose 16.0% to ¥163.1 billion, and operating income came to ¥8.7 billion, a turnaround from the ¥3.7 billion operating loss of the previous fiscal year, thanks in part to reductions in variable costs.

Due to a major shift in market emphasis from personal computers toward smartphones and other mobile devices, investment by foundries and manufacturers of memory chips for mobile devices was brisk, in turn contributing to considerable sales growth for the company.

Meanwhile, semiconductor device manufacturers have become

increasingly oligopolistic. While competition for a limited number of customers has increased, during 2013 (calendar year), Dainippon Screen's single-wafer cleaning equipment, batch-type wafer cleaning equipment and scrubbers each maintained top world market shares at 54%, 80% and 64%, respectively, while the Group's market share for coater/developers rose from 7% to 12%.\* Coater/developers are sold under the brand of Group company SOKUDO. They have been rated highly during the test operation at client locations, leading to their adoption at the latest production lines. We hope to leverage this in approaching other customers with multi-faceted solution proposals to further bolster sales.

### Providing Solutions to Customers' Problems

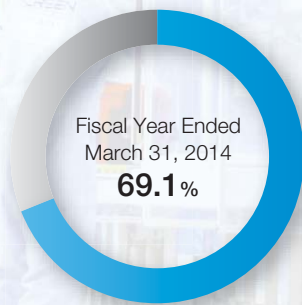
For production equipment manufacturers like us to grow, in addition to technological excellence, it is essential to

maintain and reinforce relationships of trust with our customers. As the circuits become increasingly fine, the adoption of three-dimensional structures and FinFET technology is also expected to advance. The Group is currently responding to this new demand with one of its main products, the SU-3200 single-wafer cleaning system. This platform can handle even sub-10nm nodes. By making constant upgrades to it, we seek to improve clients' manufacturing yields while balancing precision and productivity. We will leverage on the technology and expertise we have developed to date to create a new proposal-oriented solutions business model.

### Increasing Profit through Upstream Manufacturing Improvement

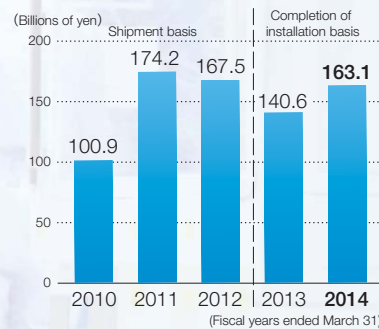
One challenge facing the company is increasing its profitability. For this, cost control is essential, as is providing high-value-added products in leading areas. We are thus working on upstream manufacturing reform, which

## Share of Net Sales

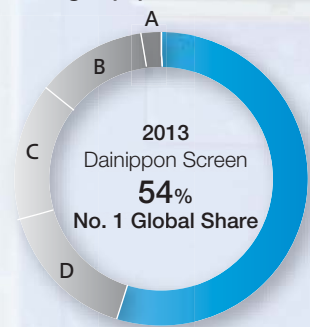


Note: For the Semiconductor and FPD Equipment segments, the revenue recognition method has been changed to completion of installation basis, and is applied to the calculations for the fiscal years ended March 31, 2013 and 2014.

## Segment Sales



## Market Share for Single-Wafer Cleaning Equipment



\* Source: Gartner, "Market Share: Semiconductor Manufacturing Equipment, Worldwide, 2013," 31 March 2014—Revenue from Shipments of Single-Wafer Processor, Auto Wet Stations, Scrubbers and Photoresist Processing (Track), Worldwide, 2013. Chart created by SCREEN based on Gartner data.

involves realizing a more efficient approach utilizing shared design standards and 3D CAD.

By doing so, we believe we can shorten lead time, despite the fact that the specs of the semiconductor cleaning equipment built for each customer are different, making standardization difficult. Reducing variable costs, as we have been working on since the previous fiscal year, is also a part of upstream reform to achieve more highly profitable manufacturing.

### Expanding Our Business Fields

We are also working on leveraging existing technologies to develop new markets under the "Frontier Project." Specifically, we are selling cleaning equipment suited to wafers of 200mm diameter for power devices, optic devices and MEMS as well as direct imaging systems for back-end semiconductor processing ideal for high-mix, small-lot production.

We are also expanding post-sale business, including maintenance

service and equipment upgrading, in order to shield ourselves from the market volatility characteristic of this market. A range of our cleaning equipment is in operation in the market. This presents an opportunity we can leverage to expand our business portfolio for generating more stable profit.

While thus working to expand target markets, in the next three years we will complete variable cost reductions begun in the previous fiscal year and work to further increase our shares of the markets for cleaning equipment and coater/developers by continuing our efforts to develop leading technologies.

Furthermore, through global alliances we are expanding into EUV exposure, which is eyed as a next-generation photolithographic process, and thereby expanding our business chance.

Through the above initiatives we will maximize the value we provide to customers and build a profit base for sustainable corporate growth.

### Terminology

- **Single-wafer cleaning equipment**  
Cleaning equipment that processes one wafer at a time.
- **Batch-type wafer cleaning equipment**  
Cleaning equipment that processes multiple wafers simultaneously.
- **Scrubber**  
Equipment that uses a soft brush to remove contaminants from wafers being rotated.
- **Coater/developers**  
Equipment that develops photoresist (photosensitive materials) coatings to form integrated circuits.
- **Back-end processing**  
In the integrated circuit chip manufacturing process, back-end processing refers to the wiring processes, while front-end processing refers to the substrate processes up until the formation of transistors on the wafer.
- **Direct imaging systems**  
Equipment that directly plots (exposes) circuit patterns at high speed and high definition. By eliminating masking, these systems greatly increase productivity.
- **MEMS**  
Short for micro-electromechanical system. Devices in which mechanical elements, sensors, actuators, electronic circuits and other elements are concentrated on one substrate.
- **EUV exposure**  
A type of next-generation exposure technology for transferring circuit patterns onto wafers that uses a light source emitting extreme ultraviolet (EUV) radiation, which has the extremely short wavelength of about 13.5 nanometers.

# FPD Equipment Company



## Adapting to Changes in the Marketplace, Accelerating New Business Creation

**Business Overview:** The FPD Equipment Company provides a range of equipment and services for the manufacturing of flat panel displays (FPDs) used in such digital devices as LCD TVs and smartphones.



### ■ Fiscal 2014 Business Environment and Performance Review

Although the business environment surrounding the company in fiscal 2014 remained challenging, sales of production equipment for small- and medium-sized high-definition LCD panels increased, as did sales of production equipment for large-sized LCD panels in China. As a result, the FPD Equipment Company's net sales increased 64.8% to ¥19.8 billion.

Despite the positive effect of this increased income, however, deterioration in the product mix led to a ¥400 million operating loss, still an improvement of ¥400 million from the previous fiscal year.

As for the market outlook for LCD TVs, while robust investment is expected in China, investment is not expected to grow in Japan.

Furthermore, although demand is expected to increase for smartphones and other mobile devices, unit prices for the small- and medium-sized LCD panels used in these devices are expected to continue to drop. It is thus ever more imperative that we quickly launch new businesses to supplement the current FPD equipment business.

### New Direction in Collaboration with the Research & Development Center; Working to Rapidly Establish New, Post-LCD Businesses

*From April 2014, Toshio Hiroe from the Research & Development Center will be the new company president, with former president*

### *Hayato Hayashi serving as the company chairman*

Thanks to bulk orders we received in China, at the end of fiscal 2014, the order backlog surpassed ¥20 billion, and we predict sales of ¥26.5 billion in fiscal 2015. Much of the company's sales are currently accounted for by equipment for large LCD TVs. To secure profit sources for the medium- to long-term, however, we are also developing the company's next major business and shifting the focus of our product portfolio.

What we are currently working on is developing deposition (wet, dry) technologies. For example, our wet deposition uses coating technology honed in coater/developers for LCDs to deposit thin, even liquid coatings over broad surfaces, which we are applying to electrode coatings for lithium ion

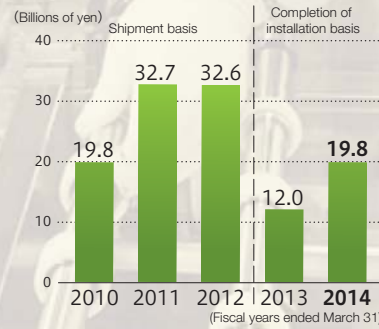


### Share of Net Sales

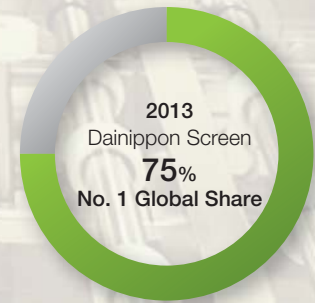


Note: For the Semiconductor and FPD Equipment segments, the revenue recognition method has been changed to completion of installation basis, and is applied to the calculations for the fiscal years ended March 31, 2013 and 2014.

### Segment Sales



### Market Share for Coater/Developers



Market shares are based on total sales for each equipment group, based on our independent survey.

batteries. We are also working on dry deposition, which uses high-density plasma chemical vapor in a vacuum for high-speed even coating on various types of surfaces, with an eye on a range of applications.

### Business Structure Reform for Sustainable Growth

We expect that thus redefining the scope of the company's business from LCDs to "display" and "coating" will create more room for growth. In addition to flexible displays, for example, what we have been developing over the years in the areas of solar cells and OLED, can be more widely utilized. In the medium-to-long term, we will work to make these businesses profitable so that they complement the LCD equipment business. We will also seek to generate more profit in the business of upgrading previously delivered units.

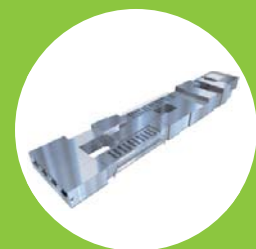


We position the aforementioned deposition technologies, plus upgrading, as post-LCD businesses. By nurturing these businesses, we seek to expand our profit sources.

Of course, in the existing LCD business, considering the ongoing intense price competition, we must continue to pursue initiatives related to expanding overseas procurement and value engineering while reexamining and streamlining the entire export process for greater profitability. Through the shifting of the product portfolio and the streamlining of production processes, we hope to create businesses that turn new, evolving demand into opportunities.

### Terminology

- OLED**  
 Light emitting element or display using elements composed of light emitting diodes (LEDs) that incorporate organic compounds that emit light in response to electric current. Because displays using OLEDs do not require backlights, they can be very thin.
- Value Engineering (VE)**  
 A method to increase the value of products and services by optimizing the balance of function and cost



SK Series, coater/developers for large TFT arrays

# Media And Precision Technology Company



President, Media And Precision  
Technology Company

**Katsuhiko Aoki**

## Providing Solutions to Growing Markets

**Business Overview:** The Media And Precision Technology Company encompasses the graphic arts equipment business, which provides a range of equipment and services for use in printing processes, and the PCB-related equipment business, which provides equipment and services for manufacturing printed circuit boards for mounting and wiring electronic components.

### ■ Fiscal 2014 Business Environment and Performance Review

In graphic arts equipment, sales of mainstay CTP equipment decreased year on year as a whole due to lower overseas sales, in spite of replacement demand in Japan. Sales of POD equipment (for digital printing) increased, reflecting the increased digitization of printing, as did sales of direct imaging systems in PCB-related equipment. As a result, the Media And Precision Technology Company's net sales rose 12.6% year on year to ¥52.1 billion and operating income rose 87.7% to ¥2.7 billion.

The business environment in the graphic arts business in fiscal 2014 remained challenging, reflecting the sluggish European economy and intensifying competition, despite the positive effects of monetary easing and the depreciation of the yen. Within this environment, we maintained a number one market share in

CTP equipment, our long-time mainstay, and enjoyed steady domestic demand in the replacement market. In China and other emerging markets, we introduced new, highly price-competitive products that are designed and manufactured locally. Sales of POD equipment, expected to become a new growth stimulator in the printing industry, have stayed strong, thanks to efforts since 2012 to reinforce the North American sales network. The next challenge for this business is the rebuilding of the sales structure in Europe, where economic recovery is still awaited.

### Graphic Arts Equipment

#### **Enhancing Label and Packaging Printing Products and After-Sales Business**

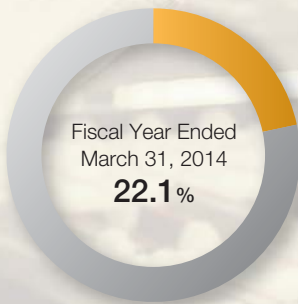
The printing industry now stands at a major turning point. As tablet devices and other digital reader devices enter

the market, newspapers, magazines and books are increasingly being published digitally, causing the volume of paper printing to decrease. In response, while continuing efforts to enhance the product line-up of POD equipment for small-lot, short-delivery printing, such as transaction printing, we are also focusing on POD equipment for non-paper printing.

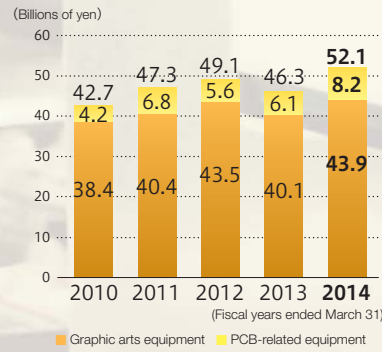
For example, we released a POD equipment for label and package printing, the Truepress Jet L350UV, simultaneously around the world as well as the Truepress Jet W3200UV, a press for large signs and posters co-developed with our U.K.-based subsidiary Inca Digital Printer, also sold globally. Going forward, we plan to enhance the product lineups in this field.

Furthermore, in addition to sales of equipment, we are seeking to expand ancillary businesses, namely, customer support services and sales of consumables (such as ink), in order to reinforce a cycle of recurring revenue. Using a

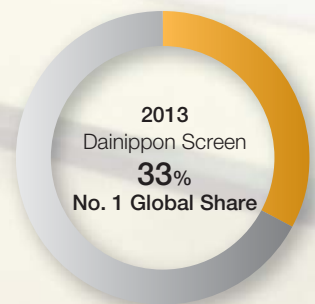
### Share of Net Sales



### Segment Sales



### Market Share for CTP Equipment



Market shares are based on total sales for each equipment group, based on our independent survey.

cloud platform to enhance our proprietary printing workflow management system EQUIOS is another way we are diversifying our profit sources.

### PCB-Related Equipment

#### Launch of Transparent Electrode Inspection Equipment for Mobile Devices

High demand for smartphones and tablet devices is driving considerable growth of our PCB-related equipment business, where the sales rose 34.2% year-on-year led by exposure equipment. Looking forward, while working to reinforce sales of the Ledia series of direct imaging systems, we plan to launch highly cost-competitive direct imaging systems for low-cost smartphones and tablet devices marketed in emerging economies.

We are also working to expand the sales of our inspection and measurement equipment business by introducing new products. One such example

is the TM-1C, a transparent electrode monitor to be released in September 2014. Circuit patterns known as transparent electrodes are used in the touch panels of smartphones and other mobile devices. We have developed optic technology to make these circuits visible, enabling simple, rapid inspection for defects that takes just 15 seconds, compared with the conventional method using a laser microscope, which takes more than 100 minutes. We have been receiving increasing inquiries about this technology.

Leveraging on our strength in direct imaging and image processing, we will continue to provide optimal solutions to customers in the printing and PCB industries.



Transparent electrode monitor, TM-1C

### Terminology

- CTP**  
 Short for computer to plate. A method for creating printing plates through direct output from a computer to printing plates.
- POD**  
 Short for print on demand. Printing of the number of copies needed when they are needed.
- Transaction printing**  
 Printing of bill statements and other transaction documents.
- Printed circuit board**  
 A substrate made of resin or other materials on which metal lines are printed to support and connect electronic components and integrated circuits.



CTP equipment, PlateRite HD 8900



Direct imaging system, Ledia 5F

# Corporate Governance

To live up to the trust placed in it by its various stakeholders, including shareholders, and continuously create corporate value, the Dainippon Screen Group strives to reinforce corporate governance, recognizing the importance of maximizing the transparency, soundness, efficiency and speed of corporate management.

## ■ Governance System

### Board of Directors and Corporate Officers

Dainippon Screen takes the form of a company with a board of corporate auditors under the Companies Act of Japan. It has a Board of Directors comprising 10 directors and a Board of Corporate Auditors comprising three corporate auditors.

As the Company's topmost management decision-making body, the Board of Directors decides important matters and oversees business execution, holding regular monthly meetings and additional meetings as necessary. To clarify the responsibilities of directors and promote an operational structure that is able to rapidly respond to changes in the operating environment, the term of office for said directors is set at one year, and they are elected to office by shareholders annually at the General Meeting of Shareholders.

The Board of Directors includes three outside directors to improve its transparency and soundness as well as strengthen management oversight. In addition, the Company has adopted a corporate officer system and an internal company system to promote faster, more efficient management.

Furthermore, the Management Committee, comprising the full-time directors, business company presidents, General Manager of Manufacturing Management Division and General Manager of Legal & I.P. Center, ordinarily meets twice a month to deliberate matters related to management and facilitate the decision making of the Board of Directors and the representative directors.

### Transition to Holding Company Structure

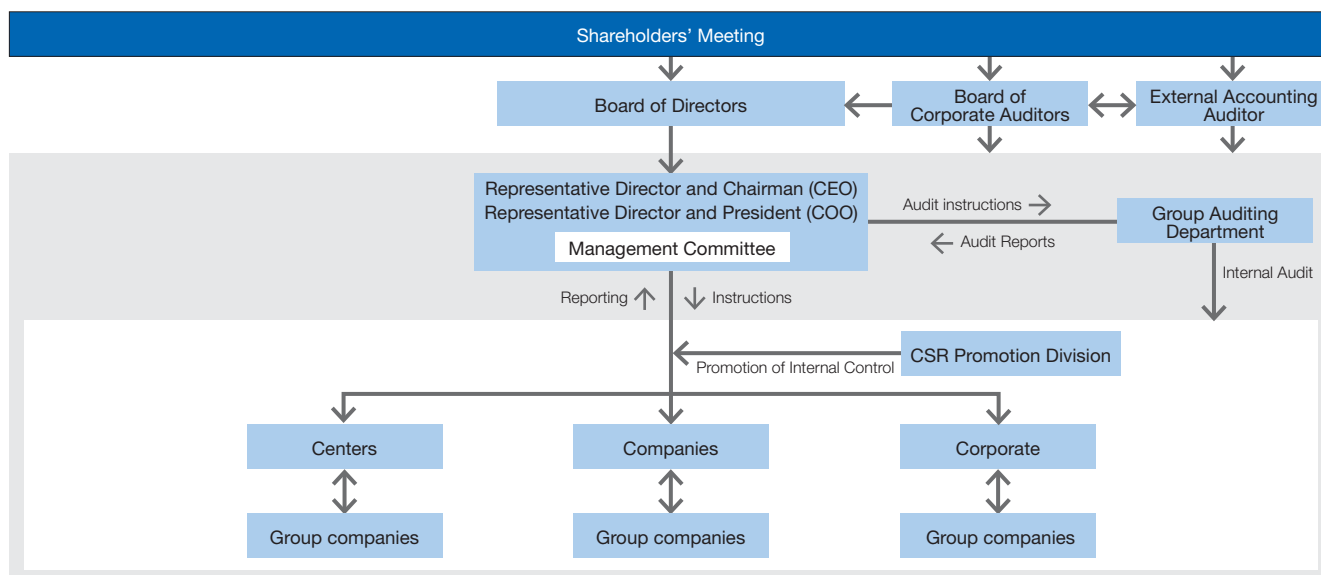
Dainippon Screen Mfg. Co., Ltd. will change to a holding company structure on October 1, 2014 (scheduled date) through an absorption-type company split, and change its trade name to SCREEN Holdings Co., Ltd.

The holding company will serve to formulate integrated and flexible strategy for the entire Group, optimize the allocation of management resources and monitor the business execution of subsidiaries, in line with its role of sustaining and developing the Group's core technologies that create corporate value. By developing a strategic and clear management organization, we aim to maximize the corporate value of the SCREEN Group.

### Board of Corporate Auditors

The Board of Corporate Auditors holds two regular meetings per month, and additional meetings as necessary. The corporate auditors monitor the business execution of the directors and evaluate whether the Company is being run in a sound, sustainable manner that is aimed at sustainable growth. Corporate auditors also receive reports from directors and employees on the maintenance and operation of internal control systems, providing opinions as they deem necessary. Furthermore, corporate auditors oversee and verify that external accounting auditors are executing their auditing duties appropriately and receive reports from external accounting auditors, requesting further explanation as necessary.

## Corporate Governance Structure



Note: To be changed with the transition to a holding company structure scheduled October 1, 2014.

## Outside Directors and Outside Corporate Auditors

Outside directors are selected based on experience and expertise, with the aim of drawing on a variety of perspectives to ensure the objectivity of management. Outside corporate auditors are also selected on the basis of experience and knowledge.

Our five outside directors and outside corporate auditors are independent of management and are registered with the Tokyo Stock Exchange as independent directors and corporate auditors who have no conflict of interest with shareholders.

## Management Compensation

Directors' compensation consists of three elements: (i) fixed remuneration, (ii) stock allowances (for the purchase of treasury stocks) and (iii) a performance-based bonus (decided based on the degree to which annual performance targets are achieved). These amounts are calculated based on a compensation table (created using the amounts paid out by 13 other listed companies of similar size as a benchmark) with the advice of outside specialists and must be approved by the Compensation Advisory Committee, which comprises the representative directors and outside directors. Outside directors' compensation does not include stock allowances, while corporate auditors' compensation consists of fixed remuneration only.

The Company abolished its retirement benefit system for corporate officers in 2005 and has adopted a stock allowance scheme to create incentives to improve performance and stock price over the medium- to long-term.

## Internal Control Systems

### Systems to Ensure the Appropriateness of Operations

The Dainippon Screen Group systematically ensures the appropriateness of business execution, supported by rules and structures to promote proper and efficient management and operations, well-defined business processes and a risk management system.

### Internal Control of Financial Reporting

We maintain internal control with regard to financial reporting in accordance with the Dainippon Screen Group Internal Control Design Principles. The Group Auditing Department evaluates the maintenance and operation of the control system, and thereby ensures trustworthy reporting.

## Outside Directors and Outside Corporate Auditors (fiscal year ended March 31, 2014)

Name	Relation to the Group*	Contributions	Attendance
<b>Outside Directors</b>			
<b>Yoshio Tateishi</b> (Honorary Chairman, OMRON Corporation) In office since June 2006	OMRON Corporation is a business partner of the Group, but the volume of trade is insignificant	Provided opinions based on his deep insight fostered during years of management experience, and his wide-ranging experience in the business community	15/15
<b>Shosaku Murayama</b> (President and CEO, iPS Academia Japan, Inc.) In office since June 2013	iPS Academia Japan, Inc. is a business partner of the Group, but the volume of trade is insignificant	Provided insight from various perspectives based on the wealth and breadth of his experience at the Bank of Japan and other companies	11/12**
<b>Shigeru Saito</b> (President and CEO, TOSE Software Co., Ltd.) In office since June 2013	No special relationship with the Group	Provided input based on his expert knowledge of management and broad-ranging experience in the business community	10/12**
<b>Outside Corporate Auditors</b>			
<b>Mikio Mori</b> (President and Representative Director, Shigagin JCB Co., Ltd.) In office since June 2010	No special relationship with the Group	Provided management oversight mainly using his perspective as a bank executive → Resigned in June 2014	14/15
<b>Tsutomu Tsutsumi</b> (President and Representative Director, Kyoyu Shoji Co., Ltd.) In office since June 2012	No special relationship with the Group	Provided management oversight mainly using his perspective as a bank executive	15/15

\* Relation between entities where the officer serves concurrently  
\*\* Board of Directors Meetings held after July 2013

<b>New Outside Corporate Auditor</b>			
<b>Kenzaburo Nishikawa</b> (President and Representative Director, Shigagin Lease Capital Co., Ltd.) Assumed office on June 26, 2014	No special relationship with the Group	Expected to provide management oversight mainly using his perspective as a bank executive	

# Corporate Officers

(As of June 26, 2014)

## Directors



**Akira Ishida**  
Representative Director  
Chairman  
Chief Executive Officer (CEO)



**Masahiro Hashimoto**  
Director  
Vice Chairman  
Chief Officer of Group Auditor,  
Security Export Control, and CSR



**Eiji Kakiuchi**  
Representative Director  
President  
Chief Operating Officer (COO)



**Shin Minamishima**  
Managing Director  
General Manager of Business  
Service Center



**Katsutoshi Oki**  
Managing Director  
General Manager of Management  
Operational Division  
Chief Officer of PR & IR, GPS, and  
Imaging Solutions



**Soichi Nadahara**  
Managing Director  
Chief Technology Officer (CTO)  
General Manager of Research &  
Development Center



**Yoichi Kondo**  
Managing Director  
Chief Financial Officer (CFO)  
General Manager of General  
Administration Division



**Yoshio Tateishi**  
Director  
Honorary Chairman,  
OMRON Corporation



**Shosaku Murayama**  
Director  
President & CEO,  
iPS Academia Japan, Inc.



**Shigeru Saito**  
Director  
President and CEO,  
TOSE Software Co., Ltd.

## Corporate Auditors



**Tatsuo Miyawaki**  
Senior Corporate Auditor



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



**Kenzaburo Nishikawa**  
Corporate Auditor  
President and Representative  
Director, Shigagin Lease Capital  
Co., Ltd.

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

## Corporate Officers

### Senior Corporate Executive Officer

**Tadahiro Suhara** President of Semiconductor Equipment Company

### Corporate Executive Officer

**Hayato Hayashi** Chairman of FPD Equipment Company

### Corporate Officers (Senior)

**Toshio Hiroe** President of FPD Equipment Company

**Katsuhiko Aoki** President of Media And Precision Technology Company

**Hirofumi Uchida** Vice President of Semiconductor Equipment Company

**Kimito Ando** Vice President of Semiconductor Equipment Company

**Masato Goto** Vice President of Semiconductor Equipment Company

### Corporate Officers

**Katsumi Shimaji** General Manager of Manufacturing Management Division

**Hitoshi Yamamoto** Vice President of Media And Precision Technology Company

**Hiroataka Wada** General Manager of Legal & I.P. Center

**Yoshinori Tsuruya** Vice President of Media And Precision Technology Company

**Hiroaki Nakamura** General Manager of Secretarial Department

**Yasumasa Shima** Vice President of FPD Equipment Company

**Masahiro Joshi** General Manager of Corporate Planning Department

# Corporate Social Responsibility (CSR)

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 and investors, customers, suppliers, employees and local communities. We comply with legal statutes and societal norms and conduct business in a highly moral manner.

## ■ CSR Promotion Structure

### Unified CSR Management by the CSR Promotion Division

In 2012, we launched the CSR Promotion Division to bring together functions related to internal control, compliance and risk management that had previously been handled independently by individual departments and business units. The CSR Promotion Division works with the various departments and business units to promote unified Groupwide CSR management in line with the Electronic Industry Citizenship Coalition (EICC) Code of Conduct for the electronics industry supply chain, and ISO 26000, an international standard for social responsibility.

### Medium-Term CSR Plan

We have set three-year goals centered on nine key CSR areas identified under the new Three-Year Medium-Term Management Plan, which kicked off in April 2014. The nine areas are: spreading CSR awareness; promoting appropriate transactions; ensuring thorough compliance; respecting human rights/providing decent work opportunities; promoting environment- and people-friendly business; ensuring appropriate disclosure; maintaining and effectively utilizing corporate assets; promoting business continuity initiatives; and contributing to society as a corporate citizen.

## Compliance

### Groupwide Compliance Promotion

The Dainippon Screen Group promotes compliance in accordance with the Dainippon Screen Group Code of Ethics. This code includes our Charter of Ethics, which lays out the universal principles with which we expect all executives and employees to comply, Code of Conduct, which spells out specifically how to apply and implement these ethics in everyday operations, and Implementation Guidelines.

The CSR Promotion Division plays the central role in compliance promotion. Also, at each overseas Group company, we appoint compliance officers to work with local attorneys conversant in local laws to determine the state of compliance, clarify any issues and implement improvement measures.

The Group Auditing Department conducts internal audits of the status of legal compliance and adherence to corporate ethics. During the fiscal year ended March 31, 2014, internal

audits were conducted at two head office departments and 26 companies, including six overseas Group companies. The Department also conducts follow-up audits each year to confirm that issues identified in the previous year’s audits have been resolved.

Furthermore, we have established a special team under the Group Auditing Department to prevent improper activity by executives and employees. In the fiscal year ended March 31, 2014, this team conducted audits of 20 companies.

For the prevention and early stage detection of any illegal, dishonest, unethical or fraudulent conduct or acts, we have established an internal reporting hotline (“the Whistleblowing System”) run by the CSR Promotion Department which all Group employees and executives can directly access. We have also established hotlines operated through legal firms and other third-party agents to further facilitate whistleblowing. For improving compliance awareness, in addition to distributing the Business Ethics Handbook, we provide compliance training to executives and all Group employees.

### Major Compliance Training Programs (FY2014)

- General compliance  
Target: New members of the Dainippon Screen Group, new managers and other  
Attendance: Dainippon Screen 85%, Group companies 85%
- Improper activity prevention  
Target: General Managers and above  
Attendance: Dainippon Screen 95%, Group companies 89%
- Harassment prevention  
Target: All Group employees in Japan  
Attendance: Dainippon Screen 85%, Group companies 88%

### Security Export Control

The Security Export Control Department handles one of the key issues of the Group: ensuring total compliance with legislation on exporting products and components. The department obtains updates on the Foreign Exchange and Foreign Trade Act and other export control-related legislation, making this information available to executives and employees involved in export-related businesses. Furthermore, the department supports the compliance with export control processes defined by internal regulations, such as product classification and transaction screening.

In May 2011, the Company was approved by the Director of Osaka Customs as an “authorized exporter” under the Authorized Economic Operator (AEO) program for exporters that exhibit superior compliance. During the fiscal year ended March 31, 2014, the Security Export Control Department and the Finance Division’s Export and Import Operations Support Department conducted joint audits and general training to sustain AEO activities.

# Corporate Social Responsibility (CSR)

## Preventing Anti-Competitive Behavior and Corruption

To prevent collusion, the formation of private monopolies and other behaviors that run counter to anti-monopoly and other competition legislation, as well as both the giving and acceptance of hospitality or gifts for trade benefits, in addition to maintaining the Code of Ethics that espouses fair transaction, the Group formulates guidelines and provides training for the prevention of anti-competitive behaviors. We thereby ensure awareness among executives and employees.

During the fiscal year ended March 31, 2014, no violations constituting anti-competitive behavior or anti-trust or monopolistic practices were observed.

## Respect for Human Rights

The Group's Charter of Ethics vows respect for the fundamental human rights of each person and repudiates discriminatory or disadvantageous treatment of any kind within the Company based on position, employment status, age, gender, place of birth, ancestry, nationality, race, disability, religion, belief or marital status.

In addition to implementing internal training programs to prevent workplace harassment, we have made an internal hotline available to all Group employees as well as partner companies to facilitate the reporting of and consultation regarding harassment or other human rights abuses. (Refer to "Major Compliance Training Programs" on page 21.)

We also make clear to our suppliers our expectations as outlined in the SCREEN Supplier Code of Conduct, including our stance on human rights, and seek their cooperation.

## Risk Management

### Groupwide Risk Management Structure

The Dainippon Screen Group has established a Groupwide risk management structure wherein the Dainippon Screen President acts as the topmost risk manager and the officers in charge of each division and the presidents of 19 domestic Group companies and 16 overseas Group companies act as risk management officers, with the CSR Promotion Division serving as the secretariat.

Each department and Group company works within the risk management PDCA cycle to identify, evaluate and then formulate and execute countermeasures to risks in the categories including human rights, compliance, labor, safety and the environment, finance, security export controls, information security and quality.

### Proper Information Management

For proper information management, the Company has established the Rules for Management of Confidential Information and Trade Secrets and the Rules for Information Security Management. The Group companies have also established similar regulations.

We also place priority on employee training. In addition to distributing Japanese-, English- and Chinese-language versions of our Securing Confidential Information and Trade Secrets Handbook, we administer information management and security training via e-learning and other channels.

## Business Continuity Management (BCM)

The Company has established the Business Continuity Management Regulations. Under these regulations, in the event that a natural disaster or other event results in the immediate risk of business interruption, we will establish a Disaster Headquarters headed by the Dainippon Screen President to formulate an emergency response and work toward a speedy recovery.

We have completed formulating incident management plans (IMPs) for our seven principal sites and completed business continuity plans (BCPs) for all operating companies and the Research & Development Center as well as 15 domestic and three overseas Group companies.

Furthermore, in the fiscal year ended March 31, 2014, we participated in a pilot project headed by the Ministry of Economy, Trade and Industry (METI), which involved adopting management systems to strengthen competitiveness.

We also distributed the Survival Card, which outlines responses and conduct for all executives and employees of domestic Group in the event of an earthquake, and continued e-learning programs on basic disaster response.

## Business Continuity and EHS Management

### Business Continuity and EHS Management

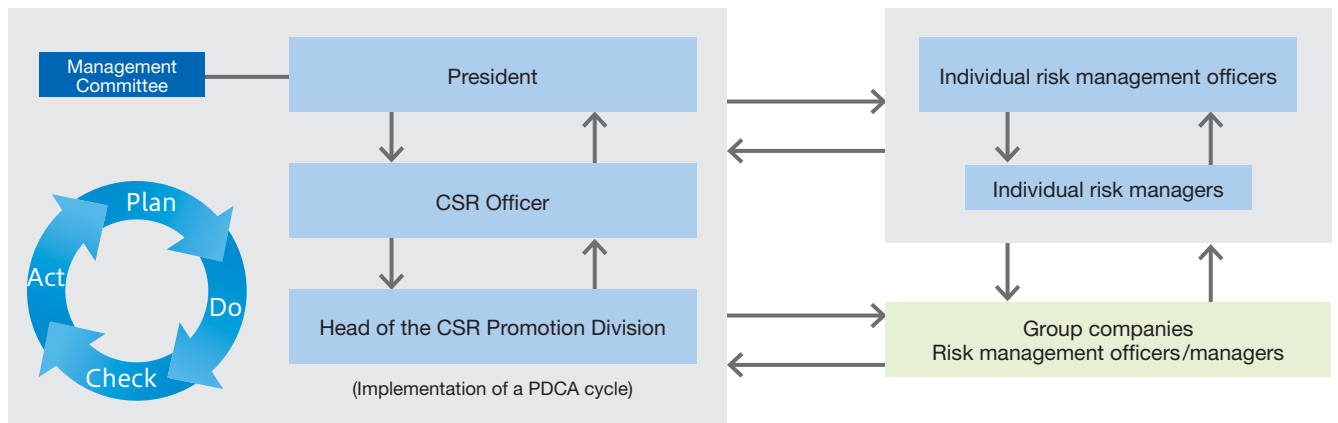
In 2009, the Group formulated Green Value (GV) 21, its medium-term strategy on the three themes of environmental conservation, occupational safety and health management. Since then, we have launched new stages of this strategy in line with our three-year medium-term management plan. In April 2011, we established the Integrated EHS (Environment, Health and Safety) Management System, integrating our (i) environmental, (ii) energy and (iii) occupational safety and health management systems, which are compliant with ISO 14001, ISO 50001 and OHSAS 18001, respectively.

The fiscal year ended March 31, 2014, was the final year of GV21, Phase II. Under GV21, Phase III, launched in the current fiscal year (the year ending March 31, 2015), and scheduled to conclude March 31, 2017, we plan to obtain ISO 22301 certification for business continuity management and expand our current Integrated EHS management into a Business Continuity and EHS management system. (Please refer to "Green Value 21, Phase III: Targets" on page 25.)

Under the Dainippon Screen Group Business Continuity and EHS Policy, we will comprehensively manage the various risks to business or supply chain interruption that the Group faces, including climate change, increasingly stringent



## Risk Management Structure



Note: To be changed with the transition to a holding company structure scheduled October 1, 2014.

international environmental regulations, growing demand for environmentally friendly products, rising occupational safety risk in line with larger products, more complex employee health management attendant to more diverse forms of employment, and natural disasters.

### Business Continuity and EHS Education

We are also developing Business Continuity and EHS training courses in line with integrating BCM into our Groupwide EHS management. They include the Basic Course for general staff and managers and the EHS Management Course for specialists, as well as individualized courses for different job categories and units.

During the fiscal year ended March 31, 2014, new training programs were implemented within the framework of the EHS Management Course for obtaining Business Continuity Management System (BCMS) certification, as listed below. We are working to further enhance training on EHS-related regulations as we continue our education programs.

#### BCMS Development Courses

- ISO 22301 training
- Executive training
- BCP workshops
- Training courses for internal auditors
- BCMS-BIA\* risk assessor training
- \*BIA: Business Impact Analysis
- Other (e-learning course on business continuity for all Group employees)

## Dainippon Screen Group Business Continuity and EHS Policy (revised April 1, 2014)

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

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

Specifically, we will:

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

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

We will identify hazards as well as the environmental and energy-related impacts of our business.

We will comply with laws, regulations and the wishes of our stakeholders.

Furthermore, we will set voluntary standards and strive to prevent injury, illnesses and environmental pollution.

### 3. We will establish, maintain and periodically review our Business Continuity and EHS management system. We will also prepare for crises by implementing a business continuity management process in line with our business continuity policy.

### 4. We will set specific targets.

We will set targets that are consistent with business characteristics and organizational roles, and strive for continual improvement in Business Continuity and EHS performance, including energy.

We will also ensure that we use all available information and deploy resources to reach the targets we have set.

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

### 6. We will make this policy available to the public, in addition to those within the Company.

# Corporate Social Responsibility (CSR)

## Business Continuity and EHS Management Targets and Performance

### Green Value 21, Phase II (fiscal years ended March 31, 2012 through 2014): Performance

Key Measure	Department	Targets	Results	Related pages (CSR Data Sheets)
Develop technologies and products that help reduce environmental impact	Product	Ensure that Green Products account for at least 70% of sales	Green products accounted for 89% of sales Certified 32 additional Green Products	26
		Reduce energy consumption (including utilities) on performance basis 30% or more compared with the fiscal year ended Mar. 31, 2010	Achieved energy consumption targets at all business companies	26-27
		Replace substances within three years after they are designated as restricted substances (Eliminate prohibited substances by Mar. 31, 2016)	The pace of replacement of restricted substances (such as DEHP) is lagging	29
	Development	Increase number of environmental technologies developed 200% or more compared with the fiscal year ended Mar. 31, 2011	268% increase	—
	Logistics	Reduce greenhouse gases (CO <sub>2</sub> ) per unit of production in domestic product transportation 20% or more compared with the fiscal year ended Mar. 31, 2010	21% decrease Implemented modal shifts	27 (13, 14)
Promote workplace health and safety	Product	Reduce residual risks identified by product risk assessments by half compared to the fiscal year ended Mar. 31, 2011	Achieved target by implementing initiatives, including the reassessment of residual risks	—
	Entire organization	Reduce the number of incidents resulting in four or more days of lost work to zero	One incident	(4)
		Reduce the number of incidents or accidents at customer sites to five or less	Seven cases	(4)
		Reduce the number of traffic accidents resulting in injury to five or less	14 traffic accidents	(4)
Preserve the environment and conserve energy at factories and offices	Entire organization	Reduce emissions of greenhouse gases (CO <sub>2</sub> ) per unit of production and per unit area 4% or more compared with the fiscal year ended Mar. 31, 2010	Emissions per unit of production and per unit area both increased Targets not achieved due to an increase in the emission factor	26-27 (8, 9, 14)
		Reduce energy cost per unit of production 5% or more compared with the baseline (annualized average in the fiscal years ended Mar. 31, 2008 through 2010)	31% increase Target not achieved due to a rise in electricity prices, etc.	27
		Reduce waste emissions per unit of production 5% compared with the fiscal year ended Mar. 31, 2010	28% increase Amount of waste fluid increased due to R&D activities	27 (11,14)
	Business Service Center (BSC)	Increase material recycling ratio of waste emissions to 90% or more	84% Target not achieved due to the increased amount of waste fluid	27
		Establish target for increasing the percentage reduction in water use based on results for the year ended Mar. 31, 2013	Investigated water use and determined that target setting was unnecessary Set goals for reducing water used by products	27 (12-13,14)
	Entire organization	Implement social contribution initiatives targeting the environment	Conducted activities at each site, including cleanups of surrounding areas and rivers, participation in local events and cooperation with schools	32, 33
Reinforce our environmental safety system	BSC	Conduct stratified training and training for workers dispatched overseas	Established stratified training, but not training for workers dispatched overseas	—
	Entire organization	Continue operation of integrated EHS management	Continued to operate integrated EHS management systems	22-23

**Green Value 21, Phase III (fiscal years ending March 31, 2015 through 2017): Targets**

Key Measure	Targets	Specific Targets
<b>Develop technologies and products that help reduce environmental impact</b>	Reduce environmental impact of our products at customer sites	Reduce the energy consumption* (including that represented as use of water and utilities) by 50% or more compared to fiscal year ended Mar. 31, 2010 * Performance basis
	Increase share of sales accounted for by Green Products	At least 85% share of sales
	Comply with Green Procurement Standards	Green procurement rate of 98% or above (Eliminate the use of all prohibited substances; replace substances designated as restricted substances within three years of said designation)
	Promote green technology	Increase the number of environment-related inventions by 30% or more compared to fiscal year ended Mar. 31, 2013
<b>Preserve the environment and conserve energy at factories and offices</b>	Reduce emissions of CO <sub>2</sub> attributable to energy use	Reduce emissions per unit weight of product shipment at least 3% compared with the baseline
	Reduce waste emissions	Reduce emissions per unit weight of product shipment at least 3% compared with the baseline
	Promote environmental management	Implement and promote the Green Value Award Improve management of chemicals and gases
<b>Promote workplace health and safety</b>	Eliminate incidents resulting in four or more lost workdays	Zero incidents
	Globally reduce the number of incidents leading to lost work day	Ten or fewer such incidents (up to five in Japan and five overseas, including at customer sites)
	Reduce work time lost due to illness* *The number of employees who lose seven or more days in a given fiscal year (Apr. 1–Mar. 31)	Reduce by at least 10% compared with the baseline
	Implement thorough orderliness, cleanliness and education-related initiatives	Implement improvements based on potential hazard reports
	Introduce a health management system	Begin in stages throughout the Group, starting in the fiscal year ending Mar. 31, 2016
<b>Improve emergency response and business recovery systems</b>	Acquire certification for business continuity management system (BCMS)	Acquire ISO 22301 certification (expected within 2015)
	Improve capacity to respond to and recover from large-scale disasters	Response rate to safety confirmation drills* of 95% or higher *Response rate=number of respondents/number of employees solicited for response (within seven hours of incident) Electric power self-sufficiency of 10% or more Conduct practical drills once or more per year

Note: Baseline is the three year average of the fiscal years ended March 31, 2012 through 2014.

**Green Value 21, Phase III: Long-Term Commitment\***

**Green Products & Technology**



**Develop technologies and products that help reduce environmental impact**

- Reduce the environmental impact of our products at customer sites by 50% by March 31, 2017 and by 65% by March 31, 2021\* (compared with levels for the year ended March 31, 2010)  
\* In accordance with the International Technology Roadmap for Semiconductors (ITRS) 2013
- Comply with green procurement standards (eliminate or replace all prohibited substances in products; respond to REACH and RoHS)



**Safety & Health**

**Promote workplace health and safety**

- Eliminate incidents resulting in four or more days of lost work
- Reduce illness-related absences



**Green Fab & Office**

**Greening and saving energy at factories and offices**

Reduce CO<sub>2</sub> emissions resulting from energy use by 3% by March 31, 2017, and by 7% by March 31, 2021 (on a per unit basis compared with a baseline set based on levels recorded in the fiscal years ended March 31, 2012 through 2014)



**Business Continuity and EHS Management**

**Establishing disaster prevention and business recovery systems**

- Acquire BCMS (ISO 22301) certification and integrate our management systems into a High-Level Structure (HLS)
- Improve capacity to respond to and recover from large-scale disasters



## Environmental Conservation

### Reducing the Environmental Impact at User Sites

The Dainippon Screen Group strives to develop technologies and products that help reduce environmental impact and actively contribute to its customers' environmental preservation efforts.

### Reducing CO<sub>2</sub> Emissions from the Use of Our Products

The Dainippon Screen Group works to reduce the volume of energy, water and chemical solutions needed during the use of its products at customers' facilities. In this way, we seek to meet increasing societal demand to reduce CO<sub>2</sub> emissions and resource use throughout the supply chain.

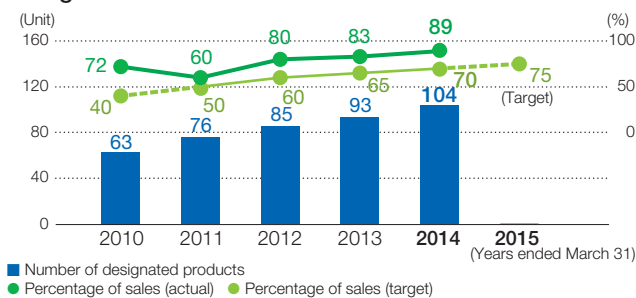
For example, over 90% of life cycle CO<sub>2</sub> emissions related to our wafer cleaning equipment occur during customer use, so we are promoting the development of equipment that uses less water and cuts processing time in order to reduce the total CO<sub>2</sub> emissions of our products.

### Expanding Sales of Green Products

We designate products meeting the Group's own criteria as "Green Products" and are working to expand the sales of such products. In the fiscal year ended March 31, 2014, Green Products made up 89% of the Group's total net sales.

As for the products certified as Green Products in the three years since April 2011, a total of 419 units were sold in the fiscal year ended March 31, 2014, representing an annual reduction in CO<sub>2</sub> emissions of 45,000 metric tons.

### Share of Green Product Sales and Number of Designated Products

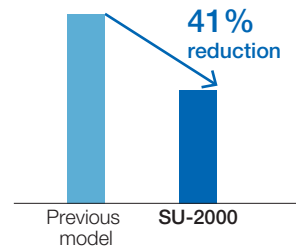


One such product is our single-wafer cleaning system for power semiconductor devices, the SU-2000, which is designated as a Green Product in the fiscal year ended March 31, 2014. The SU-2000 uses 47% less electric power and uses 41% less ultrapure water per unit area of wafer than the previous model.



Single-wafer cleaning equipment, SU-2000

### Use of ultrapure water per unit area of wafer



### Acquisition of Green Printing Certification

In our graphic arts equipment business, we are working to reduce environmental impact and promote recycling in the three areas of materials procurement, production and use. As of March 31, 2014, eight of our products in this business have received the maximum three-star green printing certification.\*

\* Green printing certification: a certification system based on a set of voluntary printing industry environmental standards run by the Japan Federation of Printing Industries.



POD equipment, Truepress Jet520



### Reducing the Environmental Impact of Our Businesses

As for our efforts to reduce the environmental impact of our own activities, from the current fiscal year ending March 31, 2015, we started setting new management standards for energy, waste and chemicals to comprehensively address recycling and the saving of resources and energy.

### Reducing CO<sub>2</sub> Emissions from Our Businesses

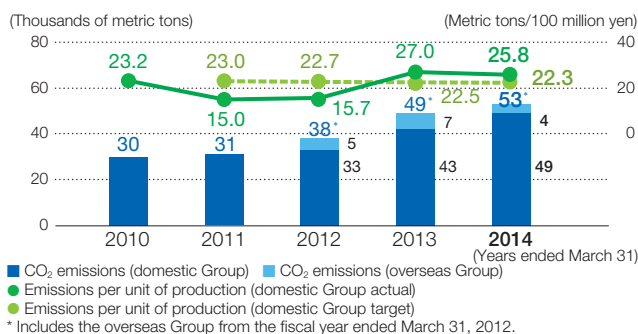
During the fiscal year ended March 31, 2014, total CO<sub>2</sub> emissions by the Group came to 53,810 metric tons, up 9% year on year. Our target for the Company and the Group companies in Japan was to reduce CO<sub>2</sub> emissions per unit of production by 4% or more compared with the fiscal year ended March 31, 2010, but we missed this target, exceeding it by more than 11 percentage points, due to a significant increase in the CO<sub>2</sub> emission factors.

During the fiscal year ended March 31, 2014, we installed solar panels on the roofs of our Head Office building and the Hikone Site. These panels provide both power supply for ordinary operations and a backup power source for emergencies.

Since 2011, we have been responding to the CDP Climate Change Information Request.

\* CDP: a non-profit organization supported by investors from various countries, which sends questionnaires to private sector companies and analyzes and publishes information related to climate change based on their responses.

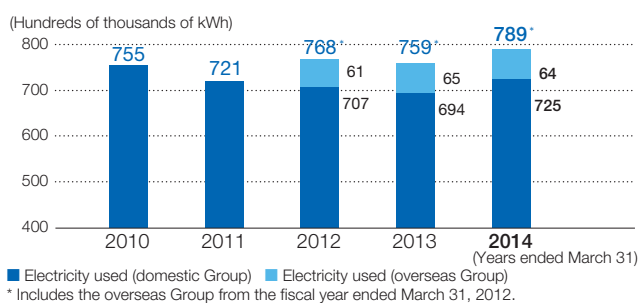
## CO<sub>2</sub> Emissions and Emissions per Unit of Production



## Responding to Energy Shortages by Saving Electricity

The Group companies in Japan continued efforts to reduce peak electricity usage. We introduced demand monitoring systems at eight locations, including our principal sites. These systems send out alerts via email and public address systems when summertime electricity consumption is in danger of exceeding seasonal targets and prompts temporary shutdowns of cooling and lighting systems.

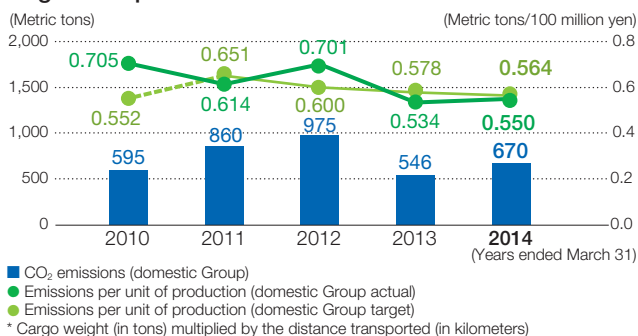
## Electricity Used



## Reducing CO<sub>2</sub> Emissions from Logistics Operations

The Group is working to reduce the amount of CO<sub>2</sub> emitted during the shipping of its products. During the fiscal year ended March 31, 2014, we achieved our target of reducing CO<sub>2</sub> emissions per unit of production in domestic product transport by 20% or more compared with the fiscal year ended March 31, 2010, thanks to our efforts to promote logistics modal shift and to reduce the weight of packaging materials.

## CO<sub>2</sub> Emissions and Emissions per Unit of Production from Logistics Operations



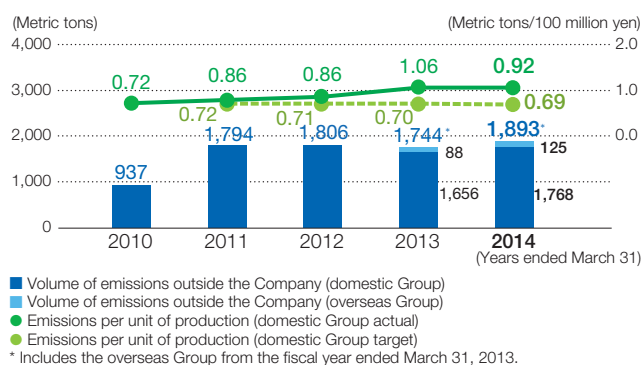
## Reducing Waste

During the fiscal year ended March 31, 2014, the Group generated waste amounting to 1,893 metric tons, up 9% year on year.

We include both waste and recyclable waste in our calculation of waste disposed of outside the Company in Japan, and have been working to reduce such waste.

The volume of waste disposed of outside the Company per unit of production increased 28% compared with levels for the fiscal year ended March 31, 2010, falling short of our target of reducing said volume 5% or more compared with levels recorded for the said fiscal year. The material recycling ratio for waste during the fiscal year ended March 31, 2014, was 84%, short of our target of 90% or more. The reason for missing the targets was an increase in the amount of waste fluid from R&D activities.

## Volume of Waste and Waste per Unit of Production

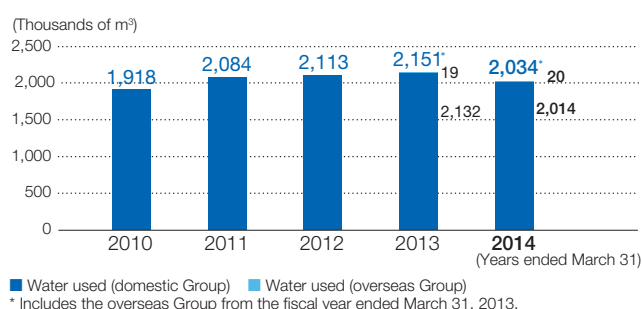


## Water Conservation

The Company used 2.03 million metric tons of water during the fiscal year ended March 31, 2014, down 5% from the previous fiscal year. There is no source of water that is significantly affected by the water that the Group takes in during the course of its business activities.

Three of our business sites are located in Shiga Prefecture, home to Lake Biwa, the largest lake in Japan. We recognize the conservation of Lake Biwa ecosystem as our social responsibility, and comply with the Prefecture's stringent water treatment requirements.

## Water Conservation



## Human Resource and Labor Management

### ■ Employment and Work Conditions

#### Role- and Performance-based Personnel System and Diversity-oriented Recruitment

In April 2013, we introduced a role classification system. Under this system, we are working to shift from a personnel system focused on job execution capabilities to one that emphasizes roles and operating performance.

Our recruiting efforts aim at securing employee diversity and globally competitive human resources. To that end, on recruiting websites for new university graduates we have expanded descriptions of opportunities for women and students from abroad. We aim to raise the female representation in the engineering position to 20% among new graduates joining the Company from April 2015.

#### Employee-Employer Relations

We regularly hold labor-management meetings with the labor union (participation rate in the fiscal year ended March 31, 2014: 97%) to discuss various themes related to the working environment, thereby building positive relations between labor and management. Labor union members also attend Health and Safety Committee meetings, where we decide on annual occupational health and safety action plans to promote health and safety on an everyday basis.

### ■ Human Resource Development

#### Strategic Capacity Development

The Company supports the development of its employees' abilities with a role-based level-specific development program, encouraging personnel to proactively pursue new challenges that will lead to professional growth. In the fiscal year ended March 31, 2014, we held role-related skills development training as well as professional advancement training for managers and young manager candidates.

We also offer opportunities for junior employees to take graduate courses or work temporarily in research institutions. We focus on training engineers, seeking to provide a structured development program and to cultivate an engineering mind-set among our young engineers.



A Dainippon Screen employee receiving an MBA degree

### Reinforcing Globally Oriented Skills Development

Overseas sales account for 77.4% of overall Group sales. It is therefore essential for us to cultivate employees with globally oriented skills. To this end, we have expanded the language training component of our recommended level-specific training. Also, we dispatch employees in Japan to overseas Group companies for short periods of time, maintain overseas study and training systems and conduct function-specific training as part of our efforts to cultivate leaders with a global perspective.

Furthermore, we encourage temporary transfer of employees from overseas Group companies to the Company so as to facilitate the global exchange of people at the workplace.

### ■ Respecting Diversity

#### Providing Opportunities for All

Providing more opportunities for female employees being dedicated to work, the Company has been encouraging them to switch to a professional career track, leading to a managerial level.

As a result, we have 66 female employees in the professional career track (45.8% of all female employees), as of March 31, 2014.

#### Work-Life Balance

The Company endeavors to maintain an environment that fosters individuality among its personnel, encourages employees to fully utilize their talents and is responsive to changing life stages. During the fiscal year ended March 31, 2014, nine employees took advantage of our childrearing leave program. Moreover, all the employees who returned from childrearing leave during the period under review have remained with the Company as of March 31, 2014. In addition, in the fiscal year ended March 31, 2014, a total of 44 employees took advantage of a system that permits employees who are raising children to work shorter hours.

We actively encourage employees to take paid leave. We have set up a program whereby those taking less than 50% of the paid leave allotted to them during a given year must take at least five days of consecutive leave in the following year. Furthermore, we have been encouraging employees to take regular leave by sending a reminder email to employees and their superiors every two months. During the fiscal year ended March 31, 2014, the percentage of annual paid leave taken by employees was 70.9%.

To enable employees to be more flexible in their post-employment lifestyle decisions, we have introduced a corporate pension system of two types: a defined benefit type and a defined contribution type, with such options as a postponed pension benefit period or lump-sum payment.

## ■ Occupational Health and Safety

### OHSAS 18001-based Management

All Dainippon Screen Group companies in Japan conduct initiatives based on the Group's OHSAS 18001-compliant Occupational Health and Safety Management System. These activities include assessing risks, executing preemptive health and safety reviews, inspecting heavy load operations and enhancing training for operators and supervisors with limited experience. We are reinforcing our occupational health and safety management activities overseas, as well.

Under GV 21, Phase II, we worked to eradicate accidents, setting such goals as reducing to zero the number of incidents resulting in four or more days of lost work. For GV 21, Phase III, we have set new goals related to globally eliminating accidents leading to lost work and implementing a new health management system. (Please refer to "GV 21, Phase III: Targets" on page 25.)

In addition to the various safety measures implemented, including safety training, the sharing of information about accidents, awareness raising and safety patrols, we are reinforcing the safety management of partner companies. To prevent the repeated occurrence of the same types of accidents, we are implementing safety drills that help employees identify hazards mandatory in the Semiconductor Equipment segment. We are also compiling and sharing case study reports on potential hazards as an effort to further enhance our hands-on safety education.



Hazard simulation drill (falling from a high place)

### Expanding Physical and Mental Health Management

The Dainippon Screen Group works to ensure that all employees receive health check-ups. We have achieved a 100% check-up rate for the Group employees in Japan. In order to achieve the same target for the overseas employees, we created health check-up plans during the fiscal year ended March 31, 2014, and sent reminders to employees to get check-ups on a regular basis. Furthermore, we analyze the results of these check-ups and provide health guidance as necessary.

For mental health management, we have our employees interviewed by occupational health nurses as a part of health check-ups. We also conduct stress assessment tests for all employees once a year, and provide follow-up counseling for

those who scored poorly on these tests. For high-risk employees (employees who work for long hours, have recently joined the Company or have recently transferred divisions), we encourage them to have regular interviews with health staff to prevent them from developing serious disorders.

## Product Responsibility

### Status of Regulatory Compliance

Our PR & IR Department and Legal & I.P. Center verify product and service information prior to its external release. In this way, we work to ensure fair and accurate information disclosure.

In the fiscal year ended March 31, 2014, there were no significant legal violations by any internal company in areas related to the provision of information about or labeling of products and services or marketing. Going forward, we intend to conduct thorough checks of each internal company to continue to prevent infractions.

### Compliance with Chemical Substances Legislation

In compliance with the REACH<sup>1</sup> regulations, we manage information using the platform provided by JAMP<sup>2</sup> and employ an IT system that collects and manages data on restricted chemical substances.

Concerning the RoHS<sup>3</sup> directives, the Media And Precision Technology Company is completely compliant and is also responding to future regulations. Because the principal products of the Semiconductor Equipment Company and the FPD Equipment Company fall under the exemption of large-scale stationary industrial tools, they are not subject to these directives.

1. REACH: An EU regulation requiring the comprehensive registration, evaluation, authorization and restriction of chemicals by manufacturers and importers.
2. JAMP: The Joint Article Management Promotion-consortium
3. RoHS: An EU directive that restricts the use of designated hazardous substances in electrical and electronic devices.

### Supply Chain Management

The Dainippon Screen Group strives to meet the requirements outlined in the EICC Code of Conduct for the electronics industry supply chain. In particular, concerning the use of conflict minerals\*, the United States' Dodd-Frank Act requires the complete disclosure of origin from 2016. The Dainippon Screen Group, although being exempt from such requirements, has started preliminary surveys on this issue, paying attention to the policies and actions of NGOs and other companies.

Furthermore, in response to customer requests, we are working to adopt the Validated Audit Process (VAP), a system wherein members of the EICC can access the disclosed information via the internet about our EICC compliance status that has been audited by a third party.

# Corporate Social Responsibility (CSR)

Also, we promote the SCREEN Supplier Code of Conduct among our suppliers, seeking the cooperation of 230 companies. This code is based on the EICC code. We monitor the state of our suppliers' compliance and request improvement where it is needed.

We hold various interactive events with our suppliers in order to strengthen our relationships of cooperation and mutual benefit. In December 2013, we awarded nine suppliers who excel in areas of quality, cost, delivery time and risk management.

To ensure the stable supply of components in times of emergency, we have confirmed the state of our suppliers' business continuity management and alternative manufacturing sites.

\* Conflict minerals (tin, tantalum, tungsten and gold) mined in politically unstable parts of Central Africa have become an international issue because of their role in funding armed insurgency groups in the Democratic Republic of the Congo and surrounding region.

## ISO 9001-Based Quality Management

All of our internal companies as well as eight domestic and four overseas Group companies are ISO 9001 certified. We strive to maintain these certifications and improve the quality of our products and services based on a quality management system that conforms to ISO 9001 to increase customer satisfaction.

## Maximizing Customer Satisfaction

Along with improving quality, we work continuously to meet customer demand for lower costs and actively employ value engineering (VE)\* to increase the value of components and products.

We hold annual VE presentation inside the company to reinforce awareness of product value among employees.

\* VE: A productivity management method wherein value is defined as the balance of function (what is required of the product) and cost (input needed to meet such a requirement).

## ■ Semiconductor Equipment Company

### Detecting Problems at the Design Stage

In accordance with its fundamental policy of providing products and services that are in compliance with all relevant rules and regulations and ensure safe and accident-free operation, the Semiconductor Equipment Company evaluates product safety in accordance with SEMI S2 Standards, semiconductor production equipment safety guidelines that are broadly employed worldwide, the EU Machinery Directive and the Company's internal standards.

To improve upstream quality, which is of particular importance, we started operating a new system in April 2012, which combined the Stress-Strength Model (SSM)\* with the improved failure mode effects analysis (FMEA) processes.

\* SSM: A model in which mechanisms that could cause problems in products or processes are structurally mapped for reuse in future designs and plans.

In recognition of these initiatives, the Semiconductor Equipment Company received Intel Corporation's 2013 Preferred Quality Supplier (PQS) award for its supply of semiconductor cleaning and lamp annealing equipment as well as production support. The PQS award is awarded to suppliers that score 80% or higher on a report card that assesses performance and ability to meet cost, quality, availability, technology, environmental, social and governance goals.



Intel PQS Award 2013



Single-wafer cleaning equipment, SU-3200

## ■ FPD Equipment Company

### Groupwide Efforts for Quality Improvement

The FPD Equipment Company strives to provide products that meet customer needs and legal and regulatory requirements while conforming to all relevant technological standards, including those related to safety and reliability.

To minimize unit prices while maximizing customer satisfaction, we also implement ongoing improvement focusing on areas of particular importance, such as customer complaints and the reduction of installation, calibration and logistics costs.

### Internal Quality Audits by Employees in Management Post

We have been providing internal quality audit training exclusive to employees in management post since the fiscal year ended March 31, 2014, and encourage them to conduct internal quality audits and take proactive steps to improve quality in every organization. Currently, 66% of internal quality auditors are employees in management post; we intend to raise this figure going forward.



## ■ Media And Precision Technology Company

### Systematic Quality Management in Place

The Media And Precision Technology Company ensures that its product safety practices comply with international safety standards, individual countries' safety standards and regulations on chemical substances and other laws and regulations. We also acquire relevant verifications by third-party institutions to ensure that the level of our product safety guarantees is sufficient. The Quality Assurance Department takes the lead in working to reduce costs due to product defects.

For Dainippon Screen Mt (Hangzhou) Co., Ltd. (MTMC), a Group company which manufactures CTP equipment for sale in China, we confirm their performance on a regular basis through product quality audits, new supplier evaluations and inspections of delivered components, along with continuous employee education.



Employee training at MTMC

### Quality Management System Focused on Service

In November 2013, MEBACS, our Group company that already fell under the scope of the Media And Precision Technology Company's ISO 9001 certification as an associated facility, obtained the certification of its own. With a quality management system focused on service MEBACS intends to respond quickly and precisely to customer needs.

## Stakeholder Engagement

### Communication with Investors and Shareholders

Our basic policy in investor relations (IR) is to communicate our vision, business conditions and financial position in a precise, timely and clear-cut fashion, with an intention to make the most of the feedback from our shareholders and investors to improve Company management and thereby achieve sustained enhancement of our corporate value.

In the fiscal year ended March 31, 2014, we continued efforts to enhance dialogue-based IR. We also continue to provide disclosure to shareholders and investors through our annual report, investors' guide and our quarterly Japanese-language shareholder newsletter. Our IR website contains IR materials, news and schedules and provides answers to frequently asked questions.

### Dialogue-Based IR Activities

(fiscal year ended March 31, 2014)

- Earnings presentations: 4
- Meetings with institutional investors/analysts: Approximately 480
- Overseas IR activities: 5 (North America, Europe and Asia)
- Institutional investor events, domestic conferences: 6
- Plant tours for institutional investors: 4
- Corporate presentations for individual investors: 13

The Company avoids scheduling the General Meeting of Shareholders on days when other companies' meetings tend to be concentrated and sends out invitations to the meeting at least three weeks in advance to maximize the number of shareholders who can attend. Shareholders can also exercise their voting rights via the internet. For overseas investors, we provide a summary version of the invitation in English on TDNet (the Timely Disclosure Network operated by the Tokyo Stock Exchange). Furthermore, we post the invitation to the General Meeting of Shareholders as well as the voting results on our website to ensure the transparency of the meeting.



President Kakiuchi at a briefing session for overseas investors

# Corporate Social Responsibility (CSR)

## Public Policy and Relations with Administrative Institutions and Political Bodies

The Company is a member of the Semiconductor Equipment Association of Japan (SEAJ) and other organizations that make policy recommendations to support the growth of the semiconductor production equipment, FPD production equipment and printing equipment industries. The Chairman of the Company also serves as senior adviser of the Kyoto Industrial Support Organization 21, and we participate in other organizations aimed at promoting corporate and industrial development in Kyoto, where our headquarters is located.

During the fiscal year ended March 31, 2014, we received subsidies and other financial benefits from governments totaling ¥146 million.

## Managing the Impact of Our Businesses on Local Communities

The Group conducts internal assessments of departments and Group companies that include evaluations of the environmental and social impact of our business activities on local communities.

We strive toward the appropriate management of our impact on the environment under our EHS management system. To this end, we employ such means as employee training and facility-related countermeasures to prevent such incidents as leaks of hazardous substances into wastewater.

In the fiscal year ended March 31, 2014, we recorded no incidents in which our operations had negative environmental or social impacts on local communities. There were also no economic effects resulting from the relocation of business sites or changes in our businesses.

## Ongoing Community Contribution Activities, Including Education-Related Activities (through Kyoto Manufacturing Workshops, etc.)

Contributing to industrial development through innovation and returning profits to society are fundamental to the Group's efforts to forge relationships of trust with the community. At the level of each business site, we work to contribute to the community on an ongoing basis through such activities as site tours for elementary school through university students.

### ● Kyoto Manufacturing Workshop courses

In the fiscal year ended March 31, 2014, a total of 427 students from 10 Kyoto schools participated in a class entitled "Printing Technology Changing the World." The class included a simple explanation of the history of printing and hands-on learning about how printing works using a puzzle in which a photo is separated into four colors.



Children learning about four-color separation

### ● Volunteers carry parade floats in the Gion Festival

Around 20–30 employees participate each year. The fiscal year ended March 31, 2014 marked the 21st year of our participation in the Gion Festival.



Gion Festival parade in Kyoto

### ● Social benefit activities

Employees, including those at overseas subsidiaries, volunteer to help those with disabilities and people who are in need.



Donating baked goods (Dainippon Screen (Korea) Co., Ltd.)



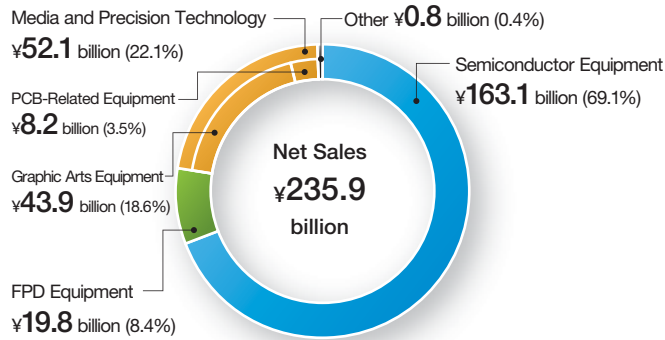
Employees volunteering time to help with the renovation (Dainippon Screen Israel Ltd.)

**Major Community Contribution Activities (fiscal year ended March 31, 2014)**

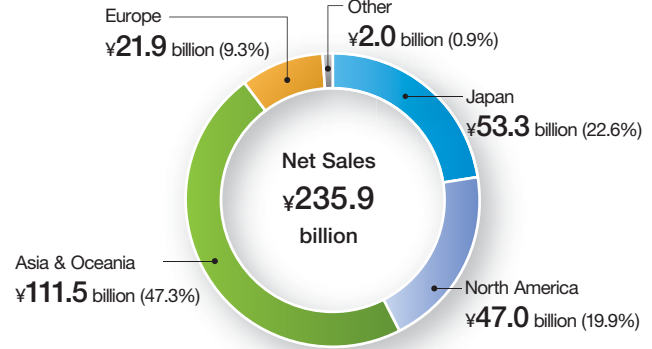
Education-related activities	Dainippon Screen Mfg. Co., Ltd.	<ul style="list-style-type: none"> <li>● Contributed to Kyoto Manufacturing Workshop courses</li> <li>● Provided visiting lectures at two local universities on CSR and environmental activities</li> <li>● Invited school children and college students to visit our sites</li> </ul>
Interaction with the community	Dainippon Screen Mfg. Co., Ltd.	<ul style="list-style-type: none"> <li>● Participated in the Gion Festival (volunteered to carry parade floats)</li> </ul>
Social benefit activities	Dainippon Screen Mfg. Co., Ltd.	<ul style="list-style-type: none"> <li>● Participated in the TABLE FOR TWO campaign, wherein ¥20 per meal is donated for children's meals in developing countries</li> <li>● Participated in the collection of PET bottle caps (Eco-cap campaign)</li> <li>● Provided employment support for people with disabilities through snack sales at social welfare facilities</li> <li>● Volunteered in cultural and sport events at facilities for people with disabilities</li> </ul>
	DNS Electronics, LLC	<ul style="list-style-type: none"> <li>● Participated in breast cancer walks and fundraising</li> </ul>
	Silicon Light Machines Corporation	<ul style="list-style-type: none"> <li>● Donated food (cookies and preserved food) to low-income families</li> <li>● Donated Christmas presents to local children</li> </ul>
	Dainippon Screen (Korea) Co., Ltd.	<ul style="list-style-type: none"> <li>● Helped people with disabilities take therapeutic horseback riding</li> <li>● Participated in volunteer activities for local children, elderly and low-income families (donating baked goods, kimchee and books)</li> </ul>
	Dainippon Screen (Deutschland) GmbH	<ul style="list-style-type: none"> <li>● Donated food (cookies and preserved food) to low-income families</li> </ul>
	Dainippon Screen Israel Ltd.	<ul style="list-style-type: none"> <li>● Volunteered in renovating a child welfare facility</li> </ul>
Cleanup activities	Dainippon Screen Mfg. Co., Ltd.	<ul style="list-style-type: none"> <li>● Cleaned up waterways in Takamiya-cho, Hikone City</li> <li>● Regular cleanup activities around our sites</li> </ul>

# Performance Highlights

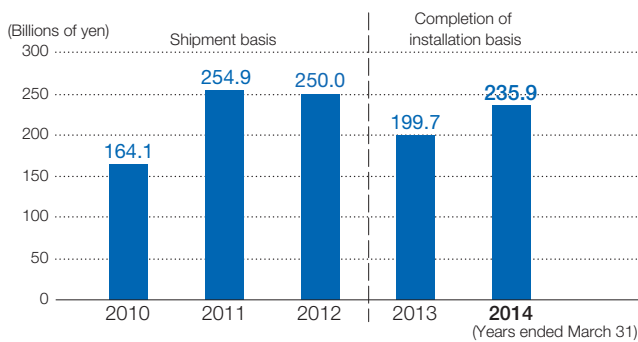
## Sales by Segment (fiscal year ended March 31, 2014)



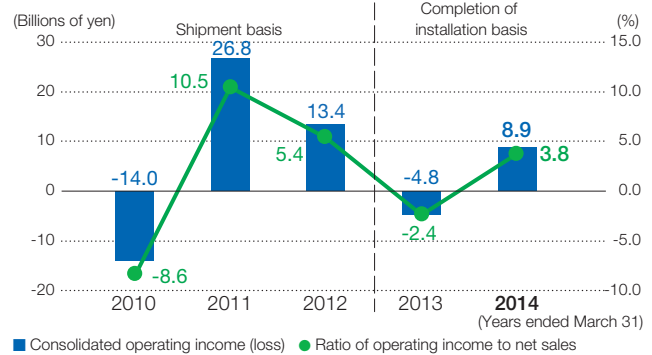
## Sales by Region (fiscal year ended March 31, 2014)



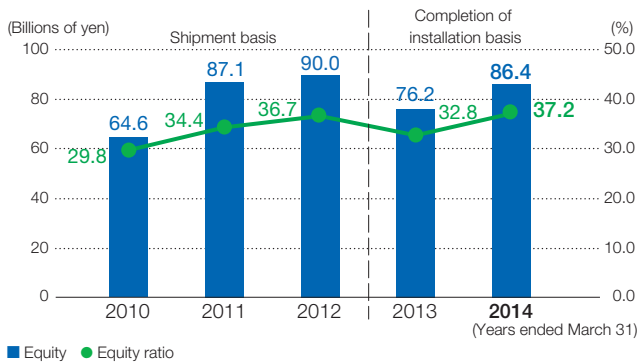
## Consolidated Net Sales



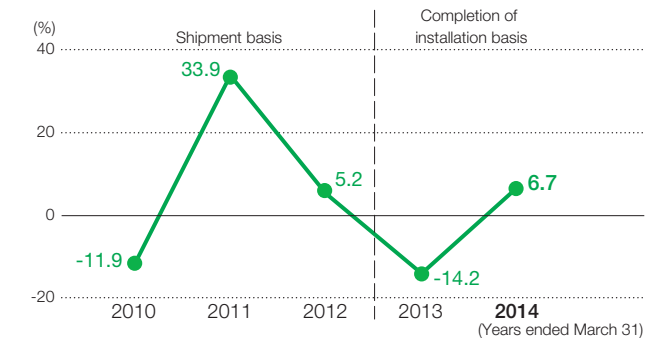
## Consolidated Operating Income (Loss) and Ratio of Operating Income to Net Sales



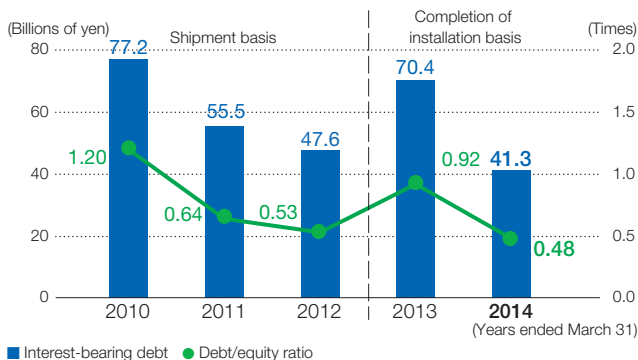
## Equity and Equity Ratio



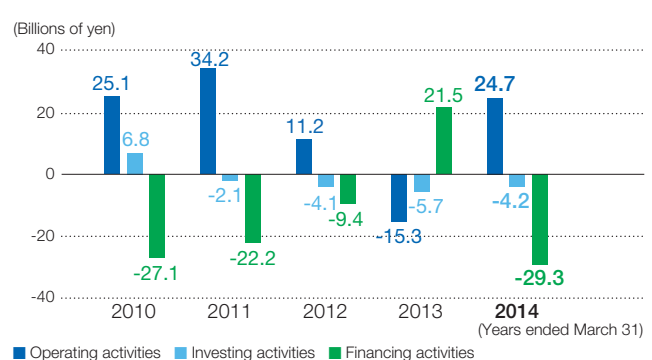
## ROE



## Net Interest-bearing Debt and Debt/Equity Ratio

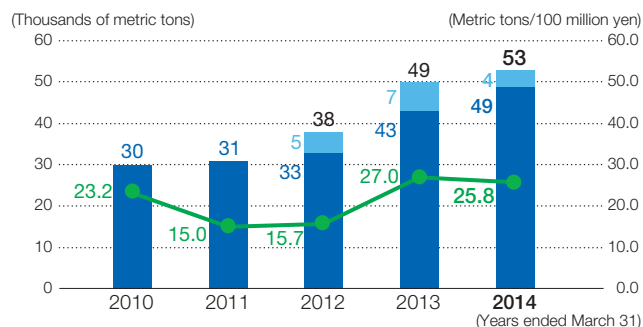


## Cash Flows



Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the Semiconductor Equipment segment and the FPD Equipment segment, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

## CO<sub>2</sub> Emissions and Emissions per Unit of Production

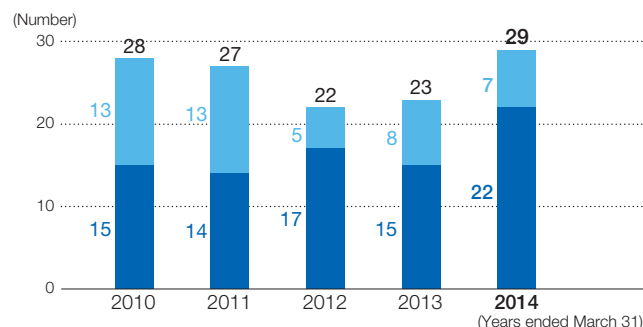


■ CO<sub>2</sub> emissions (Japan) ■ CO<sub>2</sub> emissions (overseas)\*

● Emissions per unit of production (in Japan)

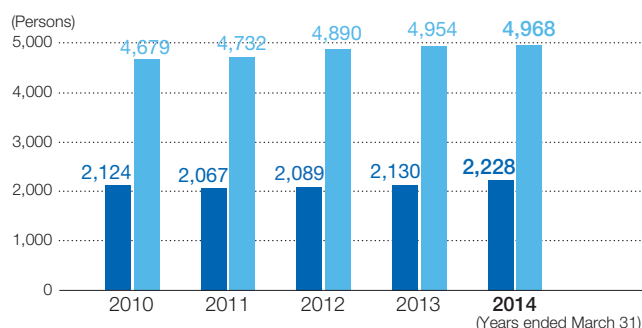
\* Included from the fiscal year ended March 31, 2012

## Number of Accidents (Japan)



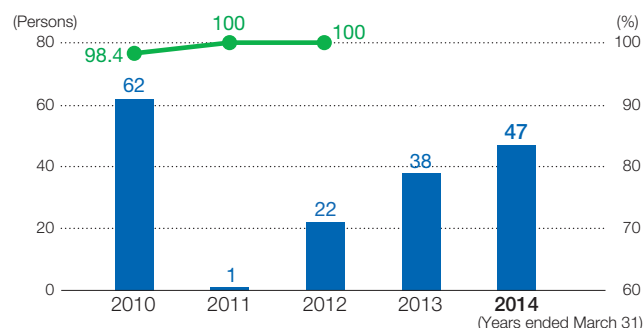
■ Occupational accidents ■ Accidents

## Number of Employees



■ Non-consolidated ■ Consolidated

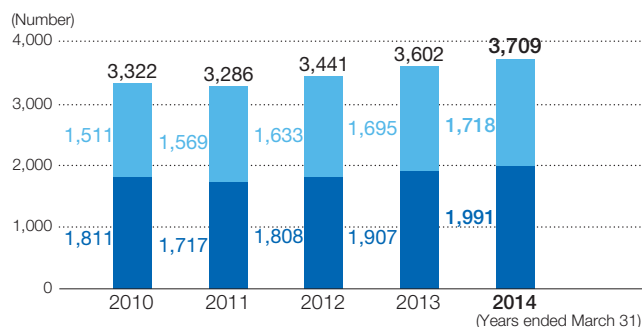
## Number of New Employees and Their Retention Rate After Three Years (non-consolidated)



■ New employees\* ● Retention rate after three years

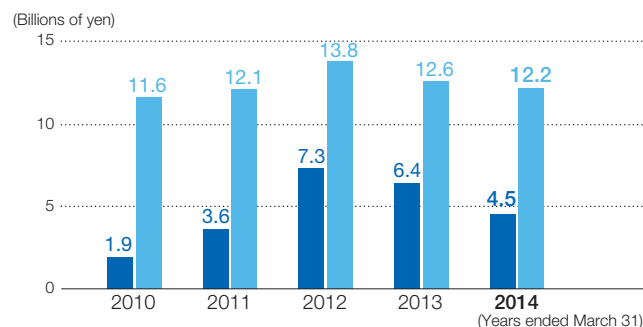
\*Those who joined the company on April 1 or October 1 of each fiscal year

## Number of Patents Held



■ Japan ■ Overseas

## Capital Expenditures and R&D Expenses



■ Capital expenditures ■ R&D expenses

## TOPICS

### Intellectual Property Activities

Under the new three-year medium-term plan, intellectual property management will also be enhanced, with the following targets:

- Number of patents held overseas: more than **2,000**
- Global patent application: **60%** of the total patent applications (43.7% at the end of March 2014)

For our business to maintain competitiveness and improve profitability in a consistent manner, while leveraging on intellectual properties to differentiate our products in the market, we are working to reinforce our intellectual property rights in overseas markets, to which an increasing proportion of our products are being exported.

# Eleven-Year Trends in Key Financial Indicators

## Consolidated Eleven-Year Summary

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

	2014	2013	2012	2011	2010
<b>For the Year:</b>					
Net sales	¥235,946	¥199,795	¥250,090	¥254,953	¥164,129
Cost of sales	177,175	157,790	187,325	182,990	137,827
Cost of sales to net sales (%)	75.1%	79.0%	74.9%	71.8%	84.0%
Operating income (loss)	¥ 8,903	¥ (4,833)	¥ 13,498	¥ 26,811	¥ (14,046)
Operating income to net sales (%)	3.8%	-2.4%	5.4%	10.5%	-8.6%
Net income (loss)	¥ 5,419	¥ (11,333)	¥ 4,637	¥ 25,687	¥ (8,003)
Comprehensive income	14,262	(6,031)	4,192	22,576	(5,257)
Depreciation and amortization	4,101	4,731	4,986	5,805	7,012
Cash flows from operating activities	24,703	(15,320)	11,279	34,299	25,113
Cash flows from investing activities	(4,201)	(5,768)	(4,162)	(2,191)	6,885
Cash flows from financing activities	(29,302)	21,534	(9,468)	(22,250)	(27,124)
Capital expenditures	4,574	6,450	7,347	3,613	1,911
R&D expenses	12,274	12,685	13,889	12,130	11,615
<b>Per Share of Capital Stock:</b>					
Net income (loss)	¥ 22.83	¥ (47.75)	¥ 19.54	¥ 108.21	¥ (33.71)
Net income—diluted	—	—	—	—	—
Cash dividends	3.00	—	5.00	5.00	—
Net assets	364.23	321.24	379.44	367.00	272.15
<b>At Year End:</b>					
Total assets	¥232,376	¥232,390	¥245,382	¥253,127	¥216,622
Return on total assets (%)	2.3%	-4.8%	1.9%	10.9%	-3.5%
Current assets	¥157,327	¥161,614	¥177,543	¥183,523	¥139,984
Property, plant and equipment, net	40,711	39,902	38,669	40,699	45,413
Current liabilities	114,367	120,014	123,223	148,132	93,874
Long-term debt	21,943	29,642	25,988	10,634	48,195
Equity	86,448	76,248	90,069	87,118	64,607
Equity ratio (%)	37.2%	32.8%	36.7%	34.4%	29.8%
Return on equity (%)	6.7%	-14.2%	5.2%	33.9%	-11.9%
Capital stock	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045	¥ 54,045
Retained earnings	41,824	36,405	55,440	26,418	731
Number of shares issued (in thousands)	253,974	253,974	253,974	253,974	253,974
Number of employees	4,968	4,955	4,890	4,732	4,679

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥103 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. 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.

2009	2008	2007	2006	2005	2004	2014
Millions of yen						Thousands of U.S. dollars
¥219,049	¥279,816	¥301,312	¥246,534	¥269,341	¥191,939	<b>\$2,290,738</b>
169,391	208,266	211,159	173,628	190,639	135,389	<b>1,720,146</b>
77.3%	74.4%	70.1%	70.4%	70.8%	70.5%	
¥ (4,510)	¥ 14,628	¥ 30,541	¥ 18,568	¥ 25,292	¥ 9,600	<b>\$ 86,437</b>
-2.1%	5.2%	10.1%	7.5%	9.4%	5.0%	
¥ (38,191)	¥ 4,578	¥ 18,452	¥ 15,236	¥ 14,454	¥ 4,851	<b>\$ 52,612</b>
—	—	—	—	—	—	<b>138,466</b>
8,414	5,563	4,113	3,823	5,944	4,000	<b>39,816</b>
(24,593)	7,934	23,645	14,906	22,301	14,681	<b>239,835</b>
(6,921)	(16,510)	(8,519)	(7,482)	(5,108)	(82)	<b>(40,786)</b>
34,071	669	(8,875)	(13,442)	(16,775)	(10,157)	<b>(284,485)</b>
4,007	12,866	14,420	5,906	6,146	2,465	<b>44,408</b>
16,073	16,248	16,884	13,269	12,628	11,134	<b>119,165</b>
Yen						U.S. dollars
¥ (160.86)	¥ 18.81	¥ 74.05	¥ 60.66	¥ 59.88	¥ 23.04	<b>\$ 0.22</b>
—	17.39	68.63	55.81	52.57	18.29	<b>—</b>
—	10.00	15.00	10.00	7.50	3.00	<b>0.03</b>
292.12	514.26	542.13	500.30	408.03	334.93	<b>3.54</b>
Millions of yen						Thousands of U.S. dollars
¥246,918	¥291,114	¥319,519	¥270,238	¥256,398	¥240,512	<b>\$2,256,078</b>
-14.2%	1.5%	6.3%	5.8%	5.8%	2.1%	
¥168,191	¥196,989	¥223,463	¥181,077	¥179,012	¥165,506	<b>\$1,527,447</b>
50,955	49,069	42,346	36,096	34,308	35,627	<b>395,252</b>
132,431	123,702	133,784	106,134	111,998	113,771	<b>1,110,359</b>
32,967	40,644	43,900	24,674	31,803	38,163	<b>213,039</b>
69,353	122,094	133,062	126,392	99,219	77,434	<b>839,301</b>
28.1%	41.9%	41.6%	46.8%	38.7%	32.2%	
-39.9%	3.6%	14.2%	13.5%	16.4%	7.9%	
¥ 54,045	¥ 54,045	¥ 54,045	¥ 53,999	¥ 51,331	¥ 48,172	<b>\$ 524,709</b>
8,734	49,390	48,497	32,536	19,284	3,514	<b>406,058</b>
253,974	253,974	253,974	253,792	243,164	231,390	
4,992	5,041	4,798	4,672	4,547	4,460	

5. Equity in the above table represents the total of shareholders' equity and accumulated other comprehensive income in the consolidated balance sheets. This is due to the adoption of the new accounting standards for presentation of net assets in the balance sheet, which require former shareholders' equity and minority interests to be presented as net assets, and net assets to be classified as shareholders' equity, accumulated other comprehensive income and minority interests. Under the new accounting standards, the net assets section includes deferred hedge income and loss, net of taxes, which was previously included in the assets or liabilities section without 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.
6. 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.
7. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the Semiconductor Equipment segment and the FPD Equipment segment, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

## Financial Section

### CFO Message

## Continued Emphasis on Profit Structure Reform and Financial Base Reinforcement to Facilitate Proactive Investment in Future Growth

In fiscal 2014, the year ended March 31, 2014, while we fulfilled commitments made at the beginning of the year to regain profitability and pay dividends, we did not reach the numerical targets of the previous three-year medium-term management plan (fiscal 2012–2014), under which we aimed to establish a stable earnings structure and build a foundation for new growth. In fiscal 2013, the year ended March 31, 2013, the markets for semiconductor and FPD production equipment deteriorated. Although other major production equipment manufacturers were able to post moderate profits, Dainippon Screen dropped into the red.

At the start of fiscal 2014, aiming to improve profitability, we set goals for reducing variable costs, particularly in the Semiconductor Equipment segment. There were certain achievements, but we were unable to reach these targets. Achieving these targets as quickly as possible continues to be our priority.

As CFO (resigned June 26, 2014) I have focused on improving our financial standing through reinforced inventory and credit management. Although we were unable to reach our goal under the medium-term management plan of zero net interest-bearing debt at the end of fiscal 2014, it stands at ¥7.1 billion, the lowest level since the 2008 global financial crisis hit. I believe these efforts have been appreciated by analysts and investors. So I expect that we can go a step further to bring net interest-bearing debt to zero under Challenge2016.



**Osamu Ryonai**

Vice Chairman

<Former Chief Financial Officer (CFO)>

### Previous Three-Year Medium-Term Management Plan (Fiscal 2012-2014)



Under Challenge2016, the new three-year medium-term management plan (fiscal 2015–2017), we aim to complete earnings structure reforms and achieve consistently higher earnings. By transitioning to a holding company structure on October 1, 2014, we seek to speed up business execution and strengthen profitability through a stricter project-based budget management approach, thereby building a business portfolio that will deliver stable profit. This has been our primary task for some time, and we will spare no effort to make it happen.

The task of implementing sound balance sheet management also remains. The reining in of inventories, which currently account for around 30% of total assets, is one aspect of this. Efforts thus far to clarify the issues have yielded moderate results. We will build on these results to achieve further improvements.

Through the above initiatives, we will raise the equity ratio to 50% or more by March 31, 2017, and build a robust financial base that can respond to market volatility.



**Yoichi Kondo**

Managing Director  
Chief Financial Officer

<Assumed office on June 26, 2014>



# Management's Discussion and Analysis

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

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

## Operating Results

Consolidated net sales for fiscal 2014, ended March 31, 2014, rose 18.1% year on year to ¥235,946 million.

In the Semiconductor Equipment segment, sales of cleaning equipment, particularly single wafer cleaning equipment, rose year on year following increased investment by memory chip manufacturers and major foundries. Also, sales of coater/developers rose. By geographical region, sales to Taiwan and domestic sales increased.

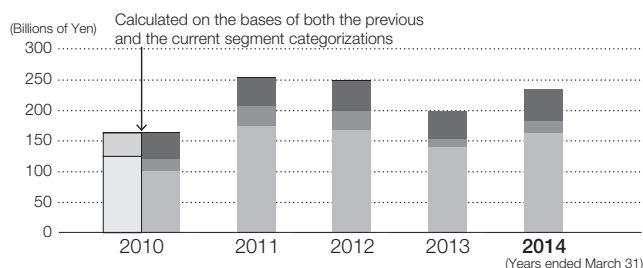
In the FPD Equipment segment, sales of production equipment for small- and medium-sized high-definition LCD panels in domestic and Asian markets increased, as did sales of production equipment for large LCD panels in China.

In the Media and Precision Technology segment, amid a weakening yen on foreign exchange markets, sales of graphic arts equipment increased year on year as sales of print on demand (POD) equipment increased while those of computer to plate (CTP) equipment decreased. Printed

circuit board (PCB)-related equipment sales were also up year on year due to rising sales of direct imaging systems used for circuit formation.

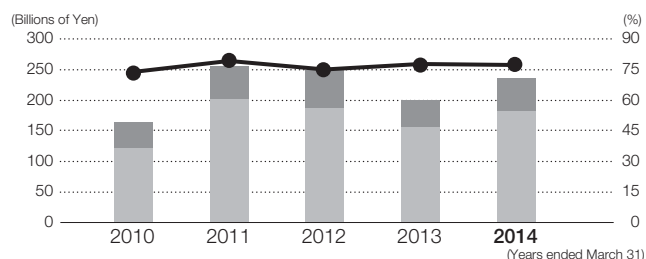
Total overseas sales rose ¥26,960 million, or 17.3%, year on year to ¥182,646 million. The ratio of overseas sales to consolidated net sales fell 0.5 percentage point to 77.4%. In North America, sales in the Media and Precision Technology segment increased, resulting in regional sales of ¥47,094 million, up 4.2% year on year. In Asia & Oceania, sales increased significantly in the Semiconductor Equipment and FPD Equipment segments, causing sales in this region to rise 38.8% year on year to ¥111,555 million. In Europe, increased sales in the Semiconductor Equipment segment led to a 14.0% year-on-year rise in sales in this region, to ¥21,914 million. In other regions, lower sales in the Semiconductor Equipment segment prompted an 80.9% year-on-year decline to ¥2,083 million.

### Consolidated Net Sales by Business Field/Reportable Segment



Consolidated Net Sales by Business Field:  
 □ Electronic Equipment and Components □ Graphic Arts Equipment ■ Other  
 Consolidated Net Sales by Reportable Segment: ■ SE ■ FE ■ MP ■ Other

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



## Cost of Sales and SGA Expenses

Cost of sales improved due to a significant increase in sales as well as to a reduction in fixed costs, among other factors. As a result, the ratio of cost of sales to net sales fell from 79.0% in the previous fiscal year to 75.1% during the year under review. In spite of cost-cutting efforts, selling, general

and administrative (SGA) expenses increased ¥3,030 million, or 6.5%, year on year to ¥49,868 million due to the weakening of the yen. The ratio of SGA expenses to net sales fell to 21.1% for the fiscal year under review, down from 23.4% in the preceding term, due to the sales increase.

Years ended March 31,	Millions of yen				
	2014	2013	2012	2011	2010
Net sales	¥235,946	¥199,795	¥250,090	¥254,953	¥164,129
Cost of sales	177,175	157,790	187,325	182,990	137,827
Cost of sales to net sales (%)	75.1%	79.0%	74.9%	71.8%	84.0%
Gross profit	¥ 58,771	¥ 42,005	¥ 62,765	¥ 71,963	¥ 26,302
SGA expenses	49,868	46,838	49,267	45,152	40,348
SGA expenses to net sales (%)	21.1%	23.4%	19.7%	17.7%	24.6%

Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the Semiconductor Equipment segment and the FPD Equipment segment, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

## Research and Development Expenses

At the Dainippon Screen Group, we maintain close relationships between the Research & Development Center, internal companies and Group companies to foster the combination and application of the diverse technologies that are key to photolithography, including cleaning, coating, graphic arts, optical systems, and inspection and measurement technologies. This approach enables us to launch aggressive R&D initiatives spanning basic research through product development.

During the year under review, the Group invested ¥12,274 million in R&D. We invested mainly in reinforcing and expanding the existing businesses of the Semiconductor Equipment segment, as well as in R&D for new business creation in such fields as energy and life science.

In the Semiconductor Equipment segment, we invested in responding to ultra-miniaturization technologies for logic circuits, three-dimensional technologies for memory devices and FinFET transistor structure. We also worked on applying existing technologies to the upgrading of equipment suited for use with 200mm wafers in response to surging markets for power devices, optical devices and micro-electro mechanical systems (MEMS) for use in automobiles and the resulting rise in the need for flexible development and production. As a result, the Group's R&D expenses in this segment amounted to ¥4,431 million.

In the FPD Equipment segment, we worked on developing thin (film) resist coating technology and viscous material coating technology in response to demand for thinner and more high-definition LCD panels as well as the development of resin substrate-type LCD panels. As a result, the Group's R&D expenses for this segment amounted to ¥587 million.

In the Media and Precision Technology segment, within the area of graphic arts equipment we developed a wide-format UV inkjet printer, the Truepress Jet W3200UV, which boasts both high-definition printing and high-speed output, targeting the promising sign and display market. In the category of PCB-related equipment, we developed an automatic final visual inspection system, the FP-9000, with improved inspection quality and compatibility with larger PCBs. As a result, the Group's R&D expenses for this segment amounted to ¥2,922 million.

In addition to the above segments, we invested ¥4,334 million in basic research and R&D initiatives for new business creation led by the Research & Development Center. In the energy-related field, we worked on developing electrode coating and drying equipment for use in the production of lithium-ion batteries (LiB) as well as a next-generation battery production equipment. In the life science field, we developed the Cell3iMager three-dimensional cell scanner for the high-speed measurement and analysis of cancer cell growth and mutation.

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



Years ended March 31,	Millions of yen				
	2014	2013	2012	2011	2010
R&D expenses	¥12,274	¥12,685	¥13,889	¥12,130	¥11,615
R&D expenses to net sales (%)	5.2%	6.3%	5.6%	4.8%	7.1%

## Segment Information

### The Semiconductor Equipment (SE) segment

Sales of cleaning equipment, particularly single wafer cleaning equipment, rose year on year following increased investment by memory chip manufacturers and major foundries. Also, sales of coater/developers rose. By geographical region, sales to Taiwan and domestic sales increased. As a result, net sales in this segment amounted to ¥163,132 million up 16.0% year on year. On the earnings front, operating income in this segment came to ¥8,760 million, compared with an operating loss of ¥3,753 million in the previous fiscal year, reflecting increased sales and a reduction in variable costs.

### The FPD Equipment (FE) segment

Sales of production equipment for small- and medium-sized high-definition LCD panels in domestic and Asian markets

increased, as did sales of production equipment for large LCD panels in China. As a result, net sales in this segment amounted to ¥19,850 million, up 64.8% year on year. On the earnings front, this segment posted an operating loss of ¥422 million, compared with an operating loss of ¥836 million in the previous fiscal year.

### The Media and Precision Technology (MP) segment

Amid a weakening yen on foreign exchange markets, sales of graphic arts equipment increased year on year as sales of print on demand (POD) equipment increased, while those of computer to plate (CTP) equipment decreased. Printed circuit board (PCB)-related equipment sales were also up year on year due to rising sales of direct imaging systems used for circuit formation. As a result, net sales in this segment came

to ¥52,156 million, up 12.6% year on year. On the earnings front, this segment posted operating income of ¥2,768

million, an increase of 87.7% from the previous fiscal year.

## Earnings Analysis

As sales increased in the Semiconductor Equipment, FPD Equipment and Media and Precision Technology segments, net sales for the Group as a whole rose to ¥235,946 million. This significant increase in sales led to operating income of ¥8,903 million, compared with an operating loss of ¥4,833 million in the preceding fiscal year. Also contributing to results were our efforts to reduce variable costs in spite of an increase in fixed costs due to the weakening yen. The ratio of operating profit to net sales improved 6.2 percentage points from the previous term to 3.8%.

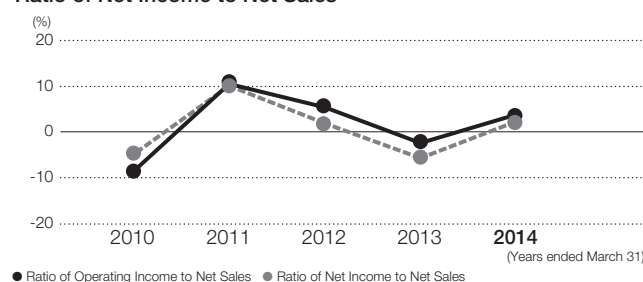
Net other income and expenses improved ¥141 million from the preceding fiscal year to a net expense of ¥502 million in the year under review. This was attributable to a significant improvement in loss on valuation of investment securities, which was posted in the preceding fiscal year due to a fall in

the market values of stocks held. The improvement offset the increase in interest expenses during the year accompanying the rise in interest-bearing debt and exchange loss on foreign currency translations.

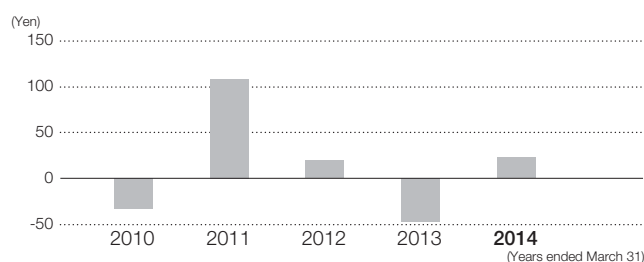
Income before income taxes was ¥8,401 million, compared with a loss before income taxes of ¥5,476 million in the previous year, and net income was ¥5,419 million, compared with a net loss of ¥11,333 million. The ratio of net income to net sales improved 8.0 percentage points from the previous term to 2.3%.

Net income per share of common stock was ¥22.83, compared with net loss per share of ¥47.75 in the previous year, and return on equity improved 20.9 percentage points from the previous term to 6.7%. Return on total assets improved 7.1 percentage points from the previous term to 2.3%.

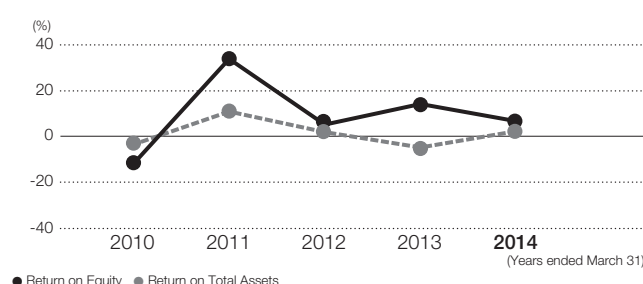
**Ratio of Operating Income to Net Sales and Ratio of Net Income to Net Sales**



**Net Income Per Share of Capital Stock**



**Return on Equity and Return on Total Assets**



Years ended March 31,	Millions of yen				
	2014	2013	2012	2011	2010
Operating income (loss)	¥8,903	¥ (4,833)	¥13,498	¥26,811	¥(14,046)
Operating income to net sales (%)	3.8%	-2.4%	5.4%	10.5%	-8.6%
Net income (loss)	¥5,419	¥(11,333)	¥ 4,637	¥25,687	¥ (8,003)
Net income to net sales (%)	2.3%	-5.7%	1.9%	10.1%	-4.9%
Per share of capital stock (yen)					
Net income (loss)	¥22.83	¥ (47.75)	¥ 19.54	¥108.21	¥ (33.71)
Net income - diluted	—	—	—	—	—
Return on equity (%)	6.7%	-14.2%	5.2%	33.9%	-11.9%
Return on total assets (%)	2.3%	-4.8%	1.9%	10.9%	-3.5%

Notes: 1. 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.  
2. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

## Financial Position and Liquidity

### Assets, Liabilities and Net Assets

Total assets as of March 31, 2014 stood at ¥232,376 million, a decrease of ¥14 million, or 0.0%, from March 31, 2013.

This was due to decreases in cash and time deposits and inventories, despite an increase in trade notes and accounts receivable and an increase in investment securities accompanying rises in the market values of stocks held.

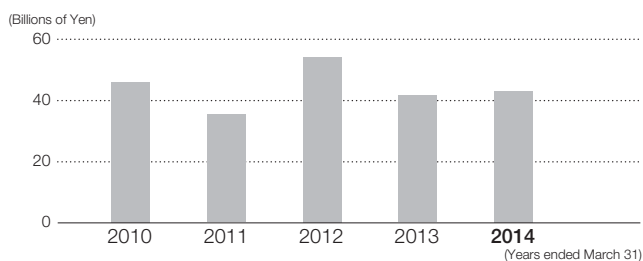
Total liabilities amounted to ¥145,279 million, down ¥10,257 million, or 6.6%, from the end of the previous fiscal year. This was due mainly to a decrease in interest-bearing debt, despite an increase in notes and accounts payable—trade. Interest-bearing debt decreased ¥29,068 million, or 41.3%, from March 31, 2013 to ¥41,375 million, due mainly to the repayment of loans payable, in spite of the issuance of bonds. Net interest-bearing debt, or interest-bearing debt

minus cash and time deposits, decreased ¥22,861 million, or 76.1%, from March 31, 2013, to ¥7,161 million.

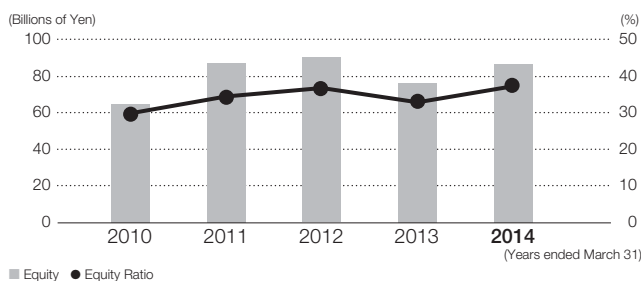
Total net assets amounted to ¥87,097 million, up ¥10,243 million, or 13.3%, from March 31, 2013. This was attributable mainly to an increase in retained earnings due to the posting of net income, as well as an increase in valuation difference on available-for-sale securities due to the rising market values of stocks held and an increase in foreign currency translation adjustment due to the yen depreciation, despite the posting of remeasurements of defined benefit plans at the end of the fiscal year.

As a result, the equity ratio as of March 31, 2014 improved 4.4 percentage points from the end of the previous fiscal year to 37.2%.

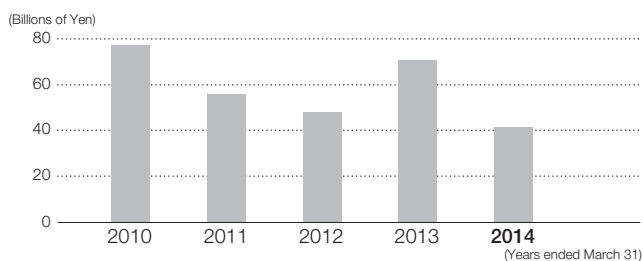
### Working Capital



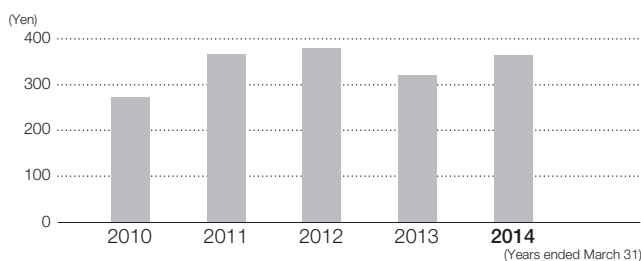
### Equity and Equity Ratio



### Interest-Bearing Debt



### Net Assets Per Share of Capital Stock



As of March 31,	Millions of yen				
	2014	2013	2012	2011	2010
Total assets	¥232,376	¥232,390	¥245,382	¥253,127	¥216,622
Reportable Segment: SE	119,015	117,714	133,927	129,061	103,113
FE	13,664	13,428	15,662	26,446	24,894
MP	48,963	46,653	41,226	39,684	40,916
Other	3,566	4,043	4,763	4,047	3,426
Adjustments	47,168	50,552	49,804	53,889	44,273
Electronic Equipment and Components	—	—	—	—	130,577
Graphic Arts Equipment	—	—	—	—	35,637
Other	—	—	—	—	3,427
Eliminations/Corporate	—	—	—	—	46,981
Working capital	42,960	41,600	54,320	35,391	46,110
Interest-bearing debt	41,375	70,443	47,676	55,590	77,218
Equity	86,448	76,248	90,069	87,118	64,607
Equity ratio (%)	37.2%	32.8%	36.7%	34.4%	29.8%
Net assets per share of capital stock (yen)	¥ 364.23	¥ 321.24	¥ 379.44	¥ 367.00	¥ 272.15

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.  
3. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

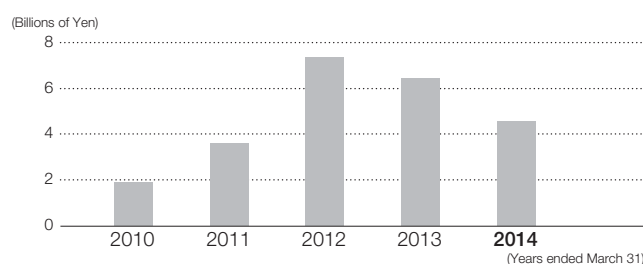
## Capital Expenditures and Depreciation and Amortization

Capital expenditures for the whole Group during the year stood at ¥4,574 million. In the Semiconductor Equipment segment, capital expenditures amounted to ¥2,224 million, centered on R&D and manufacturing facilities for semiconductor production equipment. In the FPD Equipment segment, capital expenditures totaled ¥86 million, which was invested in R&D and other facilities for FPD production equipment. Capital expenditures in the Media and Precision Technology segment were ¥868 million, centered on R&D and

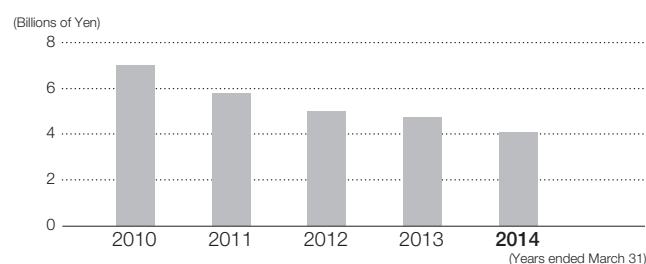
manufacturing facilities for graphic arts equipment. Capital expenditures for other segments came to ¥206 million, which went mainly to R&D facilities and information system related equipment. On a companywide basis, capital expenditures amounted to ¥1,190 million, centering on R&D facilities.

Depreciation and amortization during the year came to ¥4,101 million, down ¥630 million, or 13.3%, from the preceding term.

### Capital Expenditures



### Depreciation and Amortization



## Financial Section

Years ended March 31,	Millions of yen				
	2014	2013	2012	2011	2010
Capital expenditures	<b>¥4,574</b>	¥6,450	¥7,347	¥3,613	¥1,911
Reportable Segment: SE	<b>2,224</b>	4,238	2,951	2,510	1,184
FE	<b>86</b>	132	448	323	185
MP	<b>868</b>	899	1,041	539	362
Other	<b>206</b>	154	114	89	62
Adjustments	<b>1,190</b>	1,027	2,793	152	118
Electronic Equipment and Components	—	—	—	—	1,393
Graphic Arts Equipment	—	—	—	—	338
Other	—	—	—	—	62
Corporate	—	—	—	—	118
Depreciation and amortization	<b>¥4,101</b>	¥4,731	¥4,986	¥5,805	¥7,012
Reportable Segment: SE	<b>2,542</b>	2,970	3,204	3,452	4,426
FE	<b>80</b>	79	329	460	599
MP	<b>485</b>	407	310	674	879
Other	<b>110</b>	103	112	121	166
Adjustments	<b>884</b>	1,172	1,031	1,098	942
Electronic Equipment and Components	—	—	—	—	5,011
Graphic Arts Equipment	—	—	—	—	744
Other	—	—	—	—	154
Corporate	—	—	—	—	1,103
Impairment loss	<b>¥ —</b>	¥ —	¥2,866	¥1,656	¥ 780
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
Other	—	—	—	—	—
Corporate	—	—	—	—	58

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

During the fiscal year ended March 31, 2014, net cash provided by operating activities significantly improved to ¥24,703 million, compared with ¥15,320 million used in operating activities in the previous fiscal year. This was because cash inflows, including the posting of income before income taxes, an increase in notes and accounts payable—trade and a decrease in inventories, outpaced cash outflows, including an increase in trade notes and accounts receivable.

Net cash used in investing activities amounted to ¥4,201 million, compared with ¥5,768 million used in investing activities in the previous fiscal year. This was due mainly to the

purchase of property, plant and equipment, such as equipment for R&D.

Net cash used in financing activities amounted to ¥29,302 million, compared with ¥21,534 million provided by financing activities in the previous fiscal year. This was attributable mainly to repayments of loans payable, in spite of financing through the issuance of bonds.

As a result, cash and cash equivalents as of March 31, 2014 totaled ¥31,562 million, down ¥6,465 million from March 31, 2013.

Years ended March 31,	Millions of yen				
	2014	2013	2012	2011	2010
Cash flows from operating activities	<b>¥24,703</b>	¥(15,320)	¥11,279	¥34,299	¥25,113
Cash flows from investing activities	<b>(4,201)</b>	(5,768)	(4,162)	(2,191)	6,885
Cash flows from financing activities	<b>(29,302)</b>	21,534	(9,468)	(22,250)	(27,124)
Effect of exchange rate changes on cash and cash equivalents	<b>2,335</b>	1,949	(400)	(1,380)	(80)
Net increase (decrease) in cash and cash equivalents	<b>¥ (6,465)</b>	¥ 2,395	¥ (2,751)	¥ 8,478	¥ 4,794

## Risk Factors

### **(1) Semiconductor and FPD market trends**

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

### **(2) 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.

### **(3) 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 operations, 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.

### **(4) Product quality**

The Dainippon Screen Group has created its quality management system on the basis of standards for quality management systems (ISO 9001) and works to enhance the quality of its products and services. Nevertheless, if a product defect should arise and lead to a large-scale recall or product liability resulting in losses to a customer, the Group could incur significant additional expenses and suffer a decrease in trust, prompting a decline in sales. Such cases could have a material impact on the Group's financial condition and business performance.

### **(5) 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.

### **(6) Intellectual property rights**

The Group has over the years continually striven 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.

### **(7) 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.

### **(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.

## Financial Section

### **(9) Interest rate fluctuations**

All the Group's interest-bearing debt as of the end of the fiscal year was fixed-rate debt and was, therefore, not subject to interest rate fluctuation risk. Nevertheless, the Group's financial condition and business performance could be materially affected by the impact of interest rate fluctuations on new fund procurement at variable interest rates.

### **(10) Procurement of funds**

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 could be forced to forfeit the benefit of time in relation to such loans. In such case, the Company could also 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 to make a lump-sum repayment, it could have a material impact on the Group's financial condition.

### **(11) Exchange rate fluctuations**

As the Group has a high overseas sales ratio, we make a proactive effort to avoid exchange rate risks on export sales by conducting transactions denominated in yen. However, some transactions are denominated in foreign currencies. 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 could have a material impact on the Group's financial condition and business performance.

### **(12) Retirement benefit obligations**

The Group calculates accrued pension and severance costs based on assumed discount rates set by actuarial calculations and on expected returns on pension asset investments. If differences arise between actual results and assumed costs, changes in assumed parameters and/or declines in pension fund returns, the recognition of future costs and the recording of benefit obligations are affected.

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.

### **(13) 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.

### **(14) Recoverability of deferred tax assets**

The Daiippon Screen Group records deferred tax assets against temporary differences due to future losses and loss carryforwards for tax purposes based on rational forecasts of future income taxes and its judgments of their recoverability. The Group reviews its assumptions on future income taxes based on such factors as changes in the management environment. A resulting decision that some or all of these deferred tax assets are unrecoverable and that the drawing down of deferred tax assets is necessary could have a material impact on the Group's financial condition and business performance.

### **(15) Other risks**

In addition to the above described risks, the Group's business operations are affected, as are those of other companies, by risks of the global and domestic political environment, the economic environment, natural disasters such as earthquakes and floods, wars, terrorism, epidemics, 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.



## Segment Information

### Net Sales and Income (Loss) in Reportable Segments

Years ended March 31,		Millions of yen				
		2014	2013	2012	2011	2010
Net Sales	Reportable Segment: SE	¥163,132	¥140,690	¥167,593	¥174,279	¥100,932
	FE	19,850	12,042	32,611	32,711	19,898
	MP	52,156	46,324	49,164	47,306	42,704
	Other	808	739	722	657	595
	Consolidated	¥235,946	¥199,795	¥250,090	¥254,953	¥164,129
Operating Income (Loss)	Reportable Segment: SE	¥ 8,760	¥ (3,753)	¥ 13,628	¥ 28,141	¥ (7,334)
	FE	(422)	(836)	(1,217)	34	(1,672)
	MP	2,768	1,475	2,305	(1,304)	(4,674)
	Other	(652)	(158)	3	303	16
	Total	¥ 10,454	¥ (3,272)	¥ 14,719	¥ 27,174	¥ (13,664)
	Adjustments	(1,551)	(1,561)	(1,221)	(363)	(382)
	Consolidated	¥ 8,903	¥ (4,833)	¥ 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, sale, and maintenance services of semiconductor production equipment  
 FE: Development, manufacturing, sale, and maintenance services of FPD production equipment  
 MP: Development, manufacturing, sale, 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."
5. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

### Segment Sales and Income (Loss) by Business Field

Years ended March 31,		Millions of yen				
		2014	2013	2012	2011	2010
Net Sales	Electronic Equipment and Components	¥—	¥—	¥—	¥—	¥125,086
	Graphic Arts Equipment	—	—	—	—	38,448
	Other	—	—	—	—	595
	Consolidated	¥—	¥—	¥—	¥—	¥164,129
Operating Income (Loss)	Electronic Equipment and Components	¥—	¥—	¥—	¥—	¥ (11,449)
	Graphic Arts Equipment	—	—	—	—	(2,491)
	Other	—	—	—	—	(106)
	Consolidated	¥—	¥—	¥—	¥—	¥(14,046)

- 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				
		2014	2013	2012	2011	2010
Domestic sales		¥ 53,300	¥ 44,109	¥ 62,135	¥ 52,629	¥ 42,714
Overseas sales		182,646	155,686	187,955	202,324	121,415
	North America	47,094	45,185	53,479	54,365	18,012
	Asia & Oceania	111,555	80,395	92,063	114,787	87,579
	Europe	21,914	19,227	26,138	26,573	13,748
	Others	2,083	10,879	16,275	6,599	2,076
Ratio of overseas sales to net sales (%)		77.4%	77.9%	75.2%	79.4%	74.0%
	Net sales	¥235,946	¥199,795	¥250,090	¥254,953	¥164,129

- 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."
4. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

## Financial Section

### Consolidated Balance Sheets

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
As of March 31, 2014 and 2013

Assets	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 31,562	¥ 38,027	\$ 306,427
Time deposits	2,652	2,394	25,748
Trade notes and accounts receivable	45,257	41,093	439,388
Allowance for doubtful receivables	(860)	(935)	(8,350)
Inventories	70,159	73,145	681,155
Deferred tax assets	3,959	3,985	38,437
Prepaid expenses and other	4,598	3,905	44,642
Total current assets	157,327	161,614	1,527,447
<b>Property, Plant and Equipment, at Cost:</b>			
Land	9,907	9,811	96,184
Buildings and structures	52,257	51,587	507,350
Machinery, equipment and other	46,039	43,787	446,980
Lease assets	6,193	6,294	60,126
Construction in progress	1,425	1,260	13,835
Total property, plant and equipment	115,821	112,739	1,124,475
Accumulated depreciation	(75,110)	(72,837)	(729,223)
Net property, plant and equipment	40,711	39,902	395,252
<b>Investments and Other Assets:</b>			
Investment securities	28,582	21,798	277,495
Investments in affiliates	38	38	369
Lease assets	130	271	1,262
Net defined benefit asset	200	—	1,942
Deferred tax assets	309	365	3,000
Other assets	5,079	8,402	49,311
Total investments and other assets	34,338	30,874	333,379
<b>Total Assets</b>	<b>¥232,376</b>	<b>¥232,390</b>	<b>\$2,256,078</b>

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

Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Current Liabilities:</b>			
Short-term debt	¥ 104	¥ 33,783	\$ 1,010
Current portion of long-term debt	16,254	3,350	157,806
Lease obligations	819	733	7,951
Notes and accounts payable—			
Trade	68,705	60,751	667,039
Construction and other	2,477	2,685	24,049
Accrued expenses	6,557	4,792	63,660
Income taxes payable	1,485	844	14,417
Provision for product warranties	5,021	4,940	48,748
Provision for directors' bonuses	56	40	544
Provision for loss on order received	575	133	5,583
Other current liabilities	12,314	7,963	119,552
Total current liabilities	114,367	120,014	1,110,359
<b>Long-Term Liabilities:</b>			
Long-term debt	21,943	29,642	213,039
Provision for retirement benefits	—	152	—
Net defined benefit liability	1,292	—	12,544
Provision for directors' retirement benefits	95	79	922
Lease obligations	2,255	2,934	21,893
Deferred tax liabilities	4,843	2,149	47,019
Asset retirement obligations	49	49	476
Other long-term liabilities	435	517	4,224
Total long-term liabilities	30,912	35,522	300,117
<b>Contingent Liabilities (Note 8)</b>			
<b>Net Assets:</b>			
<b>Shareholders' Equity:</b>			
Capital stock			
Authorized—900,000,000 shares in 2014 and 2013			
Issued—253,974,333 shares in 2014 and 2013	54,045	54,045	524,709
Capital surplus	4,583	4,583	44,495
Retained earnings	41,824	36,405	406,058
Treasury stock, at cost	(12,251)	(12,245)	(118,942)
16,625,067 shares in 2014 and 16,613,829 shares in 2013			
Total shareholders' equity	88,201	82,788	856,320
<b>Accumulated Other Comprehensive Income:</b>			
Valuation difference on available-for-sale securities	7,089	2,717	68,825
Foreign currency translation adjustment	(4,834)	(9,257)	(46,931)
Remeasurements of defined benefit plans	(4,008)	—	(38,913)
Total accumulated other comprehensive income	(1,753)	(6,540)	(17,019)
<b>Minority Interests:</b>			
Minority interests	649	606	6,301
Total net assets	87,097	76,854	845,602
<b>Total Liabilities and Net Assets</b>	<b>¥232,376</b>	<b>¥232,390</b>	<b>\$2,256,078</b>

## Financial Section

### Consolidated Statements of Operations

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Net Sales</b>	<b>¥235,946</b>	¥199,795	<b>\$2,290,738</b>
<b>Cost of Sales</b>	<b>177,175</b>	157,790	<b>1,720,146</b>
Gross profit	<b>58,771</b>	42,005	<b>570,592</b>
<b>Selling, General and Administrative Expenses</b>	<b>49,868</b>	46,838	<b>484,155</b>
Operating income (loss)	<b>8,903</b>	(4,833)	<b>86,437</b>
<b>Other (Income) Expenses:</b>			
Interest and dividend income	(527)	(502)	(5,117)
Interest expenses	<b>1,115</b>	1,049	<b>10,825</b>
Exchange loss on foreign currency transactions, net	<b>117</b>	63	<b>1,136</b>
Insurance income	(214)	(303)	(2,078)
Sales discounts	<b>222</b>	113	<b>2,155</b>
Gain on sales of investment securities	(12)	(353)	(117)
Provision of allowance for doubtful accounts	<b>2</b>	(3)	<b>19</b>
Loss on valuation of investment securities	<b>5</b>	776	<b>49</b>
Other, net	(206)	(197)	(1,998)
Net other expenses	<b>502</b>	643	<b>4,874</b>
<b>Income (Loss) Before Income Taxes</b>	<b>8,401</b>	(5,476)	<b>81,563</b>
<b>Income Taxes</b>			
Current	<b>2,342</b>	1,535	<b>22,738</b>
Deferred	<b>635</b>	4,266	<b>6,165</b>
Total income taxes	<b>2,977</b>	5,801	<b>28,903</b>
<b>Income (Loss) Before Minority Interests</b>	<b>5,424</b>	(11,277)	<b>52,660</b>
<b>Minority Interests in Net Income of Consolidated Subsidiaries</b>	<b>5</b>	56	<b>48</b>
<b>Net Income (Loss)</b>	<b>¥ 5,419</b>	¥ (11,333)	<b>\$ 52,612</b>

#### Per Share of Capital Stock:

	Yen		U.S. dollars
	2014	2013	2014
Net income (loss)	<b>¥ 22.83</b>	¥ (47.75)	<b>\$ 0.22</b>
Net income—diluted	—	—	—
Cash dividends, applicable to earnings for the year	<b>3.00</b>	—	<b>0.03</b>

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

Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

### Consolidated Statements of Comprehensive Income

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Income (Loss) Before Minority Interests</b>	<b>¥ 5,424</b>	¥(11,277)	<b>\$ 52,660</b>
<b>Other Comprehensive Income</b>			
Valuation difference on available-for-sale securities	<b>4,373</b>	1,331	<b>42,456</b>
Foreign currency translation adjustment	<b>4,465</b>	3,915	<b>43,350</b>
Total other comprehensive income	<b>8,838</b>	5,246	<b>85,806</b>
<b>Comprehensive Income</b>	<b>¥14,262</b>	¥ (6,031)	<b>\$138,466</b>
Comprehensive income attributable to			
Owners of the parent	<b>14,213</b>	(6,114)	<b>137,990</b>
Minority interests	<b>49</b>	83	<b>476</b>

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

Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

## Consolidated Statements of Changes in Net Assets

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2014 and 2013

	Millions of yen										
	Shares of issued capital stock (thousands)	Shareholders' equity				Accumulated other comprehensive income					Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for- sale securities	Remeasure- ments of defined benefit plans	Foreign currency translation adjustments	Minority interests		
Balance at the beginning of fiscal 2013	253,974	¥54,045	¥4,583	¥55,440	¥(12,241)	¥1,386	¥ —	¥(13,144)	¥527	¥90,596	
Cumulative effects of changes in accounting policies	—	—	—	(6,516)	—	—	—	—	—	(6,516)	
Currently stated balance, as of beginning of current period	253,974	¥54,045	¥4,583	¥48,924	¥(12,241)	¥1,386	¥ —	¥(13,144)	¥527	¥84,080	
Net loss	—	—	—	(11,333)	—	—	—	—	—	(11,333)	
Cash dividends paid, ¥5.00 per share	—	—	—	(1,186)	—	—	—	—	—	(1,186)	
Valuation difference on available-for-sale securities	—	—	—	—	—	1,331	—	—	—	1,331	
Foreign currency translation adjustments	—	—	—	—	—	—	—	3,887	—	3,887	
Acquisition of treasury stock	—	—	—	—	(4)	—	—	—	—	(4)	
Other	—	—	—	—	—	—	—	—	79	79	
Balance at the end of fiscal 2013	253,974	¥54,045	¥4,583	¥36,405	¥(12,245)	¥2,717	¥ —	¥ (9,257)	¥606	¥76,854	
<b>Balance at the beginning of fiscal 2014</b>	<b>253,974</b>	<b>¥54,045</b>	<b>¥4,583</b>	<b>¥36,405</b>	<b>¥(12,245)</b>	<b>¥2,717</b>	<b>¥ —</b>	<b>¥ (9,257)</b>	<b>¥606</b>	<b>¥76,854</b>	
Net income	—	—	—	5,419	—	—	—	—	—	5,419	
Valuation difference on available-for-sale securities	—	—	—	—	—	4,372	—	—	—	4,372	
Foreign currency translation adjustments	—	—	—	—	—	—	—	4,423	—	4,423	
Remeasurements of defined benefit plans	—	—	—	—	—	—	(4,008)	—	—	(4,008)	
Acquisition of treasury stock	—	—	—	—	(6)	—	—	—	—	(6)	
Disposal of treasury stock	—	—	(0)	—	0	—	—	—	—	0	
Other	—	—	—	—	—	—	—	—	43	43	
<b>Balance at the end of fiscal 2014</b>	<b>253,974</b>	<b>¥54,045</b>	<b>¥4,583</b>	<b>¥41,824</b>	<b>¥(12,251)</b>	<b>¥7,089</b>	<b>¥(4,008)</b>	<b>¥ (4,834)</b>	<b>¥649</b>	<b>¥87,097</b>	

	Thousands of U.S. dollars										
		Shareholders' equity				Accumulated other comprehensive income					Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for- sale securities	Remeasure- ments of defined benefit plans	Foreign currency translation adjustments	Minority interests		
<b>Balance at the beginning of fiscal 2014</b>	<b>\$524,709</b>	<b>\$44,495</b>	<b>\$353,446</b>	<b>\$(118,883)</b>	<b>\$26,379</b>	<b>\$ —</b>	<b>\$(89,874)</b>	<b>\$5,883</b>	<b>\$746,155</b>		
Net income	—	—	52,612	—	—	—	—	—	52,612		
Valuation difference on available-for-sale securities	—	—	—	—	42,446	—	—	—	42,446		
Foreign currency translation adjustments	—	—	—	—	—	—	42,943	—	42,943		
Remeasurements of defined benefit plans	—	—	—	—	—	(38,913)	—	—	(38,913)		
Acquisition of treasury stock	—	—	—	(59)	—	—	—	—	(59)		
Disposal of treasury stock	—	—	(0)	0	—	—	—	—	0		
Other	—	—	—	—	—	—	—	418	418		
<b>Balance at the end of fiscal 2014</b>	<b>\$524,709</b>	<b>\$44,495</b>	<b>\$406,058</b>	<b>\$(118,942)</b>	<b>\$68,825</b>	<b>\$(38,913)</b>	<b>\$(46,931)</b>	<b>\$6,301</b>	<b>\$845,602</b>		

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

## Financial Section

### Consolidated Statements of Cash Flows

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Cash Flows from Operating Activities:</b>			
Income (loss) before income taxes	¥ 8,401	¥ (5,476)	\$ 81,563
Depreciation and amortization	4,101	4,731	39,816
Loss (gain) on valuation of investment securities	5	776	49
Loss (gain) on sales of investment securities	(12)	(353)	(117)
Increase (decrease) in provision for retirement benefits	—	(164)	—
Increase (decrease) in net defined benefit liability	(254)	—	(2,466)
Increase (decrease) in provision for directors' bonuses	16	(18)	155
Increase (decrease) in provision for product warranties	37	(639)	359
Increase (decrease) in provision for loss on order received	443	(114)	4,301
Interest and dividend income	(527)	(502)	(5,117)
Interest expenses	1,115	1,049	10,825
Decrease (increase) in trade notes and accounts receivable	(3,392)	3,589	(32,932)
Decrease (increase) in inventories	5,105	6,767	49,563
Decrease (increase) in other current assets	(349)	135	(3,388)
Increase (decrease) in trade notes and accounts payable	7,324	(21,145)	71,107
Increase (decrease) in accrued expenses	1,372	(2,010)	13,320
Increase (decrease) in other current liabilities	3,828	1,762	37,165
Other, net	13	(667)	126
Subtotal	27,226	(12,279)	264,329
Interest and dividends income received	526	497	5,107
Interest expenses paid	(1,081)	(1,045)	(10,495)
Contribution in connection with the shift to a defined contribution pension plan	(16)	(18)	(155)
Income taxes paid	(1,952)	(2,475)	(18,951)
Net cash provided by (used in) operating activities	24,703	(15,320)	239,835
<b>Cash Flows from Investing Activities:</b>			
Decrease (increase) in time deposits, net	189	(23)	1,835
Purchase of property, plant and equipment	(3,458)	(6,037)	(33,573)
Proceeds from sales of property, plant and equipment	9	364	87
Purchase of investment securities	(150)	(85)	(1,456)
Proceeds from sales of investment securities	35	947	340
Other, net	(826)	(934)	(8,019)
Net cash used in investing activities	(4,201)	(5,768)	(40,786)
<b>Cash Flows from Financing Activities:</b>			
Increase (decrease) in short-term debt, net	(33,700)	25,725	(327,184)
Proceeds from long-term debt	—	7,000	—
Repayments of long-term debt	(3,396)	(1,646)	(32,971)
Repayments of finance lease obligations	(742)	(1,350)	(7,204)
Proceeds from issuance of bonds	8,547	—	82,981
Redemption of bonds	—	(7,000)	—
Decrease (increase) in treasury stock, net	(6)	(4)	(58)
Cash dividends paid	—	(1,186)	—
Cash dividends paid to minority shareholders	(5)	(5)	(49)
Net cash provided by (used in) financing activities	(29,302)	21,534	(284,485)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>2,335</b>	<b>1,949</b>	<b>22,669</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(6,465)</b>	<b>2,395</b>	<b>(62,767)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>38,027</b>	<b>35,632</b>	<b>369,194</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥31,562</b>	<b>¥38,027</b>	<b>\$306,427</b>

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

Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

# Notes to Consolidated Financial Statements

Dainippon Screen Mfg. Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2014 and 2013

## 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 five 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. dollar amounts solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2014, which was ¥103 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 at this or any other rate of exchange.

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 state the value of inventories mainly by either 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 ¥12,274 million (\$119,165 thousand) in 2014 and ¥12,685 million in 2013.

### **(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 the 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/ liability approach.

## Financial Section

### **(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 funded or unfunded defined benefit plans and defined contribution plans for employees' severance and retirement benefits. The Company and certain consolidated domestic subsidiaries have a cash balance plan in defined benefit pension plans combined with defined contribution pension plans.

Certain consolidated domestic subsidiaries have unfunded lump-sum payment plans.

Certain consolidated overseas subsidiaries have defined contribution plans.

In calculation of retirement benefit obligations, the method of attributing expected benefit to the periods up to the end of the fiscal year is based on the straight-line method.

Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years (13 years) commencing with the following period.

### **(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 year 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 gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is 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.

<b>Hedging instruments:</b>	<b>Hedged items:</b>
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.

### **(Changes of accounting policies)**

#### **(Changes in depreciation method)**

The Company and its consolidated domestic subsidiaries had depreciated its property, plant and equipment principally using the declining balance method. From the fiscal year ended March 31, 2014, the depreciation method was changed principally to the straight-line method.

As part of our structure reform and based on changes in the business environment to enhance the versatility of equipment and increase the ratio of equipment which is operated stably, we have decided it is more effective in terms of utilization for property, plant and equipment to adopt the straight-line method, which evenly allocates depreciation expenses over estimated usable period.

As a result of this change, operating income for the fiscal year ended March 31, 2014 increased by ¥947 (\$9,194 thousand) million, and income before income taxes increased by ¥990 million (\$9,612 thousand), respectively, compared with amounts that would have been recorded using the previously applied method.

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

#### **(Changes in revenue recognition method)**

Prior to the fiscal year ended March 31, 2014, the Company and its consolidated subsidiaries had used the revenue recognition method on a shipment basis for main unit sales in the SE and FE segments. From the fiscal year ended March 31, 2014, we changed to the revenue recognition method on completion of installation. The period from shipment to completion of installation has become longer due to the increasing overseas sales ratio, and the system to collect data on completion of installation has been developed by reviewing the operation process from shipment to completion of installation. Against such a background and in accordance with the trend of recent international accounting practice, we have adapted this change to better reflect earnings.



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

As a result of this change, both operating loss and loss before income taxes for the fiscal year ended March 31, 2013 decreased by ¥2,153 million compared with amounts before the retroactive application. In addition, the balance of retained earnings at the beginning of the fiscal year ended March 31, 2013 decreased by ¥6,516 million as a cumulative effect was reflected in net assets at the beginning of the previous fiscal year.

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

**(Adoption of new accounting standards for retirement benefits)**

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")) except the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25 and actuarial gains and losses that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as net defined benefit asset or net defined benefit liability.

In accordance with the article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the application, net defined benefit asset in the amount of ¥200 million (\$1,942 thousand) and net defined benefit liability in the amount of ¥1,292 million (\$12,544 thousand) have been recognized and accumulated other comprehensive income has decreased by ¥4,008 million (\$38,913 thousand) at the end of the current fiscal year.

The effects of this change on earnings per share are described in the related note.

**(Accounting standards issued but not yet applied)**

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

**1. Summary**

To improve financial reporting and in consideration of international trends, the application of these accounting standards is intended to improve the accounting methods applied to actuarial gains and losses and past service costs that are yet to be recognized and the calculation method for retirement benefit obligations and service cost and expand disclosure.

**2. Effective date**

Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

**3. Effect of applying these accounting standards**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

**Note 2: Consolidated Statements of Cash Flows**

The significant noncash financing activities for the years ended March 31, 2014 and 2013 were as follows:

Newly booked assets and liabilities relating to finance leases

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease assets	¥147	¥27	\$1,427
Lease obligations	149	28	1,447

## Note 3: Income Taxes

The Company is subject to several taxes based on income with an aggregate statutory tax rate of approximately 35.5% and 37.9% in 2014 and 2013, respectively. As of March 31, 2014, the Company and certain consolidated subsidiaries had net tax loss carryforwards aggregating ¥73,495 million (\$713,544 thousand), which were avail-

able 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, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets (current)			
Accrued bonuses for employees	¥ 896	¥ 524	\$ 8,699
Loss on valuation of inventories	3,529	2,825	34,262
Provision for product warranties	1,682	1,763	16,330
Other	1,945	3,359	18,884
Valuation allowance	(4,082)	(4,482)	(39,631)
Deferred tax liabilities (current)			
Adjustment of allowance for doubtful accounts and other	(45)	(13)	(437)
Net deferred tax assets (current)	¥ 3,925	¥ 3,976	\$ 38,107
Deferred tax assets (noncurrent)			
Net operating loss carryforwards	26,443	28,270	256,728
Research and development expenses	1,723	1,640	16,728
Depreciation	1,254	1,675	12,175
Net defined benefit liability	1,434	—	13,922
Other	3,528	3,854	34,253
Valuation allowance	(33,352)	(34,072)	(323,806)
Deferred tax liabilities (noncurrent)			
Undistributed earnings of consolidated overseas subsidiaries	(1,109)	(964)	(10,767)
Valuation difference on available-for-sale securities	(3,399)	(1,139)	(33,000)
Prepaid pension cost	—	(1,028)	—
Net defined benefit asset	(1,044)	—	(10,136)
Other	(12)	(20)	(116)
Net deferred tax liabilities (noncurrent)	¥ (4,534)	¥ (1,784)	\$ (44,019)

Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

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, 2014 is not shown due to the fact that the rate difference was not greater than five hundredths of the aggregate statutory income tax rate.

The reconciliation for the year ended March 31, 2013 is not shown due to the loss before income tax.

#### 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, 2014 and 2013 was 5.60% and 0.70%, respectively.

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
1.02% to 1.69% loans from Japanese banks, due in installments through 2019			
Secured	¥ —	¥ 100	\$ —
Unsecured	4,429	4,714	43,000
0.99% to 1.99% loans from a governmental institution, due in installments through 2018			
Secured	—	—	—
Unsecured	3,472	4,837	33,709
1.59% to 2.02% loans from an insurance company, due in installments through 2018			
Secured	—	—	—
Unsecured	2,696	4,341	26,175
2.00% unsecured notes, due June 7, 2016	8,600	—	83,495
1.34% unsecured notes, due September 26, 2016	5,000	5,000	48,544
1.06% unsecured notes, due September 26, 2014	14,000	14,000	135,922
Total	38,197	32,992	370,845
Current portion of long-term debt shown in current liabilities	(16,254)	(3,350)	(157,806)
Long-term debt, less current portion	¥21,943	¥29,642	\$213,039

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, 2014, the total financing available under these contracts amounted to ¥30,000 million (\$291,262 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
2016	¥ 1,686	\$ 16,369
2017	15,285	148,398
2018	1,686	16,369
2019	3,286	31,903
2020 and thereafter	—	—
Total	¥21,943	\$213,039

## 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.

Diluted net income per share of capital stock for the fiscal year ended March 31, 2014 is not shown because there was no dilutive stock.

At the annual shareholders' meeting held on June 26, 2014, the shareholders approved cash dividends of ¥3.00 (\$0.03) per share, totaling ¥712 million (\$6,913 thousand). The application has not been accrued in the consolidated financial statements as of March 31, 2014. Such appropriations are recognized in the period in which they are approved by the shareholders.

As noted in Note 1, "Summary of Significant Accounting and Reporting Policies (Changes of accounting policies)," as for main unit sales in the SE and FE segments, the Company and its consolidated subsidiaries changed the revenue recognition method. This change of accounting policies is to be applied retroactively. Accordingly, new accounting policies are retroactively applied to the financial statements for the fiscal year ended March 31, 2013. As a result of this change, net assets per share of capital stock and net loss per share of capital stock for the fiscal year ended March 31, 2013 decreased by ¥18.37 and ¥9.07, respectively, compared with amounts before the retroactive application.

As noted in Note 1, "Summary of Significant Accounting and Reporting Policies (Changes of accounting policies)," the Company and its consolidated subsidiaries adopted the "Accounting Standard for Retirement Benefits" and have conformed to the provisional treatment set out in Section 37 of the accounting standards. As a result of this change, net assets per share of capital stock for the fiscal year ended March 31, 2014 decreased by ¥16.89 (\$0.16).

## 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, 2014 and 2013 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, 2014 and 2013 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
	2014	2013	2014
Due within one year	¥404	¥313	\$3,922
Due after one year	581	466	5,641
Total	¥985	¥779	\$9,563

## 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.

(Changes in depreciation method)

As noted in Note 1, "Summary of Significant Accounting and Reporting Policies (Changes of accounting policies)," the Company and its consolidated domestic subsidiaries changed the depreciation method for property, plant and equipment.

As a result of this change, segment income for the fiscal year ended March 31, 2014 in the SE segment and the MP segment increased by ¥756 million (\$7,340 thousand) and ¥137 million (\$1,330 thousand), respectively, and segment loss in the FE segment decreased by ¥46 million (\$447 thousand) compared with amounts that would have been recorded using the previously applied method.

(Changes in revenue recognition method)

As noted in Note 1, "Summary of Significant Accounting and Reporting Policies (Changes of accounting policies)," as for main unit sales in the SE and FE segments, the Company and its consolidated subsidiaries changed the revenue recognition.

This change of accounting policies is to be applied retroactively. Accordingly, new accounting policies are retroactively applied to segment information for the fiscal year ended March 31, 2013.

As a result of this change, segment loss for the fiscal year ended March 31, 2013 in the SE segment and the FE segment decreased by ¥2,129 million and ¥24 million, respectively, compared with amounts before the retroactive application.

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

As of and for the year ended March 31, 2014	Millions of yen					
	Reportable segment			Others	Adjustments	Consolidated
	SE	FE	MP			
Sales						
Sales to outside customers	¥163,132	¥19,850	¥52,156	¥ 808	¥ —	¥235,946
Intersegment sales and transfers	—	—	—	7,625	(7,625)	—
Total	163,132	19,850	52,156	8,433	(7,625)	235,946
Segment income (loss)	¥ 8,760	¥ (422)	¥ 2,768	¥ (652)	¥ (1,551)	¥ 8,903
Segment assets	¥119,015	¥13,664	¥48,963	¥3,566	¥47,168	¥232,376
Other						
Depreciation and amortization	2,542	80	485	110	884	4,101
Capital expenditures	2,224	86	868	206	1,190	4,574

As of and for the year ended March 31, 2013	Millions of yen					
	Reportable segment			Others	Adjustments	Consolidated
	SE	FE	MP			
Sales						
Sales to outside customers	¥140,690	¥12,042	¥46,324	¥ 739	¥ —	¥199,795
Intersegment sales and transfers	—	—	—	7,309	(7,309)	—
Total	140,690	12,042	46,324	8,048	(7,309)	199,795
Segment income (loss)	¥ (3,753)	¥ (836)	¥ 1,475	¥ (158)	¥ (1,561)	¥ (4,833)
Segment assets	¥117,714	¥13,428	¥46,653	¥4,043	¥50,552	¥232,390
Other						
Depreciation and amortization	2,970	79	407	103	1,172	4,731
Capital expenditures	4,238	132	899	154	1,027	6,450

## Financial Section

As of and for the year ended March 31, 2014	Thousands of U.S. dollars					
	Reportable segment			Others	Adjustments	Consolidated
	SE	FE	MP			
<b>Sales</b>						
Sales to outside customers	\$1,583,806	\$192,718	\$506,369	\$ 7,845	\$ —	\$2,290,738
Intersegment sales and transfers	—	—	—	74,029	(74,029)	—
Total	1,583,806	192,718	506,369	81,874	(74,029)	2,290,738
Segment income (loss)	\$ 85,049	\$ (4,097)	\$ 26,874	\$ (6,331)	\$ (15,058)	\$ 86,437
Segment assets	\$1,155,485	\$132,660	\$475,369	\$34,622	\$457,942	\$2,256,078
<b>Other</b>						
Depreciation and amortization	24,680	777	4,709	1,067	8,583	39,816
Capital expenditures	21,592	835	8,427	2,001	11,553	44,408

- 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 ¥(1,551) million (\$1,058 thousand) and ¥(1,561) million for the years ended March 31, 2014 and 2013, 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.
3. Segment assets adjustments of ¥47,168 million (\$457,942 thousand) and ¥50,552 million for the years ended March 31, 2014 and 2013, 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.
4. Segment income (loss) is adjusted with operating income (loss) under consolidated statements of operations.
5. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

### <Related Information>

#### 1. Information about geographic areas

##### (1) Net Sales

Years ended March 31,	Millions of yen				Thousands of U.S. dollars
	2014		2013		2014
Japan	¥ 53,300	(22.6%)	¥ 44,109	(22.1%)	\$ 517,476
Taiwan	69,676	(29.5%)	46,942	(23.5%)	676,466
South Korea	17,581	(7.5%)	19,720	(9.9%)	170,689
China	15,441	(6.5%)	8,408	(4.2%)	149,913
United States	46,701	(19.8%)	44,832	(22.4%)	453,408
Europe	21,914	(9.3%)	19,227	(9.6%)	212,757
Others	11,333	(4.8%)	16,557	(8.3%)	110,029
Total	¥235,946	(100.0%)	¥199,795	(100.0%)	\$2,290,738

- 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.
3. Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

##### (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, 2014	Millions of yen	Thousands of U.S. dollars
<b>Net sales</b>		
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥60,466	\$587,049

Year ended March 31, 2013	Millions of yen
<b>Net sales</b>	
Taiwan Semiconductor Manufacturing Co., Ltd. (related segment: SE)	¥40,811

- Note: Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

## Note 8: Contingent Liabilities

As of March 31, 2014, 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	¥ 7	\$ 68
Employees' housing loans	122	1,184
Trade notes receivable endorsed	46	447
Total	¥175	\$1,699

## 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 is 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.
Trade notes and accounts payable, 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, "Summary of Significant Accounting and Reporting Policies (t) 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.

# Financial Section

## 2. Fair values of financial instruments

As of March 31, 2014 and 2013, 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, "Consolidated Statements of Cash Flows.")

Years ended March 31,	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥ 34,214	¥ 34,214	¥ —	¥ 40,421	¥ 40,421	¥ —	\$ 332,175	\$ 332,175	\$ —
(2) Trade notes and accounts receivable	45,257	45,256	—	41,093	41,093	—	439,388	439,379	—
Allowance for doubtful receivables <sup>(*)</sup>	(860)	(860)	—	(935)	(935)	—	(8,350)	(8,350)	—
	44,397	44,396	(1)	40,158	40,158	(0)	431,038	431,029	(9)
(3) Investments in securities									
Available-for-sale securities	27,936	27,936	—	21,161	21,161	—	271,223	271,223	—
Total assets	¥106,547	¥106,546	¥ (1)	¥101,740	¥101,740	¥ (0)	\$1,034,436	\$1,034,427	\$ (9)
(1) Notes and accounts payable—trade	¥ 68,705	¥ 68,705	¥ —	¥ 60,751	¥ 60,751	¥ —	\$ 667,039	\$ 667,039	\$ —
(2) Short-term debt	104	104	—	33,783	33,783	—	1,010	1,010	—
(3) Long-term debt	38,197	38,166	(31)	32,992	32,428	(565)	370,845	370,543	(302)
(4) Lease obligations	3,074	5,290	2,216	3,667	6,158	2,492	29,844	51,359	21,515
Total liabilities	¥110,080	¥112,265	¥2,185	¥131,193	¥133,120	¥1,927	\$1,068,738	\$1,089,951	\$21,213
Derivative transactions <sup>(**)</sup>									
(1) Without application of hedge accounting	¥ (45)	¥ (45)	¥ —	¥ (353)	¥ (353)	¥ —	\$ (437)	\$ (437)	\$ —
(2) With application of hedge accounting	(14)	(14)	—	0	0	—	(136)	(136)	—
Total derivative transactions	¥ (59)	¥ (59)	¥ —	¥ (353)	¥ (353)	¥ —	\$ (573)	\$ (573)	\$ —

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

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

(\*) Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis.

Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

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, 2014 and 2013 was as follows:

Category	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	Book value	Book value	Book value
Non-listed equity securities	¥684	¥675	\$6,641

The amount in the above table includes investments in affiliates of ¥38 million (\$369 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

Category	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
	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	¥34,188	¥ —	¥ —	¥ —	¥40,390	¥ —	¥ —	¥ —	\$331,922	\$ —	\$ —	\$ —
Trade notes and accounts receivable	45,012	245	—	—	41,088	5	—	—	437,010	2,379	—	—
Investments in securities—available-for-sale securities with maturities	—	—	—	—	—	—	—	—	—	—	—	—
Total	¥79,200	¥245	¥ —	¥ —	¥81,478	¥ 5	¥ —	¥ —	\$768,932	\$2,379	\$ —	\$ —

Effective from the fiscal year ended March 31, 2014, as for main unit sales in the SE and FE segments, the revenue recognition method was changed to the completion of installation basis. Accordingly, amounts for the fiscal year ended March 31, 2013 have been reclassified with amounts calculated by applying this change of accounting policies retroactively.

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, 2014 and 2013 were as follows:

Years ended March 31,	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
	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)	¥3,394	¥—	¥(18)	¥(18)	¥3,909	¥—	¥(202)	¥(202)	\$32,951	\$—	\$(175)	\$(175)
(Sell-Euro)	1,514	—	(27)	(27)	1,079	—	(152)	(152)	14,699	—	(262)	(262)
Total	¥4,908	¥—	¥(45)	¥(45)	¥4,988	¥—	¥(354)	¥(354)	\$47,650	\$—	\$(437)	\$(437)

Note: 1. Method of estimating fair value  
The fair values of exchange forward transactions as of March 31, 2014 and 2013 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 and book values and any differences between these amounts of securities with available fair values as of March 31, 2014 and 2013:

### Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:									
Equity securities	¥14,848	¥25,602	¥10,754	¥9,994	¥15,278	¥ 5,284	\$144,155	\$248,563	\$104,408
Others	—	—	—	—	—	—	—	—	—
Total	¥14,848	¥25,602	¥10,754	¥9,994	¥15,278	¥ 5,284	\$144,155	\$248,563	\$104,408
Other securities:									
Equity securities	¥ 2,598	¥ 2,334	¥ (264)	¥7,312	¥ 5,884	¥(1,428)	\$ 25,223	\$ 22,660	\$ (2,563)
Others	—	—	—	—	—	—	—	—	—
Total	¥ 2,598	¥ 2,334	¥ (264)	¥7,312	¥ 5,884	¥(1,428)	\$ 25,223	\$ 22,660	\$ (2,563)

2. Total sales of available-for-sale securities for the year ended March 31, 2014 amounted to ¥35 million (\$340 thousand), and the related total gain and loss amounted to ¥12 million (\$117 thousand) and ¥0 million (\$0 thousand), respectively. Total sales of available-for-sale securities for the year ended March 31, 2013 amounted to ¥947 million, and the related total gain and loss amounted to ¥353 million and ¥0 million, respectively.

## Note 12: Employees' Severance and Pension Benefits

Breakdown related to retirement benefit plans for the year ended March 31, 2014 was as follows:

### 1. Defined benefit plans

#### (1) Movements in retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥33,262	\$322,932
Service cost	1,559	15,136
Interest cost	280	2,718
Actuarial loss (gain)	(1,463)	(14,204)
Benefits paid	(947)	(9,194)
Other	258	2,505
Balance at March 31, 2014	¥32,949	\$319,893

#### (2) Movements in plan assets

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥27,808	\$269,981
Expected return on plan assets	774	7,515
Actuarial loss (gain)	1,104	10,718
Contributions paid by the employer	2,621	25,447
Benefits paid	(947)	(9,194)
Other	498	4,834
Balance at March 31, 2014	¥31,858	\$309,301

#### (3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen	Thousands of U.S. dollars
Funded retirement benefit obligations	¥32,934	\$319,748
Plan assets	31,858	309,301
	1,076	10,447
Unfunded retirement benefit obligations	16	155
Total net liability (asset) for retirement benefits at March 31, 2014	¥ 1,092	\$ 10,602
Net defined benefit liability	1,292	12,544
Net defined benefit asset	200	1,942
Total net liability (asset) for retirement benefits at March 31, 2014	¥ 1,092	\$ 10,602

#### (4) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
Service cost	¥1,559	\$15,136
Interest cost	280	2,718
Expected return on plan assets	(774)	(7,515)
Net actuarial loss amortization	1,601	15,544
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥2,666	\$25,883

#### (5) Remeasurements of defined benefit plans

	Millions of yen	Thousands of U.S. dollars
Actuarial gains and losses that are yet to be recognized	¥(4,008)	\$(38,913)
Total balance at March 31, 2014	¥(4,008)	\$(38,913)

(6) Plan assets

1. Plan assets comprise:

Bonds	44%
Equity securities	32%
Cash and cash equivalents	3%
Life insurance company general accounts	21%
Total	100%

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(7) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 are as follows:

Discount rate	0.9%
Long-term expected rate of return	3.0%

**2. Defined contribution plans**

Contributions paid by the Company and its consolidated subsidiaries to defined contribution plans amounted to ¥613 million (\$5,951 thousand).

Provision for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Millions of yen
Projected benefit obligation	¥33,262
Fair value of plan assets	(27,808)
Unrecognized actuarial differences	(8,177)
Prepaid pension expenses	2,875
Provision for retirement benefits	¥ 152

Severance and pension benefit expenses included in the consolidated statements of income for the year ended March 31, 2013 consisted of the following:

	Millions of yen
Service costs—benefits earned during the year	¥1,137
Interest cost on projected benefit obligation	529
Expected return on plan assets	(669)
Amortization of actuarial differences	947
Severance and pension benefit expenses	¥1,944
Others	482
Total	¥2,426

The discount rate used by the Company was 0.9% in 2013. The rate of expected return on plan assets was 3.0% in 2013. 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. 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, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥6,645	¥1,538	\$64,515
Reclassification adjustments	(12)	423	(117)
Subtotal, before tax	6,633	1,961	64,398
Tax (expense) or benefit	(2,260)	(630)	(21,942)
Subtotal, net of tax	4,373	1,331	42,456
Foreign currency translation adjustment:			
Increase (decrease) during the year	4,465	3,915	43,350
Total other comprehensive income	¥8,838	¥5,246	\$85,806

### Note 14: Significant Subsequent Events

#### **Execution of Agreement on Absorption-Type Company Split in Connection with Change to Holding Company Structure**

In order to change to a holding company structure as of October 1, 2014 (scheduled date) through a demerger by absorption-type company split under the Companies Act of Japan (the "Company Split"), the Board of Directors of DAINIPPON SCREEN MFG. CO., LTD. (the "Company" or "Screen") resolved at its meeting held on May 7, 2014 to execute an absorption-type company split agreement with SOKUDO Co., Ltd., a wholly owned subsidiary of the Company ("SOKUDO"), for the purpose of carrying out the Company Split, whereby SOKUDO will take over the Semiconductor production equipment business of the Company. In addition, the Company hereby announces that Screen's Board of Directors also resolved to establish four new wholly owned subsidiaries of the Company as preparatory companies for the Company Split and to execute absorption-type company split agreements with such preparatory companies in order to carry out the Company Splits for the purpose of demerging the Company's FPD production equipment business, Media and precision technology business (printing and PCB production equipment related business), manufacturing support and manufacturing contracting operations, and shared services operations, respectively, to the four newly established preparatory companies (collectively, together with SOKUDO, the "Successor Companies").

Upon the completion of these Company Splits, the Company is scheduled to become a holding company as of October 1, 2014, change its trade name to "SCREEN Holdings Co., Ltd.," and also change its business purposes in alignment with the businesses to be assumed upon changing to the holding company structure.

These Company Splits and the amendments to the Company's Articles of Incorporation (changes of the trade name and business purposes) are subject to the related agenda items being approved at the Company's ordinary general meeting of shareholders held on June 26, 2014.

Although the Company plans to change to a holding company structure after these Company Splits, the Company is scheduled to remain a publicly listed company.

#### **Purpose of Change to Holding Company Structure**

The Screen Group's management principle is the "Shi Kou Ten Kai (the pursuit of new ideas and development and opening of new businesses, products and markets)" which is to always challenge for creation of a new business, technology, and product based upon its core technology.

The idea is advocated now with "Shi Kou Ten Kai (the implementation of reform with a strong will)" and leading not only to cultivation of the Company's core technology but also to a driving force to positively develop open innovation to supplement and further activate the Company's core technology.

With regard to the market domains of the three businesses that support the Screen Group, we believe that many growth opportunities exist as the trend toward new technologies is unceasing.

However, we must continue to exercise speedy management and possess a strong corporate structure in order to grow at a steady pace.

In this environment, the Screen Group initiated "Challenge2016," a new medium-term three-year management plan, in April 2014. Under this medium-term three-year management plan, we will endeavor to further promote reform of the earnings structure, shift to a high earnings structure and rapidly commercialize new business domains.

In order to achieve the goal of this "Challenge2016," we have decided to change to a pure holding company structure so as to grant clear responsibility and authority to each business and to enable flexible and bold management decisions under the strong control of the holding company.

The Company aims to maximize the corporate value of the Screen Group. As a holding company, we will do this by performing such functions as formulating integrated and flexible strategies for the entire group, optimally allocating management resources, and monitoring the status of business execution at subsidiaries while maintaining and developing the core technologies that are the source of our corporate group value, as well as by developing a strategic and clear management organization.

Furthermore, to facilitate procedures to acquire approval and authorization that will be required when changing to a pure holding company structure, we have decided to establish preparatory companies for the Company Splits in advance of such change.

### Summary of Successor Companies

(1) Trade name, location of head office, name of representative, capital, net assets, total assets and business activities

	Successor Company	Successor Company	Successor Company	Successor Company	Successor Company
Trade name	SOKUDO Co., Ltd.	SCREEN FE Company Split Preparation Co., Ltd.	SCREEN MP Company Split Preparation Co., Ltd.	SCREEN Manufacturing Company Split Preparation Co., Ltd.	SCREEN Business Service Company Split Preparation Co., Ltd.
Location of head office	Tenjinkita-machi, 1-1, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto	Tenjinkita-machi, 1-1, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto	Tenjinkita-machi, 1-1, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto	Tenjinkita-machi, 1-1, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto	Tenjinkita-machi, 1-1, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto
Name of representative	Tadahiro Suhara	Eiji Kakiuchi	Eiji Kakiuchi	Eiji Kakiuchi	Eiji Kakiuchi
	Representative Director, President	Representative Director, President	Representative Director, President	Representative Director, President	Representative Director, President
Capital	¥90 million (\$874 thousand)	¥10 million (\$97 thousand)	¥10 million (\$97 thousand)	¥10 million (\$97 thousand)	¥10 million (\$97 thousand)
Net assets	¥(2,366) million (\$ (22,971) thousand)	As the companies will be established on May 7, 2014, there are no matters that should be disclosed.			
Total assets	¥5,815 million (\$56,456 thousand)				
Business activities	Semiconductor production equipment development, manufacturing, sales and maintenance services	Necessary preparatory operations to assume business due to Company Split from the Company	Necessary preparatory operations to assume business due to Company Split from the Company	Necessary preparatory operations to assume business due to Company Split from the Company	Necessary preparatory operations to assume business due to Company Split from the Company

(2) Previous fiscal year's net sales, operating income, ordinary income and net income

	SOKUDO Co., Ltd.	SCREEN FE Company Split Preparation Co., Ltd.	SCREEN MP Company Split Preparation Co., Ltd.	SCREEN Manufacturing Company Split Preparation Co., Ltd.	SCREEN Business Service Company Split Preparation Co., Ltd.
Fiscal year	Year ended March 31, 2014	As the companies will be established on May 7, 2014, there are no matters that should be disclosed.			
Net sales	¥19,478 million (\$189,107 thousand)				
Operating income	¥85 million (\$825 thousand)				
Net income	¥10 million (\$97 thousand)				

(3) Name of major shareholder and proportion of number of shares held by major shareholder to number of shares outstanding

Name of major shareholder	Proportion of number of shares held by major shareholder to number of shares outstanding
DAINIPPON SCREEN MTG. CO., LTD.	100%

(4) Capital relationship, personal relationships and trading relationships with the Company

	SOKUDO Co., Ltd.	SCREEN FE Company Split Preparation Co., Ltd.	SCREEN MP Company Split Preparation Co., Ltd.	SCREEN Manufacturing Company Split Preparation Co., Ltd.	SCREEN Business Service Company Split Preparation Co., Ltd.
Capital relationship	The Successor Companies will be wholly owned subsidiaries of the Company.				
Personal relationships	One Director of the splitting company will concurrently serve as a Corporate Auditor of the Successor Company.		One Director of the splitting company will concurrently serve as a Director of the Successor Companies.		
Trading relationships	The Successor Company has consigned production of Semiconductor production equipment to the Company.		As the companies will be established on May 7, 2014, there are no matters that should be disclosed.		

# Financial Section

## 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, 2014, and the consolidated statement of operations, 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, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

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

1. As discussed in Note 1 to the consolidated financial statements, Dainippon Screen Mfg. Co., Ltd. and its consolidated domestic subsidiaries changed the depreciation method for property, plant and equipment from the fiscal year ended March 31, 2014.
2. As discussed in Note 1 to the consolidated financial statements, Dainippon Screen Mfg. Co., Ltd. and its consolidated subsidiaries changed the revenue recognition method of main unit sales in the SE and FE segments from the fiscal year ended March 31, 2014.
3. As discussed in Note 14 to the consolidated financial statements, the Board of Directors of Dainippon Screen Mfg. Co., Ltd. resolved at its meeting held on May 7, 2014 to change to a holding company structure through a demerger by absorption-type company split under the Companies Act of Japan, and the resolution was approved at the Company's ordinary general meeting of shareholders held on June 26, 2014.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 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 26, 2014  
Kyoto, Japan

## Corporate Data (As of March 31, 2014)

**Company Name:** Dainippon Screen Mfg. Co., Ltd.  
**Established:** October 11, 1943  
**Representative Director:** Akira Ishida, Chairman and CEO  
 Eiji Kakiuchi, President and COO  
(Appointed April 1, 2014)  
**Capital:** ¥54 billion

**Employees:** 4,968 employees (Consolidated)  
 2,228 employees (Nonconsolidated)  
**Business and Manufacturing Sites:** Head Office, Rakusai (WHITE CANVAS RAKUSAI), Kuriyama, Yasu, Hikone, Taga, Kudan and Monzennakacho (WHITE CANVAS MON-NAKA)

## Consolidated Companies (As of March 31, 2014)

### 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

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

#### Asia & Oceania

Dainippon Screen Electronics (Shanghai) Co., Ltd. / Dainippon Screen (China) Ltd. / Screen Media Technology Ltd. / Dainippon Screen Mt (Hangzhou) Co., Ltd. / Dainippon Screen (Korea) Co., Ltd. / 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. / Link Ring Japan Co., Ltd. / GERANT Co., Ltd. / EMD Corporation / SCREEN KUMAMOTO Co., Ltd. / MIXA Co., Ltd.\*

\*Affiliate accounted for by the equity method

## Stock Information (As of March 31, 2014)

### Stock Information

**Authorized Number of Shares:** 900,000,000  
**Number of Shares Issued:** 253,974,333  
**Number of Shareholders:** 14,539  
**Number of Shares Held by Non-Japanese Companies and Individuals:** 45,350,066 (17.85%)  
**Listings:** Tokyo  
**Code Number:** 7735

### Major Shareholders

	Number of shares (thousands)	Percentage of total shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,979	10.22
Japan Trustee Services Bank, Ltd. (Trust Account)	18,774	7.39
Nippon Life Insurance Company	9,661	3.80
The Bank of Kyoto, Ltd.	6,730	2.65
Resona Bank, Limited	4,562	1.79
Dainippon Screen's Business Partners Shareholders' Association Synchronize	4,558	1.79
The Shiga Bank, Ltd.	4,241	1.67
Dainippon Screen's Employees Shareholders' Association	4,230	1.66
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,923	1.54
BNP Paribas Securities (Japan), Ltd.	3,599	1.41

\*Figures exclude 16,625,067 shares (6.54%) of treasury stock held by Dainippon Screen Mfg. Co., Ltd.

### 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.

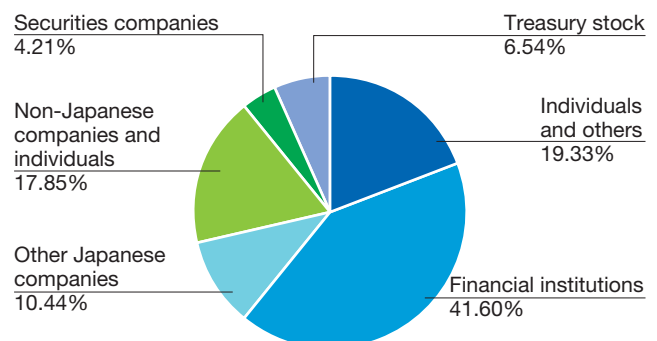
### Underwriter

Nomura Securities Co., Ltd.

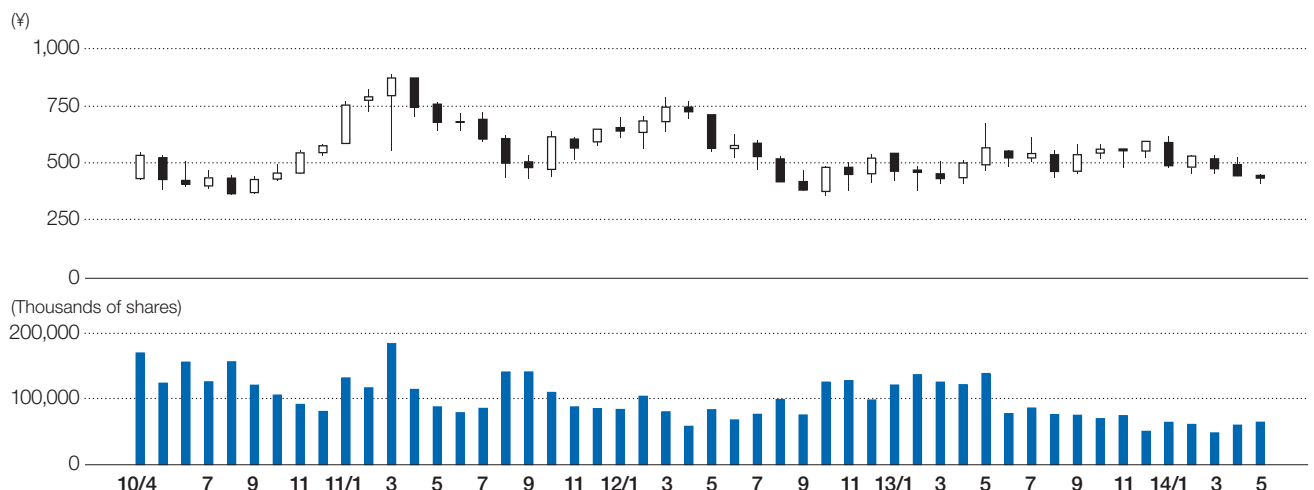
### Sub-Underwriters

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

### Breakdown by Type of Shareholder



## Stock Price Range and Turnover





**DAINIPPON SCREEN MFG. CO., LTD.**

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