



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2012 [J-GAAP]

May 14, 2012

**Company Name:** Dai Nippon Printing Co., Ltd.  
 Stock exchange listings: Tokyo  
 Stock code: 7912 URL: <http://www.dnp.co.jp/>  
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 General meeting of shareholders: June 28, 2012  
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 Preparation of earnings presentation material: None  
 Holding of earnings announcement: None

\*Amounts under one million yen have been rounded down.

### 1. Consolidated financial results for the year ended March 31, 2012

(April 1, 2011 – March 31, 2012)

#### (1) Consolidated financial results

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2012	1,507,227	(5.2)	34,015	(49.8)	36,843	(41.3)	(16,356)	–
Year ended March 31, 2011	1,589,373	0.4	67,818	2.0	62,786	(8.8)	25,032	7.5

Note: Comprehensive income (loss): Year ended March 31, 2012: ¥(17,340) million (–%)  
 Year ended March 31, 2011: ¥12,474 million ((67.2)%)

	Net Income (Loss) per Share	Diluted Net Income per Share	ROE	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2012	(25.39)	–	(1.8)	2.3	2.3
Year ended March 31, 2011	38.86	–	2.7	3.8	4.3

Reference: Equity in earnings or losses of affiliates: Year ended March 31, 2012: ¥345 million  
 Year ended March 31, 2011: ¥(412) million

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2012	1,608,806	914,213	54.2	1,352.71
As of March 31, 2011	1,649,784	952,440	55.1	1,410.44

Reference: Stockholders' equity: As of March 31, 2012: ¥871,229 million As of March 31, 2011: ¥908,521 million

#### (3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of the Year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2012	108,603	(80,126)	(32,833)	216,279
Year ended March 31, 2011	140,053	(82,561)	15,185	222,056

## 2. Dividends

	Dividends per Share (Yen)					Total Dividends (Annual) (Million yen)	Dividend Payout Ratio (Consolidated) (%)	Dividends to Net Assets Ratio (Consolidated) (%)
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Annual			
Year ended March 31, 2011	–	16.00	–	16.00	32.00	20,630	82.3	2.3
Year ended March 31, 2012	–	16.00	–	16.00	32.00	20,627	–	2.3
Year ending March 31, 2013 (Forecast)	–	16.00	–	16.00	32.00		117.8	

## 3. Consolidated earnings forecasts for the year ending March 31, 2013 (April 1, 2012 – March 31, 2013)

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,580,000	4.8	48,000	41.1	47,000	27.6	17,500	–	27.17

### \* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

- 1) Changes in accounting policies with revision of accounting standards: No
- 2) Changes in accounting policies other than the 1) above: No
- 3) Changes in accounting estimates: No
- 4) Restatement of revisions: No

(3) Number of common shares issued and outstanding

1) Number of common shares outstanding at end of each period (including treasury shares)	As of March 31, 2012	700,480,693 shares	As of March 31, 2011	700,480,693 shares
2) Number of treasury shares at end of each period	As of March 31, 2012	56,417,765 shares	As of March 31, 2011	56,338,163 shares
3) Average number of shares outstanding during the period	Year ended March 31, 2012	644,102,179 shares	Year ended March 31, 2011	644,187,752 shares

## (Reference) Non-consolidated financial results

### Non-consolidated financial results for the year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

#### (1) Non-consolidated financial results

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Income (Loss)		Ordinary Income		Net Income (Loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2012	972,638	(9.6)	(4,678)	–	10,760	(65.2)	(18,504)	–
Year ended March 31, 2011	1,076,434	(0.9)	14,370	23.5	30,877	(27.0)	17,118	69.1

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2012	(28.71)	–
Year ended March 31, 2011	26.55	–

## (2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2012	1,265,933	650,775	51.4	1,009.60
As of March 31, 2011	1,314,214	686,674	52.2	1,065.16

Reference: Stockholders' equity: As of March 31, 2012: ¥650,775 million As of March 31, 2011: ¥686,674 million

### \* Presentation of audit status

These consolidated financial results are exempt from auditing procedures based on the Financial Instruments and Exchange Act. The financial statements are being audited based on the Financial Instruments and Exchange Act at the time of the disclosure of these consolidated financial results.

### \* Explanation regarding appropriate use of earnings forecasts and other special notes

Forward-looking statements in this report, including earnings forecasts, are based on assumptions about economic conditions, market trends, and other factors at the time the report was prepared. Actual results may differ significantly due to a variety of factors.

See the "1. Operating results (1) Analysis of operating results" on pages 2–3 for information about earnings forecasts.

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## 1. Operating results

### (1) Analysis of operating results

#### 1) Operating results for the fiscal year ended March 31, 2012

During the fiscal year ended March 31, 2012, Japan's economy recovered gradually from the impact of the Tohoku – Pacific Ocean Earthquake, but uncertain conditions persisted, due partly to overseas economic downturns, higher crude oil prices, and concerns about worsening domestic employment conditions.

The printing industry continued to face a difficult business environment. Corporate advertising expenditures were slow to recover from a sharp drop after the earthquake, consumer spending was sluggish, and order prices declined as a result of stiffer competition.

In this environment, the DNP (Dai Nippon Printing Co., Ltd.) Group (hereafter DNP) sought to aggressively develop its business and deliver products, services, and solutions tailored to the needs of its customers, based on its P&I Solutions business vision (P&I stands for “printing technology” and “information technology”). DNP also pursued “Production 21” Activities to establish a robust production structure in all facets of production, including quality, cost, and delivery time, and it worked to secure earnings.

In particular, in the Information Communication segment, although the business environment has changed significantly as a result of changes in consumer behavior, advance of social media, and greater information security needs, DNP is working to leverage its technologies and expertise to build a new business model. Additionally, to enhance production efficiency, DNP has pursued business structure reforms from the standpoint of overall optimization, including the integration of group companies and reorganization of the nationwide production management structure.

Display product-related subsegments have been seriously affected by changes in business policies at main customers, including substantial production cutbacks in response to weak global LCD TV sales and surplus inventories, and earnings have deteriorated sharply.

To respond quickly to these changes in the order environment, DNP has pursued business structure reforms for LCD color filters and other display-related products, including the consolidation of production sites and shift to products with growth potential. We revalued these production and other facilities based on future cash flow and recorded impairment losses of around ¥24.7 billion.

As a result, consolidated net sales fell 5.2% year on year to ¥1,507.2 billion, consolidated operating income fell 49.8% to ¥34.0 billion, consolidated ordinary income fell 41.3% to ¥36.8 billion, and consolidated net losses totaled ¥16.3 billion, down from net income of ¥25.0 billion in the previous fiscal year.

The results by segment are as follows.

#### **[PRINTING]**

##### **Information Communication**

In the Books and Magazines business, the publications market continued to slump, and although book sales increased as a result of leveraging integrated production lines and other advantages, magazine sales decreased.

In the Commercial Printing business, sales decreased year on year as a slow recovery in corporate advertising expenditures resulted in generally weak sales of flyers, pamphlets, catalogs, and other products.

In the Business Forms business, smart card sales were strong, including SIM cards, transportation cards, and electronic money, but overall sales decreased year on year on a decline for information processing services (ranging from data entry to printing and shipment of personal mail and other items).

In the Educational Publications Distribution business, sales rose above year-ago levels, due partly to an increase in the number of consolidated subsidiaries.

As a result of the above, overall segment sales fell 1.0% year on year to ¥714.6 billion and operating income fell 14.6% to ¥15.4 billion.

### **Lifestyle and Industrial Supplies**

In the Packaging business, sales increased year on year, driven by growth for PET bottle aseptic filling systems, PET bottle preforms, and flexible packaging that uses high-performance films.

In the Lifestyle Materials business, sales increased year on year on growth for eco-friendly products that use DNP's proprietary Electron Beam coating technology.

In the Industrial Supplies business, despite growth for energy-related products, including lithium ion rechargeable battery soft packages and photovoltaic module back sheets, and for dye-sublimation thermal transfer recording media for photo printers (color ink ribbons and receiver paper), overall sales decreased year on year on a decline for anti-reflection films used in flat-panel displays.

As a result of the above, overall segment sales fell 1.7% year on year to ¥522.8 billion and operating income fell 32.0% to ¥31.8 billion.

### **Electronics**

In the LCD Color Filter business, sales of small and medium-sized filters for smartphones and tablets were strong, but overall sales decreased year on year on a slump in the LCD TV market caused in part by sluggish global sales.

In the Electronic Devices business, amid tough conditions in the global semiconductor market, sales increased for high-density build-up wiring boards, but decreased for etched products, including photomasks and hard drive suspensions.

As a result of the above, overall segment sales fell 21.5% year on year to ¥224.8 billion and operating losses totaled ¥4.6 billion, down from operating income of ¥12.2 billion in the previous fiscal year.

## **[BEVERAGES]**

### **Beverages**

Amid tough market conditions, characterized by weak consumer spending and stiffer sales competition, DNP worked to expand sales of Coca-Cola and Georgia, both core products, and I LOHAS, a brand of mineral water that uses "ecoru Bottle Shiboru," Japan's lightest bottle.

As a result, coffee sales decreased, but mineral waters increased. Overall segment sales fell 9.5% year on year to ¥57.0 billion and operating income rose 6.8% to ¥1.3 billion.

## **2) Forecast for the fiscal year ending March 31, 2013**

Concerning the future outlook, we continue to expect fallout from the European sovereign debt crisis, slowdowns in overseas economies, including emerging countries, higher crude oil prices, and deflationary effects and worsening employment conditions in Japan. Additional concerns include unease about electricity shortages and the impact of higher electricity rates. Accordingly, the future outlook is uncertain. DNP expects conditions in the printing industry to remain challenging, due partly to a decline in order prices caused by weak domestic demand and stiffer competition.

During the fiscal year ending March 31, 2013, DNP intends to pursue its P&I Solutions business vision and make every effort to provide products and services that address the needs of its customers. Today's uncertain economic outlook calls for the innovation of new products and services. DNP is working to solve various issues that are apparent by looking at societal changes and needs from the perspective of consumers. DNP also intends to pursue its "Production 21" Activities to solidify the base for promoting P&I Solutions, improve productivity further, and generate solid earnings and stable medium- to long-term business growth.

For the fiscal year ending March 31, 2013, DNP forecasts consolidated net sales of ¥1,580.0 billion, consolidated operating income of ¥48.0 billion, consolidated ordinary income of ¥47.0 billion, and consolidated net income of ¥17.5 billion.

### **(2) Analysis of financial position**

#### **1) Assets, liabilities, and net assets**

Total assets at the end of the current fiscal year decreased by ¥40.9 billion from the end of the previous fiscal year to ¥1,608.8 billion, due mainly to decreases in machinery and equipment and in notes and trade receivable.

Total liabilities decreased by ¥2.7 billion from the end of the previous fiscal year to ¥694.5 billion, due mainly to a decrease in provision for retirement benefits.

Net assets decreased by ¥38.2 billion from the end of the previous fiscal year to ¥914.2 billion, due mainly to a decrease in retained earnings.

#### **2) Cash flows**

Consolidated cash flow provided by operating activities totaled ¥108.6 billion (¥140.0 billion in the previous fiscal year), due mainly to ¥2.6 billion in income before income taxes and minority interests and ¥95.8 billion in depreciation.

Cash flow used in investing activities totaled ¥80.1 billion (¥82.5 billion in the previous fiscal year), due mainly to ¥74.6 billion in payments for purchases of property, plant and equipment. Cash flow used in financing activities totaled ¥32.8 billion (¥15.1 billion provided in the previous fiscal year), due mainly to ¥6.2 billion in repayments of long-term debt and ¥20.6 billion in dividends paid.

As a result, cash and cash equivalents at the end of the fiscal year decreased by ¥5.7 billion from the end of the previous fiscal year to ¥216.2 billion.

The trends in DNP's cash flow indicators are shown below.

	Year ended March 2008	Year ended March 2009	Year ended March 2010	Year ended March 2011	Year ended March 2012
Equity ratio (%)	62.6	58.5	56.6	55.1	54.2
Market value-based equity ratio (%)	65.5	37.7	50.3	39.6	33.9
Debt-to-cash flow ratio (year)	0.5	0.9	1.2	1.6	2.1
Interest coverage ratio (times)	120.1	79.7	63.9	52.6	33.2

Notes: Equity ratio: Total stockholders' equity / Total assets  
Market value-based equity ratio: Market capitalization / Total assets  
Debt-to-cash flow ratio: Interest-bearing debt / Cash flow  
Interest coverage ratio: Cash flow / Interest expenses

- \* The above indicators are calculated based on consolidated financial figures.
- \* Market capitalization is calculated as: Fiscal year-end share price × fiscal year-end number of shares outstanding (excluding treasury stock)
- \* Cash flow: Cash flow provided by/used in operating activities on the consolidated statements of cash flows  
Interest-bearing debt: All liabilities on the consolidated balance sheet that accrue interest charges  
Interest expenses: Interest expenses on the consolidated statements of cash flows

### **(3) Basic policies regarding the allocation of profits and dividends for the year ended March 31, 2012 and year ending March 31, 2013**

An important policy of the Company is to pass on profits to shareholders.

Profits are allocated based on a policy of paying stable dividends to shareholders and with consideration for financial results and the dividend payout ratio. For future business expansion, the Company strives to retain profits and strengthen its financial constitution and management base.

Retained earnings are used to invest in research and development related to new products and technologies, to invest in equipment needed for developing new businesses, and to implement strategic alliances, including mergers and acquisitions. At the same time, the Company considers flexible capital policies while also taking into consideration market trends as well as its need for capital. The Company believes that these efforts will contribute to higher profits that can then be passed on to shareholders in the future.

Based on this policy, the Company intends to pay a year-end dividend of ¥16 per share, which together with the interim dividend of ¥16 per share brings the full-year dividend to ¥32 per share, the same as in the previous fiscal year.

The forecast dividend for the fiscal year ending March 31, 2013 is ¥32 per share, the total of a ¥16 interim dividend and a ¥16 year-end dividend.

### **(4) Business risks**

The performance and the results of DNP could be significantly affected by a variety of factors and circumstances that might arise in the future. Because DNP is aware of these risk factors, its policy is to strive to minimize their potential effects.

The following are the major factors that the DNP management views as risks.

#### **1) The Japanese economy and consumption trends**

DNP engages in a wide range of businesses with an extremely large number of corporate customers, and conducts its business so as not to overly depend on specific customers. DNP does most of its business in the Japanese market and overseas sales account for about 13% of net sales. Nevertheless, if consumer spending and other components of domestic demand slump, owing to domestic economic weakness in sympathy with global economic trends, declines in order volume and unit prices may affect our corporate performance.

#### **2) Changes in the electronics market**

Electronics is one of DNP's most strategically important segments. We intend to establish a stable profit base for this segment by building business strategies based on meticulous information-gathering, establishing highly profitable production systems, and focusing on the development of very competitive, high added value products. Nevertheless, the performance of this segment could be affected by global fluctuations in the market for display components and/or semiconductor-related products, such as sudden changes in the supply-demand balance or a sharp drop in unit prices.

### **3) Fluctuations in raw material procurement**

We work hard to secure stable supplies and maintain optimal price by procuring raw materials such as printing paper and film from multiple suppliers in Japan and overseas. However, there is some potential for temporary imbalances between supply and demand due to sharp fluctuations in petroleum prices, sudden surges in demand from emerging markets, and the impact of major disasters. We intend to cope with such instances by negotiating with our customers and business partners. However, if it should become extremely difficult to secure supplies, or if purchasing prices rise markedly, it is possible that DNP's performance could be affected.

### **4) Development of new products and technologies and services**

DNP uses its printing and information technologies to develop and provide to a broad range of industries products, technologies, and services that meet the needs of corporate customers and consumers. In recent years, the pace of technological innovation in these areas has been accelerating, and customers' needs have been rapidly diversifying. We believe that in the future, competition in the area of product development will become more intense than ever before, and it is possible that DNP's performance could fluctuate significantly due to unforeseeable changes in market trends or a shortening of product life cycles.

### **5) Currency fluctuations**

Particularly in fields such as Lifestyle and Industrial Supplies, and Electronics, we are expanding our dealings in products and services with overseas customers. Because we expect the effects of currency rates to gradually become more important, we use such means as foreign exchange forward contracts to hedge the risks of currency fluctuations. Nevertheless, it is possible that radical swings in currency values could have a more serious effect on DNP's performance.

### **6) Legal regulations, etc.**

We conduct our business based on strict compliance with the law and social ethics. Wherever we operate, in Japan or overseas, we are subject to a wide variety of legal regulations and restrictions, including laws related to product liability, monopoly prohibitions, the protection of personal information, patents, taxes, imports and exports, etc. We can imagine that in the future such regulations could become even more restrictive. Market and industry trends may change substantially as a result of deregulation. If that should occur, it is possible that DNP's business performance could be affected by limitations on its business activities, the burden of responding to the changes, or increased costs.

### **7) Environmental protection and stricter regulations**

DNP is affected by laws and regulations in Japan and other countries regarding energy conservation, the use of harmful substances, the prevention of air pollution, water quality protection, waste treatment, and product recycling. Such regulations may be strengthened because of the impact of global climate trends. In addition, if soil is contaminated by harmful substances and the Company is faced with the situation of being responsible for assessing and cleaning up the environmental pollution, then the Company's business could be substantially affected.

## **8) Information security and personal information protection**

With computer networks and information systems playing an ever-greater role in keeping business activity going, the risks of information system malfunctions, breaches of personal information, and other events, owing to software and hardware problems and viruses, have risen. DNP regards the protection of data and personal information as a top priority. It is doing all it can to protect and maintain systems and data by strengthening its organization and training employees, but if problems arise in these areas, then its business activity could be affected.

## **9) Disasters**

We take steps to protect our production equipment and other major facilities from being damaged by disasters such as fires or earthquakes. In addition, we divide our work among multiple production bases and make every effort to prevent disasters from causing production stoppages or disturbances in our ability to supply products. We also use various types of insurance to transfer risk. Nevertheless, DNP's performance could be substantially affected in the event of major earthquakes or other natural disasters, terrorist attacks, disease outbreaks, or other unexpected events that cause production stoppages or major damage or interference with social infrastructure.

## 2. Information on DNP

DNP includes 155 subsidiaries and 15 affiliated companies. Its two main businesses are Printing and Beverages. The former encompasses Information Communication, Lifestyle and Industrial Supplies, and Electronics.

The businesses and segments of DNP are outlined below.

### [PRINTING]

#### Information Communication

Production of textbooks, books, weekly/monthly/quarterly magazines, advertisements, stock and other securities certificates, business forms, and cards; manufacture/sale of business equipment and systems; and planning/design/construction/management of stores and advertising media

#### Major companies

Production	OGUCHI BOOK BINDING & PRINTING CO., LTD. DNP AV Center Co., Ltd., DNP SP Tech Co., Ltd. DNP Graphica Co., Ltd., DNP Book Factory Co., Ltd. DNP Digitalcom Co., Ltd., DNP Data Techno Co., Ltd. DNP Data Techno Kansai Co., Ltd. DNP Total Process Warabi Co., Ltd. DNP Multi Print Co., Ltd., DNP Media Art Co., Ltd. DNP Media Create Co., Ltd., DNP Media Support Co., Ltd. DNP Media Techno Kansai Co., Ltd.
Production and sales	Tien Wah Press (Pte.) Ltd.
Sales and services	Maruzen CHI Holdings Co., Ltd., INTELLIGENT WAVE INC. BUNKYODO GROUP HOLDINGS CO., LTD. DNP Art Communications Co., Ltd., DNP Social Links Co., Ltd. DNP DreamPages Co., Ltd., 2Dfacto, Inc., mobilebook.jp, Inc. Maruzen Co., Ltd., MARUZEN PUBLISHING CO., LTD. Maruzen Bookstores Co., Ltd., TRC, Inc. Junkudo Co., Ltd., Yushodo Co., Ltd. honto Book Services Co., Ltd., BUNKYODO Co., Ltd. * BOOKOFF CORPORATION LIMITED, All About, Inc., Kyoiku Shuppan Co., Ltd., SHUFUNOTOMO Co., Ltd.

The shares of Maruzen CHI Holdings Co., Ltd. and BOOKOFF CORPORATION LIMITED are traded on the Tokyo Stock Exchange, and the shares of INTELLIGENT WAVE INC., BUNKYODO GROUP HOLDINGS CO., LTD. and All About, Inc. are traded on the Osaka Securities Exchange's JASDAQ market.

## **Lifestyle and Industrial Supplies**

Manufacture/sale of containers and packaging products, packaging equipment and systems, interior and exterior construction materials, photographic materials, and industrial supplies

### **Major companies**

Production	Sagami Yoki Co., Ltd., DNP IMS Co., Ltd. DNP Energy System Co., Ltd., DNP Ellio Co., Ltd. DNP OptoMaterials Co., Ltd., DNP Lifestyle Materials Co., Ltd. DNP Technopack Co., Ltd., DNP Technopack Kansai Co., Ltd. DNP Technopack Tokai Co., Ltd. DNP Technopack Yokohama Co., Ltd. DNP Techno Polymer Co., Ltd.
Production and sales	Aseptic Systems Co., Ltd. DNP Fine Chemicals Fukushima Co., Ltd. DNP Hosono Co., Ltd., PT DNP Indonesia DNP Electronics America, LLC, DNP IMS America Corporation DNP Denmark A/S, DNP IMS Netherlands B.V. DNP Plastic Molding (Shanghai) Co., Ltd.
Sales and services	DNP ID System Co., Ltd., DNP Lifestyle Materials Marketing Co., Ltd. DNP Field Eyes Co., Ltd., DNP Photo Imaging Co., Ltd. DNP Fotolusio Co., Ltd. LIFESCAPE MARKETING CORPORATION DNP Photo Imaging Europe SAS

## **Electronics**

Manufacture/sale of precision electronic components and other products

### **Major companies**

Production	DNP LSI Design Co., Ltd., DNP Color Techno Sakai Co., Ltd. DNP Signage Technology Co., Ltd., DNP Fine Electronics Co., Ltd. DNP Precision Devices Co., Ltd. DNP Precision Devices Himeji Co., Ltd. DNP Micro Technica Co., Ltd.
Production and sales	DNP Color Techno Kameyama Co., Ltd., DNP Technology Co., Ltd. DT Fine Electronics Co., Ltd., DNP Photomask Europe S.p.A. DNP Photomask Technology Taiwan Co., Ltd.
Sales	DNP Taiwan Co., Ltd.

## **Other companies with multiple types of businesses**

Production and sales	DNP Hokkaido Co., Ltd., DNP Tohoku Co., Ltd. DNP Chubu Co., Ltd., DNP Shikoku Co., Ltd. DNP Nishinippon Co., Ltd., DNP Fine Chemicals Co., Ltd. D.N.K. Co., Ltd. * DIC Graphics Corporation
Sales and services	DNP Logistics Co., Ltd., DNP Trading Co., Ltd. DNP Accounting Services Co., Ltd. DNP Information Systems Co., Ltd. DNP Human Services Co., Ltd., DNP Facility Services Co., Ltd. DNP Corporation USA, DNP America, LLC DNP Holding USA Corporation

## **[BEVERAGES]**

### **Beverages**

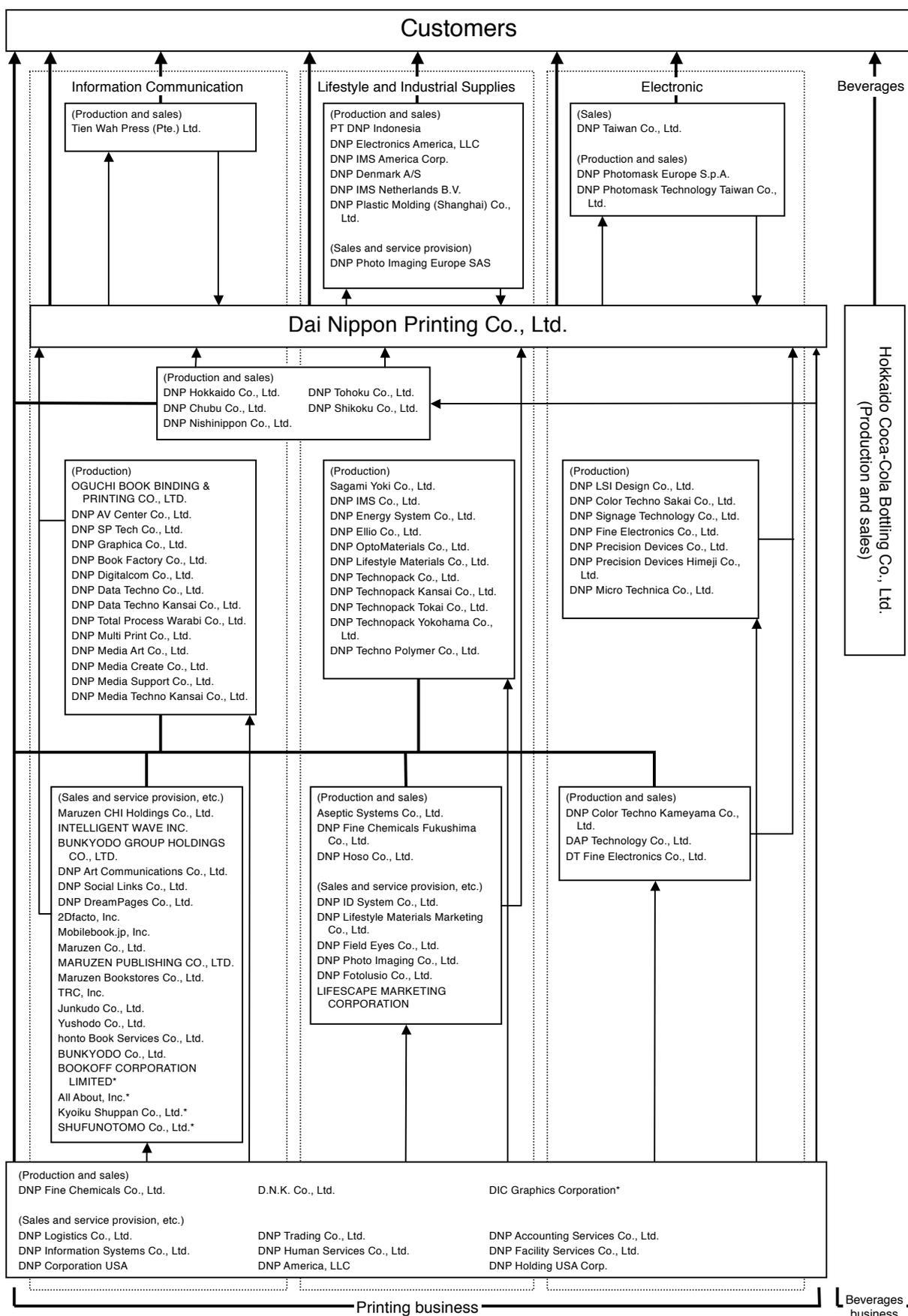
Centered on Hokkaido Coca-Cola Bottling Co., Ltd.; manufacture/sale of soft drinks and juices

The shares of Hokkaido Coca-Cola Bottling Co., Ltd. are traded on the Tokyo Stock Exchange and Sapporo Securities Exchange.

\* Equity-method affiliated companies

## Organizational chart

The businesses noted above are shown in the organizational chart below.



Notes: \* : Equity-method affiliated companies (Otherwise, subsidiaries)  
 ← : Flow of products, materials and services

### **3. Management policies**

#### **(1) Core policies**

DNP has been striving to contribute to society by providing new value-added products and services through its business activities, based on a management concept of contributing to the sustainable growth of the society and the emergently evolving society of the 21st century. With a business vision of P&I Solutions (P&I stands for “Printing Technology” and “Information Technology”) to realize its management concept, DNP will continue to solve the problems of corporate clients, consumers, and society by making the most of its strengths in printing and information technologies.

Additionally, to promote fair and appropriate corporate activity and fulfill its corporate social responsibilities (CSR), DNP strictly complies with laws and social ethics based on the DNP Group Code of Conduct and ensures proper business activities through an internal control system. The Company strives to conduct business in good faith to earn the deep trust of its various stakeholders, including shareholders, customers, consumers, and employees.

#### **(2) Medium- and long-term management strategy and key issues**

DNP aims to steadily expand over the medium- to long-term, based on its P&I Solutions business vision.

Research and development are extremely important corporate activities for DNP, a company that has expanded its fields of business by developing applications of printing and information technologies. Especially important in these times of rapid change are “business-generating” types of research and development that examine problems from consumers’ point of view and provide good solutions. In addition to developing innovative products, services and business models, DNP carefully manages and makes use of the intellectual assets generated by its research.

At the same time, DNP attaches great importance to the social impact of its enterprises as we develop businesses based on the many problems and needs of people in Japan and other countries. In April 2011 we inaugurated a Social Innovation Laboratory to promote socially relevant businesses that address such issues as environmental preservation, energy, education, “super aging” society, and universal design.

Amid expectations for shrinkage in the Japanese market due to a falling birth rate combined with an aging population, a growing number of companies are expanding their overseas activities, and national borders are becoming less and less relevant to markets. In light of trends like these, it is increasingly important that we take a global approach to expanding our business. Almost half a century has passed since DNP began its overseas expansion in 1964 with the establishment of a representative office in Hong Kong. Today we have 25 sales offices and 12 plants in 15 countries and regions. In April 2012, we devised a Group-wide global strategy. In order to coordinate the management of business-related risks and legal compliance, as well as to coordinate between business divisions so as to promote greater efficiency, we reorganized our existing Overseas Business unit and established new global business coordination offices in our corporate headquarters and in each region where we operate businesses. We also drafted business strategies for each of our business segments from a global point of view, and constructed a unified production and sales framework aimed at promoting production, sales and development in optimal locations throughout the world. Going forward, we intend to work hard to solve the problems of corporate clients and consumers all over the world, by attaching great importance to maintaining a global vantage point.

## **Initiatives in the different businesses and segments**

### **[PRINTING]**

#### **Information Communication**

The Information Communication segment broadly addresses the optimal expression of information and expansion into diverse media in accordance with the needs of corporate clients and consumers. It provides wide-ranging solutions that are closely connected to clients' business processes. Making the most of its strengths, including a solid information security infrastructure based on thorough information control systems, the Information Communication segment is building up businesses like a "hybrid" content distribution platform business that handles both paper and electronic media.

In the first half of the fiscal year ending March 31, 2013, the Books and Magazines subsegment will merge its "honto" electronic book service with online bookstore "bk1" and physical bookstores operated by affiliates such as Maruzen, Junkudo, and Bunkudo, and launch a "hybrid bookstore network" service that sells both paper and electronic books.

Our Commercial Printing subsegment is promoting a "cross-media communications" business that makes use of a variety of media to provide information that consumers want at the times when they want it. In addition to paper media, this business makes use of information platforms that are compatible with digital signage and social media, and is working to increase orders for BPO (business process outsourcing) businesses that address the full range of corporate clients' business processes, including market research, project planning development, and content production as well as data examination, input, editing, output and envelope stuffing, sealing, mailing, data center operation, and back office operations.

Our Business Forms subsegment makes use of our information security infrastructure, which has been certified as offering the highest level of information security, to offer unique security solutions on a global basis. DNP is especially strong in smart cards, an area in which we control the largest share of the Japanese market. We plan to tie up with telecommunications carriers, credit card companies, and other relevant players to expand the various services we offer that make use of international standards for Near Field Communication (NFC), which is expected to be a growing field in the future.

#### **Lifestyle and Industrial Supplies**

The Lifestyle and Industrial Supplies segment provides products and services that properly respond to corporate clients' and consumers' diverse needs, including environmental protection and universal design. In addition, the segment is developing unique, advanced products in new fields where there are strong social needs, such as energy and life science.

In the Packaging subsegment, we aim to increase our share of the market for advanced products like DNP's Innovative Barrier (IB) film, which delivers outstanding impermeability to water vapor and oxygen, making it ideal for packaging products like foods, medicines, medical supplies and electronic components. In the ASEAN market where rapid growth is expected, we intend to respond to strong overseas demand, mainly through PT DNP Indonesia but also by expanding our operating locations in Thailand and Vietnam.

Our Lifestyle Materials subsegment works closely with manufacturers of household equipment and decorative materials, addressing the entire building industry supply chain starting with the project planning phase. In addition to high added value products that make use of technologies like DNP's unique EB coatings, this subsegment provides components for exterior use with exceptional weatherability, and energy-saving interior components that boost illuminance by efficiently diffusing light, etc.

The Industrial Supplies subsegment is concentrating on developing all types of optical films by making use of “clean converting technologies” that increase product quality through the application of coating, laminating, and other technologies. DNP’s dye-sublimation-type thermal transfer recording media business is increasing its share of the market for photo prints by making the most of its worldwide production and sales network. In our Energy Systems subsegment, we intend to boost productivity and profitability by expanding production of soft packs used in lithium-ion rechargeable batteries and photovoltaic cell components, primarily at the Tobata Plant where we began production in April 2011 in Fukuoka Prefecture.

## **Electronics**

Based on our world-class patterning, microfabrication, and other technologies, DNP’s Electronics segment will continue to respond to rapidly changing markets and customer needs by developing advanced products and relentlessly pursuing cost reductions. In addition, we will increase competitiveness and profitability by promoting rapid business development through M&As and corporate alliances.

Regarding our LCD color filter business, we will focus on small and medium-sized high-definition products aimed at the markets for smart phones and tablets, where growth is expected. We will work more closely than ever with our corporate clients in order to rapidly respond to changes in the market for large-scale displays.

In our photomask business, we will respond appropriately to demand for miniaturization and will strive to accommodate growing overseas demand, primarily through our plants in Agrate Brianza, Italy and Taiwan. To prepare for the shift to the next generation of semiconductors, we are working on the development of photolithography techniques using extreme ultraviolet (EUV) rays and nanoimprinting. In addition to moving ahead with the development of new products like metal vapor deposition masks for organic EL displays, sensors for touch panels, and metal substrates for LEDs, we will focus on developing new markets that have the potential to become mainstays for DNP’s future profitability.

## **[BEVERAGES]**

### **Beverages**

The business environment surrounding the beverage industry is expected to remain harsh, with intensified competition over market share amid continued stagnation in consumption.

Given these conditions, we drew up a new medium-term management plan that proposes a vision for the future in which our contribution to local Hokkaido communities, through Coca-Cola’s brand strength and close working relationships between Hokkaido society and DNP’s Hokkaido-based beverages operations, serves as a foundation for sustainable growth. Based on this plan, we will pursue four strategies aimed at achieving sustained growth: “blazing a new trail,” “winning in the marketplace,” “offering new value,” and “implementing group-wide cost control.” As part of our quest to be a business that is recognized and trusted by local communities, we aim to improve corporate governance by strengthening and carefully implementing our internal control system. We also intend to manage the Company’s environmental impact through our ISO14001:2004-compliant Environmental Management System.

## **Strengthened organization**

DNP aims to increase its overall group strength by further reinforcing cooperation among business divisions, and to offer wide-ranging solutions by engaging in more *taiwa* (exchange of viewpoints and ideas that leads to identification and resolution of problems) with corporate clients and consumers. In order to expand DNP's business, we will cooperate with other companies that have particular strengths in addition to making the most of our own unique technologies. We have already formed strategic alliances with other companies and implemented mergers and acquisitions in such businesses as electronics, digital photos, and publications distribution. In the future, we will continue to actively pursue such alliances both domestically and overseas.

At the same time, we are working to boost efficiency and thoroughly cut costs through business process reviews and other means, and to establish a production framework infused with a strong awareness of profitability. In April 2011, at the start of the fiscal year ended March 31, 2012, we integrated DNP business units based in the Chubu region with DNP Tokai Co., Ltd., which handles the region's manufacturing, and established DNP Chubu Co., Ltd., thereby uniting the region's manufacturing and sales operations. In October 2011, we integrated four group companies that handle prepress operations, which allowed us to improve productivity and efficiency in a variety of ways such as streamlining our plate-making business, standardizing work schedules, consolidating redundant functions, and proactively sharing technologies and expertise. In addition to the "Production 21" Activities that we have been implementing since 2002, we strive to boost quality and cost competitiveness by focusing on overall optimization. In practice, this entails smoothing the workflow between processes and between operating divisions at every step from order-taking to delivery, and constructing more efficient production systems from which we systematically eliminate waste. As part of this push for greater efficiency, in the fiscal year ended March 31, 2012, we established a comprehensive production control center for the Information Communication segment and a production control center for our Packaging subsegment. We also reallocated production equipment nationwide so as to make maximum use of it in the most efficient locations.

In addition, we are moving ahead with the redevelopment of Tokyo's Ichigaya district, in order to further promote our business vision of providing P&I Solutions. Currently the project planning and sales offices of various business units are scattered throughout the Tokyo Metropolitan area. We will concentrate these in the Ichigaya district, together with DNP group headquarters functions. We are also working on consolidating manufacturing sites by developing new businesses and reviewing our frameworks for manufacturing and distribution. We began this redevelopment project in 2010, and aim to complete it in 2018. In January 2012, we completed construction of a new, five-story multipurpose building that was designed to provide a positive working environment, for example by bringing natural light all the way into the third floor below ground. The building has a solar panel-based power supply system and uses LED lighting. It makes use of many of DNP's own products and services, including decorative materials, entry/exit control systems, and digital signage. We strengthened our cross-media solutions framework by concentrating prepress operations for Books and Magazines and Commercial Printing in this new building, along with project planning design teams.

## **Reinforcing Disaster Preparedness and DNP's Business Continuity Plan (BCP)**

Aiming for a “disaster-proof DNP Group,” we established the “DNP Group Basic Code for Disaster Response” and we implement disaster prevention and preparedness measures on a daily basis in line with our disaster prevention plan. After the Tohoku – Pacific Ocean Earthquake, we reviewed our business continuity plan (BCP), reconsidered our overall product supply chain, enhanced distribution and alternative production systems, and reconfigured our production bases in Japan and overseas in order to minimize the potential impact that a disaster could have on our business. In addition, in response to power shortages and price hikes, we will continue to carefully conserve energy and introduce in-house power generation equipment.

## **Contributing to the Realization of a Sustainable Society**

Because DNP views coexisting with the Earth's environment as an important management task, we aim to actively reduce energy usage and conserve resources. The DNP Group Code of Conduct charges the Company with helping to build a sustainable society so that we can pass on the Earth's abundant blessings to the next generation. We will work harder than ever to minimize the burden that our business activities place on the environment, to promote effective use of resources, and to develop environmentally friendly products.

DNP's various environmental initiatives to build a sustainable society that coexists with nature include a proprietary environmental management system, global warming prevention, zero waste emissions, biodiversity protection, thorough management of volatile organic solvent and chemical substance, and green purchasing.

In the fiscal year ended March 31, 2012, we achieved significant reductions in CO<sub>2</sub> output and energy consumption at our new packaging plant, which we started up in Tanabe, Kyoto Prefecture, in November 2011. Specifically, we introduced heat pump technology for making efficient use of thermal energy and recycling equipment that allows us to collect and reuse volatile organic compounds (VOCs). We also developed a system for reducing energy consumption in laser lithography, one of the processes used on our semiconductor photomask production line. This system garnered praise for enabling major reductions in energy usage, and was awarded a special prize as part of the Energy Conservation Grand Prize for excellent energy conservation equipment sponsored by the Energy Conservation Center, Japan's award program for the fiscal year ended March 31, 2012. In addition, we worked on reducing energy wastage by introducing monitoring systems that track electric power usage in real time. In the summer of 2011, we reduced on-peak usage of electric power by an average of 20% relative to the previous year at 36 operating locations within Tokyo Electric Power Co.'s operating area. In the future, we will continue our efforts to conserve energy resources, for example by using solar power and other renewable energy sources.

#### 4. Consolidated financial statements

##### (1) Consolidated balance sheets

(Million yen)

	Year ended March 31, 2011 (As of March 31, 2011)	Year ended March 31, 2012 (As of March 31, 2012)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	223,847	217,518
Notes and trade receivable	403,986	385,101
Merchandise and finished products	87,446	91,912
Work in progress	31,585	39,356
Raw materials and supplies	19,575	19,850
Deferred income taxes	10,415	8,691
Other	21,081	24,228
Allowance for doubtful accounts	(6,994)	(3,703)
Total current assets	790,942	782,956
Fixed assets		
Property, plant and equipment		
Buildings and structures	531,440	542,222
Accumulated depreciation	(318,455)	(328,707)
Buildings and structures, net	212,984	213,514
Machinery and equipment	918,201	866,990
Accumulated depreciation	(744,352)	(722,663)
Machinery and equipment, net	173,849	144,326
Land	138,650	142,149
Construction in progress	47,036	35,410
Other	143,432	147,634
Accumulated depreciation	(101,126)	(103,469)
Other, net	42,306	44,165
Total property, plant and equipment	614,827	579,566
Intangible fixed assets		
Goodwill	10,633	9,975
Software	22,304	25,211
Other	2,953	2,818
Total intangible fixed assets	35,891	38,005
Investments and other assets		
Investment securities	130,793	136,703
Long-term loans	1,990	1,764
Deferred income taxes	37,196	34,580
Other	48,139	40,372
Allowance for doubtful accounts	(11,250)	(6,034)
Total investments and other assets	206,868	207,387
Total fixed assets	857,587	824,959
Deferred assets		
Business startup costs	1,235	864
Other	18	25
Total deferred assets	1,253	889
<b>TOTAL ASSETS</b>	<b>1,649,784</b>	<b>1,608,806</b>

(Million yen)

	Year ended March 31, 2011 (As of March 31, 2011)	Year ended March 31, 2012 (As of March 31, 2012)
<b>LIABILITIES</b>		
Current liabilities		
Notes and trade payable	275,525	276,353
Short-term bank loans	51,403	51,809
Current portion of long-term debt	9,415	5,648
Income taxes payable	10,486	8,598
Reserve for bonuses	16,650	15,019
Other	84,286	85,750
Total current liabilities	447,768	443,179
Long-term liabilities		
Bonds	153,520	153,060
Long-term debt	14,802	19,147
Lease obligations	15,458	18,177
Deferred tax liabilities	2,628	1,963
Provision for retirement benefits	39,260	33,229
Other	23,904	25,835
Total long-term liabilities	249,574	251,413
<b>TOTAL LIABILITIES</b>	<b>697,343</b>	<b>694,593</b>
<b>NET ASSETS</b>		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,898	144,898
Retained earnings	760,452	723,459
Treasury stock	(94,113)	(94,172)
Total stockholders' equity	925,702	888,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	832	4,370
Net deferred losses on hedges	(12)	(14)
Foreign currency translation adjustments	(18,000)	(21,775)
Total accumulated other comprehensive income	(17,180)	(17,420)
Stock acquisition rights	16	16
Minority interests	43,902	42,967
<b>TOTAL NET ASSETS</b>	<b>952,440</b>	<b>914,213</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,649,784</b>	<b>1,608,806</b>

**(2) Consolidated statements of income and comprehensive income**  
**Consolidated statements of income**

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Net sales	1,589,373	1,507,227
Cost of sales	1,287,581	1,246,878
Gross profit	301,791	260,349
Selling, general and administrative expenses	233,973	226,334
Operating income	67,818	34,015
Non-operating income		
Interest and dividends income	3,353	3,469
Equity in earnings of affiliates	—	345
Subsidies	102	1,204
Other	6,216	6,005
Total non-operating income	9,671	11,024
Non-operating expenses		
Interest expense	2,775	3,424
Equity in losses of affiliates	412	—
Contributions	1,060	1,109
Other	10,456	3,661
Total non-operating expenses	14,704	8,195
Ordinary income	62,786	36,843
Extraordinary gains		
Gain on sale of fixed assets	3,334	2,213
Gain on sale of investment securities	696	78
Other	385	87
Total extraordinary gains	4,416	2,379
Extraordinary losses		
Loss on sale or disposal of fixed assets	4,238	5,067
Impairment loss	1,685	25,013
Loss on devaluation of investment securities	430	1,147
Other	8,152	5,322
Total extraordinary losses	14,506	36,550
Income before income taxes and minority interests	52,696	2,672
Current income taxes	20,026	17,210
Deferred income taxes	8,003	2,300
Income and other taxes	28,030	19,511
Income (Loss) before minority interests	24,666	(16,838)
Minority interests in loss of consolidated subsidiaries	(366)	(482)
Net income (loss)	25,032	(16,356)

## Consolidated statements of comprehensive income

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Income (Loss) before minority interests	24,666	(16,838)
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,108)	3,697
Net deferred losses on hedges	(1)	(2)
Foreign currency translation adjustments	(5,023)	(4,194)
Share of other comprehensive income of associates accounted for using equity method	(59)	(1)
Total other comprehensive income	(12,191)	(501)
Comprehensive income	12,474	(17,340)
Attributable to :		
Shareholders of parent company	13,302	(16,596)
Minority interests	(827)	(744)

**(3) Consolidated statements of changes in net assets**

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Stockholders' equity		
Common stock		
Balance at the beginning of current period	114,464	114,464
Balance at the end of current period	114,464	114,464
Capital surplus		
Balance at the beginning of current period	144,898	144,898
Balance at the end of current period	144,898	144,898
Retained earnings		
Balance at the beginning of current period	756,428	760,452
Changes of items during the period		
Cash dividends paid	(20,631)	(20,628)
Net income (loss)	25,032	(16,356)
Decrease by merger of consolidated and unconsolidated subsidiaries	(368)	—
Disposal of treasury stock	(8)	(8)
Total changes of items during the period	4,024	(36,992)
Balance at the end of current period	760,452	723,459
Treasury stock		
Balance at the beginning of current period	(94,016)	(94,113)
Changes of items during the period		
Purchase of treasury stock	(118)	(76)
Disposal of treasury stock	21	16
Total changes of items during the period	(96)	(59)
Balance at the end of current period	(94,113)	(94,172)
Total stockholders' equity		
Balance at the beginning of current period	921,774	925,702
Changes of items during the period		
Cash dividends paid	(20,631)	(20,628)
Net income (loss)	25,032	(16,356)
Decrease by merger of consolidated and unconsolidated subsidiaries	(368)	—
Purchase of treasury stock	(118)	(76)
Disposal of treasury stock	13	8
Total changes of items during the period	3,927	(37,052)
Balance at the end of current period	925,702	888,649

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	8,059	832
Changes of items during the period		
Net changes in items other than stockholders' equity	(7,227)	3,537
Total changes of items during the period	(7,227)	3,537
Balance at the end of current period	832	4,370
Net deferred losses on hedges		
Balance at the beginning of current period	(10)	(12)
Changes of items during the period		
Net changes in items other than stockholders' equity	(1)	(2)
Total changes of items during the period	(1)	(2)
Balance at the end of current period	(12)	(14)
Foreign currency translation adjustments		
Balance at the beginning of current period	(13,498)	(18,000)
Changes of items during the period		
Net changes in items other than stockholders' equity	(4,501)	(3,775)
Total changes of items during the period	(4,501)	(3,775)
Balance at the end of current period	(18,000)	(21,775)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(5,449)	(17,180)
Changes of items during the period		
Net changes in items other than stockholders' equity	(11,730)	(240)
Total changes of items during the period	(11,730)	(240)
Balance at the end of current period	(17,180)	(17,420)
Stock acquisition rights		
Balance at the beginning of current period	–	16
Changes of items during the period		
Net changes in items other than stockholders' equity	16	–
Total changes of items during the period	16	–
Balance at the end of current period	16	16
Minority interests		
Balance at the beginning of current period	40,538	43,902
Changes of items during the period		
Net changes in items other than stockholders' equity	3,363	(934)
Total changes of items during the period	3,363	(934)
Balance at the end of current period	43,902	42,967

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Total net assets		
Balance at the beginning of current period	956,863	952,440
Changes of items during the period		
Cash dividends paid	(20,631)	(20,628)
Net income (loss)	25,032	(16,356)
Decrease by merger of consolidated and unconsolidated subsidiaries	(368)	—
Purchase of treasury stock	(118)	(76)
Disposal of treasury stock	13	8
Net changes in items other than stockholders' equity	(8,350)	(1,174)
Total changes of items during the period	(4,422)	(38,227)
Balance at the end of current period	952,440	914,213

#### (4) Consolidated statements of cash flows

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Cash flows from operating activities		
Income before income taxes and minority interests	52,696	2,672
Depreciation	97,977	95,829
Impairment loss	1,685	25,013
Increase (Decrease) of doubtful receivables, net	1,145	(8,428)
Increase (Decrease) of provision for retirement benefits, net	(4,177)	(5,449)
Equity in (gains) losses of affiliates	412	(345)
Amortization of consolidation goodwill, net	2,553	3,335
Interest and dividend income	(3,353)	(3,469)
Interest expense	2,775	3,424
Net gain on sales of investment securities	(694)	(39)
Net loss on devaluation of investment securities	436	1,149
Net loss on sales or disposal of fixed assets	903	2,888
Decrease in trade receivables	48,851	18,726
Increase in inventories	(7,135)	(11,758)
Increase (Decrease) in trade payables	(36,476)	2,828
Other	4,782	2,751
Sub-total	162,383	129,130
Payments for extra retirement payments	–	(942)
Payment of income taxes	(22,330)	(19,585)
Net cash provided by operating activities	140,053	108,603
Cash flows from investing activities		
Net (increase) decrease in time deposits	(171)	538
Payments for purchases of property, plant and equipment	(89,846)	(74,673)
Proceeds from sales of property, plant and equipment	7,058	5,998
Payments for purchases of investment securities	(2,155)	(2,468)
Proceeds from sales of investment securities	11,095	277
Payments for purchases of subsidiary stocks	–	(538)
Proceeds from purchase of newly consolidated subsidiary stocks	908	–
Interest and dividends received	3,501	4,003
Other	(12,951)	(13,264)
Net cash used in investing activities	(82,561)	(80,126)

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(12,447)	677
Proceeds from long-term debt	14,698	7,025
Repayments of long-term debt	(9,786)	(6,259)
Proceeds from issuance of bonds	53,700	1,188
Payments for redemption of bonds	(306)	(2,603)
Payments for purchases of treasury stock	(118)	(76)
Payments for purchases of treasury stock of subsidiaries	–	(0)
Interest paid	(2,660)	(3,269)
Dividends paid	(20,634)	(20,628)
Dividends paid to minority interests	(459)	(433)
Other	(6,800)	(8,453)
Net cash provided by (used in) financing activities	15,185	(32,833)
Effect of exchange rate changes on cash and cash equivalents	(2,458)	(1,716)
Net increase (decrease) in cash and cash equivalents	70,218	(6,072)
Cash and cash equivalents at beginning of year	151,709	222,056
Increase in cash and cash equivalents resulting from change of scope of consolidation	–	295
Increase in cash and cash equivalents from merger with unconsolidated subsidiaries	128	–
Cash and cash equivalents at end of year	222,056	216,279

## **(5) Notes on premise of a going concern**

None

## **(6) Basis of presenting consolidated financial statements**

### **1) Scope of consolidation and application of the equity method of accounting**

#### **Number of consolidated subsidiaries: 125**

Major companies: Maruzen CHI Holdings Co., Ltd.  
Hokkaido Coca-Cola Bottling Co., Ltd.  
INTELLIGENT WAVE INC.  
BUNKYODO GROUP HOLDINGS CO., LTD.  
DNP Color Techno Kameyama Co., Ltd.  
DNP Nishinippon Co., Ltd.  
DNP Fine Chemicals Co., Ltd.  
DNP Logistics Co., Ltd.

#### **Number of equity-method affiliated companies: 12**

Major companies: BOOKOFF CORPORATION LIMITED, All About, Inc.  
Kyoiku Shuppan Co., Ltd., SHUFUNOTOMO Co., Ltd.  
DIC Graphics Corporation

### **2) Changes in scope of consolidation and application of the equity method of accounting**

#### **[Scope of consolidation]**

Newly included: 4 DNP Media Support Co., Ltd. and three other companies  
Excluded: 10 DNP Techtas Ichigaya Co., Ltd. and nine other companies

#### **[Application of equity method]**

Newly included: 1 All About, Inc.  
Excluded: 1 mobilebook.jp, Inc. (changed to the consolidated subsidiary)

### **3) Matters concerning the fiscal years of consolidated subsidiaries**

Of the consolidated subsidiaries, Hokkaido Coca-Cola Bottling Co., Ltd. and 24 others have fiscal years that end on December 31, while Maruzen CHI Holdings Co., Ltd. and 24 others have fiscal years that end on January 31. Their financial statements as of the same date are used in the preparation of these consolidated financial statements.

Additionally, INTELLIGENT WAVE INC.'s fiscal year ends on June 30, BUNKYODO GROUP HOLDINGS CO., LTD. and seven other companies have fiscal years that end on August 31, and mobilebook.jp, Inc.'s fiscal year ends on September 30. Consequently, financial statements based on provisional account settlements are used.

Any material transactions during the time between the foregoing settlement dates and provisional settlement dates and the consolidated settlement date are adjusted for on a consolidated basis.

#### 4) Summary of significant accounting policies

##### (a) Criteria and methods for valuing significant assets

- Marketable securities

- Other securities

- Those with market prices available

- Fair market value based on market prices as of the balance sheet date

- (The related valuation differences are directly included in net assets and the sale prices computed by the moving-average method.)

- Those without market prices available

- Mainly cost based on the moving-average method

- Derivatives

- Mainly fair market value

- Inventories

- For figures shown on the balance sheet, the book value write-down method based on the decrease in profitability is used.

- Merchandise

- Mainly cost based on the specific identification method

- Finished products, work in progress

- Mainly cost based on the retail inventory cost method

- Raw materials

- Mainly cost based on the moving-average method

- Supplies

- Mainly cost based on the most recent purchase method

##### (b) Depreciation and amortization of significant assets

- Property, plant and equipment (except for lease assets)

- The Company and its domestic consolidated subsidiaries use the declining balance method.

- However, depreciation of machinery and equipment at the Kurosaki Plant No. 1 (2nd-Stage plant), Plant No. 3, Sakai Plant and Himeji Plant is computed by the straight-line method.

- Depreciation of buildings (excluding building fixtures) acquired after April 1, 1998, is computed by the straight-line method.

- Assets with an acquisition cost of at least ¥100,000 and less than ¥200,000 are depreciated mainly over three years by the straight-line method. Foreign consolidated subsidiaries mainly use the straight-line method.

- Intangible fixed assets (except for lease assets)

- Mainly the straight-line method

- Software used internally is amortized using the straight-line method over the Company's estimate of the useful life of the assets (not more than five years).

- Lease assets

- Lease assets with no transfer of ownership

- These lease assets are depreciated over the lease period using the straight-line method with no residual value.

- Lease assets based on lease agreements that do not involve a transfer of ownership to the lessee and with lease start dates before the initial applicable fiscal year under the Accounting Standard for Lease Transactions (Accounting Standards Board of Japan [ASBJ] Statement No. 13) are accounted for based on the method for ordinary rental transactions.

**(c) Treatment of significant deferred assets**

Some consolidated subsidiaries have capitalized business startup costs as deferred assets and amortize them primarily over five years using the straight-line method.

**(d) Basis for recording significant allowances**

- Allowance for doubtful accounts To cover possible losses on doubtful accounts, the allowance for doubtful accounts is based on historical default rates for normal accounts and on estimates of the amounts that may not be recoverable for specific overdue accounts.
- Reserve for bonuses To cover payments of employee bonuses in the following fiscal year, the reserve for bonus is based on the estimated amount that is attributable to the current fiscal year.
- Provision for retirement benefits To cover future payments of employee retirement benefits, provisions for employees' retirement benefits are based on an amount incurred by the fiscal year-end based on estimated retirement benefit liabilities and pension plan assets at the end of the fiscal year.  
Prior service costs are amortized using the straight-line method over a certain number of years that is equal to or less than the average future service period of eligible employees at the time the costs are incurred (generally six years).  
Actuarial gains/losses are amortized beginning in the fiscal year in which the gains/losses are recognized and using the straight-line method over a certain number of years that is equal to or less than the average future service period of eligible employees at the time the actuarial gains/losses are incurred (generally nine years).

**(e) Accounting treatment of consumption taxes**

National and local consumption taxes are excluded from transaction amounts.

**(f) Amortization of goodwill and negative goodwill**

Goodwill and negative goodwill incurred prior to March 31, 2010 are amortized using the straight-line method for a period of not more than 20 years. In the current fiscal year, straight-line amortization over five years is generally used.

Negative goodwill incurred from April 1, 2010 is charged to income in the fiscal year of occurrence.

**(g) Scope of funds in the consolidated statements of cash flows**

Cash and cash equivalents in the consolidated statements of cash flows are short-term investments with an original maturity of three months or less, are subject to insignificant risk of changes in value, and can be easily converted into cash and drawable funds as needed.

**(7) Additional information**

As a result of accounting changes and corrections of past errors since the start of the fiscal year ended March 31, 2012, DNP is applying the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009).

## (8) Notes regarding consolidated financial statements

### [Consolidated balance sheets]

	Year ended March 31, 2011	Year ended March 31, 2012
1. Guarantee obligation	¥74 million	¥56 million
2. Discounts on notes receivable	¥704 million	¥704 million

### [Consolidated statements of income]

	Year ended March 31, 2011	Year ended March 31, 2012
1. Research and development expenses (Selling, general and administrative expenses, and cost of sales)	¥33,146 million	¥31,690 million
2. Impairment losses		

In the current fiscal year, DNP recorded impairment losses for the following asset groups.

Location	Purpose	Type
Himeji, Hyogo Prefecture, etc.	Color filter production equipment, etc.	Machinery, buildings and structures, construction in progress, other

In calculating impairment losses, DNP groups assets based mainly on the business groups that serve as profit/loss units. It also considers impairment losses for each individual item for loaned assets and idle assets.

As a result, DNP lowered the carrying amounts of asset groups with diminished profitability to their recoverable amounts, and recorded this decrease as an impairment loss (¥25,013 million) under extraordinary losses.

Asset group breakdown: color filter production equipment (¥14,900 million) and other (¥10,113 million). Fixed asset category breakdown: machinery (¥8,583 million), buildings and structures (¥7,266 million), construction in progress (¥8,987 million), and other (¥175 million).

DNP determines recoverable amounts of idle assets based on net selling prices and other assets based on value in use. However, because selling prices are difficult to calculate for idle assets, DNP mainly lowers carrying amounts to their residual value. DNP calculates value in use mainly by discounting future cash flows by 10%.

**[Consolidated statements of changes in net assets]**

**The year ended March 31, 2011 (April 1, 2010 – March 31, 2011)**

**1. Types and number of shares outstanding, type and number of treasury shares**

(Shares)

	Stock type	Number of shares at the beginning of the year ended March 2011	Increase in number of shares during the year ended March 2011	Decrease in number of shares during the year ended March 2011	Number of shares at the end of the year ended March 2011
Outstanding shares	Common stock	700,480,693	–	–	700,480,693
Treasury stock	Common stock	56,241,763	109,418	13,018	56,338,163

Notes: 1. The increase of 109,418 treasury shares is due to the repurchase of odd-lot shares.  
2. The decrease of 13,018 treasury shares is due to the sale of odd-lot shares.

**2. Stock acquisition rights and treasury stock acquisition rights**

Company name	Breakdown	Stock type	Number of shares (Shares)				Balance at the end of the year ended March 2011 (Million yen)
			Beginning of the year ended March 2011	Increase	Decrease	End of the year ended March 2011	
Consolidated subsidiary	Stock acquisition rights as stock option	–	–	–	–	–	16
Total			–	–	–	–	16

**3. Detailed information regarding dividends**

**(1) Dividends paid**

Resolution	Stock type	Total dividends (Million yen)	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 29, 2010	Common stock	10,316	16	March 31, 2010	June 30, 2010
Board of Directors' meeting on November 11, 2010	Common stock	10,315	16	September 30, 2010	December 10, 2010

**(2) Of dividends for which the record date belongs to the current fiscal year, those that come into effect in the following fiscal year**

Resolution	Stock type	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 29, 2011	Common stock	10,314	Retained earnings	16	March 31, 2011	June 30, 2011

**The year ended March 31, 2012 (April 1, 2011 – March 31, 2012)**

**1. Types and number of shares outstanding and treasury stock**

(Shares)

	Stock type	Number of shares at the beginning of the year ended March 2012	Increase in number of shares during the year ended March 2012	Decrease in number of shares during the year ended March 2012	Number of shares at the end of the year ended March 2012
Outstanding shares	Common stock	700,480,693	–	–	700,480,693
Treasury stock	Common stock	56,338,163	89,456	9,854	56,417,765

Notes: 1. The increase of 89,456 treasury shares is due to the repurchase of odd-lot shares.

2. The decrease of 9,854 treasury shares is due to the sale of odd-lot shares.

**2. Stock acquisition rights and treasury stock acquisition rights**

Company name	Breakdown	Stock type	Number of shares (Shares)				Balance at the end of the year ended March 2012 (Million yen)
			Beginning of the year ended March 2012	Increase	Decrease	End of the year ended March 2012	
Consolidated subsidiary	Stock acquisition rights as stock option	–	–	–	–	–	16
Total			–	–	–	–	16

**3. Detailed information regarding dividends**

**(1) Dividends paid**

Resolution	Stock type	Total dividends (Million yen)	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 29, 2011	Common stock	10,314	16	March 31, 2011	June 30, 2011
Board of Directors' meeting on November 10, 2011	Common stock	10,313	16	September 30, 2011	December 9, 2011

**(2) Of dividends for which the record date belongs to the current fiscal year, those that come into effect in the following fiscal year**

Resolution	Stock type	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 28, 2012	Common stock	10,313	Retained earnings	16	March 31, 2012	June 29, 2012

## **[Segment information, etc.]**

### **Segment Information**

#### **1. Overview of the reporting segments**

DNP's reporting segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of business resources and evaluate business results.

DNP bases its business divisions on the products and services provided and develops its business activities based on a comprehensive domestic and overseas strategy for each business division. The four reporting segments are Information Communication, Lifestyle and Industrial Supplies, Electronics, and Beverages.

Information Communication is involved in the production and sale of publications, commercial printed matter, and business forms and in educational and publications distribution. Lifestyle and Industrial Supplies is involved in the production and sale of packaging materials, interior and exterior construction materials, photographic materials, and industrial supplies. Electronics is involved in the production and sale of precision electronic components and other products. Beverages is involved in the production and sale of carbonated and non-carbonated beverages.

#### **2. Method of calculating sales, income/loss, assets, and other items by reporting segment**

The accounting method used for reporting business segments is generally the same as stated in "Basis of presenting consolidated financial statements."

Reporting segment income (loss) figures are based on operating income (loss). Inter-segment sales and transfers are based on third-party transaction prices.

### 3. Information on sales, income/loss, assets, and other items by reporting segment

The year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

(Million yen)

	Reporting segment					Adjustment Note 1	Amounts reported on consolidated statements of income Note 2
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales							
Outside customers	715,520	524,528	286,285	63,038	1,589,373	–	1,589,373
Inter-segment	6,460	7,185	9	5	13,661	(13,661)	–
Total	721,981	531,714	286,295	63,043	1,603,034	(13,661)	1,589,373
Segment income	18,144	46,789	12,222	1,249	78,406	(10,588)	67,818
Segment assets	610,456	518,258	387,889	44,376	1,560,982	88,801	1,649,784
Other items							
Depreciation and amortization	24,036	26,070	41,878	3,350	95,335	2,642	97,977
Amortization of goodwill	1,407	1,293	160	0	2,861	–	2,861
Impairment loss	225	–	1,441	18	1,685	–	1,685
Increase in property, plant and equipment and in intangible fixed assets	20,938	20,067	56,497	3,471	100,975	1,196	102,172

Notes: 1. Figures are adjusted as follows.

- (1) Segment income is adjusted for costs related to basic research not assignable to a reporting segment or costs of research shared by different segments.
- (2) Segment assets are adjusted for companywide assets not allocated to reporting segments.
- (3) Increases in property, plant and equipment and in intangible fixed assets are adjusted for capital expenditures for the head office building and other items.

2. Segment income is adjusted to reflect operating income as reported in the consolidated financial statements.

The year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

(Million yen)

	Reporting segment					Adjustment Note 1	Amounts reported on consolidated statements of income Note 2
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales							
Outside customers	708,531	516,817	224,809	57,069	1,507,227	–	1,507,227
Inter-segment	6,106	6,024	1	3	12,135	(12,135)	–
Total	714,637	522,842	224,811	57,072	1,519,363	(12,135)	1,507,227
Segment income (loss)	15,488	31,839	(4,647)	1,334	44,014	(9,999)	34,015
Segment assets	620,615	565,398	287,957	45,660	1,519,631	89,174	1,608,806
Other items							
Depreciation and amortization	24,041	25,532	40,441	3,436	93,450	2,378	95,829
Amortization of goodwill	1,586	1,672	167	0	3,426	–	3,426
Impairment loss	234	–	24,773	4	25,013	–	25,013
Increase in property, plant and equipment and in intangible fixed assets	29,905	39,520	23,503	3,864	96,793	1,395	98,188

Notes: 1. Figures are adjusted as follows.

- (1) Segment income (loss) is adjusted for costs related to basic research not assignable to a reporting segment or costs of research shared by different segments.
- (2) Segment assets are adjusted for companywide assets not allocated to reporting segments.
- (3) Increases in property, plant and equipment and in intangible fixed assets are adjusted for capital expenditures for the head office building and other items.

2. Segment income (loss) is adjusted to reflect operating income as reported in the consolidated financial statements.

## Related information

### The year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

#### 1. Information on products and services

Omitted because similar information is disclosed in segment information.

#### 2. Regional information

##### (1) Net sales

(Million yen)

Japan	Asia	Other regions	Total
1,391,676	134,734	62,963	1,589,373

- Notes:
1. Sales are classified by country or region, based on the location of customers.
  2. Country and regional segments are based on geographic proximity.
  3. Main countries and regions included in each segment:  
Asia: Taiwan, South Korea, China, Indonesia  
Other: United States, France, Germany, United Kingdom

##### (2) Property, plant and equipment

Omitted because the value of property, plant and equipment located in Japan is over 90% of the value of property, plant and equipment as reported in the consolidated balance sheets.

#### 3. Information on major customers

Not described because sales to specific outside customers are less than 10% of sales as reported in the consolidated statements of income.

### The year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

#### 1. Information on products and services

Omitted because similar information is disclosed in segment information.

#### 2. Regional information

##### (1) Net sales

(Million yen)

Japan	Asia	Other regions	Total
1,314,933	133,477	58,817	1,507,227

- Notes:
1. Sales are classified by country or region, based on the location of customers.
  2. Country and regional segments are based on geographic proximity.
  3. Main countries and regions included in each segment:  
Asia: Taiwan, South Korea, China, Indonesia  
Other: United States, France, Germany, United Kingdom

##### (2) Property, plant and equipment

Omitted because the value of property, plant and equipment located in Japan is over 90% of the value of property, plant and equipment as reported in the consolidated balance sheets.

#### 3. Information on major customers

Not described because sales to specific outside customers are less than 10% of sales as reported in the consolidated statements of income.

**[Per share information]**

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)		Year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	
Net assets per share	¥1,410.44	Net assets per share	¥1,352.71
Net income per share	¥38.86	Net loss per share	¥(25.39)
Diluted net income per share is not reported because there are no potentially dilutive securities.		Diluted net income per share is not reported because a net loss per share was recorded.	

**Note: Basis of calculations****1. Net assets per share**

		Year ended March 31, 2011 (As of March 31, 2011)	Year ended March 31, 2012 (As of March 31, 2012)
Total net assets	(Million yen)	952,440	914,213
Amount excluded from total net assets	(Million yen)	43,918	42,984
Of which, stock acquisition rights	(Million yen)	(16)	(16)
Of which, minority interests	(Million yen)	(43,902)	(42,967)
Net assets at fiscal year-end pertaining to common stock	(Million yen)	908,521	871,229
Number of common shares outstanding	(Thousand shares)	700,480	700,480
Number of common treasury shares	(Thousand shares)	56,338	56,417
Number of common shares at fiscal year-end used for the calculation of net assets per share	(Thousand shares)	644,142	644,062

**2. Net income (loss) per share**

		Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)	Year ended March 31, 2012 (April 1, 2011 – March 31, 2012)
Net income (loss)	(Million yen)	25,032	(16,356)
Amounts not attributable to common shareholders	(Million yen)	–	–
Net income (loss) pertaining to common stock	(Million yen)	25,032	(16,356)
Average number of common shares outstanding during the fiscal year	(Thousand shares)	644,187	644,102

**[Significant subsequent events]**

DNP concluded a basic agreement with Sharp Corporation and Toppan Printing Co., Ltd. on April 10, 2012, to integrate the Sakai Plant LCD color filter operations of DNP and DNP subsidiary, DNP Color Techno Sakai Co., Ltd. into Sharp Corporation's subsidiary, Sharp Display Products Corporation.

**[Disclosure omission]**

Disclosure of notes on such items as tax effect accounting, marketable securities, and retirement benefits is omitted because such disclosure in the release of Financial Results is not considered to be important.

**5. Non-consolidated financial statements**  
**(1) Non-consolidated balance sheets**

(Million yen)

	Year ended March 31, 2011 (As of March 31, 2011)	Year ended March 31, 2012 (As of March 31, 2012)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	147,155	145,540
Notes receivable	34,730	34,836
Trade receivable	286,401	264,358
Merchandise and finished goods	5,874	4,915
Work in progress	12,309	14,829
Raw materials and supplies	2,780	2,276
Deferred income taxes	5,016	3,502
Other	22,701	28,061
Allowance for doubtful accounts	(1,974)	(1,838)
Total current assets	514,995	496,483
Fixed assets		
Property, plant and equipment		
Buildings	398,307	411,354
Accumulated depreciation	(235,814)	(245,917)
Buildings, net	162,493	165,436
Structures	31,877	32,344
Accumulated depreciation	(23,740)	(24,503)
Structures, net	8,137	7,840
Machinery	726,368	697,803
Accumulated depreciation	(598,626)	(592,394)
Machinery, net	127,742	105,409
Vehicles	1,115	1,169
Accumulated depreciation	(1,004)	(1,050)
Vehicles, net	110	119
Equipment	47,471	48,586
Accumulated depreciation	(39,677)	(40,764)
Equipment, net	7,794	7,821
Land	119,806	119,314
Lease asset	8,439	8,562
Accumulated depreciation	(1,270)	(1,902)
Lease asset, net	7,168	6,659
Construction in progress	37,626	31,142
Total property, plant and equipment	470,879	443,744
Intangible fixed assets		
Software	14,384	17,218
Other	5,136	6,058
Total intangible fixed assets	19,521	23,276
Investments and other assets		
Investment securities	111,201	115,883
Investments in securities in affiliates	130,486	132,552
Long-term loans	24,642	9,754
Deferred income taxes	28,350	25,843
Other	31,752	34,196
Allowance for doubtful accounts	(17,615)	(15,800)
Total investments and other assets	308,818	302,429
Total fixed assets	799,219	769,450
<b>TOTAL ASSETS</b>	<b>1,314,214</b>	<b>1,265,933</b>

(Million yen)

	Year ended March 31, 2011 (As of March 31, 2011)	Year ended March 31, 2012 (As of March 31, 2012)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable	22,176	18,306
Trade payable	193,855	180,672
Lease obligations	771	793
Accounts payable - other	38,949	51,725
Accrued expenses	15,907	14,453
Deposits payable	166,488	162,277
Reserve for bonuses	7,013	6,208
Reserve for bonuses to directors	185	150
Reserve for disaster losses	3,367	1,106
Notes payable for facilities	4,496	1,240
Other	2,669	5,675
Total current liabilities	455,881	442,608
Long-term liabilities		
Bonds	150,000	150,000
Lease obligations	6,755	6,199
Asset retirement obligations	3,006	3,068
Long-term debt	6,379	6,343
Provision for retirement benefits	5,421	6,865
Reserve for environmental measures	94	73
Total long-term liabilities	171,658	172,549
<b>TOTAL LIABILITIES</b>	<b>627,539</b>	<b>615,158</b>
<b>NET ASSETS</b>		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus		
Capital reserve	144,898	144,898
Total capital surplus	144,898	144,898
Retained earnings		
Legal reserve	23,300	23,300
Other retained earnings		
Reserve for loss on overseas investment	0	-
Reserve for special depreciation	7,492	6,335
Reserve for depreciation reduction of fixed assets	46	44
Other reserve	432,780	432,780
Retained earnings brought forward	57,029	19,047
Total retained earnings	520,647	481,506
Treasury stock	(94,088)	(94,148)
Total stockholders' equity	685,922	646,721
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	763	4,061
Net deferred losses on hedges	(10)	(7)
Total valuation and translation adjustments	752	4,053
<b>TOTAL NET ASSETS</b>	<b>686,674</b>	<b>650,775</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,314,214</b>	<b>1,265,933</b>

**(2) Non-consolidated statements of income**

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Net sales	1,076,434	972,638
Cost of sales	951,872	871,886
Gross profit	124,561	100,752
Selling, general and administrative expenses	110,191	105,431
Operating income (loss)	14,370	(4,678)
Non-operating income		
Interest income	782	647
Dividend income	10,190	9,933
Other	58,594	56,246
Total non-operating income	69,567	66,826
Non-operating expenses		
Interest expense	1,918	2,366
Other	51,141	49,021
Total non-operating expenses	53,059	51,388
Ordinary income	30,877	10,760
Extraordinary gains		
Gain on sale of fixed assets	32	496
Gain on sale of investment securities	599	68
Gain on liquidation of subsidiaries and affiliates	1,667	1,751
Other	7	3
Total extraordinary gains	2,306	2,319
Extraordinary losses		
Loss on sale or disposal of fixed assets	3,337	3,688
Impairment loss	–	20,097
Loss on devaluation of investment securities	414	976
Loss on devaluation of securities in affiliates	188	2,030
Disaster losses and provision of reserve for disaster	3,992	386
Other	1,087	1,885
Total extraordinary losses	9,020	29,064
Income (Loss) before income taxes	24,163	(15,984)
Current income taxes	220	220
Deferred income taxes	6,824	2,299
Income and other taxes	7,044	2,519
Net income (loss)	17,118	(18,504)

**(3) Non-consolidated statements of changes in net assets**

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Stockholders' equity		
Common stock		
Balance at the beginning of current period	114,464	114,464
Balance at the end of current period	114,464	114,464
Capital surplus		
Capital reserve		
Balance at the beginning of current period	144,898	144,898
Balance at the end of current period	144,898	144,898
Total capital surplus		
Balance at the beginning of current period	144,898	144,898
Balance at the end of current period	144,898	144,898
Retained earnings		
Legal reserve		
Balance at the beginning of current period	23,300	23,300
Balance at the end of current period	23,300	23,300
Other retained earnings		
Reserve for loss on overseas investment		
Balance at the beginning of current period	0	0
Changes of items during the period		
Reversal of reserve for loss on overseas investment	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	0	–
Reserve for special depreciation		
Balance at the beginning of current period	8,047	7,492
Changes of items during the period		
Provision of reserve for special depreciation	1,038	357
Reversal of reserve for special depreciation	(1,593)	(1,514)
Total changes of items during the period	(555)	(1,156)
Balance at the end of current period	7,492	6,335
Reserve for depreciation reduction of fixed assets		
Balance at the beginning of current period	52	46
Changes of items during the period		
Reversal of reserve for depreciation reduction of fixed assets	(6)	(1)
Total changes of items during the period	(6)	(1)
Balance at the end of current period	46	44
Other reserve		
Balance at the beginning of current period	432,780	432,780
Changes of items during the period		
Reversal of other reserve	–	–
Total changes of items during the period	–	–
Balance at the end of current period	432,780	432,780

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Retained earnings brought forward		
Balance at the beginning of current period	59,987	57,029
Changes of items during the period		
Reversal of reserve for losses on overseas investment	0	0
Provision of reserve for special depreciation	(1,038)	(357)
Reversal of reserve for special depreciation	1,593	1,514
Reversal of reserve for depreciation reduction of fixed assets	6	1
Reversal of other reserve	—	—
Cash dividends paid	(20,631)	(20,628)
Net income (loss)	17,118	(18,504)
Disposal of treasury stock	(8)	(8)
Total changes of items during the period	(2,958)	(37,982)
Balance at the end of current period	57,029	19,047
Total retained earnings		
Balance at the beginning of current period	524,168	520,647
Changes of items during the period		
Reversal of reserve for losses on overseas investment	—	—
Provision of reserve for special depreciation	—	—
Reversal of reserve for special depreciation	—	—
Reversal of reserve for depreciation reduction of fixed assets	—	—
Reversal of other reserve	—	—
Cash dividends paid	(20,631)	(20,628)
Net income (loss)	17,118	(18,504)
Disposal of treasury stock	(8)	(8)
Total changes of items during the period	(3,520)	(39,140)
Balance at the end of current period	520,647	481,506
Treasury stock		
Balance at the beginning of current period	(93,992)	(94,088)
Changes of items during the period		
Purchase of treasury stock	(118)	(76)
Disposal of treasury stock	21	16
Total changes of items during the period	(96)	(59)
Balance at the end of current period	(94,088)	(94,148)
Total stockholders' equity		
Balance at the beginning of current period	689,539	685,922
Changes of items during the period		
Cash dividends paid	(20,631)	(20,628)
Net income (loss)	17,118	(18,504)
Purchase of treasury stock	(118)	(76)
Disposal of treasury stock	13	8
Total changes of items during the period	(3,617)	(39,200)
Balance at the end of current period	685,922	646,721

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	8,007	763
Changes of items during the period		
Net changes in items other than stockholders' equity	(7,244)	3,298
Total changes of items during the period	(7,244)	3,298
Balance at the end of current period	763	4,061
Net deferred losses on hedges		
Balance at the beginning of current period	(7)	(10)
Changes of items during the period		
Net changes in items other than stockholders' equity	(2)	2
Total changes of items during the period	(2)	2
Balance at the end of current period	(10)	(7)
Total valuation and translation adjustments		
Balance at the beginning of current period	8,000	752
Changes of items during the period		
Net changes in items other than stockholders' equity	(7,247)	3,301
Total changes of items during the period	(7,247)	3,301
Balance at the end of current period	752	4,053
Total net assets		
Balance at the beginning of current period	697,539	686,674
Changes of items during the period		
Cash dividends paid	(20,631)	(20,628)
Net income (loss)	17,118	(18,504)
Purchase of treasury stock	(118)	(76)
Disposal of treasury stock	13	8
Net changes in items other than stockholders' equity	(7,247)	3,301
Total changes of items during the period	(10,864)	(35,899)
Balance at the end of current period	686,674	650,775

#### **(4) Notes on premise of a going concern**

None

#### **6. Changes in directors and officers (as of June 28, 2012)**

1) New director candidates (at the Ordinary General Meeting of Shareholders to be held on June 28)

Managing Director	Fujio Yamazaki (currently Senior Corporate Officer)
Managing Director	Tokuji Kanda (currently Corporate Officer)

2) Directors to be retired (at the end of the Ordinary General Meeting of Shareholders to be held on June 28)

Executive Vice President	Satoshi Saruwatari (to be assigned as Senior Advisor)
Managing Director	Yoshiaki Nagano (to be assigned as Advisor)

3) Corporate officers to be retired

Corporate Officer	Jun-ichi Tsuchiya (to be assigned as Director and Managing Corporate Officer of DNP Trading Co., Ltd.)
Corporate Officer	Takashi Wada (to be assigned as Director and Managing Corporate Officer of DNP Fine Chemicals Co., Ltd.)

4) Corporate officers to be promoted

Senior Corporate Officer	Ryuji Minemura (currently Corporate Officer)
Senior Corporate Officer	Masato Koike (currently Corporate Officer)
Senior Corporate Officer	Masato Yamaguchi (currently Corporate Officer)