



Integrated Report 2020

DNP

DNP will promote “P&I innovation” to help solve social issues while creating new value that meets the expectations of people and contributing to the realization of a sustainable society.



DNP Group Vision 2015

The DNP Group's basic management policies announced in October 2015. The vision is comprised of three main elements, the first of which is central: Corporate Philosophy, Business Vision and Guiding Principles.



The DNP Group Code of Conduct

A set of codes underlying all types of activities aimed at achieving our Group Vision. All DNP employees must adhere to these codes.

- 1. Contributing to the development of society
 - 1. Social contribution as a good corporate citizen
- 1. Compliance with the law and social ethics
- 1. Respect for human dignity and diversity
- 1. Environmental conservation and realization of a sustainable society
 - 1. Realization of a “universal society”
- 1. Ensuring the safety and quality of our products and services
 - 1. Ensuring information security
 - 1. Proper disclosure of information
- 1. Realization of a safe and vibrant workplace

Three Corporate Responsibilities

Three important obligations DNP have to fulfill to remain a company that can always be fully trusted by its various stakeholders

1. Value Creation

The first and most fundamental responsibility of a company to society is “providing new value to society.” We are working to link the offering of products and services necessary to the sustainable development of society to the growth of the company. Through our Business Vision, we will continue to provide new value which contributes to the solution of social issues and meets people’s expectations.

2. Integrity in Conduct

The second responsibility is “practicing fairness and impartiality in value creation processes.” No matter how superior or useful to society the value produced is, value is compromised if, for example, environmental damage occurs or laws are broken during the value creation process. Therefore, DNP seeks to fulfill this responsibility by ensuring that all employees always conduct business with integrity in accordance with the DNP Group Code of Conduct.

3. Transparency (Accountability)

Finally, the third vital corporate responsibility is “being a company that is accountable and highly transparent.” DNP achieves accountability by encouraging all employees, during the course of their regular duties, to engage in TAIWA with stakeholders, listen to their opinions and provide correct information themselves.



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About the Cover Design

Based on the concept of "connect to the future," we use DNP's new graphic elements that symbolize our Corporate Philosophy, "The DNP Group connects individuals and society, and provides new value." The graphic elements were supervised by art director Haruka Misawa.

Haruka Misawa, Art Director

Haruka Misawa heads the Misawa Design Institute, Nippon Design Center, Inc. Misawa Design Institute continuously uses an experimental approach, attempting to observe the principles that lie deeply within things and visualize the unknown possibilities to be found there. Her major projects include waterscape, which redesigned an underwater environment into new aquatic landscapes, and visual identity for KITTE and TOKYO BIG SIGHT, projects notable for exploring logo versatility.

Awards: JAGDA New Designer Award (2017), ADC Award (2019), JAGDA Award (2020), 2019 Mainichi Design Award (2020)

Editorial Policy

To realize our business vision and raise corporate value over the medium and long term, DNP is undertaking integrated business activities through swift and accurate decision-making based on the concept of utilizing financial and non-financial capital in an integrated manner. Moreover, to ensure this leads to gaining the understanding and empathy of our stakeholders, we are working to disclose appropriate information in a timely manner. This report is an annual report that provides multifaceted and integrated coverage not only of financial information but also of DNP's overall business activities, including environmental, social and governance (ESG) criteria. DNP will fulfill our accountability and deepen communications with stakeholders through this report in addition to the DNP website and such publications as the *Yuhō* securities report, shareholders' report and environmental report as well as through various opportunities for various dialogue.

◇ Period covered by this report: April 1, 2019 to March 31, 2020

However, reporting is not confined to this period regarding some contents.

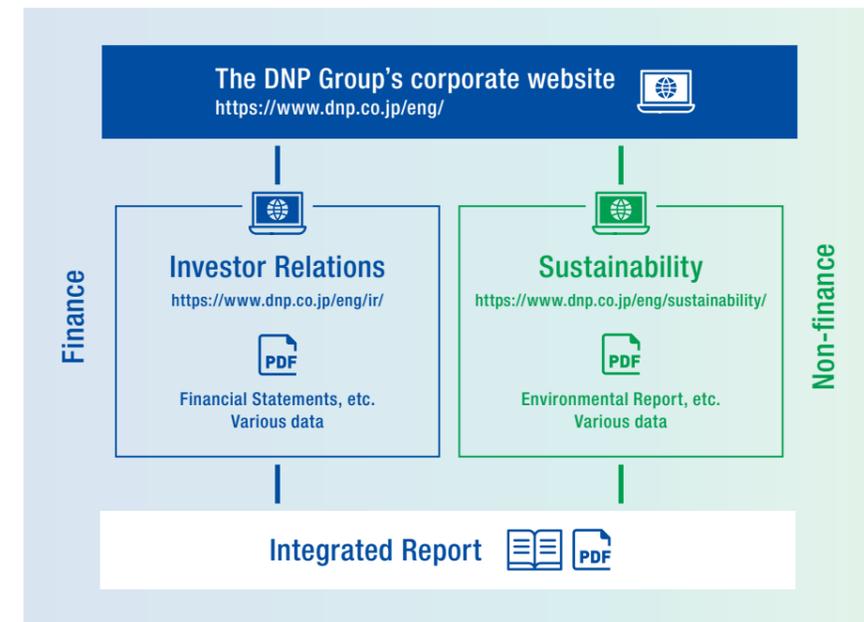
◇ Scope of report: All companies and divisions of the DNP Group

In this report, "DNP" refers to the entire DNP Group, and "we" refers to DNP or the DNP management team. (In the section on Corporate Governance (pages 52-58), "DNP" refers to Dai Nippon Printing Co., Ltd.)

◇ Issued: October 2020 (Next scheduled issue: October 2021)

Note: This report is aimed at providing information about DNP's businesses, management vision and business results. Opinions and forecasts contained in the report were based on the best judgment of management at the time the report was prepared, so we cannot guarantee that all information contained in the report is completely infallible.

DNP Group's Information Disclosure



Integrated Report

DNP publishes an integrated report each year covering its growth strategies and business activities that make use of financial and non-financial capital in an integrated manner for sustainable value creation.



"Investor Relations" website

The "Investor Relations" website has been established on the corporate website for shareholders and investors for the timely and appropriate disclosure of information.



"Sustainability" website

The "Sustainability" website has been established on the corporate website to communicate non-financial information in detail for the timely and appropriate disclosure of sustainability information.



Environmental Report

With regard to environmental management, environmental activities are summarized in PDF format each fiscal year, and DNP publishes "The DNP Group Environmental Report."

TOP MESSAGE

We will deploy the total strengths of the DNP Group to continue providing “indispensable value” in people’s lives and corporate activities.

Yoshinari Kitajima, President



Overcoming COVID-19 toward the Generation of New Value

I wish to express my deepest sympathies and condolences to the persons who lost their lives due to the global spread of the novel coronavirus (COVID-19) and to their families and friends. Let me also extend my heartfelt sympathies to persons who have been infected and those whose lives have been disrupted by the virus. At the same time, I would also like to convey my strongest and sincere gratitude to the many persons working to protect the lives and livelihoods of people, first and foremost the frontline healthcare professionals who are making all-out efforts to stop the further spread of the virus.

The DNP Group places top priority on assuring the health and safety of employees, their families, customers and business partners and is striving to curb the spread of the virus while promoting various measures. In our business activities, we are proactively implementing response measures in accordance with our Business Continuity Plan (BCP) in those businesses that are essential for maintaining everyday life. For example, this includes ensuring the stable provision of data center and payment services for electronic commerce as well as stable supplies of packaging for daily necessities such as food, beverages, goods and

pharmaceuticals in addition to active pharmaceutical ingredients APIs (drug substances).

As people continue to remain in their homes, telecommuting (working from home) has grown significantly and demand for educational ICT (information and communication technology) and online medical consultations have increased. Consumption styles have also evolved and new services are spreading through a fusion of online and real-world physical formats. DNP not only responds to these changes, but also strives to generate changes on its own by utilizing the strengths of its advanced information security infrastructure and the strengths related to its involvement with the entire range of business processes at companies throughout the value chain.

A transition to the “new normal” is proceeding amid the spread of COVID-19. Even after the coronavirus subsides, DNP will contribute to the formation of a better economy, society and environment without returning to its past approaches. I regard this time as an opportunity to promote needed changes in one stroke, and we will continuously develop and provide “essential value” in people’s lives and corporate activities to ensure DNP becomes a “company indispensable to society” over the medium to long term.

The immediate impacts on each business segment of DNP are as follows.

☑ [Reference] Impact of COVID-19 and the transition to the new normal on DNP’s businesses

Information Communication segment		Business effects
Publishing Business	Bookstore sales have fallen sharply due to shortened business hours and temporary closures of some bookstores. Orders for printing are decreasing owing to the postponement of the release of magazines and books.	↓
	With people spending more time at home due to voluntary home isolation and school closures, sales of e-books in the “honto” hybrid bookstore network that combines physical bookstores, online bookstores and e-books have trended steadily.	↑
Information Innovation Business (Marketing, BPO, Information Security)	This business is being affected by the postponement of the 2020 Tokyo Olympic Games and the cancellation of various events around Japan, a decline in promotional and other advertising demand, and a decrease in sales of pamphlets, catalogs and other printed media.	↓
	Demand is increasing for services related to digital marketing and online payments due to the growing use of online shopping.	↑
	Business related to Business Process Outsourcing (BPO) as a measure for BCP by companies is also expanding.	↑
Imaging Communication Business	A decline in opportunities to shoot and print photos is leading to decreases in sales of related products and services.	↓
Lifestyle & Industrial Supplies segment		
Packaging Business	Sales of commercial packaging materials for beverages, souvenirs and restaurants are declining as people voluntarily refrain from leaving their homes.	↓
	Demand is increasing for packaging materials for pharmaceuticals and sanitary materials and packaging for household food items.	↑
Living Spaces Business	Demand for interior and exterior decorative materials is decreasing as domestic housing construction and remodeling work is increasingly delayed or suspended.	↓
Industrial High-performance Materials Business	Demand for automotive interior decorative materials and other products is decreasing as domestic and overseas automotive industry stops operations.	↓
	Demand for battery pouches for lithium-ion batteries used in tablet devices and smartphones is increasing due to growth in telecommuting.	↑
Electronics segment		
Display Components Business	Despite moves by client companies to reduce operating hours, a shift from LCD to organic light-emitting diode (OLED) displays is progressing, and along with this, there is increasing demand for metal masks used in the production of OLED displays.	↑
	In optical films, products used in OLED displays are growing and products used in LCD displays for tablet devices and monitors are also increasing owing to a rise in household demand driven by an increase in telecommuting.	↑
Electronic Devices Business	Although the outlook for semiconductor market conditions is uncertain, there are prospects for demand growth driven by the increased uptake of 5G and IoT due to the advance of telecommuting.	↑
Beverages segment	There is a decline in demand at tourism destinations and restaurants as consumers voluntarily remain at home.	↓
	There are prospects for an increase in sales of the new <i>Lemondo</i> line of alcoholic beverages due to greater demand for in-home consumption.	↑



Business Results for the Fiscal Year Ended March 31, 2020

In keeping with its Corporate Philosophy of “The DNP Group connects individuals and society, and provides new value,” DNP implements its Business Vision of “P & I innovation” primarily around the four growth areas of Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy. This is an initiative to create new value by synergizing our unique strengths in P&I (Printing and Information) and deepening cooperation with partners.

In the fiscal year ended March 31, 2020, we worked to expand our business, with efforts especially focused on smart cards, which boast a top share in Japan; battery pouches for lithium-ion batteries, which hold the world’s leading share; metal masks for manufacturing organic light-emitting diode (OLED) displays; dye-sublimation thermal transfer printing media for photo prints; and optical film for displays. Thanks to these initiatives, the DNP Group’s profitability rose with a 0.4 percentage point year-on-year increase in the ratio of operating income to net sales to 4.0%.

Additionally, we also made strides in sharpening our competitiveness by focusing on implementing the following structural reforms. To effectively use and streamline assets, the DNP Group continued to review its strategic shareholdings while acquiring treasury stock to improve capital efficiency and shareholder returns. Also, as part of efforts to build a strong business portfolio, the DNP Group booked a 26.5 billion yen extraordinary loss to reflect impairment losses on business-use assets for which

profitability has declined and on idle assets with no prospects for future use.

Meanwhile, in January 2020, we set up the Central Novel Corona Virus Control Headquarters, of which I serve as the head, and quickly and appropriately implemented various measures. We placed top priority on the health and safety of our employees and their families, worked to prevent the spread of the virus as well as focused on assuring business continuity while flexibly changing workstyles.

As a result of these efforts, although consolidated sales remained level with the previous fiscal year at 1,401.8 billion yen, consolidated operating income increased 12.8% to 56.2 billion yen and return on equity (ROE) improved to 7.3%.

Nonetheless, there are still no signs that the global spread of COVID-19 is slowing even after the start of the fiscal year ending March 31, 2021 and this is also having a huge negative impact on DNP’s businesses. In the consolidated earnings forecast for the fiscal year ending March 31, 2021 that we announced on August 5, based on the assumption that there will be no re-imposing of social restrictions, we forecast a 4.4% decrease in consolidated net sales to 1,340 billion yen, a 28.9% decrease in operating income to 40 billion yen, a 24.7% decrease in ordinary income to 48 billion yen and a 69.8% decrease in net income attributable to parent company shareholders to 21 billion yen.

By deploying the total strengths of the DNP Group, we will strive to transform risks into opportunities and generate new value to attain medium- and long-term growth even amid persistently harsh conditions caused by factors such as the COVID-19 pandemic and natural disasters.

- Build a strong business portfolio centered on businesses with the top market shares in Japan and overseas.
- Promote management that transforms risks into opportunities amid harsh circumstances such as the COVID-19 pandemic.
- Assure stable employment of employees and generate value that contributes to people and society.

Toward the Improvement of Corporate Value and the Realization of a Sustainable Society

New “Medium-term Management Plan” Launched

What the DNP Group Aims to Be

As society and the environment are profoundly and dramatically reshaped and people’s values shift, the DNP Group will strive to provide new value that meets people’s expectations and solves social issues based on its Corporate Philosophy.

In past years, DNP could achieve business growth merely by providing customized solutions to meet the needs of its corporate customers. Today, however, this approach is no longer possible. DNP must now above all take the lead and directly interact with society to solve social issues and with people to meet their expectations and generate truly essential value.

We will strive to ensure that DNP’s products and services provide indispensable value that exists in the daily life of each and every consumer as “basics.” Breathing this desire into the corporate statement *Today’s Innovation is “Tomorrow’s Basic,”* DNP will continue to take on the challenge of promoting various innovations. Through repeated efforts, we

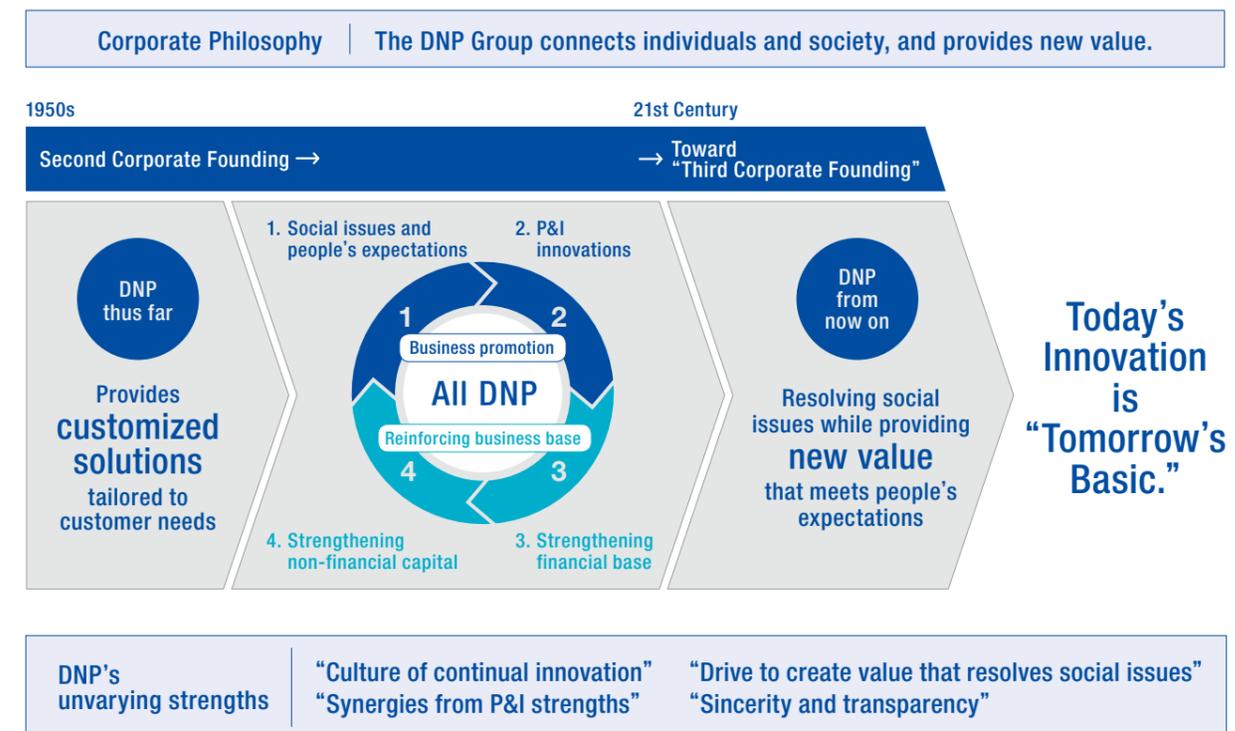
will realize our “Third Corporate Founding” that surpasses the “Second Corporate Founding,” a period in which we expanded our business domains in the postwar period.

Currently, there are myriad variable factors (risks) in the world besides COVID-19. We will firmly identify these not just to curb their negative impacts but to also solve problems ahead of time to create a better society and more comfortable lives.

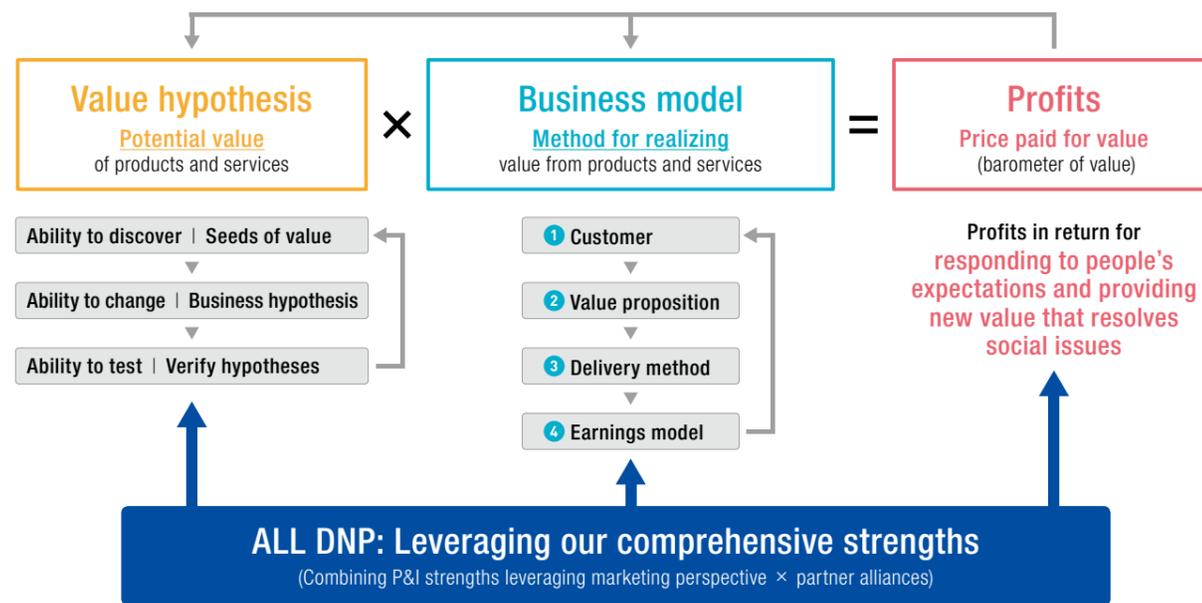
Through the Value Creation Program* being promoted throughout the entire Group, we will discover “seeds of value” and repeat hypothesis testing to build an optimal business model. Leveraging our unique strengths in “P&I,” our strengths derived from collaboration with many business partners and the strengths of employees who continue to take on challenges, we will continue to provide value to all stakeholders. At the same time, in return for the value that we provide, we will expand DNP’s profits and increase corporate value in the medium to long term, and contribute to the realization of a sustainable society.

*Please refer to the chart on the next page for the Value Creation Program.

What the DNP Group Aims To Be



Value Creation Program

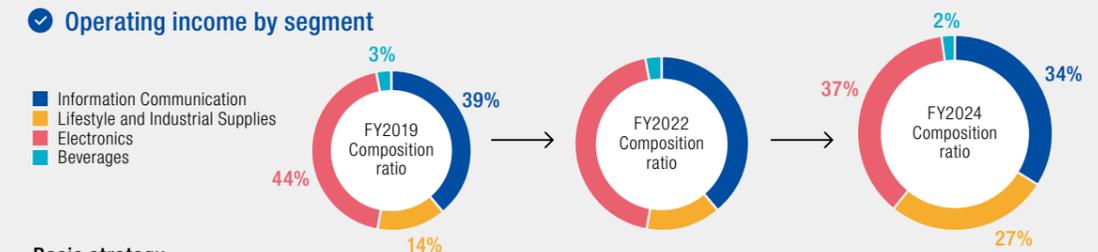
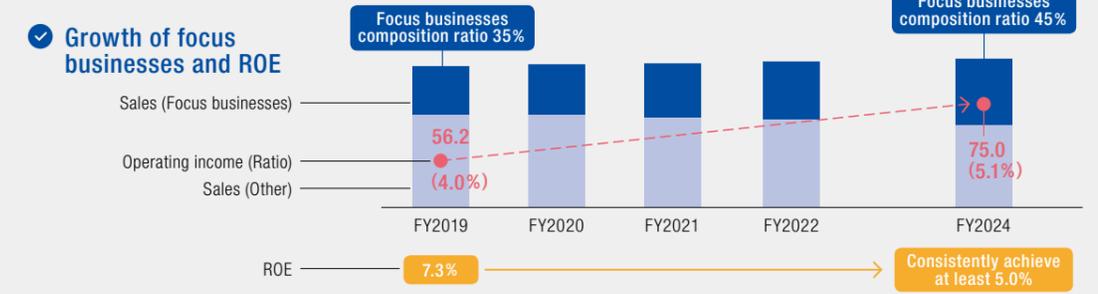


Medium-term Management Plan
FY2020-2022 Action Program Launched

DNP will strive to achieve its operating income target of 75 billion yen and secure stable ROE of 5.0% or higher five years from now in the fiscal year ending March 31, 2025 to realize "What the DNP Group Aims To Be."

To achieve this, we have newly formulated a three-year medium-term management plan that started from the fiscal year ending March 31, 2021 and we have commenced various related activities. This plan has two basic strategies consisting of Create value through "P&I Innovations" and Strengthen business infrastructure to support growth, and we will implement specific measures under the plan.

Management Targets for the Year Ending March 31, 2025 (¥ billion)



Basic strategy

Information Communication	<ul style="list-style-type: none"> Pursue digital transformation aimed at adding value to customer experience Downsize paper media production bases
Lifestyle and Industrial Supplies	<ul style="list-style-type: none"> Leverage converting technology to strengthen new product development and sales Push ahead with review of low value-added products
Electronics	<ul style="list-style-type: none"> Develop and supply key components that contribute to sophisticated integration of real and digital Rebuild businesses where competitiveness has declined

Note: The above plan does not currently factor in the impact of COVID-19. DNP will review the plan as appropriate.

Basic Strategy 1 Create value through "P&I Innovations"

1 - ① Create value primarily in growth areas

DNP identifies "key issues" based on an analysis of global social issues and megatrends, consideration of stakeholders' interest and impact and DNP's priorities (please refer to the next page). In addition, we reconsider the value generated by DNP's businesses using the two axes of profitability and market growth potential and have identified the growth businesses on which we will focus in the future. DNP will build a strong business portfolio by optimally allocating management resources centered on these "focus businesses."

Next, I would like to briefly introduce some of our focus businesses.

IoT and next-generation communications business: We will promote the development of main components and

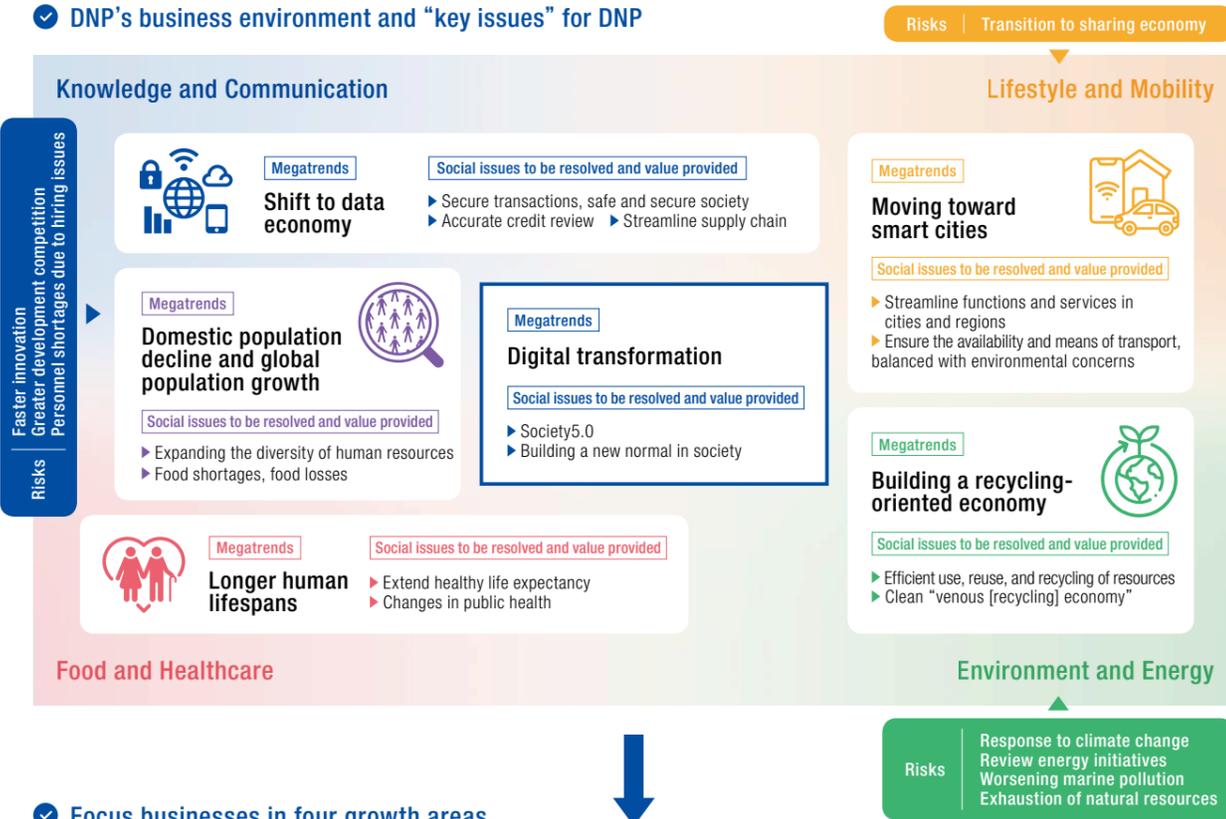
new services for devices related to digital transformation. In the market for 5G compatible products, we will provide electronic components such as vapor chambers (heat dissipation components) for smartphones and transparent antenna films. We will also focus on developing services for VR (virtual reality) and AR (augmented reality) content, 4K/8K video, safe autonomous driving and online medical consultations.

Data distribution-related business: Upon obtaining the consent of individuals, we will focus on providing services related to information banks (information entrusting function), which handle the distribution of personal data; BPO, which handles important information using an advanced information security platform; medical and healthcare business for smart medical examinations; and other businesses.

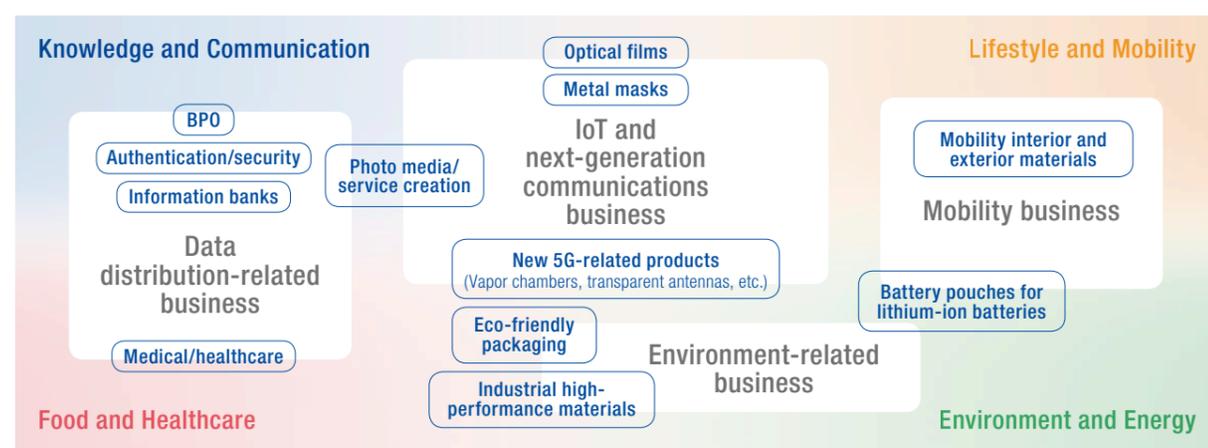
● **Mobility business:** DNP will work to develop products and services for the next-generation mobility society that requires advanced information security as well as safety and comfort, reductions in environmental impacts and improvements in energy efficiency. As prime examples, we will provide battery pouches for lithium-ion batteries for electric vehicles, decorative films for vehicles' interiors, lightweight curved resin glazing and security solutions that utilize encryption technologies.

● **Environment-related business:** DNP will provide value that enables the effective use of finite resources toward the building of a recycling-oriented society. We will promote the development and provision of high-performance products and services. These include packaging materials for food, daily necessities and medical products; photovoltaic cell-related materials; and the DNP Multifunctional Thermal Insulation Box that can maintain a constant temperature for long time periods without using electricity.

📌 DNP's business environment and "key issues" for DNP



📌 Focus businesses in four growth areas

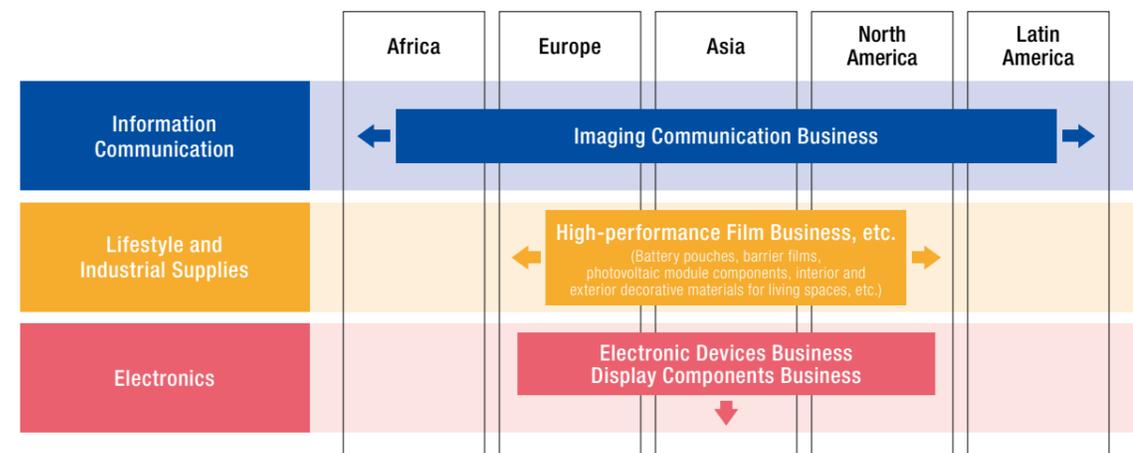


1 - ② Provide value optimized to each country and region

Value chains and information networks currently span the globe and are closely connected. Under such conditions, DNP will leverage the strengths of its products and services that hold the world's largest market shares and respond closely to the characteristics and needs of each country and region by providing individually optimized value. Approximately one out of every eight Group employees

works at overseas bases and we are promoting our overseas businesses centering on businesses shown in the chart below. In the fiscal year ended March 31, 2020 overseas sales accounted for approximately 18% of the Group's total sales. In 2019, we took steps to further strengthen our structure. These included newly establishing a global marketing office to explore overseas markets and acquire cutting-edge technologies. We will make efforts to provide further value by deepening cooperation between Japan and overseas areas and by raising synergies.

📌 Main businesses undertaken in the global market

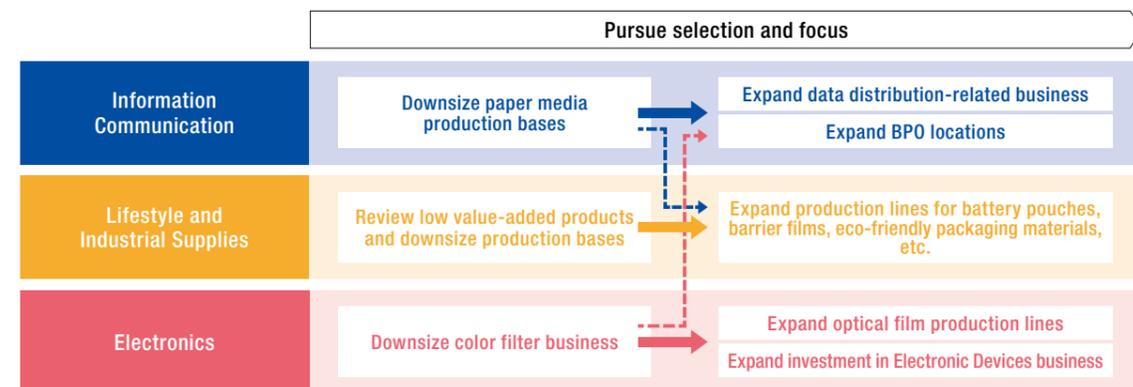


1 - ③ Increase value using all available restructuring approaches

DNP will promote various Group-wide structural reforms to build a robust business portfolio and increase profitability with the value created by each business as one evaluation criterion. For example, in each business segment, we will implement

the measures shown in the chart below as we pursue the selection and focus of resources. By implementing these measures, we will transform and strengthen our business structure and further expand value by allocating resources such as human capital, R&D investment, land and equipment to our "focus businesses."

📌 Examples of principal structural reforms in each business segment



Basic Strategy 2

Strengthen business infrastructure to support growth

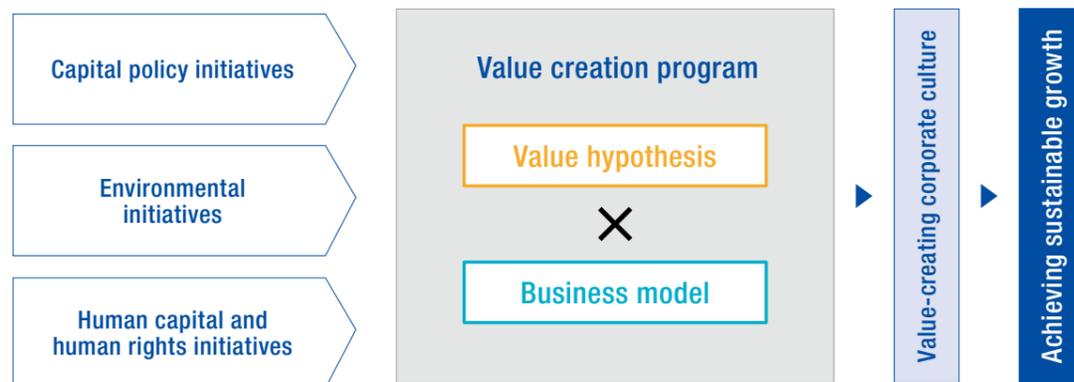
2 - ① Strengthen financial and non-financial capital

The DNP Group will strengthen its management foundation by utilizing financial capital and non-financial capital in an integrated manner toward medium- to long-term growth. In particular, we will strengthen “capital policy initiatives,” “environmental initiatives” and “human capital and human rights initiatives” and formulate and implement specific action plans. Through these measures, we will nurture an organizational culture of continuing to take on the challenge of innovations toward the creation of value and build a foundation that supports the sustainable growth of the DNP Group.

Regarding “capital policy initiatives,” in conjunction with Basic Strategy 1, we are promoting investment in focus businesses and we will continue making business investments of 100 billion yen per year in the fiscal years ending March 2021-2023, mainly in growth areas. As sources of capital for these business investments, DNP will use both its own funds and third-party capital to fund growth investments and will also reduce idle assets. Furthermore, we will comprehensively consider various capital policies such as improving capital efficiency, stabilizing our financial base and promoting shareholder returns.

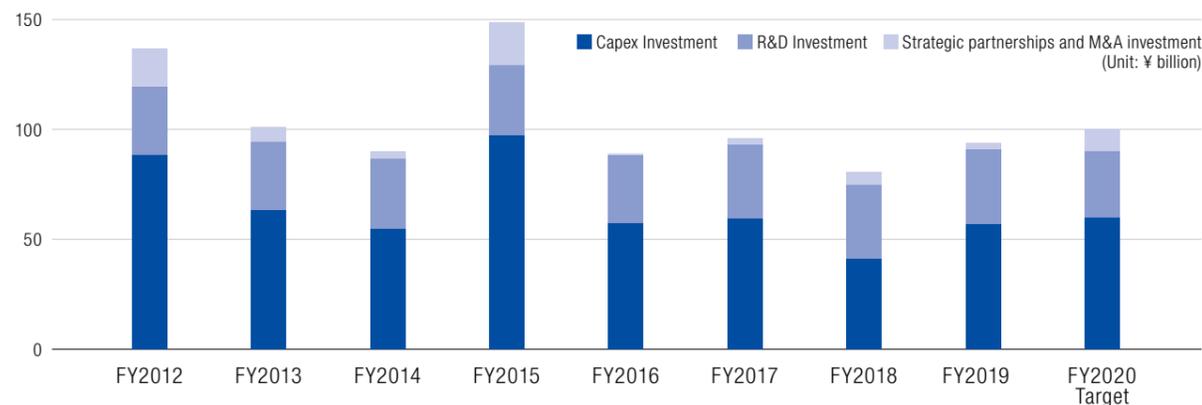
* Please refer to pages 44-49 for Environmental Initiatives and pages 50-51 for Human Capital and Human Rights Initiatives.

Strengthen financial and non-financial capital



DNP will continue making business investments of about ¥100 billion per year in the fiscal years ending March 2021-2023, mainly in growth areas.

(Capex investment: about 60 billion yen, R&D investment: about 30 billion yen, Strategic partnerships and M&A investment: about 10 billion yen)



Note: The above plan does not currently factor in the impact of COVID-19. DNP will review the plan as appropriate.

2 - ② Strengthen corporate governance

DNP works to strengthen corporate governance as one of its crucial management issues. DNP has built and operated a strong structure for quick and accurate management decision-making and business execution and for auditing and monitoring these functions. At the same time, DNP is accelerating initiatives in conjunction with various measures such as thoroughgoing employee training and education.

At the General Meeting of Shareholders in June 2020, a resolution was approved for the election of 10 Directors, of which four, or more than one third of the Board, are Outside Directors. An analysis and evaluation of the effectiveness of the Board of Directors is implemented once a year and the analysis results are discussed by Outside Directors and

shared by the Board of Directors. In June 2018, DNP selected one female Corporate Officer and will also continue to promote measures for raising the diversity of board members.

DNP is actively promoting environmental, social and governance (ESG) initiatives that encompass strengthening governance and these initiatives have earned high acclaim from outside the company. For example, DNP has been selected for many indices of global socially responsible investing (SRI), which include selection for the FTSE4Good Global Index for 20 consecutive years. Additionally, as of July 2020, DNP was the only company in the printing industry to be selected as a constituent of all four ESG indices adopted by Japan’s Government Pension Investment Fund (GPIF).

* Please refer to pages 52-58 for details on corporate governance.



DNP aims to be a company that earns the trust of all stakeholders by contributing to the sustainable development of society and improving our own corporate value.

For example, even amid the COVID-19 pandemic, we have made our utmost efforts to fulfill the “DNP duty” of providing new value that solves social issues and meets the expectations of people. DNP will take on the challenge of promoting various innovations, build a stronger corporate structure and execute its decision-making and actions even more quickly to further enhance people’s lives and society

against diverse risks in Japan and overseas.

To do so, I would like to deepen *TAIWA* (dialogue) with numerous stakeholders that include shareholders. In the future, I ask for your further support as we work to achieve our objectives.

Focus Businesses ① IoT and Next-Generation Communications Business

Developing Key Components and New Services That Support the Digital Transformation of Society

As international telecommunications standards evolve toward 5th generation (5G) and 6th generation (6G) technology standards, DNP will participate in the building of infrastructure that realizes ultra-high-speed, low-latency and multiple interconnections in communication. In addition, DNP is working on the full-fledged deployment of the Internet of Things (IoT), artificial intelligence (AI), virtual reality (VR) and augmented reality (AR), and 4K/8K video. Through such means, we will push ahead with the development of various products and services that make people's lives better.

Examples of such applications include VR/AR content that enables people to experience real-life sensations regardless of place or time; "smart factories" that collect, analyze and utilize data from plant equipment for the visualization of production conditions and improving efficiency; and "smart agriculture" that gathers farm data using drones, small sensors and smartphone cameras. We then analyze this data with AI to achieve labor savings and improve efficiency. DNP will utilize ever-evolving IT to provide new value that supports the digital transformation of society and enhances people's lives.

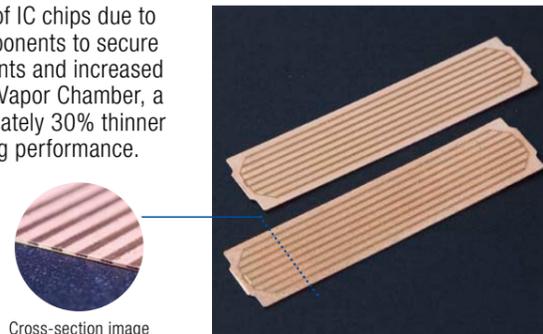


CASE 1

"Vapor Chamber" Ultra-thin Heat Dissipating Component for 5G Smartphones

For 5G-compatible mobile devices, measures to prevent overheating of IC chips due to increased data processing and realizing thinner heat-dissipating components to secure the space for accommodating a greater number of mounted components and increased battery size are major challenges. In response, DNP has developed a Vapor Chamber, a 0.25mm thick heat-dissipating component that has a profile approximately 30% thinner than conventional products while maintaining superior heat-dissipating performance.

- ▶ The Vapor Chamber consists of a hollow structure created from flat metal plates adhered together while liquid is sealed inside. The liquid serves as a refrigerant that suppresses any temperature rise from heat sources by transferring heat via repeated evaporation and condensation to thereby realize a thinner heat-dissipating product.
- ▶ We are responding to growing demand for smartphones equipped with large-capacity batteries. We aim for annual sales of 20 billion yen by the fiscal year ending 2026.



Cross-section image

CASE 2

High-Resolution VR Content That Balances Protection with Public Openings of Cultural Assets

A key challenge associated with historical buildings and cultural assets in Japan and overseas is balancing their use and public openings with restoration, preservation and future inheritance in response to deterioration and natural disasters. In meeting this challenge, DNP utilizes its photographing techniques and know-how in digitization cultivated over long years to achieve high-precision 3D digitization within a short time. Utilizing this 3D data, DNP reproduces world heritages in real-life form with high-definition VR. DNP will expand opportunities for people to enjoy a close-up look at cultural assets.



VR of the inner sanctuary of the Ninna-ji Temple "Kondo"

- ▶ DNP is participating in the Kyoto Cultural Heritage Archive Project to preserve the tangible and intangible cultural artifacts of Kyoto, beginning with World Heritage artifacts, and pass these on to future generations. This project provides the Digital Archive Service to create high-definition VR content by using laser measurements of cultural assets that place no burden on these heritages.
- ▶ The measurement data can also be used when repairs and restoration are needed due to natural disasters or fires or when creating new content.

Identifying social issues/Recognition of people's expectations – Target markets

Next-generation telecommunications-related businesses

¥77.3 trillion

IoT business area

¥385 trillion

Creating hardware and software value for 5G

* Outlook for 5G Market Global Demand in 2025 (Japan Electronics and Information Technology Industries Association)



DNP's new value proposition

- ▶ Achieve sophisticated, complex communications
- ▶ Turn manufacturing information into data to alleviate labor shortages
- ▶ Contribute to smaller, more sophisticated mobile devices to support high-volume/high-speed communications
- ▶ Send/receive large amounts of data instantly, enabling stress-free access to information



DNP's business model (products and services)

- Production and distribution of high-resolution VR content
- VR showrooms
- "Vapor Chamber" ultra-thin heat dissipating component
- Transparent antennas etc.

Net Sales (¥ billion)



Note: The above plan does not currently factor in the impact of COVID-19. DNP will review the plan as appropriate.

Focus Businesses ② Data Distribution-Related Business

Leveraging Our Strengths in Advanced Information Security to Build and Operate Platforms for Handling Personal Information

With digital networks now spanning the globe, online services have been recently expanding rapidly in a broad range of fields that include education, healthcare and entertainment as part of efforts to combat the spread of COVID-19. On the other hand, there are restrictions on exchanges of personal information across countries and regions, and the use of personal information without the consent of people has become prohibited.

Through its business activities of nearly 150 years, DNP has established advanced security technologies and system

infrastructures as it handles vital corporate and personal information and utilizes this information in various businesses. DNP is synergizing these strengths to promote various businesses such as the information banks business (information entrusting function) for handling the distribution of personal data with the consent of individuals. Besides the BPO business for handling business processes on behalf of companies, DNP will work to create value based on safe and secure data distribution in response to the spread of telework, online shopping, educational ICT and online medical examinations.

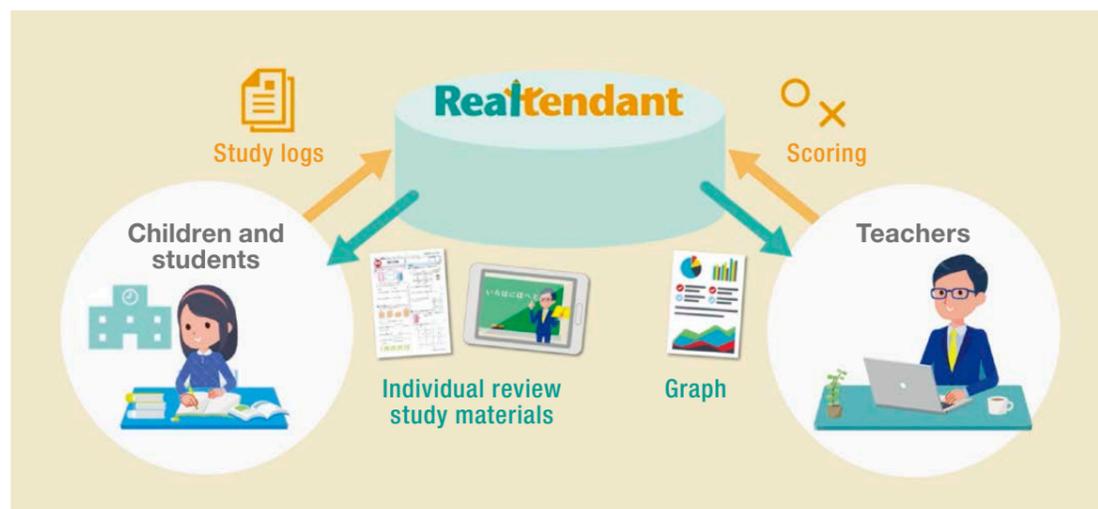


CASE

DNP's Initiatives for Providing New Value in Education

With the aim of realizing education that raises the diversity of human resources and leads to the creation of new value, DNP engages in education-related businesses that support lifelong learning, from kindergarten to elementary school, junior high and high school, university and in recurrent education. DNP also develops digital textbooks, digital libraries and original teaching materials, beginning with the DNP learning platform "Realtendant." This platform provides learning information desired by children, teachers and parents at the optimal time and in the ideal format.

- ▶ "Realtendant" is a platform service that accumulates and analyzes learning histories (study logs) and provides optimal education materials and services. "Realtendant" reduces teachers' test-scoring burdens and consistently performs instruction-related analysis, which provides teachers with additional time that they can devote to their students.
- ▶ This platform also analyzes the learning tasks of each child and student using automatically aggregated learning data. Based on the analysis results, it promotes more effective instruction by providing individually optimized learning tasks and teaching materials.



*"Realtendant" is a learning platform that supports instruction for each and every child and student while realizing work style reforms for teachers.

Identifying social issues/Recognition of people's expectations – Target markets

Data distribution-related business

¥1.9 trillion

Achieving safe, secure data distribution platform

* 2024 domestic big data analysis market (IDC Japan)

Education and human resources development-related businesses

¥26 trillion

Advancement of STEAM education/ICT/lifelong learning

* Ministry of Education, Culture, Sports, Science and Technology "Japan's education industry market"

Medical and healthcare business

¥33 trillion

Extending healthy life expectancy and improving quality of life

* 2025 project commissioned by Ministry of Economy, Trade and Industry

DNP's new value proposition

- ▶ Provides safe, secure information distribution and useful services for consumers and information providers

DNP's business model (products and services)

- BPO
- Information banks
- Educational ICT
- Smart medical examinations etc.

Net Sales (¥ billion)



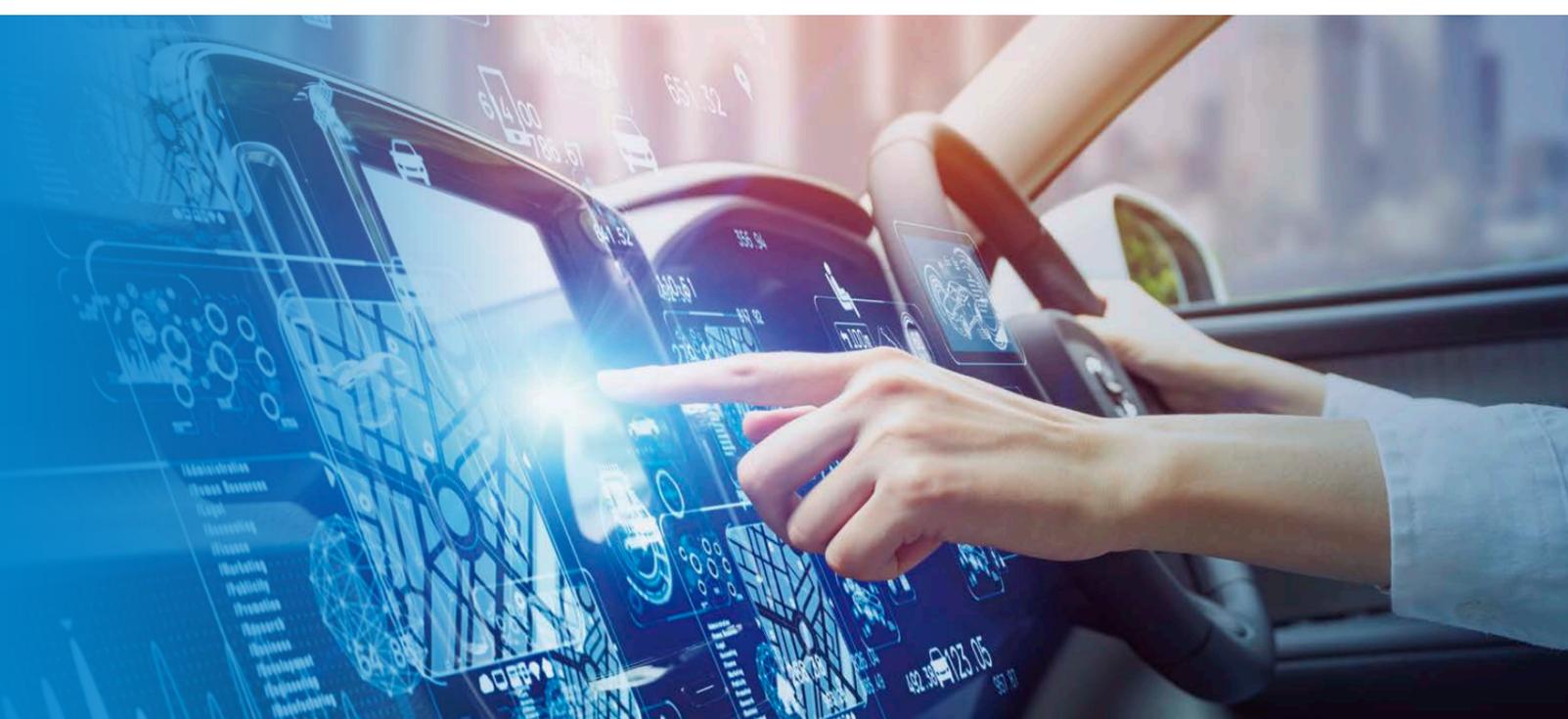
Note: The above plan does not currently factor in the impact of COVID-19. DNP will review the plan as appropriate.

Toward the Realization of the Next-Generation Mobility Society—Providing People with Safe, Secure and Comfortable Mobility Experiences

The value people demand in “mobility” is also evolving significantly amid demands for initiatives that anticipate future infectious disease pandemics while reducing global environmental burdens for sustainable growth. DNP’s hope is to ensure that everyone can benefit from mobility that is safer and more secure, comfortable and convenient even with restrictions on movements across countries and regions. Toward the realization of the next-generation mobility society, DNP will continuously develop and provide products and services that have a social impact by synergizing its strengths in manufacturing and information services.

For example, in anticipation of the growing use of electric vehicles (EVs) and the advance of autonomous driving, DNP will provide security solutions such as protecting privacy by utilizing encryption technologies as well as products with high-function features that improve the design and comfort of interior and exterior of mobility spaces.

DNP will contribute to society via its businesses that continuously solve mobility-related social issues by collaborating with automakers and other companies in a vast range of industries as well as with local governments and by synergizing various ideas and technologies.



CASE 1

Battery Pouches for Lithium-ion Batteries

Leveraging such technologies as coating and laminating technologies that we refined in the packaging business, since the 1990s DNP has engaged in the development of exterior materials (battery pouches) for lithium-ion batteries that use films to replace conventional metal casings. DNP was also quick to build a track record in information devices such as smartphones and tablets and has realized heat resistance, vibration resistance and long life required for EVs. Currently, DNP’s battery pouches for lithium-ion batteries command the top share of the global market.

- ▶ Precision coating on film substrates contributes to the realization of thinner and lighter batteries. These are outstanding in terms of electrolytic solution laminate strength and also assure long-term reliability and preservability. These are lighter than conventional metal casing and also allow a high degree of free-forming.
- ▶ We will take on challenges through industry-academia collaboration toward the realization of all-solid-state batteries, which are expected to be next-generation batteries, while also developing non-battery applications.

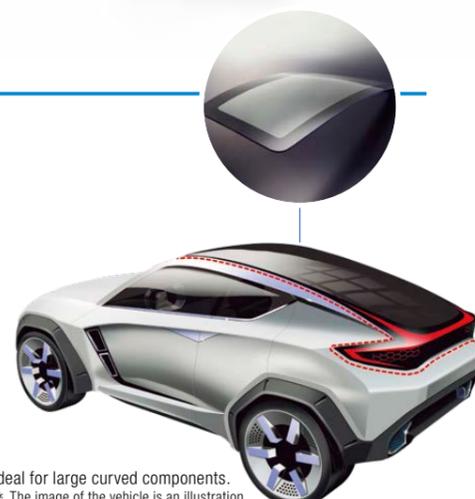


CASE 2

Curved Resin Glazing for Electric Vehicles

Automobile manufacturers are working to reduce the weight of automobile bodies with the aim of lessening the environmental burden and improving energy efficiency. In response, DNP has developed resin glazing (plastic resin glass) made of such plastics as polycarbonate, which is lighter and easier to process than glass and features superb impact resistance and thermal insulation. Based on our track record in providing this for use in construction machinery, DNP is promoting this application in the curved rear windows of automobiles.

- ▶ This product is lighter than glass and features excellent workability and heat insulation. It contributes to lower weights of vehicles and to raising the degree of freedom in designing vehicle interior spaces.
- ▶ We are taking on the challenge of realizing integrally molded vehicle bodies using curved resin glazing. Contributes to a large reduction in the number of components.



Ideal for large curved components.
* The image of the vehicle is an illustration.

Identifying social issues/Recognition of people's expectations – Target markets

Next-generation mobility business

¥6.4 trillion

Achieving smart mobility society accessible to all

* 2030 domestic MaaS market (Yano Research Institute Ltd.)



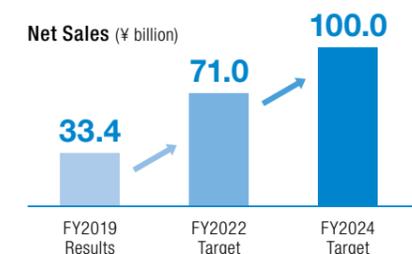
DNP's new value proposition

- ▶ Reducing greenhouse gas emissions, reducing air pollution and improving energy efficiency
- ▶ Improve quality of life through stress-free transport, effective use of time in transit etc.



DNP's business model (products and services)

- Battery pouches for lithium-ion batteries
- Curved resin glazing for electric vehicles
- Decorative films/panels
- Security solutions etc.



Note: The above plan does not currently factor in the impact of COVID-19. DNP will review the plan as appropriate.

Focus Businesses ④ Environment-Related Business

Toward the Realization of a Sustainable Society— Providing Value That Is Easy to Use, Functional and Friendly to the Global Environment

DNP is focusing on developing environment-friendly products and services to realize a sustainable society that strikes a balance between economic development and preservation of the global environment. In March 2020, DNP formulated the DNP Group Environmental Vision 2050. Under this Vision, each and every employee will maintain a strong awareness of the relationship between our businesses and the environment and DNP will accelerate various initiatives aimed at realizing a decarbonized society, a recycling-oriented society and a society in harmony with nature.

In particular, DNP will work to reduce the environmental

burden throughout the entire lifecycle of products and services that are indispensable for supporting people's comfortable lives and corporate business processes. We will synergize our strengths such as in functional films that control light and heat and in information technology to provide value that is friendly to people, society and the earth. Examples of such applications include packaging materials for food, daily necessities and medical products; photovoltaic cell-related components; and the DNP Multifunctional Insulation Box that can maintain a constant temperature for long time periods without using electricity.



CASE 1

Eco-Friendly Packaging

This is DNP's packaging that offers three types of value, namely "resource circulation," "CO₂ reduction" and "preservation of the natural environment." DNP offers a diverse lineup that includes plant-based packaging materials, which substitute petroleum-based materials with sugar cane-based materials for some raw materials. DNP's lineup also includes a packaging that is suitable for recycling by using a single material (mono-material) and a lightweight and thin packaging that enables long-term preservation by increasing the barrier properties of oxygen and water vapor.

- ▶ To realize CO₂ reductions, DNP will promote emission reductions throughout the entire lifecycle, from raw materials procurement to manufacturing and disposal.
- ▶ We aim to realize a recycling-oriented society by increasing and strengthening our plant-based products and promoting combinations with mono-materials.



CASE 2

Encapsulants and Back Sheets for Photovoltaic Cells

DNP is promoting the provision of photovoltaic module components amid demand for a shift to renewable energy in Japan and overseas. DNP's encapsulants feature high water vapor barrier properties that protect photovoltaic cells from being damaged by sunlight and moisture. In addition, DNP's back sheets possess high durability and realize higher power generation efficiency than in the past without damaging the external appearance.

- ▶ We supply related materials such as photovoltaic cell encapsulants and back sheets for the clean energy market that aim to reduce the environmental burden.
- ▶ Through our unique laminating technologies, we contribute to the effective use of resources such as by improving the power generation efficiency of photovoltaic cells.



Identifying social issues/Recognition of people's expectations – Target markets

Environment-related business

¥475 trillion

Creating value to reduce environmental impact and achieve a recycling-oriented society

* Economic effects produced by a circular economy by 2030 (2016 Accenture survey report)



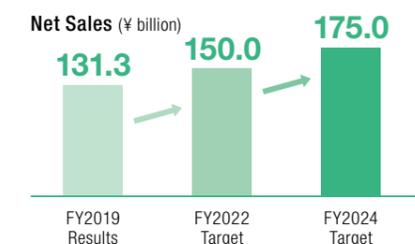
DNP's new value proposition

- ▶ Efficient use of resources
- ▶ Reduce greenhouse gas emissions
- ▶ Sustainable raw material procurement



DNP's business model (products and services)

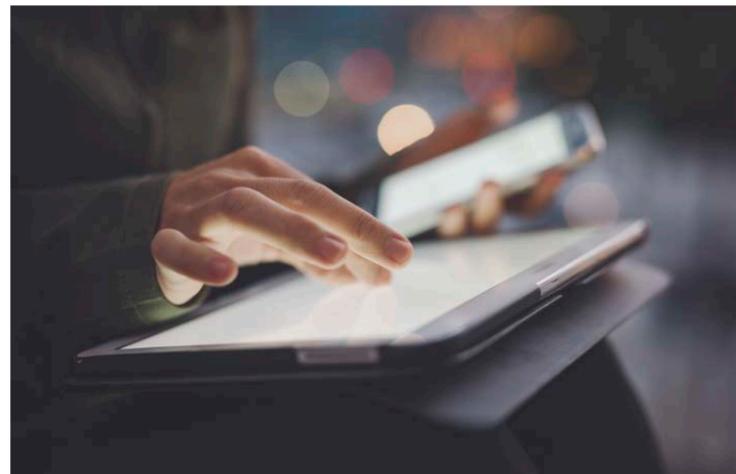
- Eco-friendly packaging
- Encapsulants and back sheets for photovoltaic cells
- DNP Multifunctional Insulation Box



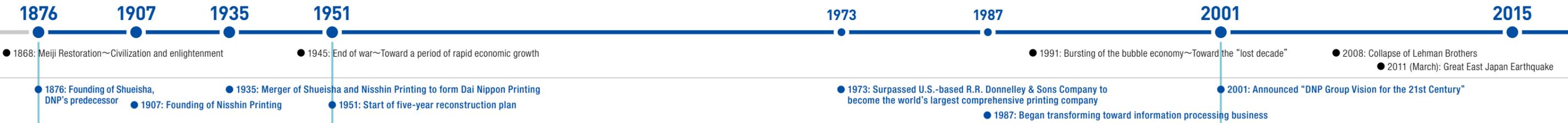
Note: The above plan does not currently factor in the impact of COVID-19. DNP will review the plan as appropriate.

INITIATIVES FOR VALUE CREATION

- 24 Sustainable Growth of DNP
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- 36 Promoting Business Commercialization in Growth Areas
- 38 DNP's Risk Management



Sustainable Growth of DNP



Publication Printing Business

Comprehensive Printing Business

Information Processing Business — Information Communication Business

P&I Solutions

Starting from a "Civilized Business"

Dai Nippon Printing Co., Ltd. was formed in 1935 through a merger between Shueisha, founded in 1876, and Nisshin Printing Co., Ltd., established in 1907. Starting with Shueisha, which prescribed "running a business that contributes to civilization" in its company prospectus, the Company carried out business centered on publication printing for approximately 75 years up to the postwar period.

1876 Founding of Shueisha



1907 Founding of Nisshin Printing



1935 Merger of Shueisha and Nisshin Printing to form Dai Nippon Printing

Broadening Business Domains through Expansion Printing

Amid the dramatic changes in the postwar period, based on the thinking that "our company can no longer prosper by relying only on business fields to the present," the Company strived to expand its business in anticipation of the ways of life of people in the future.

Accordingly, the Company promoted "expansion printing" aimed at diversifying its businesses, especially by means of applying and advancing its printing technologies in addition to stabilizing labor-management relations, cultivating customers by strengthening sales capabilities and improving production efficiency and quality. DNP significantly broadened its business domains by expanding its business, which until this time was centered on publication printing, to commercial and securities printing as well as printing for packaging, building materials and electronics products.

DNP believes that its growth strategy of expanding business by continually honing such technologies as information processing, microfabrication, precision coating and post-processing technologies to ensure these remain at the cutting edge will allow DNP to realize its current business vision "P&I Innovation."

Second Corporate Founding

Information Communication

Since its founding, DNP has continued to create a diversity of products and services by safely and reliably handling the valuable information of companies and people. The Company also anticipates trends in digitization and networking and undertakes a variety of businesses by synergizing paper printed materials and information services that are protected by sophisticated security.



1983
Development of smart cards
→ Expansion to today's cash cards, credit cards, transportation cards and accreditation (ID) cards



1983-85
Development of thermal mass and dye-sublimation thermal transfer printing media → Expansion to Imaging Communication business

Lifestyle and Industrial Supplies

We are expanding our business to such domains as packaging and building (decorative) materials by broadening our printed items to films, metals and other items as well as forming items after printing. We are providing packaging for foods, daily-use items and other items, interior and exterior materials for buildings, automobiles and others, and battery materials and life science-related materials, thereby providing value that is indispensable in people's lives and in company business processes.



1951
Full-scale entry into paper container and soft packaging field → Expansion into packaging business



1951
Began development of decorative paper for buildings → Expansion into Living Spaces business

Electronics

DNP is further expanding its business domains by sophisticated technologies such as its etching technologies that form fine patterns on metals. Since contributing to the birth of Japan's first domestically produced color TV, DNP has been developing and providing materials for use in various types of higher-definition, higher-quality displays and electronics devices that respond even to nanometer miniaturization.



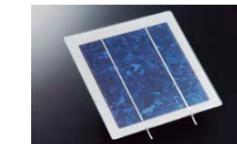
1958
Succeeded in the trial production of shadow masks for color TVs → Advance into the display products business



1959
Successfully developed photomasks for semiconductors → Advance into electronics devices business

"DNP Group Vision for the 21st Century"

On the occasion of its 125th anniversary, DNP announced its Vision that expresses the direction of DNP's growth. This Vision prescribes our business philosophy as "contribute to the development of a society based on emergent evolution in the 21st century," while designating "P&I Solution DNP," which will solve various issues by combining our strengths in printing (P) and information (I), as the concept watchwords for the entire Vision. In addition, the initials "DNP," which we had used from the past, will serve as the brand for the entire Group and we accelerated efforts to raise the value of this brand.



2003
Development of photovoltaic module components → Expansion into energy-related businesses along with the commercialization of pouches for lithium-ion rechargeable batteries in 1999



2004
Successful formation of capillary patterns

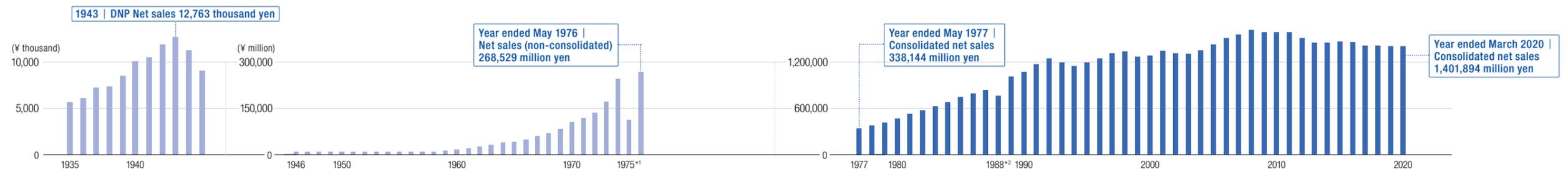
2014
Business and capital tie-up with PSP, a major player in medical imaging management systems → Expansion toward life science-related businesses

2009 Starting work style reform activities

We commenced work style reform activities in three-year increments and initially aimed for a thorough reduction in working hours. After achieving certain results, from the second phase that began in 2012, we are advancing these activities to raising job motivation and the added value of our work. During the fourth phase that began in 2018 as well, we are promoting the creation of workplaces that can fully deploy the abilities of each and every employee by effectively utilizing time resources.

Net Sales Trends and History

■ DNP (non-consolidated)
■ DNP (consolidated)
(Year ended May 1977~)



(Notes) *1 The May 1975 fiscal year was a six-month settlement period due to the transition to a May fiscal year-end.
*2 The March 1988 fiscal year was a ten-month settlement period due to the transition to a March fiscal year-end.

2015

- Adoption of Sustainable Development Goals (SDGs) at the United Nations Summit
- Adoption of Paris Agreement to combat climate change at COP21
- 2015: Formulating DNP Group Vision 2015

2018

- 2018 (June): Inauguration of Yoshinari Kitajima as President
- Start of fourth phase of work style reform commenced in 2009

2019

- Fiscal 2019~: Change personnel systems and others
- 2019 (April): Declared support for TCFD

2020

- Global spread of COVID-19
- 2020 (March): Formulation of DNP Group Human Rights Policy
- 2020 (March): Formulation of DNP Group Environmental Vision 2050

2030

- 2030: Attainment of SDGs

P&I Innovation

DNP Group Vision 2015

Following the establishment of its Vision in 2001, DNP established a new Group Vision amid an increasingly severe business environment after the Lehman Brothers bankruptcy and the Great East Japan Earthquake. With its Corporate Philosophy of “The DNP Group connects individuals and society and provides new value,” DNP clarified the social issues that it is uniquely capable of solving as well as the expectations of people and expressed the four business themes it must address as “four growth areas.”

- Brand Statement: Today’s Innovation is “Tomorrow’s Basic”

Four Growth Areas



Knowledge and Communication

A future where people worldwide can expand opportunities for safe and secure communications and share and inherit knowledge

DNP will provide value for nurturing culture and supporting people’s lives through comfortable communications. By producing information media services and content and enhancing services protected by information security, DNP will provide people with the information they want when they need it in an optimal format and will convey knowledge from generation to generation.



Lifestyle and Mobility

A future that safely and securely protects all living spaces where people worldwide are mobile and lead their lives

DNP will provide value in the form of high levels of safety and comfort in all spaces where people lead their daily lives, including at home, stores, offices and hospitals, as well as in cars and railway cars. We will add functions that create comfortable spaces and develop superbly designed products and combine these with the Internet of Things (IoT) to contribute to the realization of a smart society.



Food and Healthcare

A future where people around the world no longer have anxieties about their own lives and can lead lifelong safe, secure and high-quality lives

Amid a shift in global demographics and the ongoing decline in birthrates and aging of society in Japan, DNP will create value that supports safe and high-quality lives and helps people maintain their health throughout their lives. DNP will support the food value chain through its functional and hygienic packaging while also taking on the challenge of extending healthy lifespans through its life science-related businesses.



Environment and Energy

A sustainable future that reduces environmental impacts and enables people worldwide to co-exist harmoniously with the earth

DNP will accelerate the development of diverse products and services toward the realization of a sustainable society that achieves compatibility between economic development and protection of the global environment. We will combine strengths such as our highly functional films that control light and heat with our information technologies to provide value that enables resource and energy savings and helps preserve biodiversity.



Toward Our “Third Corporate Founding”

For Realizing Our “Third Corporate Founding”

DNP will now synergize its unrivalled and unique strengths in P&I (printing & information) as well as deepen cooperation with its numerous partners and solve social issues while focusing on the creation of new value that meets the expectations of people.

DNP, which has continued to “Take on the challenge of promoting change” in any era, will deploy the total strengths of “All DNP” with the entire Group working as one to attain its “Third Corporate Founding” and ensure this leads to sustainable growth both for DNP and society.

Promoting the Medium-term Management Plan

Basic Strategy 1

Create value through “P&I Innovations”

- 1 - ① Create value primarily in growth areas
- 1 - ② Provide value optimized to each country and region
- 1 - ③ Increase value using all available restructuring approaches

Basic Strategy 2

Strengthen business infrastructure to support growth

- 2 - ① Strengthen financial and non-financial capital
- 2 - ② Strengthen corporate governance

What DNP will never change and what DNP will change—
Toward the building of strong corporate value

DNP’s unvarying strengths

- Our “corporate culture” for continuously taking on the challenge of making change
- Our “drive” to create new value that meets people’s expectations and resolves social issues
- Our business “pillar” that combines DNP’s unique strengths in P&I (Printing & Information) and deepens cooperation with partners
- Our “corporate stance” of the fulfillment of our three corporate responsibilities consisting of value creation, integrity of conduct and high transparency (accountability)

What we will resolutely and thoroughly change

- **Change our perspectives:** We will address expectations and social issues by broadening our perspectives to include people beyond our corporate customers, on which we have focused to the present.
- **Change our structures:** We will strengthen our corporate governance and integrate, reorganize and optimize such functions as sales, production, technology development and planning.
- **Change our points of contact:** We will expand physical venues and Internet-based virtual venues for interaction and continuous dialogue with a diverse range of stakeholders.
- **Change our systems:** We will promote changes, including the restructuring of our personnel system, to flexibly and sustainably deploy our strengths.

Sustainable Development Goals

In September 2015, the 2030 Agenda for Sustainable Development was adopted by all United Nations member states (193 countries). The Agenda sets Sustainable Development Goals (SDGs) as an action plan and strives to realize a world where “No One is Left Behind” through initiatives for attaining 17 goals and 169 targets. We will utilize the SDGs as a “yardstick for creating an even better society” and will fulfill our corporate social responsibility toward the realization of a prosperous and sustainable society.

<https://www.un.org/sustainabledevelopment/>
The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.



Risks and Opportunities

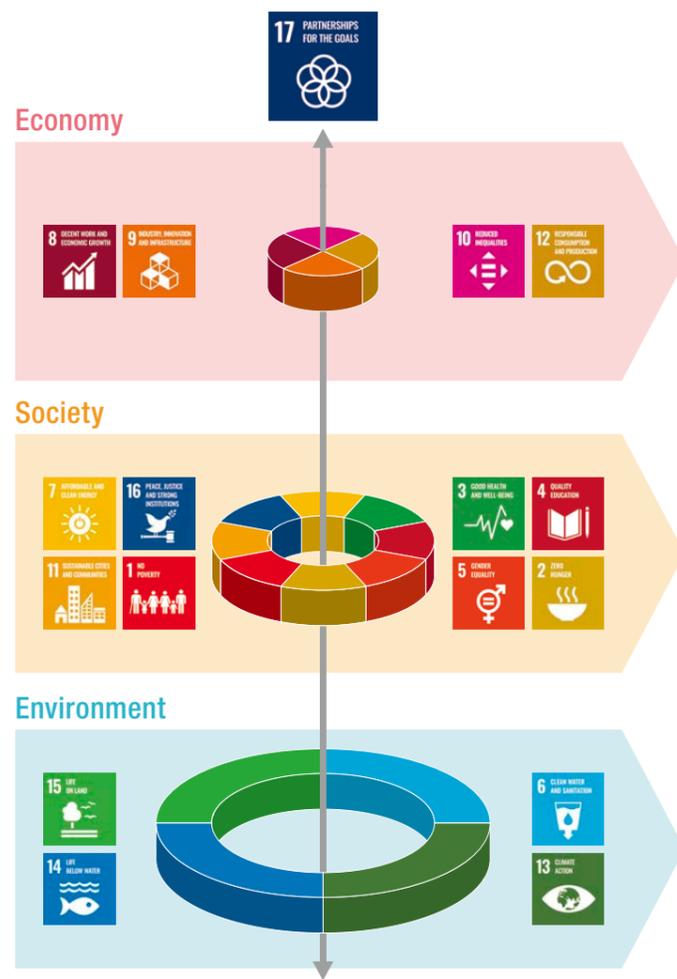
Based on its corporate philosophy, DNP aims to resolve social issues and continues to provide new value that meets people's expectations. In doing so, we will correctly recognize economic, social and environmental issues and risks and respond to rapid changes in the business environment through activities directly linked to "value creation" and those serving as a "foundation to support value creation."

Identification of Risks

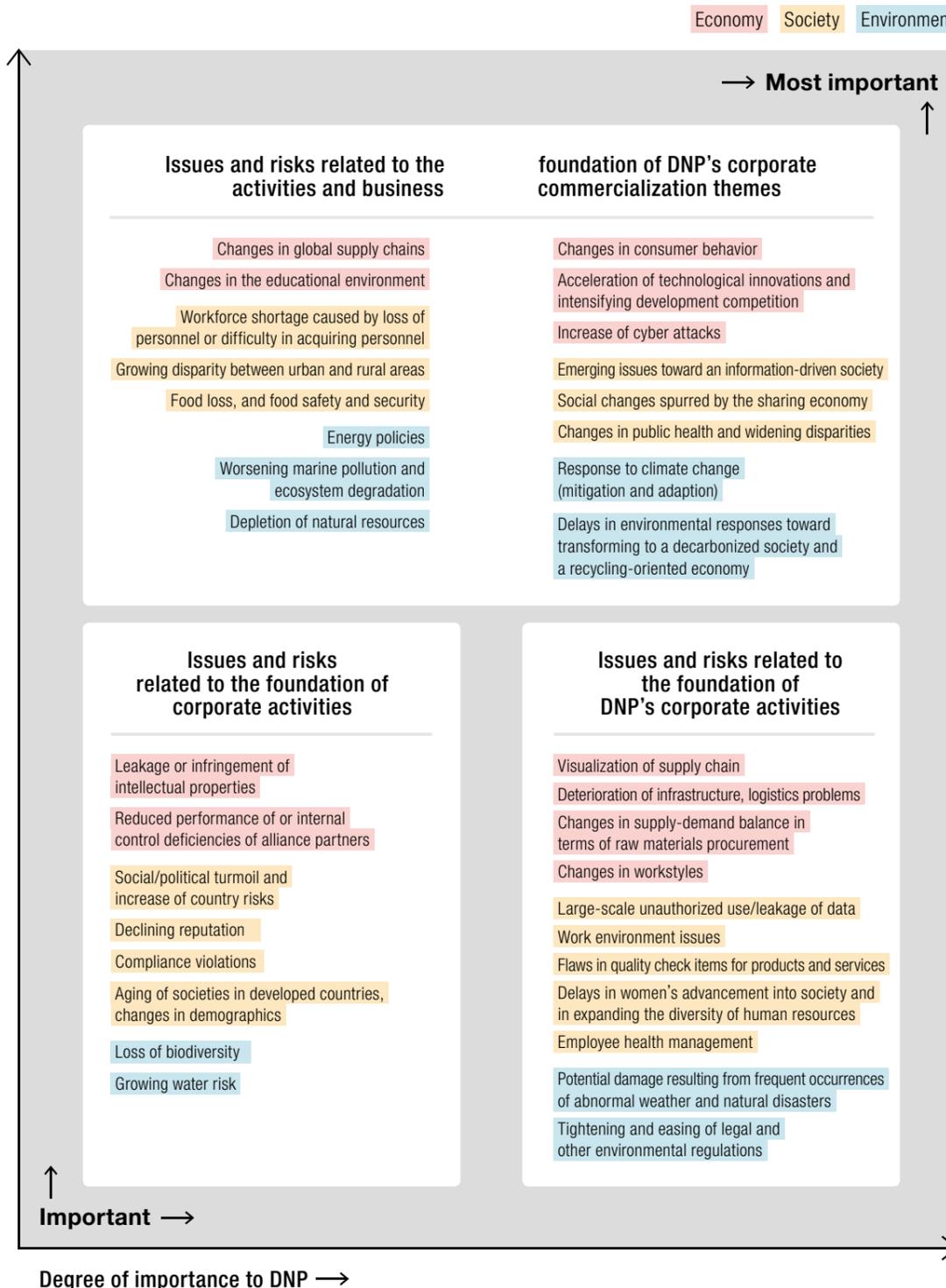
We analyze global social issues and environmental, social and governance (ESG)* trends and broadly identify economic, social and environmental issues that represent risks. We then prioritize activities and define targets based on the interests of stakeholders and the impact on them as well as the degree of importance to DNP.

*Including the Sustainable Development Goals (SDGs), Global Reporting Initiative (GRI) Guidelines, the UN Global Compact, ISO 26000, Dow Jones Sustainability Indices (DJSI), FTSE4Good Global Index and MSCI Global Sustainability Indexes

Business Risks Assumed from the Perspective of the SDGs



Reference: SDGs "wedding cake" illustration presented by Johan Rockström and Pavan Sukhdev



Value Creation

Expanding business opportunities

– Turning risks into opportunities and also contributing to the achievement of the SDGs

DNP is promoting activities to expand business opportunities while regarding the recognized risks as the needs of society. DNP aims to solve society's challenges through business activities in the following four growth areas.



Knowledge and Communication

A future where people worldwide can expand opportunities for safe and secure communications and pass on and develop knowledge



Food and Healthcare

A future where people around the world no longer have anxieties about their own lives and can lead lifelong safe, secure, comfortable and high-quality lives



Lifestyle and Mobility

A future that safely and securely protects all living spaces where people worldwide are mobile and lead their lives



Environment and Energy

A sustainable future that reduces environmental impacts and enables people worldwide to co-exist harmoniously with the earth

Foundation to Support Value Creation

Measures for minimizing the impact of assumed risks

For activities to serve as a "foundation to support value creation," DNP has selected the following seven Principal Themes (representing material issues). Based on these themes, we have been promoting initiatives for integrated risk management and rotating the plan-do-check-act (PDCA) cycle.



For details, see pages 42-43.

DNP's Value Creation Process

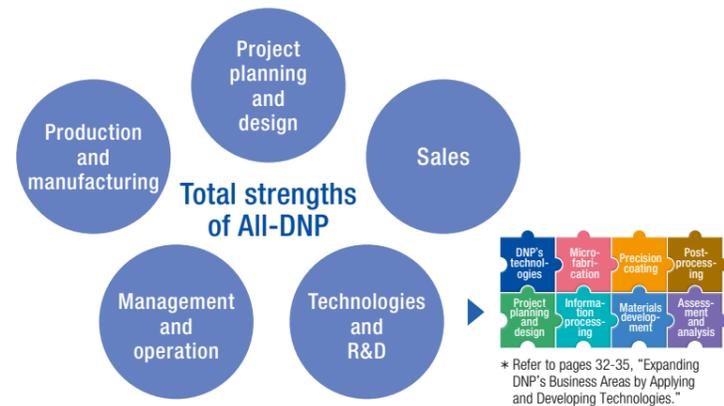
DNP will utilize its financial capital and such non-financial capital as human resources and intellectual property in an integrated manner while strengthening partnerships with stakeholders as it creates new value, which will help enable the realization of a sustainable society and raise its corporate value.

RISKS & OPPORTUNITIES

Expanding Business Opportunities

-Turning Risks into Opportunities and Also Contributing to the Achievement of the SDGs-

DNP's Assets and Strengths That Serve as a Foundation for Value Creation



* Refer to pages 32-35, "Expanding DNP's Business Areas by Applying and Developing Technologies."

RESOURCES & INPUTS

Based on strong relationships of trust and a sophisticated security infrastructure, we engage in businesses involving various types of content (text, image, video, voice), confidential information and critical information.

Dialogue and Cooperation with Partners

Financial capital (consolidated)

- Net sales: **1,401.9 billion yen** (level with the previous year)
- Operating income: **56.3 billion yen** (up 12.8% YoY)
- Total assets: **1,721.7 billion yen**

Human capital (consolidated)

- Total number of employees: **38,181** (33,440 in Japan, 4,741 overseas)
- Rebuild personnel systems, formulate the DNP Group Human Rights Policy and promote diversity to raise the value of human resources.

Manufactured capital

- Number of production bases: **61 in Japan, 16 overseas**
- Number of sales bases: **35 in Japan, 28 overseas**
- Capital investment: **57.2 billion yen**

Intellectual capital

- Number of Japanese patents held: **12,226**
- R&D outlays: **33.6 billion yen**

Natural capital

- Co-existence with the global environment through various types of environmental activities and the Biodiversity Declaration in addition to formulating the DNP Group Environmental Vision 2050
- Thorough implementation of CSR Procurement Guidelines, Green Procurement Guidelines, etc.
- Reduce environmental impacts by developing and providing environmentally conscious products and services

Partnerships, capital ties, etc.

Project activities, human resource exchanges, etc.

Social and Relationship Capital

Joint development/operation, global collaboration, etc.

Joint development, sharing of intellectual property, etc.

Preservation of the global environment and biodiversity, etc.

Collaboration with a diversity of partners

- Tens of thousands of client companies
- Global companies and companies deeply rooted in local communities
- Start-up companies
- Various types of education and research institutions
- Regional and local governments
- NPOs, NGOs and various organizations
- Others

Collaboration with diverse human resources

- Generate value that utilizes people's diversity
- Highly specialized human resources such as in ICT, security and creative fields
- Others

OUTPUTS

Create Strong Products and Services

- **Publishing Business**
(Publishing & Media Services, Publications Distribution)
- **Information Innovation Business**
(Marketing, BPO, Information Security)
- **Imaging Communication Business**

Products and services with top shares

- Smart cards: Top share overall in Japan and top share in domestic financial markets
- Dye-sublimation thermal transfer printing media for photo prints: World top share

- **Packaging Business**
- **Living Spaces Business**
- **Industrial High-performance Materials Business**

Products and services with top shares

- Aseptic filling systems for PET bottles: Top share in Japan for manufacturing volume of filling systems for PET plastic bottles for beverages
- Building decorative materials: Top share of domestic market for floor coverings and steel plates
- Pouches for lithium-ion batteries: World top share

- **Display Components Business**
(Color filters for liquid crystal displays, optical films, metal masks for organic light-emitting diode (OLED) displays, others)
- **Electronic Devices Business**
(Photomasks for semiconductors, others)

Products and services with top shares

- Optical films for displays: World top share
- Metal masks for OLED display manufacturing: World top share

Hokkaido Coca-Cola Bottling Co., Ltd.

- **Beverages Business**

Corporate Governance

DNP recognizes that corporate governance is an important management issue and therefore builds and operates systems for accurate and integrated management decision-making and fair and quick execution of business as well as for supervising and auditing these functions.

OUTCOMES & IMPACTS

Solve Social Issues While Creating, Providing and Expanding Value That Exceeds People's Expectations

Promoting the Medium-term Management Plan

Basic Strategy 1

Create value through "P&I Innovations"

- 1 - ① Create value primarily in growth areas



- 1 - ② Provide value optimized to each country and region
- 1 - ③ Increase value using all available restructuring approaches

Basic Strategy 2

Strengthen business infrastructure to support growth

- 2 - ① Strengthen financial and non-financial capital
- 2 - ② Strengthen corporate governance

TOPICS

Publication of "SDGs Concept Book" in December 2019

DNP is promoting various business activities utilizing the SDGs as a "yardstick for creating an even better society." Giving consideration to the attainment of the SDGs, we published an original DNP booklet that summarizes our basic approach to creating value toward the realization of a sustainable society.



Image of the text of the A5-size, 48-page booklet

(Year ended March 2020, as of March 31, 2020)

Expanding DNP's Business Areas by Applying and Developing Technologies

DNP's strength is derived from combining a variety of technologies in printing and information. With technologies created from basic printing processes as a base, we continually refine these into cutting-edge technologies and apply and advance these technologies to create a diversity of businesses.



Process 1

Editing, Manuscript Submission and Layout

We design the most effective information media in accordance with the content and user, select the number of colors, format and type of paper and printing methods, as well as perform design and layout. At this stage, we consider the most efficient production processes in addition to undertaking such work as preparing the necessary manuscript and materials and processing data.

Technologies cultivated through this printing process



DNP plans and designs a production process suited to the desired layout. DNP continuously handles large volumes of text, still images, videos, voice and other data and arranges data formats and color tones, and also undertakes processing and storage. DNP is raising its know-how for safely and properly handling large volumes of data as it expands into various types of important information processing and analysis and security technologies.



Process 2

Film Making and Platemaking

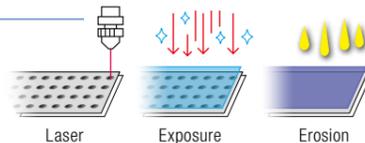
Color separation of printing data is produced and then output onto film (film making) followed by the creation of a plate (platemaking) that is set to a printing machine. We are also promoting the spread of Computer to Plate (CTP), a method that outputs different plates for each printing method directly from data without film output.

Technologies cultivated through this printing process



In the printing process, extremely minute processing is performed to ensure that halftone dots of printed ink are difficult to discern with the naked eye. We have further advanced this technology to enable microfabrication for such substrates as metals, glass and plastics. This technology is being applied in numerous leading-edge electronics products and in such fields as hologram anti-counterfeiting and security.

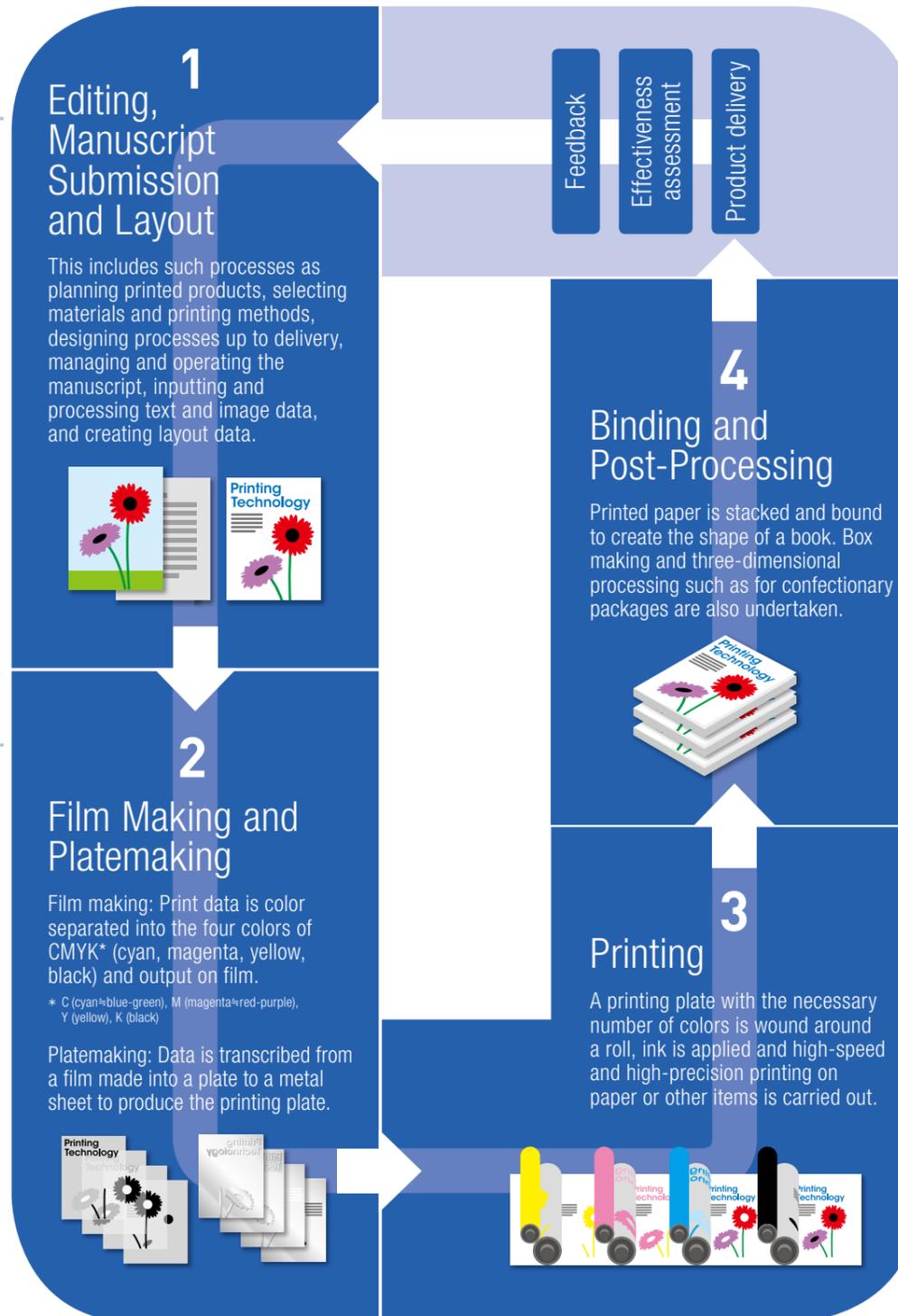
Fine patterns are formed to create a seal.



Basic

Printing Processes

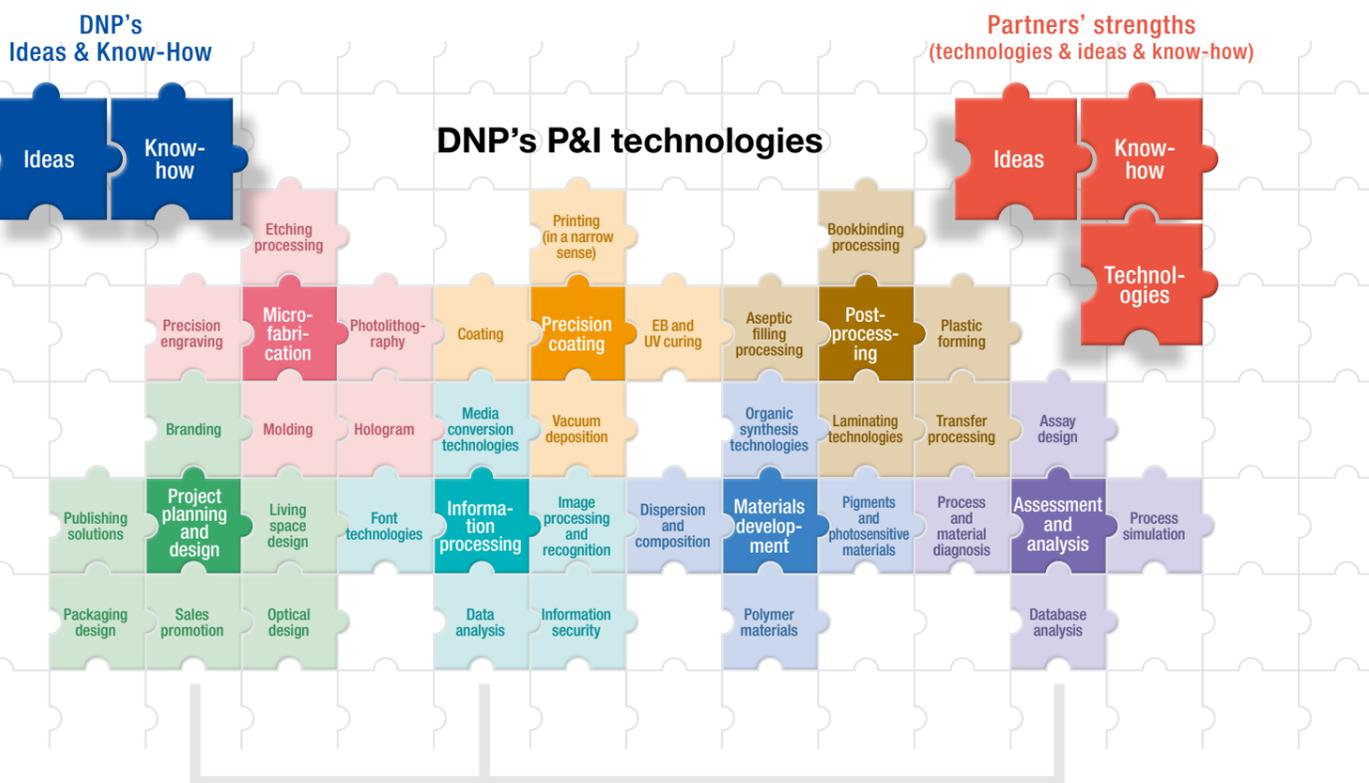
Examples of printing such as publication printing and commercial printing



Creating New Value by Combining Technologies, Ideas and Know-How

DNP has cultivated new business domains by applying and advancing technologies cultivated through diverse printing processes. DNP will further develop and provide new value by synergizing the leading-edge technologies it has continually

advanced with its diverse know-how in sales, planning and production, as well as the strengths of its partners, based on ideas for realizing even better lives and society.

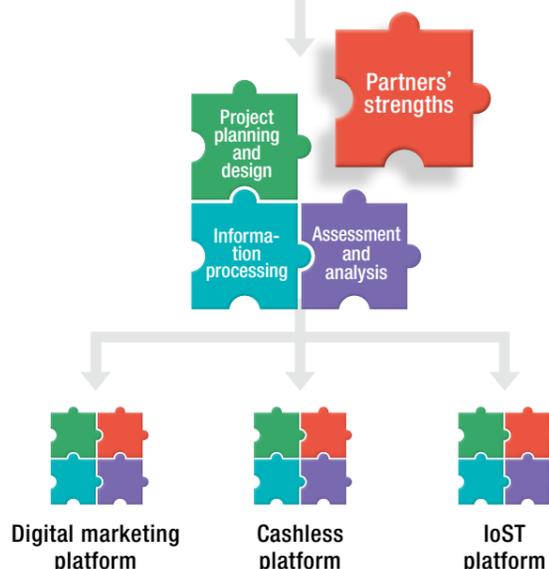


Building Platforms That Support Global & Personal Communication

DNP will combine its technologies in project planning and design, information processing and assessment and analysis with the strengths of its partners to build platforms that are also indispensable in the sharing economy and the circular economy.

DNP will build a "digital marketing platform" that raises the effectiveness of corporate activities by collecting and analyzing various data; a "cashless platform" that supports safe and secure settlements; and DNP's unique "IoST (Internet of Secure Things) platform" that securely maintains IoT, which connects all things to networks. By doing so, DNP will realize diverse communications services.

*IoST: Internet of Secure Things



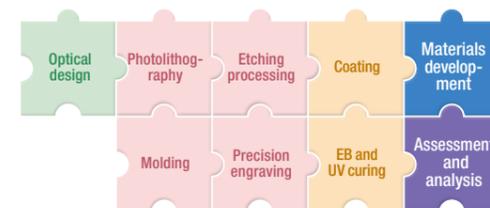
Stretchable Electronics - Realization of a Fully Colorized Skin Display



DNP and a research team led by Takao Someya, a professor at The University of Tokyo, have advanced an original stretchable hybrid electronic mounting technology and succeeded in manufacturing a display device that integrates a thin, expandable, full-color skin display with drive and communication circuits and power supply. This serves as a communication system that displays information gathered by sensing body movements and physical conditions as well as imaged messages on a display that attaches to the skin. We will use this device as a people-friendly skin electronics technology to improve the QoL (Quality of Life) for all generations.

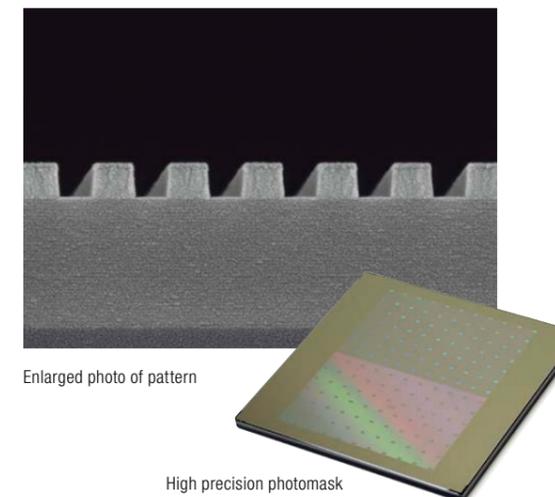


DNP Develops Photomask Process Targeting 5nm (Nanometer) EUV Lithography

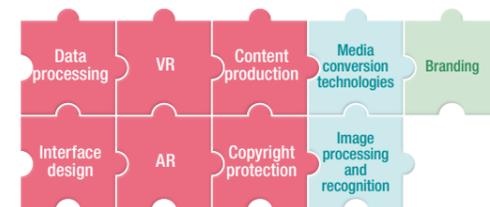


DNP has developed a photomask manufacturing process capable of accommodating 5nm* Extreme Ultra-Violet (EUV) lithography, a leading-edge semiconductor manufacturing process. The new process employs the multi-beam mask writing tool. Utilizing its microfabrication technologies, DNP will provide photomasks for EUV lithography to domestic and overseas semiconductor manufacturers and semiconductor development consortiums while supporting the development of peripheral technologies relating to EUV lithography. In the future as well, DNP will develop even finer processes at 3nm and beyond and strengthen its supply system for ultra-fine semiconductor photomasks.

*Nanometer: 10⁻⁹m



DNP's Initiatives in Digital Archiving



DNP is leveraging its high-definition image processing technologies and know-how to build a digital archive of cultural resources that include works of art and cultural heritages. DNP will respond with the latest technologies needed for collecting, storing and making public archived data and provide comprehensive services aimed at realizing the optimal contact between culture and people.



Wall paintings, folding screens and hanging scrolls can be reproduced using DNP's high-definition reproduction technology Denshobi for the purpose of preserving and holding public displays of cultural properties. DNP's patented technology that is able print directly on gold leaf authentically reproduces gold leaf works.



This guide system displays subtitles and explanations on smart glass in synchronization with the progression of stage performances. Information superimposed on actual scenes can be displayed utilizing a wearable device that is used in the same manner as eye glasses.

Promoting Business Commercialization in Growth Areas

Through its businesses, DNP is currently focusing efforts on solving social issues that are having a growing impact in Japan and overseas. By leveraging our strengths in P&I (Printing and Information), we will reinforce our *monozukuri* (manufacturing) foundation and ICT foundation as well as select business commercialization themes unique to DNP and generate new value.

Business commercialization themes related to all growth areas

¥3.3 trillion

▶ Work style reform-related businesses
Work styles that maximize the strengths of individuals and raise synergies
* 2022 domestic work style reform ICT market (IDC Japan)

¥77.3 trillion

▶ Next-generation telecommunications-related businesses
Creating hardware and software value for 5G
* Outlook for 5G Market Global Demand in 2025 (Japan Electronics and Information Technology Industries Association)

Four Growth Areas and Business Commercialization Themes

▶ Business commercialization themes undertaken by DNP * = Related markets and targets



Knowledge and Communication

A future where people worldwide can expand opportunities for safe and secure communications and share and inherit knowledge

US\$ 64.0 billion

▶ Contents business-related businesses
Inherit and advance knowledge and deploy experiential value globally
* 2022 Japanese market for music, broadcast, publishing, game, and virtual reality (VR) (Ministry of Economy, Trade and Industry (METI) Study Group for the Content Business Era Report)

¥76 trillion

▶ Digital marketing-related businesses
Digital transformation that raises the experiential value of "shopping"
* FY2024 omni-channel commerce market (Nomura Research Institute Ltd.)

¥126 trillion

▶ Payment services-related businesses
Toward a safe and secure cashless society
* FY2023 cashless payment market in Japan (Yano Research Institute Ltd.)

¥17.6 trillion

▶ Smart city-related businesses
Realization of more-comfortable and functional living spaces
* 2022 smart city-related global market (IDC Japan)

Lifestyle and Mobility

A future that safely and securely protects all living spaces where people worldwide are mobile and lead their lives



¥26 trillion

▶ Education and human resources development-related businesses
Advancement of STEAM education/ICT/lifelong learning
* Japan's education industry market (2017-2018) (Ministry of Education, Culture, Sports, Science and Technology) (STEAM = Science, Technology, Engineering, Art, Mathematics)

¥1.9 trillion

▶ Data distribution-related business
Achieving safe, secure data distribution platform
* 2024 domestic Big Data Analytics (BDA) market (IDC Japan)

¥169.1 billion

▶ Sharing economy-related businesses
Lead the social change from "owning to using"
* FY2023 cashless payment market in Japan (Yano Research Institute Ltd.)

¥6.4 trillion

▶ Next-next generation smart mobility
Realize a smart mobility society with no mobility-impaired people
* 2030 domestic MaaS market (Yano Research Institute Ltd.)

1.5°C

▶ Climate change response-related businesses
Provide solutions that curb global warming
* Target for curbing the rise in global temperatures under the Paris Agreement

¥33 trillion

▶ Medical/healthcare-related businesses
Extend healthy lifespans and raise quality of life
* Industry group of non-public insurance services that support public insurance in 2025 (Ministry of Economy, Trade and Industry (METI)-commissioned project)

0 persons
8.5 billion persons

▶ Inclusive design/universal design-related businesses
Development and provision of products and services that are easy to use by numerous people
* Aim to realize a society where no one is left behind by 2030 under the Sustainable Development Goals (SDGs) adopted by the United Nations
* 2030 world population of 8.5 billion (United Nations estimate)

¥475 trillion

▶ Environment-related business
Creating value to reduce environmental impact and achieve a recycling-oriented society
Economic output generated by circular economy by 2030 (2016 Accenture survey report)

¥5.2 trillion

▶ Life science-related businesses
Advance of regenerative medicine/telemedicine, etc.
* 2030 domestic and overseas regenerative medicine peripheral industry markets (Ministry of Economy, Trade and Industry (METI))

50% reduction

▶ Manufacturing ~ logistics' supply chain-related businesses
Provide stable supplies of food and reduce food loss through *monozukuri* and ICT
* Food loss reduction target by 2030 (Ministry of the Environment)

0

▶ Various businesses for the realization of a recycling-oriented society
Resources and plastics recycling that also contribute to ecosystem conservation
* Reduce additional pollution by marine plastic litter to zero by 2050 (June 2019, G20 Osaka Summit "Osaka Blue Ocean Vision")



Food and Healthcare

A future where people around the world no longer have anxieties about their own lives and can lead lifelong safe, secure and high-quality lives

Environment and Energy

A sustainable future that reduces environmental impacts and enables people worldwide to co-exist harmoniously with the earth



DNP's Risk Management

The DNP Group accurately recognizes economic, social and environmental-related issues and risks and promotes integrated risk management initiatives to continue providing new value based on its Corporate Philosophy. At the same time, DNP recognizes that the variable factors identified as risks are also opportunities for business expansion. Accordingly, the DNP Group will respond to these opportunities by combining the strengths of the

entire Group and deepening alliances with external partners to create new value while responding to rapid changes in the business environment.

The DNP Group identifies the following as key risks as it strives to minimize negative impacts while creating business opportunities by solving issues.

Economic risks	<ul style="list-style-type: none"> • Changes in economic conditions, consumption trends in Japan and overseas, currency fluctuations and others • Responses to acceleration and diversification of technological innovations, and intensifying development competition • Leakage or infringement of intellectual properties • Reduced performance of or internal control deficiencies of alliance partners • Building and maintenance management of information infrastructure and social infrastructure • Increase of large-scale cyber attacks • Changes in supply-demand balance in terms of raw materials procurement, others 	<ul style="list-style-type: none"> ○ DNP undertakes stable business activities with tens of thousands of corporate customers without partiality toward any specific industry or company. DNP must anticipate decreases in production volume, declines in unit prices and intensifying competition arising from such factors as economic fluctuations in Japan and overseas, sluggish personal consumption and changes in industry trends. As it undertakes its global business development, DNP also hedges risks through local manufacturing and foreign exchange forward contracts and other means. However, the Group's business performance could be affected by drastic changes in foreign exchange rates. 	<ul style="list-style-type: none"> ○ Regarding the creation of new products and services, DNP undertakes its business in anticipation of intensifying development competition, the shortening of product cycles and changes in market trends amid the diversifying needs of people and society. The DNP Group engages in strategic business and capital alliances and corporate acquisitions and its performance could be affected if it fails to achieve initially expected synergies due to a deterioration of the business environment. ○ In procuring raw materials and other items, the DNP Group promotes responsible procurement in accordance with the DNP Group CSR Procurement Guidelines while procuring from multiple suppliers in Japan and overseas as it works to ensure stable 	<p>volume and maintain optimal procurement prices. On the other hand, a worsening of the supply and demand balance, a deterioration of procurement conditions or sharp rises in purchase prices could affect DNP's business performance.</p> <ul style="list-style-type: none"> ○ With digital networks now spanning the globe, there are greater risks of software and hardware defects, cyber attacks, computer virus infections and leaks of important information. DNP regards information security and the protection of important information as one of its top management issues, implements various security measures and makes its utmost efforts to maintain and manage systems and data.
Social risks	<ul style="list-style-type: none"> • Compliance violations • Large-scale unauthorized use/leakage of data • Flaws in quality check items for products and services • Work environment issues • Workforce shortage caused by loss of personnel or difficulty in acquiring personnel • Social/political turmoil and increase of country risks, others 	<ul style="list-style-type: none"> ○ DNP faces a variety social, political and economic risks in undertaking its overseas business activities, mainly in Southeast Asia, Europe and the United States. The DNP Group's performance could be affected if its overseas business activities are impeded by the emergence of risks related to unexpected changes in various regulations and laws, country risk, difficulty in hiring and securing human resources and risks related to human rights and conflicts. ○ DNP endeavors to permeate and rigorously uphold corporate ethics throughout the Group. We strive to earn the trust of society and people not only by ensuring DNP's and our 	<p>employees' compliance with laws and regulations but also by always remaining fair and equitable and acting under high ethical standards. In March 2020, we established the DNP Group Human Rights Policy to strengthen and thoroughly execute our responsibility for respecting human rights.</p> <ul style="list-style-type: none"> ○ To fulfill its responsibility as a company that provides products and services to society, DNP makes efforts to ensure thoroughgoing safety and quality. Besides complying with the standards and laws required for products and services, DNP works to provide safety and quality that surpass the needs and expectations of companies and consumers. To further promote these efforts, DNP set up the 	<p>Quality Assurance and Product Safety Committee, stipulated groupwide rules and has established and operates a quality management system and a product safety management structure.</p> <ul style="list-style-type: none"> ○ DNP has established the DNP Group Safety and Health Charter and is promoting activities by all employees to foster a workplace culture in which safety takes precedence over everything else. The DNP Group Safety and Health Liaison Council overseas and leads relevant activities of the entire Group, while the Safety and Health Committee has been set up in each business division and Group company as part of efforts to increase the level of safety and health throughout the Group.
Environmental risks	<ul style="list-style-type: none"> • Natural disasters and infectious disease outbreaks • Tightening and easing of legal and other environmental regulations • Strengthening of measures to prevent global warming • Revisions to Japan's energy policy due to the depletion of natural resources • Drastic changes in energy prices • Promotion of a shift to a circular economy • Worsening of marine and land pollution and ensuring a sustainable global environment • Degradation of ecosystems and ensuring biodiversity, others 	<ul style="list-style-type: none"> ○ DNP continuously strives for coexistence between our business activities and the global environment and in March 2020 we formulated the DNP Group Environmental Vision 2050 to show our "ideal shape in 2050." We will undertake business activities with all employees being strongly aware of their relationship with the environment. ○ In response to natural disasters, DNP implements measures to protect against fires, earthquakes and flood damage at major facilities, promotes geographical dispersion of its production facilities and raw material suppliers and undertakes Business Continuity Management (BCM) to minimize production shutdowns and product supply disruptions. The DNP Group also uses various types of 	<p>insurance to transfer risk. Nevertheless, the Group's performance could be substantially affected in the event of severe storms or flooding caused by climate change, major earthquakes and other natural disasters or infectious diseases outbreaks and other events that significantly damage or lead to a decline in the functions of the social infrastructure.</p> <ul style="list-style-type: none"> ○ The worldwide COVID-19 epidemic persists and an enormous impact of various infectious diseases is expected in the future as well. In response, DNP will place the highest priority on assuring the health and safety of its employees based on the DNP Group Safety and Health Charter and will implement essential measures in line with policies of the national government and local governments and DNP's own response policies. 	<ul style="list-style-type: none"> ○ DNP benefits from the natural environment in numerous ways, including by the procurement of raw materials from forestry resources to make printing paper and other products and the use of water and energy in manufacturing processes, and is promoting a variety of initiatives for medium- and long-term growth together with society while ensuring environmental sustainability. When measuring corporate value and making investment decisions or when domestic and overseas legal regulations on climate change response and biodiversity conservation are tightened, DNP will anticipate changes such as the emphasis on ESG (environmental, social, governance) factors and will focus on activities that have an even better impact on the world.

TOPICS Business Continuity Management (BCM)

DNP is deploying measures aimed at building a strong corporate structure that enables quick restoration of business activities and business continuity even in the case of unforeseen circumstances. Besides the conventional initiatives of the Business Continuity Plan (BCP), DNP is implementing and strengthening Business Continuity Management (BCM) that covers its entire management and includes securing budgets and resources to realize the BCP; promoting precautionary measures and education and training; inspecting and evaluating plans; and making continuous improvements. On the basis of placing the highest priority on safety measures for people when a disaster strikes and raising disaster response and restoration capabilities, DNP is promoting BCM that correctly recognizes disaster risks and takes appropriate preventive measures on a routine basis.

For procurement, we continually strengthen initiatives, such as by implementing a questionnaire targeting approximately 300 of our suppliers. In the questionnaire for the fiscal year ended March 2019, we confirmed the status of multiple sourcing in preparation for contingencies such as earthquakes and fires. Subsequently, in response to the typhoon damage experienced in the fall of 2019, we are strengthening initiatives that refer to flood inundation maps and other tools.

For information systems, we established restoration priorities in our BCP guidelines and are duplicating highly important systems and implementing training in preparation for emergencies.

TOPICS Response to COVID-19

Immediately after the first infection of a person in Japan in January 2020, we established the Central Novel Corona Virus Control Headquarters, with the president serving as head, and quickly promoted various measures. In principle, DNP places top priority on the health and safety of employees and their families and adheres to the instructions of the government, related ministries and local governments. DNP implements measures to prevent the spread of infection with the aim of reducing the risk of infection and continuing business to maintain daily life in society.

Regarding our work system, we are promoting telecommuting in areas other than in manufacturing departments and utilizing web conference systems. In manufacturing departments, DNP is striving to prevent the spread of infection by adjusting shift cycles and promoting staggered working hours and the use of personal vehicles for commuting.

In addition, DNP donated stockpiled high-performance medical masks (N95 masks) as well as face shields manufactured by Group companies to multiple medical institutions. DNP also provides the DNP learning platform "Realtendant" (refer to page 16) free of charge that supports learning at home to educational venues where school closures and staggered school attendance continue. DNP also carries out various support activities. These include holding virtual exhibitions for enjoying art works in virtual space, making available free-of-charge learning content for *manga* production and making available VR exhibition space for company galleries.



Image of a person wearing a medical face shield manufactured by DNP Tamura Plastic Co., Ltd.



TOWARD SUSTAINABLE GROWTH

—DNP'S ESG INITIATIVES—

- 42 CSR Management
- 44 Initiatives for the Environment
- 46 Initiatives for Climate Change
- 50 Initiatives for Human Resources and Human Rights
- 52 Corporate Governance
- 59 Board of Directors, Statutory Auditors and Corporate Officers

CSR Management

DNP has set principal themes to be addressed as part of CSR management. In addition to identifying themes that we deem important and a priority based primarily on our management strategy and business fields, we also include themes that the international community views as critical, starting with the United Nations Global Compact Ten Principles and the Sustainable Development Goals (SDGs), and comprehensively analyze them.

	Principal themes	Medium- to long-term vision	Indicators prioritized in an effort to achieve medium- to long-term vision	Medium- to long-term targets	FY2019 results	
Value creation	Business to Contribute to SDGs Achievement	We create new value through products and services, which will contribute to the achievement of the SDGs, and help society grow in a sustainable manner.		(1) Sales of environmentally conscious products and services (DNP contributes to achieving the SDGs through all its business activities. DNP set the above as one of the clear indicators to monitor progress.)	(1) Achieve sales of 600 billion yen by FY2020.	(1) 624.2 billion yen
	Fair Operating Practices	We help to maintain and develop orderly, free and competitive markets based on laws and social ethics and by always remaining fair and equitable.		(1) Number of meetings of the Corporate Ethics Committee (2) Bases holding Autonomous Corporate Ethics Training	(1) Hold meeting once a month (12 times a year). (2) Achieve 100% (covering all applicable bases).	(1) Once a month (12 times) (2) 100% (107 bases)
Foundation to support value creation	Human Rights and Labor	We place human dignity first and foremost and respect diversity unique to all persons that includes their culture, nationality, race, ethnicity, language, religion, values, gender, age, gender identity, and sexual orientation or whether they have disabilities. We accordingly respect working styles suited to the diversity of our employees and make efforts to create a safe, healthy and vibrant working environment based on the assumption of acting with discipline.		(1) Ratio of women managers (2) Number of women in managerial positions and leadership positions (3) Ratio of employees with disabilities (4) Rate of annual paid leave taken (5) Frequency rate of lost workday injuries	(1) Achieve ratio of women managers (section manager or above) of 7% or more by the end of March 2022. (2) Double the number of women in managerial positions and leadership positions by the end of March 2022 compared with the number (430) in February 2016. (3) Achieve the ratio not lower than 2.2% (4) Achieve an increase over the previous fiscal year (52.4%). (5) Keep the rate not more than 0.2.	(1) 6.07% (2) 1.17 times the number (760) (3) 2.26% (4) 54.7% (5) 0.21
	Environment	DNP targets the realization of a decarbonized society, a recycling-oriented society and a society in harmony with nature by creating new value through Printing and Information (P&I) innovation designed to achieve the emergence of a sustainable society. (Refer to page 47)		➡ For details, see page 45, "Environmental Activity Targets and Results."		
	Responsible Procurement	For creating excellent value and cultivating strong compliance awareness at the same time, we work jointly with our supply chain stakeholders and conduct procurement that gives due consideration to human rights, the environment and more.		(1) Average score of DNP Group CSR Procurement Guidelines survey on key suppliers (2) Percentage of key suppliers that have obtained the conformance certificate of DNP Group Guidelines for Procurement of Paper for Printing and Converting	(1) Achieve the average score of 90 points by FY2030. (2) Achieve 100% by FY2030.	(1) 87 points in Japan (2) 92%
	Product Safety and Quality	We seek to gain the trust of society by prioritizing the safety and quality of our products and services as part of our responsibility as a company that supplies these to society.		(1) Number of serious accidents* caused by our products * Including cases where a defect in our products jeopardizes the user's life, causes serious bodily harm or inflicts serious damage on the user's property (other than the product itself) (2) Percentage of newly developed products undergoing product safety and risk assessment	(1) Achieve zero accidents. (2) Achieve 100%.	(1) Zero accidents (2) 100% (383 products)
	Information Security	We ensure the exceptional security of personal information and all other information assets through management and protection as part of the social responsibility of a company handling such information assets.		(1) Number of information security compliance assessments conducted (2) Number of inspections and instructions on divisions implementing priority measures for security of personal and other information security performed by executive officers in charge (3) Participation rate of information security education and training (4) Number of security vulnerability tests for publicly open websites	(1) Achieve 100% (covering all business units and Group companies) (2) Achieve 100% (covering all applicable divisions) (3) Achieve 100% (covering all business units and Group companies) (4) Achieve 100% (covering all applicable websites)	(1) 100% (84 units and companies) (2) 100% (71 times) (3) 100% (Approx. 41,000 persons) (4) 100% (397 systems tested)
	Corporate Citizenship	We contribute to society by resolving social issues, conducting volunteer activities and through cultural activities as we look to deepen our relationship with society as a good corporate citizen that coexists with society.		(1) Number of external participants for DNP's original future generations development programs (2) Number of local volunteer activities per year to support reconstruction of disaster-stricken regions, including Tohoku and Kumamoto	(1) Achieve an accumulated total of 7,500 persons from FY2015 to FY2019. (2) Constantly conduct the activity three times a year until FY2019.	(1) Accumulated total: 8,542 persons (2) Four times: twice in Tohoku, once in Kumamoto and once in Hiroshima (support for restoration of areas hit by torrential rains in July 2018)

Initiatives for the Environment

DNP has always believed in the importance of coexistence between our business activities and the natural environment to help realize a sustainable society, and we have set “Environmental conservation and the realization of a sustainable society” as one part of our Code of Conduct. We also formulated the DNP Group Environmental Policy to clarify our activities and are implementing environmental activities such as the reduction of environmental burden in consideration of the relationship between business activities and the environment in addition to compliance with environmental laws and regulations.

Formulation of the DNP Group Environmental Vision 2050

In March 2020, DNP formulated the DNP Group Environmental Vision 2050 and defined what we expect to accomplish toward the year 2050. We will continue to step up our efforts to create value with a view toward realizing a decarbonized, recycling-oriented, society in harmony with nature.

We also broadly identify economic, social and environmental issues, analyze their importance based on the potential impact on stakeholders and DNP, and then prioritize activities and define targets (for details, see pages 28-29).

In particular, as variable factors (risks) relating the environment, we are cognizant of the need to respond to climate change and create a recycling-oriented society. By proactively working on these changes, we will enhance the sustainability of our corporate activities. In addition, by promoting these activities internally and also throughout the value chain, we will strive to develop and provide products and services that help reduce the burdens placed on our environment.

	Response to risk	Maximizing opportunities	Efforts to address climate change and create a recycling-oriented society
Response to climate change	<ul style="list-style-type: none"> Reduction of greenhouse gas (GHG) emissions throughout supply chain Expanding usage of renewable energy BCP measures at production bases 	<ul style="list-style-type: none"> Development of environmentally conscious products and services Use of renewable energy Sustainable raw material procurement, etc. 	<ul style="list-style-type: none"> Environmental activities and results (refer to page 45) <ul style="list-style-type: none"> Climate-change initiatives at DNP business locations 2030 target: 25% cut in GHG emissions versus FY2015 → FY2019 result: 23.7% cut versus FY2015 Climate-change initiatives throughout supply chain International environmental non-profit CDP placed DNP on its Supplier Engagement Leaderboard in recognition of its initiatives.
Create recycling-oriented society	<ul style="list-style-type: none"> Reduction of waste material discharged Use of renewable resources 	<ul style="list-style-type: none"> Industry-government-academia alliances and technology development to enable recycling of plastic resources Establishment of platform for use of recycled resources, etc. 	<ul style="list-style-type: none"> Formulation of DNP Group Environmental Vision 2050 in March 2020 (refer to page 47) Promotion of project activities of Alliance for the Blue, a group for solving the problem of marine plastic waste (Press release on July 30, 2020) Realization of a sustainable society through business activities with a focus on environment-related business (refer to pages 20-21)

TOPICS Receiving the highest evaluation from the CDP in their Supplier Engagement Rating

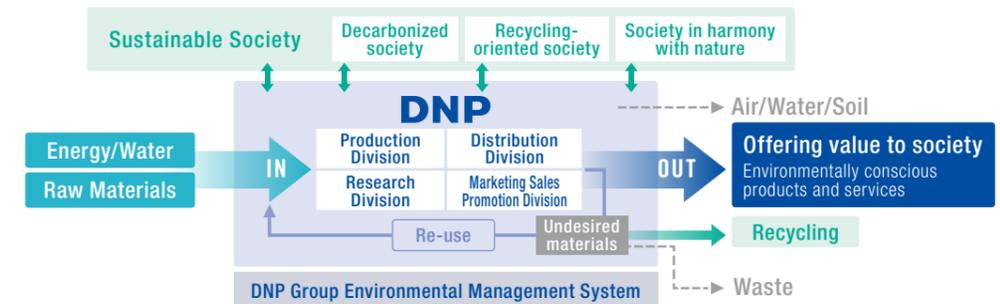
In the 2019 Supplier Engagement Rating, DNP received the highest evaluation the CDP grants, a position on the Supplier Engagement Leaderboard, in recognition of our effort to implement measures for climate change in overall supply chains and to reduce greenhouse gas emissions (GHG). The CDP (headquarters: London, UK) is an international non-profit organization that takes on environment-related issues including climate change. The rating reflects the results of surveys and evaluations conducted by CDP regarding the initiatives taken by each company throughout their supply chain to mitigate climate change and reduce GHG emissions. In 2019, the CDP selected 159 companies, approximately 3% of the more than 4,800 companies that it surveyed around the world.



Environmental Management Activities

DNP has established a CSR & Environmental Committee chaired by the director in charge of CSR and the environment as the structure presiding over the entire Group's environmental activities. The committee is comprised of directors and corporate officers in charge of each area at the Head Office.

In addition, Environmental committees have been set up in each business unit and Group company to promote environmental activities based on the decisions of the CSR & Environmental Committee and the attributes of the business domains.



Environmental Activity Targets and Results

Topic	Targets through FY2020	* Mid- and long-term GHG emissions reduction targets set	FY2019 Results	Evaluation
Development and sales of environmentally conscious products and services	Development and sales of environmentally conscious products and services totaling 600 billion yen		Sales of 570.8 billion yen in FY2015 Sales of 624.2 billion yen in FY2019	9.4% increase from FY2015 ◎
Reduction of GHG emissions	Reduction of 25% in GHG emissions by FY2030 relative to FY2015 levels Aiming to achieve effective net-zero greenhouse gas (GHG) emissions by 2050		Emissions in FY2015: 1.201 million tons Emissions in FY2019: 0.916 million tons	23.7% decrease from FY2015 ◎
Reduction of environmental impact incurred during transport	To reduce per-unit fuel use for transport (fuel use/amount of sales) by 1% per annum and 10% compared with FY2010		Per unit in FY2010: 16.1 kl/billion yen Per unit in FY2019: 12.8 kl/billion yen	20.7% decrease from FY2010 ◎
Reduction of Volatile Organic Compounds (VOC) emissions	To reduce emissions of VOCs (except for methane) by 35% compared with FY2010 Overseas, based on local laws and regulations, we plan to reduce atmospheric emissions of VOCs to the greatest extent possible through the introduction of technologies and other measures.		Emissions in FY2010: 6,729 tons Emissions in FY2019: 3,742 tons Continue operation of VOC recovery equipment at DNP Indonesia's Karawang Plant	45.3% decrease from FY2010 ○
Reduction of industrial waste	To reduce per-unit waste emissions (waste emissions/amount of sales) by 20% compared with FY2010 (includes overseas locations) To maintain zero emissions for the entire DNP Group		Per unit in FY2010: 42.4 tons/billion yen Per unit in FY2019: 36.3 tons/billion yen Landfill waste rate in FY2015: 0.06% Landfill waste rate in FY2019: 0.06%	14% decrease from FY2010 Maintained zero emissions ○
Reduction of water usage	To reduce per-unit water use by 25% compared with FY2010 (includes overseas locations)		Per unit in FY2010: 10.8 m³/million yen Per unit in FY2019: 6.1 m³/million yen	44% decrease from FY2010 ◎
Environmental conservation	To keep the maximum concentration of air emissions subject to emissions regulations at 70% of the required standard or less To keep the maximum concentration of water emissions subject to wastewater regulations at 70% of the required standard or less To keep the maximum concentration of odors at our site perimeters at 70% of the required standard or less To keep the maximum level of noise at our site perimeters at 70% of the required standard or less To keep the maximum level of vibration at our site perimeters at 70% of the required standard or less		95% achievement rate of targets for FY2019 (voluntary target) 98% achievement rate of targets for FY2019 (voluntary target) 100% achievement rate of targets for FY2019 (voluntary target) 98% achievement rate of targets for FY2019 (voluntary target) 100% achievement rate of targets for FY2019 (voluntary target)	○ ○ ○ ○ ○
Office environment	To increase the rate of the fractional recovery of waste paper to 70% of that for general waste		84.2% recovery of waste paper in FY2019	○

Evaluation criteria ◎: Target exceeded by a wide margin ○: Target achieved or making steady progress toward target
△: Making active efforts but target not achieved ×: Efforts insufficient

TOPICS GHG emissions reduction target of the DNP Group recognized by the Science Based Targets (SBT) initiative

DNP acquired approval from the international Science Based Targets (SBT) initiative in July 2018, recognizing the aforementioned GHG emissions reduction target as “science-based” in helping to achieve the goal of the Paris Agreement, which is to keep global warming below 2 degrees Celsius. Going forward, DNP will continue to augment its GHG emissions reduction activities by saving energy and introducing energy-saving facilities. Dai Nippon Printing commits to reduce Scope 1 and 2 GHG emissions 25% by FY2030 from a FY2015 base-year. The company also commits to engage with key suppliers representing 90% of purchase value to ensure these will have SBTs in place by FY2025.



Initiatives for Climate Change

The effect of climate change has been becoming increasingly serious every year, causing a large impact on the economy, society and the environment. The international community has been stepping up its efforts to build a low-carbon or decarbonized society, and this has attached greater importance to the roles companies should fulfill.

By striving to resolve various environmental and other social issues, DNP intends to make people's daily lives sustainable, safe and secure, while at the same time creating value that is unique to DNP and meets people's expectations. We place particular emphasis on responding to climate change as an important management challenge and will proactively engage in dialogue with stakeholders by disclosing information (from here to page 49) on our relevant efforts through the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

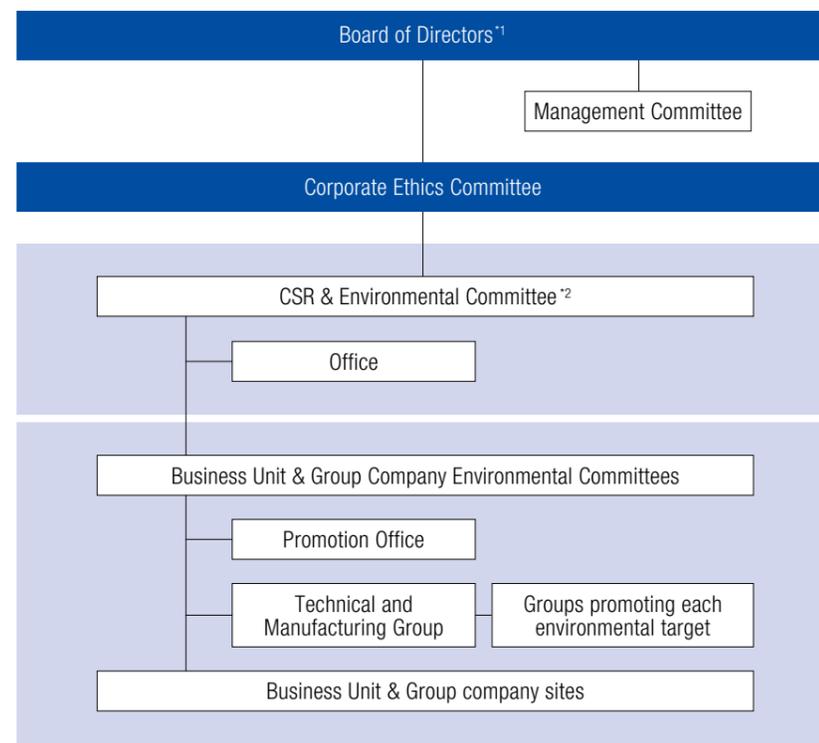
(1) Governance Structure

DNP positions its response to climate change as a key management challenge. The Corporate Ethics Committee overseeing internal control of divisions within the head office and the CSR & Environmental Committee handling matters related to sustainability are responsible for DNP's response to climate change.

The CSR & Environmental Committee, which is chaired by a director in charge of environmental issues, consists of directors and corporate officers with assigned duties at the Head Office. The Committee, which meets twice a year, discusses and decides overall policies, objectives and plans

regarding group-wide sustainability, while also monitoring the progress of the plans and the status of the achievement of those objectives. The Board of Directors discusses and makes decisions on the important matters discussed by the Committee along with management policies, management strategies and other important issues.

The Board of Directors deliberated the facts resulting in the March 2020 formulation of the DNP Group Environmental Vision 2050 that defined the things we expect to accomplish toward the year 2050.



Roles of each organization

*1 Deliberate and decide on important matters related to our response to climate change

*2 Assess climate change-related risks and opportunities, deliberate and decide on basic policies, targets and plans and oversee the progress

(2) Risk Management

DNP is in the process of facilitating integrated risk management initiatives to minimize the negative impact of social issues and variable factors (risks). (For details, see pages 38-39.)

The CSR & Environmental Committee identifies climate change-related risks based on our short- and medium-term business plans and from the perspectives of the interests of stakeholders, degree of impact of climate change on business and probability of the occurrence of such an impact. Risk assessment and management are performed at least more than once a year to prioritize activities and define targets.

Each environmental committee of its business units and Group companies carries out activities after establishing activity goals and plans that reflect the characteristics of different business fields under the guidance of the CSR & Environmental Committee. The CSR & Environmental Committee checks the progress in activities on a quarterly basis. It also gathers information on the achievement of goals on a DNP Group-wide basis and report the progress in activities to the management team twice a year, while also providing feedback to each business unit and Group company.

(3) Strategy

Climate change-related risks and opportunities include those related to the shift toward building a decarbonized society, such as the establishment of an international framework following the effectuation of the Paris Agreement, enforcement of more stringent legal regulations on GHG emissions and growing demand for and market interest in low-carbon technologies, and those related to physical effects resulting from rising temperatures. As an effort to identify risks caused by climate change and examine

strategies to prepare for long-term risks, DNP performs scenario analysis to assess the financial impact and duration during which we will be exposed to the impact.

In conducting the analysis, we referred to the Representative Concentration Pathway scenario (RCP 8.5) in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) and the Stated Policies Scenario and the Sustainable Development Scenario in the World Energy Outlook (WEO) from the International Energy Agency (IEA).

IPPC RCP scenarios	IEA WEO scenarios	
Future scenarios of the representative concentration pathway shown in the Fifth Assessment Report (announced in 2014). Its RCP 8.5 scenario, which assumes the sharpest temperature rise, projects a 2.6°C - 4.8°C increase in temperatures by 2100.	Stated Policies Scenario The central position of IEA WEO is based on the assumption that all of the currently announced policies will be implemented. Looking ahead to 2040, it expects that demand for primary energy resources will continue to grow and most of the increases will be accommodated through solar power generation	Sustainable Development Scenario Scenario for fully achieving sustainable energy goals. It projects that most of the increase in demand will be met using solar photovoltaic and wind power generation.

TOPICS DNP Group Environmental Vision 2050 (Formulated March 2020)

DNP targets the realization of a decarbonized society, a recycling-oriented society and a society in harmony with nature by creating new value through Printing and Information (P&I) innovation designed to achieve the emergence of a sustainable society.

A Decarbonized Society through Climate Change Mitigation and Adaptation

- We aim to achieve effective net-zero greenhouse gas (GHG) emissions from business activities at our own sites.
- We will contribute to create a decarbonized society through our products and services.

A Recycling-Oriented Society through the Efficient use of Resources

- We will provide maximum value through the efficient use and recycling of resources throughout the value chain.

A Society in Harmony with Nature via the Conservation of Biodiversity

- We aim to minimize the impact on biodiversity throughout the entire value chain and achieve harmony with regional ecosystems.

SDGs to which our initiatives correspond



(4) Main Risks and Opportunities Associated with Climate Change

		Risks assessed	Affected period	Degree of financial impact	Response
Risks	Migration	Policies, laws and regulations More stringent regulations on GHG emissions and increased carbon tax <ul style="list-style-type: none"> Increased operation cost due to the enforcement of additional measures aimed at reducing emissions and the introduction of renewable energy, among other factors Decreased sales due to an increased carbon tax into product prices among other factors 	Medium to long term	Large	<ul style="list-style-type: none"> Reduction of GHG emissions in line with the long-term environmental vision and expanding usage of renewable energy Facilitation of business structure reform programs Monitoring of trends in government policies such as carbon tax initiatives, etc.
		Technology Replacement or change of existing facilities by or to low emission equipment <ul style="list-style-type: none"> Increased capital spending due to the upgrading of production machines and different types of utility equipment Increased cost mainly due to a earlier-than-expected sale and depreciation of existing assets 	Medium term	Medium	<ul style="list-style-type: none"> Systematic facility upgrading and investment Reduction of GHG emissions in line with the long-term environmental vision Facilitation of business structure reform programs
		Technology Capital investment in the development of low emission technologies <ul style="list-style-type: none"> Development of new, innovative technologies and increased M&A-related investment expenses for the reduction of GHG emissions Loss of markets due to a delay in the development and take-up of low emission technologies 	Medium term	Medium	<ul style="list-style-type: none"> Setting target business areas and concentrated investment plan Improvement of capital efficiency and establishment of stable financial bases Monitoring of markets and technology trends
		Market Change in demand for products and services due to a shift in consumer preferences <ul style="list-style-type: none"> Market change such as increased demand for low carbon and environmentally conscious products and services Lower corporate evaluations and credibility, and exclusion from the market due to the absence of consideration for low carbon initiatives and the environment 	Medium term	Medium	<ul style="list-style-type: none"> Setting target business areas and concentrated investment plan Improvement of capital efficiency and establishment of stable financial bases Monitoring of markets and technology trends
		Evaluation Decreased capital stock due to stakeholders' negative views <ul style="list-style-type: none"> Increased negative views among stakeholders and lower corporate evaluations and credibility due to an insufficient recognition of climate change-related risks, increased GHG emissions from DNP, delayed action on emissions reduction, etc. Decreased capital stock due to exclusion from investment targets 	Medium term	Medium	<ul style="list-style-type: none"> Proper management of GHG emissions. Reduction of GHG emissions and expanding usage of renewable energy in line with the long-term environmental vision Monitoring of market trends
	Physical	Urgency Increased storm, flood and other disasters due to abnormal weather conditions <ul style="list-style-type: none"> Decreased production output and sales due to the suspension of operations at DNP's own production facilities and the disruption of logistics and supply chains Efforts to ensure the safety of employees in the case of disasters 	Short term	Medium	<ul style="list-style-type: none"> Implementation of measures addressing disaster-related risks at production facilities Strengthening production backup system at multiple facilities Strengthening compensation and support programs for employees
Opportunities	Migration	Development of products and services and expansion of their sales Next-generation mobility society <ul style="list-style-type: none"> Increased demand for DNP's mobility-conscious components and battery pouches for lithium-ion batteries as a result of the popularization of electric vehicles that feature reduced GHG emissions Business expansion by leveraging DNP's information security technologies with a view toward ensuring the safety of autonomous driving vehicles 	Medium to long term	Large	<ul style="list-style-type: none"> Setting target business areas and concentrated investment plan Improvement of capital efficiency and establishment of stable financial bases
		Development of products and services and expansion of their sales Increase demand for low-carbon products and renewable energy <ul style="list-style-type: none"> Increased demand for DNP's photovoltaic module components as a result of growth in demand for low-carbon products and renewable energy in supply chains Expanded business operation for highly functional films such as boxes for transportation that enable cold chain logistics without using electricity, which contributes to low-carbon technology 	Medium term	Medium	<ul style="list-style-type: none"> Setting target business areas and concentrated investment plan Improvement of capital efficiency and establishment of stable financial bases
		Development of products and services and expansion of their sales Containers and packaging that are both environmentally conscious and convenient <ul style="list-style-type: none"> Increased demand for DNP's environmentally conscious and convenient containers and packaging due to the enhanced awareness of environmental issues among consumers Expansion of recycling-related businesses through collaboration with diverse stakeholders 	Medium term	Medium	<ul style="list-style-type: none"> Setting target business areas and concentrated investment plan Improvement of capital efficiency and establishment of stable financial bases Expansion of markets through collaboration with partners and promotion of efforts to facilitate the establishment of recycling schemes

Short term: 0-5 years, medium term: 5-10 years, long term: 10-30 years

(5) Scenario Analysis Results

Based on the scenario analysis results, DNP recognizes that, toward building a decarbonized society, more stringent regulations on GHG emissions and an increased carbon tax are likely and that a rise in operational costs is expected. The demand and market for low-carbon products and services, on the other hand, will grow further, pushing up the need for accelerated technology development and mergers and acquisitions (M&A). To address such changes, DNP is working on the creation of business opportunities by combining P&I's strengths and its own, and deepening its collaboration with external partners.

The building of a decarbonized society is one goal of the DNP Group Environmental Vision 2050, DNP's long-term environmental vision. In order to achieve effective net-zero GHG emissions from business activities at our own sites, we are undertaking systematic reduction activities and promoting the introduction of renewable energy.

Our Medium-term Management Plan identifies "Environment and Energy" as one of the growth areas and

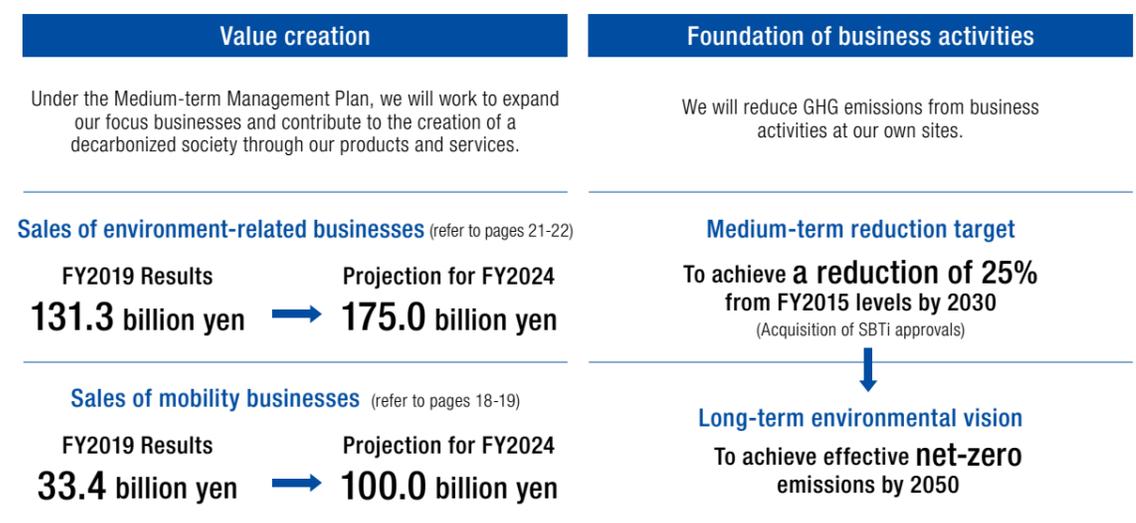
specifies environment-related, mobility and other businesses as our focus businesses based on two factors, namely profitability and market growth potential. We expect future business expansion for low-carbon products, such as those related to renewable energy and battery pouches for lithium-ion batteries, and for security solutions for automated driving. Moreover, DNP has been increasing the lineup of containers and packaging that are both environmentally conscious and convenient and joining collaborative efforts of the entire supply chain to establish a recycling system and develop new recycling technologies. We are also channeling management resources and promoting strategic investment plans for reinforcing our management foundation that underpins value creation in these focus businesses.

Additionally, in dealing with the impact of short-term physical risks, we have set up a business continuity management structure and have been reinforcing response to disasters caused by climate change and enhancing supply chain management.

(6) Targets and Indicators

DNP has defined the following targets for maximizing opportunities and minimizing risks resulting from climate change. To minimize risk, we have monitored Scope 1 - 3 GHG emissions across the DNP Group, and are in the process of formulating strategies based on the collected data. Regarding the GHG emissions resulting from the business

activities undertaken at DNP's own facilities (Scope 1 and 2), we are moving forward with reduction activities to meet the mid-term targets set for the period up to 2030. For Scope 3, we are conducting a survey on the status of the GHG emissions control that is exercised by our suppliers.



Note: The above plan does not currently factor in the impact of COVID-19. DNP will review the plan as appropriate.

Initiatives for Human Resources and Human Rights

At DNP, we place human dignity first and foremost and respect the diversity unique to all individuals, including their culture, nationality, race, ethnicity, language, religion, values, gender, age, gender identity, their sexual orientation, and any disabilities they may have. We also leverage this diversity to create new value and work to create a safe, healthy and vibrant working environment.

Initiatives for Human Resources

Reform of Personnel Systems

At DNP, in view of the rapid changes that are occurring across society, we are designing and rebuilding personnel systems to develop and utilize our diverse human resources toward medium- and long-term value creation. In April 2019, we mainly focused on the revision of our systems for young employees and our human resources with diverse careers that they have worked to develop inside or outside of DNP. We also revised systems to permit certain side jobs and dual employment, among other initiatives.

In the fiscal year ended March 31, 2021 onward, we will continue to rebuild a broad range of personnel-related systems. Efforts will be made to facilitate a reform of our organizational culture, respond to the concept of equal pay for equal work, enhance systems concerning promotion and the nurturing of ICT personnel and support work styles of senior employees.

〈Key features of our personnel-related systems reform in FY2020 onward〉

- 1. Revising award systems to accelerate a reform of our organizational culture**
 - Introduction of a value-based award system
 - Granting safety and health awards
- 2. Response to the concept of equal pay for equal work**
- 3. Reform of our promotion system for ICT personnel, and creation of new value by leveraging ICT**
- 4. Rebuilding systems related to retirement and retirement benefits**
 - Introduction of a flexible retirement system up to the age of 65
 - Partial introduction of a defined contribution pension scheme

Diversity & Inclusion

DNP has been promoting the active role of women since the early 2000s, and with the establishment of the Diversity Promotion Department in June 2018, stepped up its efforts to create value by leveraging diversity.

In the fiscal year ended March 31, 2020, our focus was placed on matching and synergizing diverse strengths by

expanding the scope of our activities from promoting women's active engagement to supporting more active roles of diverse human resources, including employees with disabilities, LGBT+ employees, employees of different nationalities and senior employees.

Enhancing the menu of diversity training

In addition to the Diversity Course and Normalization Education Training, which are designed to foster an understanding of value creation underpinned by diversity, we conduct, among others, training to nurture mentors who will be providing consultation and advice, next-generation female leaders training aiming for more active engagement of women and training to nurture diversity promotion leaders in the workplace.

Efforts related to LGBT+

We launched activities to foster an organizational culture that has an understanding of LGBT+ and leverages diversity. We are examining inclusion-conscious measures, such as not requiring applicants to enter gender on job application forms and revising various related systems. In order to disseminate DNP's approach in this area both to employees and outside parties, we will also sponsor various events and participate in social activities supporting LGBT+.



E-learning textbook of the Diversity Course



Efforts for promoting employment of persons with disabilities (acquisition of special subsidiary company certification)

With the aim of providing opportunities of active participation for employees with disabilities based on their individual strengths and further promoting employment of diverse human resources, we established DNP Business Partners Co., Ltd. in February 2019 and acquired special subsidiary company certification from the Minister of Health, Labour and Welfare under the Act on Employment Promotion etc. of Persons with Disabilities in October of the same year.



DNP Business Partners employees sorting internal mail

Initiatives for Embodying the DNP Group Safety and Health Charter

In seeking to cultivate a workplace culture in which safety takes precedence over everything else, we are undertaking Company-wide activities to put the DNP Group Safety and Health Charter into practice. While facilitating TAIWA with all employees, we have set a specific target to improve the workplace culture of manufacturing departments. To achieve this target, we have organized a Manufacturing Safety Promotion Project in each manufacturing site and started the Tsuki-ichi Kyoiku Activity (an activity to set aside an hour each month for TAIWA and education).



Meeting to examine how the sharing of information among workplaces impacts safety and health

Initiatives for Human Rights

Formulation of the DNP Group Human Rights Policy

In the international community, human rights have recently been recognized as a key issue having equal significance as the environment, and efforts are being made to resolve human rights challenges with the United Nations playing a leading role.

With a view to further reinforcing human rights management, we formulated the DNP Group Human Rights Policy in March 2020. This policy aims to protect the internationally recognized human rights as stated in the UN International Bill of Human Rights and International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and shows our commitment to carrying out corporate activities in conformance with the UN Global Compact and UN Guiding Principles on Business and Human Rights.

〈 DNP Group Human Rights Policy 〉

- | | |
|------------------------------------|------------------------------------|
| 1. Basic Principles and Position | 5. Remedies |
| 2. Scope | 6. Education and Training |
| 3. Compliance with Applicable Laws | 7. Communication with Stakeholders |
| 4. Human Rights Due Diligence | 8. Disclosure |

In addition to all employees within the DNP Group, we also make sure, through the DNP Group CSR Procurement Guidelines, that our suppliers and business subcontractors implement and promote relevant initiatives.

Human Rights Risk Assessment for Overseas Group Companies

In accordance with the DNP Group Human Rights Policy, we have conducted a survey and evaluation of nine Group companies* doing business in Southeast Asia, Europe and the United States by using the Human Rights Compliance Assessment Quick Check of The Danish Institute for Human Rights. The results showed no major problems requiring

immediate action. We will continue to make efforts to prevent and mitigate related risks through such means as holding interviews with stakeholders.

* Survey subjects
DNP Indonesia, DNP Vietnam Co., Ltd., Tien Wah Press Ltd., DNP Imagingcomm Asia Sdn. Bhd., DNP Imagingcomm America Corporation, Foto Fantasy, Inc., DNP Photomask Europe S.p.A., DNP Denmark A/S, DNP Imagingcomm Europe B.V.

Corporate Governance

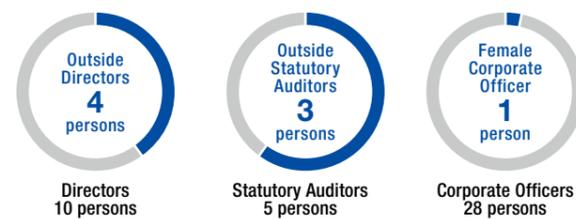
DNP regards enhancement of corporate governance as a top management priority in order to contribute to sustainable development of society, increase enterprise value and win the trust of our various stakeholders. The Company endeavors to establish and operate systems that enable proper managerial decision-making, prompt and appropriate business execution based on these decisions, and supervision and auditing of processes of the proper managerial decision-making and prompt and appropriate business execution.

The Specific Initiatives for Enhancement of Corporate Governance

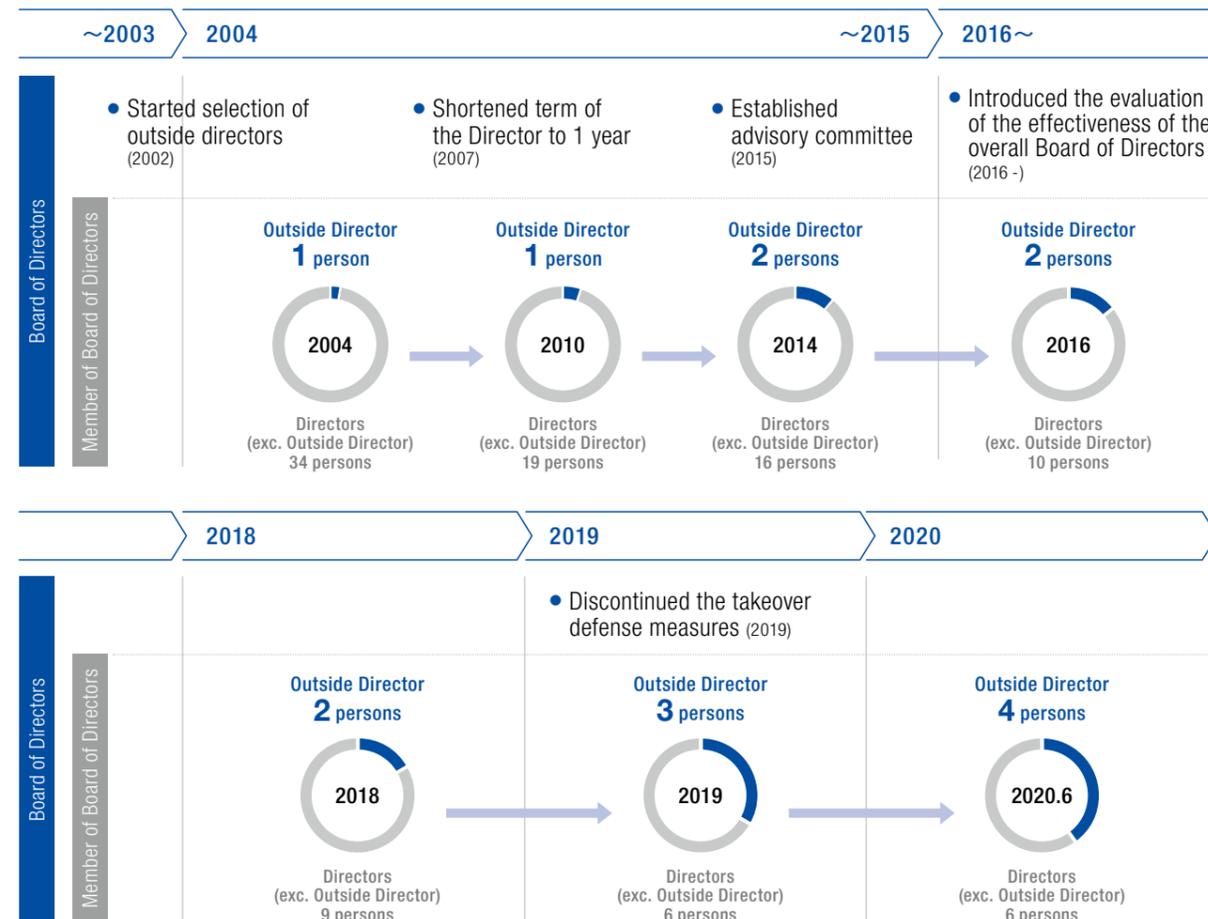
Increase in the Number of Outside Directors

To further enhance the transparency and supervisory function, the Company at the General Meeting of Shareholders on June 2020 approved to propose the increase of the number of outside directors from three (3) to four (4) at this General Meeting of Shareholders.

Members of Directors and Statutory Auditors (As of June 26, 2020)



Transition in Corporate Governance



Dialogue with Outside Directors

A meeting of independent outside directors was convened on July 7, 2020. During this meeting, the participants exchanged the following opinions about future initiatives based on the results of an evaluation of the effectiveness of the Board of Directors that was implemented in the previous fiscal year.

Nomura: With the addition of our new outside director, Mr. Sasajima, the Company's Board members now consist of a total of eight inside and seven outside directors and statutory auditors. To convene the Company's Board of Directors even more efficiently in the future while assuring its effectiveness, I believe a key issue is how we will balance the composition of board members to enhance management oversight functions.

Sasajima: I just recently assumed my position and thus have only attended meetings of the Board of Directors on two occasions. Even so, I feel that initiatives to improve matters for which outside directors received relatively low scores in the results of the evaluation of effectiveness in the previous year will help solve issues facing the Board of Directors and eventually enable them to respond to the demands of society.

Tsukada: In the analysis of the evaluation of effectiveness, I regard the actual differential between the scores of outside directors and those of internal directors as a natural consequence of the broad-ranging composition of the Board of Directors, which consists of diverse directors with differing values. In the future, I believe it will probably be desirable to continue taking creative approaches in carrying out the functions of the Board of Directors to realize decision-making that responds quickly to changes in society while further reducing the information gap between internal and outside directors.

Matsuura: Although cited as one issue in the evaluation of effectiveness, I believe the understanding of outside directors will be strengthened by reporting on individual proposals in conjunction with company-wide policies such as our Group governance and financial strategy. On the other hand, inside the Company thoroughgoing discussions from a company-wide perspective are

already undertaken in advance by the time proposed resolutions are actually presented. With this in mind, I believe we have room for further creative methods in the ways we provide information to outside directors so that they can further execute supervisory functions in decision-making at the Board of Directors.

Tomizawa: At the Company's Board of Directors meetings, as the persons responsible for individual business execution, corporate officers mainly report on proposed resolutions and board members discuss these. However, from the standpoint of outside directors, an information gap develops between them and directors who have already been involved in extensive discussions internally. I believe this gap will further shrink through more creative methods of presentations by corporate officers.

Miyajima: Outside directors receive explanations of proposed resolutions at the Board of Directors meetings in advance from the Secretariat of the Board of Directors. Therefore, I believe there is still room for the corporate officers who make the reports to understand the opinions of outside directors expressed at briefing sessions and then streamline and report on the main points at the Board of Directors meetings.

Morigayama: Due to the impact of COVID-19, shareholders cooperated and refrained as much as possible from attending this year's General Meeting of Shareholders. To enhance the understanding of the state and details of dialogues with shareholders and to deepen discussions, I believe it would be beneficial if we could be provided with more detailed explanations at the Board of Directors meetings and other occasions about opinions received at the Company's individual dialogues and IR meetings with shareholders and investors.

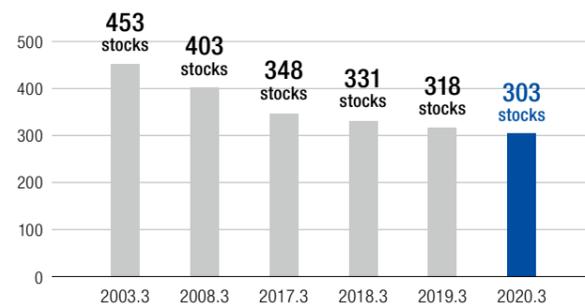
Tsukada: This dialogue serves as an informative and useful means for effectively utilizing the timeframe of limited meetings of the Board of Directors by examining how reporting by corporate officers at the Board of Directors can deepen the understanding of all board members on the same level. This will also probably be a good initiative from the perspective of developing human resources who will support the DNP Group in the future.

From right
 Outside Director Tadao Tsukada
 Outside Director Tsukasa Miyajima
 Outside Director Ryuichi Tomizawa
 Outside Director Kazuyuki Sasajima
 Outside Statutory Auditor Kuniaki Nomura
 Outside Statutory Auditor Makoto Matsuura
 Outside Standing Statutory Auditor Kazuhisa Morigayama

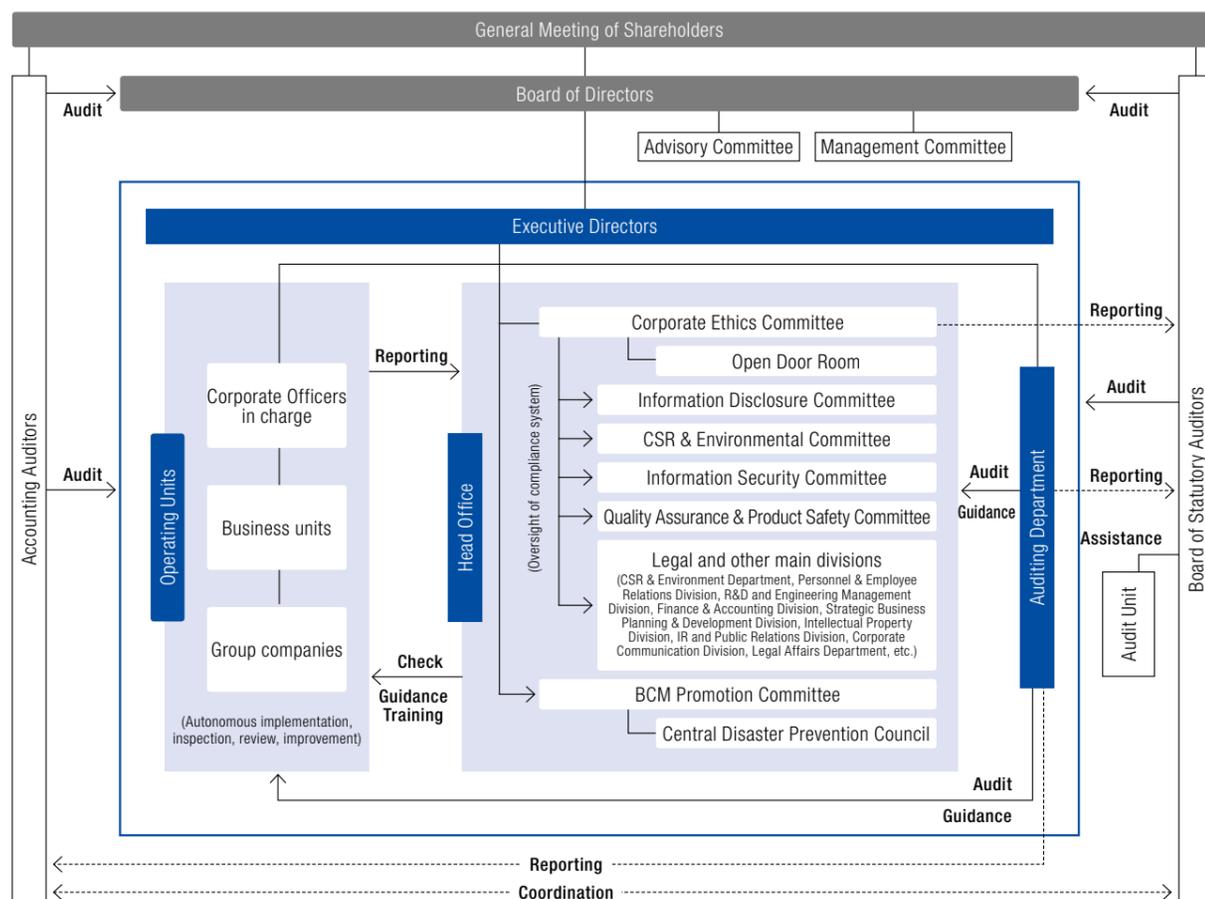


Strategic Shareholding Shares

DNP examines strategic shareholdings, based on business status between the Company and each company issuing such shares, trends in operating performance of such company, etc., and regularly verifies the significance and purpose of such shareholdings. Therefore, the Company sold part of its strategic shareholding shares in the fiscal year ended March 31, 2020 and enhanced asset efficiency.



Corporate Governance Structure



Compensation Paid to Directors and Statutory Auditors

(1) Matters concerning policies regarding the amounts and calculation methods for determining compensation for directors and statutory auditors

Compensation for directors is calculated within the compensation amount limit approved at the General Meeting of Shareholders. The date for resolution of compensation for directors at the General Meeting of Shareholders was June 29, 2016 and the resolution prescribes that "Compensation for directors shall be within an annual amount of 1.4 billion yen (compensation for outside directors shall be within an annual amount of 80 million yen)," with 12 directors receiving compensation in accordance with this prescribed resolution.

Executive directors' compensation consists of fixed compensation and performance-based compensation. Fixed compensation is basically based on position and is determined taking into consideration such factors as job duties handled and responsibilities. Performance-based compensation is primarily determined taking into consideration consolidated business results for the fiscal year and the degree of contribution.

Additionally, to ensure this remuneration system is truly linked to medium- to long-term corporate growth and to shareholder value improvement, a portion of fixed remuneration for executive directors is contributed to the Company's directors' shareholding association every month for the purchase of treasury stock and these shares shall be held for the duration of the term of office.

Regarding outside directors, from the perspective of maintaining their independence, no performance-based compensation shall be provided and only fixed compensation shall be provided.

In determining directors' compensation, the Advisory Committee with membership consisting of outside directors (two outside directors and one outside auditor) with independence shall be convened. This shall then be reviewed and discussed by the Management Committee

based on the advice and suggestions of the Advisory Committee and is subsequently deliberated and decided on by the Board of Directors.

The Board of Directors possesses the authority to determine policies regarding the amount of compensation for DNP's directors and the calculation method and the content of this authority and scope of discretion for deliberating on and determining fixed compensation and performance-based compensation. Moreover, the Board of Directors can entrust the President with determining the amount of compensation for each director.

The indicators for performance-based compensation are consolidated operating income, net income attributable to parent company shareholders and return on equity (ROE). These indicators were selected because it clearly reflects consolidated business results for the fiscal year in performance-based compensation.

The targets for the indicators for performance-based compensation in the fiscal year were 51.0 billion yen for consolidated operating income, 65.0 billion yen for net income attributable to parent company shareholders and 6.6% for ROE, and the actual results were 56.2 billion yen, 69.4 billion yen and 7.3%, respectively.

The date for resolution of compensation for statutory auditors at the General Meeting of Shareholders was June 28, 2007 and the resolution prescribes that "Compensation for statutory auditors shall be within an annual amount of 180 million yen," with five statutory auditors receiving compensation in accordance with this prescribed resolution.

Compensation for statutory auditors is calculated within the compensation amount limit approved at the General Meeting of Shareholders and compensation for statutory auditors is determined based on discussions by the statutory auditors.

(2) Total compensation paid by category of director/statutory auditor, total compensation by type and the number of directors and statutory auditors covered

Category of director/statutory auditor	Total compensation (¥ million)	Total compensation by type (¥ million)		Number of directors and statutory auditors covered
		Fixed compensation	Performance-based compensation	
Directors (excluding outside directors)	858	689	169	9
Statutory auditors (excluding outside auditors)	59	59	-	3
Outside directors and auditors	131	131	-	7

Notes:
 1. Amounts of performance-based compensation are provisions for bonuses for directors and statutory auditors for the fiscal year ended March 31, 2020.
 2. There were six internal directors, two internal statutory auditors and six outside directors as of the end of the fiscal year ended March 31, 2020.

(3) Company directors and total compensation

Name	Total compensation (¥ million)	Director type	Company	Total compensation by type (¥ million)	
				Fixed compensation	Performance-based compensation
Yoshitoshi Kitajima	354	Director	Dai Nippon Printing Co., Ltd.	294	60
Yoshinari Kitajima	186	Director	Dai Nippon Printing Co., Ltd.	151	35

Notes:
 1. Total compensation is shown only for those with compensation of at least 100 million yen.
 2. Amounts of performance-based compensation are the amounts expected to be paid as bonuses for the fiscal year ended March 31, 2020.

Compensation Paid to Accounting Auditors

(1) Compensation paid to accounting auditors

Category	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
	Compensation for audit certification (¥ million)	Compensation for other services (¥ million)	Compensation for audit certification (¥ million)	Compensation for other services (¥ million)
Dai Nippon Printing Co., Ltd.	96	–	122	3
Consolidated subsidiaries	126	–	130	–
Total	222	–	252	3

(2) Compensation paid to individual member firms affiliated with the same network, to which auditors belong

(excluding the compensation paid to KRESTON International (1))

None

(3) Other material compensation details

None

(4) Details of services other than auditing work provided by the accounting auditor to the submitting company

Services including comfort letter creation regarding issuance of corporate bonds

(5) Determination of compensation for audit services

DNP's compensation for auditing services is determined

based on a variety of factors, including the number of expected days for the audit and the company size.

(6) Reason Board of Statutory Auditors consented to compensation for the accounting auditor

The Company's Board of Statutory Auditors considers such areas as details of the accounting auditor's audit plan, the state of job execution in the previous fiscal year, and the calculation basis of estimates of compensation by obtaining necessary materials from and listening to reports from directors, relevant internal departments and accounting auditors. As a result, the Board of Statutory Auditors consented with the amount of compensation for the accounting auditor submitted by the Company.

Stockholdings

(1) Basis of classification of investment securities and rationale

The Company does not possess investment securities for pure investment purposes aimed at obtaining profits through fluctuations in stock prices or by receiving dividends. The investment stocks acquired by the Company are for the purpose of strengthening relationships with customers in implementing sales strategies and strengthening collaborative relationships with partners for the co-development of new technologies and new products and these are classified as stocks held for reasons other than for pure investment purposes.

(2) Stocks held for reasons other than for pure investment purposes

1. Stockholding policy, method for validating rationale for stockholdings and details of validation at Board of Directors concerning the propriety of individual stockholdings

The Company specifically closely examines individual stocks based on trends in the status of business transactions with the company issuing the stock, trends in business results of that company, the Company's own business conditions and medium- to long-term economic rationality and future prospects, and the Company periodically verifies the significance and purpose of holding a stock. As a result, the Company sells stocks it determines have diminished significance. In the fiscal year ended March 31, 2020, the number of individual stocks held by the Company decreased by 20 stocks as listed on the right.

2. Number of stocks and amounts recorded on balance sheets

	Number of companies (Stocks)	Total amounts recorded on balance sheets (¥ million)
Non-listed stocks	112	12,436
Stocks other than non-listed stocks	191	223,517

(Stocks for which number of shares increased in the fiscal year ended March 31, 2020)

	Number of companies (Stocks)	Total amount of acquisition cost pertaining to the increase in number of shares (¥ million)	Reason for increase in number of shares
Non-listed stocks	3	195	For strengthening our business alliance
Stocks other than non-listed stocks	11	20	For enhancing our business relationship

(Stocks for which the number of shares decreased in the fiscal year ended March 31, 2020)

	Number of companies (Stocks)	Total amount of sale value pertaining to the decrease in number of shares (¥ million)
Non-listed stocks	5	62
Stocks other than non-listed stocks	15	55,613

3. Holding category, company name, number of shares, amount recorded on the balance sheet and holding purpose of stocks held for reasons other than for pure investment purposes

Stocks held for reasons other than pure investment purposes

Company name	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Company's ownership of DNP shares (Y/N)	Holding purpose, quantitative effect of ownership and the reason for increase of number of shares
	Number of shares	Number of shares		
Recruit Holdings Co., Ltd.	Amount recorded on balance sheet (¥ million)	Amount recorded on balance sheet (¥ million)	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company. We sold a part of the company's shares in the fiscal year ended March 31, 2020.
	40,100,000	58,100,000		
The Dai-ichi Life Insurance Co., Ltd.	112,119	183,654	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	6,606,600	6,606,600		
Ezaki Glico Co., Ltd.	8,558	10,160	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,617,062	1,616,286		
Lion Corporation	7,341	9,406	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	3,140,665	3,140,665		
Taisho Pharmaceutical Holdings Co., Ltd.	7,264	7,317	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	692,700	692,700		
Meiji Holdings Co., Ltd.	4,599	7,307	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	564,400	564,400		
Toyo Suisan Kaisha, Ltd.	4,334	5,073	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	794,980	794,980		
Aica Kogyo Co., Ltd.	4,149	3,350	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,293,743	1,293,743		
FUJIFILM Holdings Corporation	4,004	4,773	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	685,965	685,965		
Mizuho Financial Group, Inc.	3,730	3,453	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	27,134,319	27,134,319		
Kobayashi Pharmaceutical Co., Ltd.	3,353	4,648	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	317,645	316,915		
YAKULT HONSHA CO., LTD..	3,176	2,959	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	350,500	350,500		
Dexerials Corporation	2,239	2,712	N	We hold the company's shares aiming to strengthen our business alliance. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	3,125,000	3,125,000		
Hakuhodo DY Holdings Inc.	2,181	2,293	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,720,000	1,720,000		
Gakken Holdings Co., Ltd.	1,874	3,058	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	236,875	236,875		
MORINAGA & CO., LTD.	1,749	1,217	N	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	393,000	393,000		
Asahi Group Holdings, Ltd.	1,737	1,888	N	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	480,029	480,029		
Kikkoman Corporation	1,684	2,366	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	350,940	350,940		
AI inside Inc.	1,616	1,905	N	We hold the company's shares aiming to strengthen our business alliance. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	100,000	–		
Sapporo Holdings Limited	1,610	–	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	759,277	759,277		
	1,513	1,835		

Board of Directors, Statutory Auditors and Corporate Officers

(As of June 26, 2020)



Kenji Miya

Yoshinari Kitajima

Yoshitoshi Kitajima

Masahiko Wada

Chairman

Yoshitoshi Kitajima

DirectorTadao Tsukada*¹**Senior Executive
Corporate Officers**

Sakae Hikita

Masato Yamaguchi

Motoharu Kitajima

Ryuji Minemura

Morihiro Muramoto

Mitsuru Tsuchiya

Kazuhiko Sugita

Masafumi Kuroyanagi

Yoshiki Numano

Osamu Nakamura

Toru Miyake

Mitsuru Iida

Standing Statutory Auditor

Naoki Hoshino

Standing Statutory Auditor

Toshio Sano

Standing Statutory AuditorKazuhiya Morigayama*²**Statutory Auditor**Makoto Matsuura*²**Statutory Auditor**Kuniaki Nomura*²**Senior
Corporate Officers**

Toshiki Sugimoto

Naohiko Sugimoto

Kiyotaka Nakagawa

Daiji Suzuki

Nobuyuki Asaba

Mitsuru Tsuchiya

Masafumi Kuroyanagi

Yoshiki Numano

Osamu Nakamura

Toru Miyake

Mitsuru Iida

**Corporate
Officers**

Ryota Chiba

Souichiro Nishitani

Kazuhiya Kobayashi

Minako Miyama

Takahito Kanazawa

Go Miyazaki

Naohiro Nishizawa

Kazuo Murakami

Hiroyuki Matsumura

Takuya Goto

Minoru Nakanishi

Company name	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Company's ownership of DNP shares (Y/N)	Holding purpose, quantitative effect of ownership and the reason for increase of number of shares
	Number of shares Amount recorded on balance sheet (¥ million)	Number of shares Amount recorded on balance sheet (¥ million)		
S&B FOODS INC.	344,400	344,400	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,413	1,434		
YAMATO HOLDINGS CO., LTD.	830,300	830,300	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,409	2,373		
Ajinomoto Co., Inc.	630,931	630,931	N	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,268	1,116		
Unicharm Corporation	290,700	290,700	N	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,177	1,064		
Mitsubishi Chemical Holdings Corporation	1,799,790	1,799,790	Y	We hold the company's shares aiming to strengthen our business alliance. While the quantitative effect of ownership is not stated, we have verified significance and purpose of shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,156	1,402		
Hulic Co., Ltd.	1,040,000	1,040,000	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,141	1,129		
HOUSE FOODS GROUP INC.	309,297	309,297	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,090	1,376		
Oji Holdings Corporation	1,840,800	1,840,800	Y	We hold the company's shares aiming to strengthen our business alliance. While the quantitative effect of ownership is not stated, we have verified significance and purpose of shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	1,065	1,264		
TAKARA HOLDINGS INC.	1,200,000	1,200,000	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	972	1,570		
Mitsubishi UFJ Financial Group, Inc.	2,399,760	2,399,760	Y	We hold the company's shares aiming to enhance our business relationship. While the quantitative effect of ownership is not stated, we have verified the significance and purpose of our shareholding through close investigation of the transaction status and the prospects of businesses with the company.
	967	1,319		

Notes:

1. Stocks held for reasons other than pure investment purposes and stocks held in trust with voting rights are not added together when selecting stocks with the largest amounts as recorded in the balance sheet.
2. The quantitative effect of ownership is not stated because of matters concerning business agreements with the business partner. In terms of the rationality of the holding, we have periodically verified the significance and purpose of shareholding through close investigation of the transaction status with the company, financial results of the company, business status of DNP, the medium- to long-term economical rationality and the prospects.
3. In the company's ownership of DNP shares, in case that the company is a holding company, the holding status of the parent company and its major subsidiaries is stated.
4. Gakken Holdings Co., Ltd. split its ordinary shares four-to-one on April 1, 2020.
5. Among stocks held for reasons other than pure investment purposes, the 30 stocks with the largest amounts as recorded in the balance sheet are listed.

Stocks held in trust or other legal entity while retaining voting rights or voting instruction rights

Company name	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Company's ownership of DNP shares (Y/N)	Holding purpose, quantitative effect of ownership and the reason for increase of number of shares
	Number of shares Amount recorded on balance sheet (¥ million)	Number of shares Amount recorded on balance sheet (¥ million)		
Terumo Corporation	7,722,000	7,722,000	Y	We hold voting instruction rights for shares in retirement benefit trusts.
	28,725	26,100		
TV Asahi Holdings Corporation	4,030,000	4,030,000	N	We hold voting instruction rights for shares in retirement benefit trusts.
	6,576	7,826		
Astellas Pharma Inc.	2,284,000	2,284,000	N	We hold voting instruction rights for shares in retirement benefit trusts.
	3,816	3,788		
Japan Tobacco Inc.	1,000,000	1,000,000	N	We hold voting instruction rights for shares in retirement benefit trusts.
	1,996	2,745		
TAKARA HOLDINGS INC.	500,000	500,000	Y	We hold voting instruction rights for shares in retirement benefit trusts.
	405	654		

Notes:

1. Stocks held for reasons other than pure investment purposes and stocks held in trust with voting rights are not added together when selecting stocks with the largest amounts as recorded in the balance sheet.
2. In the company's ownership of DNP shares, in case that the company is a holding company, the holding status of the parent company and its major subsidiaries is stated.

(3) Stocks held for pure investment purposes None

* 1 Outside directors
* 2 Outside statutory auditors

BUSINESS RESULTS

(FINANCIAL AND NON-FINANCIAL INFORMATION)

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109	Independent Auditor's Report

Summary of Financial Results

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	2020	2019	2018	U.S. dollars in thousands except per share amounts	Change 2020 / 2019
Statements of Operations (¥ million)					
				(\$ thousand)	
Net sales	¥ 1,401,894	¥ 1,401,506	¥ 1,412,252	\$ 12,861,413	0.0 %
Operating income	56,274	49,898	46,372	516,275	12.8 %
Ordinary income	63,786	58,259	50,971	585,193	9.5 %
Income (loss) before income taxes	102,719	(18,685)	45,396	942,376	—
Net income (loss) attributable to parent company shareholders	69,498	(35,669)	27,501	637,596	—
Balance Sheets (¥ million)					
				(\$ thousand)	
Total net assets	¥ 968,575	¥ 1,046,622	¥ 1,102,551	\$ 8,886,009	-7.5 %
Interest-bearing debt	211,646	166,350	170,105	1,941,706	27.2 %
Stockholders' equity	915,779	996,162	1,053,600	8,401,642	-8.1 %
Total assets	1,721,724	1,775,023	1,794,764	15,795,633	-3.0 %
Cash Flow Statements (¥ million)					
				(\$ thousand)	
Cash flows from operating activities	¥ 93,937	¥ 68,972	¥ 48,457	\$ 861,807	36.2 %
Cash flows from investing activities	191,057	(146,909)	23,074	1,752,817	—
Cash flows from financing activities	(41,281)	(32,197)	(42,771)	(378,724)	—
Free cash flow*1	284,994	(77,937)	71,531	2,614,624	—
Per Share Data (¥)*2, 3					
				(\$)	
Net income (loss) - primary	¥ 235.18	¥ (118.22)	¥ 90.77	\$ 2.16	—
Net assets	3,260.38	3,300.52	3,493.79	29.91	-1.2 %
Cash dividend	64	64	48	0.59	—
As a Percentage of Net Sales (%)					
Operating income	4.01	3.56	3.28	4.01	0.45
EBITDA margin	11.32	3.03	7.70	11.32	8.29
Net income (loss)	4.96	(2.54)	1.95	4.96	7.50
Financial Ratios					
ROE (%)	7.27	(3.48)	2.63	7.27	10.75
ROA (%)	3.97	(2.00)	1.55	3.97	5.97
Equity ratio (%)	53.19	56.12	58.70	53.19	-2.93
Valuations (against share price on March 31)					
PER (times)	9.78	(22.39)	24.22	9.78	—
PBR (times)	0.71	0.80	0.63	0.71	—
EV/EBITDA (times)	2.94	16.07	5.30	2.94	—
PCFR (times)	5.21	34.12	7.48	5.21	—
Dividend yield (%)	2.78	2.42	2.18	2.78	0.36
Returns to Shareholders					
				(\$ thousand)	
Values of shares repurchased (¥ million)	¥ 60,013	¥ —	¥ 14,998	\$ 550,578	—
Dividend payout ratio (%)	27.21	—	70.50	27.21	—
Total return ratio (%)	113.1	—	124.8	113.1	—
Others					
Long-term credit rating (R&I)	AA-	AA-	AA-	AA-	—
Foreign ownership (%)	24.14	24.85	24.58	24.14	-0.71

U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥109 = U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2020.

*1. Free cash flow = net cash from operating activities + net cash from investing activities

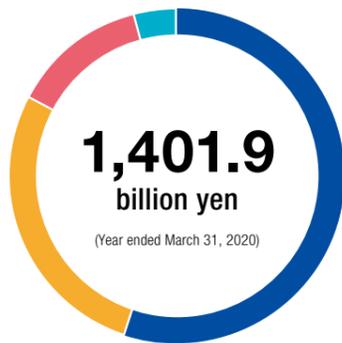
*2. DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, DNP has estimated net income per share and diluted net income per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

*3. Cash dividends per share of ¥48.00 for the fiscal year through March 2018 is the combined total of interim cash dividends per share of ¥16.00 and year-end cash dividends per share of ¥32.00.

DNP's Business Portfolio

DNP has two main businesses: Printing, which contributes about 96% of consolidated net sales, and Beverages, which generates about 4% of the Group's sales through Hokkaido Coca-Cola Bottling Co., Ltd. DNP aims to continue expanding its businesses and increasing its corporate value by striving to solve problems faced by corporate clients, consumers and society.

Net Sales



Printing

Information Communication
55.0% **773.1** billion yen

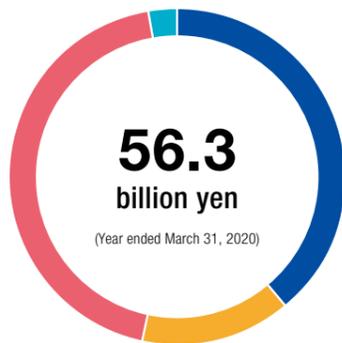
Lifestyle and Industrial Supplies
27.8% **391.4** billion yen

Electronics
13.3% **186.6** billion yen

Beverages

Beverages
3.9% **55.3** billion yen

Operating Income



Printing

Information Communication
39.1% **30.4** billion yen

Lifestyle and Industrial Supplies
14.4% **11.1** billion yen

Electronics
43.9% **34.1** billion yen

Beverages

Beverages
2.6% **2.0** billion yen

The Three Segments of DNP's Printing Business



Publishing Business

Facilitating access to books and broadening the reading experience

Information Innovation Business: Marketing

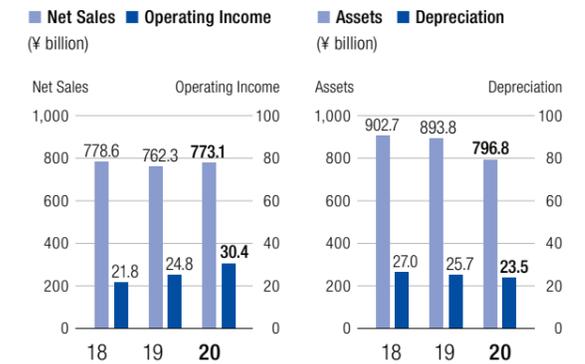
In order to bring new value to consumers and corporations

Information Innovation Business: Information Security

Using security technologies to enable safe and secure communication

Imaging Communication Business

Adding value to all aspects of imaging, and adding color to people's lives



Packaging Business

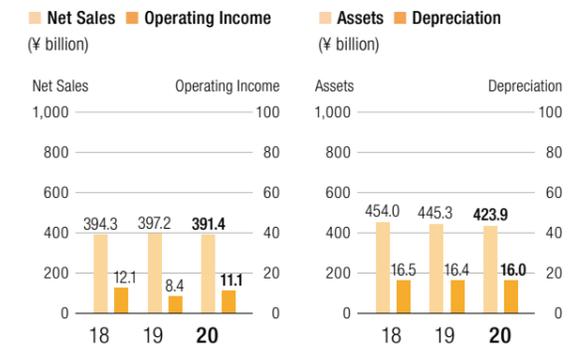
Wrapping safely, providing easy-to-use packages with minimal stress on the environment

Living Spaces Business

Adding comfort to the various spaces where people spend time

Industrial High-performance Materials Business

Adding essential value to various companies' products and services

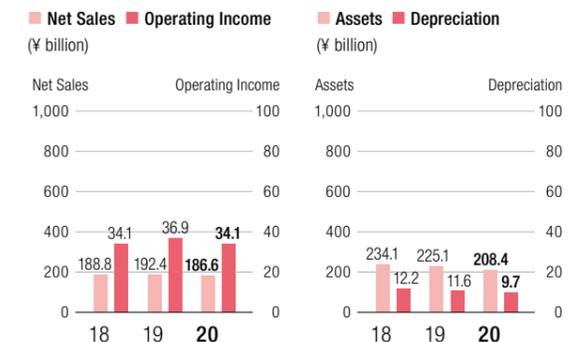


Display Components Business

Freely shaping displays to suit individuals and society

Electronic Devices Business

Creating next-generation electronic devices through ingenuity at the nano level

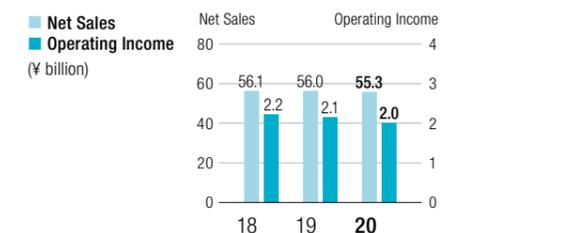


Beverages



Beverages Business

Refreshing and thirst quenching, fun and always there for you



Our Products and Services

Information Communication

Publishing Business

- **Publishing & Media Services**
 - 1 Books and magazines
 - 2 Hybrid bookstore network "honto"
- **Publications Distribution**
 - 3 Maruzen & Junkudo Bookstore in Shibuya (Tokyo)

Information Innovation Business

- **Marketing**
 - 4 Flyers and catalogs
 - 5 LINE flyer
- **BPO (Business Process Outsourcing)**
 - 6 BPO
- **Information Security**
 - 7 Solar-powered outdoor LCD digital signage / universally designed touch screen multilingual signage Activation™
 - 8 Virtual reality
 - 9 Business forms
 - 10 Smart cards and magnetic cards
 - 11 Identity verification service
 - 12 Transparent hologram ribbon

Imaging Communication Business

- 13 Dye-sublimation thermal transfer printing media and thermal mass transfer printing media
- 14 Dye-sublimation photo printer
- 15 Self-service photo printing systems



Lifestyle & Industrial Supplies

Packaging Business

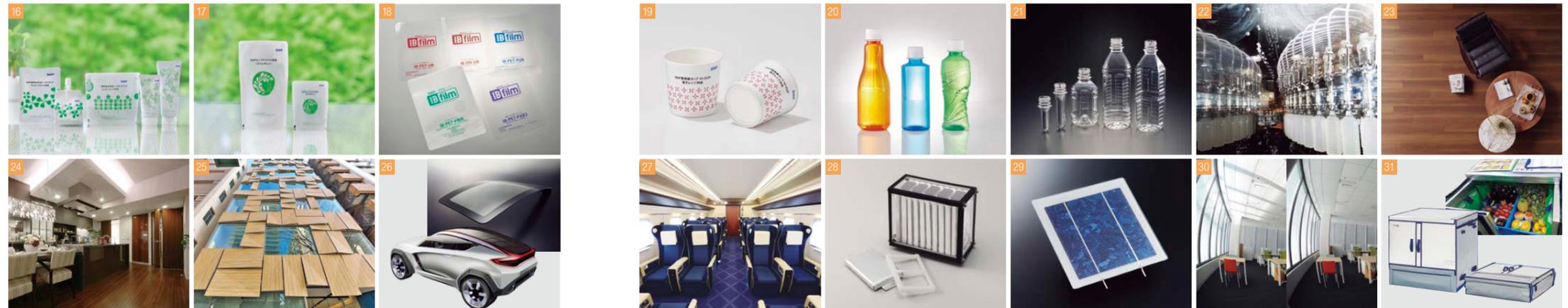
- 16 Plant-based packaging materials
- 17 Mono-material packaging materials
- 18 Transparent vapor deposition film "IB-Film"
- 19 Insulated paper cup "HI-CUP"
- 20 Functional film complex PET bottle "COMPLEX BOTTLE"
- 21 PET plastic bottles
- 22 Aseptic filling systems for PET plastic bottles

Living Spaces Business

- 23 Olefin-based sheets for flooring
- 24 Residential interior materials (floor coverings)
- 25 Exterior materials for buildings
- 26 Curved resin glazing
- 27 Interior coverings for railway cars (Hokuriku Shinkansen)

Industrial High-performance Materials Business

- 28 Lithium-ion battery components
- 29 Photovoltaic module components
- 30 Lighting film (left: with film, the room brighter)
- 31 Multifunctional insulation box



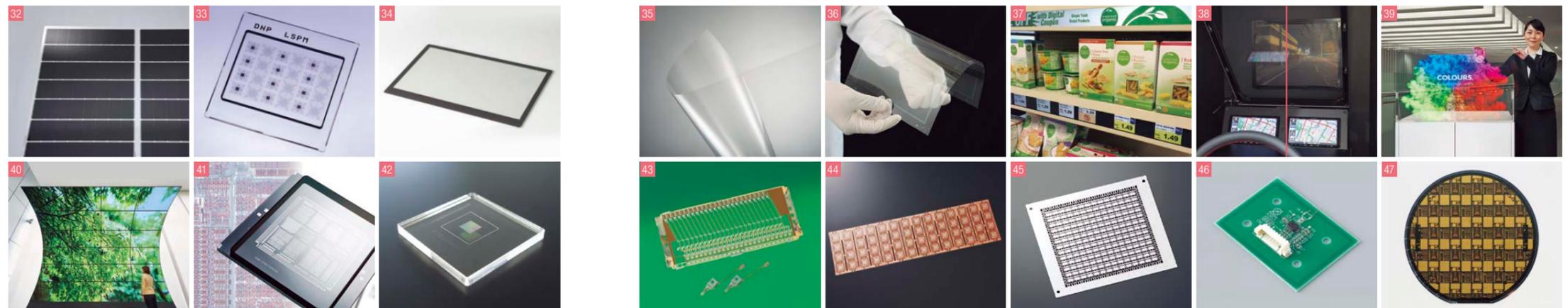
Electronics

Display Components Business

- 32 Color filter for liquid crystal display
- 33 Large-scale photomask
- 34 Touch panel sensor
- 35 Optical films used for displays
- 36 Electrode film for capacitive touch panels
- 37 Digital shelves
- 38 Viewing angle control film for in-vehicle displays (right: with film, no background reflection)
- 39 Transparent screen
- 40 Large scale curved OLED display-driven digital signage

Electronic Devices Business

- 41 Semiconductor photomask
- 42 Master template for nanoimprinting
- 43 Hard disk drive suspension
- 44 Lead frame for compact semiconductor package
- 45 Metal substrate for LED light
- 46 NFC (near field communication) module
- 47 MEMS (micro electro mechanical systems) products



Business Strategies and Financial Highlights



Information Communication

Undertake “digital transformation” to provide new experience value to companies and consumers alike

Business Strategies

As information networks expand around the globe and various types of information terminals become commonly available, communication services have continued to evolve. Furthermore, telecommuting and online shopping have gained speed as part of measures to prevent the spread of the novel coronavirus, and the search continues for a new normal in educational ICT and online medical examinations among other fields, so consumer values and lifestyles are changing dramatically. For many years, DNP has refined the strengths of P&I (Printing and Information) and has developed products and services that combine the advantages of both digital and analog technology, reality and virtual reality. DNP adapted early to the digitization of information, and even in the midst of recent rapid changes, we are working with a multitude of partners to provide new value that will lead to inspiring experiences and better convenience for consumers.

The Information Communication segment consists of the Publishing Business responsible for publishing media and publishing logistics, Information Innovation Business responsible for marketing and information security and Imaging Communication Business that creates “products and experience” including photo prints. In addition to focusing on the promotion of digital marketing and the spread of cashless payment businesses, this segment accelerates BPO (Business Process Outsourcing) in which DNP handles the business of a growing number of companies that must respond to labor shortages and work style reforms. In order to further increase profits, this division will also promote structural reforms such as rebuilding our manufacturing system in Japan.

Main Initiatives

1. Create value primarily in growth areas

• Create new value in our publishing business

We will enhance the business of our “honto” hybrid bookstore network that links an e-commerce website where customers can buy e-books and paper books with the brick-and-mortar stores operated by MaruzenJunkudo Bookstores Co., Ltd., thereby striving to expand the publishing content-related market, while also contributing to the development of a publishing culture that supports people's knowledge.

• Promote hybrid marketing

We will develop our marketing methods through digital transformation and solve marketing issues faced by companies by providing new experience value through the hybridization of our myriad strengths in digital and analog, face-to-face and non-face-to-face, real and virtual.

• Support diversified cashless settlements

We will support settlement methods such as credit, debit and prepaid, as well as develop and operate mobile wallet services that allow settlement with smartphones. In addition to developing apps and manufacturing cards, we will contribute to the growth of a cashless society by providing various settlement services.

• Promote imaging communication business that raises experience value

We provide services related to high-quality photo prints and image data through platforms such as our ID photo printing machine “Ki-Re-i” networked in Japan and our “Imaging Mall” cloud-based image sales solution. In addition, we will expand various services both in Japan and abroad that enhance the experience value of photography at theme parks and events.

2. Provide value optimized to each country and region

We will expand “Manga Planet,” which provides flat-rate unlimited access to English editions of popular Japanese manga online. In the field of smart cards, we will work with our business/capital alliance partners among major card manufacturers in Vietnam and Indonesia to make our business more competitive with a focus on Southeast Asia. In Imaging Communication, we will further enhance our overseas manufacturing, sales and service systems, and expand not only photo-related products for emerging countries, but also for all aspects of imaging.

3. Increase value using all available restructuring approaches

We will enhance our marketing that uses data from brick-and-mortar bookstores where we have direct contact with consumers and make structural reforms for more flexible production of books through to logistics, distribution and sales. In addition, we will optimize our manufacturing system as demand for paper media shrinks. In our BPO business, we will strive to improve productivity and quality by introducing AI (artificial intelligence), RPA* and digital workflow, and promote operational efficiency by linking production bases in Japan and abroad.

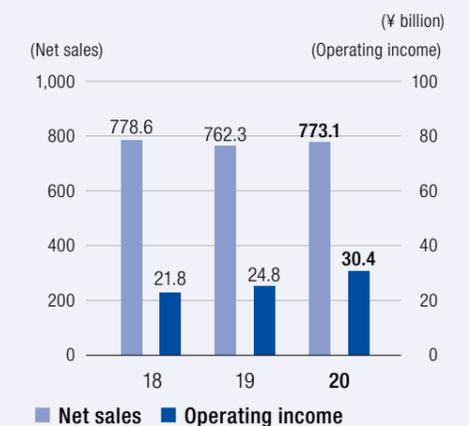
* RPA (Robotic Process Automation): Initiatives to automate business processes using AI controlled robots (software)

Financial Highlights

Net Sales	Operating Income
+1.4%	+22.4%

(¥ billion)

	2018.3	2019.3	2020.3
Net sales	¥ 778.6	¥ 762.3	¥ 773.1
Operating income	¥ 21.8	¥ 24.8	¥ 30.4
Operating income margin	2.8 %	3.3 %	3.9 %



[Net Sales]

Although sales have decreased in paper media such as magazines, books, leaflets and catalogs, sales have steadily increased in smart cards and payment service-related businesses, which have seen increased demand due to the transition to a cashless society, as well as for the BPO business. As a result, sales increased 1.4% year on year, or 10,769 million yen.

[Operating Income]

We worked to increase profitability by improving our business portfolio, we also benefited from cost structure reform done by reviewing the production system, resulting in an increase of 22.4% year on year, or 5,573 million yen. As such, our operating income margin increased 0.6 percentage point year on year, from 3.3% to 3.9%.

Business Strategies and Financial Highlights



Lifestyle & Industrial Supplies

Creating high-performance products and services that are environmentally friendly and tailored to the needs of people and society

Business Strategies

The Lifestyle and Industrial Supplies segment consists of businesses in three fields: Packaging, Living Spaces and Industrial High-performance Materials. This segment mainly provides familiar products and services that people take for granted, as well as products and services deeply related to the manufacturing process of companies, both in Japan and overseas. Our Packaging business is striving to improve the functionality and stable supply of packaging for foods, beverages, household items and pharmaceuticals. Our Living Spaces business mainly handles a wide range of products and services that make various spaces functional and comfortable. This includes materials for residential use, commercial facilities, medical institutes and nursing facilities, as well as interior and exterior furnishings for automobiles and railway cars. The Industrial High-performance Materials business provides components used in lithium-ion rechargeable batteries and photovoltaic cells, as well as highly functional films that contribute to solving environmental problems and other social issues, with a grasp of social changes including the arrival of 5G.

DNP aims to improve the functions of these products and services, and also strives to realize a stable supply by building a strong supply chain. In addition, we are working on “universal design” that is easily usable by many people and “inclusive design” that incorporates perspectives of a diverse range of people from the design stage. We are also focused on providing value critical to safer, more secure and more comfortable living. Furthermore, in order to realize a sustainable society, we will build a development and manufacturing system that takes into consideration energy optimization and zero emissions, and strive to reduce our environmental load and protect biodiversity throughout the product/service life cycle.

Main Initiatives

1. Create value primarily in growth areas

- Strive to be environmentally conscious and realize a recycling-oriented society

Provide value in the form of “resource circulation,” “reducing CO₂” and “conservation of the natural environment” aimed at realizing a recycling-oriented society, strengthen the development of eco-friendly packaging, and expand sales of plant-based packaging materials. In addition, as demand for clean energy grows, we will provide products and services that reduce our environmental burden, such as back sheets and encapsulants for solar cells with excellent power generation efficiency.

- Provide new value that are comfortable and easy to use for many different people

We will respect diversity factors, including age, gender, language and disabilities as individuality. Strive to do “inclusive design,” an evaluation method that brings a diverse range of people to participate and incorporates those people’s perspectives from the initial stages of product and service development. In addition, we will quantify and analyze trends among people in order to search for needs even consumers are not aware of, and promote spatial design based on sensitivity engineering. We will also provide value such as advanced design and functionality, through advanced image processing technology and *monozukuri* (manufacturing).

- Products and services for a next-generation mobility society

We will contribute to realizing a next-generation mobility society through our products and services. These include battery pouches for lithium-ion batteries, which have growing demand for use in electric vehicles, as well as decorative films/panels for interior-use that have excellent design and functionality and curved resin glazing that offers a high degree of freedom in spatial design and aids in weight reduction of the vehicle body. It also includes sheet-type coils for wireless power supplies that can charge without contact and DNP’s “New Adhesive Film” that strongly adheres different materials, such as resin and metal.

2. Provide value optimized to each country and region

Our Packaging business is utilizing our production bases in Indonesia and Vietnam to expand sales including neighboring countries such as Thailand and Myanmar, and we are expanding our market share for global companies with the aim of solving social issues in Southeast Asia. Our Living Spaces business is utilizing our global sales network to expand our market share in Europe, the United States and emerging countries for metal panels and interior and exterior materials for automobiles with excellent design. Our Industrial High-performance Materials business will accelerate business development in the global market for battery pouches for lithium-ion batteries, photovoltaic module components and industrial barrier films used for displays.

3. Increase value using all available restructuring approaches

We will review the DNP Group’s business portfolio from the standpoint of value and improve production productivity and profitability. In particular, we will improve profitability by reviewing low-profit products and shifting more toward high-value-added products. As for our overseas business, we will respond more flexibly to risks such as fluctuations in exchange rates and raw materials prices in order to minimize the impact on business results.

Financial Highlights

Net Sales	Operating Income
-1.5%	+33.0%

(¥ billion)

	2018.3	2019.3	2020.3
Net sales	¥ 394.3	¥ 397.2	¥ 391.4
Operating income	¥ 12.1	¥ 8.4	¥ 11.1
Operating income margin	3.1%	2.1%	2.8%

(¥ billion)



■ Net sales ■ Operating income

[Net Sales]

There was an increase in sales of aseptic filling systems for PET plastic bottles, battery pouches for lithium-ion rechargeable batteries in vehicles and photovoltaic module components. Meanwhile, there was a decline in sales of paper and film packaging products as well as interior and exterior materials for housing. Overall, sales decreased 1.5% year on year, or 5,812 million yen.

[Operating Income]

Due to the expansion of our Industrial High-performance Materials business, as well as the results of structural reforms in the entire segment, and a decline in raw material prices of petrochemical products such as films, operating income increased 33.0% year on year, or 2,766 million yen. Our operating income margin increased 0.7 percentage point, year on year, from 2.1% to 2.8%.



Business Strategies and Financial Highlights



Electronics

Develop and provide key components for devices that realize advanced integration of the real and the digital

Business Strategies

The launch of the 5th generation communication standard (5G) service is expected to realize ultra-high-speed, low-latency, multi-connection communications, as well as advance the use of IoT and AI, and help popularize products and services that further enrich people's lives. With the integration of the real and digital, exemplified by wearable "smart glasses" that allow users to enjoy VR (virtual reality) and AR (augmented reality), as well as smartphones that allow users to watch high-definition videos on a large foldable display, it has been predicted that demand will rise for various devices that can provide an immersive experience regardless of location or time.

The Electronics segment has developed display related products and electronic device businesses both in Japan and abroad, and will anticipate the changing needs of corporations and people, and provide new products and services with superior functionality aiming to stay one step ahead.

In doing so, we will refine and combine core technologies owned by DNP including micromachining and coating, as well as focus on collaboration with business partners and partner companies that have specialized strengths in order to accelerate commercialization process from the development stage. We will also actively develop alliances with other companies, such as through technology grants. We will strive to increase profitability and continue working on the selection and concentration of product lineups, increasing efficiency and thoroughly reducing costs.

Main Initiatives

1. Create value primarily in growth areas

• Develop and provide new products that raise the added value of 5G compatible communication terminals

DNP has developed the "vapor chamber," a heat-dissipating component that suppresses overheating of 5G compatible equipment, while still realizing a thickness of 0.25 mm, which is about 30% thinner than conventional products. We have also developed "Transparent Antenna Film," a product that receives radio waves by forming an invisible thin metal wire on transparent film, then attaching it to the interior displays, walls, windows, ceilings and glass of the car body. We will also work to develop and provide new products like these, and create value in the form of miniaturization and higher functionality of information terminals for 5G/6G communication environments.

• Strengthen development of products for OLED displays

In anticipation of growing demand for small and medium-sized OLED displays for smartphones and tablet devices, we will increase production capacity for metal masks used in manufacturing OLED displays, for which we hold the top share in the world market. We will also focus on developing products which meet various needs, including foldable displays and rollable displays.

• Refine and commercialize next-generation photolithography-related technology

Utilizing EUV (extreme ultraviolet) lithography, a high-performance semiconductor manufacturing technology indispensable to an advanced information society, we will provide 5 nm state-of-the-art photomasks for semiconductor manufacturing technology to both domestic and overseas semiconductor manufacturers. In addition, as the only supplier of master templates for semiconductor nanoimprint lithography (NIL) in the world, we will build a mass production system for NAND-type flash memory with a 3D (three-dimensional) structure.

2. Provide value optimized to each country and region

In addition to using our bases of photomasks for semiconductors established in Taiwan and China as a joint venture with Photronics, Inc. (USA), we will use our strength to develop products from Japan and also cooperate on the technical side to develop our business in markets as far as East Asia, Europe and the United States. In addition, we will closely follow global trade issues and country risks, while also tracking the social issues and needs of people in various countries and regions, striving to provide the value they need.

3. Increase value using all available restructuring approaches

We will transform our business portfolio with consideration for market growth and profitability. As part of this transformation, we will further increase profitability by continuing the shift from products such as color filters for liquid crystal displays, which have declining competitiveness caused by changes in the market, to high-value-added products related to 5G and OLED displays. In particular, in our overseas business, we will respond more flexibly to fluctuations in exchange rates and raw material prices in order to minimize the impact on business results.

Financial Highlights

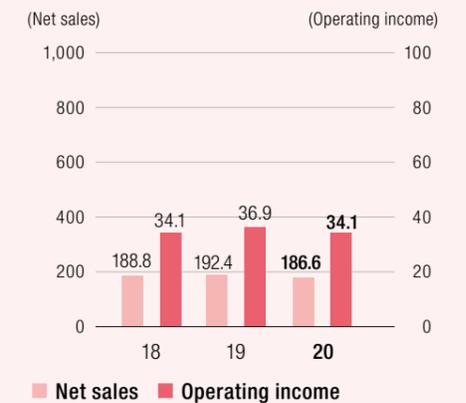
Net Sales Operating Income

-3.0% **-7.5%**

(¥ billion)

	2018.3	2019.3	2020.3
Net sales	¥ 188.8	¥ 192.4	¥ 186.6
Operating income	¥ 34.1	¥ 36.9	¥ 34.1
Operating income margin	18.1%	19.2%	18.3%

(¥ billion)



[Net Sales]

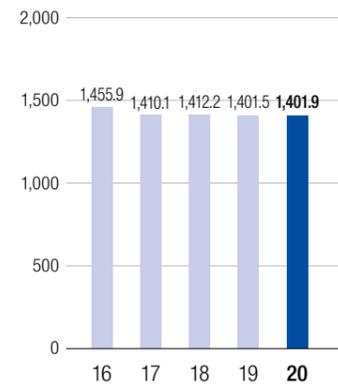
As the transition from LCD to OLED displays for smartphones and other such devices progresses, sales of metal masks for OLED panel production have increased drastically. On the other hand, there has been a decline in sales of color filters for liquid crystal displays and photomasks for semiconductor products. As a result, sales decreased 3.0%, or 5,834 million yen, compared to the previous fiscal year.

[Operating Income]

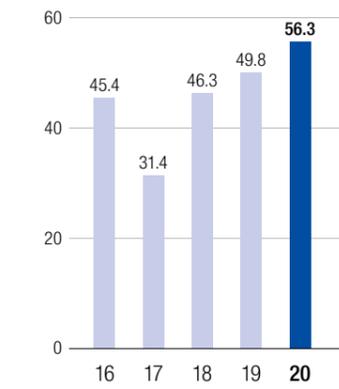
Operating income decreased by 7.5%, or ¥2,777 million yen, compared to the previous fiscal year, due to decreased sales. Our operating margin decreased 0.9 percentage point year on year, from 19.2% to 18.3%.

Financial and Non-financial Data

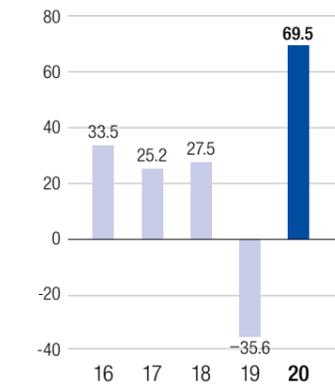
Net Sales
(¥ billion)



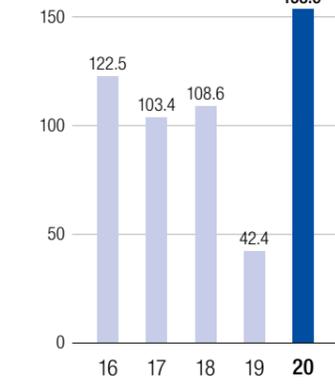
Operating Income
(¥ billion)



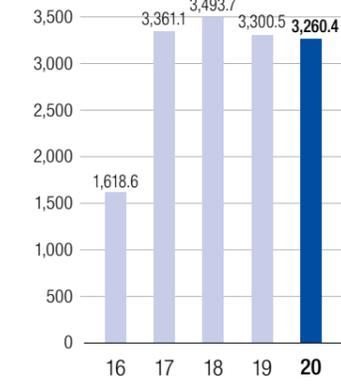
Net Income (Loss) Attributable to Parent Company Shareholders
(¥ billion)



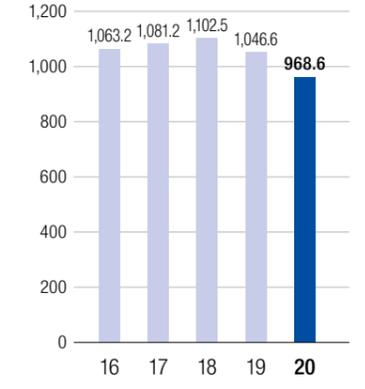
EBITDA
(¥ billion)



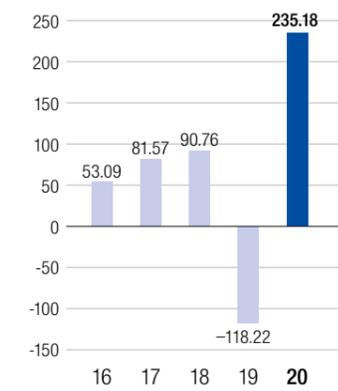
Book Value per Share
(¥)



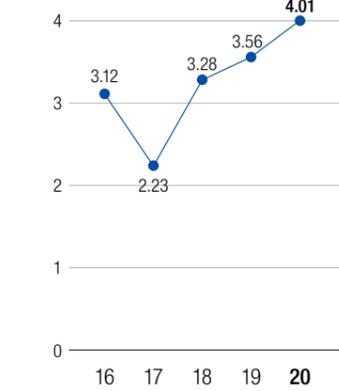
Total Net Assets
(¥ billion)



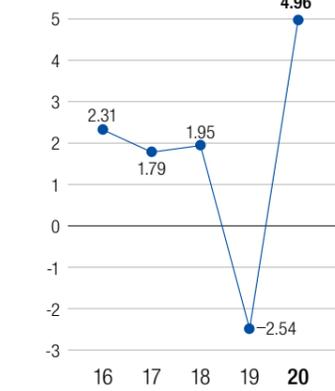
Earnings (Loss) per Share
(¥)



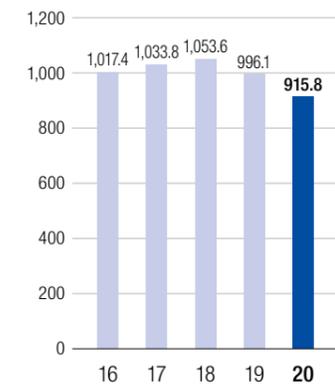
Operating Income to Net Sales
(%)



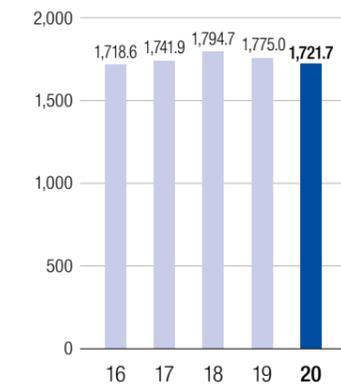
Net Income to Net Sales
(%)



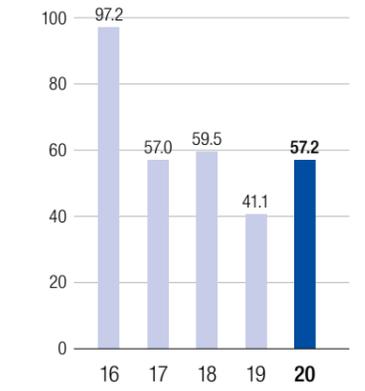
Stockholders' Equity
(¥ billion)



Total Assets
(¥ billion)

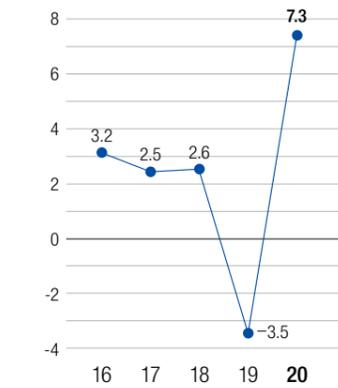


Capital Expenditures*
(¥ billion)

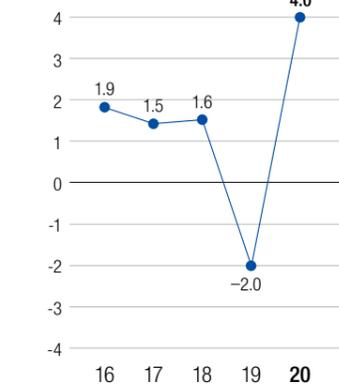


* Figures include capital expenditures for intangible fixed assets.

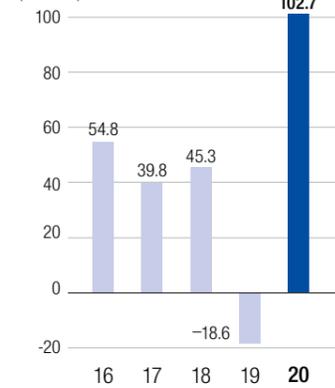
ROE
(%)



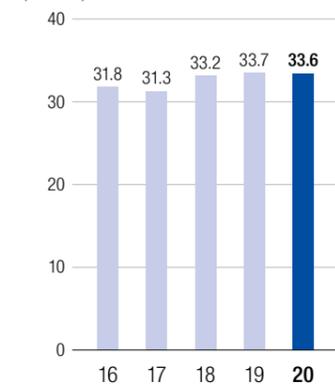
ROA
(%)



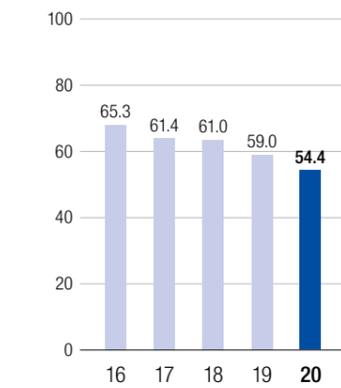
Income (Loss) before Income Taxes and Non-controlling Interests
(¥ billion)



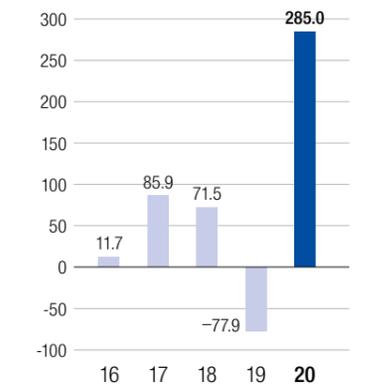
Research and Development Expenditures
(¥ billion)



Depreciation Expense
(¥ billion)



Free Cash Flow*
(¥ billion)



* Free cash flow = net cash from operating activities + net cash from investing activities

Management's Discussion and Analysis

CONSOLIDATED

Business Environment and Overview of Operating Results for the Fiscal Year Ended March 2020

In DNP's business environment for the fiscal year ended March 2020, marketing and settlement methods diversified due to progress in digitalization, the trend of new product development for a next-generation mobility society such as autonomous driving picked up speed, and demand rose for environmentally friendly products and services.

In these circumstances, we followed the company philosophy stating that "The DNP Group connects individuals and society and provides new values." This included bolstering core businesses with high profitability and growth potential, especially products and services in which we have secured the top market share in Japan or abroad. It also included working on structural reform to make us more competitive, such as reorganizing business divisions and Group companies.

We also set "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility" and "Environment and Energy" as four growth areas in anticipating global social issues and megatrends that will shape the future of our economy, society and environment. By combining these areas with our unique strengths in "P&I" (Printing and Information), we promoted "P&I Innovation" to create new value.

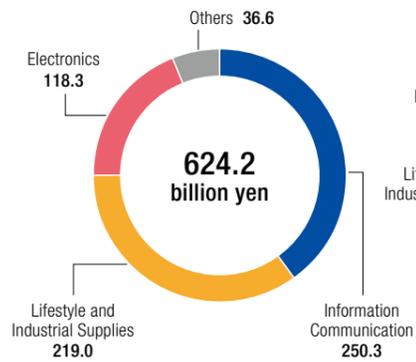
In the fourth quarter, the COVID-19 pandemic suppressed economic activity globally, and local economies deteriorated rapidly, making the outlook uncertain for the global economy. Yet, quarantine aimed at preventing the spread of the virus also led to huge steps forward in telecommuting (working from home), as well as electronic commerce and content services, and demand rose for educational ICT and online medical examinations.

In response to these changes, DNP worked to provide "essential value" by taking advantage of its strengths in advanced security infrastructure, as well as overall work processes in the value chain and companies.

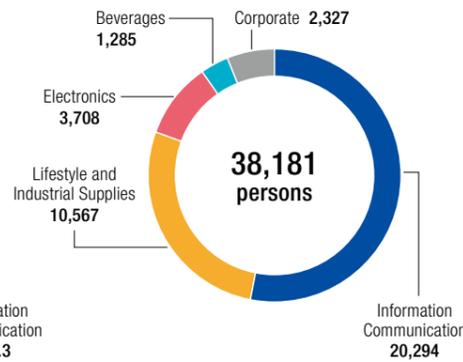
	2020.3	2019.3	2018.3
Net sales (¥ million)	¥ 1,401,894	¥ 1,401,506	¥ 1,412,252
Gross profit margin (%)	20.9 %	20.1 %	19.9 %
Operating income margin (%)	4.0 %	3.6 %	3.3 %
Ordinary income margin (%)	4.5 %	4.2 %	3.6 %
Net income margin (%)	5.0 %	-2.5 %	1.9 %

Overseas sales for the DNP Group as a whole increased by ¥7,801 million, or 3.3% from the previous fiscal year, to ¥246,178 million. As a result, the percentage of total sales increased by 0.6 percentage point, from 17.0% to 17.6%. By region, including Indonesia and Taiwan, sales in Asia increased by 4.7% compared to the previous fiscal year, to ¥169,659 million. In other regions including the United States and Europe, sales increased 0.3% to ¥76,519 million.

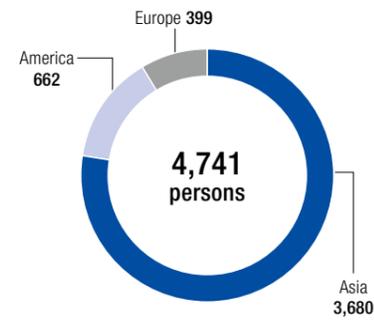
Sales of Environmentally Conscious Products and Services (by Segment)
(¥ billion) (As of March 31, 2020)



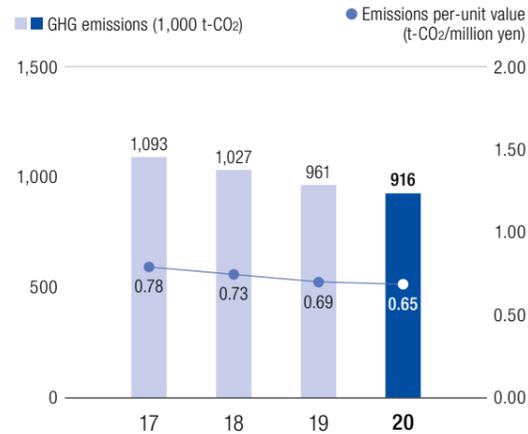
Total Number of Employees (by Segment)
(persons) (As of March 31, 2020)



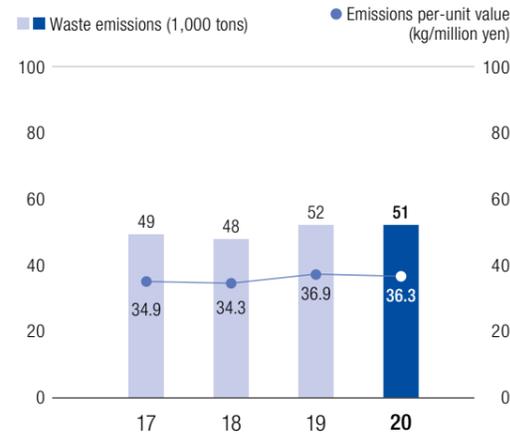
Number of Overseas Group Company Employees (by Area)
(persons) (As of March 31, 2020)



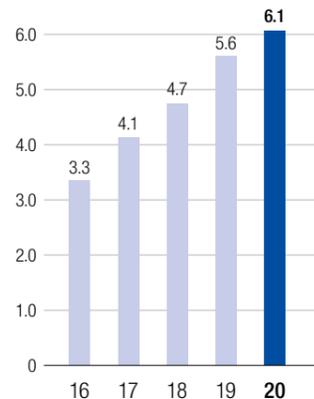
GHG Emissions (Including International Operations)



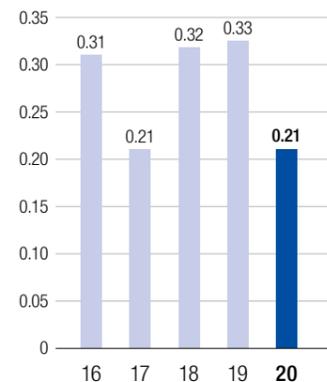
Waste Emissions (Including International Operations)



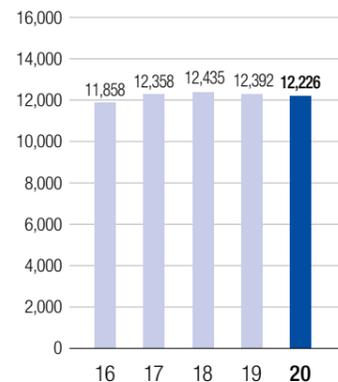
Percentage of Female Managers (%)



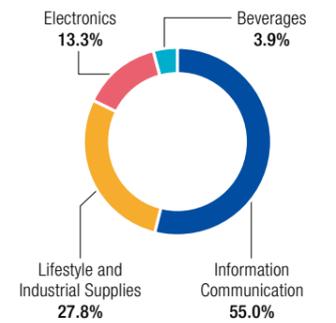
Lost Time Work Accident Occurrence Rate



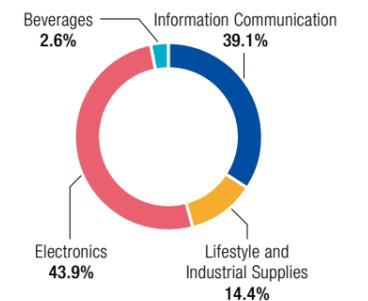
Number of Japanese Patents Held



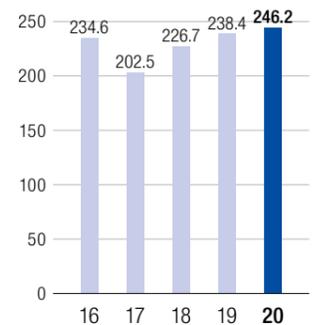
Net Sales by Segment
(Year ended March 31, 2020)



Operating Income by Segment
(Year ended March 31, 2020)



DNP's Overseas Sales
(¥ billion)



Information Communication

- Net Sales: ¥773,079 million (up 1.4% YoY)
- Operating Income: ¥30,416 million (up 22.4% YoY)
- Operating Income Margin: 3.9% (up 0.6 percentage point)

Publishing Business

Market Publication sales in Japan's publishing industry in the fiscal year ended March 2020 were ¥1,222.0 billion (down 3.9% year on year). Among these publications, sales of monthly and weekly magazines were sluggish, down 5.0% year on year to ¥555.7 billion, and books sales were also down 3.0% to ¥666.3 billion, according to Japan's Research Institute for Publications. The number of bookstores declined from a peak of about 22,000 in 1999 to about 11,500 in 2019, according to Almedia. In contrast, the market size for electronic books was estimated to increase by about 26.1% to ¥282.6 billion in the fiscal year ended March 2019, and is expected to grow to ¥433.0 billion by the fiscal year ended March 2024, according to Impress Corporation.

DNP DNP has worked to solve issues in the publishing industry as the only domestic group of companies involved in the total supply chain, including publishing planning, advertising, manufacturing, distribution and sales. However, printing orders have decreased for both books and magazines. In contrast, revenue has increased from our "honto" hybrid bookstore network, which comprises bookstores, e-commerce and e-book sales, and membership has grown to 5.58 million members. Our library support business has also grown, with more contracted libraries (1,489 libraries as of January 31, 2020, up 124 year on year), and sales also exceeded the previous year. In our academic market sales business, large projects have decreased for the design and construction of educational or research facilities and libraries, but this business segment has enjoyed increased revenue overall.

Information Innovation Business: Marketing

Market Despite Internet advertisements going strong, newspapers, magazines, television, radio and DM advertising all decreased from last year, so domestic advertising demand in the fiscal year ended March 2020 decreased 1.7% overall, according to Japan's Ministry of Economy, Trade and Industry.

DNP While sales of paper media including leaflets and catalogs fell, POP sales rose because of sales promotions and cashless settlement announcements following the consumption tax hike in October 2019. Digital marketing sales also remained steady, and overall sales exceeded the previous year.

Information Innovation Business: Information Security

Market Credit card companies promoted the addition of IC chips to all credit cards distributed in Japan aimed for the end of March 2020. Cashless settlements accelerated following the consumption tax hike in October 2019.

DNP In addition to our smart card business focused on credit cards, our BPO (Business Process Outsourcing) business has grown steadily, and we achieved increased revenue.

Imaging Communication Business

Market Although the volume of photo printing is in a declining trend worldwide, the market for dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) continues to perform strongly as a

result of demand shifting from silver halide printing. There is also growing demand for uses such as printing of certificates and photo printing at events and sightseeing spots in Southeast Asia, the Middle East and China.

DNP Sales of thermal transfer printing media for photo printers decreased due to foreign exchange rates, and sales of barcode ink ribbons also decreased below the level of the previous year due to sluggish sales in Asia and Europe. However, we were able to keep sales at about the same as the previous year overall thanks to growth of our service creation business, in which we enhance the experience value of photographs taken at events and sightseeing spots.

Lifestyle and Industrial Supplies

- Net Sales: ¥391,357 million (down 1.5% YoY)
- Operating Income: ¥11,144 million (up 33.0% YoY)
- Operating Income Margin: 2.8% (up 0.7 percentage point)

Packaging Business

Market Unit sales of food packaging have tended to rise due to growing demand for single serving meals brought about by shrinking household sizes, but this growth is expected to taper off as the population of Japan shrinks. Paper packaging has a high paper price to product price ratio, and there are many competitor companies, so it has become normal throughout the industry to accept low profits.

DNP We have worked to develop and sell eco-friendly packaging, and have also revised low value-added products in order to improve profitability. Sales of aseptic filling systems for PET bottles increased, but sales were short of the previous year overall because of weak demand caused by cold summers and warm winters, as well as decreased sales of low value-added general purpose paper and film packaging.

Living Spaces Business

Market Domestic new housing starts decreased by 7.3% year on year to approximately 880,000 in the fiscal year ended March 2020. Among these, owner-occupied houses decreased 0.3%, apartments and other rental housing decreased 6.6% and condominiums decreased 16.1% year on year, respectively, according to Japan's Ministry of Land, Infrastructure, Transport and Tourism.

DNP In addition to highly functional environmentally conscious products using our proprietary EB (Electron Beam) coating technology, we also worked to secure sales of Arttec interior and exterior aluminum panels for the non-residential field, including commercial facilities, offices and railroad cars. However, demand for interior and exterior materials for housing was weak, and sales fell short of the previous year overall.

Industrial High-performance Materials Business

Market Demand is rapidly growing for film-based battery pouches used in electric vehicles, due to increasingly strict environmental regulations worldwide aimed at reducing CO₂ emissions. The market for solar cells has grown in America, China and India thanks to accelerating introduction of renewable energy in countries and regions around the world.

DNP Sales of pouches for lithium-ion batteries installed in vehicles grew significantly, and parts for photovoltaic cells including encapsulants and back sheets also grew, so sales exceeded the previous year overall.

Electronics

- Net Sales: ¥186,602 million (down 3.0% YoY)
- Operating Income: ¥34,135 million (down 7.5% YoY)
- Operating Income Margin: 18.3% (down 0.9 percentage point)

Display Components Business

Market In the organic light-emitting diode (OLED) market for 2019, sales of large panels for TVs grew gradually and sales of new products such as foldable smartphones also grew, causing shipments of small and medium-sized displays to increase by 28.1% year on year to 610 million units. However, as we entered 2020, the COVID-19 pandemic put the brakes on demand growth for small and medium-sized panels. In the LCD panel market, U.S.-China trade friction and the deteriorating global economy caused demand to fall, especially for displays used in TVs. However, as we entered 2020, demand grew for displays used in PCs and tablet devices in step with the spread of telecommuting and online education.

DNP Sales of metal masks for OLED display manufacturing increased thanks to rising demand for development of small and medium-sized panels. However, sales of color filters for liquid crystal displays decreased due to restructuring of the business in response to falling demand. Sales of optical films for LCD TVs decreased, but sales of optical films for OLED displays increased, so revenue in this business segment increased overall.

Electronics Devices Business

Market Global semiconductor sales for 2019 decreased by 12% year on year to ¥412.1 billion according to the World Semiconductor Trade Statistics. Looking at each field, semiconductor memory shipments fell by 33% year on year in response to data center investments made by major American companies in 2018.

DNP Semiconductor photomask sales decreased, and revenue decreased overall.

Beverages

- Net Sales: ¥55,292 million (down 1.3% YoY)
- Operating Income: ¥2,047 million (down 3.5% YoY)
- Operating Income Margin: 3.7% (down 0.1 percentage point)

Market In the beverage industry, logistics costs are skyrocketing and raw materials prices are rising, and there are also calls for a response to the plastic pollution problem, which in addition to sales promotions and new product development by various companies, have resulted in intensified competition for market share.

DNP While sales to Hokkaido increased, irregular weather in Honshu has caused sales to bottlers outside of Hokkaido to decrease.

Cost of Sales/Selling, General and Administrative Expenses/Operating Income

The cost of sales totaled ¥1,109,052 million, down 0.9%, or ¥10,339 million, from the previous fiscal year. The gross profit margin was 20.9%, up 0.8 percentage point from the previous year.

Among our primary raw materials, prices for naphtha (crude gasoline) used as the main ingredient in petrochemical products decreased below the level of the previous year. This caused the prices of petrochemical products such as films and resins to fall as well. In contrast, printing paper has long been in short supply, and since the price rose in January 2019, it has remained high ever since. DNP has passed on the rising prices to customers through negotiations with our client companies.

Selling, general and administrative expenses totaled ¥236,568 million in the fiscal year under review, up ¥4,351 million, or 1.9%, from the previous fiscal year. Selling, general and administrative expenses were 16.9% of net sales, up 0.3 percentage point from the previous fiscal year.

As a result, operating income totaled ¥56,274 million in the fiscal year under review, up ¥6,376 million, or 12.8%, from the previous fiscal year. The operating income margin was 4.0%, up 0.4 percentage point from the previous fiscal year.

Nonoperating Income (Expenses) and Income (Loss) before Income Taxes and Non-controlling Interests

Nonoperating income totaled ¥15,662 million in the fiscal year under review, up ¥468 million, or 3.1%, from the previous fiscal year. Nonoperating expenses totaled ¥8,150 million, up ¥1,318 million, or 19.3%, from the previous fiscal year. As a result, net nonoperating income totaled ¥7,512 million, up from ¥8,362 million in the previous year.

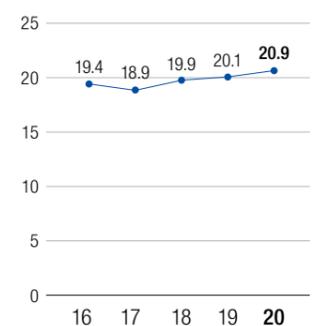
Ordinary income totaled ¥63,786 million, up ¥5,527 million, or 9.5%, from the previous year.

As a result, income before income taxes and non-controlling interests totaled ¥102,719 million (compared to a net loss of ¥18,685 million in the previous year).

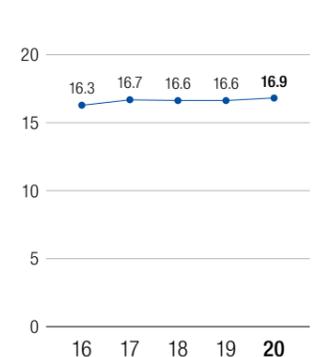
Net Income Attributable to Parent Company Shareholders

Net income attributable to parent company shareholders totaled ¥69,498 million in the fiscal year ended March 2020 (compared to a net loss of ¥35,669 million in the previous fiscal year). Net income per share was ¥235.18 (compared to net loss per share of ¥118.22 in the previous year).

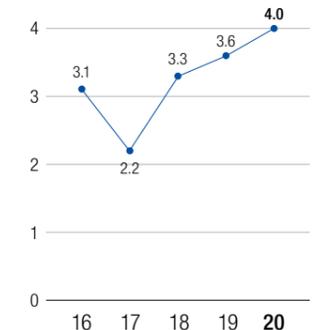
Gross Profit Margin (%)



SGA Expenses to Net Sales (%)



Operating Income Margin (%)



Liquidity and Capital Resources

Cash Flow

	2020.3	2019.3	2018.3
Cash flow from operating activities (¥ million)	¥ 93,937	¥ 68,972	¥ 48,457
Cash flow from investing activities (¥ million)	¥ 191,057	¥ -146,909	¥ 23,075
Free cash flow (¥ million)	¥ 284,994	¥ -77,937	¥ 71,532

Regarding consolidated cash flow in the fiscal year ended March 2020, net cash provided by operating activities totaled ¥93,937 million, due mainly to ¥102,719 million in income before income taxes and non-controlling interests and ¥54,475 million in depreciation.

Net cash gained from investing activities totaled ¥191,057 million, due mainly to a ¥135,777 million net decrease in time deposits and ¥58,112 million in proceeds from sales of investment securities.

Net cash used in financing activities totaled ¥41,281 million, due mainly to ¥60,212 million in expenditures on the acquisition of own shares.

As a result of these activities, cash and cash equivalents at the end of the fiscal year in the consolidated cash flow statement totaled ¥377,367 million.

Free cash flow in the current fiscal year, which is the sum of cash flow from operating activities and cash flow from investing activities, amounted to revenue of ¥284,994 million.

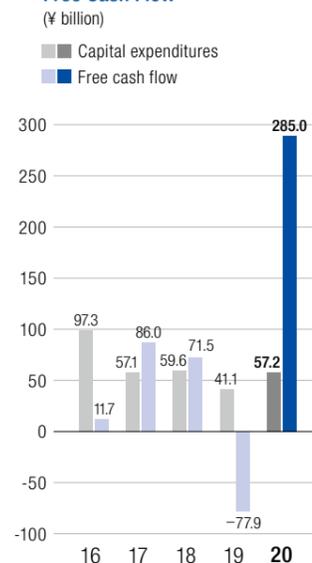
Capital Expenditures, Depreciation, Research and Development Expenditures, etc.

Capital expenditures in the fiscal year ended March 2020, which consisted mainly of priority investment in strategic fields and rationalization investment in existing fields, totaled ¥57,162 million, up ¥16,059 million, or 39.1%, from the previous fiscal year. By segment, capital expenditures in the Information Communication segment were ¥20,009 million, up ¥311 million from the previous year and accounting for 35% of total capital expenditures. The Lifestyle and Industrial Supplies segment was ¥21,265 million, up ¥8,487 million and accounting for 37%. The Electronics segment was ¥11,802 million, up ¥7,189 million and accounting for 21%. The Beverages segment was ¥2,667 million, up ¥740 million and accounting for 5%. Adjustment was ¥1,419 million, down ¥668 million and accounting for 2%. Necessary capital for this capital investment was covered by funds on hand.

Depreciation totaled ¥54,475 million, down ¥4,606 million, or 7.8%, from the previous fiscal year. By segment, depreciation in the Information Communication segment was ¥23,547 million, down ¥2,147 million from the previous year and accounting for 43% of total depreciation. The Lifestyle and Industrial Supplies segment was ¥16,023 million, down ¥361 million and accounting for 29%. The Electronics segment was ¥9,655 million, down ¥1,923 million and accounting for 18%. The Beverages segment was ¥2,789 million, on par with the previous year and accounting for 5%. Adjustment was ¥2,461 million, down ¥255 million and accounting for 5%.

Research and development expenditures totaled ¥33,603 million, falling about ¥184 million short of the total of ¥33,787 million in the previous fiscal year.

Capital Expenditures and Free Cash Flow



Balance Sheet

	2020.3	2019.3	2018.3
Total assets (¥ million)	¥ 1,721,724	¥ 1,775,023	¥ 1,794,764
Interest-bearing debt (¥ million)	¥ 211,646	¥ 166,350	¥ 170,103
Stockholders' equity (¥ million)	¥ 915,779	¥ 996,162	¥ 1,053,600
Book value per share (¥)	¥ 3,260.38	¥ 3,300.52	¥ 3,493.79

DNP's total assets at the end of this fiscal year amounted to ¥1,721,724 million, down ¥53,299 million, or 3.0%, from the previous fiscal year.

Among current assets, cash and cash equivalents totaled ¥373,013 million, up ¥104,967 million, or 39.2%, from the previous fiscal year. Trade receivables totaled ¥330,799 million, down ¥20,651 million, or 5.9%. Inventories of merchandise and finished products, work in process, raw materials and supplies totaled ¥134,280 million, up ¥1,208 million, or 0.9%. As a result, current assets totaled ¥884,010 million, up ¥84,730 million, or 10.6%.

Among fixed assets, net property, plant and equipment totaled ¥409,368 million, down ¥31,752 million, or 7.2%, from the previous fiscal year. Intangible fixed assets totaled ¥22,716 million, down ¥6,198 million, or 21.4%. Investments and other assets totaled ¥405,629 million, down ¥100,078 million, or 19.8%. As a result, fixed assets totaled ¥837,714 million, down ¥138,029 million, or 14.1%.

Current liabilities totaled ¥480,651 million, up ¥12,996 million, or 2.8%, from the previous fiscal year. Long-term liabilities totaled ¥272,498 million, up ¥11,752 million, or 4.5%. As a result, total liabilities amounted to ¥753,149 million, up ¥24,748 million, or 3.4%, from the previous fiscal year.

As of March 31, 2020, net assets totaled ¥968,575 million, down ¥78,047 million, or 7.5%, from the previous fiscal year. This was due mainly to a decrease of ¥60,021 million, or 35.3%, in the valuation difference on available-for-sale securities.

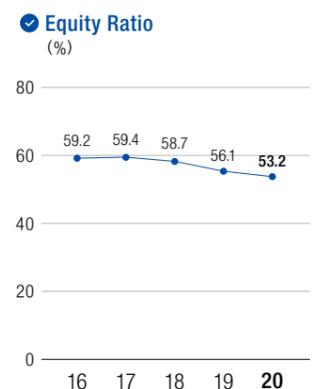
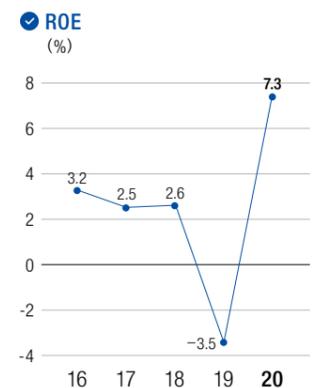
As a result of this, the equity ratio in the fiscal year under review was 53.2%, a decrease of 2.9 percentage points from the previous fiscal year.

As of March 31, 2020, a total of 324,240,346 shares of common stock have been issued, of which 43,359,344 shares, or 13.37%, are held as treasury stock. The total number of shares in treasury stock increased by 20,938,599 from the previous year.

	Type of shares	Shares at beginning of fiscal year	Increase in shares during fiscal year	Decrease in shares during fiscal year	Shares at end of fiscal year
Shares Issued	Common Stock	324,240,346	-	-	324,240,346
Treasury Stock	Common Stock	22,420,745	20,938,721	122	43,359,344

Notes

- The increase of 20,938,721 shares of common stock in treasury stock consists of an increase of 20,933,700 shares due to the acquisition of treasury stock by resolution of the Board of Directors, as well as an increase of 5,021 shares due to purchase of stocks with less than trading units.
- The decrease of 122 shares of common stock in treasury stock consists of a decrease of 116 shares due to the sale of stocks with less than trading units, as well as a decrease of 6 shares due to changes in the equity ratio in affiliates accounted for using the equity method.



Selected Financial Data (unaudited)

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statements of Operations Data (¥ million)										
Net sales	¥ 1,401,894	¥ 1,401,506	¥ 1,412,252	¥ 1,410,173	¥ 1,455,916	¥ 1,462,118	¥ 1,448,550	¥ 1,446,607	¥ 1,507,228	¥ 1,589,373
Cost of sales	1,109,052	1,119,391	1,131,662	1,143,164	1,173,203	1,182,954	1,176,077	1,186,558	1,246,878	1,287,581
Gross profit	292,842	282,115	280,590	267,009	282,713	279,164	272,473	260,049	260,350	301,792
Selling, general and administrative expenses	236,568	232,217	234,218	235,598	237,241	230,990	222,374	224,269	226,335	233,973
Operating income	56,274	49,898	46,372	31,411	45,472	48,174	50,099	35,780	34,015	67,819
Ordinary income	63,786	58,259	50,971	36,740	52,651	53,759	53,285	40,318	36,843	62,786
Income (loss) before income taxes and non-controlling interests	102,719	(18,685)	45,396	39,831	54,841	51,062	48,608	35,152	2,673	52,696
Net income (loss) attributable to parent company shareholders	69,498	(35,669)	27,501	25,226	33,588	26,924	25,642	19,218	(16,356)	25,033
Balance Sheet Data (¥ million)										
Total assets	¥ 1,721,724	¥ 1,775,023	¥ 1,794,764	¥ 1,741,904	¥ 1,718,636	¥ 1,809,462	¥ 1,574,754	¥ 1,578,976	¥ 1,608,806	¥ 1,649,784
Stockholders' equity	915,779	996,162	1,053,600	1,033,864	1,017,425	1,078,828	932,329	893,124	871,229	908,521
Interest-bearing debt	211,646	166,350	170,103	169,133	189,820	187,946	182,596	227,209	229,664	229,140
Total net assets	968,575	1,046,622	1,102,551	1,081,286	1,063,241	1,124,093	976,386	937,055	914,213	952,440
Cash Flow Statements Data (¥ million)										
Cash flows from operating activities	¥ 93,937	¥ 68,971	¥ 48,457	¥ 71,945	¥ 72,629	¥ 85,731	¥ 120,109	¥ 100,498	¥ 108,603	¥ 140,053
Cash flows from investing activities	191,057	(146,909)	23,075	14,012	(60,883)	(50,540)	(58,371)	(72,588)	(80,126)	(82,562)
Cash flows from financing activities	(41,281)	(32,197)	(42,771)	(45,223)	(47,166)	(23,865)	(80,038)	(36,236)	(32,833)	15,186
Free cash flow	284,994	(77,937)	71,532	85,957	11,746	35,191	61,738	27,910	28,477	57,491
Other Selected Data (¥ million)										
Capital expenditures	¥ 57,162	¥ 41,103	¥ 59,558	¥ 57,085	¥ 97,265	¥ 55,024	¥ 63,465	¥ 88,315	¥ 98,189	¥ 102,173
Depreciation expenses	54,475	59,080	61,071	61,461	65,310	67,034	73,459	80,200	95,829	97,977
R&D expenditures	33,603	33,786	33,210	31,376	31,827	31,749	30,820	30,820	31,690	33,147
Common Share Data (¥, shares)										
Earnings (loss) per share—primary	¥ 235.18	¥ (118.22)	¥ 90.77	¥ 81.57	¥ 53.10	¥ 41.82	¥ 39.82	¥ 29.84	¥ (25.39)	¥ 38.86
Dividends paid per share	64.00	64.00	48.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
Book value per share	3,260.38	3,300.52	3,493.79	3,361.10	1,618.66	1,675.63	1,447.96	1,386.86	1,352.71	1,410.44
No. of common shares outstanding (exc. treasury shares)	280,881,002	301,819,601	301,563,746	307,596,791	628,561,116	643,833,079	643,893,863	643,990,364	644,062,928	644,142,530
Financial Ratios (%)										
As a percentage of net sales:										
Gross profit	20.89%	20.13%	19.87%	18.93%	19.42%	19.09%	18.81%	17.98%	17.27%	18.99%
Selling, general and administrative expenses	16.87	16.57	16.58	16.71	16.29	15.80	15.35	15.50	15.02	14.72
Operating income	4.01	3.56	3.28	2.23	3.12	3.29	3.46	2.47	2.26	4.27
Income (loss) before income taxes and non-controlling interests	7.33	(1.33)	3.21	2.82	3.77	3.49	3.36	2.43	0.18	3.32
Net income (loss) attributable to parent company shareholders	4.96	(2.54)	1.95	1.79	2.31	1.84	1.77	1.33	(1.09)	1.57
Return on equity	7.27	(3.48)	2.63	2.46	3.20	2.67	2.81	2.18	(1.84)	2.74
Return on assets	3.97	(2.00)	1.55	1.46	1.90	1.59	1.63	1.21	(1.00)	1.53
Return to Shareholders (%)										
Dividend payout ratio	27.2	—	70.5	78.5	60.3	76.5	80.4	107.2	—	82.3
Total return ratio	113.1	—	124.8	137.6	119.5	76.5	80.4	107.2	—	82.3

Note:
*1. DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, DNP has estimated net income per share and diluted net income per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

*2. Cash dividends per share of ¥48.00 for the fiscal year through March 2018 is the combined total of interim cash dividends per share of ¥16.00 and year-end cash dividends per share of ¥32.00. Because DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017, interim cash dividends per share of ¥16.00 is the amount prior to the share consolidation and year-end cash dividends per share of ¥32.00 is the amount after the share consolidation.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
March 31, 2020 and 2019

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Current assets:			
Cash and cash equivalents (Notes 4, 7 and 16)	¥ 377,367	¥ 133,772	\$ 3,462,083
Time deposits (Note 16)	3,646	139,275	33,450
Trade receivables (Notes 10 and 16)	330,799	351,450	3,034,853
Allowance for doubtful receivables	(1,362)	(1,516)	(12,495)
Inventories (Note 6)	134,280	133,072	1,231,927
Prepaid expenses and other current assets (Notes 5, 10 and 16)	39,280	43,227	360,365
Total current assets	884,010	799,280	8,110,183
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Notes 10 and 16)	64,108	60,268	588,146
Investment securities (Notes 5, 7 and 16)	241,246	338,941	2,213,266
Other	485	516	4,449
Total investments and advances	305,839	399,725	2,805,861
Property, plant and equipment, at cost (Notes 7 and 14):			
Land	141,423	147,924	1,297,459
Buildings and structures	520,308	549,252	4,773,468
Machinery and equipment	808,678	820,763	7,419,064
Leased assets and right-of-use assets	19,446	25,828	178,403
Construction in progress	16,429	11,761	150,725
Total	1,506,284	1,555,528	13,819,119
Accumulated depreciation	(1,096,916)	(1,114,408)	(10,063,449)
Net property, plant and equipment	409,368	441,120	3,755,670
Other assets			
Net defined benefit asset (Note 8)	64,689	71,381	593,478
Other (Note 13)	57,818	63,517	530,441
Total other assets	122,507	134,898	1,123,919
Total assets	¥ 1,721,724	¥ 1,775,023	\$ 15,795,633

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Current liabilities:			
Short-term bank loans (Notes 7 and 16)	¥ 39,052	¥ 42,474	\$ 358,275
Current portion of long-term debt (Notes 7 and 16)	59,498	54,222	545,853
Trade payables (Notes 10 and 16)	238,066	246,138	2,184,092
Accrued expenses (Note 10)	43,553	40,722	399,569
Income taxes payable (Note 13)	16,622	7,448	152,495
Reserve for repairs	20,636	19,162	189,321
Other current liabilities (Notes 7 and 10)	63,224	57,489	580,037
Total current liabilities	480,651	467,655	4,409,642
Long-term liabilities:			
Long-term debt (Notes 7 and 16)	113,098	69,655	1,037,596
Net defined benefit liability (Note 8)	35,687	34,734	327,404
Other long-term liabilities (Notes 7, 10 and 13)	123,713	156,357	1,134,982
Total long-term liabilities	272,498	260,746	2,499,982
Contingent liabilities (Note 18)			
Net assets			
Stockholders' equity			
Common stock -			
Authorized:745,000,000 shares;			
Issued:324,240,346 shares;	114,464	114,464	1,050,128
Capital surplus (Note 9)	145,024	144,766	1,330,495
Retained earnings (Note 9)	676,346	626,949	6,205,009
Treasury stock, at cost 43,359,344 shares in 2020 and 22,420,745 shares in 2019 (Note 9)	(122,911)	(62,898)	(1,127,623)
Total stockholders' equity	812,923	823,281	7,458,009
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities (Note 5)	110,052	170,073	1,009,651
Net deferred gains (losses) on hedges (Note 17)	6	(1)	55
Foreign currency translation adjustments	(3,449)	(2,399)	(31,642)
Remeasurements of defined benefit plans (Note 8)	(3,752)	5,209	(34,422)
Total accumulated other comprehensive income	102,857	172,882	943,642
Non-controlling interests	52,795	50,459	484,358
Total net assets	968,575	1,046,622	8,886,009
Total liabilities and net assets	¥ 1,721,724	¥ 1,775,023	\$ 15,795,633

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

CONSOLIDATED STATEMENTS OF INCOME

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Net sales (Note 19)	¥ 1,401,894	¥ 1,401,506	\$ 12,861,413
Cost of sales	1,109,052	1,119,391	10,174,789
Gross profit	292,842	282,115	2,686,624
Selling, general and administrative expenses (Note 11)	236,568	232,217	2,170,349
Operating income (Note 19)	56,274	49,898	516,275
Other income (expenses) (Note 12):			
Interest and dividends income	5,587	5,256	51,257
Interest expenses	(1,466)	(2,068)	(13,450)
Equity in earnings of affiliates	6,051	4,161	55,514
Foreign exchange translation gain (loss)	(800)	242	(7,339)
Net gain on sales or disposal of property, plant and equipment	24,427	95	224,101
Net gain on sales of investment securities	50,087	20,008	459,514
Loss on devaluation of investment securities	(7,233)	(4,323)	(66,358)
Impairment loss on fixed assets (Note 14)	(26,517)	(16,685)	(243,275)
Provisions for reserve for repairs	—	(75,000)	—
Other	(3,691)	(269)	(33,863)
	46,445	(68,583)	426,101
Income (loss) before income taxes and non-controlling interests	102,719	(18,685)	942,376
Income taxes (Note 13):			
Current	26,063	15,199	239,110
Deferred	4,561	(936)	41,844
	30,624	14,263	280,954
Net income (loss)	72,095	(32,948)	661,422
Net income attributable to non-controlling shareholders	2,597	2,721	23,826
Net income (loss) attributable to parent company shareholders	¥ 69,498	¥ (35,669)	\$ 637,596

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Net income (loss)	¥ 72,095	¥ (32,948)	\$ 661,422
Other comprehensive loss			
Valuation difference on available-for-sale securities	(60,054)	2,047	(550,955)
Net deferred gains on hedges	10	3	92
Foreign currency translation adjustments	(446)	(3,978)	(4,090)
Remeasurements of defined benefit plans	(8,894)	(1,404)	(81,597)
Share of other comprehensive loss in associates accounted for using the equity method	(174)	(414)	(1,598)
Total other comprehensive loss	(69,558)	(3,746)	(638,148)
Comprehensive income (loss)	¥ 2,537	¥ (36,694)	\$ 23,274
Attributable to:			
Parent company shareholders	¥ (528)	¥ (38,590)	\$ (4,841)
Non-controlling shareholders	3,064	1,896	28,115

	Yen		U.S. dollars (Note 3)
	2020	2019	2020
Per share information:			
Net assets	¥ 3,260.38	¥ 3,300.52	\$ 29.91
Net income (loss)	235.18	(118.22)	2.16
Diluted net income^(*)	235.08	—	2.16

(*) Diluted net income per share is not presented for the year ended March 31, 2019 because, although there are potential dilutive shares in the previous fiscal year, the Company incurred a net loss per share.

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen											
	Number of shares issued (in thousands)	Stockholders' equity			Accumulated other comprehensive income						Non-controlling interests	Total net assets
Common stock		Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans				
Balance at April 1, 2018	324,240	¥ 114,464	¥ 144,264	¥ 681,977	¥ (62,908)	¥ 168,156	¥ (4)	¥ 1,410	¥ 6,242	¥ 48,950	¥ 1,102,551	
Changes of items during the period												
Cash dividends paid	-	-	-	(19,318)	-	-	-	-	-	-	(19,318)	
Net loss attributable to parent company shareholders	-	-	-	(35,669)	-	-	-	-	-	-	(35,669)	
Changes of scope of equity method	-	-	-	(41)	-	-	-	-	-	-	(41)	
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	(90)	-	-	-	-	-	-	-	(90)	
Purchases of treasury stock	-	-	-	-	(16)	-	-	-	-	-	(16)	
Disposal of treasury stock	-	-	592	(0)	26	-	-	-	-	-	618	
Changes in valuation difference on available-for-sale securities	-	-	-	-	-	1,917	-	-	-	-	1,917	
Changes in deferred gains (losses) on hedges	-	-	-	-	-	-	3	-	-	-	3	
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(3,809)	-	-	(3,809)	
Changes in remeasurements of defined benefit plans	-	-	-	-	-	-	-	-	(1,033)	-	(1,033)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,509	1,509	
Total changes of items during the period	-	-	502	(55,028)	10	1,917	3	(3,809)	(1,033)	1,509	(55,929)	
Balance at March 31, 2019	324,240	114,464	144,766	626,949	(62,898)	170,073	(1)	(2,399)	5,209	50,459	1,046,622	
Balance at April 1, 2019	324,240	114,464	144,766	626,949	(62,898)	170,073	(1)	(2,399)	5,209	50,459	1,046,622	
Cumulative effects of changes in accounting policies	-	-	-	(821)	-	(54)	-	-	-	-	(875)	
Adjusted balance at April 1, 2019	324,240	114,464	144,766	626,128	(62,898)	170,019	(1)	(2,399)	5,209	50,459	1,045,747	
Changes of items during the period												
Cash dividends paid	-	-	-	(19,280)	-	-	-	-	-	-	(19,280)	
Net income attributable to parent company shareholders	-	-	-	69,498	-	-	-	-	-	-	69,498	
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	258	-	-	-	-	-	-	-	258	
Change in treasury stock arising from change in equity in entities accounted for using equity method	-	-	-	-	0	-	-	-	-	-	0	
Purchases of treasury stock	-	-	-	-	(60,013)	-	-	-	-	-	(60,013)	
Disposal of treasury stock	-	-	0	-	0	-	-	-	-	-	0	
Changes in valuation difference on available-for-sale securities	-	-	-	-	-	(59,967)	-	-	-	-	(59,967)	
Changes in deferred gains (losses) on hedges	-	-	-	-	-	-	7	-	-	-	7	
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(1,050)	-	-	(1,050)	
Changes in remeasurements of defined benefit plans	-	-	-	-	-	-	-	-	(8,961)	-	(8,961)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,336	2,336	
Total changes of items during the period	-	-	258	50,218	(60,013)	(59,967)	7	(1,050)	(8,961)	2,336	(77,172)	
Balance at March 31, 2020	324,240	¥ 114,464	¥ 145,024	¥ 676,346	¥ (122,911)	¥ 110,052	¥ 6	¥ (3,449)	¥ (3,752)	¥ 52,795	¥ 968,575	

	Thousands of U.S. dollars (Note 3)											
	Number of shares issued (in thousands)	Stockholders' equity			Accumulated other comprehensive income						Non-controlling interests	Total net assets
Common stock		Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans				
Balance at April 1, 2019	324,240	\$ 1,050,128	\$ 1,328,128	\$ 5,751,826	\$ (577,046)	\$ 1,560,303	\$ (9)	\$ (22,009)	\$ 47,789	\$ 462,927	\$ 9,602,037	
Cumulative effects of changes in accounting policies	-	-	-	(7,532)	-	(495)	-	-	-	-	(8,027)	
Adjusted balance at April 1, 2019	324,240	1,050,128	1,328,128	5,744,294	(577,046)	1,559,808	(9)	(22,009)	47,789	462,927		
Changes of items during the period												
Cash dividends paid	-	-	-	(176,881)	-	-	-	-	-	-	(176,881)	
Net income attributable to parent company shareholders	-	-	-	637,596	-	-	-	-	-	-	637,596	
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	2,367	-	-	-	-	-	-	-	2,367	
Change in treasury stock arising from change in equity in entities accounted for using equity method	-	-	-	-	0	-	-	-	-	-	0	
Purchases of treasury stock	-	-	-	-	(550,577)	-	-	-	-	-	(550,577)	
Disposal of treasury stock	-	-	0	-	0	-	-	-	-	-	0	
Changes in valuation difference on available-for-sale securities	-	-	-	-	-	(550,157)	-	-	-	-	(550,157)	
Changes in deferred gains (losses) on hedges	-	-	-	-	-	-	64	-	-	-	64	
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(9,633)	-	-	(9,633)	
Changes in remeasurements of defined benefit plans	-	-	-	-	-	-	-	-	(82,211)	-	(82,211)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	21,431	21,431	
Total changes of items during the period	-	-	2,367	460,715	(550,577)	(550,157)	64	(9,633)	(82,211)	21,431	(708,001)	
Balance at March 31, 2020	324,240	\$ 1,050,128	\$ 1,330,495	\$ 6,205,009	\$ (1,127,623)	\$ 1,009,651	\$ 55	\$ (31,642)	\$ (34,422)	\$ 484,358	\$ 8,886,009	

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Cash flows from operating activities:			
Income (loss) before income taxes and non-controlling interests	¥ 102,719	¥ (18,685)	\$ 942,376
Adjustments to reconcile income (loss) before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation	54,475	59,080	499,771
Impairment loss on fixed assets	26,517	16,685	243,275
Allowance for doubtful receivables	(186)	(389)	(1,706)
Net defined benefit asset	(7,441)	(5,682)	(68,265)
Net defined benefit liability	2,170	(292)	19,908
Equity in earnings of affiliates	(6,051)	(4,161)	(55,514)
Amortization of goodwill	1,659	1,752	15,220
Interest and dividends income	(5,587)	(5,256)	(51,257)
Interest expenses	1,466	2,068	13,450
Net gain on sales of investment securities	(50,087)	(20,008)	(459,514)
Loss on devaluation of investment securities	7,233	4,323	66,358
Net gain on sale or disposal of property, plant and equipment	(24,368)	(67)	(223,560)
Provisions for reserve for repairs	-	75,000	-
Changes in assets and liabilities			
Trade receivables	22,195	2,099	203,624
Inventories	(1,286)	1,998	(11,798)
Trade payables	(9,011)	(1,912)	(82,670)
Other assets and liabilities	10,236	2,323	93,908
Sub-total	124,653	108,876	1,143,606
Payments for repair costs	(14,077)	(22,750)	(129,147)
Extra retirement payments	(336)	(767)	(3,083)
Payments of income taxes	(16,303)	(16,387)	(149,569)
Net cash provided by operating activities	93,937	68,972	861,807
Cash flows from investing activities:			
Net decrease (increase) in time deposits	135,777	(136,981)	1,245,661
Payments for purchases of property, plant and equipment	(39,932)	(37,579)	(366,349)
Proceeds from sales of property, plant and equipment	46,104	6,942	422,972
Payments for purchases of investment securities	(1,028)	(2,405)	(9,431)
Proceeds from sales of investment securities	58,112	26,786	533,138
Payments for purchases of stock in subsidiaries resulting in a change in the scope of consolidation	(1,155)	-	(10,596)
Proceeds from purchases of stock in subsidiaries resulting in a change in the scope of consolidation	39	-	358
Payments for purchases of intangible assets	(9,775)	(9,800)	(89,679)
Interest and dividends received	9,197	10,516	84,376
Other investing activities	(6,282)	(4,388)	(57,633)
Net cash provided by (used in) investing activities	191,057	(146,909)	1,752,817

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Cash flows from financing activities:			
Net decrease in short-term bank loans	(3,424)	(2,283)	(31,413)
Proceeds from long-term debt	2,700	2,500	24,771
Repayments of long-term debt	(2,521)	(4,143)	(23,128)
Proceeds from issuance of debentures	99,496	2,443	912,807
Payments for redemption of debentures	(51,490)	(2,290)	(472,385)
Proceeds from stock issuance to non-controlling shareholders	-	75	-
Payments for purchases of treasury stocks	(60,212)	(18)	(552,404)
Interest paid	(1,570)	(2,066)	(14,404)
Dividends paid	(19,283)	(19,324)	(176,908)
Dividends paid to non-controlling shareholders	(510)	(459)	(4,679)
Payments for purchase of stock in subsidiaries not resulting in a change in the scope of consolidation	-	(90)	-
Other financing activities	(4,467)	(6,542)	(40,981)
Net cash used in financing activities	(41,281)	(32,197)	(378,724)
Effect of exchange rate changes on cash and cash equivalents	(118)	(1,031)	(1,083)
Net increase (decrease) in cash and cash equivalents	243,595	(111,165)	2,234,817
Cash and cash equivalents at beginning of year	133,772	244,937	1,227,266
Cash and cash equivalents at end of year (Note 4)	¥ 377,367	¥ 133,772	\$ 3,462,083

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

Notes To Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
March 31, 2020 and 2019

1. Basis of Presenting the Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. (hereinafter referred to as the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), and its foreign subsidiaries in conformity with the Company's group accounting policies based on International Financial Reporting Standards ("IFRS") or accounting principles generally accepted in the United States of America ("US GAAP").

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency of Japan as required by the Financial Instruments and Exchange Act of Japan. Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. Certain reclassifications have also been made in the 2019 financial statements to conform with current year presentations. In addition, the notes to the consolidated financial statements include additional information which is not required for disclosure under Japanese GAAP.

2. Significant Accounting Policies

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries. All significant intercompany accounts and intercompany transactions have been eliminated in consolidation.

Consolidated financial statements include the accounts of the Company and 108 consolidated subsidiaries. Some subsidiaries are consolidated with their fiscal year ends that differ from that of the Company. Significant transactions that took place between their fiscal year ends and the Company's fiscal year end are reflected in the consolidated financial statements.

Investments in non-consolidated subsidiaries are stated at cost and, for valuation of such investments, the equity method has not been applied since these investments are considered immaterial in the aggregate. However, investments are devalued if the decline in value is judged to be other than temporary.

Investments in 20% to 50% associated companies are principally accounted for by the equity method.

The differences between costs and underlying net assets at the date of investment in consolidated subsidiaries are included in other assets and are amortized over a period mainly for five years.

Translation of foreign currency accounts

Monetary assets and liabilities denominated in foreign currencies of the Company and its domestic subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the exchange rates prevailing during the year. The resulting translation gains or losses are included in other income (expenses).

The translation of foreign currency financial statements of foreign consolidated subsidiaries into Japanese yen has been made for consolidation purposes in accordance with the translation method prescribed in the accounting standard for foreign currency transactions. The balance sheet accounts of the foreign consolidated subsidiaries are translated at the exchange rates at the balance sheet date, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates prevailing during the year. The resulting translation adjustments are presented as "foreign currency translation adjustments" as reported in a separate component of accumulated other comprehensive income and "non-controlling interests" in the consolidated balance sheets.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturities that they present insignificant risk of changes in value.

Inventories

Inventories are stated at cost which is determined substantially by the average method being written-down to reflect the decline of profitability.

Marketable securities and investment securities

Debt securities that are held to maturity with positive intent and ability ("held-to-maturity debt securities") are stated at amortized cost. Available-for-sale securities with available fair market values are stated at fair value. Unrealized gains and losses on available-for-sale securities, net of applicable taxes, are reported in a separate component of accumulated other comprehensive income in the consolidated balance sheets.

Non-marketable securities are stated at cost determined by the average method. For other than temporary declines in fair value, carrying amount of investment securities are reduced to net realizable value by a charge to income.

Property, plant and equipment and depreciation

The Company and its domestic consolidated subsidiaries mainly use the declining-balance method. However, depreciation of buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and of facilities attached to buildings and structures acquired on or after April 1, 2016 are computed by the straight-line method.

Assets with an acquisition cost of ¥100,000 (\$917) or more but less than ¥200,000 (\$1,835) are depreciated equally over three years.

Foreign consolidated subsidiaries mainly use the straight-line method.

The estimated useful lives are summarized as follows:

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

Leased assets

Lease assets with transfer of ownership are depreciated using the same depreciation method applied to owned fixed assets.

Finance leases which do not transfer ownership are capitalized. Depreciation for leased assets is computed on a straight-line basis over the lease period with a residual value of zero.

Right-of-use assets

Depreciation for right-of-use assets is computed on a straight-line basis over the lease period with a residual value of zero.

Intangible assets

Intangible assets included in other assets are carried at cost less accumulated amortization calculated by the straight-line method over their estimated useful lives. Software for internal use included in intangible assets are amortized by the straight-line method over five years.

Impairment loss on fixed assets

The Company and its subsidiaries review fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Employees' retirement benefits

The Company and domestic significant consolidated subsidiaries applied the accounting standard for employees' retirement benefits. Under the accounting standard, accrued pension and liability for employees' retirement benefits has been provided based on the estimated amounts of projected pension and severance obligation and fair value of plan assets at the end of the fiscal year. Benefit formula basis is applied for the method of attributing expected retirement benefits to periods. Prior service cost is being amortized as incurred by the straight-line method over the period within the average remaining service periods (primarily 6 years) of the eligible employees. Actuarial gains and losses have been amortized from the following fiscal year by the declining-balance method over the periods within the average remaining service periods (primarily 9 years) of the eligible employees.

Research and development expenses

Research and development expenses are charged to income as incurred.

Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Derivatives and hedging activities

The Company and certain consolidated subsidiaries use derivative financial instruments ("derivatives") for foreign currency forward contracts, to manage the risk arising from fluctuation in foreign currency exchange rates. The Company and its subsidiaries do not enter into derivatives contracts for speculative purposes.

Derivatives are carried at fair value and changes in fair value are recognized as gains or losses, unless the derivatives qualify for "alternative method" of hedge accounting as described below.

If derivatives meet certain hedging criteria, recognition of gains or losses resulting from changes in the fair value of derivatives is deferred until the related gains or losses on hedged items are recognized.

In cases where foreign currency forward contracts meet certain hedging criteria, the hedged items are stated by the contracted rates ("alternative method").

Per share information

Net assets per share were computed based on the number of shares outstanding after deducting treasury stock at March 31, 2020 and 2019, respectively.

Net income (loss) per share was computed based on the average number of shares of common stock outstanding after deducting treasury stocks during each year. Necessary adjustments were made on the net income or the number of shares for diluted net income per share in order to reflect dilutive effects.

Reserve for repairs

The reserve for repairs is provided based on a rational estimate of the amount of repair costs that will be required in the future to repair defects for certain products.

Changes in accounting policies

(Application of ASC 606 "Revenue from Contracts with Customers")

Foreign consolidated subsidiaries that adopt U.S. GAAP have applied Accounting Standards Codification ("ASC") 606 "Revenue from Contracts with Customers" from the fiscal year ended March 31, 2020.

Accordingly, revenue is recognized, when promised goods or services are transferred to the customer, in the amount that reflects the consideration to which these subsidiaries expect to be entitled in exchange for those goods or services.

These subsidiaries adopted a method to recognize the cumulative effect at the date of initial application in accordance with transitional measures, resulting in an adjustment to retained earnings at the beginning of the fiscal year ended March 31, 2020.

As a result, retained earnings as of April 1, 2019 decreased by ¥875 million (\$8,027 thousand). The effect of this change on the consolidated financial statements for the year ended March 31, 2020 is immaterial.

(Application of ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities")

Foreign consolidated subsidiaries that adopt U.S. GAAP have applied Accounting Standard Update ("ASU") 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" from the fiscal year ended March 31, 2020.

ASU 2016-01 requires equity investments except those accounted for under the equity method of accounting or those that result in consolidation of the investee to be measured at fair value with changes in fair value recognized in net income or loss.

These subsidiaries adopted a method to recognize the cumulative effect at the date of initial application in accordance with transitional measures, resulting in the adjustments to retained earnings and accumulated other comprehensive income for the fiscal year ended March 31, 2020.

As a result, retained earnings as of April 1, 2019 increased by ¥54 million (\$495 thousand) and valuation difference on available-for-sale securities decreased by ¥54 million (\$495 thousand). The effect of this change on the consolidated financial statements for the year ended March 31, 2020 is immaterial.

(Application of IFRS No. 16 "Leases")

Foreign consolidated subsidiaries that adopt IFRS have applied IFRS No. 16 "Leases" from the beginning of the fiscal year ended March 31, 2020.

Accordingly, these subsidiaries, in principle, recognize the right-of-use assets and lease obligations arising from all lessee transactions,

and recognize depreciation of the right-of-use asset and interest on the lease obligations.

The effect of this change on the consolidated financial statements for the year ended March 31, 2020 is immaterial.

Standards and guidance not yet adopted

"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

1. Overview

The above standard and guidance provide comprehensive accounting principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

3. Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of the standard and guidance on the consolidated financial statements.

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

1. Overview

The objective of the above standard is to disclose information regarding accounting estimates, among those used in preparation of the current year financial statements, on items which may have significant impact on the next year financial statements and facilitate understanding of such items by users of financial statements.

2. Effective date

Effective from the end of the fiscal year ending March 31, 2021.

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

1. Overview

The objective of the above standard is to disclose summary information on accounting policies and procedures adopted when requirements under the relating accounting standards are not clearly defined.

2. Effective date

Effective from the end of the fiscal year ending March 31, 2021.

Additional information

(Accounting estimates on the effect of Coronavirus Disease ("COVID-19"))

The Company and its consolidated subsidiaries estimate the possibility of realization of deferred tax assets, etc. reasonably based on the available information as of the time of preparing the consolidated financial statements.

Accounting estimates are based on the assumption that the effect of COVID-19 on the business continues for a certain period.

Actual results may differ from those estimates due to uncertainties in estimation.

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with Japanese GAAP. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the readers, at the rate of ¥109 = U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2020. Such translations should not be construed as representations that the Japanese yen at that or any other rate could be converted into U.S. dollars.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2020 and 2019 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Cash and deposits (excluding time deposits and short-term investments (securities) with a maturity over three months)	¥ 377,367	¥ 133,772	\$ 3,462,083

5. Marketable Securities and Investment Securities

The carrying amount and aggregate fair value of marketable and investment securities classified as held-to-maturity debt securities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		
	Carrying amount	Fair value	Difference
March 31, 2020			
Others	¥ 302	¥ 300	¥ (2)
	Thousands of U.S. dollars (Note 3)		
March 31, 2020			
Others	\$ 2,771	\$ 2,752	\$ (19)
	Millions of yen		
March 31, 2019			
Others	¥ 202	¥ 201	¥ (1)

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities including those with no fair value as of March 31, 2020 and 2019 were as follows:

	Millions of yen			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
March 31, 2020				
Stocks	¥ 83,321	¥ 161,399	¥ 4,077	¥ 240,643
Others	10,293	8	-	10,301
Total	¥ 93,614	¥ 161,407	¥ 4,077	¥ 250,944
	Thousands of U.S. dollars (Note 3)			
March 31, 2020				
Stocks	\$ 764,413	\$ 1,480,725	\$ 37,404	\$ 2,207,734
Others	94,432	73	-	94,505
Total	\$ 858,845	\$ 1,480,798	\$ 37,404	\$ 2,302,239
	Millions of yen			
March 31, 2019				
Stocks	¥ 95,815	¥ 244,307	¥ 1,496	¥ 338,626
Others	10,106	11	4	10,113
Total	¥ 105,921	¥ 244,318	¥ 1,500	¥ 348,739

The proceeds from sales of available-for-sale securities for the years ended March 31, 2020 and 2019 were ¥55,730 million (\$511,284 thousand) and ¥26,229 million, respectively. The gross realized gains on these sales for the years ended March 31, 2020 and 2019 were ¥51,450 million (\$472,018 thousand) and ¥18,026 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2020 and 2019 were ¥1,363 million (\$12,504 thousand) and ¥42 million, respectively.

The acquisition cost is the amount after recognized loss on devaluation of investment securities. Loss on devaluation of investment securities for the years ended March 31, 2020 and 2019 were ¥7,082 million (\$64,972 thousand) and ¥4,305 million, respectively.

If the market value of the security declines by 50% or more from its acquisition cost as of the end of the fiscal year, loss on devaluation of investment securities is recorded for the difference between the market value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, loss on devaluation of investment securities for the amount deemed necessary is recorded considering its recoverability, etc.

The redemption schedules for securities with maturities at March 31, 2020 and 2019 were as follows:

	Millions of yen		
	Due in one year or less	Due after one year through five years	Over five years
March 31, 2020			
Corporate bonds	¥ -	¥ 332	¥ -
Others	10,000	-	-
	¥ 10,000	¥ 332	¥ -
	Thousands of U.S. dollars (Note 3)		
March 31, 2020			
Corporate bonds	\$ -	\$ 3,046	\$ -
Others	91,743	-	-
	\$ 91,743	\$ 3,046	\$ -

March 31, 2019	Millions of yen		
	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	¥ -	¥ 202	¥ 30
Others	10,000	-	-
	¥ 10,000	¥ 202	¥ 30

6. Inventories

Inventories at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Merchandise and finished products	¥ 78,199	¥ 79,809	\$ 717,422
Work in process	32,232	30,075	295,706
Raw materials and supplies	23,849	23,188	218,799
	¥ 134,280	¥ 133,072	\$ 1,231,927

7. Short-term Bank Loans and Long-term Debt

Short-term bank loans at March 31, 2020 and 2019 were represented by bank loans and bank overdrafts, etc., bearing interest at an average rate of 0.46% per annum for 2020 and 0.47% per annum for 2019.

Long-term debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Unsecured debentures			
0.270~0.580% due 2026 and thereafter	¥ 100,000	¥ -	\$ 917,431
0.180~0.290% due 2024	2,500	2,500	22,936
0.160~0.180% due 2023	1,050	1,050	9,633
0.100~0.376% due 2022	3,570	3,570	32,752
0.150~1.358% due 2021	52,490	52,490	481,560
0.100~1.705% due 2020	-	51,490	-
Collateralized loans, maturing 2021~2025	1,964	2,119	18,018
Unsecured loans, maturing 2021~2026	11,022	10,658	101,119
	172,596	123,877	1,583,449
Current portion of long-term debt	(59,498)	(54,222)	(545,853)
	¥ 113,098	¥ 69,655	\$ 1,037,596

Finance lease obligations at March 31, 2020 and 2019 which are included in other long-term liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Finance lease obligations	¥ 9,961	¥ 10,954	\$ 91,385
Current portion of lease obligations	(3,390)	(5,324)	(31,101)
	¥ 6,571	¥ 5,630	\$ 60,284

The assets pledged as collateral for the Company and its consolidated subsidiaries' indebtedness, such as property, plant and equipment and other assets, were ¥6,129 million (\$56,229 thousand) and ¥7,275 million at March 31, 2020 and 2019, respectively.

Interest rates on collateralized loans ranged from 0.15% to 0.84% per annum for 2020 and from 0.15% to 0.83% per annum for 2019, while interest rates on unsecured loans ranged from 0.40% to 1.85% per annum for 2020 and from 0.40% to 0.98% per annum for 2019.

The aggregate annual maturities of long-term debt after March 31, 2020 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2021	¥ 59,498	\$ 545,853
2022	5,728	52,550
2023	1,738	15,945
2024	3,205	29,404
2025	1,227	11,257
2026 and thereafter	101,200	928,440
	¥ 172,596	\$ 1,583,449

The aggregate annual maturities of finance lease obligations after March 31, 2020 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2021	¥ 3,390	\$ 31,101
2022	2,530	23,211
2023	2,017	18,504
2024	803	7,367
2025	522	4,789
2026 and thereafter	699	6,413
	¥ 9,961	\$ 91,385

8. Retirement Benefits

The Company and its domestic consolidated subsidiaries have lump-sum retirement plan, defined benefit corporate pension plan and defined contribution pension plan. In some cases, additional retirement benefits were paid when an employee retired. In addition, certain foreign subsidiaries have defined benefit pension plan. Upon retirement or termination of employment for reasons other than the cause of dismissal, employees are entitled to lump-sum payments based on the current rate of pay, length of services and accumulated number of points determined based on the employment services.

Under the Defined Benefit Pension Plan Law, the Company has established new defined benefit pension plans on March 1, 2005 under which most of the retirement benefit liability of the Company and a part of its subsidiaries is covered by the employees' pension fund. In addition, the Company established retirement benefit trusts.

48 consolidated subsidiaries adopt defined benefit corporate pension plan, 7 adopt defined contribution pension plan, and 53 adopt lump-sum retirement plan. Certain consolidated subsidiaries apply the simplified method for the calculation of net defined benefit liability and retirement benefit costs.

The reconciliation of beginning and ending balance of the projected benefit obligation at March 31, 2020 and 2019 were as follows:

Change in projected benefit obligation:	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Balance at the beginning of year	¥ 268,929	¥ 264,922	\$ 2,467,239
Service cost	13,656	13,691	125,284
Interest cost	1,075	1,252	9,862
Actuarial gain/loss	(930)	(686)	(8,532)
Benefits paid	(10,378)	(9,897)	(95,211)
Change in scope of consolidation	121	-	1,110
Other	103	(353)	945
Balance at the end of year	¥ 272,576	¥ 268,929	\$ 2,500,697

The reconciliation of beginning and ending balance of the plan assets at March 31, 2020 and 2019 were as follows:

Change in plan assets:	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Balance at the beginning of year	¥ 305,576	¥ 297,544	\$ 2,803,449
Expected return on plan assets	7,807	7,590	71,624
Actuarial gain/loss	(12,307)	(637)	(112,908)
Contributions by the employer	9,252	9,410	84,881
Benefits paid	(8,813)	(8,216)	(80,853)
Other	63	(115)	578
Balance at the end of year	¥ 301,578	¥ 305,576	\$ 2,766,771

The reconciliation of projected benefit obligation and plan assets to net defined benefit liability and asset recognized in the consolidated balance sheets as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Funded projected benefit obligation	¥ 237,051	¥ 234,403	\$ 2,174,779
Plan assets	(301,578)	(305,576)	(2,766,771)
	(64,527)	(71,173)	(591,992)
Unfunded projected benefit obligation	35,525	34,526	325,918
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ (29,002)	¥ (36,647)	\$ (266,074)
Net defined benefit liability	35,687	34,734	327,404
Net defined benefit asset	(64,689)	(71,381)	(593,478)
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ (29,002)	¥ (36,647)	\$ (266,074)

The components of net periodic benefit costs for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Service cost ^(*) (⁽²⁾)	¥ 13,636	¥ 13,671	\$ 125,101
Interest cost	1,075	1,252	9,862
Expected return on plan assets	(7,807)	(7,590)	(71,624)
Actuarial gain/loss	(1,842)	(2,535)	(16,899)
Amortization of prior service cost	459	476	4,211
Net periodic benefit costs of the defined benefit plan	¥ 5,521	¥ 5,274	\$ 50,651

(*) Employees' contribution to the corporate pension fund is deducted from "Service cost."

(⁽²⁾) Retirement benefit expenses booked by consolidated subsidiaries applying the simplified method is included in "Service cost."

(⁽³⁾) In addition to the retirement benefit costs listed above, an additional retirement benefits were recognized as other expenses in the amount of ¥953 million for the year ended March 31, 2019.

Remeasurements of defined benefit plans, before income-tax effect, recorded under other comprehensive income (loss) for the years ended March 31, 2020 and 2019 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Actuarial gain/loss	¥ (13,241)	¥ (2,334)	\$ (121,477)
Prior service cost	459	477	4,211
Total	¥ (12,782)	¥ (1,857)	\$ (117,266)

Remeasurements of defined benefit plans, before income-tax effect, recorded under accumulated other comprehensive income at March 31, 2020 and 2019 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Unrecognized actuarial gain/loss	¥ (6,176)	¥ 7,064	\$ (56,661)
Unrecognized prior service cost	(449)	(908)	(4,119)
Total	¥ (6,625)	¥ 6,156	\$ (60,780)

The major categories of plan assets as of March 31, 2020 and 2019 were as follows:

	2020	2019
	Bonds	18%
Stocks	36%	39%
Alternative investments	36%	36%
Other	10%	5%
Total	100%	100%

(*) The main plan assets in "Alternative investments" are hedge funds, multi-asset management, infrastructure funds, and investment in real estate.

(⁽²⁾) The total amount of plan assets includes the retirement benefit trusts for corporate pension fund representing 15% and 15% for the years ended March 31, 2020 and 2019, respectively.

Assumptions used for the years ended March 31, 2020 and 2019 were set forth as follows:

	2020	2019
Discount rate	0.7%	0.6%
Long-term expected rate of return on plan assets	mainly 2.5%	mainly 2.5%

(*) The discount rates are presented based on the weighted-average of multiple discount rates.

The amounts of required contribution to defined contribution plans for the consolidated subsidiaries were ¥279 million (\$2,560 thousand) and ¥257 million for the years ended March 31, 2020 and 2019, respectively.

9. Net Assets

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. However, its articles of incorporation have not stipulated that the Board of Directors may declare dividends at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

Cash dividends of ¥32.00 (\$0.29) per share, aggregating ¥8,989 million (\$82,468 thousand) were approved at the general stockholders' meeting held on June 26, 2020 with respect to the year ended March 31, 2020.

(b) Increases /decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by specific formula.

Treasury stock increased by 20,938,599 shares, which is comprised of increase of 20,933,700 shares due to purchase of treasury stock through resolution of the Board of Directors' meeting, increase of 5,021 shares due to purchase of odd shares, decrease of 116 shares due to sales of odd shares, decrease of 6 shares through decrease in ratio of shareholding in an affiliated company accounted for under the equity method for the year ended March 31, 2020.

Under the Companies Act, stock acquisition rights are presented as a separate component of net assets.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights. At present, the Company has not issued such stock acquisition rights.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2020 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Trade receivables	¥ 6,989	¥ 6,882	\$ 64,119
Other current assets	346	289	3,174
Investment securities	57,649	54,164	528,890
Long-term loans receivable	140	30	1,284
Other investments	6,319	6,074	57,972
Trade payables	3,588	5,028	32,917
Accrued expenses	322	269	2,954
Other current liabilities	1,053	943	9,661
Other long-term liabilities	-	10	-

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Salaries and allowances	¥ 68,461	¥ 67,790	\$ 628,083
Accrued bonuses	6,599	6,623	60,541
Provision for retirement benefits	927	578	8,505
Depreciation	13,089	14,375	120,083
Research and development expenses	33,603	33,787	308,284
Others	113,889	109,064	1,044,853
	¥ 236,568	¥ 232,217	\$ 2,170,349

12. Other Income (Expenses)

The following types of income from non-consolidated subsidiaries and associated companies were included in other income (expenses).

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Interest and dividends income	¥ 353	¥ 11	\$ 3,239
Rent income on facilities	54	99	495

13. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate.

The actual effective tax rate reflected in the accompanying consolidated statements of income differs from the normal effective statutory tax rate primarily due to the effect of permanently non-deductible expenses, current operating losses and different tax rates applicable to foreign subsidiaries, etc.

The note of reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2020 and 2019 has been omitted because the difference was less than 5% of the normal effective statutory tax rate for 2020 and loss before income taxes and non-controlling interests was recorded for 2019, respectively.

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Deferred tax assets:			
Repair reserve provisions	¥ 23,041	¥ 27,348	\$ 211,385
Impairment loss on fixed assets	18,451	13,358	169,275
Tax loss carryforwards	18,027	31,057	165,385
Net defined benefit liability	13,986	13,500	128,312
Accrued bonuses	5,777	5,526	53,000
Loss on devaluation of investment securities	4,207	2,115	38,597
Accrued enterprise tax	1,647	782	15,110
Loss on write-down of inventories	1,223	1,241	11,220
Excess provision for doubtful receivables	714	1,028	6,551
Other	16,070	13,728	147,431
Total deferred tax assets	103,143	109,683	946,266
Valuation allowance for tax loss carryforwards ^(*)	(17,528)	(30,497)	(160,807)
Valuation allowance for deductible temporary differences	(41,820)	(36,128)	(383,670)
Total valuation allowance ^(*)	(59,348)	(66,625)	(544,477)
Total	¥ 43,795	¥ 43,058	\$ 401,789
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (47,969)	¥ (73,320)	\$ (440,083)
Net defined benefit asset	(19,795)	(21,843)	(181,605)
Undistributed earnings of subsidiaries	(3,251)	(720)	(29,826)
Reserve for special depreciation	(19)	(33)	(174)
Other	(1,694)	(1,373)	(15,541)
Total	¥ (72,728)	¥ (97,289)	\$ (667,229)
Net deferred tax assets (liabilities):	¥ (28,933)	¥ (54,231)	\$ (265,440)

(*1) Valuation allowance decreased by ¥7,277 million (\$66,761 thousand). The main changing factor for temporary differences is the increase of valuation allowance caused by decreasing recoverable amount in subsequent years as a result of forecasting taxable income in the future. The main changing factor for tax loss carryforwards is the decrease of tax loss caused by increased taxable income.

(*2) The amounts by the expiration period of tax loss carryforwards, related valuation allowance and the resulting deferred tax assets as of March 31, 2020 and 2019 were as follows:

March 31, 2020	Millions of yen		
	Tax loss carryforwards ^(*)	Valuation allowance	Deferred tax assets
2021	¥ 2,211	¥ (1,862)	¥ 349
2022	846	(846)	-
2023	1,793	(1,786)	7
2024	1,639	(1,592)	47
2025	1,865	(1,865)	-
2026 and thereafter	9,673	(9,577)	96
Total	¥ 18,027	¥ (17,528)	¥ 499

March 31, 2020	Thousands of U.S. dollars (Note 3)		
	Tax loss carryforwards ^(*)	Valuation allowance	Deferred tax assets
2021	\$ 20,285	\$ (17,083)	\$ 3,202
2022	7,761	(7,761)	-
2023	16,449	(16,385)	64
2024	15,037	(14,606)	431
2025	17,110	(17,110)	-
2026 and thereafter	88,743	(87,862)	881
Total	\$ 165,385	\$ (160,807)	\$ 4,578

(*1) Tax loss carryforwards are the amounts obtained by multiplying by the normal effective statutory tax rate.

(*2) For the tax loss carryforwards of ¥18,027 million (\$165,385 thousand) (the amount multiplied by the normal effective statutory tax rate), the Company recognized deferred tax assets of ¥499 million (\$4,578 thousand). Deferred tax assets of ¥499 million (\$4,578 thousand) above is recognized mainly because a part of the tax loss carryforwards recorded by Maruzen CHI Holdings Co., Ltd., a consolidated subsidiary of the Company, is expected to be recoverable as a result of estimated taxable income in the future.

March 31, 2019	Millions of yen		
	Tax loss carryforwards ^(*)	Valuation allowance	Deferred tax assets
2020	¥ 5,327	¥ (4,987)	¥ 340
2021	7,654	(7,646)	8
2022	1,351	(1,287)	64
2023	2,560	(2,552)	8
2024	1,652	(1,646)	6
2025 and thereafter	12,513	(12,379)	134
Total	¥ 31,057	¥ (30,497)	¥ 560

(*1) Tax loss carryforwards are the amounts obtained by multiplying by normal the effective statutory tax rate.

(*2) For the tax loss carryforwards of ¥31,057 million (the amount multiplied by the normal effective statutory tax rate), the Company recognized deferred tax assets of ¥560 million. Deferred tax assets of ¥560 million above is recognized mainly because a part of the tax loss carryforwards recorded by Maruzen CHI Holdings Co., Ltd., a consolidated subsidiary of the Company, is expected to be recoverable as a result of estimated taxable income in the future.

14. Impairment Loss on Fixed Assets

Impairment loss on fixed assets for the year ended March 31, 2020 were as follows:

March 31, 2020				
Location	Purpose of use	Category	Millions of yen	Thousands of U.S. dollars (Note 3)
Kuki City, Saitama, Shiraoka City, Saitama and others	Publishing business related assets	Buildings and structures, machinery and others	¥ 11,191	\$ 102,670
Himeji City, Hyogo	Color filter production plant and equipment	Buildings and structures and others	3,576	32,807
Mihara City, Hiroshima	Color filter production plant and equipment	Buildings and structures and others	1,609	14,761
Kashiwa City, Chiba and others	Information system-related assets	Software and others	5,262	48,275
Kyoto City, Kyoto	Packaging business related assets	Buildings and structures, machinery and others	1,656	15,193
Kitakyushu City, Fukuoka and others	Idle assets	Buildings and structures, land and others	2,453	22,505
Shinagawa-ku, Tokyo and others	Office facilities	Buildings and structures, machinery and others	605	5,550
Toshima-ku, Tokyo and others	Stores (Business assets)	Buildings and structures and others	139	1,275
Others	Business assets and others	Buildings and structures, land and others	26	239

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the year ended March 31, 2020. Fixed assets were, in principle, grouped at the business unit for impairment testing purposes. Idle assets were grouped in each asset.

As a result, the difference between book values and recoverable amounts was recorded as "Impairment loss on fixed assets" in the amount of ¥26,517 million (\$243,275 thousand), which is comprised of buildings and structures of ¥14,486 million (\$132,899 thousand), machinery of ¥3,979 million (\$36,504 thousand), land of ¥1,021 million (\$9,367 thousand), software of ¥5,512 million (\$50,569 thousand), and others of ¥1,519 million (\$13,936 thousand), for the year ended March 31, 2020.

While the recoverable amount of business assets' groups of which profitability have been declined were measured at the value in use, publishing business related assets, color filter production plant and equipment in Mihara City, Hiroshima, information system-related assets and other business assets were assessed at zero because the future operating cash flows cannot be expected.

For color filter production plant and equipment in Himeji City, Hyogo, packaging business related assets in Kyoto City, Kyoto, office facilities in Shinagawa-Ku, Tokyo and others, the book values of assets have been reduced because such assets are expected to become unnecessary at the time of closure of the factories or relocation of the office.

The recoverable amount for idle assets has been measured at the net selling value which is evaluated based mainly on real estate appraisal values. The book values of the idle assets which were difficult to obtain selling values have been reduced to memorandum values.

15. Leases**Finance Leases**

Information concerning finance lease transactions has been omitted, due to insignificance of such disclosure.

Operating Leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2020 and 2019 were summarized as follows:

Future lease payments:	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
One year or less	¥ 4,510	¥ 5,284	\$ 41,376
More than one year	8,328	11,316	76,404
	¥ 12,838	¥ 16,600	\$ 117,780

16. Financial Instruments**1. Management policy**

The Company and its consolidated subsidiaries manage surplus funds through financial assets that have high levels of safety, and raise funds through bank loans and bond issuances. The Company and its subsidiaries also utilize derivative financial instruments to hedge the risk of exchange rate fluctuations and do not enter into derivatives for trading or speculative purposes.

The trade receivables are exposed to credit risk of customers and the Company and its subsidiaries minimize the credit risk in accordance with internal rules for customer credit management.

Long-term investments are mainly equity securities. Market prices and financial condition of issuers (business counterparties) of such investments are obtained on a regular basis.

2. Fair value of financial instruments

Fair value and differences compared to the carrying amounts reported in the consolidated balance sheets as of March 31, 2020 and 2019 were as follows:

March 31, 2020	Millions of yen		
	Carrying amounts	Fair value	Differences
(1) Cash and deposits	¥ 381,013	¥ 381,013	¥ -
(2) Trade receivables	330,799	330,799	-
(3) Short-term and long-term investment securities	264,669	300,191	35,522
Assets	¥ 976,481	¥ 1,012,003	¥ 35,522
(1) Trade payables	¥ 238,066	¥ 238,066	¥ -
(2) Short-term bank loans	39,052	39,052	-
(3) Long-term debts	172,596	171,788	(808)
Liabilities	¥ 449,714	¥ 448,906	¥ (808)
Derivatives ^(*)			
[1] Hedge accounting is not applied	¥ (78)	¥ (78)	¥ -
[2] Hedge accounting is applied	0	0	-
Total	¥ (78)	¥ (78)	¥ -

March 31, 2020	Thousands of U.S. dollars (Note 3)		
	Carrying amounts	Fair value	Differences
(1) Cash and deposits	\$ 3,495,533	\$ 3,495,533	\$ -
(2) Trade receivables	3,034,853	3,034,853	-
(3) Short-term and long-term investment securities	2,428,155	2,754,045	325,890
Assets	\$ 8,958,541	\$ 9,284,431	\$ 325,890
(1) Trade payables	\$ 2,184,092	\$ 2,184,092	\$ -
(2) Short-term bank loans	358,275	358,275	-
(3) Long-term debts	1,583,449	1,576,037	(7,413)
Liabilities	\$ 4,125,816	\$ 4,118,404	\$ (7,413)
Derivatives ^(*)			
[1] Hedge accounting is not applied	\$ (716)	\$ (716)	\$ -
[2] Hedge accounting is applied	0	0	-
Total	\$ (716)	\$ (716)	\$ -

March 31, 2019	Millions of yen		
	Carrying amounts	Fair value	Differences
(1) Cash and deposits	¥ 273,047	¥ 273,047	¥ -
(2) Trade receivables	351,450	351,450	-
(3) Short-term and long-term investment securities	353,502	392,824	39,322
Assets	¥ 977,999	¥ 1,017,321	¥ 39,322
(1) Trade payables	¥ 246,138	¥ 246,138	¥ -
(2) Short-term bank loans	42,474	42,474	-
(3) Long-term debts	123,878	125,219	1,341
Liabilities	¥ 412,490	¥ 413,831	¥ 1,341
Derivatives ^(*)			
[1] Hedge accounting is not applied	¥ (56)	¥ (56)	¥ -
[2] Hedge accounting is applied	(15)	(15)	-
Total	¥ (71)	¥ (71)	¥ -

(*) Derivative assets and liabilities are presented on a net basis.

Note A: Fair value measurement of financial instruments, marketable securities and derivatives**Assets**

(1) Cash and deposits and (2) Trade receivables

The carrying amounts approximate fair value because of the short maturities of these instruments.

(3) Marketable and investment securities

The fair values of equity securities are measured at the quoted market price of the stock exchange and the fair values of debt securities are measured at the quoted price provided by financial institutions.

Liabilities

(1) Trade payables and (2) Short-term bank loans

The carrying amounts approximate fair value because of the short maturities of these instruments.

(3) Long-term debts

The fair values of bonds issued by the Company and its subsidiaries are measured based on market price, if available. The fair values of bonds without market price are measured at the present value of total principal and interest discounted by using a rate which reflects its remaining period and credit risk.

The fair values of long-term debts are based on the present value of total principal and interest discounted by using the current borrowing rate for similar debt.

Derivatives

Information about the fair value for derivatives is included in Note 17.

Note B: Financial instruments whose fair value is extremely difficult to measure

March 31, 2020	Millions of yen	Thousands of U.S. dollars (Note 3)
	Carrying amounts	Carrying amounts
Unlisted equity securities	¥ 43,977	\$ 403,459
Others	249	2,284
Millions of yen		
March 31, 2019	Carrying amounts	
Unlisted equity securities	¥ 49,550	
Others	53	

The above instruments are not included in "(3) Marketable and investment securities" because there is no market value and it is extremely difficult to measure the fair value.

17. Derivative Financial Instruments**Nature of Derivative Financial Instruments:**

The Company and certain consolidated subsidiaries enter into derivatives for foreign currency forward contracts to manage the risk arising from fluctuation in foreign currency exchange rates. Derivatives related to currency are utilized to hedge foreign exchange risks associated with certain trade receivables, trade payables and other debts, including forecasted transactions, denominated in foreign currencies. The Company and its subsidiaries do not hold derivatives for speculative purposes.

Derivatives are subject to market risks and credit risks. Because the counterparties to those derivatives are limited to major international financial institutions, the Company and its subsidiaries do not anticipate any losses arising from credit risks. The Accounting Department controls and executes derivatives based on the internal policies of the Company.

Fair value of derivatives:

The contracted amount and fair value of derivatives at March 31, 2020 and 2019 were as follows:

Derivative transactions to which the Company and its subsidiaries did not apply hedge accounting

March 31, 2020	Millions of yen		
	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 16,085	¥ (86)	¥ (86)
Euro	2,103	8	8
Payables:			
U.S. dollars	0	(0)	(0)
	¥ 18,188	¥ (78)	¥ (78)

March 31, 2020	Thousands of U.S. dollars (Note 3)		
	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	\$ 147,569	\$ (789)	\$ (789)
Euro	19,293	73	73
Payables:			
U.S. dollars	0	(0)	(0)
	\$ 166,862	\$ (716)	\$ (716)
Millions of yen			
March 31, 2019	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 15,910	¥ (81)	¥ (81)
Euro	2,333	25	25
Payables:			
U.S. dollars	40	(0)	(0)
	¥ 18,283	¥ (56)	¥ (56)

Derivative transactions to which the Company and its subsidiaries applied hedge accounting

March 31, 2020	Millions of yen		
	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Forecasted foreign currency transactions	¥ 178	¥ 0
U.S. dollars	Trade receivables	356	-
Payables:			
U.S. dollars	Forecasted foreign currency transactions	1,085	1
U.S. dollars	Trade payables	385	-
Euro	Forecasted foreign currency transactions	136	(1)
Euro	Trade payables	1	-
Sterling pound	Forecasted foreign currency transactions	97	0
		¥ 2,238	¥ 0

March 31, 2020	Thousands of U.S. dollars (Note 3)		
	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Forecasted foreign currency transactions	\$ 1,633	\$ 0
U.S. dollars	Trade receivables	3,266	-
Payables:			
U.S. dollars	Forecasted foreign currency transactions	9,954	9
U.S. dollars	Trade payables	3,532	-
Euro	Forecasted foreign currency transactions	1,248	(9)
Euro	Trade payables	9	-
Sterling pound	Forecasted foreign currency transactions	890	(0)
		\$ 20,532	\$ 0

March 31, 2019	Millions of yen		
	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Forecasted foreign currency transactions	¥ 225	¥ (1)
U.S. dollars	Trade receivables	430	-
Payables:			
U.S. dollars	Forecasted foreign currency transactions	1,257	(11)
U.S. dollars	Trade payables	714	-
Euro	Forecasted foreign currency transactions	141	(4)
Euro	Trade payables	0	-
Sterling pound	Forecasted foreign currency transactions	129	1
		¥ 2,896	¥ (15)

The fair values of foreign currency forward contracts subject to alternative method are included in the fair values of trade receivables and trade payables as hedged items.
Fair value of derivatives is determined based on forward exchange rates or information provided by financial institutions at the end of the fiscal year.

18. Contingent Liabilities

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to subsequently discount such notes at banks. At March 31, 2020 and 2019, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥534 million (\$4,899 thousand) and ¥488 million, respectively.

19. Segment Information

Outline of reportable segments:

The Company and its consolidated subsidiaries' reportable segments are components of the group whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance, for which discrete financial information is available. The group's reportable segments consist of Information Communication, Lifestyle and Industrial Supplies, Electronics, and Beverages, based on a classification by commonality in manufacturing and marketing method of products.

"Information Communication" involves production and sale of publication printing, commercial printing, business forms, photo materials, and education and publications distribution business. "Lifestyle & Industrial Supplies" involves production and sale of packaging materials, exterior materials for buildings and industrial supplies. "Electronics" involves production and sale of precision electronic components. "Beverages" involves production and sale of carbonated drink and mineral water.

Accounting policies and methods used at reportable segments are the same as those described in Note 2 Significant Accounting Policies. Profit or loss of reportable segments is equal to operating income on the consolidated statement of income. Intersegment sales and transfers are based on third-party transaction prices.

Information on sales and operating income, identifiable assets and other items by reportable segment

For 2020:	Millions of yen						
	Reportable segment					Adjustments ^(*)	Consolidated ⁽²⁾
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales and operating income							
Net sales							
Outside customers	¥ 769,749	¥ 390,272	¥ 186,602	¥ 55,271	¥ 1,401,894	¥ -	¥ 1,401,894
Intersegment	3,330	1,086	-	21	4,437	(4,437)	-
Total	773,079	391,358	186,602	55,292	1,406,331	(4,437)	1,401,894
Segment income	30,416	11,144	34,135	2,047	77,742	(21,468)	56,274
Segment assets	¥ 796,797	¥ 423,907	¥ 208,397	¥ 49,955	¥ 1,479,056	¥ 242,668	¥ 1,721,724
Others							
Depreciation and amortization	¥ 23,547	¥ 16,023	¥ 9,655	¥ 2,789	¥ 52,014	¥ 2,461	¥ 54,475
Amortization of goodwill	446	1,213	-	-	1,659	-	1,659
Impairment loss	16,188	2,546	5,206	1	23,941	2,576	26,517
Investments in equity method affiliates	1,679	653	16,162	-	18,494	41,471	59,965
Increase in property, plant and equipment and intangible assets	20,009	21,265	11,802	2,667	55,743	1,419	57,162

For 2020:	Thousands of U.S. dollars (Note 3)						
	Reportable segment					Adjustments ^(*)	Consolidated ⁽²⁾
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales and operating income							
Net sales							
Outside customers	\$ 7,061,918	\$ 3,580,477	\$ 1,711,945	\$ 507,073	\$ 12,861,413	\$ -	\$ 12,861,413
Intersegment	30,550	9,963	-	193	40,706	(40,706)	-
Total	7,092,468	3,590,440	1,711,945	507,266	12,902,119	(40,706)	12,861,413
Segment income	279,046	102,238	313,165	18,780	713,229	(196,954)	516,275
Segment assets	\$ 7,310,064	\$ 3,889,055	\$ 1,911,899	\$ 458,303	\$ 13,569,321	\$ 2,226,312	\$ 15,795,633
Others							
Depreciation and amortization	\$ 216,028	\$ 147,000	\$ 88,578	\$ 25,587	\$ 477,193	\$ 22,578	\$ 499,771
Amortization of goodwill	4,092	11,128	-	-	15,220	-	15,220
Impairment loss	148,514	23,358	47,761	9	219,642	23,633	243,275
Investments in equity method affiliates	15,404	5,991	148,275	-	169,670	380,468	550,138
Increase in property, plant and equipment and intangible assets	183,569	195,092	108,275	24,468	511,404	13,018	524,422

(*) Adjustments represent as follows.

- (1) Adjustment of segment income consists of basic research expenses not belong to reportable segments and research expenses shared by each reportable segments.
- (2) Adjustment of segment assets consists of corporate assets not allocated to reportable segments and intersegment eliminations.
- (3) Adjustment of impairment loss consists of impairment loss for corporate assets not allocated to reportable segments.
- (4) Adjustment of investments in equity method affiliates consists of the investments in equity method affiliates not belong to reportable segments.
- (5) Adjustment of increases in property, plant and equipment and in intangible assets consists of capital investments mainly for the head office building.

(2) Segment income is reconciled to operating income in the consolidated financial statements.

For 2019:	Millions of yen						
	Reportable segment					Adjustments ^(*)	Consolidated ⁽²⁾
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales and operating income							
Net sales							
Outside customers	¥ 757,902	¥ 395,182	¥ 192,437	¥ 55,985	¥ 1,401,506	¥ -	¥ 1,401,506
Intersegment	4,409	1,987	-	13	6,409	(6,409)	-
Total	762,311	397,169	192,437	55,998	1,407,915	(6,409)	1,401,506
Segment income	24,844	8,379	36,912	2,121	72,256	(22,358)	49,898
Segment assets	¥ 893,825	¥ 445,329	¥ 225,058	¥ 48,466	¥ 1,612,678	¥ 162,345	¥ 1,775,023
Others							
Depreciation and amortization	¥ 25,694	¥ 16,384	¥ 11,578	¥ 2,709	¥ 56,365	¥ 2,716	¥ 59,081
Amortization of goodwill	539	1,213	-	-	1,752	-	1,752
Impairment loss	4,066	1,503	4,551	28	10,148	6,537	16,685
Investments in equity method affiliates	1,739	493	17,076	-	19,308	37,450	56,758
Increase in property, plant and equipment and intangible assets	19,698	12,778	4,613	1,927	39,016	2,087	41,103

(*) Adjustments represent as follows.

- (1) Adjustment of segment income consists of basic research expenses not belong to reportable segments and research expenses shared by each reportable segments.
- (2) Adjustment of segment assets consists of corporate assets not allocated to reportable segments and intersegment eliminations.
- (3) Adjustment of impairment loss consists of impairment loss for corporate assets not allocated to reportable segments.
- (4) Adjustment of investments in equity method affiliates consists of the investments in equity method affiliates not belong to reportable segments.
- (5) Adjustment of increases in property, plant and equipment and in intangible assets consists of capital investments mainly for the head office building.

(2) Segment income is reconciled to operating income in the consolidated financial statements.

Related information

Information by geographic area

Millions of yen				
For 2020:	Japan	Asia	Other region	Total
Net sales	¥ 1,155,716	¥ 169,659	¥ 76,519	¥ 1,401,894

Thousands of U.S. dollars (Note 3)				
For 2020:	Japan	Asia	Other region	Total
Net sales	\$ 10,602,899	\$ 1,556,505	\$ 702,009	\$ 12,861,413

Millions of yen				
For 2019:	Japan	Asia	Other region	Total
Net sales	¥ 1,163,128	¥ 162,056	¥ 76,322	¥ 1,401,506

Information about goodwill by reportable segments

Millions of yen					
For 2020:	Reportable segments				Total
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	
Unamortized balance of goodwill	¥ 581	¥ 606	¥ -	¥ -	¥ 1,187

Thousands of U.S. dollars (Note 3)					
For 2020:	Reportable segments				Total
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	
Unamortized balance of goodwill	\$ 5,330	\$ 5,560	\$ -	\$ -	\$ 10,890

Millions of yen					
For 2020:	Reportable segments				Total
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	
Unamortized balance of goodwill	¥ 669	¥ 1,820	¥ -	¥ -	¥ 2,489

(*) The amount of amortization of goodwill is omitted as it is disclosed in "Segment Information".

Independent Auditor's Report

To the Board of Directors of Dai Nippon Printing Co., Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dai Nippon Printing Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the JICPA Code of Ethics (JICPA Code), and we have fulfilled our other ethical responsibilities in accordance with the JICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the appropriateness of using the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan as applicable.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing director's execution of duties with regard to design and operation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, select and perform the audit procedures based on the auditor's judgement and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the appropriateness of related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation as well as whether presentation and disclosures of the consolidated financial statements comply with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 3 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

ARK LLC

June 26, 2020
Tokyo, Japan

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Major Subsidiaries and Affiliates

(As of March 31, 2020)

Printing

		Capital (¥ million)	Ownership ratio of voting rights (%)
DNP Hokkaido Co., Ltd.	General affairs, accounting work and other business services	100	100.0
DNP Tohoku Co., Ltd.	General affairs, accounting work and other business services	100	100.0
DNP Chubu Co., Ltd.	General affairs, accounting work and other business services	100	100.0
DNP Nishi Nippon Co., Ltd.	General affairs, accounting work and other business services	100	100.0
DNP Shikoku Co., Ltd.	Film making, printing, bookbinding; production and sale of packaging	50	97.0

Information Communication

Publishing			
Maruzen CHI Holdings Co., Ltd.	Investment in operating companies	3,000	53.5
TRC Library Service Inc.	Sale of books, creation of data, library operation support and consulting	266	53.5 (53.5)
MARUZEN-YUSHODO Company, Limited	Education and academic businesses; retail stores; publishing; commercial facility/store interiors, etc.	100	53.5 (53.5)
MARUZEN PUBLISHING CO., LTD.	Publishing	50	53.5 (53.5)
MaruzenJunkudo Bookstores Co., Ltd.	Sale of books, magazines and stationery	50	53.5 (53.5)
BOOKOFF GROUP HOLDINGS LIMITED	Management of group companies and related businesses	100	18.4 (11.0)
Bunkyo Group Holdings Co., Ltd.	Investment in operating companies	50	23.7
2Dfacto, Inc.	Operation of hybrid bookstore services	100	100.0
VISUALJAPAN Inc.*	Development, sale and maintenance of computer software	50	87.0
DNP Book Factory Co., Ltd.	Offset printing and bookbinding	200	100.0
DNP Media Art Co., Ltd.	Prepress and media production	180	100.0
MobileBook.jp Inc.	Electronic publishing and distribution platform services; e-book distribution service	100	63.8
Kyoiku Shuppan Co., Ltd.	Editing and sale of textbooks and educational materials	60	48.2
Publishing Marketing Innovation Japan Co., Ltd.	Research and policy planning aimed at activating Japan's publications distribution markets	50	50.0
Oguchi Book Binding & Printing Co., Ltd.	Bookbinding	49	100.0 (15.1)
Tien Wah Press (Pte.) Ltd.	Film making, printing and bookbinding	(\$S1,000)	100.0
		4,600	

Information Innovation

INTELLIGENT WAVE INC.	Development and maintenance of software	843	50.7
DNP Art Communications Co., Ltd.	Planning, production and sale of artistic images and videos	300	100.0
DNP Graphica Co., Ltd.	Offset printing and bookbinding	100	100.0
DNP Communication Design Co., Ltd.	Planning, production, film making and plate making	100	100.0
DNP Data Techno Co., Ltd.	Production and sale of business forms and plastic cards, and business process outsourcing service	100	100.0
DNP Digital Solutions Co., Ltd.	Planning, design, maintenance and operation of information systems	100	100.0
DNP SP Solutions Co., Ltd.	Planning and production of promotional materials	80	100.0
DNP Multi Print Co., Ltd.	Film making, printing and bookbinding	100	100.0
DNP HyperTech Co., Ltd.	Production and sale of computers and peripheral devices; development, production and sale of software	40	100.0
NBC Co., Ltd.*	Mailing of printed matter, etc.	20	100.0 (100.0)
DNP Planning Network Co., Ltd.	Planning and production of printed materials	50	95.0
DNP Social Links Co., Ltd.	Planning, development and operation of online advertising and computer systems, etc.	10	100.0
DNP Media Support Co., Ltd.	Production and sale of all types of printed matter	10	95.0
MK Smart Joint Stock Company	Production and sale of plastic cards and business forms	(VND 1,000,000)	36.3
		100,000	
PT. Wahyu DNP Bureau	Card-issuing services	(US\$1,000)	45.0
		2,000	

Imaging Communication

DNP Imaging Comm Co., Ltd.	Production and processing of thermal mass transfer media and dye-sublimation media	100	100.0
DNP Photo Imaging Japan Co., Ltd.	Sale of photo-related products; operation of ID photo booths and automated commemorative photo booths	100	100.0
DNP ID System Co., Ltd.	Sale of government-affiliated smart card identification equipment and materials	60	100.0
DNP hollyhock Co., LTD.	Operation of photo studio and related equipment services	90	100.0 (100.0)
DNP Imagingcomm Asia Sdn. Bhd.	Production, processing and sale of thermal mass transfer media and dye-sublimation media; sale of photo-related products	(RM 1,000)	100.0
		190,000	
DNP Imagingcomm America Corporation	Production, processing and sale of thermal mass transfer media and dye-sublimation media; sale of photo-related products	(US\$1,000)	100.0
		71,980	(100.0)
Foto Fantasy, Inc.	Development, production and operation of automated commemorative photo booths	(US\$1,000)	100.0
		10	(100.0)
DNP Photo Imaging Europe SAS	Sale of photo-related products	(Euro 1,000)	100.0
		2,408	
DNP Imagingcomm Europe B.V.	Processing and sale of thermal mass transfer media and dye-sublimation media	(Euro 1,000)	100.0
		1,000	

Lifestyle and Industrial Supplies

Packaging			
Lifescape Marketing Co., Ltd.	Research, compilation and provision of various kinds of information about purchasing and consumption of foods and beverages	430	84.0
DNP Technopack Co., Ltd.	Production, printing and processing of packaging materials	300	100.0
Sagami Yoki Co., Ltd.	Production of plastic tubes	200	90.0
Aseptic Systems Co., Ltd.	Manufacturing and sale of aseptic filling systems, and related consulting	100	100.0
DNP Hoso Co., Ltd.	Filling and processing of packages	80	100.0
DNP Field Eyes Co., Ltd.	Marketing research and consulting	50	100.0
DNP-SIG Combibloc Co., Ltd.	Sale of sterile paper containers and filling equipment for beverages and liquid foods	75	50.0
Dai Nippon Printing (Thailand) Co., Ltd.*	Sale of packaging materials	(THB 1,000)	100.0
		200,000	
DNP Vietnam Co., Ltd.	Production and sale of packaging materials	(US\$1,000)	100.0
		31,500	(20.0)
PT DNP Indonesia	Production and sale of packaging materials	(US\$1,000)	51.0
		26,000	

Living Spaces

DNP Lifestyle Materials Marketing Co., Ltd.	Sale of decorative products	300	100.0
DNP Ellio Co., Ltd.	Printing and processing of steel, aluminum and other metals	300	50.0
DNP Living Space Co., Ltd.	Production, printing and processing of decorative products	200	100.0

Capital
(¥ million)

Ownership ratio of
voting rights (%)

Mobility Business			
DNP Tamura Plastic Co., Ltd.	Manufacturing and sale of automotive accessories	60	100.0
Industrial Supplies			
DNP High-performance Materials Co., Ltd.	Production of lithium-ion battery components	200	100.0
Electronics			
Display Components			
DNP Precision Devices Himeji Co., Ltd.	Production of display-related components	400	100.0
DNP Denmark A/S	Production and sale of precision electronic components	(DKr1,000)	100.0
		135,000	
Electronic Devices			
DT Fine Electronics Co., Ltd.	Production and sale of precision electronic components	490	65.0
DNP Fine Optronics Co., Ltd.	Production of precision electronic components	300	100.0
DNP LSI Design Co., Ltd.	Design and production of drawings used in semiconductor production	100	100.0
Photronics DNP Mask Corporation	Production and sale of semiconductor photomasks	(NT1,000)	49.9
		2,198,185	
DNP Photomask Europe S.p.A.	Production and sale of semiconductor photomasks	(Euro 1,000)	80.5
		47,200	
Other			
Nihon Unisys, Ltd.	Development and sale of software; computer system support services	5,483	20.6
DNP Fine Chemicals Co., Ltd.	Production and sale of chemical products	2,000	100.0
DNP Fine Chemicals Utsunomiya Co., Ltd.	Manufacturing and sale of pharmaceutical products	100	100.0 (100.0)
DNP Logistics Co., Ltd.	Packing, shipping, freight forwarding and warehousing operations	626	100.0
DIC Graphics Corporation	Production and sale of printing ink	500	33.4
PSP Corporation	Planning, research, development, sales and maintenance of internal information systems for hospitals and clinics	379	30.9
DNP Engineering Co., Ltd.	Manufacturing, repair and sale of printing equipment and other machinery	100	100.0
DNP Trading Co., Ltd.	Buying and selling of printing paper and various other types of merchandise	100	94.3
CYBER KNOWLEDGE ACADEMY Co., Ltd.	Operation of academy for training and developing personnel to defend against targeted cyber attacks	70	100.0
CP Design Consulting Co., Ltd.*	Personal information protection and risk management consulting	40	92.5
CAFI Corporation*	Remote diagnostic imaging service	32	51.1
At Table Co., Ltd.*	Research, consulting and planning related to production and sales promotions for supermarkets and other retailers	30	66.7
DNP Dexamicals Consulting Co., Ltd.	Business planning and proposals	10	50.0
DNP Corporation USA	Investment in operating companies	(US\$1,000)	100.0
		62,164	(7.1)
DNP Holding USA Corporation	Investment in operating companies	(US\$1,000)	100.0
		100	(100.0)
DNP Business Consulting (Shanghai) Co., Ltd.*	Study of Chinese market and business feasibility	(US\$1,000)	100.0
		420	
		(CNY1,000)	
		21,000	
DNP Asia Pacific Pte. Ltd.	Coordination of DNP business operations in the Southeast Asia/Oceania region	(S\$1,000)	100.0
		2,000	
		(US\$1,000)	
		55,441	
Personal Welfare, Facility Service and Others			
DNP Facility Services Co., Ltd.	Building maintenance, cleaning and security; operation of sports and welfare facilities	350	100.0
DNP Information Systems Co., Ltd.	Design, development and maintenance of information systems; production and sale of software	100	100.0
DNP Metro Systems Co., Ltd.	Planning, design, development, maintenance and support operations for information systems	100	100.0 (90.0)
DNP Human Services Co., Ltd.	Planning and management related to personnel plans	90	100.0
DNP Accounting Services Co., Ltd.	Accounting agency and consulting services	30	100.0
DNP Techno Research Co., Ltd.*	Studies related to patents; preparation of contracts	20	100.0
DNP Business Partners Co., Ltd.*	Office support businesses	10	100.0
Overseas Sales			
DNP Korea Co., Ltd.*	Sale of precision electronic components	(Krw 1,000)	100.0
		800,000	
DNP Taiwan Co., Ltd.	Sale of precision electronic components	(NT 1,000)	100.0
		10,000	
DNP International Trading (Shanghai) Co., Ltd.*	Sale of printed matter and photo-related products, etc.	(US\$1,000)	100.0
		5,400	
DNP America, LLC	Sale of printed matter, precision electronic components and decorative materials	(US\$1,000)	100.0
		100	(100.0)
DNP Singapore Pte. Ltd.*	Sale of precision electronic components and decorative materials	(S\$1,000)	100.0
		350	
DNP Europa GmbH*	Sale of printed matter and decorative materials	(Euro 1,000)	100.0
		92	
Dai Nippon Printing Co. (Australia) Pty. Ltd.*	Sale of printed matter	(A\$1,000)	100.0
		70	
DNP Living Space & Mobility (Shanghai) Co., Ltd.*	Sale of printed matter (Products and services of Living Space and Mobility business)	(CNY1,000)	100.0 (100.0)
		10,000	
DNP Imaging Communication (Shanghai) Co., Ltd.*	Sale of printed matter (Products and services of the Imaging Communication business)	(CNY1,000)	100.0 (100.0)
		24,000	
Beverages			
Hokkaido Coca-Cola Bottling Co., Ltd.	Production and sale of beverages	2,935	59.9 (6.4)

Notes: 1. Voting rights ownership ratios (in brackets) indicate the percentage of shares owned through DNP's subsidiaries or affiliates.
2. Companies with an asterisk are neither consolidated nor accounted for by the equity method.

Investor Information

(As of March 31, 2020)

Dai Nippon Printing Co., Ltd.

Head Office:

1-1, Ichigaya-Kagacho 1-chome, Shinjuku-ku, Tokyo 162-8001, Japan

Established: 1876

Number of Employees (consolidated): 38,181

Paid-in Capital: ¥114,464 million

Number of Common Stocks:

Authorized: 745,000,000 shares
Issued: 324,240,346 shares

Number of Trading Unit Shareholders (own 100 or more shares):

21,606

Stock Exchange Listing: Tokyo Stock Exchange

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,607	11.25
Japan Trustee Services Bank, Ltd. (Trust Account)	15,871	5.65
The Dai-ichi Life Insurance Co., Ltd.	9,264	3.30
Employees' Shareholding Association	7,636	2.72
Mizuho Bank, Ltd.	5,706	2.03
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,335	1.90
JP Morgan Chase Bank 385151	4,985	1.77
Japan Trustee Services Bank, Ltd. (Trust Account 7)	4,942	1.76
Nippon Life Insurance Company	4,735	1.69
GOVERNMENT OF NORWAY	4,052	1.44

Notes:

- The ownership stakes are based on the total number of shares outstanding less treasury shares (280,892,114).
- The number of treasury shares is excluded from the figures above.
- Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. merged with JTC Holdings, Ltd., which was a joint holding company of both companies, to become Custody Bank of Japan, Ltd. on July 27, 2020.

Stock Code: 7912

Administrator of Shareholder Register:

Mizuho Trust & Banking Co., Ltd.
Stock Transfer Agency Department
2-1, Yaesu 1-chome, Chuo-ku,
Tokyo, Japan

American Depositary Receipts:

Ratio (ADR:ORD): 2:1
Exchange: OTC (Over-the-Counter)
Symbol: DNPLY
CUSIP: 233806306
Depository:
The Bank of New York Mellon
101 Barclay Street, New York,
NY 10286, U.S.A.
Telephone: (201) 680-6825
U.S. toll free: 888-269-2377
(888-BNY-ADRS)
URL: <http://www.adrbnymellon.com/>

Annual Meeting of Shareholders:

The annual meeting of shareholders of DNP is normally held in June each year in Tokyo, Japan.

Investor Relations:

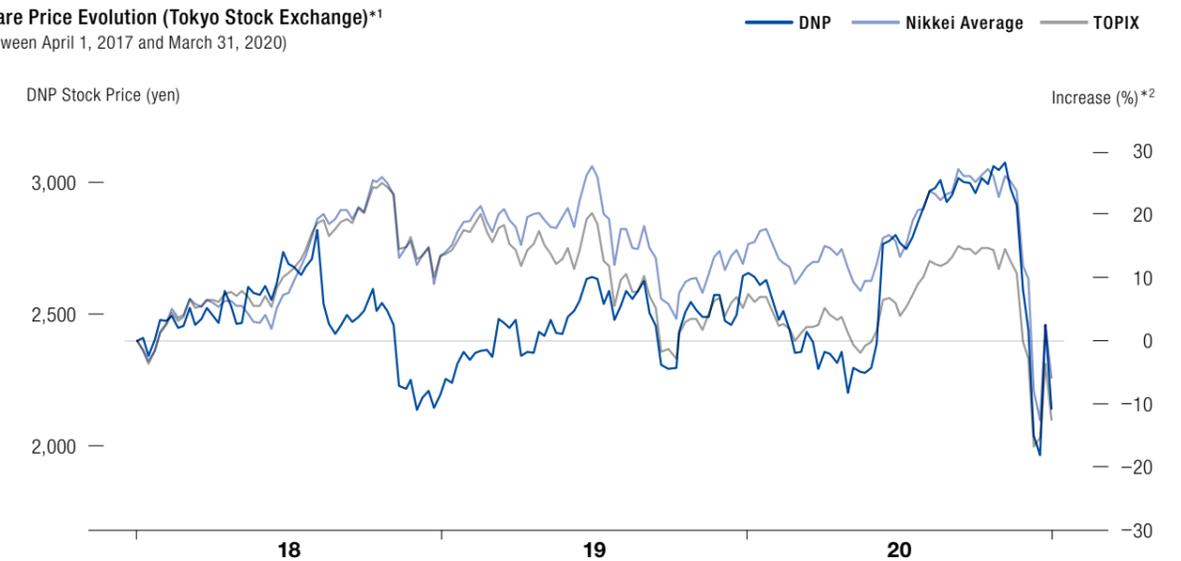
Dai Nippon Printing Co., Ltd.
IR and Public Relations Division
Investor Relations Office
1-1, Ichigaya-Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan
Tel: +81-3-6735-0124
Fax: +81-3-5225-8239

Web Site:

<https://www.dnp.co.jp/eng/>

Share Price Evolution (Tokyo Stock Exchange)*1

(between April 1, 2017 and March 31, 2020)



*1 Index 100 = March 31, 2017

*2 On October 1, 2017 DNP changed the number of shares per share unit from 1,000 shares to 100 shares and every two shares were consolidated into one share. The stock prices above are based on after the share consolidation.

Total Shareholder Return*3 (TSR)

Fiscal year ended	2016.3	2017.3	2018.3	2019.3	2020.3
DNP (%)	88.36	108.22	102.31	124.27	112.20
TOPIX (%)	(89.18)	(102.28)	(118.51)	(112.54)	(101.85)

*3 Represents total investment return to shareholders, combining capital gains and dividends. The TSR calculation method is as follows: (Stock price at the end of each fiscal year + the total amount of dividends per share up to each fiscal year starting from four fiscal years prior to the fiscal year ended March 31, 2020 ÷ the stock price at the end of the fiscal year ended March 31, 2015.)

Recognition from Society (As of June 30, 2020)

DNP has been selected for the following indices of global socially responsible investments (SRI). Additionally, DNP was selected for inclusion in all four of the ESG indices employed by Japan's Government Pension Investment Fund (GPIF), FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women (WIN) Select Index and S&P/JPX Carbon Efficient Index, the only company in the printing industry with such a distinction. In the fiscal year ended March 2019, DNP was newly selected for inclusion in two other indices. In addition, we were selected for the first time by the CDP, an international non-profit organization that provides environmental information disclosure systems, as the highest rated the Supplier Engagement Leader Board in the Supplier Engagement Rating.

SRI indices



Supplier Engagement Rating



Voting Rights (as of March 31, 2020)

Type	Number of Stocks (stocks)	Number of Voting Rights (rights)
Stocks with no voting rights	—	—
Stocks with limited voting rights (treasury stocks, etc.)	—	—
Stocks with limited voting rights (other)	—	—
Stocks with voting rights (treasury held stocks)	43,348,200	—
Stocks with voting rights (other)	280,628,200	2,806,282
Stocks with less than trading units	263,946	—
Outstanding shares	324,240,346	—
Total voting rights of stockholders	—	2,806,282

Treasury Stocks (as of March 31, 2020)

Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	43,348,232	13.37
Total	43,348,232	13.37

Dai Nippon Printing Co., Ltd.

1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku,
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