

**P&I
Solutions**

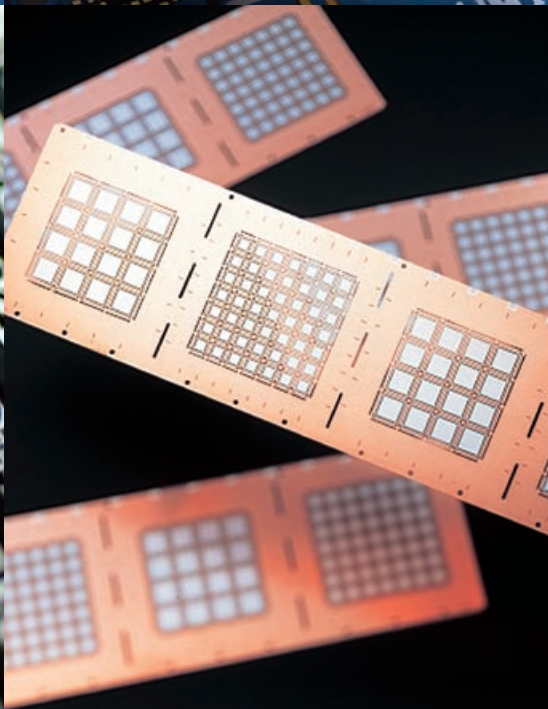
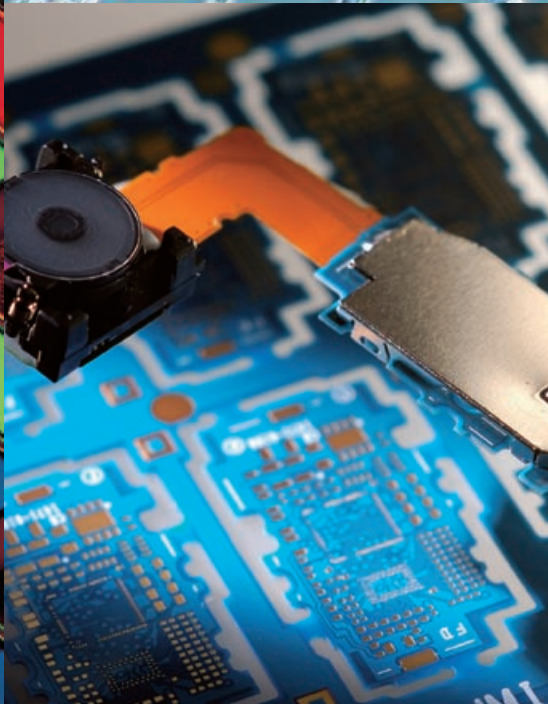
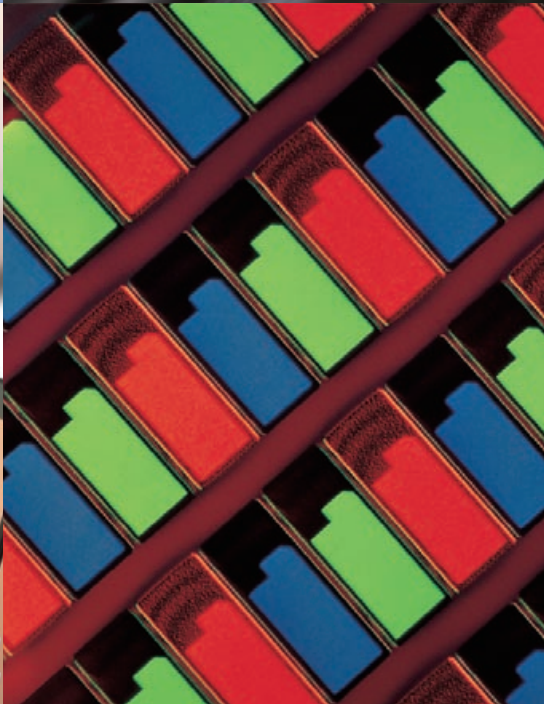
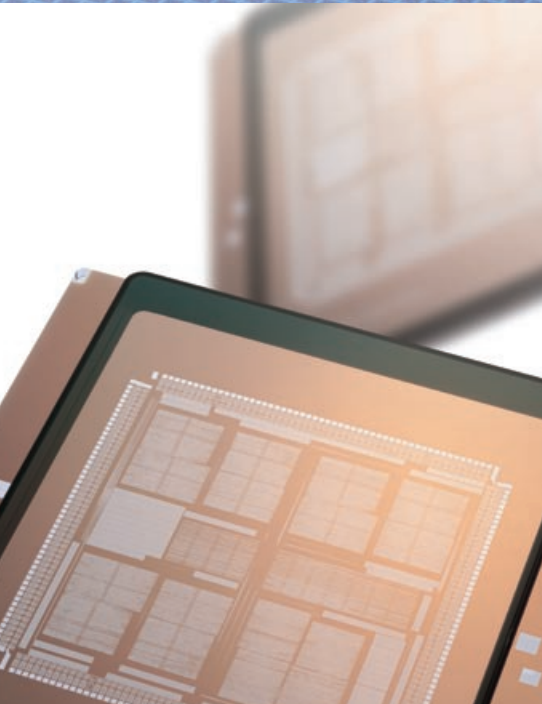
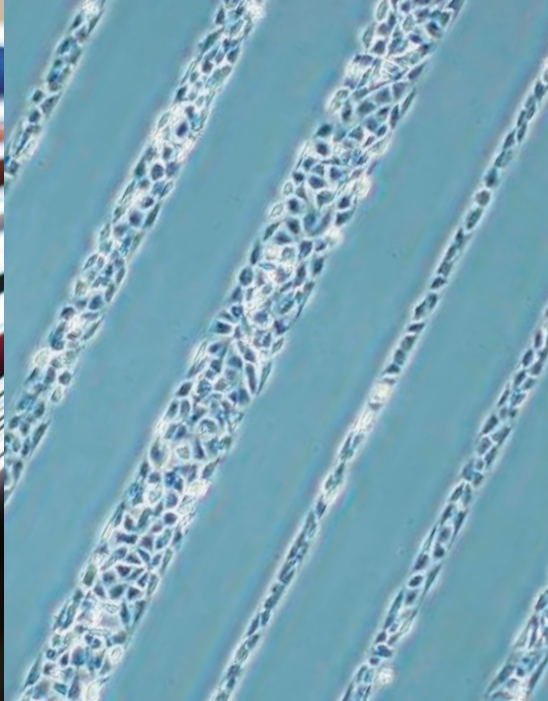




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This annual report is aimed at providing information about DNP's businesses, management vision, and business results. Opinions and forecasts contained in the report were based on the best judgment of management at the time the report was prepared,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

In this annual report, "DNP" refers to the entire DNP Group, and "we" refers to DNP or the DNP management team.

To Our Shareholders

President's Message

Most people get a fresh idea of what “printing” is when we explain the various directions in which our business has branched out. From printing on paper to packaging materials, lifestyle materials, information recording media, liquid crystal color filters, electronic devices, and even life science — our products and services play important roles in people’s daily lives, and all are closely connected to “printing.”

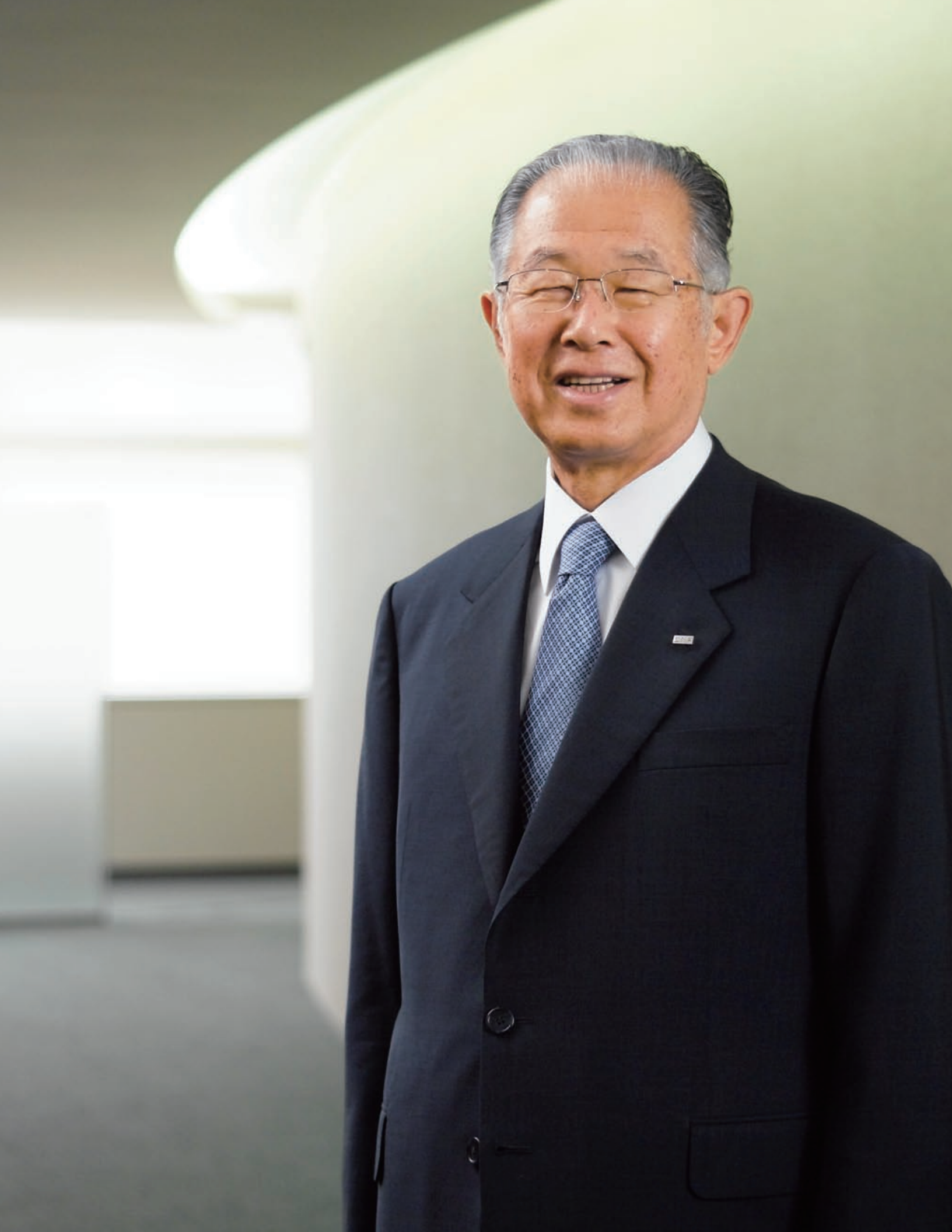
DNP’s corporate vision is to provide “P&I solutions” that solve our customers’ problems by developing and combining the printing technologies (PT) and information technologies (IT) that we have cultivated for so many years. In the fiscal term ended March 2008, as in previous years, we actively promoted measures based on this vision in a variety of fields.

We responded to strong demand for displays not only by boosting production capacity for LC color filters and optical films, but also by implementing merger, acquisition, and other types of corporate tieups. In addition, we continued to create products and services based on consumers’ needs. Specifically, this included progress in our smart card-based information security business, IC tag business, digital print business, and development of content for mobile phones and data broadcasting. Furthermore, as examples of new businesses, we have been working hard at developing advanced and highly original technologies and products related to medical care, pharmaceuticals, health care and other life science fields, and to fuel cells, etc. in the energy field.

However, the business environment has remained very difficult, due to such factors as surging material costs and intensifying price competition. In the fiscal year through March 2008, DNP marked its fifth consecutive year of increased revenues and achieved a large increase in profits in our Electronics segment, but overall profits declined.

In order to overcome these difficulties and increase DNP’s corporate value in the future, I believe it is important to strive to improve ROE and to emphasize capital efficiency in addition to improving our bottom line by realizing our corporate vision. I believe that the best way to continuously improve DNP’s corporate value is to use appropriate financial strategies, invest aggressively in the most profitable fields where growth is likely, and further solidify our basis for growth.

Based on these ideas, we will continue to make every effort to be able to meet the expectations of our shareholders and everyone who holds a stake in DNP.



Performance in the Fiscal Term Ended March 2008

Net sales increased in our three main segments, and grew 3.7% overall relative to the previous term, to 1.62 trillion yen. However, due to the effects of higher materials costs and lower unit sale prices, etc., operating income declined by 9.4% to 87.14 billion yen, net income declined by 17.6% to 45.17 billion, and ROE declined by 0.7 percentage point to 4.4%.

We were especially hard hit by the worldwide surge in oil prices as it led to price hikes for materials such as packaging films and other petroleum products, and for printing paper. Overall, materials costs rose by about 11.8 billion yen. We did our best to pass on these cost increases to customers through negotiations, but with the price of petroleum products rising several times during the term, we were not able to raise our prices as rapidly as costs increased.

Meanwhile, client companies continued to press strongly for lower prices, making the sales environment extremely tough. The effects of increased competition, including lower unit sales prices, cost us about 28.0 billion yen during the fiscal term.

In response to this situation, the entire Group worked together on cost structure reform. Primarily in manufacturing sectors, we succeeded in cutting costs by about 35.0 billion yen by boosting process efficiency, improving yields, reducing materials losses, and shortening preparation and coordination times as part of our Groupwide “*Monozukuri 21* Initiative.”

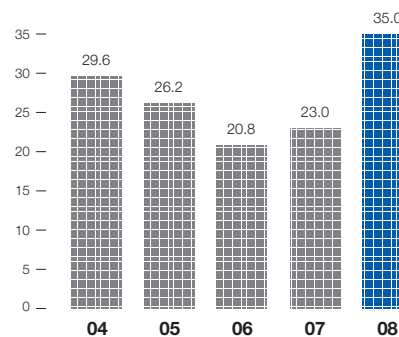
Performance of DNP and Segments

(¥ million)

	2008.3	2007.3	% change
Net sales	¥ 1,616,053	¥ 1,557,802	3.7 %
Information Communication	679,897	668,842	1.7
Lifestyle & Industrial Supplies	555,792	532,713	4.3
Electronics	322,312	291,916	10.4
Beverages	73,495	74,122	-0.8
Operating income	87,104	96,145	-9.4
Information Communication	43,076	50,958	-15.5
Lifestyle & Industrial Supplies	31,863	36,252	-12.1
Electronics	19,818	14,892	33.1
Beverages	1,326	640	107.2
Net income	¥ 45,172	¥ 54,842	-17.6
ROE (%)	4.4%	5.1%	-0.7 point

Results from Cost Reduction Initiative “*Monozukuri 21*” - Amount of Cost Reduced -

(¥ billion)



Net sales increased for both Information Communication and Lifestyle and Industrial Supplies, but both segments ended the fiscal term with year-on-year declines in operating income: 15.5% for the former and 12.1% for the latter. Many of the factors behind these results were beyond our control, such as soaring materials costs, demographic changes, and fluctuations in financial markets in reaction to the sub-prime loan crisis. Nevertheless, we hope to overcome these negative factors by increasing the added value of the products and services that DNP provides.

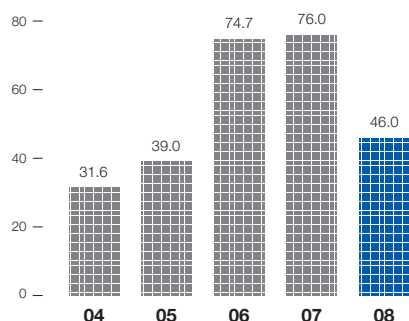
For example, net sales have been growing by more than 10% a year in high added-value businesses like information processing services and smart cards that provide safe and reliable information processing functions. These businesses are also making a growing contribution to profits. By paying close attention to consumers' needs, making the most of DNP's strength in a variety of media types — including paper, Internet, DVDs, and data transmission — and by developing products with superior functionality and concern for the environment and human health, we intend to expand our business field and revenues. These are two of the goals toward which the entire DNP Group directs its efforts in realizing our corporate vision of "P&I Solutions."

The Electronics segment made a sharp recovery, with net sales growing 10.4% and operating income increasing by 33.1% from a year earlier. In the market for displays used in products like televisions and computer screens, demand remained brisk throughout the year. Demand for liquid crystal color filters increased a great deal, and with full operation of our 5th, 6th, and 8th-generation production lines, revenues were much improved. The installation of new 6th and 8th-generation lines in particular allowed us to boost production capacity at a good time. Efforts to improve yields and other aspects of efficiency allowed us to maintain high productivity, which also contributed to the segment's success.

Color filter demand is expected to increase even further in the future, and we plan to continue to actively invest. For example, in the summer of 2008 we plan to start full operation of an additional 8th-generation production line at our plant in Kurosaki, Kita-Kyushu, and in the following fiscal year, we plan to start operating a new plant for 10th-generation products adjacent to Sharp Corp.'s new plant in Sakai, Osaka Prefecture. The Sakai City by-plant will mass-produce color filters using inkjet technology on the world's largest substrates. In addition, we plan to build a new plant in Himeji City, Hyogo Prefecture, to supply Hitachi and Matsushita's IPS Alpha Technology joint venture with 8th-generation products. By reinforcing our production system in ways like these, we aim to secure the world's largest supply capacity for color filters used in large liquid crystal panels.

We intend to continue strengthening the Electronics segment's business base by supplying high-quality products at the right time in order to meet demand for photomasks — which grew in the second half of the fiscal term — and high-density build-up boards, which grew sharply, primarily for use in increasingly sophisticated cellular phones.

Capital Investments by Electronics Segment
(¥ billion)



Our Client Base of 30,000 Companies Is an Asset That Will Help Us Expand Our Own Business



In the 21st century, consumers are looking for safer and more reliable lifestyles, and there is a need for measures to protect the Earth's resources and environment. Also, as the number of Internet users grows, people are becoming accustomed to relying on paperless communication, and information security is becoming more and more important. And as people demand improvements to their quality of life, there is a need for more compact devices with greater functionality, pleasant access to media content, and materials that meet individual needs.

In 1876, in the turbulent era that immediately followed the Meiji Restoration, DNP's founders started a printing business based on the cutting-edge technology of the time. Later, Japanese society underwent changes — including rapid internationalization and diversification of individuals' values — so momentous that they cannot even be compared to the changes of the late 19th century when DNP was founded. In these times of intense change, corporate clients and consumers desperately seek solutions to various problems, including some they face for the first time.

DNP has long been identifying these problems by engaging business clients and consumers in *taiwa*,* and has continued to solve them by applying world-class printing and information technologies. Every member of our Group acts on the belief that the answers to customers' problems can be found within the customers themselves. Through repeated *taiwa*, we come to understand our customers' businesses better than they do themselves. By considering more deeply, we come up with provisional solutions that lead to another level of *taiwa*. The repetition of this process leads to customized solutions. Our customers so appreciate our work that we maintain business relationships with more than 30,000 corporate clients. This is probably one of the largest customer bases in Japan, and we consider it to be an important asset.

These times of intense change are too much for a single company to weather alone, so we view our connection with business clients in all types of industries as a source of strength. We believe that the key to expanding our business in the future lies in building our business partners' faith in us, by providing appropriate solutions to problems.

* *Taiwa* is a process that entails identifying problems and finding solutions through the exchange of viewpoints and ideas.

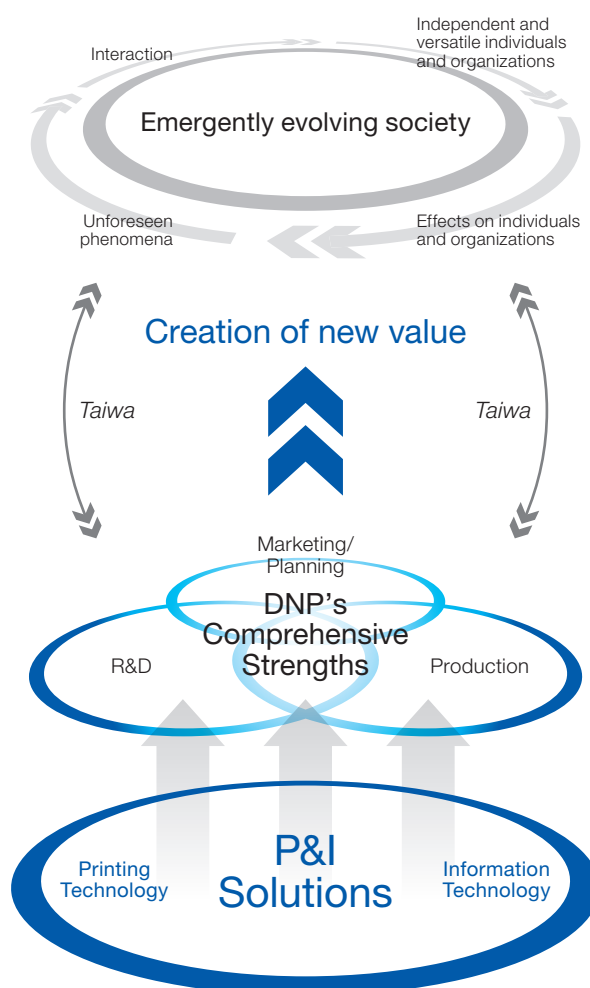
DNP Will Create New Value and Contribute to Society with P&I Solutions

In order to achieve long-term expansion of our business, it is crucial that we forge ahead and realize our corporate vision of P&I Solutions. We will use original developments and extensions of printing and information technologies as tools with which we create solutions for the problems of corporate clients and consumers — problems that we identify through *taiwa*. Given the importance of rapid and accurate problem solving, we believe that providing carefully thought-out solutions will foster long-term trust in DNP and lead to increased sales and profits.

P&I Solutions are helping to build the types of infrastructure that society needs. For example, we are seeing significant growth in businesses such as smart cards, which provide a basis for home and workplace security, and information processing services (IPS) that handle personal information securely. In addition, by digging deep to identify problems and create solutions, we have come to provide many products and services that are indispensable to our customers' businesses, such as color filters, optical films, photomasks, multilayer wiring boards, and aseptic plastic bottle-filling systems.

We intend to continue actively developing along lines like these that lead to expanding our business field. We have already started several projects that we expect to develop into new businesses in the medium or long term. In the life sciences arena, we are developing cancer diagnostic kits and getting involved in regenerative medicine, and in the energy field, our activities include developing and manufacturing fuel cells and solar power cells. Going forward, we intend to keep pushing ahead with innovations aimed at long-term growth and identifying areas with good growth potential as we expand our field of business.

We will identify and solve the problems and issues that consumers and corporate clients face within the emergently evolving society by fusing our Printing Technologies (PT) and Information Technologies (IT).



We Work Toward Sustainable Growth in Corporate Value

DNP's management aims to increase corporate value and guide the company to long-term, sustainable growth. We will strive to maximize DNP's corporate value by making the most of all of the superb assets that DNP has built up — our world-class products and services, the intellectual property and research capacity that underpin those products and services, one of the largest customer bases in Japan with some 30,000 business clients, a sound financial constitution, and most importantly, the strength of our brand, which is backed by a high degree of trust.

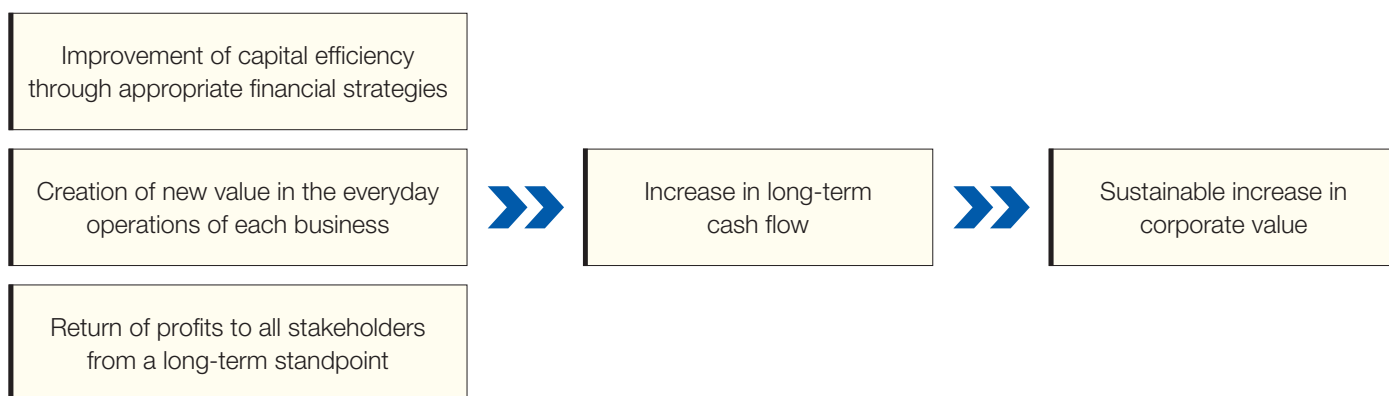
First of all, we will aim to further improve our bottom line by making maximum use of DNP's strengths. Toward that end, we will concentrate on boosting our ability to compete by developing original DNP technologies and solutions, as well as by expanding the scale of our business and cultivating growth fields. We will continue our "*Monozukuri 21*" activities in order to become more cost competitive, while actively reforming the structure of our business to achieve balanced development that avoids excessive dependence on individual sectors or products.

Primary Rankings

Environmental Rating 2006 Total: Ranked A (3rd from the top, out of 9 grades)	2007, Deloitte-TECO
"Corporations Easy to Work For" Ranked 16th of 399 companies	2007, Nihon Keizai Shimbun
The 11th "Corporate Environmental Management Level Survey" Total: Ranked 39th out of 1,752 manufacturing companies	2007, Nihon Keizai Shimbun
The 4th "Corporate Strength Rankings" Ranked 19th of 297 companies	2008, The Nikkan Kogyo Shimbun
The 7th "Survey on Integrity, Transparency (Morality and Sociality) of Companies" Ranked 3rd out of 709 companies	2008, Integrex Co., Ltd.

SRI Indices that Include DNP

Sustainable Asset Management
Dow Jones Sustainability Index
FTSE4Good
Ethibel Sustainability Index
Morningstar Socially Responsible Investment Index



In order to continuously improve corporate value, it is important to increase long-term cash flow. In today's business environment, change occurs at a dizzying pace. In order to increase or even maintain growth potential in this environment, it is essential 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. Therefore, we strive to retain profits and strengthen our financial constitution. At the same time, we watch demand for capital and other

market trends, and work at returning profits to shareholders. In fact, in the fiscal term through March 2008, we increased dividends per share for the sixth consecutive year, to 36 yen. We also acquired 96,213,000 of our own shares (161.4 billion yen) during the past six years, of which we retired 59,000,000.

Looking ahead, we want to increase revenues through business expansion, boost corporate value even further by adequately fulfilling our corporate social responsibilities, and meet the expectations of all of our shareholders.

President Yoshitoshi Kitajima



DNP in Brief



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Synopsis of Performance

Grand Summary of Financial Results

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

	2008	2007	2006	change 2008/2007
Income Statement (¥ million)				
Net sales	¥ 1,616,053	¥ 1,557,802	¥ 1,507,505	3.7%
Operating income	87,104	96,145	120,669	-9.4%
Ordinary income	86,502	101,348	124,715	-14.6%
Income before income taxes	88,469	98,950	114,639	-10.6%
Net income	45,172	54,842	65,187	-17.6%
Balance Sheets (¥ million)				
Total net assets*	¥ 1,040,135	¥ 1,099,439	¥ 1,063,308	-5.4%
Interest-bearing debt	80,104	69,228	67,993	15.7%
Total assets	1,601,193	1,700,250	1,662,377	-5.8%
Cash Flow Statement (¥ million)				
Cash flows from operating activities	¥ 157,283	¥ 123,011	¥ 141,673	27.9%
Cash flows from investing activities	(122,523)	(150,717)	(151,780)	-18.7%
Cash flows from financing activities	(73,728)	(42,590)	(46,712)	73.1%
Free cash flow**	34,760	(27,706)	(10,107)	—
Per Share Data*** (¥)				
Net income	¥ 67.08	¥ 78.10	¥ 91.23	-14.1%
Net assets	1,516.35	1,544.02	1,507.89	-1.8%
Cash dividend	36	32	26	12.5%
Profit Margins (%)				
Operating income margin	5.39	6.17	8.00	-0.78
EBITDA margin	12.36	12.87	13.48	-0.51
Net income to net sales	2.80	3.52	4.32	-0.72
Financial Ratios				
ROE (%)	4.35	5.14	6.29	-0.79
ROA (%)	2.74	3.26	4.00	-0.52
D/E ratio	8	6	6	—
Interest coverage ratio (times)	70.09	76.46	93.27	—
Valuations (against share prices on March 31)				
PER (times)	23.64	23.74	23.35	—
PBR (times)	1.05	1.20	1.41	—
EV/EBITDA (times)	4.94	5.74	6.26	—
PCFR (times)	6.76	8.30	9.85	—
Dividend yield (%)	2.26	1.73	1.22	0.53
Return to Shareholders				
Value of shares repurchased (¥ million)	58,310	19,475	20,480	199.4%
Dividend payout ratio (%)	53.7	41.0	28.5	—
Others				
Long-term credit rating (R&I)	AA+ (stable)	AA+ (stable)	AA+ (stable)	—
Foreign ownership (%)	29.53	34.53	34.30	—

* The figure for March 2006 shows total stockholders' equity. ** Cash flows from operating activities - cash flows from investing activities *** No diluting securities outstanding

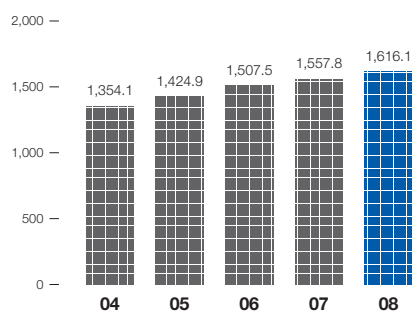
Record-high net sales 5 years in a row

Double-digit growth in Electronics Segment net sales; Operating income up 33.1%

Dividend payouts increased for 6 years in a row, to 36 yen per share

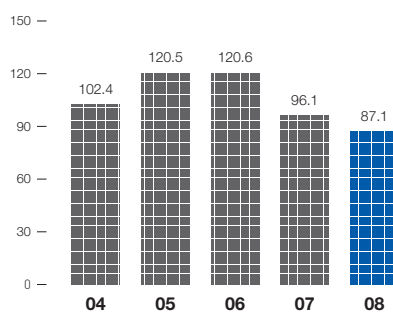
Net Sales

(¥ billion)



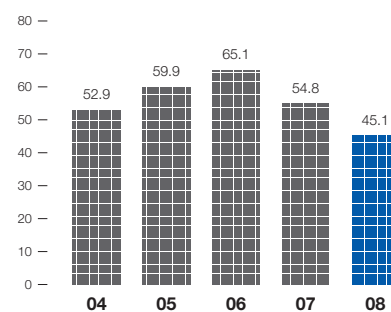
Operating Income

(¥ billion)



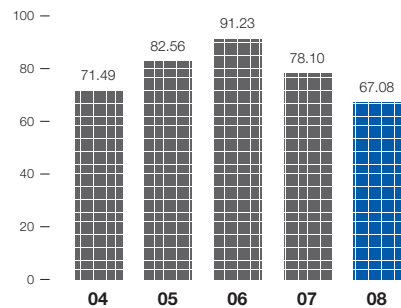
Net Income

(¥ billion)



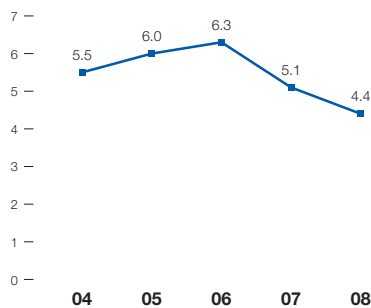
Net Income per Share

(¥)



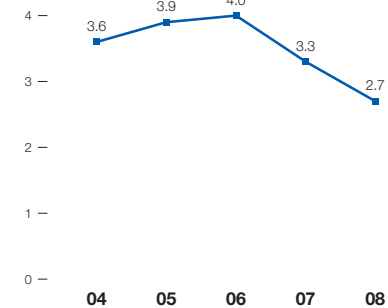
ROE

(%)



ROA

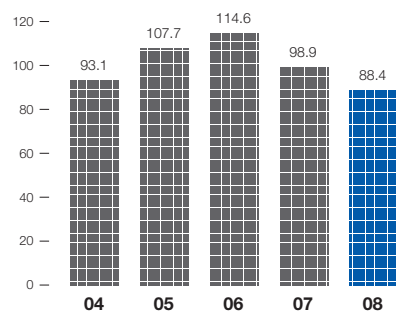
(%)



Other Important Financial Figures and Indicators

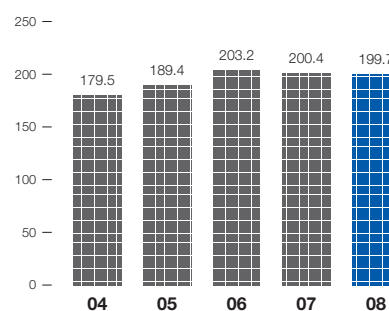
Income Before Income Taxes

(¥ billion)



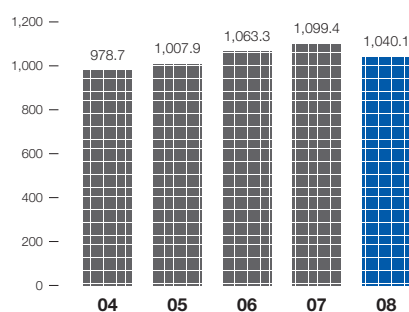
EBITDA

(¥ billion)



Total Net Assets*

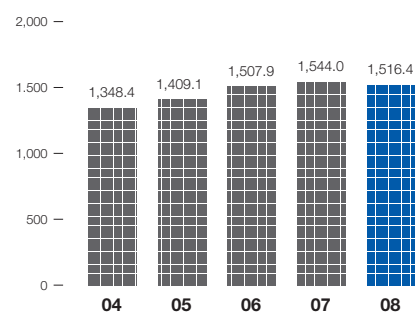
(¥ billion)



* As of the year through March 2007, figures show net assets instead of total stockholders' equity.

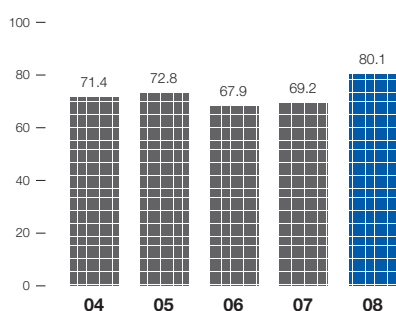
Net Assets per Share

(¥)



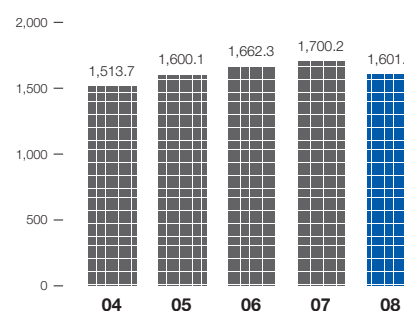
Interest-bearing Debt

(¥ billion)



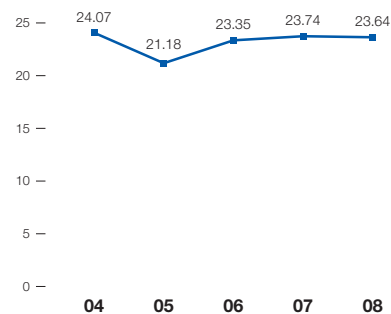
Total Assets

(¥ billion)



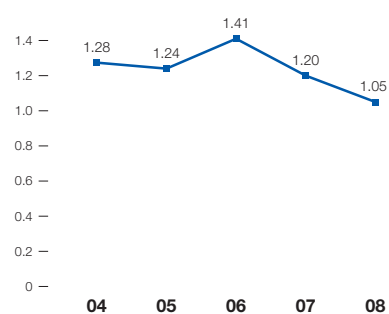
PER (Price Earnings Ratio)

(times)



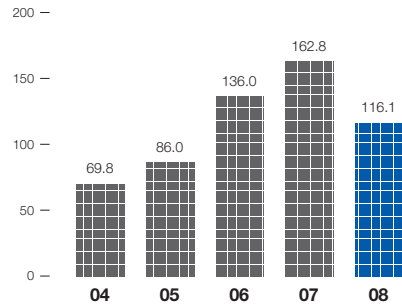
PBR (Price Book-value Ratio)

(times)



Capital Expenditures*

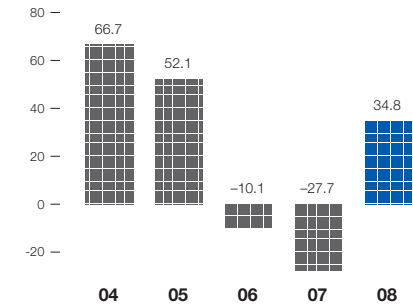
(¥ billion)



* Figures include capital expenditures for intangible fixed assets.

Free Cash Flow*

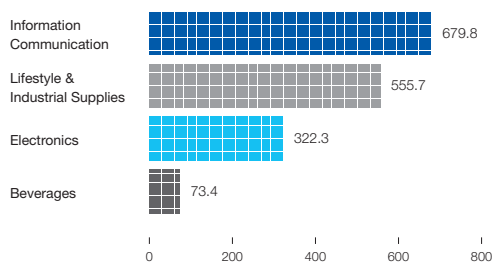
(¥ billion)



* Free cash flow = Net cash provided by operating activities – Net cash used in investing activities

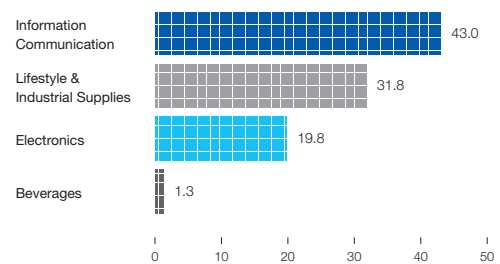
Net Sales by Segment

(¥ billion)



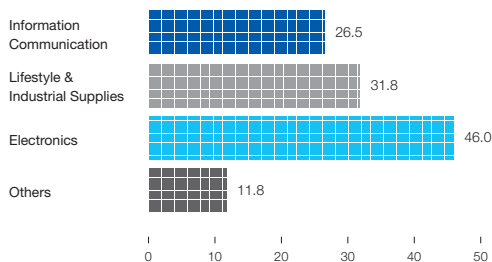
Operating Income by Segment

(¥ billion)



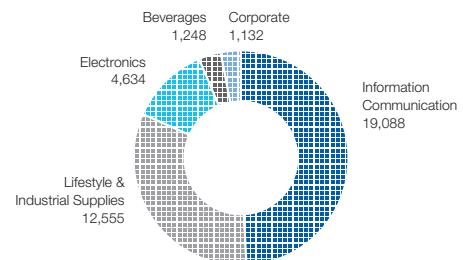
Capital Expenditures by Segment

(¥ billion)



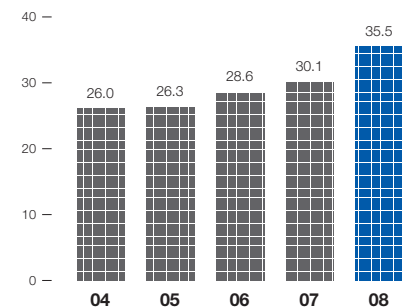
Employees by Segment

(persons)



Research and Development Expenditures

(¥ billion)



DNP at a Glance

Profile

A comprehensive printing company with printing and information technologies at its core; the world's top supplier of many products

DNP is one of the world's largest comprehensive printing companies. It provides diverse products and services in a wide range of fields to about 30,000 corporate clients and to consumers in Japan and around the world. At the company's core are the printing and information technologies that it has cultivated since its founding in 1876. Since then, the company has branched out into a variety of fields, including packaging, decorative materials, display-related products, and electronic devices, and has become the world's top supplier of many products.

Today, DNP continues to work at expanding its fields of business by developing and combining technologies in order to provide original solutions.

The DNP Group employs about 38,000 people. In Japan, DNP has 48 sales bases and 58 production plants, as well as 21 sales offices in 16 other countries and seven production plants in six countries other than Japan. Overseas sales contributed 17.3% of the Group's overall net sales in the fiscal year ending March 2008.

Business Portfolio

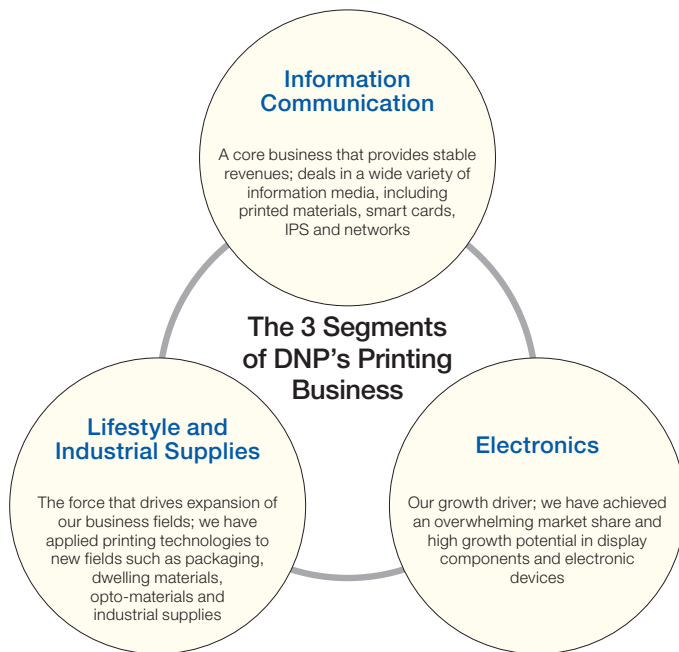
A business portfolio that is well-balanced from the standpoints of stability, expandability, growth potential and risk

DNP has two main businesses: Printing, which contributes 95% of the group's net sales, and Beverages, which generates 5% of net sales through Hokkaido Coca-Cola Bottling Co., Ltd.

Printing consists of a group of businesses that DNP developed through the application and combination of printing and information technologies. It is a strategic business unit that has been expanding into a variety of fields.

We divide our Printing business into three segments according to the types of products and services provided: Information Communication, Lifestyle and Industrial Supplies, and Electronics. These three segments together make up a business portfolio that is well-balanced from the standpoints of stability, expandability, growth potential, and risk.

Three Well-Balanced Strategic Segments



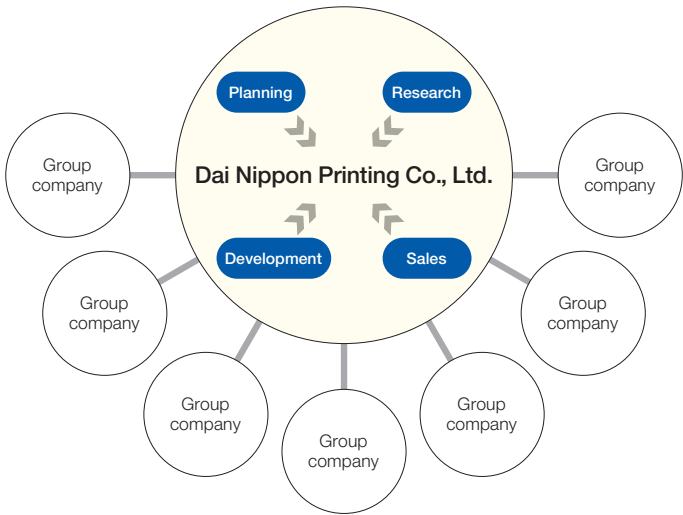
Structure

An Efficient Group Structure

The DNP Group manages its business efficiently by concentrating functions like planning, research and development, and sales at its main office, Dai Nippon Printing Co., Ltd. (DNP), while distributing most manufacturing and technical functions among Group companies. The DNP Group includes 144 consolidated subsidiaries and 11 affiliated companies that are accounted for by the equity method. The head office and Group companies concentrate on their respective roles while cooperating closely so that the Group can operate in a highly profitable manner.

We continuously review our organizational structure and work to improve our comprehensive strength. For example, we established regional companies in Hokkaido, Tohoku, Chugoku, Shikoku and Kyushu, combining sales, planning, and manufacturing functions in each region in order to meet the particular needs of each locality.

A Group Structure That Enables Efficient Operation



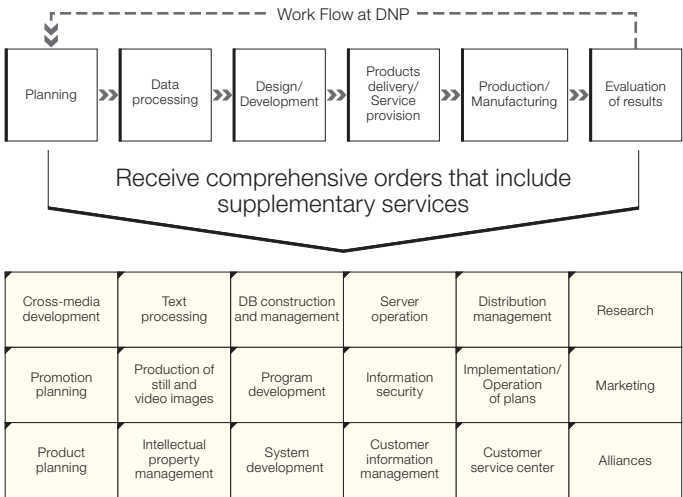
A Comprehensive Printing Company

One of the important features that distinguishes DNP from competitors is our comprehensive order-taking structure, which allows us to respond coherently to various customers' needs. We built this structure by developing original printing technologies, applying them to diverse fields, and adapting our internal corporate structure to changing societal and customer needs. Additionally, by combining printing technologies with our other set of core technologies — information technologies — we expanded our field of business even further and created a comprehensive order-taking structure that includes auxiliary businesses and responds to a wide range of customer needs ranging from product planning and proposals to performance measurement of their sales promotions.

This type of comprehensive printing company format is rarely found anywhere in the world. It constitutes an important strategic advantage for our business and provides us with a framework for further business expansion.

We intend to actively press ahead and develop our solutions-oriented business model, whereby we organically link functions such as research, development, manufacturing, sales, planning, and administration and create new businesses as we propose ways to solve the problems of corporate clients and consumers.

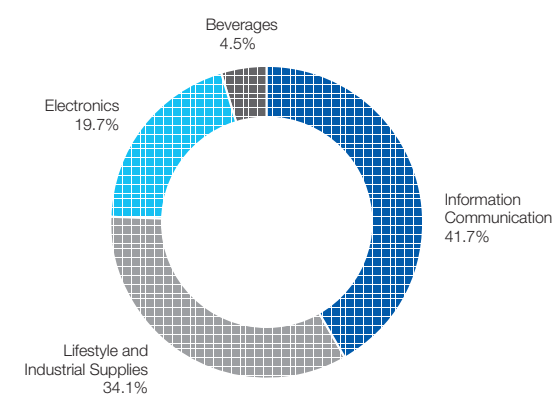
DNP's Business Grows through "Comprehensive Orders"



Products

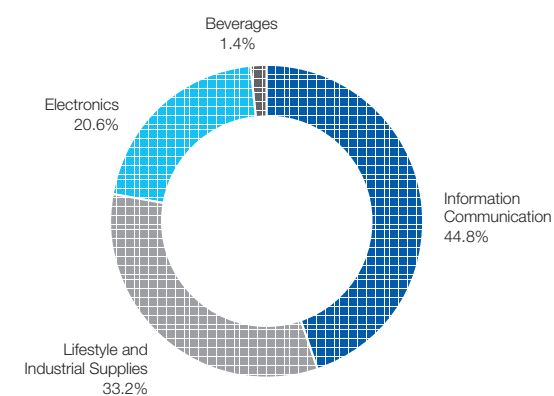
Net Sales by Segment

(%)



Operating Income by Segment

(%)



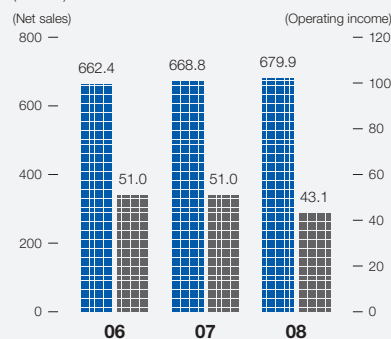
Information Communication

Net Sales Operating Income

(¥ billion)

(Net sales)

(Operating income)

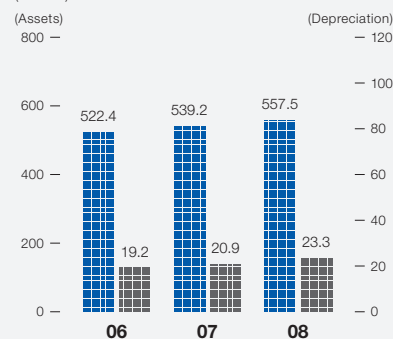


Assets Depreciation

(¥ billion)

(Assets)

(Depreciation)



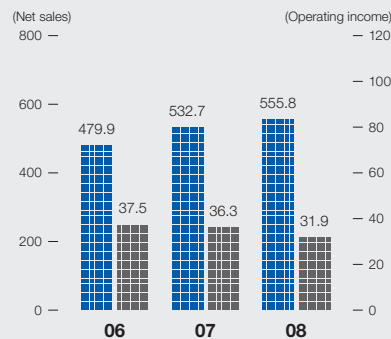
Lifestyle and Industrial Supplies

Net Sales Operating Income

(¥ billion)

(Net sales)

(Operating income)

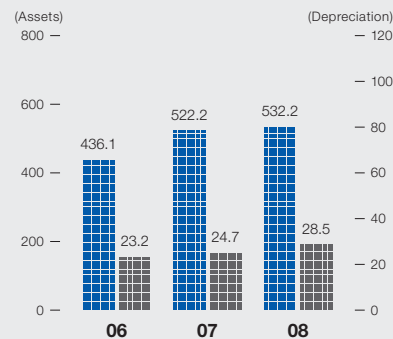


Assets Depreciation

(¥ billion)

(Assets)

(Depreciation)



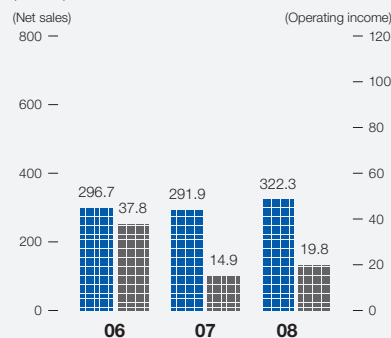
Electronics

Net Sales Operating Income

(¥ billion)

(Net sales)

(Operating income)

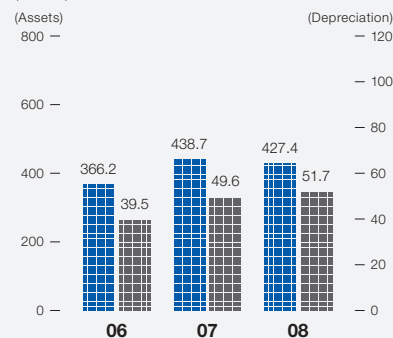


Assets Depreciation

(¥ billion)

(Assets)

(Depreciation)

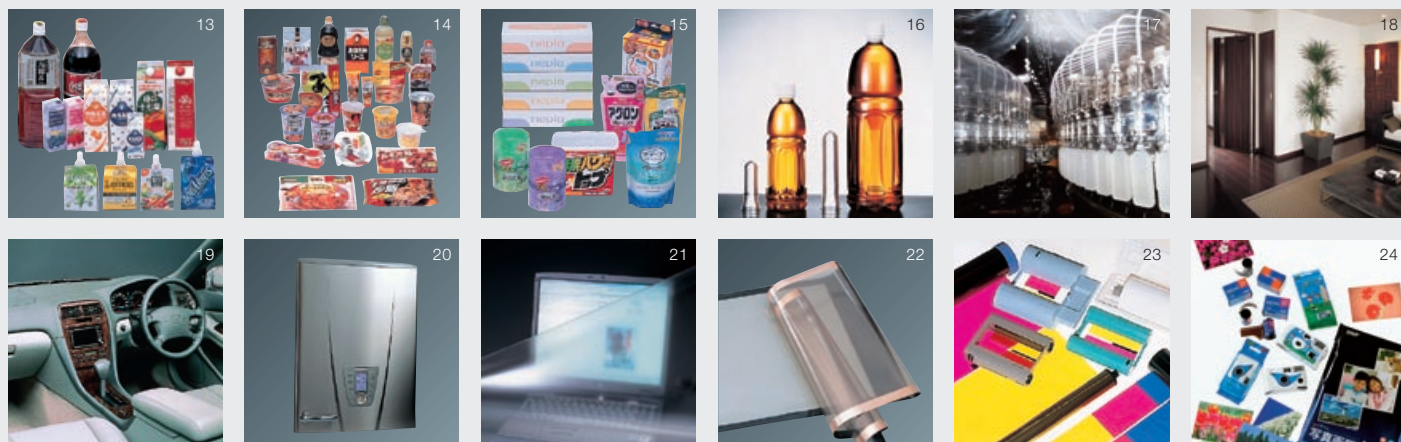


Product Lineup

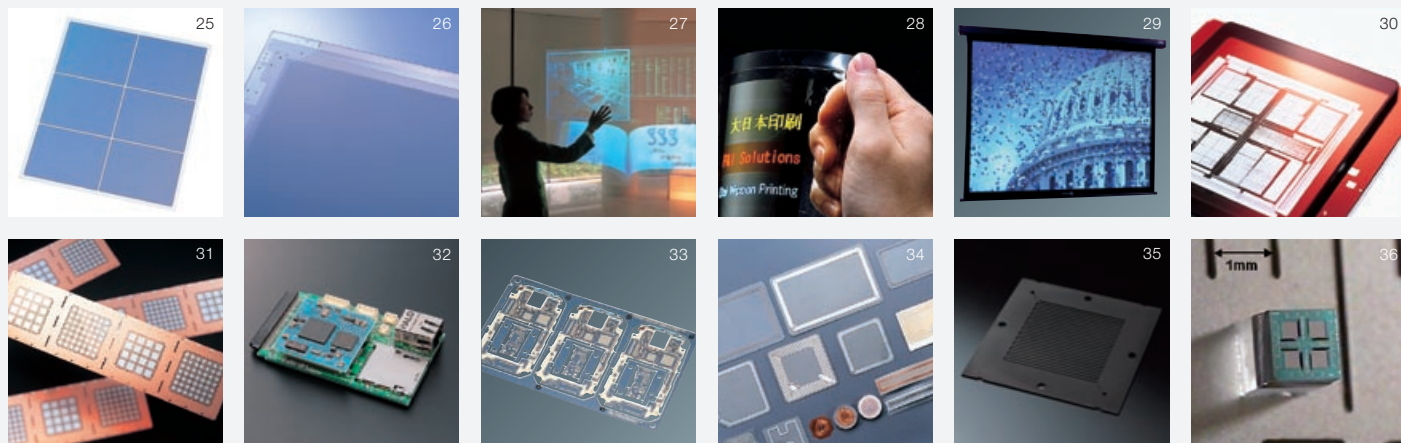
- >> Books and Magazines** Books, magazines, comics [1] [2], dictionaries, CD-ROM [3], free newspapers and magazines, textbooks, graphic art collections, corporate histories, historical reviews, and other published materials
>> Commercial Printing Catalogs [4], flyers, pamphlets, posters and calendars [5], point-of-purchase materials [6], and printed materials advertising events, etc. **>> IPS/Business Forms** Smart cards [7], plastic cards, bankbooks and continuous ledger forms for computerized accounting [8], IPS (information processing services) [9], direct mail, stock and other securities certificates, gift certificates [10], digital pens [11], hologram products [12]



- >> Packaging** Printed packaging products and eco-friendly containers (for beverages [13], food [14], household products [15], and cosmetics and pharmaceuticals, etc.), PET bottles and preformed bottles [16], aseptic filling systems [17],
>> Lifestyle Materials Decorative materials for stores, offices and homes (including coverings for walls, floors, furniture surfaces, modular bath interiors, and exteriors) [18], Auto interior materials [19], and surface materials used in electronic appliances [20] **>> Opto-Materials/Industrial Supplies** Optical film for displays [21] [22], transfer ribbons for color printers and fax machines [23], digital photo printers [24], electrodes for lithium-ion rechargeable batteries



- >> Display Components** LCD color filters [25], back plates for plasma display panels [26], hologram screens [27], organic EL displays [28], and projector screens [29]
>> Electronic Devices Photomasks [30], lead frames [31], system modules [32], package substrates [33], IC tags [34], electrodeposition separators [35], MEMS [36]



Solutions

Information Communication

Solutions that lead to more pleasant and effective communication

DNP solves problems and manages business processes on behalf of its corporate clients, starting with the establishment of business goals, and including strategy proposals, marketing, system design and development, content planning and production, and maintenance and operation of services. In addition to handling a variety of types of information communication media, we construct solid security systems that protect personal and corporate information.

Main Solutions Menu

- CRM solutions
- RFID solutions
- Personal printing, on-demand publishing, editing support systems
- Brand communications support solutions
- Support for sales promotion
- Marketing support solutions

Lifestyle and Industrial Supplies

Solutions that lead to better lifestyles or support industrial infrastructures

DNP provides numerous products that are closely connected to people's daily lives, in the areas of photo printing and other industrial materials as well as packaging and dwelling space materials. People are always seeking safety and reliability. We have prepared a menu of solutions that help meet the need to make highly functional, high-quality products that respect human health and environmental preservation, through such services as product development and design, design and development of machinery, and provision of test environments.

Main Solutions Menu

- Usability studies and analysis
- Universal design
- Dwelling space solutions
- Digital photo printing solutions
- Traceability systems
- Aseptic filling systems
- Environmental assessment of building materials, etc.

Electronics

Solutions for creating high-quality, sophisticated products together with our customers

Backed by the world's highest level of technologies related to display products (such as color filters) and electronic devices (like photomasks), we work together with our customers to clearly identify problems and harness all our capacities to find solutions. We provide high added-value services, including planning needed products, cutting-edge research and development, quality and function testing, mass production, and boosting productivity.

Main Solutions Menu

- Test charts for checking picture quality, color viewers
- In-plant, by-plant facilities design and development
- LSI design and prototyping
- MEMS foundry services
- Development of new products and technologies

Cross-Segment Solutions

In addition to supplying cutting-edge, high-performance products and services from each individual business segment, DNP also provides solutions that give greater satisfaction to both corporate and individual customers by having segments cooperate closely and blending their technologies and expertise. One way we approach this is by becoming deeply involved in our customers' business processes and engaging in a great deal of *taiwa* through which we clearly identify their problems. Only then can we put together a solutions menu and implement effective resolutions to those problems.

Main Solutions Menu

Solutions by type of business process

Sales Promotion-Related Solutions

- Product development support
- Sales measures reinforcement
- Marketing and research
- Proposals for promotion strategies
- Producing sales tools more efficiently
- Making customer data more secure

Solutions that Support Backyard Operations

- Boosting efficiency of ordering and receiving orders for supplies
- Product information databases
- Production line control systems
- Delivery and distribution systems
- Collection systems
- Improving production efficiency

Organizational Management-Related Solutions

- Support for all types of IP-related operations
- Materials procurement systems
- Support for employee ID issuance/management/utilization
- Electronic ledger systems

Network Infrastructure-Related Solutions

- Development and operation of all types of ASPs
- Content distribution platforms
- Data mining systems
- Internet data centers
- Construction of information security systems

Public Relations/IR-related solutions

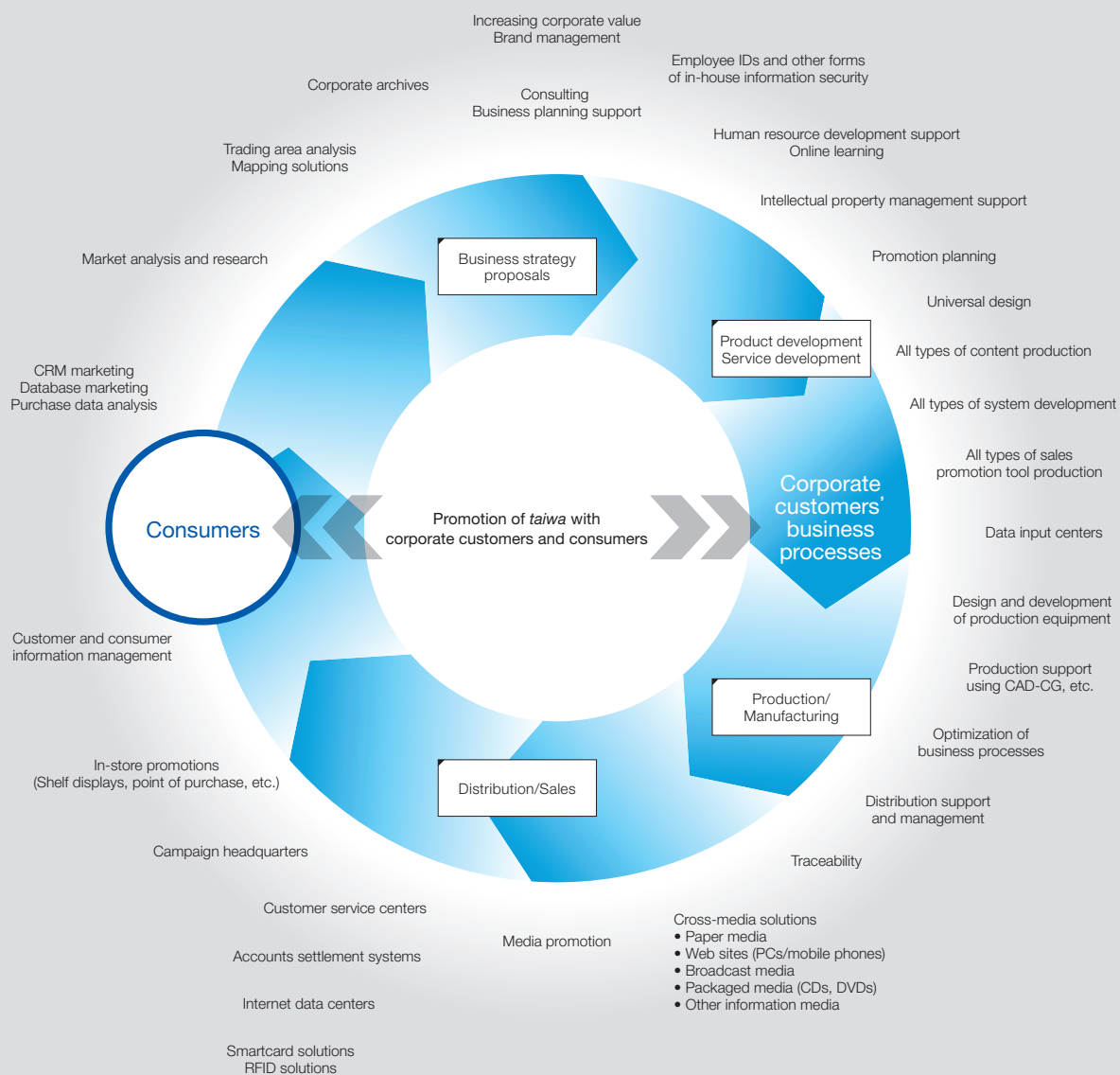
- Corporate communications support
- Construction of corporate information archives
- IR-related solutions

Training-Related Solutions

- Online learning
- Educational materials production support
- Editing of curriculum information

Examples of Solution Implementation

DNP examines problems both from the standpoint of our corporate customers and consumers. We use printing and information technologies as tools for developing and providing a wide range of solutions. We intend to continue solving various problems with maximum effectiveness.



Major Events of This Fiscal Year

2007

May

- At our May 17 Board of Directors meeting, we decided to adopt a takeover defense measure that would prevent the purchase of a large number of DNP shares. At the 113th regular General Meeting of Shareholders held on June 28, adoption of this measure was approved by our shareholders. Realization of DNP's management concept, and the elements that make it possible for us to realize that concept – our corporate systems, corporate culture, tangible and intangible management resources, and the bond of trust with our numerous stakeholders – are what create DNP's corporate value and the collective interest of our shareholders. Without a sufficient understanding of these elements, it is impossible to appropriately determine DNP's corporate value or shareholders' collective interest. This buyout defense measure establishes rules and procedures for providing shareholders with necessary and adequate information to allow them to make an appropriate decision in the event that there is an attempt to purchase a large number of DNP shares.

June

- We acquired the semiconductor photomask manufacturing and marketing business of NEC Electronics Corporation and NEC Fabserve Ltd., and on June 1 began operations under a newly formed company – DNP Fine Electronics Sagamihara Co., Ltd. This transfer allowed DNP to strengthen its photomask development and manufacturing systems, and made it possible to lower total costs by improving economies of scale in photomask manufacturing.

July

- We acquired a test preparation business and related publishing business from Waseda Seminar KK, and began operating it on July 2 as a wholly-owned subsidiary of DNP named Waseda Management Publishing. This gives DNP direct entry to the education business, which we intend to expand by combining our information technology with Waseda Seminar's licensing and hiring examination preparation content in order to provide services with greater added value.
- DNP concluded a basic agreement to form business and capital ties with Maruzen Co., Ltd., one of Japan's largest book sellers, which, like DNP, has been in business for more than 130 years. In August 2007, DNP will acquire some 10.5 billion yen worth of Maruzen shares, which will give us a 25.6% stake in the company. This capital alliance means that DNP will expand the supply chain of our Information Communication segment. DNP will combine its printing and information technologies to improve customer satisfaction and operational efficiency in Maruzen's education, academic research support, retail stores, and publishing businesses.

- DNP and the University of Tokyo jointly developed a microchannel semiconductor using Micro Electro-Mechanical Systems (MEMS) technology. DNP uses technologies like ultra-fine processing and precision etching to provide comprehensive MEMS-related services from design and prototype fabrication to mass production. As of the year through March 2007, DNP was the only company in Japan with its own 8-inch MEMS manufacturing equipment, which it uses as a MEMS foundry to provide a variety of MEMS products. The new chip has a pattern of ultra-fine channels and hollows formed on a silicon substrate. Building on this success, DNP will begin full-fledged prototype and mass production of bio-MEMS devices.

September

- DNP developed a template with nanometer-level patterns for nano-imprinting. The template is designed for use in the manufacture of next-generation 18nm semiconductors. Since starting its photomask business in 1961, DNP has remained a leader in the development of cutting-edge technologies on the strength of our microfabrication and other skills. DNP has worked actively to develop technology for mass producing templates in the under-30 nm class. The company intends to be among the first to participate in what is expected to be a growing market in the future.

October

- DNP decided to build a new plant in Sakai City, Osaka, where we will use the inkjet production method to produce 10th-generation (2,850mm X 3,050mm) color filters for liquid crystal displays (LCDs). DNP will invest approximately 43.5 billion yen in the new plant, which will be able to produce 36,000 sheets of mother glass per month. The entire output is to be supplied to a new plant that Sharp Corp. is building in the same city. Operations are scheduled to begin by March 2010. Combined with our Kameyama plant and a new production line at our Kurosaki Plant, the new plant will give us the world's greatest supply capacity for large LCD panels.
- DNP acquired a dye-sublimation thermal transfer media manufacturing and marketing business from General Co., Ltd. and General Technology Co., Ltd. Demand for dye-sublimation thermal transfer media has been rising sharply with the popularity of digital photo printing. By increasing production capacity through this acquisition, DNP aims to preserve its top share of the market and boost cost competitiveness by sharing materials and raising production efficiency.

December

- DNP Company President Yoshitoshi Kitajima was decorated by the French Republic as a Commander in the Order of the French Legion of Honor, recognizing DNP's contributions both to French industrial development and cultural exchange between Japan and France. To date, DNP's business activities in France have included production of smart cards, ink ribbons, and photo-related products. In addition, DNP has been active in cultural exchange through collaboration with the federation of French museums (La Réunion des Musées Nationaux) and the Musée du Louvre.
- DNP received the Japanese government's 19th annual "barrier-free promotion" award for the encouragement of universal design – an award presented by a specially appointed Minister of State. The Cabinet Office recognized DNP for its proactive proposals to client companies for the introduction of products such as Braille-imprinted containers and easy-to-open packaging, development activities based on an awareness of universal design and consumers' point of view, and broadening access to easy-to-use packaging.

2008

January

- DNP joined Sony Corp, Gourmet Navigator Inc, Mitsui & Co. Ltd and Tanseisha Co. Ltd in establishing a joint venture, "FeliCa Pocket Marketing." The new company aims to use "FeliCa Pocket," a general-purpose application for use with contactless IC cards, to provide marketing support services for a wide variety of businesses including retail stores, restaurants, and entertainment providers.

March

- DNP and Sony Chemical & Information Device Corporation (SonyCID) signed a letter of intent regarding the transfer of SonyCID's global thermal transfer ink ribbon business to DNP. The two companies agreed to work toward signing a definitive contract with a view to complete the transfer by July 2008, after which DNP aims to expand the global business.

Management Concept and Business Vision

Management Concept

The DNP Group will contribute to the emergently evolving society of the 21st century.

When DNP was first founded, its motto was to “run a civilized business.” This was just after the political and social upheaval of the Meiji Restoration, and expressed the company’s desire to contribute broadly to the development of Japanese society. During the 130 years that have passed since, we have maintained this aspiration. Even in the 21st century, our desire to contribute to society has not changed.

Autonomous individuals and organizations influence each other, society changes in response to unexpected phenomena, and these phenomena in turn further influence individuals and organizations. We call this an “emergent society.” In this type of an emergent society, we believe that quickly noticing changes and identifying and solving the problems faced by corporate customers and consumers leads to social contribution. All of us at DNP work together every day to realize this ideal. By actively leading social evolution and development, we not only expand our business, but also fulfill our social responsibility.

Business Vision

P&I Solutions

We will identify and solve the problems and issues that consumers and corporate clients face within the emergently evolving society by fusing our Printing Technologies (PT) and Information Technologies (IT).

In an emergently evolving society, markets and consumers’ needs change in unpredictable ways. Telecommunications networks, financial and distribution systems, education, food, clothing and shelter, and other social infrastructure are constantly changing. As corporations and consumers increasingly wonder how they will cope amid such changes, we can discover business opportunities for DNP in the need to solve their problems.

We believe that by noticing signs of change before others do, coming up with possible solutions for problems, and getting a head start on making proposals, we can develop our business and contribute to society. We can make the most of these business opportunities by making use of the PT and IT that we have cultivated in order to offer various products and services, and by developing new solutions and becoming involved in the building of a new infrastructure.

In order to realize our corporate vision of “P&I Solutions,” we have established Guiding Principles for our corporate behavior. In addition, we have established a “DNP Group Code of Conduct” to be observed by all DNP Group employees as a precondition for engaging in the various activities through which we realize our management concept.

We attach great importance to *taiwa* with corporate customers and consumers. We start by listening to what the other party has to say, and we continue to talk until we develop a shared understanding, identify problems, and reach solutions. Our aim is to contribute to society by creating new value through this process.

Guiding Principles

1. Engage in *taiwa** with all persons concerned

Through *taiwa*, we can identify the hopes and dreams of consumers and corporate clients, as well as uncover our own problems of which we had been unaware. By pursuing *taiwa* on the identified problems and issues with various members of the company as well as people outside the company, we will be able to find solutions to these problems and issues.

2. Work with an independent and collaborative mind-set in order to solve problems

Acquiring specialized knowledge and skills, thereby becoming independent, allows us to sharpen our sensitivity for perceiving the problems and issues that surface within *taiwa*. We should collaborate on these issues with other members while recognizing one another's sense of values and roles in order to propose solutions that will meet the satisfaction of our clients.

3. Challenge courageously, even in the face of difficult issues

As professionals, the expectation and confidence entrusted upon us are proportionate to the level of difficulty of a problem or issue. Therefore, we should approach problems and issues with a spirit of challenge and courage, which will enhance our professional skills all the more.

4. Act with integrity, fairness, and impartiality, at all times

We are, of course, obliged to abide by the law and conform to social codes. At the same time, we should also be considerate of others, speak honestly, and act with integrity. By conducting ourselves in this manner, we will be able to win the sympathy and trust of society, which will in turn augment the ‘value’ that we provide to society.

5. Be responsible for your own decisions and conduct

Each of us should be responsible for our own decisions and conduct. A strong sense of responsibility will not only lead to our colleagues' greater trust in us, but will also enable us to make objective and appropriate evaluations of our own work processes, which will assist us in making greater strides at our next opportunity.

* *Taiwa* is a process that entails identifying problems and finding solutions through the exchange of viewpoints and ideas.

DNP Group Code of Conduct

1. Contributing to the development of society
2. Social contribution as a good corporate citizen
3. Compliance with the law and social ethics
4. Respect for human dignity and diversity
5. Environmental conservation and the realization of a recycling-oriented society
6. Realization of a ‘universal society’
7. Ensuring the safety and quality of our products and services
8. Ensuring information security
9. Proper disclosure of information
10. Realization of a safe and vibrant workplace

Corporate Governance

Fundamental Philosophy

DNP has established a management concept of contributing to the emergently evolving society of the 21st century, and recognizes that fulfilling its corporate responsibilities to society as a corporation and being trusted by its shareholders, customers, consumers, employees and other stakeholders is critical to improving the competitiveness of the Company. Toward this end, we regard corporate governance, including an internal control system, as a top management priority. We have strived to establish and manage an organizational structure that allows for precise managerial decision-making, prompt and appropriate execution based on the decisions made, and proper supervision and surveillance; strengthen education and training to improve each employee's awareness of compliance issues; and enhance our overall corporate governance.

Progress on Corporate Governance Measures

1. The organizational structure for managerial decision-making, execution, supervision and other aspects of the corporate governance structure

(1) Organizational details

DNP's organization is designed to allow the directors with specialized expertise and experience in a wide range of business fields to participate in management decisions, to take responsibility and authority as they execute their work, and to supervise the work of other directors. Also, so as to promptly make precise management decisions, smoothly act based on the decisions, and further strengthen proper supervisory functions, corporate officers named by the Board of Directors execute the decisions made by the Board of Directors, and have the responsibility and authority to decide upon and carry out those matters delegated by the Board. Working in close communication with the directors and in close proximity to the workplace, their function is to ensure that the views of those on the front lines are reflected in management.

At the general shareholders' meeting held June 28, 2007, DNP revised the term of office for the directors from two years to one year, in order to have more flexibility to construct a management system best suited to responding to the business environment; to further clarify management responsibility for each fiscal year; and to increase opportunities to earn the confidence of shareholders. Also, in order to strengthen our corporate governance and management systems, we revised our management structure to have the Board of Directors appoint four representative directors, consisting of one President and three Executive Vice Presidents.

The Board of Directors consists of 25 directors, including one outside director. In principle, the Board meets once a month. Based on the Company's Board of Directors Regulations, the directors ensure that operations are appropriately run and mutually supervise day-to-day operations. The directors hold executive committee meetings once a month to exchange information that is helpful for efficient decision-making.

To speed up the Company's activities and make them more efficient, DNP has also established a Management Committee consisting of directors at the senior managing director level and above. The committee meets once a month, in principle, to review and discuss management policies, strategies, and important business matters.

DNP has in place a Board of Statutory Auditors that consists of five auditors, including three outside statutory auditors. In accordance with auditors' prescribed audit criteria and responsibilities, the statutory auditors conduct audits of the directors' management of day-to-day operations and, as necessary, seek information from the directors and employees regarding business operations.

(2) Internal controls and auditing

In order to maintain a structure that allows for precise management decision-making, appropriate and prompt execution of business, and inspection and monitoring of these functions, the Corporate Ethics Committee, as the body in charge of internal control, inspects and guides DNP's executive departments according to the DNP Group's Basic Compliance Management Regulations. The Auditing Department ensures the propriety of operations by conducting accounting and operational audits based on internal audit regulations and by providing progress reports to the statutory auditors.

The statutory auditors hold regular meetings of the Board of Statutory Auditors, work with other statutory auditors to perform their audit duties, and closely cooperate with the accounting auditors by receiving from them an explanation of the audit plan at the start of the fiscal year, assessing audit operations during the fiscal year as appropriate, and receiving a report of audit results at the end of the fiscal year.

The names of the certified public accountants who performed the accounting audits, the audit firm they are employed by, and their assistants in the audit work are as follows:

■ Certified public accountants who performed the accounting audits (Continuous audit years)

Senior partner, managing partner

Atsushi Sasayama (6 years), Taichiro Hosoya (1 year)

Managing partner

Kazuhiko Terada (1 year), Junko Shima (1 year)

■ Audit firm

Meiji Audit Corporation

■ Number of accounting audit assistants

9 certified public accountants, 7 junior accountants, 1 other

(3) Development of a risk management structure

To manage risks related to compliance, the environment, disasters, product safety, information security and export management, the Corporate Ethics Committee, other special committees, and other head office divisions develop rules and conduct training as part of risk-related preemptive efforts, and respond promptly to avert or minimize losses to the DNP

Group. Certain organizational units and directors are promptly established and appointed for responding to risks that have newly developed.

(4) Progress on other corporate governance measures

By establishing in October 2007 the DNP Group Guidelines for Conduct, which expand on the DNP Group Corporate Pledge and the DNP Group Employee Code of Conduct, DNP has set down codes of conduct and specific guidelines for conduct for employees to follow, so as to contribute to the prosperity and solid development of society, promote fair and appropriate corporate activity, protect the environment, contribute to society, and establish a free and lively corporate culture. Among the stipulations is that DNP, as an emergently evolving company that does not do business with anti-social elements, fulfill its corporate responsibilities to society as a corporation, respect its shareholders, customers, consumers, employees and other stakeholders, and act in a way that earns trust. The DNP Group CSR Report details not only the DNP Group's business activities but also efforts to address social issues and protect the environment, and aims to enhance understanding and deepen confidence and trust through communication with various stakeholders.

(5) Compensation paid to directors and auditors

The details of compensation DNP paid to directors and auditors are as follows:

	Number	Compensation (¥ million)	Note
Directors	28	1,602	Of which, 4 outside directors accounted for ¥81 million
Auditors	5	117	
Total	33	1,719	

Notes: 1. The figures above include provisions for bonuses for directors and statutory auditors (¥240 million for directors) for the fiscal year.
2. The figures above include compensation paid to outside directors and statutory auditors.
3. In addition to the above, bonuses of ¥28 million were paid to employee directors.
4. In addition to the above, total retirement bonuses of ¥260 million were paid, based on resolutions at the 113th general meeting of shareholders held on June 28, 2007, to four directors and two statutory auditors who retired.
5. The above figures do not include costs of ¥6,553 million for final retirement bonus payments related to the Company's decision, as approved at the 113th general shareholders' meeting held on June 28, 2007, to abolish the practice of granting retirement bonuses to members of the Board and to auditors.

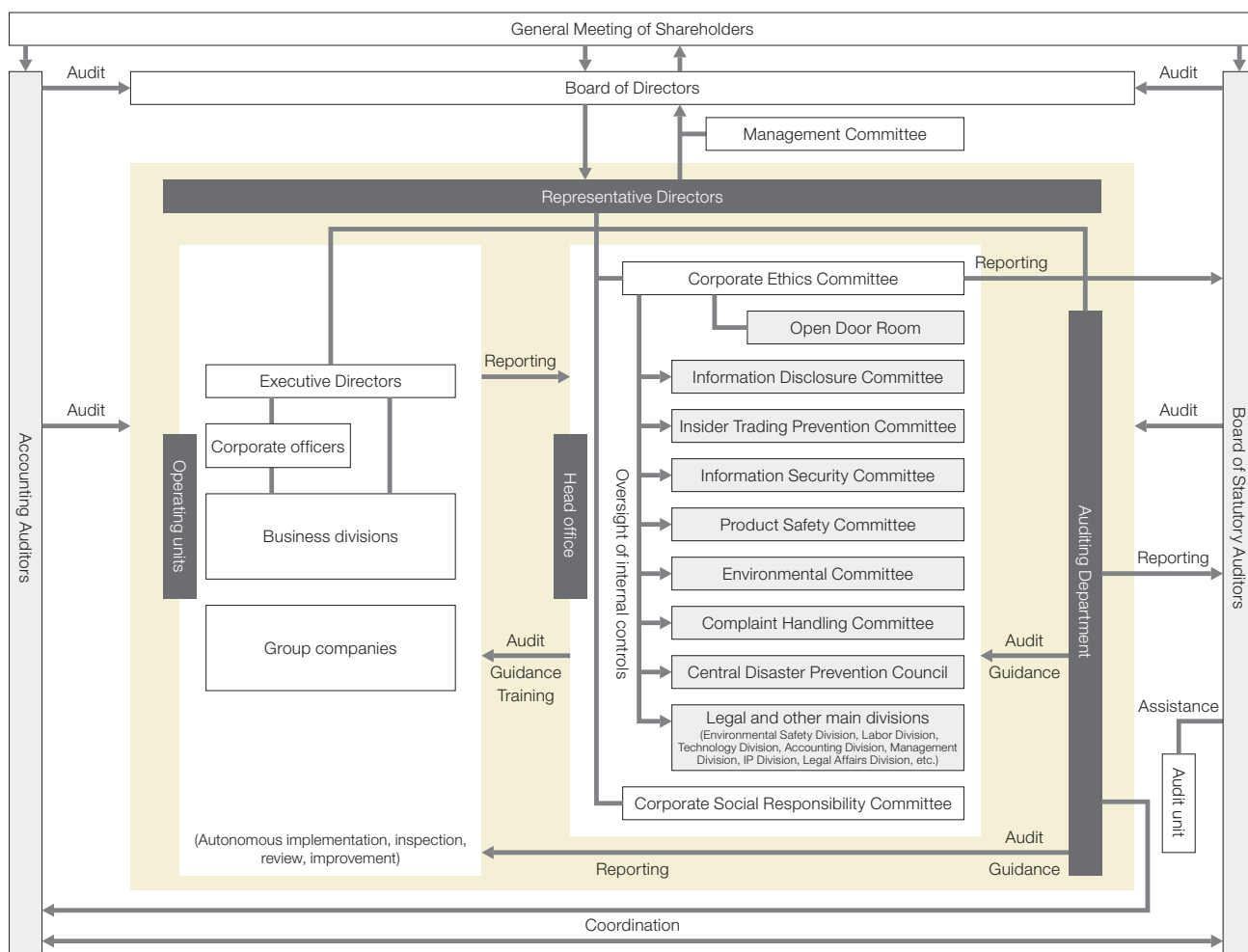
(6) Compensation paid to Meiji Audit Corporation (accounting auditor)

The details of compensation DNP paid to Meiji Audit Corporation are as follows:

	(¥ million)
Compensation for services in accordance with Article 2-1 of the Certified Public Accountants Law (Law No. 103, 1948)	70
Compensation for other services	—
Total	70

Note: Figures less than ¥1 million have been rounded down.

A diagram of the corporate governance structure is shown below.



2. Interests between DNP and its outside director and outside statutory auditors

Neither the outside director nor the outside statutory auditors have personal, financial or business relationships or other interests with DNP.

3. Measures for enhancing DNP's corporate governance

In accordance with a resolution by the Board of Directors at a meeting on May 10, 2006, DNP has established arrangements based on the Corporate Law and the Enforcement Regulations of the Corporate Law for ensuring the propriety of operations. Based on subsequent developments, the arrangements were revised as follows and approved at a Board of Directors meeting held on November 15, 2007.

1. Arrangements for ensuring that the execution of operations by the directors and employees complies with the laws and the Articles of Incorporation

- 1) To deepen consideration of the DNP Group's Vision for the

21st Century on the 130th anniversary of the Company's founding, the DNP Group has established DNP Group Guidelines for Conduct by revising and expanding the DNP Group Corporate Pledge and DNP Group Employee Code, the code of conduct for all employees (including directors). The Group provides all employees with a copy of the guidelines and conducts training to familiarize them with it.

- 2) The Board of Directors meets once a month, in principle. Based on the Company's Board of Directors Regulations, the directors ensure that operations are appropriately run and mutually supervise day-to-day operations. By naming outside directors with no relationships or interests with DNP, the Company has established a way to ensure that the work of directors is in compliance with the laws and the Articles of Incorporation. In addition, directors with day-to-day business responsibilities preempt acts in violation of laws or the Articles of Incorporation by supervising the conduct of the heads of the various operating units, including corporate officers. DNP has in place a Board of Statutory Auditors that consists of auditors, including outside statutory auditors. In accordance with auditors' prescribed audit criteria and responsibilities, the statutory auditors conduct audits of the directors' management of day-to-day operations.
- 3) The Corporate Ethics Committee, which consists of the

directors in charge of each head office division, oversees the establishment and management of arrangements for ensuring the propriety of operations in the DNP Group according to the DNP Group's Basic Compliance Management Regulations.

- 4) Under the oversight of the Corporate Ethics Committee, including an Information Disclosure Committee, Insider Trading Prevention Committee, Information Security Committee, Product Safety Committee, Environmental Committee, Complaint Handling Committee, Central Disaster Prevention Council, and each head office division in charge of specific laws and regulations, conduct reviews, provide guidance, and offer training for operating units and group companies in their areas of responsibility.
- 5) The heads of the divisions autonomously determine, implement, inspect, review and improve the required arrangements and procedures for their divisions, based on the DNP Group's Basic Compliance Management Regulations of the DNP Group and in light of the specific operations of each division.
- 6) Based on internal audit regulations, the Auditing Department, which is independent of the operating units, conducts internal audits and provides guidance to the divisions and group companies regarding the establishment and management of arrangements for ensuring the propriety of operations.
- 7) The Open Door Room, a gateway for internal notifications within the DNP Group established within the Corporate Ethics Committee, receives and responds to reports from Group employees concerning legal violations.

2. Rules and other arrangements for managing the dangers of losses

- 1) To manage risks that could have a material impact on business, such as those related to compliance, the environment, disasters, product safety, insider trading and export management, the Corporate Ethics Committee, other special committees and other head office divisions develop rules and conduct training as risk-related preemptive efforts, and respond promptly to avert or minimize losses to the DNP Group. Certain organizational units and directors are promptly established and appointed for responding to risks that have newly developed.
- 2) The Company regularly tries to manage information security risks mainly through its Information Security Committee and by reviewing how personal information is managed, expanding its Information Security Headquarters, expanding and revising rules and regulations, expanding training, controlling who comes into and goes out of company property with biometric verification systems, expanding the installed base of surveillance cameras, and minimizing the number of workers.
- 3) For managing financial reporting-related risks (the development and management of internal controls for ensuring the reliability of the Company's financial reports), DNP has established an arrangement for the timely and appropriate assessment and disclosure of the effectiveness of internal controls. Specifically, necessary

adjustments with the auditor are made, and under the oversight of the Corporate Ethics Committee, business processes with a material impact on the Company's consolidated financial reports (sales, manufacturing, purchasing, asset management, and accounting) and related divisions (including consolidated subsidiaries) are appropriately identified and selected based on disclosed internal control development and evaluation criteria. Rules for managing related operations, manuals, and checklists are documented; self-inspections are conducted on the divisions subject to evaluation; and internal audit reports are compiled.

- 4) Under the oversight of the Corporate Ethics Committee, risks are regularly inventoried. For any new risks that could have a material impact on business, units and directors are designated to respond properly.

3. Arrangements for ensuring that the execution of operations by directors is efficient

- 1) The Board of Directors meets once a month and at other times as needed, as one fundamental arrangement for ensuring that the execution of operations by directors is efficient. A Management Committee, consisting of directors at the senior managing director level and above, meets once a month, in principle, to contribute to efficient decision-making and to review and discuss important business matters. In addition, an Executive Committee meets once a month to share management information among the directors.
- 2) Those responsible for carrying out operations based on decisions by the Board of Directors do so within their authority and in accordance with organizational regulations, position authority rules, collective decision-making rules, and other internal rules. Also, directors with day-to-day business responsibilities try to do their work more efficiently by delegating appropriate authority to corporate officers.

4. Arrangements concerning the maintenance and management of information relating to directors' execution of operations

Information on the directors' execution of operations is registered or recorded in the form of minutes of Board of Directors meetings, minutes of various committee meetings, approval documents (ringi) and other documentation, or electronic documentation. This information registered or recorded as paper or electronic documents is appropriately and safely retained and stored in easily searchable condition for at least 10 years, in accordance with basic regulations on information security, document management standards, and electronic record-keeping standards.

5. Arrangements for ensuring proper group business operations

- 1) To ensure the propriety of its operations, the DNP Group has established DNP Group Guidelines for Conduct for all employees (including the directors) and conducts training to familiarize employees with them. The Group has also

established Basic Compliance Management Regulations concerning the establishment and management of arrangements for ensuring the propriety of operations, and based on them, group companies implement the regulations.

- 2) The group companies autonomously determine, implement, inspect, review, and improve the required arrangements and procedures for their divisions, based on the policies written in 1) above and in light of the details and scale of their businesses.
- 3) The Auditing Department, the Corporate Ethics Committee, other special committees, and other head office divisions audit or review, provide guidance, and offer training on the progress made as specified in 1) and 2) above.

6. Arrangements concerning employees who assist auditors with their work and matters related to the independence of such employees from the directors

- 1) The Audit unit with a dedicated staff assists auditors with their work.
- 2) The Audit unit staff performs operations under the direction of the statutory auditors. Reviews and reassignments of and disciplinary actions against staff require the consent of the Board of Statutory Auditors.

7. Arrangements for directors' and employees' reports to statutory auditors, arrangements regarding reports to other auditors, and arrangements for ensuring that statutory auditors conduct their audits effectively

- 1) The statutory auditors may request reports on day-to-day operations from the directors and employees as necessary, and DNP Group directors and employees are to promptly provide such reports when requested to do so.
- 2) The directors are to promptly report to the statutory auditors any facts that come to light that are in violation of laws or might seriously hurt the Company.
- 3) The Auditing Department and the Corporate Ethics Committee regularly report to the statutory auditors on the establishment and management of arrangements for ensuring the propriety of audits and operations.
- 4) The Representative Director regularly exchanges views with the Board of Statutory Auditors.

4. Summary of limitation of liability contract

DNP and its outside director and outside statutory auditors concluded an agreement that limits directors' and auditors' liability for damages within the parameters set forth in Article 423, Paragraph 1 of Japan's Corporate Law, so long as they execute their duties in good faith and without serious negligence.

5. Number of directors

DNP's Articles of Incorporation specify that the number of regular members on the Board of Directors shall be no more than 25.

6. Requirements for shareholder approval of director nominees

DNP's Articles of Incorporation specify that the approval of director nominees requires the attendance of at least one third of shareholders with voting rights and a majority of the votes of these shareholders, and does not depend on cumulative votes.

7. Matters to be resolved at the Meeting of Shareholders that can be resolved by the Board of Directors

- 1) Share buybacks
DNP's Articles of Incorporation specify that the Company may buy back its shares in the open market, in accordance with Article 165, Paragraph 1 of Japan's Corporate Law, upon approval by the Board of Directors, in accordance with Article 165, Paragraph 2 of Japan's Corporate Law, to allow the Company to use capital more efficiently and implement a flexible capital structure policy in response to changes in business conditions.
- 2) Exemption of directors from liability
DNP's Articles of Incorporation specify that directors (including former directors) may, by a resolution of the Board of Directors, in accordance with Article 426, Paragraph 1 of Japan's Corporate Law, be exempted from liabilities in Article 423, Paragraph 1 of Japan's Corporate Law so that the directors can sufficiently carry out their expected responsibilities.
- 3) Exemption from liability of auditors
DNP's Articles of Incorporation specify that statutory auditors (including former statutory auditors) may, by a resolution of the Board of Directors, in accordance with Article 426, Paragraph 1 of Japan's Corporate Law, be exempted from liabilities in Article 423, Paragraph 1 of Japan's Corporate Law so that the statutory auditors can sufficiently carry out their expected responsibilities.
- 4) Interim dividends
DNP's Articles of Incorporation specify that the Company may, by a resolution of the Board of Directors, pay a monetary dividend stipulated in Article 454, Paragraph 5 of Japan's Corporate Law to shareholders of record as of September 30 of each year and shareholders with actual stock certificates, so that profits can be flexibly passed on to shareholders.

8. Requirements for shareholder approval of special resolutions

DNP's Articles of Incorporation specify that the approval of special resolutions stipulated in Article 309, Paragraph 2 of Japan's Corporate Law requires the attendance of at least one third of shareholders with voting rights and at least two thirds of the votes of these shareholders, so that the shareholders' meetings can run smoothly.

Board of Directors, Statutory Auditors and Corporate Officers

President

Yoshitoshi Kitajima

Executive Vice Presidents

Koichi Takanami
Satoshi Saruwatari
Masayoshi Yamada

Senior Managing Directors

Mitsuhiko Hakii
Osamu Tsuchida
Teruomi Yoshino
Yoshinari Kitajima
Yujiro Kuroda
Masahiko Wada

Managing Directors

Kazumasa Hiroki
Tatsuya Nishimura
Tetsuji Morino
Takashi Toida
Shigeru Kashiwabara
Kunikazu Akishige
Kenji Noguchi
Yoshiaki Nagano
Motoharu Kitajima
Takao Shimizu

Directors

Tatsuo Komaki
Akira Yokomizo
Yoshiki Nozaka
Masaki Tsukada
Tadao Tsukada *

Standing Statutory Auditors

Noriaki Nakamura
Minoru Yoneda
Kiyoshi Yuzawa *

Statutory Auditors

Yasuchika Negoro *
Kuniaki Nomura *

Corporate Officers

Akira Oguri
Tatsuro Kitayuguchi
Koichi Hashimoto
Masanori Akada
Fujio Yamazaki
Takashi Saito
Shigemi Furuya
Katsuhisa Fudouta
Yoshio Nishida
Jun-ichi Tsuchiya
Kensuke Nakamura
Tokuji Kanda
Yoji Yamakawa
Takashi Wada
Sakae Hikita
Ryuji Minemura
Masato Koike
Masato Yamaguchi
Shigeo Nobutoki

*Outside director or auditors



Satoshi Saruwatari Koichi Takanami Yoshitoshi Kitajima Masayoshi Yamada

The Making of DNP

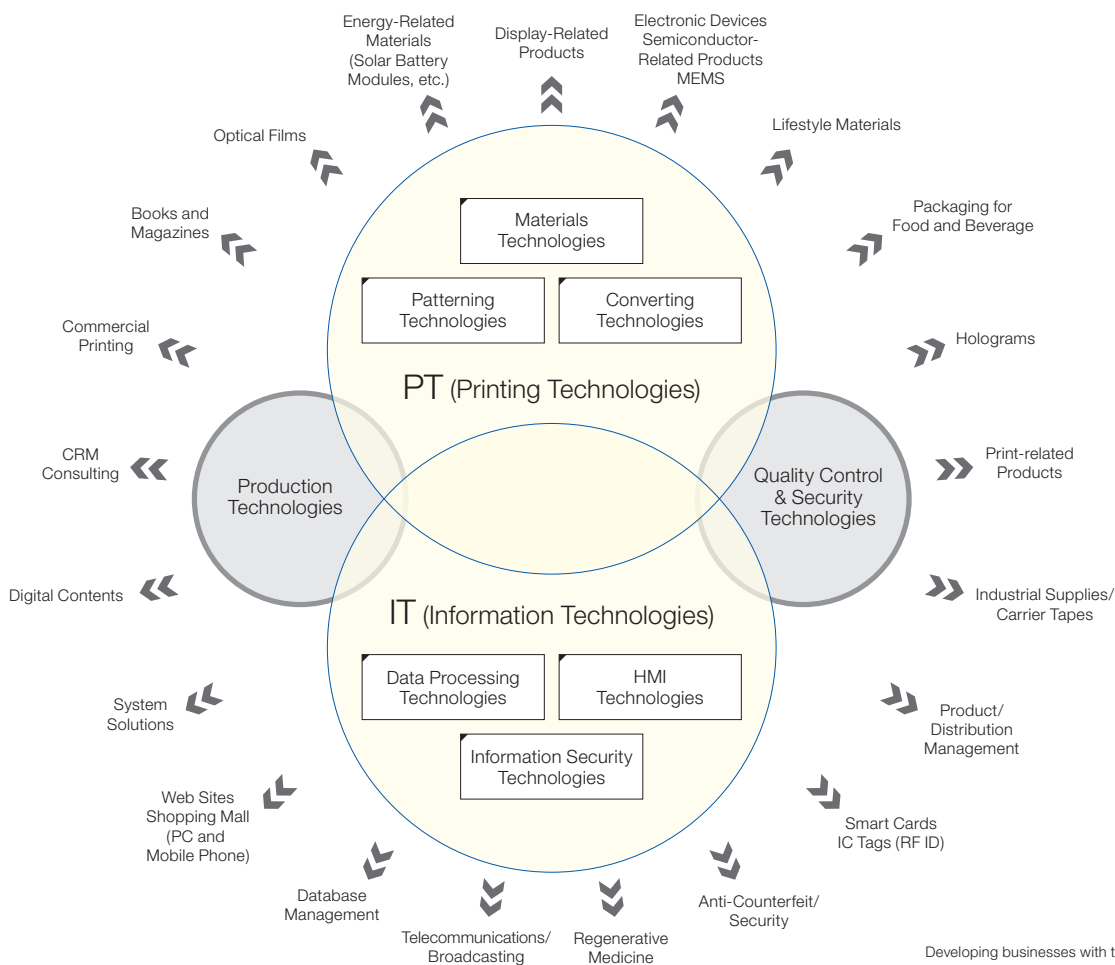
Expanding Our Business through “Expansion Printing” and “P&I Solutions”

The history of DNP's business growth is the history of how we have applied two core technologies: printing and information. Since its founding in 1876 as Shueisha, DNP has refined techniques used in printing to world-class levels. We then branched out from each type of printing technique to expand our fields of business in a variety of directions.

This process began with our entry into the packaging business in 1951. From this starting point, we applied the idea of printing on materials other than paper to cloth, wood, plastic, and metal, etc. This led us to grow in leaps: we started a Lifestyle Materials business that handles construction materials and other products, and an Industrial Supplies

business whose products include thermal transfer recording media used in printing and anti-glare film used in flat-panel displays.

Another important turning point in the expansion of our business was 1958, when DNP became the first Japanese company to go into the business of producing shadow masks used in television manufacturing. This business entails making millions of ultra-fine holes in a copper plate only 0.2mm thick. We acquired this skill by applying micro processing skills obtained through such processes as photolithography used for making printing plates. We then expanded the range of applications for our micro processing technologies to other areas, including lead frames for semiconductors and micro-electro-mechanical systems (MEMS). Recently, we have even been moving into the field of regenerative medicine through capillary blood vessel reproduction and into organic solar battery modules.



Meanwhile, information technologies — our other set of core technologies — begin with letters used in printing. When letters became digitized and turned into electronic information, this was a big turning point for DNP. After that, we rapidly developed technologies for handling digital information used in printing, eventually evolving into areas such as today's network technology and authentication technologies.

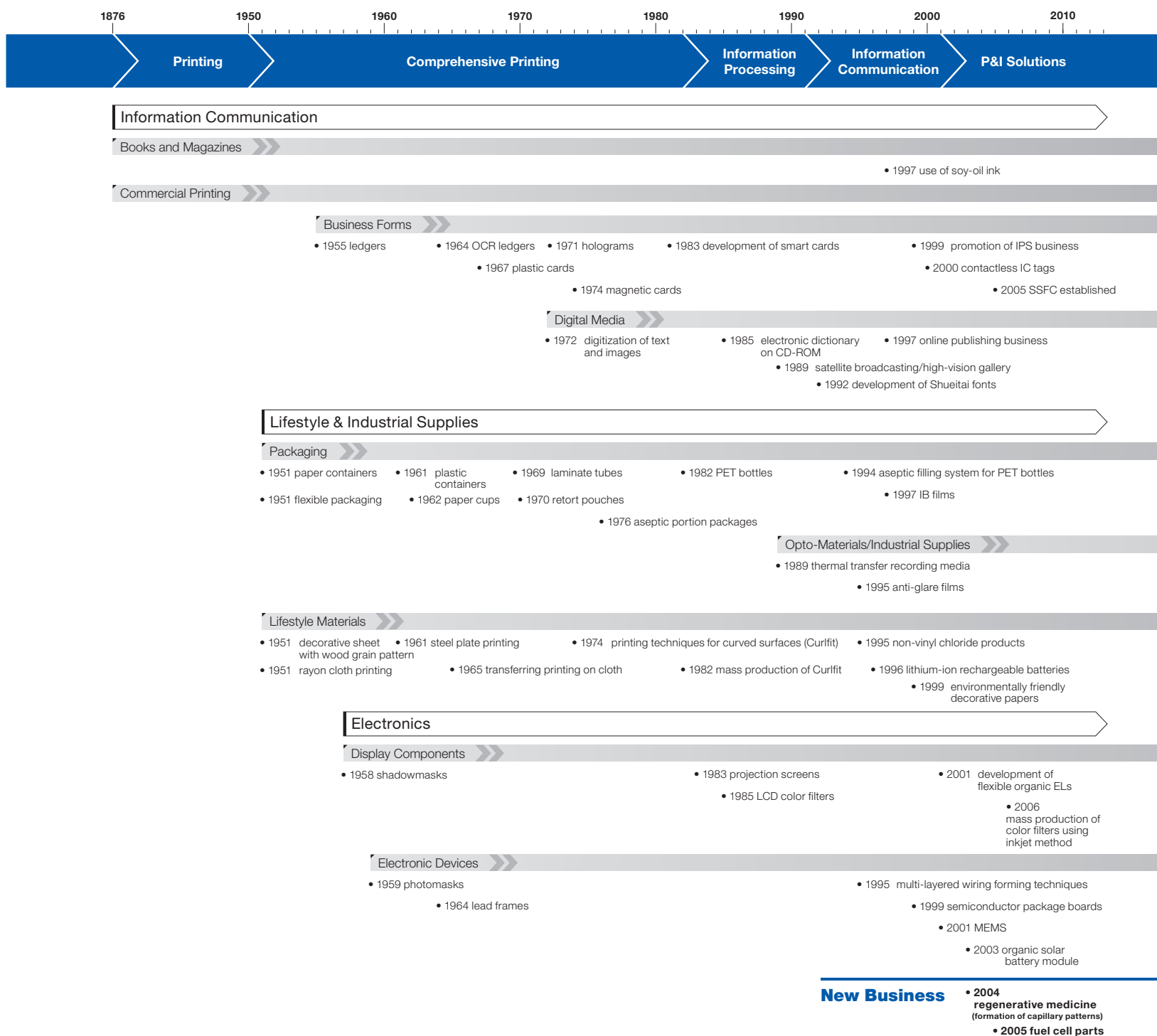
We use the term “expansion printing” to express the idea that we have expanded our business by applying printing technologies to other fields. The main concept that underlies our business today is “P&I solutions.” In other words, we aim to combine printing and information technologies to offer brand-new solutions and thereby expand our field of business as well as our profits.

■ PT = Printing Technology

- Materials technologies: techniques for synthesizing new materials, and for dispersing or mixing materials. Used with inks, adhesives, etc.
- Patterning techniques: formation of letters or images etc. on a base material. Includes making printing plates, lithography, and inkjet techniques.
- Converting techniques: processing technologies that change a material's shape or compound materials etc. Includes techniques for bookbinding, film formation, coating, copying, etc.

■ IT = Information Technology

- Data processing technologies: techniques for the input, output, conversion, synthesis, accumulation or transmission of data. Includes editing of text or images, database creation, and networking technologies.
- Human Media Interaction (HMI): technologies related to interaction between humans and information. Includes font design, color matching, and natural language processing technologies.
- Information security technologies: techniques for assuring that information is accurately transmitted to the correct target and stored without allowing improper usage. Includes encrypting techniques, personal information processing and management techniques, and biometric technology etc.



Investor Information

(as of March 31, 2008)

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):

38,657

Paid-in Capital:

¥114,464 million

Number of Common Stocks:

Authorized	1,490,000,000 shares
Issued	700,480,693 shares

Number of Shareholders: (more than 1,000 shares)

30,303

Stock Exchange Listings:

Tokyo, Osaka

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	43,824	6.26%
The Dai-ichi Mutual Life Insurance Co.	34,646	4.95%
Hero & Co.	25,904	3.70%
UBS AG London-IPB Segregated Client Account	23,462	3.35%
Japan Trustee Services Bank, Ltd. (Trust A/C)	22,924	3.27%
Mizuho Corporate Bank, Ltd.	15,242	2.18%
Nippon Life Insurance Co.	14,349	2.05%
Mizuho Bank, Ltd.	12,471	1.78%
State Street Bank and Trust Company 505103	10,142	1.45%
Employees' Shareholding Association	10,013	1.43%

Other than above, DNP holds 38,422,796 of its own shares.
While the registered owner of these shares is Dai Nippon Printing Co., Ltd.,
1,000 of the shares are in effect not owned by the company.

Major Stock Indices in which DNP is a Constituent:

Dow Jones Sustainability Indexes
FTSE4Good Index Series
Ethibel Sustainability Index
Morningstar Socially Responsible Investment Index
S&P/TOPIX Shariah
FTSE Shariah Japan 100 Index
Dow Jones Japan Titans 100 Index
MSCI World Index
Nikkei Stock Average
TOPIX Large70
S&P/TOPIX 150

Stock Code:

7912

Administrator of Shareholder Register:

Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku,
Tokyo 103-8670, Japan

Annual Meeting of Shareholders:

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

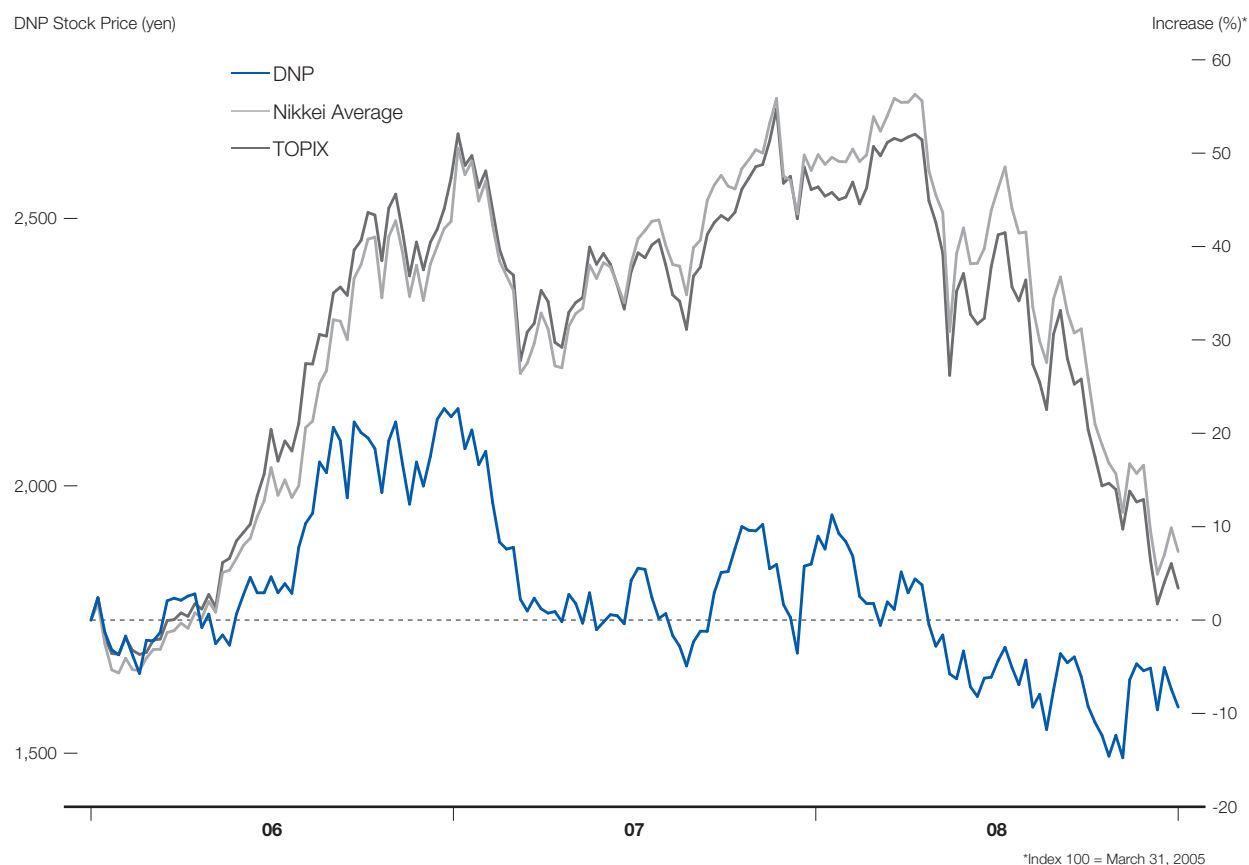
Investor Relations:

Dai Nippon Printing Co., Ltd.
IR Group, Press and Public Relations
1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan
Tel: +813-5225-8220
Fax: +813-5225-8239

Web Site Address:

<http://www.dnp.co.jp/>

Share Price Evolution (Tokyo Stock Exchange)
(between April 1, 2005 and March 31, 2008)



Voting Rights

(as of March 31, 2008)

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 stocks, etc.)	Common stocks	39,856,000	—
Stocks with voting rights (other)	Common stocks	657,801,000	657,801
Stocks with less than trading units	Common stocks	2,823,693	—
Outstanding shares	700,480,693		—
Total voting rights of stockholders	—		657,801

Treasury Stocks

(as of March 31, 2008)

Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	38,421,000	5.48
Kyoiku Shuppan Co., Ltd.	1,435,000	0.20
Total	39,856,000	5.69



P&I Solutions for your life

SPECIAL FEATURE >>

P&I Solutions

Pioneering Key Technologies

In this special section we take a look at several themes related to “P&I Solutions” that develop and fuse printing and information technologies in order to solve problems faced by corporate clients and consumers. We will hear from some of the corporate leaders who promote businesses that implement these solutions. We expect that the possibilities presented here will vastly change your image of “printing.”



Gutenberg invented oil-based ink.

In the middle of the 15th century, Johannes Gutenberg invented a comprehensive printing system using movable type. By simultaneously improving separate technologies such as metal type and oil-based ink production, and by optimally combining those technologies to develop processes for improving quality, it became possible to mass produce printed materials.

The production of diverse printed materials was made possible by developing three types of Printing Technology: Material Techniques for developing optimal inks, paper, and other materials used in printing, Patterning Techniques for using type and other tools to turn manuscripts into patterns that can be reproduced on a mass scale, and Converting Techniques for turning printed paper into books or other final formats.

There are also three types of techniques that make up the Information Technology that we use for handling text, images, and other information. Data Processing Technologies involve editing, conversion, synthesis,

accumulation or other types of data handling. Human Media Interaction (HMI) technologies create good relationships between people and information, through such means as pleasant colors, fonts, and designs. Information Security Technologies assure that information is accurately transmitted to the correct target and managed safely and securely. These information technologies are developing particularly rapidly in connection with a general trend toward digitalization.

Today, all of the products and services that DNP provides are supported by technologies like these that have their roots in printing processes. We have applied and developed these technologies and taken them beyond the realm of printing on paper to create a wide variety and large number of business fields. Printing technology has branched out into areas that even Gutenberg could never have imagined. We intend to solve a variety of problems and meet society's expectations for further contributions as we continue to offer infinite possibilities.

P&I Solutions It's All In Our Genes...

"Many people were surprised to hear that DNP would begin a life science business. But from our point of view, this is a completely natural and inevitable business development that results from simply changing the field where we apply the technologies that we are best at. Our mission is to contribute more to society, by broadening the fields in which we apply our printing and information technologies in order to solve various problems and build infrastructure that people want, for example."

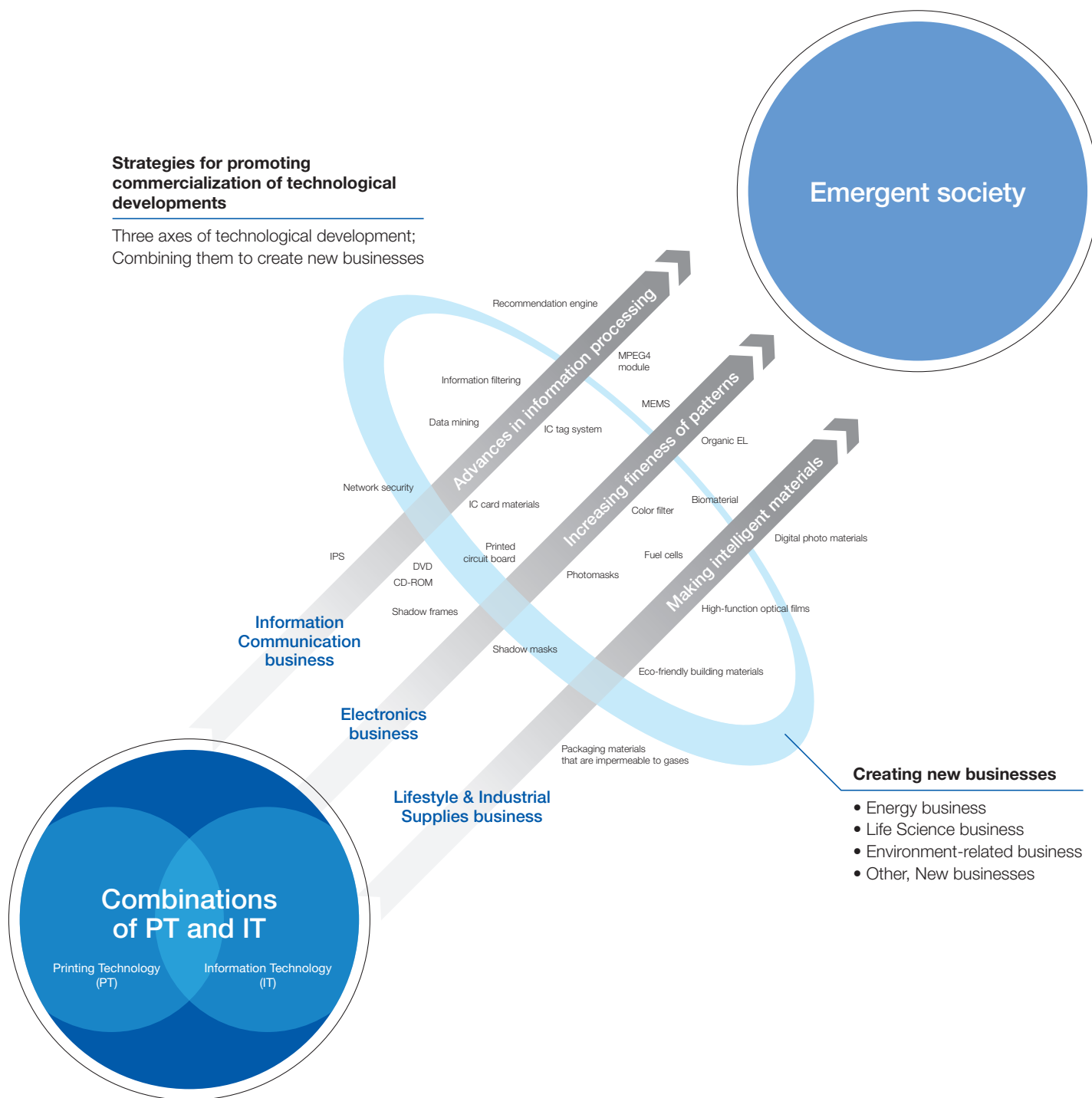
Managing Director
Takashi Toida



I suppose that anyone who lives in Japan these days is sure to come into contact with a DNP product or service every day. Of course it could be something like a book, magazine, catalog or pamphlet, or it could be an electronic device such as a television, mobile phone, or personal computer, or it might be a food or beverage package, or a material used in a building or auto interior, a smart card or bank book, medicine packaging, a photo print, etc., etc.

At first glance, the spread of our business might seem to be disorderly. But it is all supported by printing and information technologies. We were able to expand our business into so

many fields because our strength lies in the technologies that we have developed in more than 130 years of our corporate history and because we constantly maintain a spirit of challenge that allows us to enter new fields without fear. We aspire to continue growing in the future. However, it is difficult to see what it is that companies and consumers really want in these dramatically changing times. By engaging in one-on-one dialogue and identifying problems, I believe that the technology and spirit that have become imprinted in our genes will continue to contribute to society.



Growing Markets, Diversifying Needs...



The trend in panels is toward larger glass substrates. Manufacturers are still building new production lines for 7.5th-generation and beyond.

A widening gap between high-end (high resolution, high-quality) and low-end (low cost) in small and medium-size panels market.

Manufacturers are seeking high-quality color filters and demanding small lots of diverse products with short lead times.

In the year ended March 2008, DNP supplied 40% of outsourced color filters



In 1958, DNP applied its printing technologies to becoming the first company in Japan to succeed in the development of shadow masks for the production of color televisions. The skill and spirit that underpinned this achievement led to the creation of a large variety of DNP electronics products, and continues to support the production of world-class color filters for LCDs.

The market for flat-panel displays such as LCD and plasma displays continues to grow by almost 20% each year. Large displays used for televisions and personal computers are growing larger and cheaper than ever,

while the market for smaller displays used in devices like notebook PCs and mobile phones is polarizing increasingly rapidly, with one side favoring smaller, high resolution, high quality displays and the other seeking mass-market, low-cost wares.

Especially in the large-screen TV market, competition between LC and plasma TVs has heated up. Since cost competition has also intensified, LC panel manufacturers are increasing capital spending in order to make larger substrates and boost the efficiency of their production lines in order to bring down the cost per panel.

Color Filters

Meeting All Demands

To date, we have gradually expanded our capacity for producing color filters for LCDs in line with growth in the LCD market. In the future, we expect even further expansion and diversification in this market. We will invest proactively in plant and equipment so that we can meet demand for increasingly diverse products.

We plan to build a new LCD color filter plant adjacent to the LCD plant that Sharp Corporation is currently building in Sakai City, Osaka Prefecture. The glass substrates are the 10th-generation size (2,850mm x 3,050mm), currently the largest in the world. We plan to supply 36,000 sheets per month. We will use the inkjet production method in which DNP is a world leader, since this method costs less both at startup and during production. We plan to actively expand our production capacity of glass substrates of the 8th-generation and beyond. In order to streamline logistics, shorten lead time, and minimize inventories, we will strengthen our alliances with powerful customers and use by-plant or in-plant systems as we respond to demand for larger panels.

We have also spent many years developing color filters for mobile phones, and positive recognition of the high quality of our products both in Japan and overseas has led to a growth in orders. We are pressing ahead with development of technologies that will allow us to meet demand for even greater precision and performance, and we are working to reinforce our dominant position in this market. In addition, amid demands for small lots of diverse products, short lead times, and lower prices, we are working to build flexible and efficient production lines.

The 10th-generation plant in Sakai is scheduled to start mass production by March 2010.

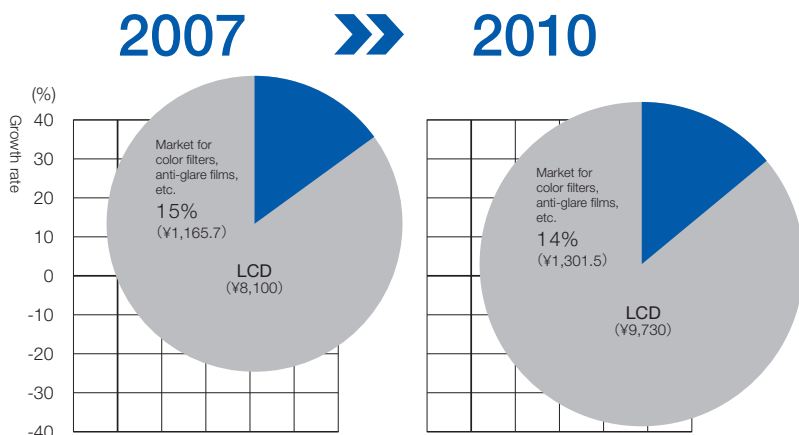
We plan to build an 8th-generation plant on a site that belongs to IPS Alpha Technology, Ltd.

In the year ended March 2008, we continued full operation. In the future, we intend to further increase production capacity.

We intend to further enhance the high-precision technologies and color reproduction technologies, to further increase our competitive edge in this high added-value market.

Display Market Growth

(¥ billion)



Source: DNP estimate *Size of circle indicates size of market. The center of each circle shows the market's growth rate.

History of DNP's Color Filter Business

1989	Started out with Kuki Plant (1st generation)
1994	Otone Plant (2nd – 4th generations)
2001 – 2004	Mihara Plant (4.5 – 5th generation)
2002	Kurosaki Plant* (3rd – 4.5th generation)
2005 – 2006	Kurosaki Plant (6th generation)
2006	DNP Color Techno Kameyama Plant (8th generation)
2008	Kurosaki Plant (8th generation)
2010	Sakai Plant (10th generation)
	Himeji Plant (8th generation)

*acquired by DNP from Advancedcolor Tech, Inc.

* IPS Alpha Technology, Ltd.: LCD panel manufacturing company established by Matsushita Electric Industrial Co., Ltd. and Hitachi, Ltd.

Two Production Methods

DNP was the first company in the world to succeed at mass producing color filters by the inkjet method. This method is based on our printing technology and uses the manufacturing expertise that we cultivated in our color filter business over the course of many years. The manufacturing process entails techniques for coating surfaces evenly with ink at high speed, filling an entire surface evenly without letting the ink overflow the space of a single pixel, drying the ink evenly and in an appropriate shape, and measuring and inspecting color levels and uniformity – techniques in which DNP is a world leader. Compared to the conventional photolithographic methods, the inkjet method entails fewer processes and costs less to start up and to operate.

At the same time, we are continually improving the photolithographic method. By introducing to this evolved photolithographic method new techniques, such as the type of coloration layers used in the inkjet method, larger size, greater speed, and shorter processes, we can create an efficient production system. We intend to further combine the two methods, construct innovative production lines, and further reinforce our competitive position from a technological standpoint.

Small and Medium-sized LCD Market Trends

Uses for small and medium-sized LCDs have increased. The market has polarized into two extremes: high added-value products whose specifications depend on their application, and standard products. Both markets are growing strongly, and we intend to serve both.

In the high added-value market, major target products include smart phones, 1-seg mobile phones, portable music players, automotive displays, and displays for high-end digital cameras. These products require higher specifications in such areas as definition, color purity, and video capabilities.

The market for standard products is also continuing to grow vigorously. In particular, the mobile phone market is displaying strong growth in BRICs (Brazil, Russia, India and China), and this demand is expected to continue to increase in the future.

Other products that are becoming more widespread include low-cost computer games, DVD players, digital photo frames, and compact digital cameras. In this market, there is a quest for production technologies that can reduce material costs, improve yields, or otherwise improve efficiency. Technology and ideas for reducing production costs are the keys to success in this market.

Strategies for Small and Medium-sized LCDs

We plan to produce color filters for all types of products, from high added-value ones to standard models. The first thing we need to do is reinforce our competitive dominance in the high added-value market. Thanks to many years of research and development in this area, our products are much appreciated by customers in Japan and around the world, and are used in products like smart phones and portable game machines which have been hot sellers recently. In order to be able to provide color filters that meet the needs of diverse products in the future, we will push ahead with further technical development to reinforce our position as the leader in this field. For example, reliability and wide viewing angle are important for automotive displays. Video functionality is important for game machines. Excellent visibility in strong sunlight is important for 1-seg mobile phones that are used out of doors. In addition, there is demand for other features such as eco-friendliness.

Meanwhile, demand is emerging for color filters for other types of displays, such as organic EL displays. We want to respond to this demand by using DNP's unique technological development capacity to provide differentiated products and continue to build "win-win" relationships with panel manufacturers.

"The basic concept underlying DNP's large-scale LCD color filter plants is the 'high quality, low cost, energy efficient' concept that sums up the innovative developments and production technologies that we have cultivated over many years.

Based on this concept, we actively introduced the inkjet method that reduces both start-up and ongoing production costs, and affords exceptional freedom of material design. We also improved the photolithographic method by introducing new techniques that allowed us to increase product size and production speed, and shorten production processes. We aim to combine these two production methods to construct the most efficient production systems possible."

General Manager, Operations Planning, R&D Division,
and Display Components Operations

Mitsuru Iida



Optical Films

Responding to Demand for Increasingly High Performance

DNP is also active in the business of providing optical films for flat-panel displays such as LCDs and plasma displays. Optical films that we handle include surface films for displays, optical films used in LCD back lights, and electromagnetic interference shielding film for plasma displays.

DNP — Holder of the world's top market share

Of these various films, surface films are our main product. They are used to improve contrast by preventing glare from outside light on display surfaces.

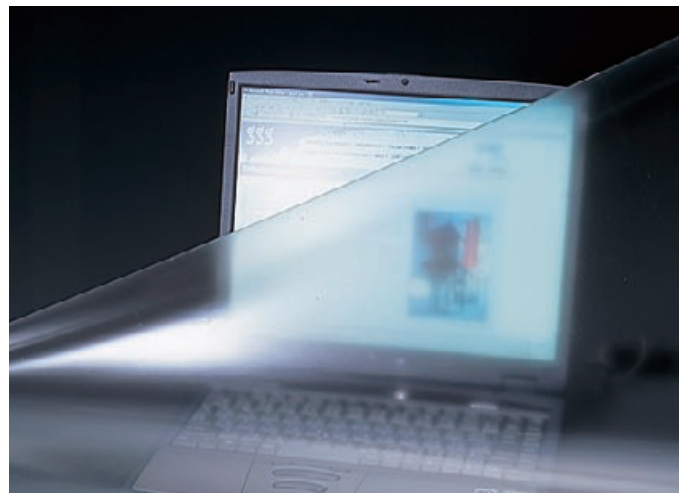
In order to respond to the trend toward larger, higher definition flat-screen television by delivering sharper images with blacker blacks and more vivid colors, we applied the clean converting and optical design technologies that we cultivated over many years to the development of optical film products that meet manufactures' needs. By doing so, we established ourselves as the leader in this field.

Recent years have seen increased use of touch screens and displays with interactive input functions. Here too, we provide surface films that contribute scratch resistance and stain-resistance functions.

Actively developing a variety of sophisticated products

We are working hard at developing new products that make use of technologies cultivated through our existing businesses. For example, our JET BLACK® front projection screen can clearly and vividly display images from a projector even in a brightly lit place. We are also developing contrast improvement film that makes images stand out on a plasma display by absorbing outside light.

LCDs and plasma displays are used in many types of devices including televisions, personal computers, and mobile phones. As use of these devices spreads, users demand more diverse functionality. We intend to accurately grasp these market demands, focus on product development, and further expand our business in the optical film field.



OLED

A Growing Market and Growing Expectations for Organic EL Displays

Organic EL displays are attracting a great deal of attention as a likely candidate to become the next generation of displays. However, there is still a need to find ways to make the screens larger and the prices lower before ELs can achieve full-fledged market penetration. We do not plan to simply supply components for organic EL displays; rather we are working on the development of technologies for producing EL display devices themselves. Our research and development efforts are progressing with a full range of possibilities in sight, from components to modules.

Stirrings in the Market

Organic EL displays first began spreading gradually as compact mobile phone displays. Now that their use has spread to include devices as large as televisions, they have suddenly begun to attract a great deal of attention. Because organic EL displays use self-luminescence, it is possible to make them even thinner than liquid crystal displays. In addition, the vivid colors and ease of viewing afforded by the wide angle have put them in the limelight as the ultimate display choice, and manufacturers are rushing to develop them further.

Expectations for Vapor Deposition Masks Used in Organic EL Display Production

Currently, metal vapor deposition masks play an important role in improving the quality and performance of displays for mobile phones or televisions that are mass-produced using the low molecular vapor deposition method. We are applying our etching technology, which we cultivated for many years in order to make shadow masks used in cathode-ray tube production, to the development of vapor deposition masks for organic EL displays. DNP's high level of technology has been well received, and we have begun mass production.

Color Filters for Organic EL Displays — a Promising Market

Organic ELs can display colors even without a color filter, but recently the use of color filters with organic ELs has been attracting attention. In addition to enhancing color reproduction quality, color filters offer the important benefit of making it possible to increase display size for little cost by combining the filters with white organic EL luminescent material.

Based on DNP's world-class LCD color filter production technology, we have been developing materials and processes that are suitable for organic ELs. We have received very favorable responses from organic EL manufacturers, and have begun mass production.

Organic ELs Offer a Wide Variety of Possibilities

Starting with color filters and masks that are needed in the production process, we are developing a variety of products that can serve as components for organic EL displays. We are also exploring possibilities such as the development of materials that improve photo luminescent efficiency or offering modular panels, and are considering expanding this type of business by means of a new business model. We are also working on developing organic EL signs used for in-store advertising, which is expected to be a growing market that we plan to supply.

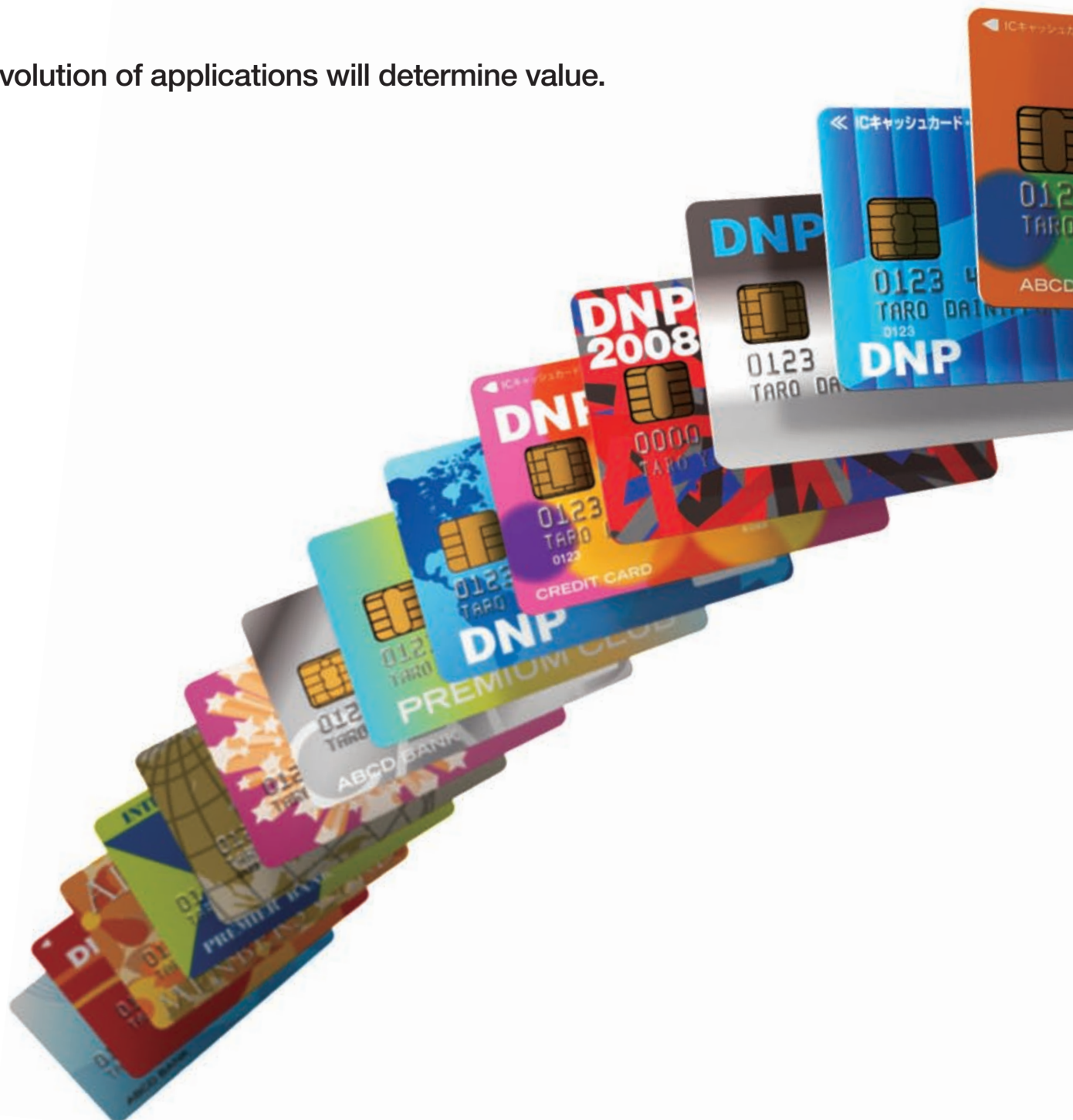
Future Technological Developments

We intend to actively pursue joint development with various companies and focus on developing production technology for color filters and for organic EL displays themselves. We aim to improve yields and reduce production costs through such means as developing a production technology that uses one of our printing technologies, the "roll to roll method" of using rolled materials efficiently in mass production, or developing production processes that do not require a vacuum environment. By applying technologies that we cultivated through printing, we will develop methods of fine tuning materials used in organic ELs. Also, by developing full-color, flexible organic EL displays, we intend to develop new markets that apply them to such media as newspapers, magazines, flyers and posters.



NEXT IC

Evolution of applications will determine value.





So far Japan's smart card market has only grown bigger and bigger, but now it has come to a big turning point. In addition to existing types of contact and contactless cards, there is demand for the development of high added-value cards such as smart cards with a display function and cards that combine both contact and contactless functions. We will propose and deliver to consumers new lifestyles that make use of advanced smart cards.

In the smart card market, a company needs to ask not only how it can improve the functions of cards themselves, but what kinds of card-based services it can offer and what kinds of lifestyles it can propose. Smart cards are becoming

established as tools that allow consumers to experience security, safety, and convenience by serving as electronic money, employee cards, passports, driver's licenses and other identification cards.

DNP views its smart card business as part of its overall solutions business, in which we make and implement proposals related to these kinds of services. We call the concept behind the smart card business that we aim at future generations, "NEXT IC." We are focusing on developing a new market for security that includes a range of functions from card-based personal identification to authentication of various devices and contents.

We are the **market**. We create the **market**.

*DNP determines the direction
the market will take.*



Q: How has DNP been involved in the smart card business so far?

A: Since we began research and development of smart cards in 1981, we have emphasized and reinforced three types of technology: techniques for manufacturing cards, issuance techniques involving the writing of personal information, and software development. Especially in the area of software development, we have an overwhelming advantage over competitors. For example, we even developed operating system for controlling the motion of IC chips. It was DNP that developed the operating system for the Mondex® electronic money card used worldwide, as well as multi-OS basic software such as MULTOS™ or Java™, and it was DNP that was the first in the world to develop a vein authentication-based smart card used for account settlements such as bank cards.

Q: What is DNP's market position?

A: There is no other company in the world that offers a comprehensive service like ours, or that makes use of such a good balance of card manufacturing and processing, card issuance, and software development technologies. Our services are very well received by the market. New services that we offer drive the Japanese smart card market to rapid growth. We are not exaggerating when we say that DNP created this market. DNP currently holds a 40% share of the domestic market for smart card manufacturing. In the market for cards issued by financial institutions, where a high degree of security is required, our share is about 60%. Of course, in both cases we are the largest player.

Q: Where do you plan to take the business in the future?

A: Our assessment of the business environment is that smart cards have entered a new phase. From now on, with the development of digital societies, success will hinge on what kind of services we can offer through smart cards and what kind of lifestyles we can propose to consumers. We plan to respond to this new era with "NEXT IC" as our guiding concept. We will make use of the advantageous position that we have built for ourselves to make new products, create new markets, and connect those products and markets to new businesses. Through these three endeavors, we want to continue to win.

*Director, Smart Card Business
Development Division
IPS Operations*
Kunimitsu Sato

Q: What services do you have in mind for “NEXT IC”?

A: Under the “NEXT IC” concept, we plan to introduce new businesses that only DNP could create.

(1) Card Data Management Services (CDMS)

CDMS are provided via an online network as ASP services, including smart card data management and card issuance processing. These are operations that the financial institution or other card issuer would normally perform using their own host, but DNP can perform them as a package, faster and cheaper than the card issuer could, by combining DNP’s unique technology and expertise.

For example, DNP uses its own server to provide uniform management of data from smart cards and Osaifu-keitai (“wallet mobile”), Japan’s rapidly growing mobile phone-based payment system. DNP contracts with card issuers to release all of the personalized data needed for the use of membership cards and credit cards, etc.

This is the first example in the world of this type of integrated business model, and DNP is probably the only company in the world that is actually putting it into practice by itself. We feel certain that this cutting-edge solution will spread in the worldwide smart card market, whose size is estimated at 3.0 billion cards. DNP is capable of providing CDMS precisely because we have experience in smart card design, manufacturing, issuing, OS and application software development, and because we have experience in developing and using networking technology and Internet data center (IDC) operating technology. In addition, we plan to actively engage in online authentication services that will allow consumers to use the Internet and engage in electronic transactions securely.

(2) Security Solutions

By “digital security,” we mean that we will offer safe, reliable, and convenient services with smart card and authentication technologies at their core.

For example, DNP serves as secretariat of the Shared Security Formats Cooperation (SSFC) that constructed a de facto standard for office security with its member companies to allow use of a single smart card for uniform control of access to areas that most offices had been managing individually, such as room entry and exit control, PC usage oversight, printer and storage access management, and cashless use of cafeterias and other facilities that benefit employees. Employees of companies that have introduced this system enjoy the convenience of using a single, contactless smart card to easily access all equipment, while the company greatly simplifies the work involved in its security management.

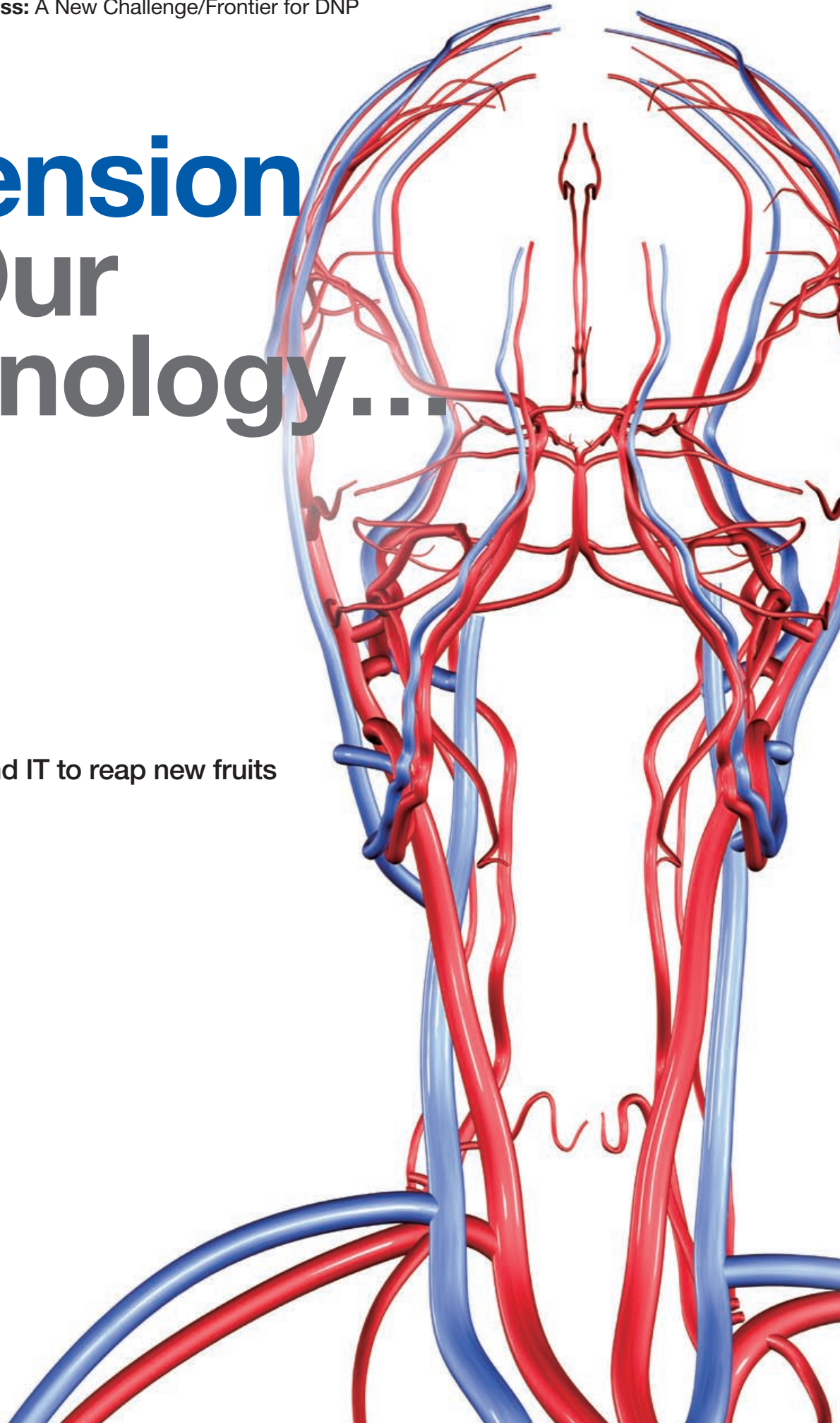
It is only recently that the idea of document security has begun to take root in Japan. Until recently, the Japanese were not accustomed to thinking in terms of document security. By providing comprehensive security solutions, we are raising awareness of security and developing a new market.

(3) New Security Businesses

What makes “NEXT IC” decisively different from what was in the past is the fact that it is not tied to conventional card formats. We intend to provide digital security solutions that make use of our smart card and authentication technologies by distributing content or automatically setting or maintaining functions vis-à-vis televisions, audio devices, refrigerators or other household appliances, automobiles, and mobile phones, etc. which have been equipped with one or more IC chips connected to a telecommunications network. In 2008, we plan to start developing authentication software that can be loaded onto ICs in various network terminals that support a ubiquitous society. By making the most of the know-how and production capacity that allow DNP to record individualized information on a large number of smart cards, we expect to be able to serve this attractive market on an even larger scale.

New Dimension for Our Technology...

Combining PT and IT to reap new fruits



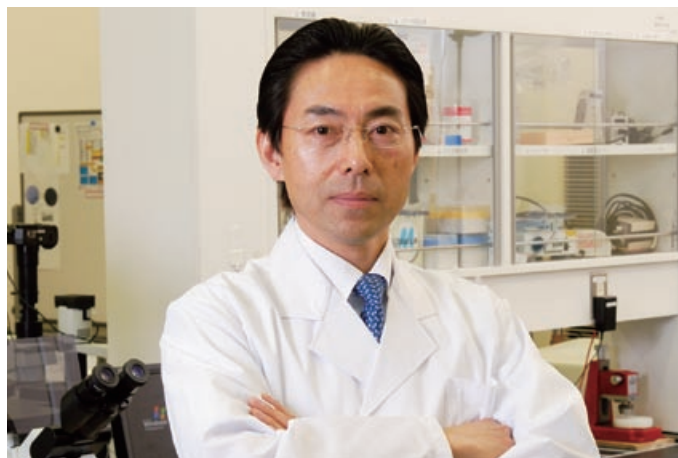


Patterning technologies are a category of printing technologies that entail the formation of letters or images on a base material in preparation for making high quality, attractive mass reproductions. By applying the patterning technologies that we cultivated through printing not only to paper but to other materials such as metal and glass, we have also become a world leader in the development and production of liquid crystal color filters and photomasks for the manufacture of semiconductors.

Today, our Life Science business is about to take off because of our ability to do things like apply printing and information technologies to living cells in order to create new products for the regenerative medicine* field. Our track record for continuous mass production of highly accurate, high-quality products at the micron or nanometer level serves as well as we begin to reap new fruits in a new market.

“We will not limit the target of our printing to paper, but will widen the target to include film, metal, glass, and even living cells. Our technological strength and our spirit of challenge will open up new horizons for our Life Science business.”

General Manager, Biomaterial Laboratory,
Research & Development Center
Yoichi Takahashi



One after another, we see the emergence of innovative new technologies that meld the best printing and information technologies. Examples include regenerating tissues through “printing,” improving the accuracy of cancer diagnosis through “printing,” and checking the condition of cultured cells through “printing.”

In the field of regenerative medicine, we have begun working to produce real, commercial products. Starting with capillary vessels and corneas, there is promise for expanding to a wide range of applications in the future. Our Life Science business is expanding rapidly, to include such projects as a cell culture system that combines a device made with microprocessing technology with image analysis techniques, and the development of clinical diagnostic kits that use technology developed through our industrial supplies business. Our Life Science business has already grown to generate 30.0 billion yen in sales, and we aim to expand it to become a new pillar of the DNP Group that will generate 70.0 billion yen in the year ending March 2016.

We intend to contribute to regenerative and preventative medicine by establishing cutting-edge technologies that can be used against illnesses that are difficult to treat by existing methods. We also aim to contribute to society as we build new business models and create new value by improving quality of life.

DNP's Life Science Business: History and Future

DNP's history of providing diverse products for the medical care market began in 1985 with paper urine test strips. We were able to apply technology that we developed for this product — a method of expressing enzymes as ink — to other fields, and went on to commercialize products such as teardrop, saliva, and pregnancy testing kits. We also developed blood sugar sensors and other products for which demand has been increasing in recent years. In addition, we use sterile packaging technology and durable film that is highly impervious to moisture and oxygen to package syringes, catheters, and medicines, etc.

In 2004, in collaboration with Tokyo Medical and Dental University, we succeeded in the formation of capillary blood vessel patterns by using micro-processing technology. In 2005, we donated funds to establish the “DNP Nanomedicine Seminar” at the university. We are also involved in ongoing projects aimed at applying DNP's unique printing and information technologies to the life science field in collaboration with cutting-edge medical research institutes such as those at Tokyo Women's Medical University and University of Tokyo, and at private companies around the world. In the future, we intend to accelerate the process of developing, prototyping, proposing and commercializing products that are more effective and convenient to use than existing methods.

* Regenerative medicine: a new field of medicine that seeks ways to restore the functionality of missing or damaged tissues or organs. Very promising research is being done in a wide variety of areas, including treatment of burns and myocardial infarction, and transplants of organs, tissues, and corneas.

Regenerative Medicine

DNP's "smart surface," based on patterning and surface processing technologies, has begun to make an important contribution to regenerative medicine.

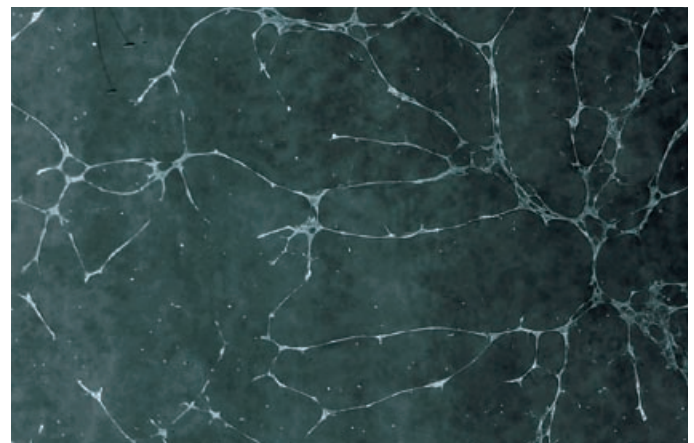
Through joint research into the application of patterning techniques used in printing to the field of regenerative medicine, Tokyo Medical and Dental University and DNP's Biomaterials Laboratory succeeded in establishing a method of transferring capillary blood vessels.

One outcome of this success is that in July 2008, DNP began selling CytoGraph, a tool for controlling the area where cultured cells adhere to glass surfaces, to research institutes. In the near future, it is expected that European countries will prohibit the use of animal testing for cosmetic products. DNP is working on developing products like cell chips for this type of test market.

The same technology is also expected to be effective for restoring skin that was damaged by bedsores and for treating periodontal disease. Conventional treatments for restoring skin include using medicine to promote skin formation and transplanting skin from the patient or from someone else. The new technology uses endothelial progenitor cells from the patient's peripheral blood to form new blood vessels on a membrane made of collagen or similar material which is then applied to the affected part. This technology is very promising as it obviates the need for surgery and the danger of immune reactions.

■ Capillary Formation Technology

This technique uses printing technology to copy and form capillary blood vessels, which branch out in finely meshed patterns. The procedure is as follows: first, a capillary blood vessel pattern is taken while a substrate is formed by coating glass with a material that does not allow cells to adhere to it. After using DNP's original photocatalytic lithography technology to break down and remove the material that prevents cell adhesion only from the area where the capillary pattern falls, the endocapillary cells that form the basis for new blood vessels are disseminated on the substrate. These endocapillary cells gather in the areas where the capillary pattern has been formed on the substrate (i.e. where the material that prevents cell adhesion has been removed), so the cells begin to multiply and differentiate along the lines of the pattern. When this is transferred to a living organism or collagenous materials, finely meshed pattern of capillary blood vessels is formed. We are working on commercializing this "smart surface" technology that combines patterning and surface processing techniques.



Regeneration of blood vessels is important because blood vessels supply nutrition and oxygen to every type of tissue, and their transference can be applied to a wide variety of uses, including tissue transplants. In this project, we are now building blood vessel reconstruction technology with an animal model using the subject's own cells, and we have just recently succeeded in reconstructing bone tissue. In the medium term, we plan to apply this technology to things like bedsores and bone reconstruction in humans, and to develop new cell culture methods and a dish for cell biology experiments and market these products. Regeneration of capillary blood vessels became possible for the first time thanks to DNP's technology. We look forward to other important contributions from DNP in the future.

Professor **Ikuro Morita**, Department of Cellular Physiological Chemistry, Graduate School, Tokyo Medical and Dental University

Cell Sheet Engineering

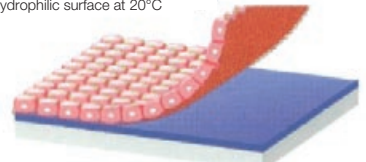
DNP has been collaborating closely with Tokyo Women's Medical University (TWMU) on the mass production of cell sheets, which is an original and long-awaited technology that was first developed at TWMU.

Cells can adhere to and spread on the hydrophobic surface at 37°C



Decreasing temperature triggers the change from hydrophobic surface to hydrophilic surface

Cells detach easily and can be collected as a cell sheet on the hydrophilic surface at 20°C



Cell sheet engineering has been developed as a method of removing cultured cells from a dish in sheet form, so that they can be easily used in surgery or other medical applications. Previously, cells cultivated in a dish were typically collected with the aid of an enzyme such as trypsin, as disassembled cells, so the cells could only be used in a very limited number of applications. Cell sheet engineering preserves the functionality of cultured cells by allowing them to be removed without breaking cell-cell junction and adhesive proteins covered one side of the cell sheet interaction, thus, cell sheet engineering has attracted much attention for its potential use in novel medical applications.

Even before full-fledged commercial use, there have already been many clinical successes. My collaborators at Osaka University have succeeded in around 20 clinical trials of cornea regeneration using cell sheet engineering, and another collaborators at the national hospital in Lyons, France, have also succeeded in around 5 patients. Following these successes, the French government and EU are expected to approve the use of cell sheet engineering for cornea regeneration in 2009, and other governments are expected to accept clinical trials using cell sheet engineering in the near future. In addition, collaborators at Osaka University treated a patient with serious myocardial infarction using 20 laminated sheets composed of cultivated myoblast cells taken from the patient's own thigh. As a result, the patient was able to walk and to go home unaided.

DNP is currently engaged in joint research aimed at developing technology for mass producing dishes used in cell sheet engineering. The company is establishing a framework for full-fledged sales by developing a high-volume manufacturing method using the electronic beam (EB) technology that it developed for making decorative materials, and "roll-to-roll" technology used for mass printing on rolled materials at high speed.

■ Cell Sheet Technology

Poly (N-isopropylacrylamide) (PIPAAm) is a well-known thermoresponsive polymer, which exhibits the lower critical solution temperature when in aqueous solution. The polymer chains hydrate and expand at temperatures below around 32°C, and dehydrate and contract above 32°C. The ultra-thin surface of PIPAAm is slightly hydrophobic at human body temperature (around 37°C), but changes to hydrophilic below 32°C. Various types of cells can adhere to, spread, and proliferate on PIPAAm dishes at 37°C. But when the culture temperature is decreased to under 32°C, the cells spontaneously detach from the surface in sheet form, because of the rapid hydration of the grafted PIPAAm chain surfaces.



Laminate of cell sheets for application to large organs



Researchers and medical facilities all over the world are awaiting the development of cell sheet engineering, which have been recognized for their effectiveness in the treatment of dilative cardiomyopathy and esophageal cancer. Therefore, researchers all over the world are hoping to develop new tissue engineering therapy based on cell sheets. Development of the new roll-to-roll production process and technology for quickly peeling off cell sheets is now almost completed, and developers are considering methods of making patterned cell sheets. Additionally, developers are working on new methods of layering cell sheets that will allow the construction of cardiac muscle, liver, or other tissues. We have high hopes for developments from DNP using its printing technologies including mass production systems and more rapid peeling off of cell sheets.

Teruo Okano is Professor and Director of the Institute of Advanced Biomedical Engineering and Science at Tokyo Women's Medical University. His research currently involves the use of intelligent biomaterials in applications in various fields such as tissue engineering, drug/gene delivery, green chromatography, microfluidics, and cell-based on-chip assays.

Micro-bioreactor

A P&I solution that combines DNP's microprocessing and information technologies contributes to the development of efficient Japanese Black Cattle production methods

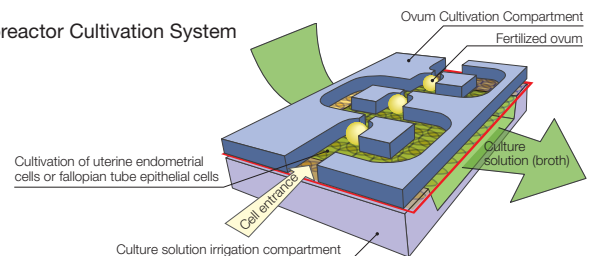
DNP is currently collaborating with the University of Tokyo's Institute of Industrial Science and the National Livestock Breeding Center, an independent administrative institution, to develop microbioreactors in order to cultivate fertilized ova of beef cattle and other livestock in vitro. The conventional method was to cultivate ova in petri dishes and have an examiner look at them through a microscope and select those that appear to be most likely to develop well. Our current project replaces the petri dish with a "microbioreactor" that was specially developed for this purpose. By using a computerized system that selects ova by checking against an image database, we succeeded in improving selection accuracy.

DNP plans to be fully engaged in commercialization of this system, including design and production of the microbioreactor, image processing, and database construction. This technology can be used not only for beef cattle, but for cultivation of ova from other animals. Its use in treating human infertility and in regenerative medicine is also under study and holds a great deal of promise for the future. That is why DNP is actively pursuing this project as another way to take advantage of our strengths in areas like microprocessing and information technologies.

■ Microbioreactor Technology

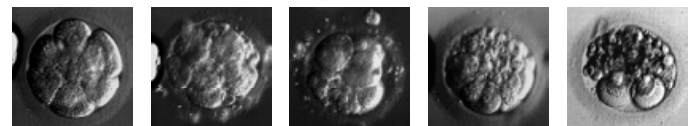
Under the conventional method, multiple ova were cultivated together in the same petri dish. Because each ovum in the microbioreactor is cultivated in a tiny individual space, it is possible to distinguish one from another more accurately. Furthermore, this method uses a substratum of bovine cells from the uterine lining or fallopian tube epithelial cells, allowing the cells to be cultivated in an environment that approximates that of the mother cow's womb. Another advantage of the system is that it uses a database of images of normal cell division in fertilized eggs, combined with pattern recognition techniques that grew out of DNP's image processing technology, to automatically select ova that are developing well. Using techniques like these, we intend to construct an ova selection system that is more economical and more accurate than existing cultivation methods.

DNP's Bioreactor Cultivation System

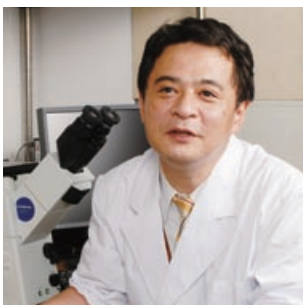


Rating of 8-cell embryo

4 (excellent) <-----> 0 (very poor)



We applied pattern recognition technology to the development of an algorithm that allows us to automatically rate fertilized ova.



We resolved the technical problems that we faced in the early stages of this project and are now moving on to construct a system. For the time being, we aim to develop a bioreactor that can very efficiently cultivate 1,000 ova at a time. In the long term, this technology could be useful for cell cultures as part of researching single cell reproduction. DNP contributed its comprehensive strength, including its technology for fabricating microfluidic devices and integrating peripheral devices. I appreciate DNP's efficient, businesslike approach and its awareness of the user in the process of development, and I look forward to continued cooperation with DNP.

Associate Professor **Yasuyuki Sakai**, Institute of Industrial Science; Center for Disease Biology and Integrative Medicine, Graduate School of Medicine; University of Tokyo

Lung Cancer Diagnostic Kits

In 2004, DNP invested in a U.S. bio venture, Cangen Biotechnologies, Inc., in order to develop its Life Science business. Since then, we have been working on the commercialization of a lung cancer diagnostic kit.

In the U.S., 60 million people are expected to be tested each year.

DNP and Cangen are working jointly to commercialize a lung cancer diagnostic kit. Conventional methods of diagnosing lung cancer include x-rays, phlegm analysis, and CT scans. However, these methods are not satisfactory in terms of early detection ability or cost, so there is a demand for a better diagnostic method. The kit that DNP is developing with Cangen in response to that demand consists of a tube fitted with a special filter. Plasma is separated out from the test subject's blood and dripped into the tube. The probability of the presence of cancer is determined by analyzing the plasma after it has passed through the special filter. DNP plans to manufacture and supply the tubes and filters, and to package and wrap the kits.

Aiming for approval in 2011 at the earliest

About 160,000 people die of lung cancer each year in the United States, so there is ample demand for early detection. We hope to meet this demand by receiving approval from the U.S. Food and Drug Administration (FDA) for sale of our diagnostic kit as early as 2010. Worldwide, some 1.3 million people die of lung cancer each year, making it the most lethal of all types of cancer.

By developing this diagnostic kit, we aim to expand our Life Science business while responding to global demand for early lung cancer detection and increasing our contribution to society. By meeting demand for testing some 60 million people per year in the U.S., we should be able to recover our initial investment within a few years of starting sales. After that, we plan to gradually begin sales in other areas, such as Europe and Japan.



We succeeded in identifying basic principles of lung cancer detection. Currently, we are working on receiving approval for commercialization and on solidifying our technology base to prepare for the start of sales. We could not have succeeded at clinical diagnosis aimed at early detection without the DNP technology that allows us to analyze and evaluate samples from lung cancer patients. In the future, we plan to provide diagnostic kits to clinical testing facilities and engage in related businesses. In the long term, we can probably develop this basic technology for diagnosing various other types of cancer. We hope to enjoy a long-term partnership with DNP, both on the research and development side and on the business side.

Cangen Biotechnologies, Inc. CEO. Dr. Chul So Moon



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Information Communication PORTRAIT

Contribution to Group
Net Sales:

41.7%

Contribution to Group
Operating Income:

44.8%

This segment is DNP's core business, and contributes 41.7% of the entire Group's net sales. It centers around the Books and Magazines sub-segment that is the cornerstone of the DNP Group's value creation, and serves as a stable revenue base.

*For details about products and services, please see Products and Solutions (p. 18-21).

Business

Our Information Communication segment is composed of three sub-segments: the printing of books and magazines, which has been a core business since DNP's founding; commercial printing; and business forms. This segment covers a wide variety of media, beginning with paper and including electronic media such as the Internet (via PCs and mobile phones), DVDs and digital broadcasting. In addition to offering all types of printed materials, smart cards, and information processing services (IPS), we offer unique DNP solutions by combining capabilities like market analysis, customer relationship management, planning, system design and development, media content creation and distribution, and data security management.

Operating Divisions

■ In Books and Magazines, we plan and produce CD-ROMs and DVD-ROMs and offer a wide variety of electronic publications online, besides printing traditional paper books and magazines. Starting with publishers, we serve all types of content holders in Japan and the rest of the world. Contents are our customers' assets, and we have been expanding our business by editing, processing, and providing services that help them deliver those assets by means of the optimal media format.

■ In Commercial Printing, besides printing materials like catalogs and pamphlets, we also handle web sites and events such as in-store sales promotions and campaigns. All types of companies that sell products or provide services are our customers. Our field of business encompasses solving all types of problems to help our customers increase their sales and decrease costs and operational burdens.

■ In Business Forms, we have made a great deal of progress in IPS, which involve individualized processing of large amounts of data, and businesses such as the development and manufacturing of smart cards and IC tags and the operation of services that make use of them. Every company that handles information is a potential customer. We keep that in mind and take advantage of increasing demand for information security as we work to expand this field not only in Japan but also overseas.

Strengths

■ The printing and information technologies that we have cultivated since our founding, and the research and development capacities and comprehensive strength that support those technologies. In particular, we have the capacity to develop advanced software and top-notch support systems for fields like text or image processing, networking, IPS, and smart cards.

- Coherent management systems that can provide total support for products or services from planning to operation. In particular, we have the management capacity to offer complete support beginning with consultation regarding the introduction of all types of systems, design, development, manufacturing, and post-introduction follow-up.
- The ability to promote new businesses through collaboration across industry lines. In particular, the ability to produce synergistic effects through corporate alliances by making effective use of various types of information media including paper media, DVDs, networking, and digital broadcasting, etc.
- Data security technology supported by industry-leading capacity for software development. Also, production systems that can process massive amounts of data under completely secure conditions, as required for IPS, smart cards, and various types of printed matter.
- The ability to offer a menu of general-purpose solutions as well as customized solutions that fit individual requirements, thanks to our track record of solving problems for 30,000 corporate clients and consumers.

Industrial Trends

As access to the Internet, digital broadcasting, and other modern media becomes more widespread, consumers come into contact with information in a wider variety of ways, and information communication has changed a great deal. Changes in spending habits have also led companies to change their sales promotion methods. Now that they expect synergistic effects from combining various types of media, there are big changes in how they do business, including the way they apportion their advertising budgets. In addition, companies are looking for high added-value services that they can use safely, with peace of mind, and a high degree of security. As a result of these changes, there is a clear trend for customers to bring their business to a comprehensive printing company that can respond consistently to all of their diverse needs.

Books and Magazines

The domestic market for book and magazine publishing is said to be worth 2.09 trillion yen per year. Publication of magazines continues to decline due to the influence of the Internet and other new media, but at the same time the market for electronic publishing is growing rapidly, as evidenced by the recent boom in mobile phone novels. The market for electronic publishing was worth about 1.0 billion yen in 2002, and by 2007 had grown to almost 20.0 billion yen. In the next few years it is expected to top 100.0 billion yen. There is also growing demand overseas for Japanese publishing content.

Commercial Printing

This sub-segment's sales of items like catalogs, posters, direct mail and promotional materials are affected by advertising budgets, which rose slightly due to the recovery in the Japanese economy. Advertising expenses in 2007 came to 7.02 trillion yen, up 1.1% from the previous year. Advertising expenses allotted for mass media declined for the third year in a row, while expenses related to sales promotions increased for the fourth year in a row. There was a prominent increase

in advertising aimed at individual consumers through the Internet or mobile phones.

Business Forms

Some 180 million smart cards were sold in Japan in 2007, representing an increase of 20% relative to the previous year. Contact smart cards grew by 10% from the previous year, while contactless cards grew 40%. In 2007, more than 30 million smart electronic money cards were issued, a more than 70% increase over the previous year. And the IPS market also continued to grow. IPS services are tending toward higher added value, involving functions like customer analysis and customer relationship management. Printing companies that can promise a high level of security are attracting a good portion of these orders. Regarding IC tags, each industry is working on its own methods for achieving greater efficiency in the supply chain.

Strategic Opportunities

In the dramatically changing environment surrounding the Information Communication segment, we view the following kinds of trends as opportunities to expand our business, which we are actively engaged in doing.

In the Books and Magazines sub-segment, the electronic publishing market is expected to continue growing as information media and consumer needs diversify. Along with this trend, publishers and other content holders will have an increasing need for planning and production of electronic publications, provision of content distribution platforms, and marketing and sales promotion activities. Furthermore, the globalization of contents is expected to speed up, especially regarding animated films, comics, and fashion magazines. This presents opportunities for manufacturing in optimal overseas locations and for engaging in other new global endeavors.

Commercial Printing is affected by the shift towards Internet advertising as access to the Internet via personal computers and mobile phones has become a part of daily life. We need to identify issues related to this shift and find appropriate solutions. As consumers make use of multiple types of information media, there is a growing need for solutions that link companies and consumers — for example, sales promotions that link in-store media, paper media, and web sites, or electronic commerce-related solutions.

In Business Forms, while the smart card market is expected to grow steadily, there is increased demand for using ID cards as part of a trend toward stronger corporate internal controls. Of course these cards require a high degree of security, but there is also demand for cards with more functions and network-linked services. Related to IPS, there is a growing market for high added-value services, such as sending advertisements that are individually tailored based on an analysis of spending patterns along with invoices.

Information Communication **BUSINESS STRATEGIES**

Basic Strategies

Now that consumers' values have become diversified and progress in information technology has caused people to be flooded with information, people find themselves spending a great deal of time acquiring the information that they really want, while businesses must spend enormous amounts of money to figure out what consumers really want.

Progress in the digitalization of information has made it easier to distribute information, which on one hand enlivens communication, but on the other hand poses greater-than-ever risks of information leakage.

In this environment, DNP edits and processes the information that consumers want, in the formats they want, and provides forums and systems that allow for safe and reliable communication. At the same time, DNP is expanding its business by creating communication infrastructure for gathering consumers' true feelings and opinions for use in business activities, and by providing comprehensive solutions that include all types of services, both back office and front office.

P&I Solutions

We will combine the Printing Technology and Information Technology that DNP has cultivated since our founding to offer consumers and corporate customers information communication solutions that only DNP can provide. Today we view our field of business as including every aspect of information distribution. We intend to express DNP's maximum potential and develop solutions-oriented businesses that contribute to society as we combine technologies, products, and services and participate in designing our customers' business processes and social infrastructure, etc.

Growing to Accommodate Diverse Communication Formats

With basic print media at our core, we accommodate a variety of information media, including the Internet (via computers and mobile phones), digital broadcasting, DVDs, game machines, and dedicated terminals. Moreover, we combine and integrate these various media to provide new services and solve problems faced by consumers and corporate clients.

Outsourcing of Customers' Overall Communication Activities

Based on the technologies and expertise that we cultivated through our printing business with regard to processing massive amounts of information, and based on our expertise in maintaining the tight security required for handling important information, we are actively encouraging corporate customers to outsource services from us for all kinds of business processes such as research, analysis, consulting, planning and production of content, on-demand and other types of printing, distribution, network delivery, and operation of customer support centers. We are prepared to offer comprehensive follow-through whether a customer needs help with a single business operation or an overall solution for their business processes.

Major Policies

Expanding our Business through P&I Solutions

By going a step beyond production, which used to be our main business, and combining the printing and information technologies that are our specialties, we intend to further expand our business through original solutions that only DNP can provide.

Our Information Communication segment proposes a variety of ideas related to every manufacturing process, from upstream to downstream, including planning, design, and marketing strategies for increasing the added value of products and services. We will respond to businesses' need for direct marketing services by launching new, comprehensive information communication services that handle everything from processing of personal information and sales promotion information, to post-processing and distribution of digital printouts.

Also, by linking products and services like IC tags, on-demand printing, and personal DM with smart cards, electronic forms, and other account settlement solutions, we are boosting our capacity for providing comprehensive solutions to customers' problems and actively creating new types of business.

At the same time, we will keep an eye on our business environment as information media become more diverse, and will contribute to the development of interactive and emergently evolving society by developing digital content businesses related to electronic books and online distribution of music.

We aim to expand our revenues by increasing the proportion of this type of solutions-based business relative to our total business.

Expanding the Role of Solutions in Information Communications by Strengthening Coordination between Business Sectors

We will use new bases, such as the DNP Gotanda Building (in Tokyo's Shinagawa Ward) and the DNP Kamiya Solutions Center (in Tokyo's Kita Ward) to focus on strengthening ties between business sectors. In addition to proposing individual business processes or solutions that are tailored to the needs of specific customers or industries, we will create systems and frameworks that allow us to offer comprehensive services.

As a "building-wide showroom," the DNP Gotanda Building is equipped to give various types of presentations. Many DNP divisions, including sales, planning, production, and research and development, are concentrated there, and they use the space that the building provides to collaborate with customers by sitting down together, identifying problems, and debating until they come up with optimal solutions.

The DNP Kamiya Solutions Center is a manufacturing base that serves as an ideal business model for our corporate customers.

Looking ahead, in 2009 we plan to start redeveloping the Ichigaya area where our core base is located, and evolve it into an eco-friendly printing plant where we will concentrate various functions including planning and development, various sales departments, and head-office functions in order to move closer to realizing our corporate vision of providing "P&I Solutions." Additionally, we will reconsider the Information Communication segment's manufacturing and distribution bases, which are currently scattered throughout the metropolitan Tokyo area, and find ways to boost our competitiveness.

Gearing up to Promote Our Outsourcing Supply Business

We intend to continue beefing up the Information Communication segment's systems and strategies so that we are prepared to provide support for our customers' overall business processes.

In addition to the back-office functions that we already provide, including input, output, and storage of data, data center operation and secretarial functions, in the future we will fuse these functions with information processing services like investigation and registration or on-demand printing using digital printers to expand our range of front-office services that support our customers' sales promotions and customer relationship management.

In addition, in order to speed up commercialization of new ventures and acquire core skills and expertise, we will use M&As or corporate alliances as necessary to build up our outsourcing supply business.

Developing New Markets through Global Expansion

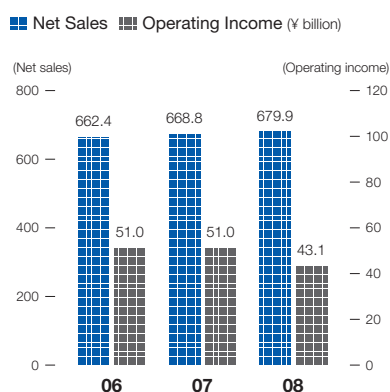
We are using the local subsidiary that we set up in Shanghai in 2005 to further develop the Asian market. We intend to actively meet overseas printing demand, and will view the whole world as our market as we develop new businesses. For example, we will develop Global Metamedia, a system for transmitting printing data online to printing companies all over the world, in order to produce materials in the best place.

Information Communication

FINANCIAL RESULTS

Financial Highlights

			(¥ billion, %)		
		2008.3		2007.3	2006.3
Net sales	¥	679.9	¥	668.8	¥ 662.4
Operating income		43.1		51.0	51.0
Operating income margin		6.3%		7.6%	7.7%



Business Environment

In the fiscal year through March 2008, Japanese domestic publishing sales declined 3.1% year on year, marking three consecutive years of decline. In commercial printing, advertising companies' sales increased by 1.1%, continuing the previous year's rise, but advertising expenses for the four major types of mass media that support printing demand – newspapers, magazines, radio, and television – decreased slightly while Internet advertising expenses rose. At the same time, factors that squeezed profits – such as higher material costs and lower unit prices resulting from intensified competition – were more prominent than ever, and made the industry environment even more challenging than the previous year.

Performance

In book and magazine publishing, sales of free newspapers and magazines increased with the issue of more titles, but continued weakness in magazine sales affected every genre. In commercial printing, we enjoyed increased sales not only from pamphlets and event planning, but also from building a web site for a beverage sales campaign and from office management related to merchandise shipping, etc. However, sales of promotional items such as flyers, point-of-purchase materials, and promotional gifts declined. In the business forms sector, sales of information processing services (IPS – complete handling of personalized mail from data input to printing and shipment) increased thanks to outsourcing of full back-office operations, and sales of smart cards also grew thanks to new orders for retail store credit cards and solid growth in telecommunications-related cards. As a result, net sales from Information Communication grew by 11.1 billion yen, or 1.7%, to 679.9 billion yen.

Profits were hard hit by lower unit prices and higher material costs. Despite aggressive cost-cutting measures, operating income declined by 7.9 billion yen, or 15.5%, from the year before to 43.1 billion yen. The segment's operating income margin declined by 1.3 percentage points from the previous year to 6.3%.

Information Communication contributed 41.7% of DNP's total net sales and 44.8% of its operating income.

Books and Magazines

In the fiscal year through March 2008, sales from domestic publishing declined by 3.1% from the previous year to 2,063.2 billion yen, continuing the downward trend of previous years. Each year in which a new volume was released in the Harry Potter series, book sales exceeded previous-year sales, then declined in the following year. This pattern continued in the year through March 2008, with book sales declining by 3.4% to 893.2 billion yen. Magazine sales continued the 10-year slide that began in 1998, dropping 2.9% to 1,169.9 billion yen. Sales of free newspapers and magazines were strong amid an increase in the number of publications.

The number of new magazines launched in Japan in the fiscal term ended March 2008 grew by three relative to the previous year, to 182. DNP received orders to print 38 of these, or 21% of the total. Meanwhile, the number of magazines whose publication was discontinued during the fiscal term increased by 50, to 220. DNP had been printing 35 of these, or 16%.

Despite aggressive sales activities, the lackluster market and the slowdown of growth in sales of free newspapers and magazines prevented us from compensating for the slow sales of books and magazines, and overall net sales in the publishing sector declined by 4% from the previous year. Although we worked at lowering costs by increasing the proportion of in-house printing and lowering distribution costs, we were not able to offset the decline in sales volume enough to maintain profits at the previous year's level.

Commercial Printing

Advertising-related sales in the fiscal year through March 2008 increased for the fourth consecutive year, by 1.1% from the previous year, to 5,868.5 billion yen. Spending on advertising in the four major types of mass media — newspapers, magazines, radio and television — declined, but online advertising spending rose by 2.1%, still a strong showing although the pace of increase has slowed with expansion in the market. With the spread of broadband Internet access, there has been an increase in mass media collaboration on search engine-linked advertising. Mobile phone-based advertising also grew sharply. At the same time, the market for printed materials is increasingly geared toward more diverse products and smaller lots amid increased competition for orders from smaller printing companies. Customers' demands for lower unit prices are as strong as ever, making the business environment even harsher than the previous year.

Net sales in the commercial printing sector were roughly flat from the previous year, as increased sales from pamphlets, event planning, web site construction to support a beverage sales campaign, and office management services offset declines in materials such as flyers, point-of-purchase materials, and promotional gifts. Profits were hard hit by materials cost

increases and lower unit prices. Operating income declined despite aggressive and multifaceted measures aimed at cost-cutting, including passing on increased paper costs to customers, shortening lead times, improving productivity through more systematic maintenance of production equipment, strengthening business partnerships by providing technical guidance and consulting to outsourcing providers, and reducing outside warehousing fees by minimizing inventories.

Business Forms

In the business forms market, the paperless trend continued with the introduction of electronic stock certificates. Other trends were increased use of color in credit card statements and direct mail in order to more effectively promote sales, and greater diversification, for example by providing information more finely tailored to individual needs. In addition, with the enactment of Japan's new Financial Instruments and Exchange Law, financial institutions must find ways to make their product explanations easier to read and understand, and they are making major revisions to product descriptions.

Sales of ledgers, etc., increased in the year through March 2008 thanks to demand related to mobile phone applications, special envelopes for applying for ID cards authorizing the use of tobacco vending machines, letters of intent from life insurance companies, and large-scale orders from insurance underwriters. In the IPS business, price competition heated up, but sales grew with the receipt of orders for back-office operations to support a nationwide scholastic ability survey and for processing applications for a mobile bank. Thanks to double-digit growth in IPS and smart card sales, overall net sales in the Business Forms sub-segment increased 7% year on year.

Our major IPS services include invoicing for mobile phones, credit cards, and transport services, certificates and application forms for non-life insurance companies, statements and customer service-related documents for banks and securities brokerages, direct mail for correspondence schools and other businesses, and ticket issuance. DNP is actively marketing its products and services by emphasizing the unique features that differentiate them from competing products. For example, we can offer the comprehensive strength that results from linking smart cards with an Internet data center (IDC), and we can trace individual pieces of mail by using two-dimensional codes.

DNP controls roughly 50% of the overall Japanese smart card market. We became the number one player in the industry by developing the MULTOS™ operating system, a SIM card operating system for mobile phones, and various types of application software. We are particularly strong in the market for smart cards for banks, where we issue cards for all banks and hold an 85% share of the market, thanks to our skill at biometric identification using veins in the fingertip or palm of the hand, and thanks to comprehensive technological strength based on our track record, card issuance and management expertise, and improvements in chip strength owing to joint development with chip manufacturers. We also hold a 55% share of the market for credit cards and other smart cards issued by financial institutions, a 40% share of the market for mobile phone SIM cards and other telecommunications-related smart cards, a 50% share of the market for electronic toll collection smart cards, 10% of the market for railway smart cards, and 17% of the market for IC-embedded employee or member ID cards.

Information Communication TOPICS

Books and Magazines

Expanding the Market through Partnerships with Publishers

Printing and publishing have been core businesses since DNP's founding in 1876. Based on the aspirations expressed in our corporate creed of the time, "run a civilized business," we have contributed to the evolution of society and culture as we developed our business. In recent years, as the publishing market has undergone immense changes, we need to develop our business with an eye toward the overall business of media content, including electronic publishing. We view this change as a business opportunity. In addition to selling content for mobile terminals in the rapidly growing market for electronic publishing, we are expanding into a wide range of businesses including marketing and sales support, content production and processing, and provision of distribution platforms. By making use of our relationships with publishers, sometimes through business alliances, we intend to develop new publishing and printing markets as a trusted partner.

Speeding up the Electronic Publishing Business

In September 2007, we became the lead shareholder in am3 in order to promote DSvision, a download service that distributes content for the Nintendo DS handheld game console. DSvision sells diverse content including books, magazines, and movies through the Internet, using the 20 million Nintendo DS game consoles in use in Japan as



DSvision's dedicated micro-SD and adapter



Mobile Phone Picture Book

its platform. DNP provides one-stop service, handling everything from content production to management of the download site. DSvision began operating in the fiscal year ended March 2009, and expects to sell 10,000 titles in 2010 for net sales of 10.0 billion yen.

DNP already engages in the sale of content for mobile phones, and in 2006 became the lead shareholder in MobileBook.jp Inc. DNP sells a wide variety of content such as literary works, comics, photograph collections, and audio books through a mobile site that it operates and other channels. It is responding to this growing market by adding original products such as "Mobile Phone Picture Books" by popular authors, and is the exclusive distributor of the weekly comic magazine "ANGIE."

Making a Business out of Solving Problems in Printing Production Processes

DNP has developed and provided a wide range of solutions to problems that arise in the process of producing printed matter.

For example, in 2007 DNP developed a color matching system that replaces a printer's color tone data with color tone data for proofreading, in order to boost proofreading efficiency. DNP combined this system with Fujifilm Graphic Systems' printers and a maintenance service to develop and sell the "CMS Remote Proof System" for reliably reproducing printed materials with the same color tone as the final version.

Also, in collaboration with Iwanami Shoten Publishers, Ltd., we developed a new editing support system that uses XML technology and networking. Aimed at publishers of dictionaries or other reference materials, this system aids in the efficient publication of content in multiple media formats, such as printed materials, web sites, DVD-ROM's, or electronic dictionaries. By using this system to produce its sixth edition, Kojien, generally regarded as the most authoritative dictionary of the Japanese language, reduced production time by one third compared to previous editions, was able to release the printed version and DVD-ROM version at the same time.

Some of the other types of infrastructure that DNP has developed to support the production of printed materials include an improved digital version of DNP's original Shueitai font and an automatic composition and production support system for desktop publishing.

Expanding Business through Partnerships

DNP formed a business and capital alliance with Maruzen Co., Ltd., which, like DNP, has been in business for more than 130 years. We will use DNP's printing and information technologies to develop a wide variety of businesses together. For example, we will improve customer service and expand Maruzen's education, research, retail stores, and publishing businesses. We will improve university management and other operational processes by using IC tags to manage library inventories, entrances and exits, introducing smart student ID cards and digitizing lecture summaries, and promoting remote and e-learning. At retail stores, we will help with sales promotion and customer management. We will also engage in on-demand publishing and electronic publishing.

In addition, we acquired Waseda Seminar KK's test preparation business and related publishing business, and began operating it in July 2007 as a wholly-owned subsidiary of DNP called Waseda Management Publishing. We expect to expand this business by developing high added-value courses and curricula, for example by introducing e-learning courses, improving operational efficiency by using digital pens, and providing print-on-demand course materials.

Smart Cards

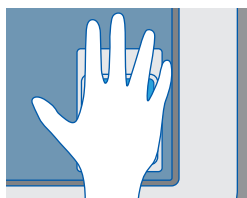
Expanding the Business by Developing Applications and Promoting Widespread Use

Ever since DNP began developing smart cards in 1981, we have been a leader in the smart card market by developing basic and application software, and by manufacturing and issuing smart cards. Currently, DNP controls about 40% of the Japanese overall smart card market, and about 90% of the market for smart cash cards, mostly issued by megabanks. In addition, we have secured about 50% of the rapidly growing market for contactless cards used as employee ID cards, transportation cards, and electronic money, etc. In the future, we intend to continue to lead this market through such means as expanding services that link smart cards with computer networks, developing more government-related or amusement-related applications, and boosting sales of smart cards that combine contact and contactless functions.

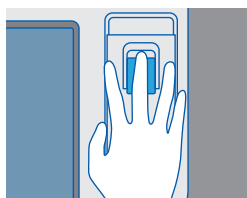
More Convenience, Greater Safety, and Higher Functionality

Most financial institutions are adopting biometric authentication methods using veins either in a finger or the palm of the hand. In May 2006, DNP developed a "double biometric authentication smart cash card" that uses both methods, and we have been supplying the card to some 30 financial institutions. In August 2007, we began offering these cards packaged with customized card-issuing services, enabling financial institutions to introduce them quickly and at little cost. We expect to take in 3.0 billion yen in sales from these cards over the next three years.

In addition, we reinforced our smart cash card introduction support services in order to respond precisely to financial institutions' problems. Some institutions began issuing smart cash cards but found that they could not provide sufficiently appealing services to customers, so we are supporting them in upgrading to cards with multiple functions such as electronic money, contactless credit, or loyalty point tabulation. We expect that this will lead to 3.0 billion yen in sales in the three years ending in March 2010.



Palm vein authentication



Finger vein authentication

Business Development through Active Partnerships

In January 2008, DNP joined Sony Corporation, Gourmet Navigator Inc., Mitsui & Co., Ltd. and Taiseisha Co., Ltd. in establishing a joint venture, "FeliCa Pocket Marketing." The new company's main business is providing marketing support for a wide variety of businesses including retail stores, restaurants, and entertainment providers by using "FeliCa Pocket," a smart card application for mobile phones. FeliCa Pocket can facilitate up to eight types of services at once, including "Osaifu-Keitai" (literally "Wallet Mobile") mobile payment system. DNP will sell FeliCa Pocket cards and provide solutions in the form of dedicated terminals and customer relationship management services.

In addition, we developed a point system for use with Osaifu-Keitai in collaboration with FeliCa Networks, Inc., and began marketing it in September 2007. The system bundles various member management functions such as member points management and mail distribution and can be used with Osaifu-Keitai, making it possible for companies to introduce it quickly and economically. DNP plans to develop other related products as well, such as an event promotion system using airwave posters.

Meanwhile, Microsoft Corp. has approved DNP's Windows Vista-compatible PKI (public key infrastructure) driver, the first in Japan. PKI using electronic certification of public keys and private keys is in demand in order to improve network security. Providing Microsoft-approved PKI drivers for free will promote the spread of smart card-based PKI authentication and will lead to sales of products such as smart cards and peripheral software and devices.

Responding to Demands for Diversity in Design

DNP has developed very stylish contactless smart cards that use DNP's original surface processing to give them a special sheen or other texture which makes them enjoyable to see and touch. These unique, high added-value products make use of proprietary surface processing techniques that combine printing and plate making technologies that DNP cultivated through businesses like commercial printing and packaging. As companies seek to make their cards stand out from those of competitors, we expect to respond to demand for issuing about 160 million new cards this fiscal year, growing to some 300 million cards in the year through March 2012.

Other examples of chic, high-functioning, high added-value cards provided by DNP include the world's first credit cards with a vertical design and PayPass™ functions, which we developed in collaboration with Orient Corporation, and Japan's first contactless card combined with a rewritable display capable of color variations, which we developed jointly with Nippon Signal Co., Ltd.

(Left) Cards with raised or concave writing
(Right) Textured cards that mimic denim, leather, and wood



Contactless smart cards with rewritable labels in a variety of colors



Expanding the Market through Partnerships with Publishing Companies

IC tags have come to be used in a wide variety of situations, for example for improving operational efficiency in distribution or manufacturing businesses and for building traceability systems, and their importance has grown more than ever. As a tag solutions vendor, DNP has played a leading role in expanding the IC tag market, for example by creating industry standards, constructing environments suited to IC tag use, and developing various applications for the tags.

IC Tags: Indispensable to the Enhancement of Social Infrastructures

As applications for IC tags continue to grow broader, DNP has developed three types of IC tags, each emphasizing particular functions demanded by particular applications. "Water-resistant adhesive label-type tags" are highly water resistant and have 10 times more adhesive power than conventional tags manufactured by DNP. They are useful for containers or pallets that are used frequently and stored outdoors. "Label-type tags for use with metal" are designed so as to minimize metal-based communication interference. They are made as thin as possible so that they can be stuck onto rolled or textured surfaces easily, and are ideal for managing manufacturing equipment such as tools and dies as well as computers and other metal office equipment. "In-mold-type tags" are used when tags must be fixed more firmly than label-type tags. By providing products like these that respond to users' specific demands, DNP has made it easy for companies to adopt IC tags and has broadened its own field of business.

In addition, DNP joined forces with Kakumaru Co., Ltd. and Ripro Corporation Japan to develop highly durable IC tags for use at intelligent control points, for surveying reference points as specified by Japan's Geographical Survey Institute. Embedding IC tags at triangulation points or other benchmarks and recording relevant positional data on each tag makes it possible to improve the efficiency of surveying and lifestyle support. These tags were made to be exceptionally weatherproof and resistant to chemicals, temperature fluctuations, and strength, etc. We aim to sell them widely as part of social infrastructures.



Intelligent control point containing IC tag

Promoting Corporate Use of IT Tags

Based on DNP's own internal system for managing printed materials, we have developed and marketed a traceability system that meets the needs of various industries such as processed foods and agricultural products. In September 2007, DNP expanded on this system by combining IC tags, barcodes, and other recognition technologies with online communication to develop a manufacturing process control system that can be customized to meet the needs of individual workplaces and provided on an ASP basis. The system allows managers to confirm the status of production lines in real time, even from remote locations. In the future, DNP plans to add a tracing function that will enable products to be tracked from the top of the production stream to the bottom.

In addition, since December 2007 we have been selling IC tag or barcode-based control systems for company assets such as documents, personal computers or other office equipment, etc.

We intend to continue getting more businesses to make use of IC tags by constructing management systems that are optimally tailored to real-life conditions in specific companies or industries.

Sales Support through Total Solutions

Investigative Research from the Consumer's Standpoint: The Kaiba Report

DNP Media Create Co., Ltd., a wholly-owned subsidiary of DNP, and Associate Professor Naoto Onzo of the Graduate School of Commerce at Waseda University have begun jointly issuing a report of research findings regarding consumers' purchasing behavior at retail stores. Making the most of our experience in every aspect of sales promotion, including planning and production of promotional materials and planning and execution of campaigns and events, we are conducting research that will lead to greater sales for our corporate clients.

In April 2007, we released "Volume 1: Shoppers at Japanese Drugstores." We used a questionnaire to study actual buying at drugstores, and verified the effectiveness of sales promotional materials found at actual retail stores. We found that 42% of customers decide what brand to buy at the store, making it important to provide information at the point of purchase. We also determined that providing product information through such means as dedicated sales areas or electronic POP materials is very effective for boosting sales.

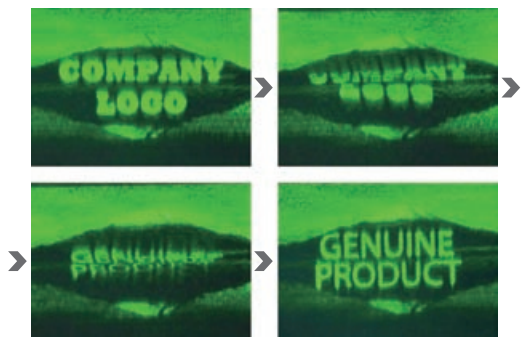
In February 2008, we released "Volume 2: The Effect of Fragrance on Shoppers' Behavior." We placed fragrance-releasing devices in 100-yen shops and released a relaxing juniper/aloe fragrance or an invigorating orange blossom fragrance, and studied the effects, including changes in sales and in shoppers' moods. We confirmed differences in the amount of sales and in the amount of time that customers remained in the shop based on the fragrance.

Creating New Markets

Responding to the Global Need for Preventing Fraud and Fighting Counterfeit Goods

Worldwide, there is an increasing demand for holograms for use in vouchers, credit cards, ID cards, and as a security measure to prevent forgeries and distinguish counterfeit merchandise. At the same time, it is necessary to prevent forging of holograms themselves, making it necessary to find more and more sophisticated manufacturing techniques.

DNP began developing holograms in 1972 and has since gained a great deal of experience in manufacturing and selling diverse types of holograms. In July 2007, DNP and Sony PCL Inc. jointly developed a Lippmann hologram that uses stereogram technology to store dynamic picture images, including animated cartoons and live-action video images. In addition, as an example of DNP's global development, China's National Anti-counterfeiting Technology Product Management Office awarded a "Certification of Review and Assessment of Anti-Counterfeiting Technology" that recognizes our "Secure Image[®]" as a high-security hologram.



The hologram image changes continuously as the viewing angle is changed

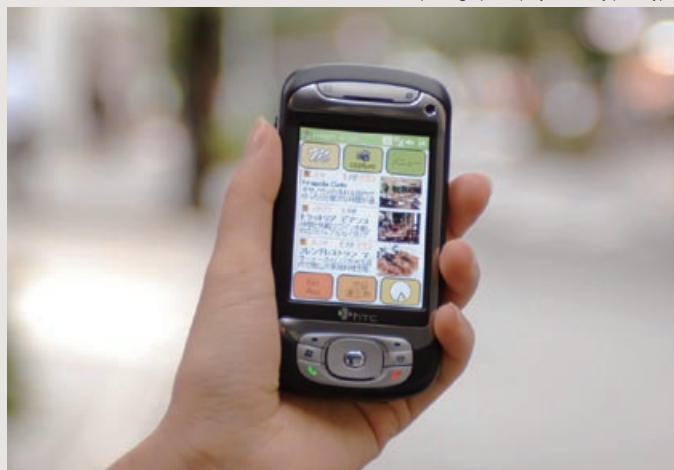
Development of “Magitti” Local Advertising Delivery System

DNP has developed a system for distributing to consumers' mobile phones local advertising targeted to the time of day and the phone owner's location and personal preferences. The system, called “Magitti,” uses a phone's GPS function to acquire its location and uses an original algorithm developed by DNP to predict whether the phone's owner is likely to “eat, buy, see, or enjoy” according to the time of day, and transmits the most appropriate information for the time and place.

Magitti is a creative “information media” that provides consumers with new value. Creating this type of media requires comprehensive knowledge of sociology, human behavioral science and psychology, and an imagination capable of foreseeing upcoming trends. DNP proposed the media concept and developed the basic system in collaboration with the influential Palo Alto Research Center (PARC) of the U.S. which has generated numerous innovative technologies and concepts in the information communication field.

In the spring of 2009, we plan to start using this system to distribute information about stores, institutions, photographs and events, etc. to mobile phones.

The photograph displays an early prototype



Information Communication Research and Development Center
Fumio Saito

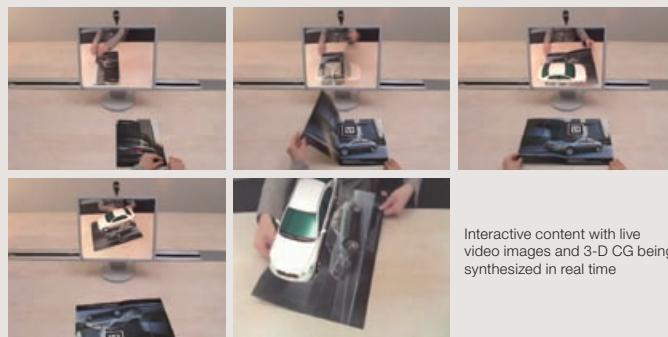


Broadening Our Business Base with CAD-CG

Since 2006, we have been providing manufacturers of automobiles, transportation equipment, household equipment and electrical products, etc. with a “CAD-CG service” whereby we generate high-quality 3-D computer graphics from CAD data used for product design, and develop the graphics into sales promotional materials. Based on manufacturers' desire to use CAD data in sales promotions before their products are complete, we have been succeeding at implementing more effective sales promotions while reducing the cost of producing promotional materials.

In this business, it is important to be quick to acquire the latest CG techniques and production methods, so DNP has been forming alliances with overseas partners. We expanded the business by joining forces with Germany's Realtime Technology AG for still images and interactive contents, and with Digital Domain Productions, Inc. for Hollywood-quality digital animation imagery. In May of 2007, we began a 3-D PDF production service using Adobe Systems Inc.'s Acrobat 3-D software to handle 3-D computer graphics as PDF files. And in November 2007, we tied up with metaio GmbH of Germany to begin an interactive content production service that displays live action images synthesized in real time based on photographs taken with a web cam or other camera.

The ultra-high-definition, print-quality CAD-CGs that we produce are difficult to distinguish from photographs or images of actual products. We established a full range of rapid and high-quality production processes necessary to take CAD data, created in different formats by different companies, prepare it to be used in 3-D CG production, produce the CGs, and develop them into end products used as sales promotional materials. In the future, we intend to develop CAD-CGs into diverse media and expand this business by developing expressive techniques needed for making even higher-quality 3-D CGs, developing more efficient production processes, and introducing innovations such as a new interactive system.



Interactive content with live video images and 3-D CG being synthesized in real time

Information Communication Research and Development Center
Shigeru Komatsubara



Lifestyle & Industrial Supplies PORTRAIT

Contribution to Group
Net Sales:

34.1%

Contribution to Group
Operating Income:

33.2%

This segment is what drives the overall DNP Group to expand our business fields through the development and application of printing technologies. The segment contributes 34.1% of DNP's total net sales.

*For details about products and services, please see Products and Solutions (p. 18-21).

Business

The Lifestyle and Industrial Supplies segment provides products that are closely connected with ordinary people's lives through three sub-segments: Packaging, Lifestyle Materials and Opto-Materials/Industrial Supplies. Starting with printing on non-paper materials like film or steel, we use coating and etching technologies and other basic printing skills to make products like optical film used in electronic displays and color ribbons for printing photos from digital cameras. We supply a wide range of high-function, high-quality products, including some of which DNP is the world's largest supplier.

Operating Divisions

■ Our Packaging sub-segment offers turnkey service beginning with packaging planning, design, development of materials, manufacturing in large or small lots, and design and development of filling equipment and factories. Manufacturers of foods, beverages, medical equipment, medicines, electronic components, or industrial materials and any other company that has a need to "wrap things" are all potential customers. We plan to expand this business by precisely addressing the characteristics of each material that needs to be wrapped.

- Our Lifestyle Materials sub-segment develops and provides a wide range of products including interior and exterior building materials, room division and storage products, and interior materials for automobiles and railroad cars. Our potential customers are companies that deal in "comfortable dwelling spaces," whether in Japan or abroad, and include building material or furniture manufacturers and automobile or railroad car manufacturers. This sub-segment also provides solutions to problems related to construction methods.
- The Opto-Materials/Industrial Supplies sub-segment develops and manufactures products like anti-glare film used in LC displays and dye-sublimation thermal transfer recording media, and other products of which DNP is the world's top supplier. Our main customers are world-class companies that deal in appliances or electronics, both in Japan and abroad, but our photo print business also markets DNP's own brand of products directly to consumers.

Strengths

- Capacity for developing and designing products, principally through specialized planning, research, and development staff. Ability to respond flexibly with universal design solutions that make products easy for anyone to use.
- Ability to develop industry-leading, advanced and original technologies. One example from the packaging field is our ability to develop technology and design plans to support aseptic filling systems, an area where we hold the top share in Japan. An example from Lifestyle Materials is the EB coating technology that generated numerous high-function, eco-friendly products. And an example from Opto-Materials/Industrial Supplies is our ability to develop technology for dye-sublimation thermal transfer recording media that has become the world's biggest seller.
- The ability to develop and provide comprehensive proposals and solutions based on a broad network of corporate clients.
- The ability to expand our business through M&As and corporate alliances.
- Manufacturing and sales capacity that makes it possible for us to expand into global markets.

Industrial Trends

In Japan, the demographic structure is undergoing major changes and new lifestyles are emerging, while on a global scale, environmental problems are becoming more prominent. It is important to establish safe and reliable lifestyles and reduce resource consumption at the same time. Companies and individuals are seeking products that adequately address their concerns about health and the environment, and this trend is expected to increase in the future. There is also an increasing demand for establishing manufacturing processes that put less strain on the environment. On the other hand, there is also a strong demand for products based on universal design and for products that are highly functional and convenient to use. Creating products that meet all these needs requires a high level of technical skill.

Packaging

As lifestyles become more diverse due to factors such as a growing awareness of health and environmental issues, the declining birthrate, aging society, and women's increasing participation in the world outside the home, people are thinking more critically when they choose products. These changes also affect packaging in fields like foods, beverages, and pharmaceuticals. There is a demand for packaging that makes it possible to provide safer, more reliable products by sterilizing the contents or using materials that block the passage of moisture or oxygen and therefore better preserve the contents. Also, due to an increased awareness of universal design, there is also a need for appropriate packaging that users can understand intuitively and that anyone can use with ease.

Lifestyle Materials

New housing starts have slowed due to various factors including the falling birthrate and aging of the population. However, there is a growing demand for products that excel

from the standpoints of health, environment, design and functionality. Demand is growing for wood-grain laminated board in response to concerns about deforestation, and for health-oriented products that do not use the volatile organic compounds (VOCs) that cause sick house syndrome, and for products that are scratch and stain resistant. There is also an increasing demand for products and construction methods that can help reduce overall costs and streamline large-scale projects such as office buildings, hospitals, and commercial facilities.

Opto-Materials/Industrial Supplies

As a result of growth in the market for flat-panel displays, which is mainly a result of double-digit growth in LC televisions, there is an increasing demand for optical films that prevent glare or improve picture quality. The need for greater functionality in optical films and stable supplies of large quantities is expected to continue into the future. In the photo print market, demand for prints of photos taken with digital cameras, including phone-mounted cameras, is increasing rapidly. About one quarter of the estimated 85.0 billion photos printed worldwide each year are digital photos. The number of digital photo prints is growing by double digits each year, and is expected to reach 50.0 billion in 2010.

Strategic Opportunities

The Lifestyle and Industrial Supplies segment uncovers new demands that arise from changes in people's lifestyles and engages in projects that lead to future growth.

In our Packaging sub-segment, there is continued growth in safer, more reliable packaging made from more eco-friendly materials, products that are convenient for people who live alone or in households where both spouses work, and products based on universal designs. The market for such products, and for manufacturing processes and product planning development that support such products, is expected to grow. We also foresee growth in demand for such products as aseptic filling systems that can be operated at room temperature, and from the medical and pharmaceutical fields for products like transparent vapor deposition barrier films that keep out moisture and oxygen.

In Lifestyle Materials, also, the market continues to grow for products designed with health and the environment in mind, and we expect to see greater demand for solutions to various problems, including problems related to construction methods. We expect growth in the market for products that use non-vinyl based materials and water-based inks, and for products that do not use formaldehyde or other VOCs said to cause sick house syndrome. Japan has the most advanced technology for making these kinds of eco-friendly products; in the future we can expect a surge in demand from overseas.

In the Opto-Materials/Industrial Supplies sub-segment, we expect demand for flat-panel displays to continue to grow rapidly, bringing continued strong demand for optical films. In the digital photo print market, we expect that double-digit growth will continue for dye-sublimation thermal transfer recording media, which delivers excellent print speed and durability. In addition, we expect rapid growth in use of the photo print kiosks that we have installed in camera shops, appliance stores, convenience stores, and similar locations.

Lifestyle & Industrial Supplies

BUSINESS STRATEGIES

Basic Strategies

DNP's Lifestyle and Industrial Supplies segment aims to contribute to an emergently evolving society by developing business with an emphasis on high functionality, environmental responsibility, and adding greater value. We are working on boosting sales from this segment both in Japan and overseas.

In the Packaging and Lifestyle Materials sectors, we will aim for more stable growth by developing products that focus on functionality and environmental responsibility. In the recording materials and industrial materials sectors, we will use coating technologies as a nucleus from which to actively develop products with multifunctional, high quality, high added value and new categories of products, in order to develop new markets.

High Functionality and Environmental Responsibility

Guided by an awareness of universal design and environmental responsibility, we will develop highly functional, eco-friendly products that meet consumers' demands for "good health, safety, comfort, and convenience."

Adding Greater Value; Shifting into Growth Fields

Coating technologies have already sparked significant changes and expansion in DNP's business. We will explore additional uses for printing technologies and step up the development of products and services with high added value. At the same time, we will shift our emphasis to areas with good potential for future growth, such as eco-friendly products made with electron beam (EB) coating technology for curing resins.

Developing New Businesses in Industrial Supplies

We will take a broader view of our market and look at energy, life science, and industrial materials and supplies as potential growth areas in which we aim to develop cutting-edge, original technologies and products. In addition to creating new businesses like solar battery components, we will continue to create new business models that make use of corporate alliances.

Major Policies

Industrial Supplies Sub-segment will Actively Develop Optical Films for Flat-Panel Displays

We intend to actively develop optical films for liquid crystal and plasma displays, as the market for flat-panel displays is expected to continue to grow. With the market demanding larger, thinner, lighter displays for televisions and computers, we intend to develop and market anti-glare films, backlight films, electromagnetic shield films, and other high-performance new products that will help resolve technical hurdles to creating the type of displays the market wants.

We will also work at developing new products that make use of the printing and information technologies that we cultivated through our previous businesses. One example is our front projector screen that can display clear images even in a brightly lit room. In the future, we expect new demand for this screen to come not only from corporations but also from individuals.

Packaging: Bolstering our Lineup of Functional, Environmentally Friendly Products

The market for foods and toiletries has been severely affected by shrinkage in the scale of the market due to Japan's falling birth rate and aging population, as well as by the surge in materials costs as a result of high crude oil prices. However, despite this environment, increased awareness of environmental problems and food safety issues has generated demand for new functions, and we believe that new business opportunities have emerged.

In the Industrial Supplies sub-segment, we developed components for solar batteries as part of our shift to higher added value. In the Packaging sub-segment, we developed products like aseptic filling systems for PET plastic bottles that allow our customers to reduce strain on the environment while also reducing manufacturing costs. Sales of these products are steadily increasing. We have also begun expanding applications for our IB (Innovative Barrier) film, which combines transparency with high barrier strength, to the fields of medical supplies, pharmaceuticals, and industrial supplies in addition to foods.

We intend to continue to view the dramatic changes of recent years as business opportunities. We will develop comprehensive solutions addressing every phase of business from product planning to manufacturing and sales promotions in order to expand our business.

Lifestyle Materials: Enhancing our Product Lineup with a Focus on Eco-Friendly, High Added-Value Products

Since we can't expect any rapid increase in demand for new housing in Japan, our strategy in the Lifestyle Materials business will be to pursue revenues through high added-value products.

We will add new designs to our series of "SUPEREAGOS" exceptionally wear-resistant and stain-resistant, eco-friendly decorative paper and "Ecostandard WS Safmare" vinyl chloride-free decorative sheet for residential interiors. Also, we will actively work to expand sales in overseas markets where there is a strong demand for decorative sheets, largely for use as surface coverings for furniture. We will enhance our portfolio of mainly environmentally friendly, high added-value products and actively promote them in world markets, starting with Europe and the United States.

In addition, we will use the dwelling space analysis and evaluation center that we established within our Okayama Plant to expand our solutions-oriented business related to living environments, such as measuring and assessing air quality in living environments.

Recording Materials: Aiming for Major Expansion through Effective Use of Resources Acquired From Konica Minolta

As part of our drive to address the rapidly growing market for digital photo printing by expanding our line of related products, DNP acquired Konica Minolta Holdings' domestic photography-related product sales business and other photo-related operations. We hope to use the sales channels through which Konica Minolta previously sold products like silver halide film to dramatically increase our domestic sales of dye-sublimation thermal transfer recording media. In addition, we aim to further increase sales in the strategic area of digital photo printing through other means, including staking out a share of the ID photo market.

Developing New Markets through Global Expansion

We intend to develop new markets for both our Packaging and Lifestyle Materials businesses by using domestic production bases as launch pads from which to meet demand from East Asia and other overseas locations.

In recording materials, we established a joint venture in France for assembling ink ribbons, and a subsidiary in the U.S. for selling dye-sublimation print materials. From these bases, we aim to build an optimal production and sales framework for serving the global market.

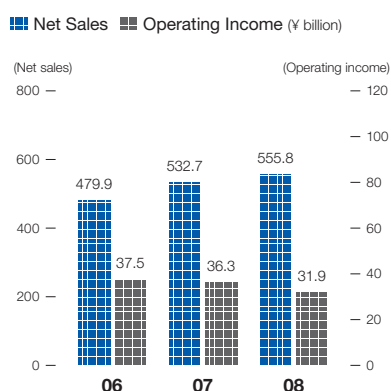
Lifestyle & Industrial Supplies

FINANCIAL RESULTS

Financial Highlights

	2008.3		2007.3		2006.3	
	¥		¥		¥	
Net sales	555.8		532.7		479.9	
Operating income	31.9		36.3		37.5	
Operating income margin	5.7%		6.8%		7.8%	

(¥ billion, %)



Business Environment

In the fiscal year through March 2008, Japanese convenience store sales exceeded the previous year's level by 1.2%, which represented a 0.7 percentage point increase in the year on year growth rate. Department store and supermarket sales also increased slightly, by 0.3%, and overall retail sales increased by 3.2% over the previous year.

On the other hand, housing starts in the year through March 2008 declined by a sharp 19.4% from the previous year, after rising for four consecutive fiscal terms.

The business environment remained difficult as prices of petrochemical-based products continued to rise while unit prices fell due to an intense competition for orders.

Performance

Despite sluggish sales of lifestyle materials due to the sharp drop in housing starts, overall net sales in this sector increased by 23.1 billion yen, or 4.3% year on year to 555.8 billion yen, primarily thanks to larger sales of antiglare film and other products in our industrial supplies sector.

However, operating income declined by 4.4 billion yen, or 12.1%, from the previous year to 31.9 billion yen due to factors such as higher prices for films, resins, and other petroleum products, lower unit prices, and higher depreciation costs. The operating income margin declined 1.1 percentage point year on year to 5.7%.

The segment contributed 34.1% of DNP's total net sales, and 33.2% of its operating income.

Packaging

Packaging sales slipped 1% from the previous year despite increased sales of flexible packaging and paper cups, due to smaller sales of other types of paper containers and pre-formed bottles. Pre-formed bottles are test tube-shaped primary products that are made into plastic bottles used with large aseptic filling systems. Sales of the aseptic filling systems were little changed from the previous year. Operating income was severely pressured by higher prices for films, resin and other materials, and by an increase in depreciation costs resulting from a tax reform that affected depreciation accounting.

* Aseptic filling systems: Aseptic filling is the process of filling sterilized packaging material with sterilized food or drink in a bacteria-free environment. In 1978, DNP became the first Japanese company to develop single-portion containers of coffee whitener. In 1994, we became the first Japanese company to develop a system for aseptically filling PET plastic beverage bottles. DNP then went on to improve the system, for example by speeding it up and introducing pre-formed bottles, and today holds an 80% share of the domestic market.

Lifestyle Materials

From July 2007 to March 2008, Japanese housing starts plunged by 25% in reaction to the enforcement of the Revised Building Standard Law that took effect in July 2007. Sales of lifestyle materials also declined overseas, particularly in North America, so that net sales from this sector declined 10% from the previous year. Among non-PVC wall coverings, sales of eco-friendly products using DNP's original EB coating technology* grew, but overall sales declined relative to the previous year. Profits remained under severe pressure from the decline in sales and higher materials costs.

* EB (electron beam) coating technology: a next-generation, eco-friendly technique for hardening resin applied to a flat surface by exposing it to electron beams and causing its molecules to polymerize. Compared to products coated with urethane or UV resin, EB coated products display greater surface hardness, soil resistance, photo-resistance, stability and durability, and are more practical for everyday use. The manufacturing process uses less energy, generates less carbon dioxide, and does not require the use of solvents.

Opto-Materials/Industrial Supplies

This segment enjoyed increased sales of dye-sublimation thermal transfer recording media and antiglare films for LCDs (liquid crystal displays). The latter is our biggest optical film product. Sales increased in terms of both number of units and square meters, thanks to a recovery in demand for LCDs and the introduction of larger displays. DNP supplies anti-glare film to every manufacturer of polarizing plates in the world, and controls roughly 70% of the market. Meanwhile, manufacturers are adjusting their production of plasma display panels (PDPs) due to intense competition from 40-inch-class LC TVs, which has made it difficult for us to profit from electromagnetic interference shielding film used in PDPs. Meanwhile, major manufacturers have been pulling out of the projection screen business, causing that market to shrink rapidly. However, we use the same production equipment to make contrast improvement film for PDPs, which are taking the place of projection screens, and sales of the latter film are increasing nicely.

In ink ribbons, there was a big drop in demand for monochrome ribbons for devices such as facsimile machines, but sales of products used for printing color digital photos have grown well. Demand for digital photo printing grew thanks to the rapid spread of digital cameras including those built into mobile phones, and thanks to growth in the number of DPE shops using commercial dye sublimation printers. The number of PrintRush self-serve photo-printing kiosk systems installed grew to about 1,200 units by the end of March 2008. The market has appreciated the high-speed, highly accurate prints provided

by PrintRush, and the system has made inroads with mass electronics retailers and leading DPE chains.

Meanwhile, DNP Photo Marketing Co., Ltd., which was formed after DNP acquired Konica Minolta Holdings' ID photo and photographic product sales businesses, launched a series of DNP-brand photographic products. Those aimed at the domestic market have been doing well. In the future, we plan to work harder at promoting sales of products aimed at overseas markets, while also promoting the DNP brand. The business environment remained extremely difficult due to the yen's rapid appreciation and increases in material costs.

DNP ID Imaging Co., Ltd. continues to face tough times marked by increased competition. The number of photos sold at each ID photo booth declined. However, awareness of newly installed ID photo booths has gradually increased, and sales are on an upward trend. We will continue to install new booths and work at expanding this business by locating PrintRush and ID photo booths alongside each other to attract new customers, and by selling more portrait photography equipment.

Lifestyle & Industrial Supplies

TOPICS

Lifestyle & Industrial Supplies

Promoting Solutions-Oriented Businesses Based on Universal Designs

DNP has engaged in a variety of projects aimed at making products that can be used safely and comfortably by all kinds of people, including the elderly, pregnant women, and children. Our efforts to introduce universal design in all our business fields — not just in food and drink packages but also in catalogs, pamphlets, books and other printed materials, interior materials that do not harm human health or the environment, and display products that make images easier to see, for example — have resulted in the additional benefit of leading us to engage in businesses that meet the needs of corporate clients and consumers.

Another result was the receipt of a Special Cabinet Minister's Award as part of the 2007 Barrier-Free Promotion Awards. This award recognizes our awareness of universal design, our awareness of the consumer's point of view in product design, and our efforts to make easy-to-use packaging available to more people, as in the example of Braille-imprinted packages and easy-to-open packaging.

Another example of our activity in this area is a book that we published jointly with Lion Corporation called, "The Touch and Learn Tooth Brushing Book." The book uses Braille and three-dimensional illustrations to teach visually impaired people how to care for their teeth. Braille libraries throughout Japan were presented with copies of the book, and it was used in "tooth brushing seminars" and other activities for the visually impaired.



Universal design packaging: pouch (left), box (right)

Dwelling Space Solutions

Enhancing Our Lineup of Healthy, Eco-Friendly Products

DNP started its building materials business in 1951 and has supplied diverse products not only for homes, but for a wide range of applications including offices, hospitals, commercial facilities, and automobiles. Especially in recent years, there has been greater demand for comfortable dwelling spaces that do not harm the environment or human health. We have stepped up efforts to provide "dwelling space solutions" that respond to this demand and resolve technical problems at the same time.

DNP's original EB coating technology is an environmentally friendly, next-generation technique that uses less energy in production processes, reduces CO₂ emissions, and makes it possible to coat surfaces without using solvents. EB-coated products are highly resistant to scratching, staining, and damage from sunlight — they are exceptionally durable, practical, and stable. In May 2007, we greatly expanded our series of original WS wood-grain residential-use decorative materials made with EB coating. DNP boasts the top share of the Japanese market for residential-use interior decorative materials, primarily used in condominiums. We responded to increasing diversity in consumers' tastes by enhancing our selection of designs and thereby positioning ourselves to further increase our market share.



Sample book of "WS Safmalle," "WS-F" and "WS Ello"



Display space "VOXART"

Expanding our Photo Print Business and Our New “FOTOLUSIO” Brand

Since the latter half of the 1980s, DNP has built a business of supplying ink ribbons used in photo printing and other dye-sublimation thermal transfer recording media. We now hold the top share of the world market for these products, partly because we supply the world's major digital printer manufacturers on an OEM basis. In 2005, we launched our PrintRush self-service photo printing kiosks, and in 2006 we acquired the Konica Minolta Group's ID photo, photography-related product sales, and color printing paper manufacturing businesses. In addition, we enhanced our manufacturing and sales bases in Europe and the U.S.

In January 2008, DNP launched a new brand, “FOTOLUSIO,” to show people all over the world that DNP has made a serious entry into the photo print business. The name “FOTOLUSIO” combines three concepts — “photograph,” “solution,” and “revolution.” We intend to bolster our photo print business on the strength of three major assets: comprehensive group strength that allows us to expand into a variety of business fields, technological strength that supports our leading position in the rapidly growing market for dye-sublimation thermal transfer recording media, and our capacity for expanding into global markets that promise long-term growth.



Aggressive Expansion that Makes the Most of Our Top Share in Dye-Sublimation Thermal Transfer Recording Media

Demand for digital photo prints is growing rapidly due to the spread of digital cameras and mobile phones equipped with cameras. In the year through March 2009, more than 6.0 billion digital photos are expected to be printed in Japan. DNP has installed its PrintRush self-service printing kiosks in such venues as photo shops, camera stores and large electronic goods retailers. From consumers, we are hearing things like, “I want to make larger prints” or “Can I still print my precious old photos although I lost the negative or the data file?” From the stores where the machines are located, we hear demands for a more modestly priced system that is easier to introduce. In response, we developed a “PrintRush Jr.” series of four compact machines with which we intend to expand this business. One type prints a variety of sizes from L (89 x 130mm) to 6W (six photos on 203 x 305mm stock), the second type is a copier that can copy photo prints, the third is an express printer that can produce an L-size print in four seconds, and the fourth is a standard model, but smaller than the original PrintRush printer.

In addition, DNP acquired the dye-sublimation thermal transfer media manufacturing and marketing business of General Technology Co., Ltd., a wholly-owned subsidiary of General Co., Ltd. in order to be better prepared to meet growing demand.



Self printing system “PrintRush”

DNP's Universal Design Projects “Making Eating Easier, from the Customer's Point of View”

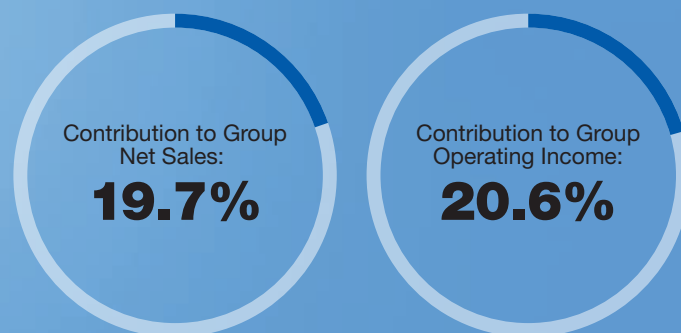
Most foods must be packaged before they can be transported, stored or delivered to consumers. We thought about consumers' eating habits from the consumer's point of view and from a universal design standpoint to consider what kind of packaging is easy to use and understand. Doing a good job of incorporating the philosophy of universal design leads us to the creation of better products. Packaging that allows more people to use a product comfortably leads to more business for DNP.

DNP adapted the following Five Universal Design Rules: 1) Easy-to-understand explanation of necessary information, 2) Simple and intuitive to use, 3) Flexible and safe to use, 4) Appropriate size and weight, and 5) Opens easily, without excessive force or extreme movements. Additional, optional considerations are 1) Form and expression that emphasize a product's appeal, and 2) Ease of trash separation and disposal. We will work actively to achieve our goal of developing packaging with a universal design in mind, in order to provide consumers with safe and reliable food products.

Packaging Operations
Haruko Furuta



Electronics PORTRAIT



This segment has grown rapidly, along with the markets for the products it supplies. Expanding on DNP's micro-processing technology and other core technologies made it possible for us to succeed in the electronics business. The segment contributes about 20% of DNP's overall net sales.

*For details about products and services, please see Products and Solutions (p. 18-21).

Business

DNP's Electronics segment uses the world's most advanced micro-printing techniques to provide numerous semiconductor and display products that support our information society, including photomasks (original plates for making LSI circuits) and multilayer wiring boards, and color filters used in liquid crystal displays (LCDs). Ever since DNP became the first company in Japan to develop shadow masks for color televisions in 1958 and to succeed at developing photomasks in 1959, the Company has developed a steady stream of products that meet the needs of client companies and has achieved rapid growth. Today, DNP electronics components hold the key to progress in many information-related devices.

Operating Divisions

- Our Display Components sub-segment mainly deals in LCD color filters, but also develops and manufactures a wide variety of display-related products such as back panels for plasma displays, projector screens, and organic EL displays. This sub-segment supplies products to world-class manufacturers in Japan, South Korea, China, Taiwan, and elsewhere. In our color filter production, we are increasingly linking up with customers' production facilities through in-plant, by-plant, or other cooperative arrangements.
- The Electronic Devices sub-segment provides products that are indispensable to electronic devices, such as photomasks and lead frames used in manufacturing semiconductors. In addition, we are developing high-density, advanced products that require micro-processing, such as buildup substrates, IC tags, and MEMS products.
- In both of these businesses, our main customers are the world's top companies. We are strengthening our collaboration with them and promoting turnkey operations in which we handle everything from compilation and analysis of needs, research and technical development, prototyping and quality assessment, construction of production equipment and startup of mass production, and even follow-up improvements.

Strengths

- Technologies backed by printing expertise, including world-class micro-processing technology, color management and patterning techniques, and photolithography, as well as the capacity to develop original new technologies and products.
- Quality control technology that allows us to realize high precision and stable quality. Also, uniform systems and comprehensive organizational strength that supports a high level of development and manufacturing strength.
- Corporate expansion strategy whereby we have moved ahead of competitors, for example through aggressive capital investment in developing our own technologies and in starting mass production of advanced products.
- Ability to create market trends by actively tying up with semiconductor manufacturers, device manufacturers, or research and development institutes, etc.
- Comprehensive strength that allows us to respond to rapidly changing markets and diversifying customer demands by combining our various strengths and achieving greater functionality and greater productivity in our products.

Industrial Trends

These days, people have come to use multiple displays in their daily lives, including displays in televisions, computer monitors, mobile phones, mobile game machines, and car navigation systems. In addition, there are more opportunities to project images on screens, so that there is demand for reproducing clean and pleasant images under a variety of conditions. Moreover, it is no longer possible to live without using machines that contain electronic devices, such as information devices or home appliances. This modern world has a need for businesses that can provide stable supplies of advanced, high added-value electronic products at competitive prices.

Display Components

The market for LC, plasma, and other flat panel displays continues to grow by 20 to 30% each year. LCDs in particular are becoming more diverse as the largest get larger and the smallest get smaller. As large-screen televisions become mainstream, the inkjet method has gained importance as it entails relatively small startup costs and is highly cost-competitive in the manufacturing stage. At the same time, there is a demand for developing products which make the most of the special characteristics of photolithographic methods, making it more important than ever to be able to develop and manufacture products using both methods. Regarding other display-related products, there is demand for increasingly high performance and increasingly low cost. Meanwhile, organic EL displays that are expected to be the next generation of flat-panel display have begun appearing on the market, sparking competitive development to meet demand for higher-performance color filters and related products.

Electronic Devices

In 2007, the worldwide photomask market was estimated at 320.0 billion yen (some 230.0 billion yen of which was outsourced) and is expected to grow by 5-6% per year in monetary terms. From the second half of 2007, serious demand emerged for 65nm products and in the second half of 2008, mass production of 45nm products is expected to begin. Currently, development of 32nm products is becoming active.

Strategic Opportunities

Amidst a harsh business environment, our Electronics segment is concentrating its management resources and focusing on the following trends.

Regarding Display Components, the LCD market is expected to continue to grow. The market is expected to expand greatly, partly because manufacturers who have been making their own color filters are expected to start outsourcing them. Manufacturers will be expected to be able to handle both inkjet and photolithographic methods.

In the future, we expect to see major market expansion with the advent of organic EL displays. We look forward to a major business opportunity that will include providing color filters and other components, as well as modularized panels. In addition, we expect growth in the market for high added-value products such as polychrome filters that have a fourth color added to the normal RGB composition to greatly expand the range of colors that can be reproduced, and units that combine a color filter with phase difference film and a polarization plate.

Concerning Electronic Devices, the worldwide market for semiconductors is expected to continue its stable growth. In addition to the spread of 65nm products, demand for cutting-edge 45nm products is expected to reach the level of serious mass production. In the 32nm field, a combination of ArF immersion and double exposure is a promising candidate to be the next-generation photolithography technique. In the future, we expect to see more widespread use of ArF immersion scanners and a greater demand for 32nm photomasks. Our ability to meet the needs of semiconductor manufacturers as they become more globalized and rely more on outsourcing will be important for our continued success.

Electronics BUSINESS STRATEGIES

Basic Strategies

By accurately assessing market needs and continually refining our advanced technology, DNP maintains its position as industry leader in the Electronics sector, and remains a top vendor despite rapid changes in the market.

We maintain a good balance between our portfolio of products that encompass every phase of the product life cycle — from development, growth and maturity to decline — and our aggressive strategy of technological development and active investment in more production equipment.

Emphasizing Technological Development

With top-class advanced technology as our greatest strength, DNP's electronics products have been acclaimed as No.1 in the world in many fields. In order to maintain and further sharpen this competitive edge, we will concentrate more than ever on research and development, and develop new products by achieving new heights in quality control and micro-fabrication so that we can earn customers' trust.

Rapid Response to Change

We will continue expanding our business by responding appropriately to rapidly changing markets and customer needs. This means building flexible production systems that can operate on an in-plant, by-plant, or other basis and can handle every format from component supply to modularization.

Concentrated Allocation of Management Resources

While giving ample consideration to potential changes in product life cycles and other business risks, we aim to concentrate our management resources on strategically important products in order to achieve high profitability.

Speeding Up Business Startups

In order to respond to rapid changes in market demands, we need to accelerate the pace of development of new products, services, and ventures. To accomplish this, we will always consider possibilities for M&As or other alliances that facilitate cooperation between strong partners, and do our best to expand our businesses efficiently.

Major Policies

Readiness to Supply a Wide Variety of Products Quickly Enough to Take Advantage of Product Life Cycles

Due to fast-paced technological development, product life spans have grown shorter in the electronic display market, where new types of products are always appearing. Manufacturers need to accurately predict which product will dominate the next generation and when the change will occur, and must quickly gear up to prepare for mass production. DNP avoids the risk of depending excessively on a single product by maintaining a full product lineup and the ability to respond regardless of which product becomes most sought after. Our basic strategy is to be prepared to meet demand for all types of displays of every size.

Our sales strategy is geared toward global markets; we seek to disperse risk by engaging in wide-ranging trade with customers all over the world, and to secure revenues by maintaining a steady stream of orders.

Also, we are rapidly researching and developing new technologies and new products for the next-generation display market. By developing the world's most sophisticated technologies, we plan to maintain our dominant market position.

Flexible Business Models Focused on Profitability

As liquid crystal panel substrates grow larger with the advent of 8th and 10th-generation products, we need to construct business models for our color filter production that enable us to respond flexibly to our customers' needs and concerns.

In order to keep up with growing substrate sizes, we intend to continue to respond flexibly to customers' needs. This may include installing new equipment, like the 6th-generation production line that we added at our Kurosaki Plant in Kitakyushu, or adopting a flexible business model that fits each customer's situation, for example by establishing joint ventures with customers to build "by-plants" adjacent to their manufacturing facilities or "in-plants" directly connected to a customer's production line. As examples of by-plants already underway, we are building a 10th-generation color filter plant in Sharp Corporation's Sakai manufacturing complex and an 8th-generation color filter plant adjacent to IPS Alpha Technology, Ltd.'s new Himeji factory. We plan to steadily strengthen our operating base by giving priority to profitability as we choose from a wide array of business models such as M&As, corporate alliances and royalty businesses.

Introducing the World's First Inkjet Method for Producing LCD Color Filters

DNP introduced the world's first inkjet-method color filter production when we began supplying 8th-generation color filters at Sharp's Kameyama No. 2 Plant in Kameyama, Mie Prefecture. The inkjet method makes it very easy to reduce manufacturing costs and allows more efficient expansion of production capacity. It also makes it possible to reproduce high-purity colors.

In addition, we have begun offering larger substrates by starting up an 8th-generation production line at our Kurosaki plant in Kitakyushu and building a 10th-generation line in Sharp Corp.'s new plant in Sakai City, Osaka. We expect significant growth in this business as demand for LCDs is expanding rapidly.

DNP will strive to supply LCD (liquid crystal display) color filters that contribute to the development of the industry by further developing technology like the inkjet method, which makes it possible to deliver both low cost and high quality, and by being among the first to set up production frameworks that meet our customer needs and respond to the rapidly changing market.

Maintaining our Top Share of the World Photomask Market by Virtue of Technological Strength

Backed by advanced technology that no competitor can come close to matching, DNP photomasks have been highly acclaimed for their exceptionally high quality, and DNP maintains the world's top share. Currently, more than half of the photomasks supplied by DNP have line widths of less than 90 nm. For cutting-edge products with 65 nm line widths in particular, DNP controls more than half of the world market. Having already established a factory in Italy through DNP Photomask Europe SpA, we are currently building a new plant in Hsinchu, Taiwan, with the goal of starting mass production in March 2009. In the future, we intend to take advantage of the results of joint development with clients to accelerate the supply and development of 45 nm products ahead of technological roadmap targets, in order to maintain our top share of the global market.

Cultivating New Mainstays in our Electronic Device Business, Building a Strong Business Constitution

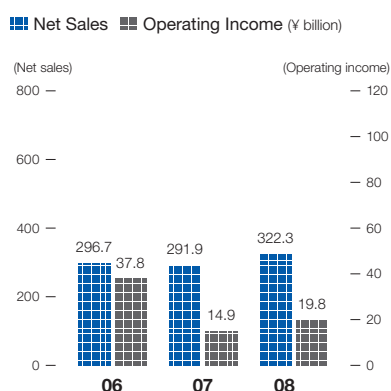
In addition to photomasks, DNP aims to expand its LSI design business and cultivate new core businesses by developing and aggressively pushing sales of products that use micro-fabrication, such as semiconductor packages, build-up boards, MEMS products and fuel cells. We view the electronic module sector as a particularly promising growth area where we should expand participation, and we intend to concentrate management resources there. Furthermore, we intend to build a flexible and sound business constitution that is not highly vulnerable to the ups and downs of the semiconductor market, by building up our solutions-based business. For example, this could mean developing an IC tag business in combination with application development.

Electronics

FINANCIAL RESULTS

Financial Highlights

	2008.3		2007.3		2006.3	
						(¥ billion, %)
Net sales	¥	322.3	¥	291.9	¥	296.7
Operating income		19.8		14.9		37.8
Operating income margin		6.1%		5.1%		12.7%



Business Environment

In 2007, the number of flat-panel televisions produced worldwide rose 58% from the previous year to 90,160,000 units. This included 79,430,000 LCD TVs (an increase of 31.8 million from the previous year) and 10,730,000 plasma TVs (up 970,000). Year-on-year growth rates have slowed — from 119% to 67% for LCD TVs, and from 57% to 10% for plasma TVs — but overall volumes continued to grow rapidly.

The global semiconductor market remained sound in 2007, as it was in 2006, driven by demand for mobile phones, household appliances, notebook computers, wireless communications devices, and automotive electronic devices. The market expanded by 3.8% from the previous year to US \$273.9 billion.

Worldwide shipments of PCs rose to 271.2 million units, an increase of 13%, compared to a 7% growth in the previous year. The number of mobile phones shipped worldwide was 1,144.1 million, remaining above the 1 billion mark reached in 2006, but the growth rate declined from the previous year's 25% to 12%.

Performance

Sales of LCD color filters grew sharply in the year through March 2008. Although demand usually drops off in the January to March quarter, this fiscal term it remained strong throughout the year, sustained by heavy demand for both computer monitors and television screens. Photomask sales were also solid, as demand for cutting-edge 65nm products picked up in the second half of the term.

As a result, the segment's net sales increased by 10.4% or 30.4 billion yen from the previous term to 322.3 billion yen. Despite higher depreciation expenses, operating income increased by 4.9 billion yen, or 33.1%, to 19.8 billion yen thanks to improvement in utilization of color filter production capacity and increased orders for cutting-edge photomasks. The operating income margin rose 1 percentage point from the previous year to 6.1%.

The segment contributed 19.7% of DNP's total net sales, and 20.6% of its operating income.

Display Components

We enjoyed a strong demand for LCD color filters, for use in both computer monitors and television screens, and operated our 5th, 6th, and 8th-generation color filter production lines at full capacity throughout the year. Prices were relatively stable. The average sale price for the entire term fell only about 10% from the previous year.

In the future, we expect strong sales of 5th-generation color filters to be sustained by a brisk demand for LCD panels used in desktop and notebook computer monitors, mainly from China and Taiwan. We also expect further growth in demand for 6th-generation color filters used mainly in televisions. In the fiscal year through March 2009, we plan to invest actively in large-scale production equipment for 8th and 10th-generation products linked directly to our customers' factories.

Electronic Devices

In photomasks, we expected demand to shift from the 90nm products that were the mainstay of the market to cutting-edge 65nm products, and we reinforced our production framework accordingly. There was a steady increase in 65 nm products in the fiscal year ended March 2008, but semiconductor applications that require 65 nm products have still not spread widely. Because of this and other issues, growth was smaller than we forecast at the beginning of the term.

Regarding high-density buildup wiring boards, the market responded well to DNP's unique B²it (B-square-it)* production technology, which is excellent for making compact, high-density printed wiring boards used in increasingly sophisticated mobile phones that include functions such as high-resolution cameras and electronic money handling. Sales of B²it boards increased sharply.

* B²it: A buildup board (a printed board made by piling up insulating layers and wiring layers) made with DNP's proprietary technology for connecting the layers (via connections) through bumps (conductive paste used for electrically conducting the board's layers) formed by means of screen printing. This technology allows for a high degree of freedom in chip design, as it leaves more space for mounting components and connections can be located anywhere on a layer.

Electronics TOPICS

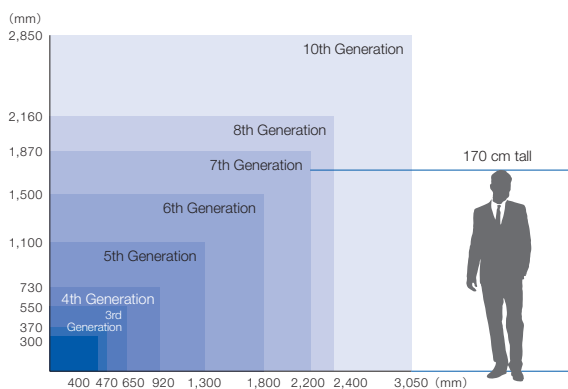
Color Filters

Establishing the World's Largest Supply Capacity

DNP has begun building a new 10th-generation (2,850mm x 3,050mm) inkjet-based color filter plant to produce filters for liquid crystal displays (LCDs) in Sakai City, Osaka.

DNP plans to supply all of the color filters manufactured at the new plant to a facility also now under construction in Sakai City by Sharp Corporation. DNP will invest approximately 43.5 billion yen in the new plant, which will be able to produce 36,000 sheets of 10th-generation mother glass per month. The plant is scheduled to begin operating by March, 2010.

Since 2002, DNP has participated in a collaborative project aimed at developing inkjet-based color filter production technology, and successfully established such mass production technology jointly with Sharp, which also participated in the project. In September 2006, DNP acquired the color filter production line at Sharp's Kameyama Plant No. 2, and commenced the world's first inkjet-based mass production of 8th-generation color filters. Sharp was very pleased with the results of this endeavor, which spurred DNP to build its new factory adjacent to Sharp's new plant in Sakai City.



Note: Precise sizes vary by manufacturer.

The LCD market is continuing to grow rapidly. Sales of large-scale LC televisions of 40 inches or more are expected to increase particularly sharply, so LC panel manufacturers are boosting production capacity for large panels. Having foreseen this trend, DNP is proceeding on schedule with its own plan to beef up its supply framework by boosting the capacity of the inkjet-based 8th-generation production line at its Kurosaki plant in Kita-Kyushu, in addition to building the new factory in Sakai. With the addition of the new Sakai plant, DNP's total capacity for producing 6th-generation-plus color filters, counting plants already in operation — the Kurosaki plant (two 6th-generation lines totaling 60,000 filters per month) and Kameyama plant (8th-generation, 30,000 filters per month) — and the new line expected to start operation by June 2008 at the Kurosaki plant (8th-generation, 30,000 filters per month), will amount to 2,244,000 filters (based on 32-inch LC panels) per month. This will give us the world's biggest supply capacity for large LC panels.

Photomasks

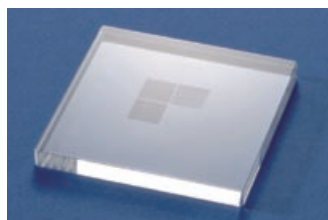
Expanding Market Share through Global Mass Production That Pushes the Edges of Ultra-fine Micro-processing

The photomask market is expected to grow by 5-6% per year in monetary terms. Mainline product size is expected to shift from the current 90 nm to 65 nm and then to 45 nm. Ever since 1961, when DNP got into the business of making photomasks (original plates used in the production of integrated circuits or semiconductors), we set about to develop comprehensive micro-processing technologies and have remained a leader in the development of cutting-edge techniques. We hold roughly 70% of the outsourcing market for 65 nm products, and we are developing cutting-edge products including 32 nm products in response to expected future demand for increasingly compact and multi-functional electronic devices. Also, in order to meet strong demand from overseas markets, we are actively expanding our business overseas, for example by building an advanced photomask plant in Taiwan.

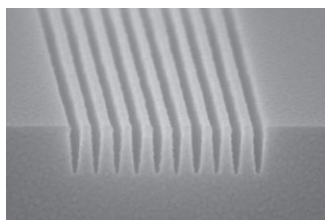
In June 2007, DNP acquired semiconductor photomask manufacturing and sales businesses from NEC Electronics Corporation and NEC Fabserve Ltd., which we now operate through a new subsidiary called DNP Fine Electronics Sagamiara Co., Ltd. As a result of this acquisition, we aim to bolster our

photomask development and manufacturing framework, lower total costs as a result of economies of scale, and expand our business. Photomasks produced by the new company will be supplied through DNP to NEC Electronics and other semiconductor manufacturers.

In addition, in September 2007, we succeeded in developing patterned nano-imprinting templates suitable for use in the production of next-generation, 18 nm-class semiconductors. These templates were successfully used by a semiconductor manufacturer for transferring patterns to the silicon wafers that serve as semiconductor substrates, and the technology was found to be highly reliable. As semiconductor circuits and nano devices become smaller and smaller, nano imprinting has gained much attention as a new semiconductor manufacturing method. Our success at making 18 nm-class templates is an important milestone on the way to expanding our business. We intend to make an early entry into a market that promises to grow in the future by supplying semiconductor and device manufacturers with templates that they can use in the manufacture of next-generation semiconductors, magnetic recording media, light-emitting diodes, display products, and nano devices, etc.



Template for nano imprinting



Close-up of nano imprinting template

MEMS/Electronic Modules

Expanding Our Business through Original Technologies and Alliances

Joint Development of Bio-MEMS through Application of Semiconductor Technology

Micro-electromechanical systems are devices consisting of electronic circuits layered onto a substrate. Demand for these devices is increasing rapidly for use in many electronic devices where there is a drive toward increasing miniaturization and multi-functionality. DNP is applying the micro-processing and fine etching skills that we cultivated in the course of developing and manufacturing high-precision semiconductor photomasks to the development of comprehensive MEMS foundry services ranging from design to prototyping and mass production. DNP has been active as a MEMS foundry providing a variety of MEMS products. For example, as early as 2006, DNP was the only company in Japan to have equipment for manufacturing MEMS for use in eight-inch wafers.

In July 2007, DNP and a research group headed by Tokyo University Associate Professor Shoji Takeuchi used MEMS technology to develop a micro flow channel chip. This chip is an example of bio-MEMS that can be used to facilitate medical diagnosis or bacteria detection or to develop medicines. It consists of fine channels and depressions formed into a pattern on a silicone substrate and is expected to be useful in such areas as protein function analysis and drug discovery. DNP plans to build on this success by beginning full-fledged bio-MEMS prototyping and mass production services.



A micro flow channel chip compared to a 500-yen coin



Glass pieces 100 μ m in diameter trapped in flow channels

Development of Compact, MPEG-4 Camera Board with Video Encryption Function for Use in Automobile-mounted Cameras

An increasing number of automobiles, especially taxis, trucks, and other commercial vehicles, are being equipped with cameras that can provide video evidence of what occurred immediately before and after a traffic accident, in order to support the testimony of drivers or bystanders during investigations into the cause of the accident. At the same time, advancements in digital technology have created a new need to prevent leakage or alteration of video recordings of accidents. In order to improve security, DNP has developed an MPEG-4 camera board for use in auto-mounted cameras that can record data in an encrypted form. In the event of sudden impact, sudden braking, swerving of the steering wheel or other disruptions to smooth driving, acceleration sensors trigger the recording of a maximum of 35 seconds worth of video and audio data leading up to the triggering event. Encryption improves the reliability of the video data. We plan to step up efforts to market this product to automakers, automotive device manufacturers, and camera manufacturers, etc.

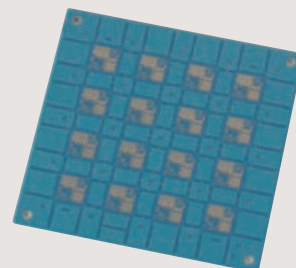
Special Column: Creating New Markets

DNP Begins Mass Production of the World's First Printed Wiring Boards Embedded with Both IC Chips and Passive Components

In January 2008, DNP achieved another global first by beginning mass production of printed wiring boards embedded with IC chips and passive components such as condensers and resistors. With the transition to mass production, we augmented our production equipment so as to achieve a production capacity of 70 million units per month (assuming one component per wiring board). We will market this wiring board mainly for use in various types of modules, including camera and fingerprint identification modules used in mobile phones, where there is high demand for miniaturization.

DNP has applied and expanded its unique build-up board manufacturing technology, known as B²it, in order to respond to market demands. Because B²it technology makes it possible to freely configure connection points between a wiring board's tiers, we were able to use it to commence mass production of printed wiring boards embedded with passive components in April 2006, and to provide a variety of other products. Then, in response to manufacturers' calls for even smaller and more sophisticated components, DNP established manufacturing technology for embedding printed wiring boards not only with passive components but also with IC chips.

We started out embedding small chips with relatively few pins, but went on to develop techniques for embedding chips with larger surface areas and more pins. We intend to enlarge this business by expanding the range of applications.



Electronic Module Development Center
Atsushi Takano



Sustainable Development



Based on our management concept of contributing to the emergently evolving society of the 21st century, we established the DNP Group Guidelines for Conduct to specify our employees' mission and responsibilities, and the DNP Group Vision for the 21st Century to indicate the kind of company we want to be and the direction we want our businesses to take in the future.

We believe that actualizing our management concept — by acting in good faith in accordance with our DNP Group Guidelines for Conduct and by actively creating new values according to our Vision for the 21st Century — will contribute to the sustainable development of DNP and of society as a whole.

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Legal Compliance and Corporate Ethics

Over the years, the DNP Group has cultivated society's trust. In order to further solidify that trust, we have continuously reviewed our plans and efforts aimed at ensuring ethical corporate behavior, taking care not to allow those plans and efforts to become outdated or ineffective.

We can win society's trust when each DNP employee behaves with integrity. We strive to encourage our employees' autonomy and to convey to them the importance of corporate ethics from a positive standpoint, i.e. that the DNP Group can only enjoy sustainable growth if it is trusted.

Throughout the DNP Group, we express and share our basic attitude towards corporate ethics through three simple words: "continuity, autonomy, and positivity."

Efforts to Ensure Compliance with Laws and Corporate Ethics

1991	Initiated corporate ethics training
1992	Established Corporate Ethics Committee and enacted the Dai Nippon Printing Group Corporate Pledge
1993	Established the DNP Group Employee Code of Conduct
1994	Established corporate ethics committees at each Group company
1997	Introduced a self-checking system
1998	Revised the DNP Group Employee Code of Conduct
1999	Began holding conferences of corporate ethics committee secretaries
2002	Revised the Dai Nippon Printing Group Corporate Pledge; established the Open Door Room
2003	Introduced voluntary corporate ethics training
2004	Introduced priority execution plans
2005	Initiated our compliance assessment system; launched a project team to consider internal controls
2006	Established Basic Compliance Management Regulations and Open Door Room Regulations
2007	Reviewed the Dai Nippon Printing Group Corporate Pledge and the Employee Code of Conduct; established the "DNP Group Code of Conduct"

Broadening and Deepening the Practice of Corporate Ethics

1. Corporate Ethics Committee

The Corporate Ethics Committee is composed of representatives from the various departments of the head office. Since its establishment in 1992, it has met once a month to work at establishing and promoting knowledge and practice of corporate ethics throughout the entire DNP Group, to check the effectiveness of these efforts, and to address new issues. We also established corporate ethics committees within each department of the head office, in operating divisions, and in each Group company, thus creating a framework for the whole Group to work together.

The Corporate Ethics Committee served as the DNP Group's sanctioning body for creating an internal controls system as required by the new Corporation Law and the Financial Instruments and Exchange Law. In particular, the committee formed a project team in 2005 to address the Financial Instruments and Exchange Law's requirement for "enhancing internal control over financial reporting." As a result of the project team's work, construction of the Group's internal controls system is complete and we are working hard to be sure the system is implemented so that all our operations are conducted appropriately.

2. Management by Objective and Evaluation System

Based on the idea that active participation from each employee is essential to establishing and spreading ethical corporate behavior, we incorporated observance of corporate ethics in our management by objective and evaluation system (see P98). Each employee is asked to consider what constitutes acting with integrity, evaluate the results of his or her own actions, and confirm those results in twice-yearly discussions with his or her supervisor.

3. Self checking of Compliance with Laws and Regulations

Since 1997, each operational division has been performing a self check once a year. In 2004, we introduced a "priority execution plan" whereby each division addresses issues according to their priority for that particular division.

In 2007, in response to the various changes such as internal controls and legal regulations within and outside the group, we conducted a risk inventory and assessment and identified major risks. We then combined the self check with the priority execution plan. This enabled us to address major risks particularly efficiently, and resulted in a monitoring system that can lead to more concrete results.

4. Compliance Assessment System

In contrast to our self-check system, whereby each operation evaluates and improves itself, under the compliance assessment system that we initiated in 2005, the Lead Department of the head office inspects operations to assess areas of significant risk and objectively assesses each unit's degree of compliance.

The results of these assessments are reported to the Executive Management Council. Because these reports are disclosed to the entire Group, each operational division is concerned about its evaluation results and works hard to make improvements. This system has been very helpful in raising the overall level of compliance throughout the DNP Group.

In 2007, we reviewed our assessment system in order to make it more objective. The changes that we made included increasing the number of assessment items and increasing the weight of assessment based on numerical indices.

5. Systematization and Implementation of Corporate Ethics Training

It is not an exaggeration to say that success in promoting corporate ethics depends on how firmly we establish compliance awareness in the mind and heart of every employee. We create occasions for various types of training designed to give each employee this kind of awareness.

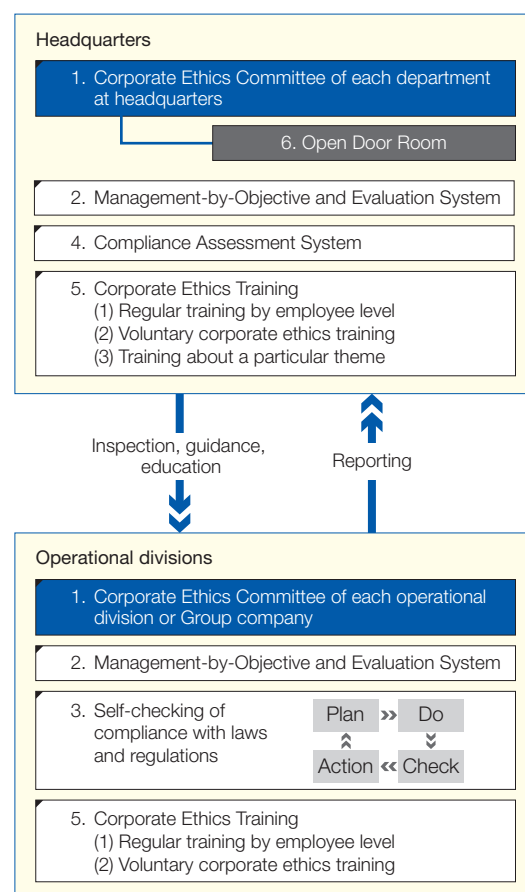
Examples of these occasions are regular training sessions by employee level, including training given to new employees or to employees who have been newly promoted to the management level, training given directly to subordinates by the head of each operational division about issues pertinent for that division, and training aimed at ensuring thorough awareness about a particular theme. Voluntary corporate ethics training sessions based on the slogan, "It's your organization; take responsibility for protecting it," whereby the head of each organizational unit raises themes that are relevant for that particular unit, have become especially well attended/known to be interesting, and are gradually producing results.

6. Open Door Room

In 2002, DNP established the Open Door Room as a place where employees can report or consult about doubts or concerns related to corporate ethics.

In 2006, we established the "DNP Group Open Door Room Regulations." Because these regulations address the laws that protect whistleblowers and fulfill an important role as part of our internal control system, we worked hard to make them known throughout the Group. As a result, more employees came to consult about ethical matters in the fiscal year through March 2008. Still, we did not find any particular problems that affected our business operations.

Framework for Establishing Corporate Ethics and Transparency



Information Security

In addition to receiving orders from customers, DNP also makes effective use of personal information in its own business by developing and providing services and products that benefit businesses and consumers. Through this type of business activity, we have come to fully appreciate the importance of personal information and we have protected it appropriately as we are obviously obliged to do.

We view the maintenance of information security and the protection of personal data as top-priority management tasks. We intend to continue maintaining strict control according to our Personal Information Protection Policies, and to promote specific projects through appropriate systems and measures.

Personal Information Protection Policies

(Established Dec. 1, 1999; revised Feb. 1, 2005 and Dec. 1, 2006)

A variety of companies and organizations entrust DNP with personal information so that we can help them provide all types of services and products for consumers. In addition, we have developed various types of services and products that make effective use of personal information in businesses that DNP operates itself. Through these various businesses, we have become well aware of the importance of personal information and it is obvious to us that we are obligated to provide appropriate protection for such information.

We will handle personal information appropriately, in line with DNP's Personal Information Protection Policies.

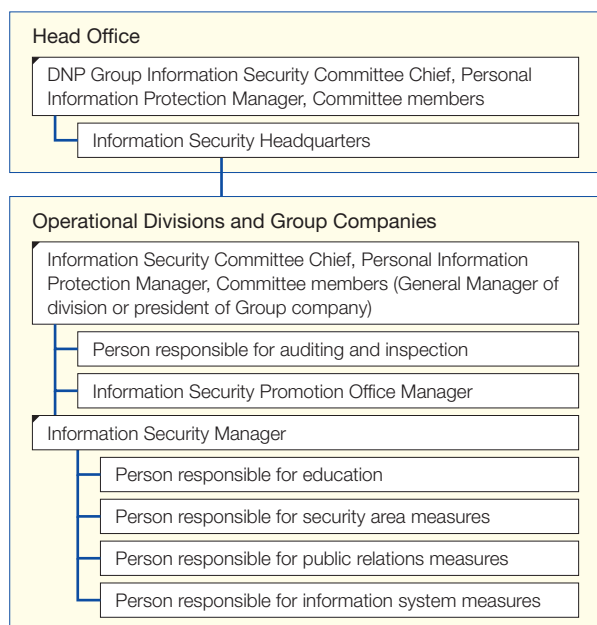
1. Strictly comply with laws, national government guidelines, and other regulations related to personal information protection; strive to protect personal data.
2. Take necessary and appropriate safety precautions to prevent leakage, loss or destruction of personal data. In the event that a problem should occur, take prompt measures to correct the situation.
3. Specify reasons for using personal information; acquire, use and provide personal information in fair and appropriate ways. Take measures to prevent personal information from being used for any purpose other than the specific purpose for which it was acquired.
4. Respond appropriately to a request for disclosure from someone whose own personal information is being held by the Company.
5. When the performance of services on behalf of a client company involves the handling of personal information, use the information only within the scope of the requested services.
6. Establish in-house regulations concerning the handling of personal information; build, maintain and continuously improve related systems.
7. Respond appropriately to complaints or questions from someone whose personal information is being held by the Company regarding DNP's handling of personal information or our systems for protecting personal information.

Organizational Framework

1. Establishing Systems

In April 1999, we established a personal information protection office, which has been working at responding to changes within and outside the group and at making our information security measures more effective than ever. In the year ended March 2008, we formed an information security headquarters under the auspices of the head office's DNP Group Information Security Committee, and significantly increased the number of people assigned to inspecting and guiding operational divisions and group companies.

Framework for Promoting Information Security



2. Establishing Internal Rules and Regulations

Using the personal information protection regulations that we established in 1999 as a base, we reinforced our protection of personal information by establishing Group-wide rules to serve as more specific standards. Then, in 2002, we reviewed our information security-related regulations and established a new Basic Policy on Information Security and new Basic Regulations Regarding Information Security. In addition to determining seven standards concerning issues such as document management, computer access, and areas kept off limits to outsiders, we rapidly report new risks and establish or revise appropriate rules.

In the year ended March 2008, we established Group-wide rules related to the handling of personal information in data processing rooms, personal information related to employees or job applicants, and laptop computers and mobile phones.

3. Establishment of Management System

We are working to ensure that every workplace that handles personal information complies thoroughly with relevant laws, and to establish a personal information management system that meets the personal information protection standards of Japanese Industrial Standard (JIS) Q15001. As of March 31, 2008, we had received Privacy Mark certification for 19 of our operational divisions and ISO/IEC 27001 certification for five divisions. Also, in 2008 we began the process of acquiring Privacy Mark certification for Dai Nippon Printing Co., Ltd.

Educational Programs

We work hard at raising the awareness of each and every employee, using various methods of education and training including distributing handbooks, holding lectures and conferences, and offering "Network Learning" online education programs. In the year ended March 2008, we held a groupwide conference and explanatory meetings on personal information protection management systems and seminars about information security for employees in charge.

Measures for Strengthening Information Security and Protection of Personal Information

We implemented the following measures during the year ended March 2008.

- (1) Data processing rooms where personal information is handled.
 - Controlled entry and exit through biometric authentication in order to prevent intrusion by outsiders.
 - Installed security cameras to discourage illicit acts.
 - Had employees wear uniforms with no pockets to prevent data or other theft, separated locations where data can be copied onto recording media, and began conducting inspections using metal detectors.
 - Acquired personal information access logs, and reduced the number of people (DNP Group employees only) who can transfer information to data storage media.
- (2) Concentrated data input center and call center functions and locations for sales campaign representative services, which require a high level of security.
- (3) Introduced smart card-based security gate system for employees at 29 locations, including sales offices, and implemented various other measures for preventing information leakage. For example, we began using special, locking transfer cases for transferring highly confidential documents between major operational bases.
- (4) Promoted use of DNP's original "Gendarme" authentication based on electronic certificates recorded on smart cards when using a computer network to transfer customers' personal information. In addition, we promoted the encryption of customers' important information by developing and marketing "Dreadnote" CD-Rs containing automatic encryption software for exchanging data via recording media.
- (5) Took measures to provide the same level of protection against viruses and OS vulnerabilities for computers at major overseas bases as we do in Japan; constructed a central control system.

Managing Intellectual Property

Basic Policy

In order to make intellectual property (IP) a major source of corporate revenues, each of DNP's operating divisions has formulated an independent IP strategy and has drafted a business strategy that includes the development and use of promising IP. DNP generates and cultivates IP through P&I Solutions and through research and development efforts, improves the "quality" of its technological and commercial value, and makes maximum use in DNP's business activities of IP for which we have established rights. At the same time, we actively offer IP-related consulting and legal support services.

Furthermore, by providing all employees with education and training related to intellectual property, DNP has cultivated a corporate culture of fairness in which we both assert our own rights when appropriate and respect the rights of others. We foster a corporate climate where intellectual property laws are respected, and are establishing systems for ensuring legal compliance.

IP Management Activities

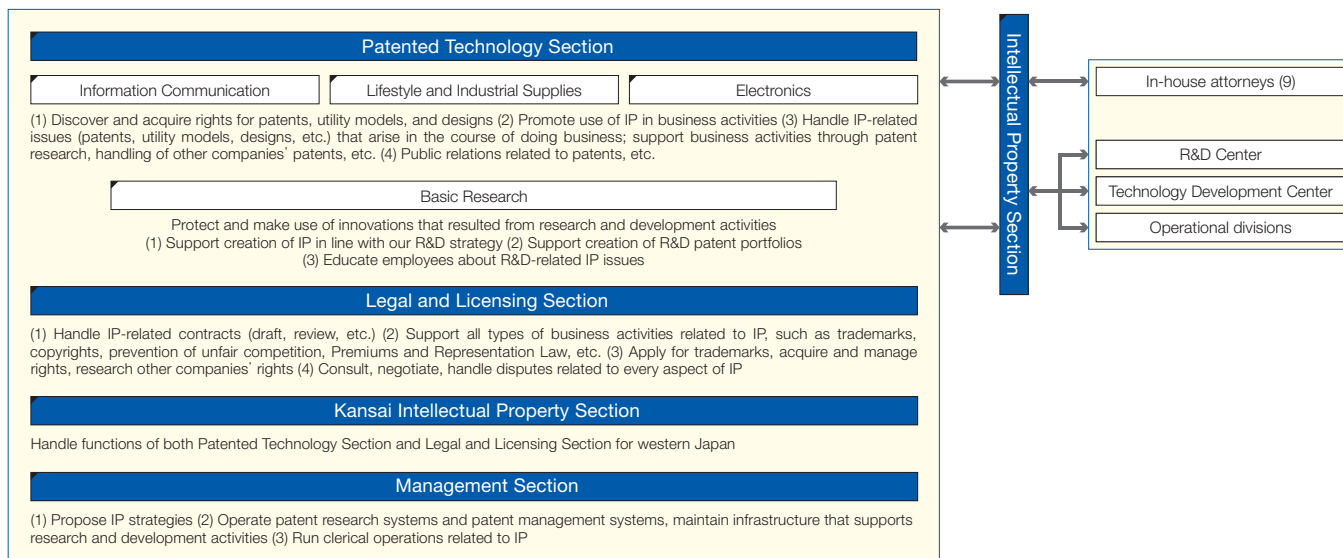
- 1) In order to enhance the DNP Group's skills related to generation and use of IP, we have established our own IP training system, which we operate and review as necessary.
- 2) We encourage employees to create and use IP by maintaining an appropriate system of IP bonuses.
- 3) We teach employees to use databases and to research pre-existing technologies in order to generate IP without infringing on the rights of other companies.
- 4) We evaluate the quality of inventions and take whatever measures are necessary in order to acquire rights related to important applications.
- 5) We will create and use systems for appropriately managing rights that we have acquired.
- 6) We will strengthen each important invention by evaluating and organizing DNP's intellectual property, and use it to help each business division achieve its goals.
- 7) We build portfolios of patents related to themes that grow out of our various businesses, encourage the use of those portfolios, and devise strategies for establishing rights.
- 8) We will support the businesses of our client companies, by holding lectures concerning IP-related laws that regulate matters such as copyrights, truth in advertisement and trademarks.
- 9) We will report to each operational division the results of our review of various contracts which we expect to bring benefit to the business without creating any compliance problems, and instruct them on the observance of legal regulations and contract terms.
- 10) We use education about IP to promote a fair and equitable corporate culture in which we not only justly assert our own rights, but also guard the rights of others.
- 11) We dispatch representatives to various IP-related associations (Japan Intellectual Property Association, the Japan Fair Trade Commission, and Licensing Executives Society Japan), where they actively make proposals to the industry and work to build a business environment that is favorable to the industry.

Framework for Promoting IP Rights

DNP's IP protection framework consists of four sections and employs nine in-house attorneys. The Patented Technology Section addresses IP issues related to basic research and DNP's main business segments: Information Communication, Lifestyle and Industrial Supplies, and Electronics. The Legal and Licensing Section handles contracts and

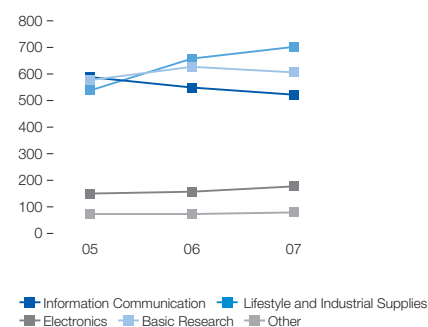
legal issues related to IP. The Kansai Intellectual Property Section handles both patent and license-related functions for Kansai and the rest of western Japan, combining the functions of the first two sections. The Management Section proposes IP strategies and operates DNP's patent information management system.

IP Management Framework

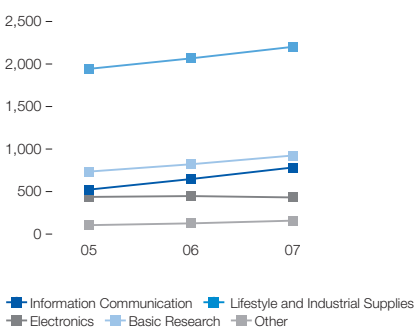


Applications for Patent Disclosures and Trademarks, and Rights Held (Patents, Utility Models, Designs and Trademarks) by DNP in Japan (2005 - 2007)

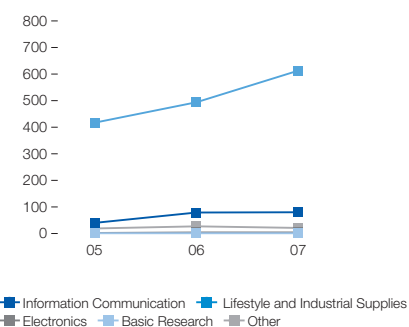
1) Number of patent disclosures



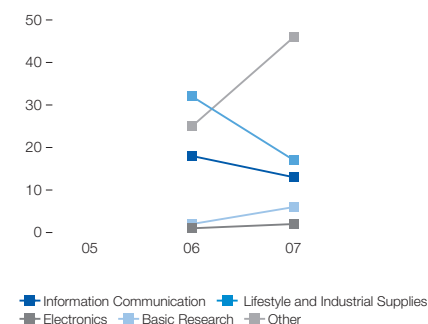
2) Number of patents and utility model rights held



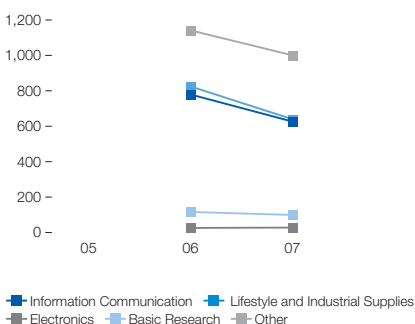
3) Number of design rights held



4) Number of trademark applications



5) Number of trademarks held



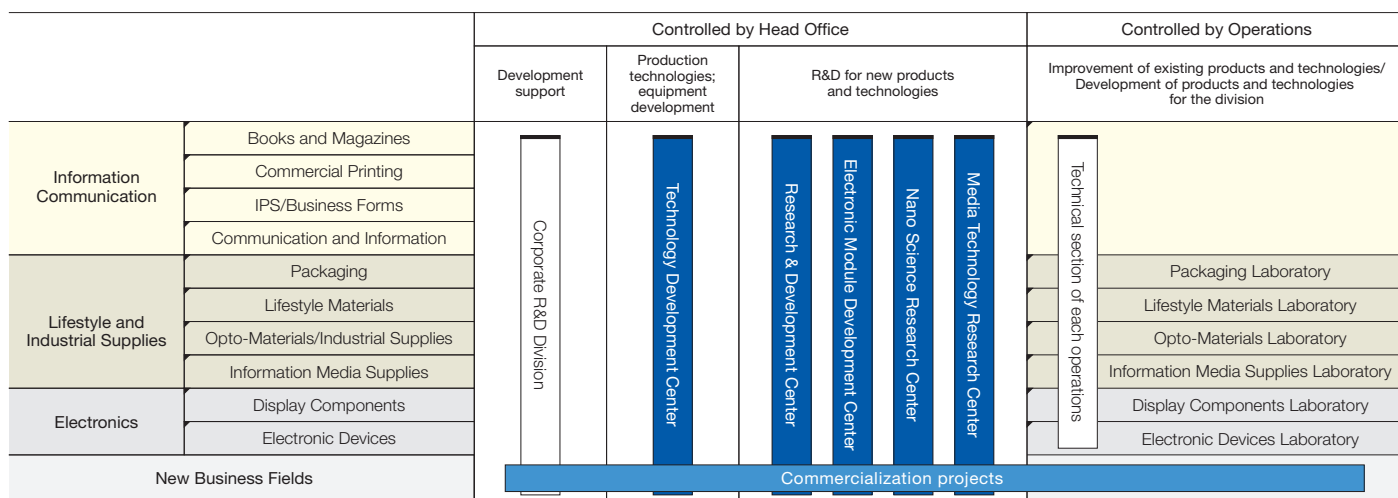
Research and Development

DNP's management principle is to help create an emergently evolving, 21st-century society by providing P&I Solutions based around printing technologies (PT) and information technologies (IT). An emergently evolving society stimulates various modes of communication, so our Research and Development section needs to use printing technologies and information technologies and move quickly — before other companies do — to develop innovative new technologies and materials that facilitate every process involved in information exchange, from data input to storage, processing, formatting and output. By quickly responding to market changes and always staking out positions in new businesses, we can continue to offer new solutions to client companies and consumers.

Research & Development Framework

DNP's research and development framework has five basic research laboratories with the Research & Development Center at its core, and seven specialized laboratories belonging to the each operational division. These laboratories constitute the driving force that allows us to actualize DNP's "P&I Solutions" concept. By organically connecting these laboratories, we can generate new products, technologies and systems.

The research facilities are also connected to the technical departments of DNP's various production facilities, where they help resolve problems at the front lines at production sites. We have made use of technology and expertise accumulated through these relationships in order to develop original DNP production equipment that allows us to offer even more effective manufacturing technologies.



Functions and Time Frames of R&D Facilities

	R&D facility	Function	Development term
Headquarters Research Centers	Research & Development Center	Conducts research and development related to new products and new production processes	Medium to long term (less than five years)
	Electronic Module Development Center	Develops technologies, products and services related to electronic modules	
	Nano Science Research Center	Conducts basic, applied, and commercial-level research and development related to materials and processes; analyzes products	
	Media Technology Research Center	Researches and develops core technologies for the information communication field; develops and refines technologies, products, and services	
	Technology Development Center	Researches and develops production technologies	Medium term (less than three years)
Division Laboratories	Packaging Laboratory	Develops packaging materials and technologies, freshness preservation technologies	New Product Development Short term (less than one year)
	Industrial Materials Laboratory	Researches and develops industrial materials	
	Lifestyle Materials Laboratory	Develops surface materials for interior and exterior building décor	
	Opto-Materials Research Center	Researches and develops optical materials	
	Information Media Supplies Laboratory	Develops all kinds of information media	
	Display Components Laboratory	Researches and develops all kinds of display devices and components	
	Electronic Devices Laboratory	Conducts research and development related to cutting-edge photomasks, mounting components and LSI design	

Product Safety

DNP views product safety as one of its top priorities. We created a single product liability management system that is shared by the entire DNP Group, and we all work together to make sure our products are safe.

Product Safety Management System

It goes without saying that our products must meet all relevant legal and regulatory standards. Our basic policy is to fulfill our corporate social responsibilities by offering products that exceed customers' needs and expectations regarding product safety.

We implement the following measures in line with this basic policy.

1. Achieving product safety is a top priority in the course of our work.
2. Before marketing a new product, we conduct adequate safety assessment.
3. We strive to gather safety-related information from consumers and companies.
4. In the event that an accident involving a product occurs, we will take prompt and appropriate action to prevent damage from spreading, for example by gathering information, reporting to authorities within and outside the Group, or recalling the product.

Efforts to maintain product safety must be continual. We conduct risk assessments on all of our products twice each year. In line with the results, we make any design changes or technical improvements that are necessary for ensuring safety.

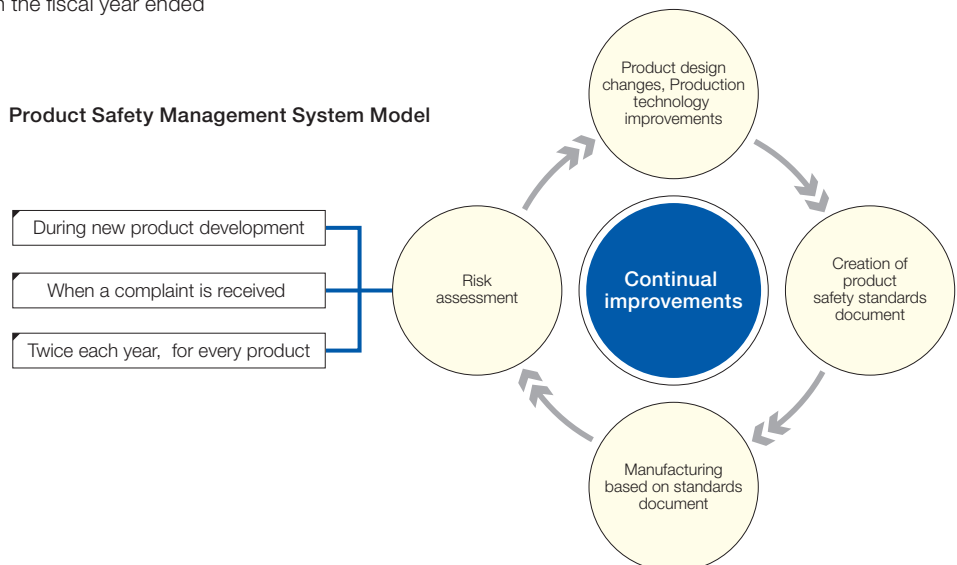
We have been conducting product liability training since 1994. In the year ended March 2001, we began using our corporate Intranet system for this training. The number of employees who completed this "Network Learning," which we began offering in the fiscal year ended March 2001, has reached 15,600.

Product Safety Management System Model

In May 2007, a revised Consumer Product Safety Law took effect. The law is aimed at preventing the recurrence of accidents by compiling and providing information about product-related accidents. We established the DNP Group Product Safety Committee as the body in charge of DNP Group product safety, and we have a system in place for compiling all relevant information in the unlikely occurrence of an accident involving one of our products. We have also established "DNP Group Product Safety Regulations" to facilitate the establishment of an accident response headquarters, disclosure of information, and the rapid implementation of other measures to prevent the spread of damages should the need arise.

The DNP Group uses its product safety management systems to ensure the safety of not just consumer products, but of all our products.

Product Safety Management System Model



Environmental Protection

The DNP Group helps make a sustainable, recycling-oriented society a reality by developing products that put the least possible strain on the environment, and by working to generate demand for such products from businesses and consumers. In 1972, DNP became the first Japanese printing company to establish an environment department, and in 1993 we built our unique Eco-Report System of managing progress related to environmental protection. In 2000, we created the DNP Group Environmental Committee, which has worked proactively at such tasks as promoting sales of eco-friendly products, reducing industrial wastes, preventing global warming, and reducing emission of harmful substances.

DNP Group Environmental Policy

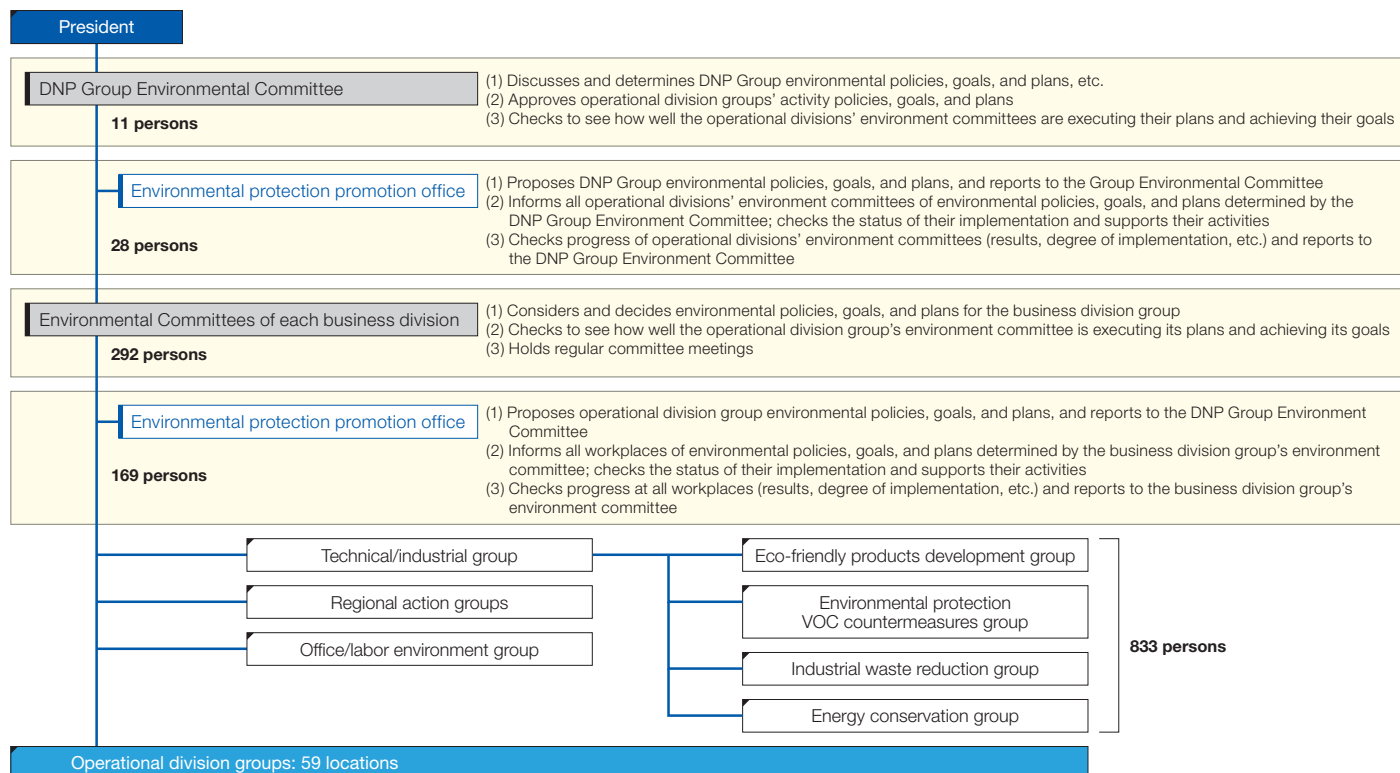
It goes without saying that we must observe environmental laws and regulations if we are to build a recycling-oriented society and continue developing economic society in a world with limited resources. In addition, we remain aware of our relationship with the environment in our various business activities and work hard at minimizing negative impact on the environment.

1. All DNP Group companies have environmental policies, set goals and objectives, conduct regular reviews, continuously improve, and strive to prevent pollution.
2. Before we build buildings or develop or install equipment, we study, predict, and assess the probable impact on the environment and give appropriate consideration to environmental protection. Also, we do our best to reuse waste energy and materials whenever possible.
3. When we research, develop, or plan products, we consider the impact on the environment of every phase from material procurement through production, distribution, use, and disposal, giving particular attention to minimizing energy consumption and the use of resources and harmful substances.
4. When purchasing raw materials, office supplies, or equipment, we choose products that help protect natural resources and are easy to recycle.
5. When manufacturing products, it is a given that we observe environmental laws and regulations, but we don't stop there. In addition to reducing output of substances that pollute the air, water, or soil, we are also very careful not to cause bad odors, noise, vibration, or ground subsidence. We improve our equipment, technology, and production processes in order to prevent global warming, conserve resources, and reduce industrial wastes.
6. We sort and collect waste materials produced through our business activities and recycle as much as possible to meet our goal of zero emissions.

Development and Sales of Eco-friendly Products

In order to minimize pressure on the environment throughout each product's lifecycle, the DNP Group has adopted guidelines for developing and selling products that are eco-friendly from the design stage. In order to realize a sustainable, recycling-oriented society, we provide solutions tailored to each business field for minimizing products' environmental impact.

In the year ended March 2008, our sales of environmentally friendly products amounted to 315.4 billion yen, compared to 265.8 billion yen the previous year. We enjoyed increased sales of LC color filters that use a plastic film black matrix instead of a black matrix containing heavy metals, cards made of PET-G (which does not contain vinyl chloride), and printed materials made from paper that is certified by the Forest Stewardship Council (FSC) as being derived from forests under ecologically sound management.

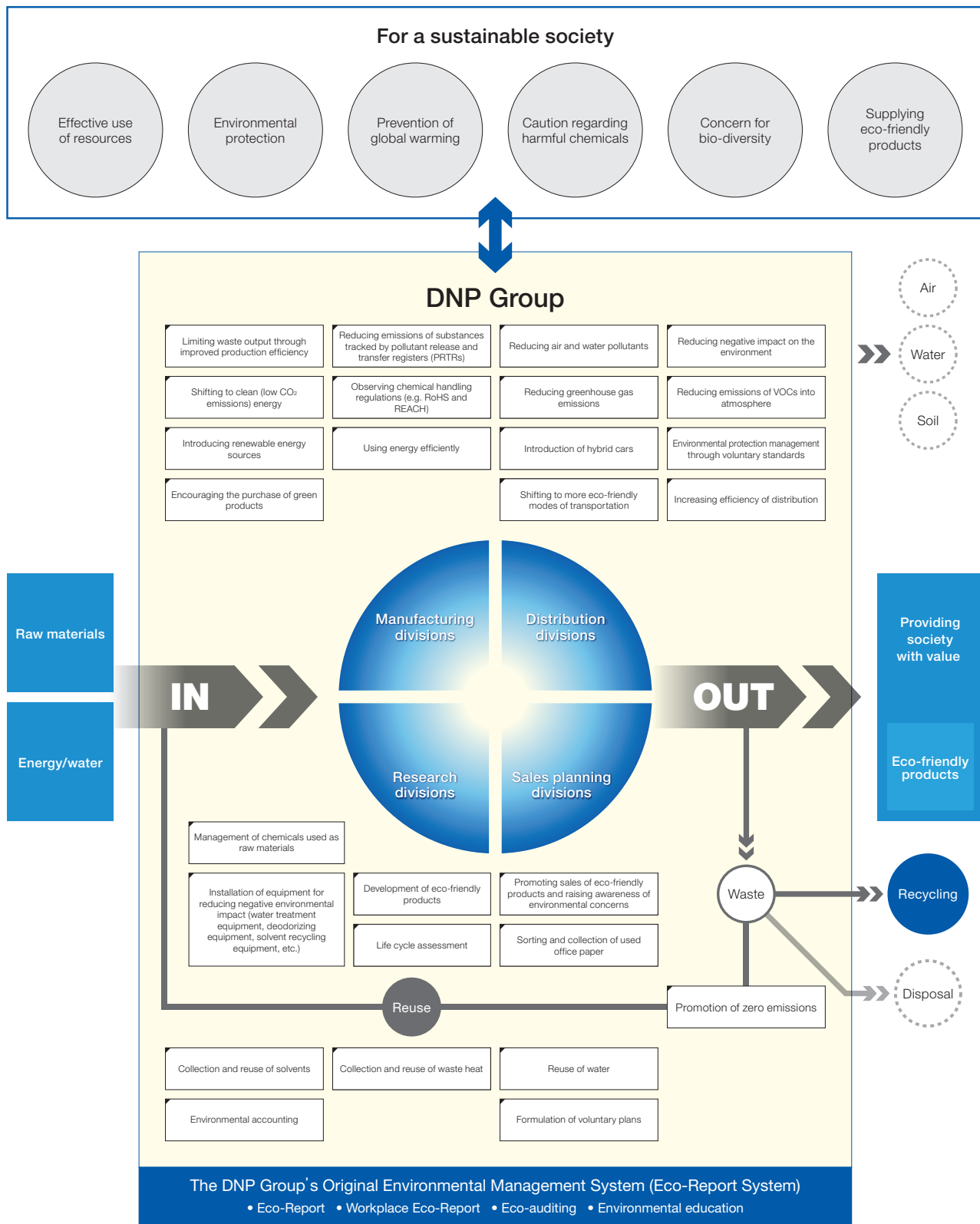


Assessment of Past Performance and Future Goals Related to Environmental Protection

Based on our environmental policies, DNP has established environment-related goals that are appropriate for our business activities, and we have been steadily achieving these goals. The table below shows the goals that the DNP Group's Environment Committee adopted for the fiscal year ended March 2008, along with actual results.

Category	Goals	Achievements
Global warming prevention	Reduce carbon dioxide emissions (CO ₂ emissions volume/production volume) by 15% from the year ended March 1991 level (by the year through March 2011)	Compared to the year ended March 1991: down 2.3%
	Reduce greenhouse gas emissions by 10% from the year ended March 2006 level (by the year through March 2021)	Aim to achieve in the year through March 2009
Reduction of environmental damage from transportation	Reduce amount of fuel used for transportation and specific consumption by 1% each year; reduce fuel consumption in fiscal year through March 2011 by 4% from fiscal year ended March 2007	Compared to the year ended March 2001: down 7.9% (Achieved)
Volatile organic compounds (VOCs)	Reduce amount of VOCs released into atmosphere group-wide by 70% from the year ended March 2003 level (by the year through March 2009)	Compared to the year ended March 2003: down 47.9%
Reduction of industrial waste	Reduce industrial waste output (volume of industrial waste/production value) by 50% compared to the year ended March 2001 level (by the year through March 2011)	Compared to the year ended March 2001: down 42.3%
	Reduce generation of general waste by 3% at all workspaces: reduce by 35% compared to the year ended March 2001 (by the year through March 2011)	Compared to the year ended March 2001: down 27.1%
	Achieve recycling rate (volume of waste recycled/total volume of general waste generated) of 98% by processing waste from main raw materials (by the year through March 2011)	Recycling rate in the year ended March 2008: 99.8% of paper, 95.8% of plastic wastes, 98.2% of waste metals and 75.7% of glass waste (Achieved)
	Achieve zero emissions throughout the DNP Group (by the year ended through 2011)	Final disposal site usage rate in the year ended March 2008: 1.7%
Development and sale of eco-friendly products	Increase net sales of eco-friendly products by 10% over previous year, to reach 300 billion yen (by the year ended through 2011)	Net sales of eco-friendly products in the year ended March 2008: 315.4 billion yen (up 18.6% from a year earlier) (Achieved)
Green purchasing	Increase the ratio of "green" (per standards set by DNP purchasing headquarters) raw materials costs relative to the cost of all raw materials purchased to 40% (by the year through March 2011)	Raw materials costs relative to the cost of all raw materials purchased in the year ended March 2008: 39.3% (Achieved)
	Increase ratio of amount spent on products that are officially recognized as being environmentally friendly (Eco-mark products, etc.) relative to total amount spent for general supplies (office supplies and equipment, etc.) to 50% (by the year through March 2011)	Percentage of green materials and supplies purchased in the year ended March 2008: 47.0% (Achieved)
Environmental preservation	Keep maximum concentration of gases subject to atmospheric emissions regulations to within 70% of legal limit	Achievement rate in the year ended March 2008: (relative to DNP's own standard): 95% (Achieved)
	Keep maximum concentration of substances subject to wastewater regulations to within 70% of legal limit	Achievement rate in the year ended March 2008: (relative to DNP's own standard): 97% (Achieved)
	Keep maximum odor levels at production site boundaries within 70% of legal limit	Achievement rate in the year ended March 2008: (relative to DNP's own standard): 95% (Achieved)
	Keep maximum noise levels at production site boundaries within 95% of legal limit	Achievement rate in the year ended March 2008: (relative to DNP's own standard): 61%
	Keep maximum vibration levels at production site boundaries within 95% of legal limit	Achievement rate in the year ended March 2008: (relative to DNP's own standard): 100% (Achieved)
Office environment	Collect at least 70% of used paper relative to general waste (every year)	Percentage of used paper sorted and collected in the year ended March 2008: 76.7% (Achieved)
Environmental Management System	Conduct environmental audits at all workplaces	Conducted at all workplaces in the year ended March 2008 (Achieved)

DNP Group Environmental Management System



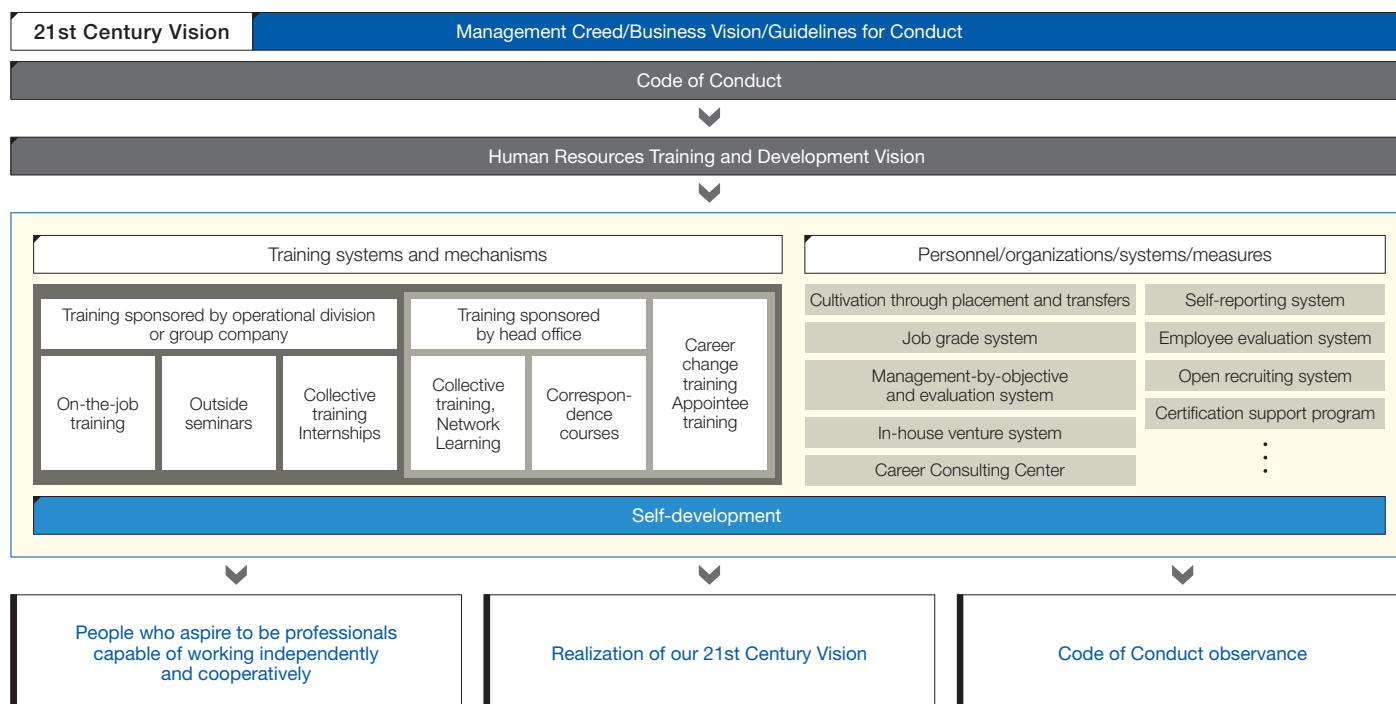
Creating Safe and Lively Workplaces

Human Resource Policies

Each DNP Group employee acquires specialized knowledge and skills and acts independently according to our Code of Conduct — which centers around the practice of *taiwa* cited in the DNP Group's "21st Century Vision" — and according to the DNP Group Guidelines for Conduct, in order to realize both our corporate vision and his or her own potential for growth.

DNP creates the best possible environments, mechanisms, and organizations in order to cultivate an emergently evolving corporate culture that supports each employee as an autonomous individual in fulfilling his or her role as well as possible and achieving growth and self-development.

Labor and Human Resources Development Mechanisms



Transparent and Fair Hiring Practices

We provide equal opportunities to anyone who shares our corporate vision and wants to work with us to realize his or her potential, and we use fair and equitable methods of selecting and hiring employees. We also participate actively in internship programs.

Types of hiring	Description	Results
New hiring	We inform candidates of the type of person we are looking for, the steps in our hiring process, the timing of each step, and what we are looking for in each interview. In order to avoid mismatches, we assign young employees as recruiting partners to give candidates a real-life picture of our company.	Employees newly hired in the year ended March 2008 (Dai Nippon Printing Co., Ltd.) Regular employees: 168 (110 men, 58 women) Technical staff: 267 (212 men, 55 women)
Mid-career hiring	We advertise broadly via the Internet, with no age restrictions. Include clear and specific job descriptions in advertisements.	Mid-career hires in the year ended March 2007 (Dai Nippon Printing Co., Ltd.): 74
Internships (arranged jointly with group companies)	Respond to schools' and students' desires for real-world experience by providing opportunities to gain work experience. These internships are not directly connected to hiring.	August-September 2007: 104 interns accepted in 83 categories

Appropriate Evaluation and Compensation

System	Description	Results
Evaluation/compensation systems (management-by objective system, etc.)	Each employee meets privately with his or her supervisor and engages in <i>taiwa</i> to establish objectives and evaluate performance. We build mutual understanding regarding evaluations as a means of promoting self-development on the part of the employee. We strive to make this system acceptable to both managers and their subordinates, for example by offering training sessions attended by both. Furthermore, evaluation results are directly reflected in wages and bonuses.	Expanded the scope of application to almost all employees by October 2003 Expanded feedback of evaluation results to include general employees, as of 2005 winter bonus payment time

■ In addition, we have job grade/salaries scales, award systems, etc.

Flexible Working Styles

System	Description	Results
Life Plan Consulting Center	Provides information about pensions, employment insurance, motivation for living, lifelong education, etc. to assist individuals with planning for life after retirement	In the year ended March 2008: 1,800 consultations
Career Consulting Center	Provides counseling and guidance regarding career development	In the year ended March 2008: 196 employees used the center

■ In addition, we have programs that allow employees to adjust their work hours, take holidays, family care leave, as well as a consulting center, life planning promotion program, mutual aid program, etc.

Respect for Diversity

System	Description	Results
Hiring people with disabilities	We achieved the legally mandated ratio of disability employment, based on a goal of normalization.* Working together with people without disabilities promotes the feeling that work is worthwhile. We provide workplace leaders with the education they need to be able to understand employees' special needs. • Development of jobs that can be performed by disabled workers; facility improvement • Solicitation of new hires all year long • Normalization training for managers of workplaces where there are disabled workers	In the year ended March 2008: disabled employee rate: 1.74% (Dai Nippon Printing Co., Ltd.)
Hiring seniors (Senior Staff System)	Even after reaching retirement age, people who want to remain active as professionals can consult with the company and work as "senior staff."	In the year ended March 2008: 77.3% of eligible employees chose to work as senior staff

* The premise that people with disabilities should ideally be able to function normally in society

■ Rehiring of retirees (re-work system)

In order to support the development of future generations of workers, and to enable people to enjoy family life and work at the same time, we are improving such systems as the "Return to Work Program," and shortened work hour programs. Two years ago, the DNP Group created mechanisms that make it possible to rehire people who want to go back to work and make the most of their previous experience after choosing to temporarily stop working for reasons such as marriage, childbirth, childcare, or caring for a disabled family member. Currently about 70 employees are registered in this program.

In order to smooth the process of taking leave and returning to the workplace, we operate a DNP Group "employment agency" that provides information about positions available within the DNP Group and serves as an address for consultations.

As in past years, people who registered with our Group "employment agency" succeeded in finding positions in the fiscal year ended March 2007, and we expect that the number of re-hires will increase in the future.

Support for the Careers of Female Employees

System	Description	Results
Eliminating gender bias from the workplace	• Seminars We held a "kickoff meeting" attended by female employees and their supervisors, and "network meetings" where female employees considered how to build careers that allow for life events particular to women. • e-Learning We offered a course for management-level employees in "Supporting Women in Active Careers."	• Seminar participation in the year ended March 2008: · Managers (male and female): 223 · Female employees: 266 • e-Learning - Participants in "Supporting Women in Active Careers" · 2,038 managers (total since June 2003)

Support for the Nurturing of Future Generations

System	Description	Results
Childcare leave	- Until April 30 of the child's second year, or until a child is 18 months old - Up to twice per child, within the period in which childcare leave is allowed Revised April 2005	In the year ended March 2008: 86 employees took leave under this system (Dai Nippon Printing Co., Ltd.)
Support Program for Employees Returning to the Workplace after Childcare Leave	A system aimed at creating environments that allow employees to feel secure about taking leave to accommodate birth and childcare, to smoothly return to the workplace, and to make the most of their potential while working and raising a family	As of March 2008, there were 84 people registered with our online "wiwiw" program (Dai Nippon Printing Co., Ltd.) As of January 2008, the "Kangaroo Club" had 40 members in Tokyo and 6 members in Osaka

Securing Safety in Our Workplaces

System	Description	Results								
Creation of guidelines	The Central Safety and Hygiene Committee determines safety and hygiene-related policies each year. Each operational division and group company then determines its own policies, based on the central committee's policies and taking into account the characteristics of each workplace.	<Major standards and guidelines> 1) Workplace environment improvement Workplace environment standards, guidelines for preventing noise in the workplace, guidelines for tobacco smoking 2) Preventing work-related accidents Guidelines for preventing industrial accidents caused by machinery, etc.								
Improving skills	The safety and hygiene committees play the leading role in promoting activities that are tailored to each workplace, and in improving employees' skills when necessary to allow the committees to function effectively.	The figures below show the number of employees as of March 31, 2008. <table><tr><td>Certified hygiene managers</td><td>437</td></tr><tr><td>Certified work supervisors</td><td>2,581</td></tr><tr><td>Completed training in restricted operations</td><td>6,403</td></tr><tr><td>Completed special educational seminar</td><td>2,692</td></tr></table>	Certified hygiene managers	437	Certified work supervisors	2,581	Completed training in restricted operations	6,403	Completed special educational seminar	2,692
Certified hygiene managers	437									
Certified work supervisors	2,581									
Completed training in restricted operations	6,403									
Completed special educational seminar	2,692									
Accident prevention	Analyze potential causes of accidents, identify risk factors that contribute to workplace accidents, develop activities that promote evaluation and reduction of those risks.	DNP's accident rate is low compared to the all-industry average and even compared to the average for all types of printing industries. Jan. – Dec. 2007: Industrial accident rate (the number of employees who missed work due to a work-related accident divided by the total number of hours worked in units of 1 million hours): 0.47%								

Programs for Supporting Career Advancement

System	Description	Results
Open recruiting system	We advertise positions requiring specialized knowledge and positions in new businesses or new product development. Anyone with ability, experience and the desire to be challenged is free to apply. The goal is to match business divisions that need human resources with employees who want to develop their potential.	In the year ended March 2008: Number of positions offered: 119 Number of employees reassigned: 47
In-house venture system	We provide training, financing and other types of support for employees who have entrepreneurial aspirations and want to start an independent new business. Generally, we appoint the person who proposed the idea for a new company to be its president.	Apr. 2002: CP Design Consulting Co., Ltd. Sep. 2003: M's Communicate Co., Ltd. Sep. 2004: At Table Co., Ltd. Jan. 2005: Mobile Impulse Co., Ltd. Jan. 2006: YouToo Co., Ltd.
Certification support program	This program pays incentives to employees who successfully take on the challenge of acquiring specialized knowledge, skills, or qualifications required for their work. (covers about 90 types of certification, up to 100,000 yen).	Increased the number of employees who are certified for specialized knowledge or skills related to IT or other areas pertinent to their work 783 employees certified in the year ended March 2008
Mastership recognition program	This program designates craftsmen with valuable production skills as "Meisters." The system recognizes the importance of returning to our manufacturing roots and passing on skills to future generations. It develops, evaluates, and rewards people who have such skills. Meisters are responsible for passing on their outstanding skills not only within their own business division, but throughout the DNP Group.	A total of 47 employees recognized as of March 2008
Special skills recognition program	Employees with advanced specialties, whose talents are recognized particularly widely both inside the company and outside, receive special compensation.	- Senior researcher/Senior planner Three employees recognized in the year ended March 2008 As of March 2008, 16 employees had been recognized - Fellowships One employee designated in the year ended March 2008
Self-reporting system	We survey employees regarding their desire to change positions or workplaces in order to further their careers, and regarding any other requests they may have related to their life plans. When the company approves such a request, the employee is transferred to the desired position or workplace.	In the year ended March 2008: 312 employees participated in self report interviews; 150 of them changed positions

Contributing to Society

Promoting Cultural Activities

Printing is based on the art of making reproductions, which DNP sees as a new kind of creative technology that can contribute to the development of art and culture. DNP is engaged in highly original cultural activities centered around supporting graphic arts.

Our two galleries — one in Tokyo and one in Osaka — hold exhibitions of creative works that highlight graphic design and printing, by artists and groups from Japan and abroad.

Ginza Graphic Gallery (ggg) Opened in 1986

URL : <http://www.dnp.co.jp/gallery/ggg/>

- Number of events held: 261
- Aggregate number of visitors: 870,000

Location: DNP Ginza Bldg. 1F, 7-7-2 Ginza,
Chuo Ward, Tokyo, Japan 104-0061
Telephone: 03-3571-5206
Open 11:00 - 19:00 (till 18:00 on Saturdays);
closed Sundays and holidays
Admission free of charge



ddd Gallery Opened in 1991

URL : <http://www.dnp.co.jp/gallery/ddd/>

- Number of events held: 158
- Aggregate number of visitors: 230,000

Location: Nanba SS Bldg. 1F, 1-17-28 Minamihorie,
Nishi Ward, Osaka, Japan 550-8508
Telephone: 06-6110-4635
Open 11:00 - 19:00 (till 18:00 on Saturdays);
closed Sundays, Mondays and holidays
Admission free of charge



Maison des Musées de France (MMF) Opened in 2003

URL : <http://www.museesdefrance.org/>

This facility provides a wide array of information about museums throughout France, to help visitors get to know French culture and art.

- Total number of seminars given: 40
- Total number of seminar participants: 1,800

Location: DNP Ginza Annex 7-7-4 Ginza, Chuo Ward,
Tokyo, Japan 104-0061
Telephone: 03-3574-2382
Open 11:00 - 19:00, closed Sundays and holidays



The Center for Contemporary Graphic Art Opened in 1995

URL : <http://www.dnp.co.jp/gallery/ccga/>

The Center for Contemporary Graphic Art is the home of the Tyler Graphics Archive Collection, produced at the renowned U.S. print workshop, Tyler Graphics Ltd. In addition to holding regular showings of its permanent collection, the Center also introduces a wide variety of contemporary graphic art.

- Number of exhibitions held: 44
 - Aggregate number of visitors: 61,000
- Location: 1 Miyata, Shiota, Sukagawa-shi, Fukushima,
Japan 962-0711
Telephone: 0248-79-4811
Open 10:00 - 17:00 (Admission until 16:45); closed
Mondays (unless Monday is a public holiday), the day
after public holidays, (except when this falls on Saturday
or Sunday), and exhibit changes, between late
December and the end of February
Admission ¥300; ¥200 for students (free for children 12
and under, seniors over 65, and handicapped-certificate
holders)



DNP Museum Information Japan
artscape
[アートスケープ]
Run by DNP ARCHIVES.COM

Web site **DNP Museum Information Japan** **artscape**

URL : <http://www.dnp.co.jp/artscape/>

News and information about exhibitions at art museums throughout Japan and other art-related events is updated twice a month and broadcast as a Web Magazine. DNP received the 2005 "Mécénat Award for Information Communication Culture of the Arts" for continuing to provide specific information on the arts. In 2006, we added an English-language version.

- Updated:
Japanese-language version: twice monthly
English-language version: once monthly
- Hits: about 1.3 million page views per month

A museum information site, Museum Information Japan (MIJ), which was established in 1995, is the predecessor of Artscape.



LOUVRE - DNP MUSEUM LAB

The Louvre - DNP Museum Lab

URL : <http://www.museumlab.jp>

The Louvre - DNP Museum Lab is a joint project between the Musée du Louvre and Dai Nippon Printing that has been exploring new approaches to art appreciation since October 2006. The project combines DNP's expertise in information technology and state-of-the-art digital imaging with the Louvre's expertise in educating the public about cultural assets. Between 2006 and 2009, the Museum Lab is scheduled to hold six exhibitions at DNP's Gotanda Building, with each exhibition lasting around five months.

The facility is open to the general public. Visitors are given a ticket containing an IC tag and a PDA system that allows them to get information about the works of art on display and the artists who created them, according to pre-registered preferences such as language (Japanese, French or English) and method of viewing.

Location: DNP Gotanda Bldg. 1F, 3-5-20 Nishi-Gotanda, Shinagawa Ward, Tokyo, Japan 141-8001 Telephone: 03-5435-0880

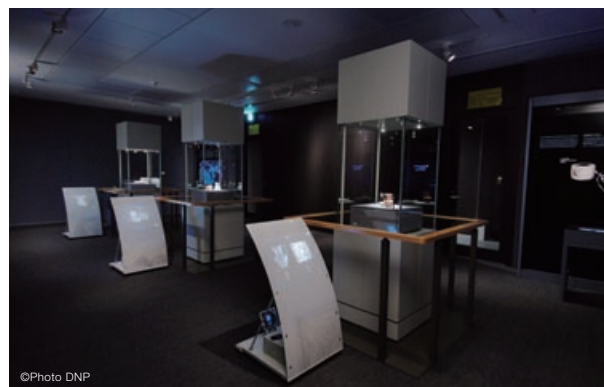
Open 17:00-19:00 on Mondays, Tuesdays and Thursdays, 17:00-20:30 on Wednesdays and Fridays, 11:00-17:30 on Saturdays; closed Sundays and holidays

Admission free of charge



©Photo DNP

Third exhibition: The Madonna of the Rabbit - A Sacred Poem
October 27, 2007 – March 1, 2008



©Photo DNP

Fourth exhibition: The City of Susa and Its Ceramics in the First Centuries of Islam
April 5, 2008 – September 27, 2008



Kidzania Tokyo, DNP Pavilion (Print shop)

URL : <http://www.dnp.co.jp/kidzania/index.html>

Kidzania Tokyo is Japan's first "Edutainment Town," giving children the chance to experience various kinds of work normally reserved for adults. It opened October 5, 2006 in Toyosu, Koto Ward. DNP opened a "Print shop" pavilion where children can try their hand at graphic design by producing posters.

The children use computers to compose their own designs, which may include text, photographs and illustrations, etc. The children can print out their poster and take it home.

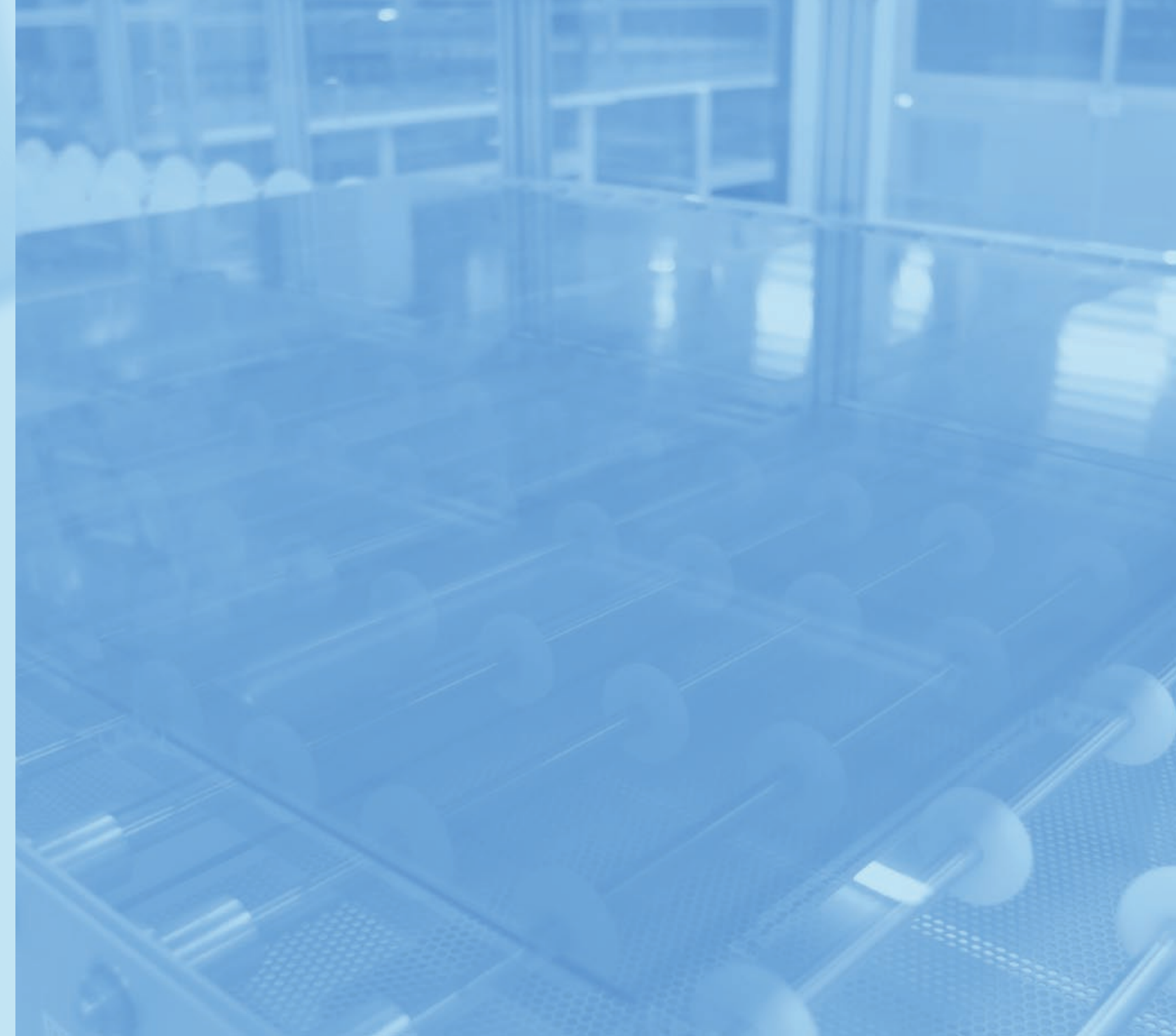
This activity is designed to make children aware of printing's role in "communicating information to people," and to allow them to practice self-expression and design that is appropriate for a particular purpose.

By passing on technology and expertise that DNP has cultivated through printing, and by opening up possibilities for children's futures, DNP contributes broadly to society.





Financial Section



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Management's Discussion and Analysis

OPERATING RESULTS

Business Environment

In the fiscal year ended March 2008, greater capital spending linked with improved corporate profits and a solid trend in personal consumption were among the indicators that showed the Japanese economy continued to gradually recover. Uncertainties increased in the second half, however, owing to the sharp rise in oil prices and the financial market volatility and the U.S. economic slowdown stemming from the subprime crisis.

The business environment surrounding the printing industry remained harsh, due to such factors as material cost increases from soaring crude oil prices and unit price declines stemming from intensified competition.

In Information Communication, the publishing industry saw an increase in free newspapers and magazines. The number of new magazines launched also increased, but the sales fell below the previous-year level for the 10th consecutive year. Overall publishing industry sales declined 3.1% from the previous year. Advertising revenue from April 2007 until March 2008 rose 1.1% year on year, marking four consecutive terms of a year-on-year increase. Advertising expenses for the four major types of media that support printing demand slightly declined, but Internet advertising expenses rose. In the business forms sector, demand related to IPS (information processing service), such as invoice issuing, increased further, and the smart card market expanded solidly. Management conditions worsened further, however, because of the sharp increase in material costs with greater unit price declines stemming from an intensified competition for orders.

In Lifestyle and Industrial Supplies, demand was solid for packaging, mainly for food, helped by solid domestic personal consumption. In the lifestyle materials sector, demand rose for environmentally friendly products, but overall demand dropped largely because the number of housing starts decreased by 19.4% over the previous year, owing to the revised Building Standards Act, which took effect in July 2007. In the industrial supplies sector, demand for functional optical films, such as antiglare film used in liquid crystal displays, was strong thanks to an increased demand for larger flat-panel televisions.

In the Electronics segment, worldwide production of flat-panel televisions exceeded 90 million units in 2007, providing evidence of continued growth in demand, especially for LC televisions. Also, there was double-digit growth in worldwide shipments of personal computers in 2007 (to 270 million units) and of mobile phones (to 1.14 billion phones). As a result, there was a strong demand for LCD color filters, for use in both computer monitors and televisions.

Overview

	2008.3	2007.3	2006.3
Net sales (¥ million)	¥ 1,616,053	¥ 1,557,802	¥1,507,505
Gross profit margin (%)	17.8%	18.6%	20.3%
Operating income margin (%)	5.4%	6.2%	8.0%
Ordinary income margin (%)	5.4%	6.5%	8.3%
Net income margin (%)	2.8%	3.5%	4.3%
Net income per share (¥)	¥ 67.08	¥ 78.10	¥ 91.22

The DNP Group strove to secure good results by engaging in dynamic sales activities to provide products and services developed in response to customer needs, and by making a Group-wide push to implement "Production 21" cost-cutting measures. Consolidated net sales increased 3.7% over the previous year. By segment, net sales from Information Communication rose 1.7% as roughly level sales from commercial printing and increases in sales from business forms outweighed a decline in publishing-related sales. Net sales from Lifestyle and Industrial Supplies rose 4.3% as industrial material sales growth and the expansion of the photography-related businesses acquired from the Konica Minolta Group more than offset packaging and lifestyle material sales declines. In Electronics, net sales climbed 10.4% thanks to an increased demand for LCD color filters and solid growth in sales of 65nm photomasks. The Beverages segment's sales suffered from intensified competition and slipped 0.8% from the previous year.

Operating income declined 9.4% and ordinary income fell 14.6% from a year earlier owing to material cost increases, unit price declines resulting from intensified competition and customer demands, and increased depreciation.

The operating income margin declined 0.8 percentage points to 5.4%, and the ordinary income margin fell 1.1 percentage points to 5.4%.

As can be seen from the above, this fiscal year's results reflect a very harsh situation. Net income also declined, by 17.6% from a year earlier.

Net Sales

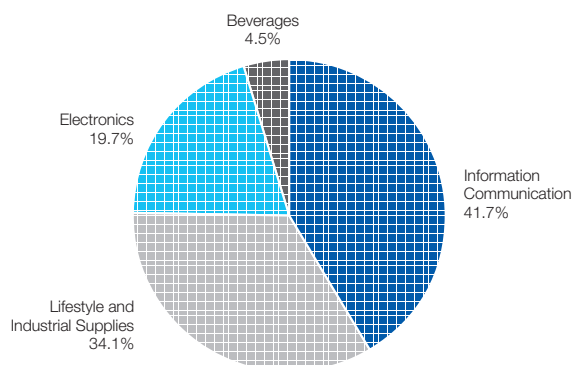
Net sales this term increased by 58.3 billion yen, or 3.7%, to 1,616.1 billion yen, renewing the Group's record high for the fifth year in a row. However, the decline in unit prices was even more severe than the previous year due to intensified competition. Lower unit prices cost us about 28 billion yen in net sales.

In Information Communication, sales from the publishing of free newspapers and magazines increased, but sales from the publishing of books and magazines declined. Commercial printing sales were strong. Sales from pamphlets and materials for event planning and managing promotional campaigns were strong, but sales from flyers, POP advertising, and premiums declined. In the business forms sector, sales of smart cards and IPS (information processing services) rose solidly.

In Lifestyle and Industrial Supplies, sales of flexible packaging and paper cups increased, but sales of preformed bottles and paper containers declined. Lifestyle material sales fell, hurt by a decline in housing starts. In Industrial Supplies, sales of antiglare film for LCDs increased. Konica Minolta increasingly sold DNP-brand photo products, and the ID photo business gained name recognition.

In Electronics, sales increased substantially thanks to very strong demand throughout the year for LCD color filters for monitors and televisions. Sales of photomasks, particularly cutting-edge ones, increased, and sales of high-density build-up circuit boards rose considerably.

Net Sales by Consolidated Segment (year ended March 2008)
(%)

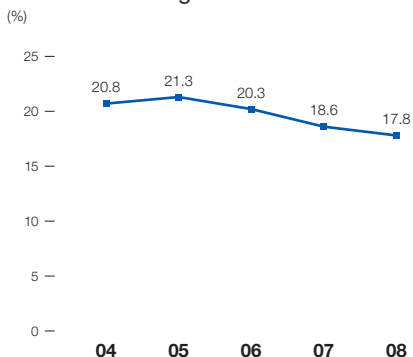


Cost of Sales

DNP's cost of sales increased by 59.8 billion yen, or 4.7%, over the previous fiscal year to 1,327.9 billion yen. The gross margin declined by 0.8 percentage points from 18.6% to 17.8%.

Prices of raw materials, such as petrochemicals and printing paper, rose this fiscal term, as they did last term. This increased our costs by roughly 11.8 billion yen. Compared to the impact of materials cost increases in the previous year, this year's effect was bigger by 2.1 billion yen, or 21%.

Gross Profit Margin



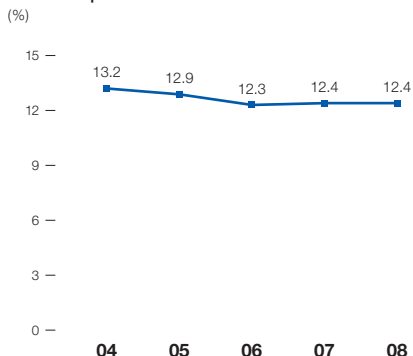
In order to offset the impact of material cost increases, DNP has been focusing groupwide since April 2002 on "Production 21" cost-cutting measures, such as improving process efficiency, improving yields, reducing material losses, and shortening preparation and lead times. This term, we successfully applied measures horizontally throughout the Group, and strove to raise standards for the manufacturing division as a whole. Thanks to these activities, this fiscal year we reduced production costs by 34 billion yen.

Selling, General and Administrative Expenses

Selling, general and administrative expenses this fiscal year increased by 7.5 billion yen, or 3.9%, to 201.1 billion yen. The percentage of these expenses relative to sales was 12.4%, the same as in the previous fiscal year.

Our continued efforts at containing costs by using information technology to boost operational efficiency and by improving budget management in order to reduce variable costs resulted in 1 billion yen worth of savings, representing an increase of 25%, or 200 million yen, over the previous fiscal year.

SGA Expenses to Net Sales

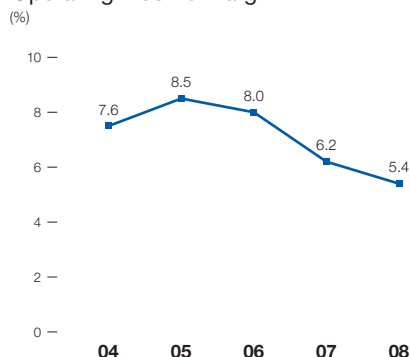


Operating Income

This fiscal year, DNP's operating income was strongly affected by lower unit prices and increased raw material costs. Operating income declined by 9.0 billion yen, or 9.4%, to 87.1 billion yen. We were able to pass on to customers about 50% of the raw material cost increases, but the remainder took a significant bite out of our income, as we were unable to fully offset the impact internally. As a result, our operating income margin dropped from 6.2% in the previous fiscal year to 5.4%.

By segment, operating income from Information Communication declined 15.5%, or 7.9 billion yen, to 43.1 billion yen. In Lifestyle and Industrial Supplies, it declined 4.4 billion yen, or 12.1%, to 31.9 billion yen. In Electronics, operating income increased 4.9 billion yen, or 33.1%, to 19.8 billion yen. In Beverages, operating income surged by 686 million yen, or 107.2%, to 1.3 billion yen.

Operating Income Margin



Nonoperating Income (Expenses) and Extraordinary Income (Expenses)

This fiscal year, nonoperating income totaled 10.1 billion yen, down 587 million yen, or 5.5%, and nonoperating expenses 10.7 billion yen, up 5.2 billion yen, or 96.8%, from the previous year. As a result, net nonoperating expenses totaled 603 million yen, down 5.9 billion yen from the previous year.

Ordinary income decreased by 14.8 billion yen, or 14.6%, from the previous fiscal year to 86.5 billion yen.

Extraordinary gains totaled 19.7 billion yen, up 8.5 billion yen, or 75.4%, and extraordinary losses 17.7 billion yen, up 4.1 billion yen, or 30.1%, from the previous year. As a result, net extraordinary gains totaled almost 2.0 billion yen, versus net extraordinary losses in the previous fiscal year of 2.4 billion yen.

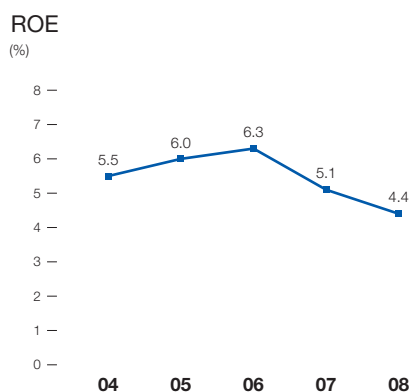
The main reason for this turnaround was an absence of the previous fiscal year's losses and provisions for compensation damages.

As a result of the above, income before income taxes and minority interests totaled 88.5 billion yen, down 10.5 billion yen, or 10.6%, from the previous fiscal year.

Net Income

Net income totaled 45.2 billion yen, down 17.6%, or 9.7 billion yen, from the previous fiscal year.

Net income per share dropped to 67.08 yen, compared to 78.10 yen a year earlier.



LIQUIDITY AND CAPITAL RESOURCES

In order to expand our business, DNP's management believes that it is important to steadily expand cash flow generated through aggressive operating activities and to concentrate investments in strategic areas. In addition, we believe that financial strength is indispensable to stable growth in the medium and long terms, so we have worked hard to enhance our company's financial position.

Cash Flow

	2008.3	2007.3	2006.3
Cash flows from operating activities	¥ 157,283	¥ 123,011	¥ 141,673
Cash flows from investing activities	(122,523)	(150,717)	(151,780)
Free cash flow	¥ 34,760	¥ (27,706)	¥ (10,107)

(¥ million)

This fiscal year, cash flow generated by operating activities increased by 27.9%, or 34.3 billion yen, from the previous fiscal year to 157.3 billion yen. The main reasons for this increase were a decrease of nearly 27.0 billion yen in trade receivables, a 61.2 billion yen improvement from the increase in the previous year, and a decrease of almost 3.0 billion yen in inventories, a 21.0 billion yen improvement from the previous year's increase.

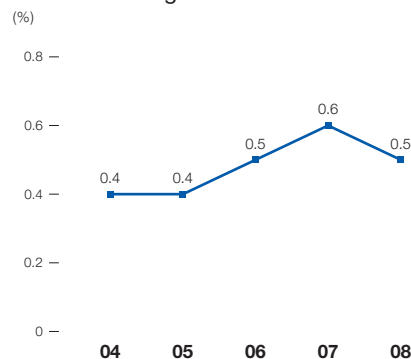
Cash flow used in investing activities decreased by 18.7%, or 28.2 billion yen, to 122.5 billion yen.

Cash flow used in financing activities increased 73.1%, or 31.1 billion yen, to 73.7 billion yen. Major uses of this cash included expenditures of 58.6 billion yen for share buybacks and 24.3 billion yen for dividend payments.

As a result of these activities, DNP's cash and cash equivalents at the end of the fiscal year amounted to 130.7 billion yen, down 39.8 billion yen, or 23.3%, from a year earlier.

This fiscal year, free cash flow — i.e. cash flow generated by operating activities minus cash flow used in investing activities — was 34.8 billion yen, versus the previous fiscal year's -27.7 billion yen, mainly because we reduced investments in facilities and equipment.

Interest-bearing Debt to Cash Flow



Capital Expenditures, Research and Development Expenditures, etc.

For five fiscal years in a row, from the year ended March 1997 to the year ended March 2001, DNP invested more than 100 billion yen per year in capital expenditures. For the next four fiscal years, however, from April 2001 until March 2005, we reduced capital expenditures and worked at concentrating investments on strategic areas and making the most effective use of existing facilities and equipment. In the fiscal year ended March 2006, we resumed active investments in plant and equipment — including new production lines for color filters and optical films, both strategic products, and smart card capacity increases — in order to respond to increased demand accompanying the economic recovery and to prepare for the expanding markets of the future. Capital investment in the previous fiscal year totaled 162.9 billion yen.

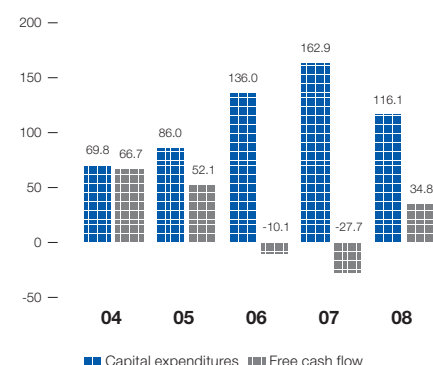
This fiscal year, we reduced total capital expenditures and continued to focus spending on strategic areas with strong growth potential, such as gravure coating systems for the optical film production lines at the opto-materials plant in Mihara (Hiroshima), increased the 6th-generation production capacity at the LCD color filter plant in Kurosaki, and photomask lithography systems. Capital expenditures amounted to 116.1 billion yen, representing a decrease of 46.7 billion yen, or 28.7%, over the previous year's figure.

By segment, capital expenditures for Information Communication decreased 14.6 billion yen over the previous year to 26.5 billion yen, constituting 23% of our overall capital expenditures. Capital expenditures for Lifestyle and Industrial Supplies amounted to 31.8 billion yen, down 8.1 billion yen year on year and amounting to 27% of the total. For Electronics, we invested 46.0 billion yen, a decrease of 30 billion yen, and 40% of the total. Capital expenditures for other businesses rose 6.1 billion yen from the previous year to 11.8 billion yen, representing 10% of the total.

Research and development expenditures totaled 35.6 billion yen, an increase of 5.4 billion yen or 18.1% from the previous fiscal year.

Capital Expenditures and Free Cash Flow

(¥ billion)



The Balance Sheet

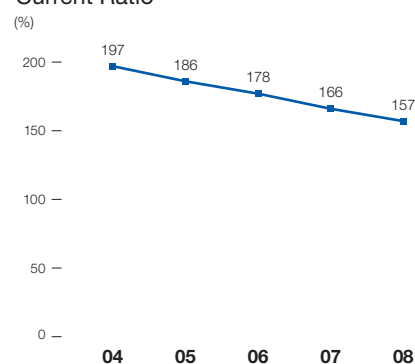
Since our mission is to increase DNP's corporate value, we try to maintain the liquidity that we need while increasing capital efficiency in order to implement our business strategies in a flexible manner and promptly adapt to changes in the business environment.

	2008.3	2007.3	2006.3
Total assets (¥ million)	¥ 1,601,193	¥ 1,700,250	¥ 1,662,377
Current ratio (%)	157%	166%	178%
Working capital-to-net sales (%)	16%	20%	23%
Debt-to-equity ratio	8	6	6
Book value per share (yen)	¥ 1,516.35	¥ 1,544.02	¥ 1,507.89

DNP's total assets at the end of this fiscal year amounted to 1,601.2 billion yen, representing a decrease of 99.1 billion yen, or 5.8%, from the previous fiscal year.

Among current assets, cash and cash equivalents decreased by 23.3%, or 39.8 billion yen, from the previous fiscal year to 130.7 billion yen. Trade receivables decreased by 4.2%, or 20.2 billion yen, to 456.9 billion yen. Marketable securities holdings increased 11.1%, or 1.1 billion yen, to 11.1 billion yen, and inventories increased 1.2%, or 1.1 billion yen, to 96.4 billion yen. As a result, total current assets decreased by 85.3 billion yen, or 10.7%, to 715.0 billion yen.

Current Ratio



Among long-term assets, property, plant and equipment increased by 0.6%, or 3.6 billion yen, to 639.3 billion yen. The main factors behind this increase were year-on-year increases in the value of buildings (by 6.1 billion yen or 3.0%), land holdings (5.7 billion yen, 4.6%) and construction in progress (1.3 billion yen, 3.8%), and a decrease in the value of machinery and equipment (9.6 billion yen, 3.9%).

Intangible assets increased by 40.0%, or 10.1 billion yen, to 35.4 billion yen. Total investments and other assets decreased by 11.5%, or 27.4 billion yen, to 211.5 billion yen. Within this category, investment securities decreased by 22.7%, or 44.1 billion yen, to 150.1 billion yen, but long-term loans increased 28.5%, or 985 million yen, to 4.4 billion yen and deferred tax assets rose 120.2%, or 10.2 billion yen, to 18.6 billion yen. As a result, intangible assets decreased by 1.5%, or 13.8 billion yen, to 886.2 billion yen.

Current liabilities decreased by 5.8%, or 28.1 billion yen, to 454.4 billion yen. The main reason for this decrease was a decrease in trade payables by 5.8%, or 19.7 billion yen, to 317.9 billion yen.

Long-term liabilities decreased by 9.9%, or 11.7 billion yen, to 106.7 billion yen mainly because our liability for retirement benefits declined by 14.9 billion yen to 40.3 billion yen. The balance of outstanding corporate bonds was 50.1 billion yen, an increase of 100 million yen from the previous fiscal year.

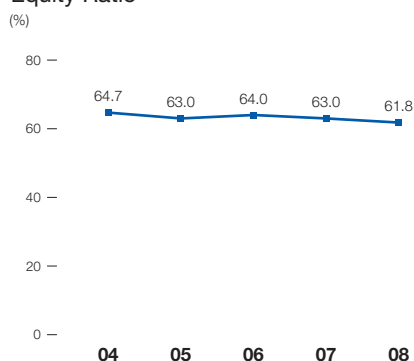
Total liabilities decreased by 6.6%, or 39.8 billion yen, to 561.1 billion yen.

DNP has been repurchasing its shares since February 2003. This fiscal year, we purchased 32,680,000 shares for 58.3 billion yen, bringing the cumulative totals to 96,210,000 shares and 161.4 billion yen. This term we also retired 20 million shares on November 20, 2007, for 35.1 billion yen and another 10 million shares on February 20, 2008, for 17.5 billion yen, bringing the cumulative totals of retired shares to 59 million shares and 96.8 billion yen.

As a result, this fiscal year's outstanding amount of treasury stock increased by nearly 6.0 billion yen over the previous year's 60.6 billion yen to 66.6 billion yen, which was a factor that reduced net assets. Retained earnings decreased by 3.8%, or 31.4 billion yen, to 797.3 billion yen, and net unrealized gains on available-for-sale securities decreased by 74.3%, or 30.7 billion yen, to 10.6 billion yen. These factors also reduced net assets.

As a result of the above factors, DNP's total net assets at the end of the fiscal year decreased by 5.4%, or 59.3 billion yen, to 1,040.1 billion yen.

Equity Ratio



RISK MANAGEMENT

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, our policy is to strive to minimize their potential effects.

As of the time that we issue this annual report, the following are the major factors that the DNP management views as risks.

The Japanese Economy and Consumption Trends

DNP engages in a wide range of businesses with an extremely large number of customers. We conduct our business so as not to be overly dependent on specific customers. The primary market where we do business is centered on the Japanese domestic market, whereas our overseas sales constitute about 17% of net sales. Therefore, if individual consumption and other aspects of domestic demand should slow down due to fluctuations in the Japanese economy, our corporate performance could be affected by decreased orders, lower unit sale prices, or other effects of such a downturn.

Changes in the Electronics Market

We expect our electronics segment to be highly profitable and we believe it has good growth potential. We position it as a strategic sector which we aim to expand in the future. We intend to secure steady profits from it by focusing on building business strategies based on a careful compilation of information and the development of highly competitive, high-added-value products. However, the market for display components and electronic devices is subject to sudden changes. It is possible that DNP's performance could be affected by sudden changes affecting products that we handle, such as dramatic fluctuations in demand or a plunge in unit prices.

Fluctuations in Raw Material Procurement

We procure raw materials such as printing paper and film from multiple suppliers in Japan and overseas. We work hard to secure stable supplies and maintain optimal prices. However, there is some potential for temporary imbalances between supply and demand due to factors like spikes in petroleum prices or sudden surges in demand from the Chinese market. We intend to cope with such instances by negotiating with our customers. However, if it should become extremely difficult to secure supplies, or if prices rise markedly, it is possible that our corporate performance could be affected.

Development of New Products and Technologies

DNP adapts printing technologies in order to develop new products and technologies that meet the needs of our customers and the market. We provide products and services to a wide range of industrial sectors. In recent years, the pace of technological innovation has become faster than ever, 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 our performance could fluctuate significantly due to unforeseeable changes in market trends or a shortening of product life cycles.

Currency Fluctuations

Particularly in such fields as electronics, we are expanding our dealings in products and services with customers, suppliers and others overseas. 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 market fluctuations. Nevertheless, it is possible that radical swings in currency values could have a more serious effect on our corporate performance.

Legal Regulations, etc.

We conduct our business based on strict compliance with the law. 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, environmental protection and recycling, monopoly prohibitions, patents, taxes, imports and exports, etc. We can imagine that in the future such regulations could become even more restrictive. If that should occur, it is possible that DNP's business performance could be affected by limitations on our business activities or increased costs.

Information System Security

Now that the Internet and other computer networks and information systems are playing an increasingly significant role in business, the construction of information systems and security measures that protect them have become indispensable to the continuation of business activities. In recent years, DNP has become increasingly vulnerable to computer-related risks, such as the possibility that information systems could be shut down by software or hardware trouble, computer viruses, etc., or that customer information could be leaked outside the company. DNP takes every possible measure to maintain and control computer systems and data through increasingly sophisticated security and employee education. However, in the unlikely event that an accident should occur, it is possible that our business activities could be affected.

Disaster

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. However, it is possible that our business performance could be seriously affected in the event of unforeseeable situations, such as production stoppage or massive damage to or destruction of our corporate infrastructure resulting from an event such as a huge earthquake or terrorist attack.

Selected Financial Data (unaudited)

	2008	2007	2006	2005
Income Statement Data (¥ million)				
Net sales	¥ 1,616,053	¥ 1,557,802	¥ 1,507,505	¥ 1,424,942
Cost of sales	1,327,872	1,268,072	1,202,159	1,121,373
Gross profit	288,181	289,730	305,345	303,569
Selling and administrative expenses	201,077	193,585	184,676	183,041
Operating income	87,104	96,145	120,669	120,528
Ordinary income	86,502	101,348	124,715	120,485
Income before income taxes and minority interests	88,469	98,950	114,639	107,686
Net income	45,172	54,842	65,187	59,936
Balance Sheet Data (¥ million)				
Total assets	¥ 1,601,193	¥ 1,700,250	¥ 1,662,377	¥ 1,600,129
Property, plant and equipment — net	639,343	635,784	568,965	528,008
Long-term liabilities	106,691	118,437	118,287	115,801
Total liabilities	561,058	600,811	571,170	566,796
Total stockholders' equity	—	—	1,063,308	1,007,943
Stockholders' equity	990,122	1,027,475	—	—
Total net assets	1,040,135	1,099,439	—	—
Other Selected Data (¥ million)				
Capital expenditures	¥ 116,139	¥ 162,886	¥ 136,059	¥ 86,057
Depreciation expenses	109,902	100,161	87,263	80,440
R&D expenditures	35,556	30,113	28,692	26,386
Common Share Data (¥, shares)				
Earnings per share — primary	¥ 67.08	¥ 78.10	¥ 91.23	¥ 82.56
Earnings per share — fully diluted	—	—	—	—
Dividends paid per share	36.00	32.00	26.00	24.00
Book value per share	1,516.35	1,544.02	1,507.89	1,409.18
No. of common shares outstanding — primary	661,366,377	694,226,171	704,972,101	715,076,830
Financial Ratios (% , times)				
As a percent of net sales:				
Gross profit	17.83%	18.60%	20.25%	21.30%
Selling, general and administrative expenses	12.44	12.43	12.25	12.85
Operating income	5.39	6.17	8.00	8.46
Income before income taxes and minority interests	5.47	6.35	7.60	7.56
Net income	2.80	3.52	4.32	4.21
Return on equity	4.35	5.14	6.29	6.03
Current ratio	157	166	178	186
Debt-to-equity ratio	8	6	6	7

2004	2003	2002	2001	2000	1999
¥ 1,354,101	¥ 1,309,002	¥ 1,311,934	¥ 1,342,035	¥ 1,286,703	¥ 1,269,543
1,073,118	1,043,456	1,071,163	1,091,386	1,039,006	1,033,926
280,983	265,546	240,771	250,649	247,697	235,617
178,545	175,665	168,529	164,708	161,811	166,008
102,438	89,881	72,242	85,941	85,886	69,609
97,276	88,177	74,775	92,349	87,976	77,996
93,137	42,244	26,150	69,116	79,199	77,703
52,971	28,774	15,609	33,409	39,034	30,493
¥ 1,513,734	¥ 1,450,027	¥ 1,432,458	¥ 1,489,871	¥ 1,451,700	¥ 1,445,293
513,175	540,874	543,962	561,017	561,898	570,860
119,277	66,821	79,013	86,012	77,637	100,695
510,970	484,581	460,691	522,105	495,541	518,323
978,736	942,083	946,998	939,441	925,646	898,646
–	–	–	–	–	–
–	–	–	–	–	–
¥ 69,834	¥ 73,789	¥ 85,096	¥ 103,050	¥ 113,858	¥ 119,372
85,182	89,239	94,870	94,312	94,588	82,800
26,050	24,097	23,367	24,664	23,571	n.a.
¥ 71.49	¥ 37.80	¥ 20.55	¥ 43.99	¥ 51.40	¥ 40.15
–	37.67	20.53	43.45	50.47	39.54
21.00	19.00	18.00	18.00	18.00	18.00
1,348.40	1,270.81	1,246.99	1,236.96	1,218.79	1,183.24
725,677,422	741,161,150	759,480,693	759,480,693	759,480,693	759,480,693
20.75%	20.29%	18.35%	18.68%	19.25%	18.56%
13.19	13.42	12.85	12.27	12.58	13.08
7.57	6.87	5.51	6.40	6.67	5.48
6.88	3.23	1.99	5.15	6.16	6.12
3.91	2.20	1.19	2.49	3.03	2.40
5.52	3.02	1.65	3.58	4.28	3.42
197	171	181	165	160	159
7	6	7	8	9	10

Consolidated Balance Sheets

Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2008 and 2007	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Assets			
Current assets :			
Cash and cash equivalents (Note 4)	¥ 130,695	¥ 170,489	\$ 1,306,950
Time deposits	363	25,107	3,630
Securities (Note 5)	11,103	9,992	111,030
Trade receivables (Note 10)	456,932	477,157	4,569,320
Allowance for doubtful receivables	(5,284)	(5,210)	(52,840)
Inventories (Note 6)	96,393	95,246	963,930
Prepaid expenses and other current assets (Notes 10 and 13)	24,775	27,493	247,750
Total current assets	714,977	800,274	7,149,770
Investments and advances :			
Non-consolidated subsidiaries and associated companies (Note 10)	20,059	8,197	200,590
Investment securities (Note 5)	135,726	190,857	1,357,260
Other (Note 10)	1,676	1,424	16,760
Total investments and advances	157,461	200,478	1,574,610
Property, plant and equipment, at cost (Notes 7 and 14) :			
Land	130,655	124,916	1,306,550
Buildings	484,578	463,864	4,845,780
Machinery and equipment	1,062,499	1,015,758	10,624,990
Construction in progress	35,413	34,125	354,130
Total	1,713,145	1,638,663	17,131,450
Accumulated depreciation	(1,073,802)	(1,002,879)	(10,738,020)
Net property, plant and equipment	639,343	635,784	6,393,430
Other assets (Notes 7, 13 and 14)	89,412	63,714	894,120
Total assets	¥ 1,601,193	¥ 1,700,250	\$ 16,011,930

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

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2008 and 2007	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Liabilities and Net Assets			
Current liabilities :			
Short-term bank loans (Note 7)	¥ 21,969	¥ 9,512	\$ 219,690
Current portion of long-term debt (Note 7)	3,286	3,121	32,860
Trade payables (Note 10)	317,856	337,590	3,178,560
Accrued expenses (Note 10)	39,269	40,336	392,690
Income taxes payable (Note 13)	16,912	18,034	169,120
Reserve for compensation for damage losses	—	2,400	—
Other current liabilities (Notes 10 and 13)	55,075	71,381	550,750
Total current liabilities	454,367	482,374	4,543,670
Long-term liabilities :			
Long-term debt (Note 7)	54,950	56,597	549,500
Liability for retirement benefits (Note 8)	40,349	55,276	403,490
Other long-term liabilities (Note 13)	11,392	6,564	113,920
Total long-term liabilities	106,691	118,437	1,066,910
Contingent liabilities (Note 17)			
Net assets			
Stockholders' equity			
Common stock -			
Authorized : 1,490,000,000 shares;			
Issued : 700,480,693 shares in 2008 and 730,480,693 shares in 2007 (Note 9)	114,464	114,464	1,144,640
Capital surplus (Note 9)	144,898	144,898	1,448,980
Retained earnings (Note 9)	797,317	828,708	7,973,170
Treasury stock, at cost			
39,114,316 shares in 2008 and 36,254,522 shares in 2007 (Note 9)	(66,557)	(60,595)	(665,570)
Total stockholders' equity	990,122	1,027,475	9,901,220
Valuation and translation adjustments			
Net unrealized gains on available-for-sale securities	10,610	41,332	106,100
Net deferred gains (losses) on derivatives	7	(4)	70
Foreign currency translation adjustments	2,121	3,094	21,210
Total valuation and translation adjustments	12,738	44,422	127,380
Minority interests	37,275	27,542	372,750
Total net assets	1,040,135	1,099,439	10,401,350
Total liabilities and net assets	¥ 1,601,193	¥ 1,700,250	\$ 16,011,930

Consolidated Statements of Income

Financial Statements

		Millions of yen		Thousands of U.S. dollars (Note 3)
Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2008 and 2007		2008	2007	2008
Net sales (Note 18)	¥	1,616,053	¥ 1,557,802	\$ 16,160,530
Cost of sales (Notes 11, 15 and 18)		1,327,872	1,268,072	13,278,720
Gross profit		288,181	289,730	2,881,810
Selling, general and administrative expenses (Notes 11, 15 and 18)		201,077	193,585	2,010,770
Operating income		87,104	96,145	871,040
Other income (expenses) (Note 12) :				
Interest and dividend income		4,646	3,785	46,460
Interest expenses		(1,310)	(1,307)	(13,100)
Equity in losses of associated companies		(1,441)	(100)	(14,410)
Net loss on disposal of property, plant and equipment		(3,419)	(5,136)	(34,190)
Net gain on sales of marketable securities and investment securities		8,537	8,043	85,370
Gain on contribution of investment securities to pension trust (Note 8)		7,311	–	73,110
Gain on revision of retirement benefits plan (Note 8)		2,787	–	27,870
Directors' retirement benefits		(6,554)	–	(65,540)
Loss on devaluation of investment securities		(1,757)	(385)	(17,570)
Compensation for damage losses		(697)	(3,324)	(6,970)
Provision for directors' retirement benefits		(1,397)	–	(13,970)
Impairment loss on fixed assets (Note 14)		(3,300)	(1,283)	(33,000)
Other		(2,041)	2,512	(20,410)
		1,365	2,805	13,650
Income before income taxes and minority interests		88,469	98,950	884,690
Income taxes (Note 13) :				
Current		31,791	36,858	317,910
Deferred		10,103	6,150	101,030
		41,894	43,008	418,940
		46,575	55,942	465,750
Minority interests		(1,403)	(1,100)	(14,030)
Net income	¥	45,172	¥ 54,842	\$ 451,720

		Yen		U.S. dollars (Note 3)
		2008	2007	2008
Net assets per common share	¥	1,516.35	¥ 1,544.02	\$ 15.16
Net income per common share				
Primary	¥	67.08	¥ 78.10	\$ 0.67

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

Consolidated Statements of Changes in Net Assets

Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2008 and 2007	Millions of yen								
	Number of shares issued (in thousands)	Stockholders' equity				Valuation and translation adjustments			Minority interests
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains on available-for-sale securities	Net deferred gains (losses) on derivatives	Foreign currency translation adjustments	
Balance at March 31, 2006	740,480	114,464	144,909	806,447	(57,451)	55,489	—	(549)	27,898
Changes of items during the period									
Net income	—	—	—	54,842	—	—	—	—	—
Cash dividends paid	—	—	—	(19,052)	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(283)	—	—	—	—	—
Net increase resulting from changes in consolidated subsidiaries	—	—	—	3,236	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(19,663)	—	—	—	—
Disposal of treasury stock	—	—	2	—	24	—	—	—	—
Retirement of treasury stock	(10,000)	—	(13)	(16,482)	16,495	—	—	—	—
Changes in unrealized gains on available-for-sale securities	—	—	—	—	—	(14,157)	—	—	—
Changes in deferred losses on derivatives	—	—	—	—	—	—	(4)	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	3,643	—
Changes in minority interests	—	—	—	—	—	—	—	—	(356)
Total changes of items during the period	(10,000)	—	(11)	22,261	(3,144)	(14,157)	(4)	3,643	(356)
Balance at March 31, 2007	730,480	114,464	144,898	828,708	(60,595)	41,332	(4)	3,094	27,542
Changes of items during the period									
Net income	—	—	—	45,172	—	—	—	—	—
Cash dividends paid	—	—	—	(23,931)	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—	—	—
Net increase resulting from changes in consolidated subsidiaries	—	—	—	—	—	—	—	—	—
Net increase resulting from changes of fiscal year end in consolidated subsidiaries	—	—	—	17	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(58,643)	—	—	—	—
Disposal of treasury stock	—	—	—	(2)	34	—	—	—	—
Retirement of treasury stock	(30,000)	—	—	(52,647)	52,647	—	—	—	—
Changes in unrealized gains on available-for-sale securities	—	—	—	—	—	(30,722)	—	—	—
Changes in deferred gains on derivatives	—	—	—	—	—	—	11	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	(973)	—
Changes in minority interests	—	—	—	—	—	—	—	—	9,733
Total changes of items during the period	(30,000)	—	—	(31,391)	(5,962)	(30,722)	11	(973)	9,733
Balance at March 31, 2008	700,480	114,464	144,898	797,317	(66,557)	10,610	7	2,121	37,275

	Thousands of U.S. dollars (Note 3)								
	Number of shares issued (in thousands)	Stockholders' equity				Valuation and translation adjustments			Minority interests
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains on available-for-sale securities	Net deferred gains (losses) on derivatives	Foreign currency translation adjustments	
Balance at March 31, 2007	730,480	1,144,640	1,448,980	8,287,080	(605,950)	413,320	(40)	30,940	275,420
Changes of items during the period									
Net income	—	—	—	451,720	—	—	—	—	—
Cash dividends paid	—	—	—	(239,310)	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—	—	—
Net increase resulting from changes in consolidated subsidiaries	—	—	—	—	—	—	—	—	—
Net increase resulting from changes of fiscal year end in consolidated subsidiaries	—	—	—	170	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(586,430)	—	—	—	—
Disposal of treasury stock	—	—	—	(20)	340	—	—	—	—
Retirement of treasury stock	(30,000)	—	—	(526,470)	526,470	—	—	—	—
Changes in unrealized gains on available-for-sale securities	—	—	—	—	—	(307,220)	—	—	—
Changes in deferred gains on derivatives	—	—	—	—	—	—	110	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	(9,730)	—
Changes in minority interests	—	—	—	—	—	—	—	—	97,330
Total changes of items during the period	(30,000)	—	—	(313,910)	(59,620)	(307,220)	110	(9,730)	97,330
Balance at March 31, 2008	700,480	1,144,640	1,448,980	7,973,170	(665,570)	106,100	70	21,210	372,750

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

Consolidated Statements of Cash Flows

Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2008 and 2007	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Cash flows from operating activities :			
Income before income taxes and minority interests	¥ 88,469	¥ 98,950	\$ 884,690
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	109,902	100,161	1,099,020
Impairment loss on fixed assets	3,300	1,283	33,000
Provision for doubtful receivables (net)	(69)	(1,036)	(690)
Provision for retirement benefits (net)	(16,823)	(4,708)	(168,230)
Equity in losses of associated companies	1,441	100	14,410
Amortization of consolidation goodwill (net)	2,050	1,476	20,500
Interest and dividend income	(4,646)	(3,785)	(46,460)
Interest expenses	1,310	1,307	13,100
Net gain on sales of marketable securities and investment securities	(8,537)	(8,043)	(85,370)
Loss on devaluation of investment securities	1,745	385	17,450
Net loss on disposal of property, plant and equipment	3,419	5,136	34,190
(Increase) decrease in trade receivables	26,965	(34,238)	269,650
(Increase) decrease in inventories	2,989	(18,043)	29,890
Increase (decrease) in trade payables	(27,496)	15,211	(274,960)
Other	6,929	16,220	69,290
Sub-total	190,948	170,376	1,909,480
Payments of income taxes	(33,665)	(47,365)	(336,650)
Net cash provided by operating activities	157,283	123,011	1,572,830
Cash flows from investing activities :			
Net decrease in time deposits	24,904	5,008	249,040
Payments for purchases of marketable securities	0	(502)	0
Proceeds from sales of marketable securities	10,000	7,202	100,000
Payments for purchases of property, plant and equipment	(124,128)	(153,995)	(1,241,280)
Proceeds from sales of property, plant and equipment	1,901	2,140	19,010
Payments for purchases of investment securities	(32,706)	(13,887)	(327,060)
Proceeds from sales of investment securities	18,412	16,988	184,120
Interest and dividend received	4,679	3,917	46,790
Other	(25,585)	(17,588)	(255,850)
Net cash used in investing activities	(122,523)	(150,717)	(1,225,230)
Cash flows from financing activities :			
Net increase (decrease) in short-term bank loans	12,535	(3,266)	125,350
Proceeds from long-term debt	1,254	4,731	12,540
Repayments of long-term debt	(3,479)	(4,365)	(34,790)
Interest paid	(1,310)	(1,311)	(13,100)
Dividend paid	(24,346)	(19,686)	(243,460)
Payments for purchases of treasury stocks	(58,647)	(19,663)	(586,470)
Other	265	970	2,650
Net cash used in financing activities	(73,728)	(42,590)	(737,280)
Effect of exchange rate changes on cash and cash equivalents	(825)	1,493	(8,250)
Net decrease in cash and cash equivalents	(39,793)	(68,803)	(397,930)
Cash and cash equivalents at beginning of year	170,488	239,222	1,704,880
Cash and cash equivalents of newly consolidated subsidiaries	-	70	-
Cash and cash equivalents at end of year	¥ 130,695	¥ 170,489	\$ 1,306,950

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, 2008 and 2007

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, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements for the year ended March 31, 2008 have been compiled from the consolidated financial statements filed with the Financial Services Agency of Japan as required by the Financial Instruments and Exchange Law of Japan. The accompanying consolidated financial statements for the year ended March 31, 2007 have been compiled from the consolidated financial statements as required by the Securities and Exchange Law of Japan. The Financial Instruments and Exchange Law became effective September 30, 2007 and replaced the Securities and Exchange Law 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 2007 financial statements to conform with current classifications. In addition, the notes to the consolidated financial statements include additional information which is also not required for disclosure under accounting principles and practices generally accepted in Japan.

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.

The fiscal year-end of the consolidated subsidiaries is the same as that of the Company except for twenty six subsidiaries whose fiscal years end December 31. Significant transactions between December 31 and March 31 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 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 or other long-term liabilities and are amortized over a period not exceeding 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 (or 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 in effect 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 during the year. The resulting translation adjustments are presented as "foreign currency translation adjustments" which is shown as a separate component of valuation and translation adjustments 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 because of changes in interest rates.

Inventories

Inventories are stated at cost which is determined substantially by the average method.

Marketable securities and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and ii) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of valuation and translation adjustments.

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

Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost. Major renewals and additions are capitalized, while minor renewals, maintenance and repairs are charged to income when incurred. Interest expenses on capital expenditures during the construction stage are not capitalized.

Depreciation of property, plant and equipment is principally computed by the declining-balance method at rates based on estimated useful lives. However, depreciation of buildings acquired on or after April 1, 1998 is computed by the straight-line method.

The estimated useful lives for depreciation purposes range as follows:

Buildings	3 to 50 years
Machinery and equipment	2 to 13 years

Assets with an acquisition cost of ¥100,000 (\$1,000) or more per unit and less than ¥200,000 (\$2,000) per unit, acquired on or after April 1, 1998, are depreciated over three years on a straight-line basis, whereby one-third of such acquisition cost may be taken as depreciation expense each year.

According to the amendment of the corporation tax law, effective April 1, 2007, property, plant and equipment of the Company and domestic consolidated subsidiaries which have been acquired on or before March 31, 2007 and have been depreciated up to 95% of acquisition cost with a 5% residual value are to be fully depreciated on the straight-line method over a five-year period starting in the following year in which they reached the depreciable limit (i.e. the 5% residual value). The effect of this change was to decrease operating income and income before income taxes and minority interests for the year ended March 31, 2008 by ¥3,193 million (\$31,930 thousand), and ¥3,215 million (\$32,150 thousand), respectively.

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 development costs for internal use included in intangible assets are amortized by the straight-line method over five years.

Impairment of 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.

Liability for retirement benefits

The Company and several 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. Prior service cost is being amortized as incurred by the straight-line method over the period within the average remaining service periods 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 of the eligible employees.

Research and development expenses

Research and development expenses are charged to income as incurred.

Accounting for leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for in the same manner as operating leases under generally accepted accounting principles in Japan.

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.

Income taxes on undistributed earnings have been provided for foreign subsidiaries, but not for domestic companies, as such earnings, if distributed in the form of dividends, are not taxable under the current Japanese tax laws.

Derivatives and hedging activities

The Company and certain consolidated subsidiaries use derivative financial instruments ("derivatives") for foreign currency forward contracts to manage their exposures to fluctuations in foreign exchange associated with certain accounts receivable and payable, including forecasted transactions, denominated in foreign currencies. The Company and its subsidiaries do not enter into derivatives contracts for speculative purposes.

While the trade accounts receivable and payable denominated in foreign currencies of the Company and domestic subsidiaries which are comprehensively covered by foreign currency forward contracts are translated at the exchange rate at the balance sheet date, such forward contracts are recognized as assets or liabilities and measured at fair value, and the related gains or losses are currently recorded in the statement of income.

The trade accounts receivable and payable denominated in foreign currencies of the Company and domestic subsidiaries which are individually covered by foreign currency forward contracts are translated at the contracted rates because such treatment is also allowed to be elected under the accounting standard if the forward contracts qualify for hedge accounting.

The forward contracts for forecasted transactions such as export sales and import purchases are measured at the fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

Net assets and income per common share

Net assets per common share were computed based on the number of shares outstanding after deducting treasury stock at March 31, 2008 and 2007, respectively.

Primary amounts of net income per share were computed on the average number of shares of common stock outstanding after deducting treasury stocks during each year. Fully diluted net income per share is not disclosed because the Company has not issued any dilutive securities.

Change in accounting policies

Retirement benefits for directors and corporate auditors

According to the report on the accounting treatment for retirement benefits for directors and corporate auditors, which was issued by the Auditing and Assurance Practice Committee of the Japanese Institute Certified Public Accountants on April 13, 2007, the retirement benefits for directors and

corporate auditors of certain consolidated subsidiaries, which had previously been expensed when paid, are to be recognized on an accrual basis beginning in the year ended March 31, 2008.

The liability for retirement benefits for directors and corporate auditors has been provided based on the Company's pertinent rules and calculated as the estimated amount which would be payable if all directors and corporate auditors were to retire at the balance sheet date. Any amounts payable to directors and corporate auditors upon retirement are subject to approval at the general stockholders' meeting.

The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥220 million (\$2,200 thousand) and ¥1,617 million (\$16,170 thousand), respectively.

Change in depreciation method

According to the amendment of the corporation tax law, all property and equipment of the Company and domestic consolidated subsidiaries acquired on or after April 1, 2007 are depreciated by the declining-balance method at rates of 250% of those under the straight-line method. The effect of this change for the year ended March 31, 2008 was to decrease operating income and income before income taxes and minority interests by ¥3,139 million (\$31,390 thousand) and ¥3,158 million (\$31,580 thousand), respectively.

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with accounting principles and practices generally accepted in Japan. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥100=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2008. 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, 2008 and 2007 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 130,695	¥ 170,489	\$ 1,306,950

5. Marketable Securities and Investment Securities

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities as of March 31, 2008 and 2007 were as follows:

	Millions of yen			
March 31, 2008	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 84,603	¥ 25,600	¥ 7,450	¥ 102,753
Others	24,024	5	137	23,892
Total	¥ 108,627	¥ 25,605	¥ 7,587	¥ 126,645

	Thousands of U.S. dollars (Note 3)			
March 31, 2008	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 846,030	\$ 256,000	\$ 74,500	\$ 1,027,530
Others	240,240	50	1,370	238,920
Total	\$ 1,086,270	\$ 256,050	\$ 75,870	\$ 1,266,450

	Millions of yen			
March 31, 2007	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 70,633	¥ 71,703	¥ 1,785	¥ 140,551
Others	34,049	11	156	33,904
Total	¥ 104,682	¥ 71,714	¥ 1,941	¥ 174,455

The proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥12,283 million (\$122,830 thousand) and ¥14,770 million, respectively. The gross realized gains on these sales for the years ended March 31, 2008 and 2007 were ¥8,737 million (\$87,370 thousand) and ¥10,162 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2008 and 2007 were ¥200 million (\$2,000 thousand) and ¥2,121 million, respectively.

The following summarizes carrying amounts of securities with no fair value as of March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Held-to-maturity debt securities-	¥ -	¥ 3,000	\$ -
Non-listed foreign securities	14	-	140
Corporate bonds			
Available-for-sale securities-			
Non-listed equity securities	¥ 18,797	¥ 23,262	\$ 187,970
Corporate bonds	180	-	1,800
Others	1,191	133	11,910

The redemption schedules for securities with maturities classified as held-to-maturity debt securities and other securities at March 31, 2008 and 2007 were as follows:

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
March 31, 2008			
Government bonds	¥ 10,013	¥ -	¥ -
Corporate bonds	-	164	30
Other bonds	-	-	9,000
	¥ 10,013	¥ 164	¥ 9,030

	Thousands of U.S. dollars (Note 3)		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
March 31, 2008			
Government bonds	\$ 100,130	\$ -	\$ -
Corporate bonds	-	1,640	300
Other bonds	-	-	90,000
	\$ 100,130	\$ 1,640	\$ 90,300

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
March 31, 2007			
Government bonds	¥ 9,997	¥ 10,041	¥ -
Corporate bonds	-	-	30
Other bonds	-	-	12,000
	¥ 9,997	¥ 10,041	¥ 12,030

6. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Finished products	¥ 40,499	¥ 34,167	\$ 404,990
Work in process	36,669	35,472	366,690
Raw materials	19,225	25,607	192,250
	¥ 96,393	¥ 95,246	\$ 963,930

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

Short-term bank loans at March 31, 2008 and 2007 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 1.97% per annum for 2008 and 1.54% per annum for 2007.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Unsecured debentures			
1.67% due 2014	¥ 50,000	¥ 50,000	\$ 500,000
0.50% due 2009	100	—	1,000
0.30% due 2010	100	—	1,000
Mortgage loans, maturing 2008-2012	3,176	4,073	31,760
Unsecured loans, maturing 2008-2013	4,860	5,645	48,600
	58,236	59,718	582,360
Current portion of long-term debt	(3,286)	(3,121)	(32,860)
	¥ 54,950	¥ 56,597	\$ 549,500

Mortgage loans were secured by property, plant and equipment and other assets amounting to ¥6,912 million (\$69,120 thousand) and ¥7,143 million at March 31, 2008 and 2007, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 2.87% to 5.67% per annum for 2008 and were 6.31% per annum for 2007, while interest rates on unsecured loans ranged from 0.44% to 1.90% per annum for 2008 and from 0.44% to 1.30% per annum for 2007.

The aggregate annual maturities of long-term debt after March 31, 2008 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2009	¥ 3,286	\$ 32,860
2010	2,127	21,270
2011	1,378	13,780
2012	740	7,400
2013	490	4,900
2014 and thereafter	50,215	502,150
	¥ 58,236	\$ 582,360

8. Retirement Benefits

The Company and its domestic subsidiaries have several defined benefit retirement plans covering all of their employees, i.e. corporate pension plan, tax-qualified non-contributory pension plan, a governmental welfare contributory pension plan, lump-sum retirement plan and defined contribution 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 ninety percent of the retirement benefit liability of the Company is covered by the employees' pension fund.

In October 2007, several domestic consolidated subsidiaries made a change in the retirement benefit plans for employees, which included abolishment of retirement payments in a lump-sum and a transfer, in part, from a defined benefit pension plan to a defined contribution pension plan. Accordingly, prior service costs of ¥2,787 million (\$27,870 thousand) identified during the current period have been recognized as other income for the year ended March 31, 2008, in accordance with the ASBJ Guidance No.1, Accounting for Transfer between Retirement Benefit Plans.

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Projected benefit obligation	¥ 158,731	¥ 156,427	\$ 1,587,310
Fair value of plan assets	(106,268)	(95,896)	(1,062,680)
Unrecognized actuarial gain/loss	(10,280)	2,280	(102,800)
Unrecognized prior service cost	(6,866)	(9,174)	(68,660)
Prepaid pension cost	5,032	1,639	50,320
Net liability	¥ 40,349	¥ 55,276	\$ 403,490

The components of net periodic benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Service cost	¥ 9,440	¥ 9,249	\$ 94,400
Interest cost	3,753	3,693	37,530
Expected return on plan assets	(2,274)	(2,014)	(22,740)
Actuarial gain/loss	(977)	350	(9,770)
Amortization of prior service cost	2,294	2,292	22,940
Gain on contribution of investment securities to pension trust	(7,311)	—	(73,110)
Gain on revision of retirement benefit plan	(2,787)	—	(27,870)
Net periodic benefit costs	¥ 2,138	¥ 13,570	\$ 21,380

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Attribution method of estimated benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Recognition period of actuarial gain/loss	9 years	9 years
Amortization period of prior service cost	6 years	6 years

9. Net Assets

Since May 1, 2006, Japanese companies are subject to the Corporate Law of Japan (the “Corporate Law”), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, 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 Corporate Law 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 Corporate Law 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 ¥20.00 (\$0.2) per share, aggregating ¥13,241 million (\$132,410 thousand) were approved at the general stockholders’ meeting held in June 2008 with respect to the year ended March 31, 2008.

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

The Corporate Law 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 Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law 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 Corporate Law 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.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of net assets.

The Corporate Law 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.

Upon approval by the resolution of the Board of Directors, the Company purchased 32,771 thousand shares of common stocks at aggregate cost of ¥58,454 million (\$584,540 thousand) and 10,658 thousand shares at ¥19,475 million during the year ended March 31, 2008 and 2007, respectively. Furthermore, the Company retired 30,000 thousand shares of common stocks at aggregate cost of ¥52,647 million (\$526,470 thousand) and 10,000 thousand shares at ¥16,495 million during the year ended March 31, 2008 and 2007, respectively.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2008 and 2007 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Trade receivables	¥ 9,568	¥ 8,680	\$ 95,680
Other current assets	503	72	5,030
Investment securities (stock)	14,331	3,340	143,310
Long-term loans	5,501	4,631	55,010
Other investments	226	226	2,260
Trade payables	298	205	2,980
Accrued expenses	396	304	3,960
Other current liabilities	620	464	6,200

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Transportation expenses	¥ 21,704	¥ 20,205	\$ 217,040
Salaries and allowances	53,129	54,529	531,290
Accrued bonuses	6,494	6,743	64,940
Provision for retirement benefits	2,614	3,476	26,140
Depreciation	10,066	9,150	100,660
Research and development expenses	32,840	27,785	328,400
Other	74,230	71,697	742,300
	¥ 201,077	¥ 193,585	\$ 2,010,770

Total research and development expenses (including manufacturing costs) amounted to ¥35,556 million (\$355,560 thousand) and ¥30,113 million for 2008 and 2007, respectively.

12. Other Income

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Interest and dividend income	¥ 67	¥ 55	\$ 670
Leasing fees	253	367	2,530

13. Income Taxes

The Company and its domestic 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 of approximately 40.7% for the years ended March 31, 2008 and 2007, respectively.

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 of subsidiaries and different tax rates applicable to foreign subsidiaries, etc.

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2008 and 2007, respectively.

	2008	2007
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	1.3	1.7
Change in valuation allowance	6.7	1.9
Amortization of consolidation goodwill	1.2	1.1
Undistributed earnings of foreign subsidiaries	0.5	0.9
Special tax credit	(3.3)	(2.9)
Other	0.3	0.1
Actual effective tax rate	47.4%	43.5%

Net deferred tax assets at March 31, 2008 and 2007, resulting from temporary differences between the carrying amounts and the tax bases of assets and liabilities, were reflected on the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Prepaid expenses and other current assets	¥ 12,993	¥ 14,217	\$ 129,930
Other assets	18,601	8,448	186,010
Other current liabilities	(19)	(19)	(190)
Other long-term liabilities	(2,799)	(5,547)	(27,990)
Net deferred tax assets	¥ 28,776	¥ 17,099	\$ 287,760

Significant components of deferred tax assets at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Deferred tax assets:			
Excess provision for retirement benefits	¥ 17,151	¥ 23,008	\$ 171,510
Loss on devaluation of investment securities	14,917	13,743	149,170
Excess provision for doubtful receivables	5,620	4,965	56,200
Accrued bonuses	7,272	6,537	72,720
Operating loss carryforwards	8,904	7,533	89,040
Intercompany profits	1,424	2,113	14,240
Enterprise tax payable	1,456	1,458	14,560
Impairment loss on fixed assets	3,394	2,724	33,940
Other	8,793	5,777	87,930
Total deferred tax assets	68,931	67,858	689,310
Less: valuation allowance	(21,808)	(11,772)	(218,080)
Total	¥ 47,123	¥ 56,086	\$ 471,230
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (7,318)	¥ (28,465)	\$ (73,180)
Undistributed earnings of subsidiaries	(9,520)	(9,049)	(95,200)
Other	(1,509)	(1,473)	(15,090)
Total	¥ (18,347)	¥ (38,987)	\$ (183,470)
Net deferred tax assets:	¥ 28,776	¥ 17,099	\$ 287,760

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the years ended March 31, 2008 and 2007. Fixed assets were, in principle, grouped at the business unit for impairment testing purposes. Idle assets were grouped in each asset. Loss on impairment of fixed assets for the year ended March 31, 2008 was recognized in the amount of ¥3,300 million (\$33,000 thousand) including the losses on impairment of assets of a U.S. subsidiary. The losses on impairment of fixed assets for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Land	¥ 46	¥ –	\$ 460
Machinery and equipment	1,554	–	15,540
Buildings	653	–	6,530
Goodwill and others	1,047	1,283	10,470
Total	¥ 3,300	¥ 1,283	\$ 33,000

15. Leases

Where finance leases do not transfer ownership of the leased property to the lessee during the lease terms, the leased property is not capitalized and the related lease expenses are charged to income in the period incurred, as per the statement issued by the Business Accounting Deliberation Council of Japan.

Pro forma information such as acquisition cost, accumulated depreciation and net book value of the leased properties for such finance lease purposes was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Acquisition cost	¥ 46,882	¥ 42,186	\$ 468,820
Accumulated depreciation	(23,226)	(19,814)	(232,260)
Net book value	¥ 23,656	¥ 22,372	\$ 236,560

Lease expenses on finance lease contracts without ownership-transfer amounted to ¥11,415 million (\$114,150 thousand) and ¥10,439 million for the years ended March 31, 2008 and 2007, respectively.

The amounts of outstanding future payments under finance leases due on March 31, 2008 and 2007, including the portion of interest thereon, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Future lease payments:			
One year or less	¥ 9,758	¥ 8,493	\$ 97,580
More than one year	13,898	13,879	138,980
	¥ 23,656	¥ 22,372	\$ 236,560

The amounts of outstanding future payments under operating leases due on March 31, 2008 and 2007 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Future lease payments:			
One year or less	¥ 706	¥ 756	\$ 7,060
More than one year	2,539	2,747	25,390
	¥ 3,245	¥ 3,503	\$ 32,450

16. Derivative Financial Instruments

Nature of Derivative Financial Instruments:

The Company and certain consolidated subsidiaries enter into derivative financial instruments ("derivatives") for foreign currency forward contracts to hedge foreign exchange risks associated with certain accounts receivable and accounts payable, 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 basic policies for the use of derivatives are established in the Company's internal regulations and the execution and control of derivatives are controlled by the Accounting Department.

Fair value of Derivative Financial Instruments:

The contracted amount and fair value of derivatives for foreign currency forward contracts at March 31, 2008 and 2007 were as follows:

Millions of yen				
	Contracted amount	Fair value	Unrealized gain	
March 31, 2008				
Receivables:				
U.S. dollars	¥ 4,927	¥ 4,679	¥	248
Euro	367	367		0
	¥ 5,294	¥ 5,046	¥	248
Thousands of U.S. dollars (Note 3)				
	Contracted amount	Fair value	Unrealized gain	
March 31, 2008				
Receivables:				
U.S. dollars	\$ 49,270	\$ 46,790	\$	2,480
Euro	3,670	3,670		0
	\$ 52,940	\$ 50,460	\$	2,480
Millions of yen				
	Contracted amount	Fair value	Unrealized loss	
March 31, 2007				
Receivables:				
U.S. dollars	¥ 8,785	¥ 8,832	¥	47
Euro	602	608		6
	¥ 9,387	¥ 9,440	¥	53

Fair value was determined based on the foreign currency forward exchange market rates. Foreign currency forward contracts which qualified for hedge accounting for the years ended March 31, 2008 and 2007 and were assigned to the associated assets and liabilities or deferred until completion of the forecasted transactions were excluded from disclosure of the above fair value information.

17. Contingent Liabilities

The Company was guarantor of bank loans of another company, amounting to approximately ¥91 million (\$910 thousand) and ¥100 million at March 31, 2008 and 2007, respectively. 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, 2008 and 2007, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥820 million (\$8,200 thousand) and ¥820 million, respectively. Notes discounted were accounted for as sales.

18. Business Segment Information

Industry segments:

The Company and its consolidated subsidiaries' primary business industries principally consist of Printing and Beverage operations. The Printing business includes three segments : Information Communication, Lifestyle and Industrial Supplies, and Electronics.

The following tables present certain financial information, including net sales, costs and expenses, operating income, assets, depreciation, impairment loss and capital expenditures regarding the Company's industry segments at March 31, 2008 and 2007 and for the years then ended.

Millions of yen								
	Printing			Beverages	Total	Elimination and/or corporate	Consolidated	
	Information Communication	Lifestyle and Industrial Supplies	Electronics					
For 2008 :								
Net sales :								
Outside customers	¥ 672,772	¥ 547,567	¥ 322,264	¥ 73,450	¥ 1,616,053	¥ -	¥ 1,616,053	
Inter-segment	7,125	8,225	48	45	15,443	(15,443)	-	
Total	679,897	555,792	322,312	73,495	1,631,496	(15,443)	1,616,053	
Costs and expenses	636,821	523,929	302,494	72,169	1,535,413	(6,464)	1,528,949	
Operating income	¥ 43,076	¥ 31,863	¥ 19,818	¥ 1,326	¥ 96,083	¥ (8,979)	¥ 87,104	
Assets, depreciation, impairment loss and capital expenditures :								
Assets	¥ 557,532	¥ 532,230	¥ 427,402	¥ 44,335	¥ 1,561,499	¥ 39,694	¥ 1,601,193	
Depreciation	23,279	28,588	51,717	3,665	107,249	2,653	109,902	
Impairment loss	53	1,051	2,153	43	3,300	-	3,300	
Capital expenditures	26,539	31,819	45,984	3,692	108,034	8,105	116,139	

Thousands of U.S. dollars (Note 3)								
	Printing			Beverages	Total	Elimination and/or corporate	Consolidated	
	Information Communication	Lifestyle and Industrial Supplies	Electronics					
For 2008 :								
Net sales :								
Outside customers	\$ 6,727,720	\$ 5,475,670	\$ 3,222,640	\$ 734,500	\$ 16,160,530	\$ -	\$ 16,160,530	
Inter-segment	71,250	82,250	480	450	154,430	(154,430)	-	
Total	6,798,970	5,557,920	3,223,120	734,950	16,314,960	(154,430)	16,160,530	
Costs and expenses	6,368,210	5,239,290	3,024,940	721,690	15,354,130	(64,640)	15,289,490	
Operating income	\$ 430,760	\$ 318,630	\$ 198,180	\$ 13,260	\$ 960,830	\$ (89,790)	\$ 871,040	
Assets, depreciation, impairment loss and capital expenditures :								
Assets	\$ 5,575,320	\$ 5,322,300	\$ 4,274,020	\$ 443,350	\$ 15,614,990	\$ 396,940	\$ 16,011,930	
Depreciation	232,790	285,880	517,170	36,650	1,072,490	26,530	1,099,020	
Impairment loss	530	10,510	21,530	430	33,000	-	33,000	
Capital expenditures	265,390	318,190	459,840	36,920	1,080,340	81,050	1,161,390	

Millions of yen								
	Printing			Beverages	Total	Elimination and/or corporate	Consolidated	
	Information Communication	Lifestyle and Industrial Supplies	Electronics					
For 2007 :								
Net sales :								
Outside customers	¥ 662,887	¥ 528,918	¥ 291,911	¥ 74,086	¥ 1,557,802	¥ -	¥ 1,557,802	
Inter-segment	5,955	3,795	5	36	9,791	(9,791)	-	
Total	668,842	532,713	291,916	74,122	1,567,593	(9,791)	1,557,802	
Costs and expenses	617,884	496,461	277,024	73,482	1,464,851	(3,194)	1,461,657	
Operating income	¥ 50,958	¥ 36,252	¥ 14,892	¥ 640	¥ 102,742	¥ (6,597)	¥ 96,145	
Assets, depreciation, impairment loss and capital expenditures :								
Assets	¥ 539,222	¥ 522,162	¥ 438,746	¥ 41,354	¥ 1,541,484	¥ 158,766	¥ 1,700,250	
Depreciation	20,862	24,733	49,633	3,569	98,797	1,364	100,161	
Impairment loss	-	1,283	-	-	1,283	-	1,283	
Capital expenditures	41,107	39,919	75,996	3,131	160,153	2,733	162,886	

Information by geographic area:

Disclosure of information by geographic area was not required as domestic sales and assets exceeded 90% of consolidated sales and assets, respectively, before elimination, for all segments for the years ended March 31, 2008 and 2007.

Overseas sales:

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 3)
	2008		2007		2008
	Amount	Ratio:(a)/(b)	Amount	Ratio:(a)/(b)	
Overseas sales (a)					
Asia	¥ 195,093	12.1%	¥ 177,713	11.4%	\$ 1,950,930
Other	84,445	5.2%	78,567	5.1%	844,450
Total	¥ 279,538	17.3%	¥ 256,280	16.5%	\$ 2,795,380
Consolidated net sales (b)	¥ 1,616,053		¥ 1,557,802		\$ 16,160,530

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets (expressed in Japanese yen) of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity 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.

Tokyo, Japan
June 17, 2008


MEIJI AUDIT CORPORATION

Printing Process and its Basic Technologies

Printing can be defined as a generic term for techniques of transferring ink from an image on a form plate to another object in order to reproduce the original image. It entails five main processes 1) planning, 2) film making, 3) plate making, 4) printing and 5) binding/post-processing. Through these five main processes, we have cultivated a truly wide range of skills and expertise.

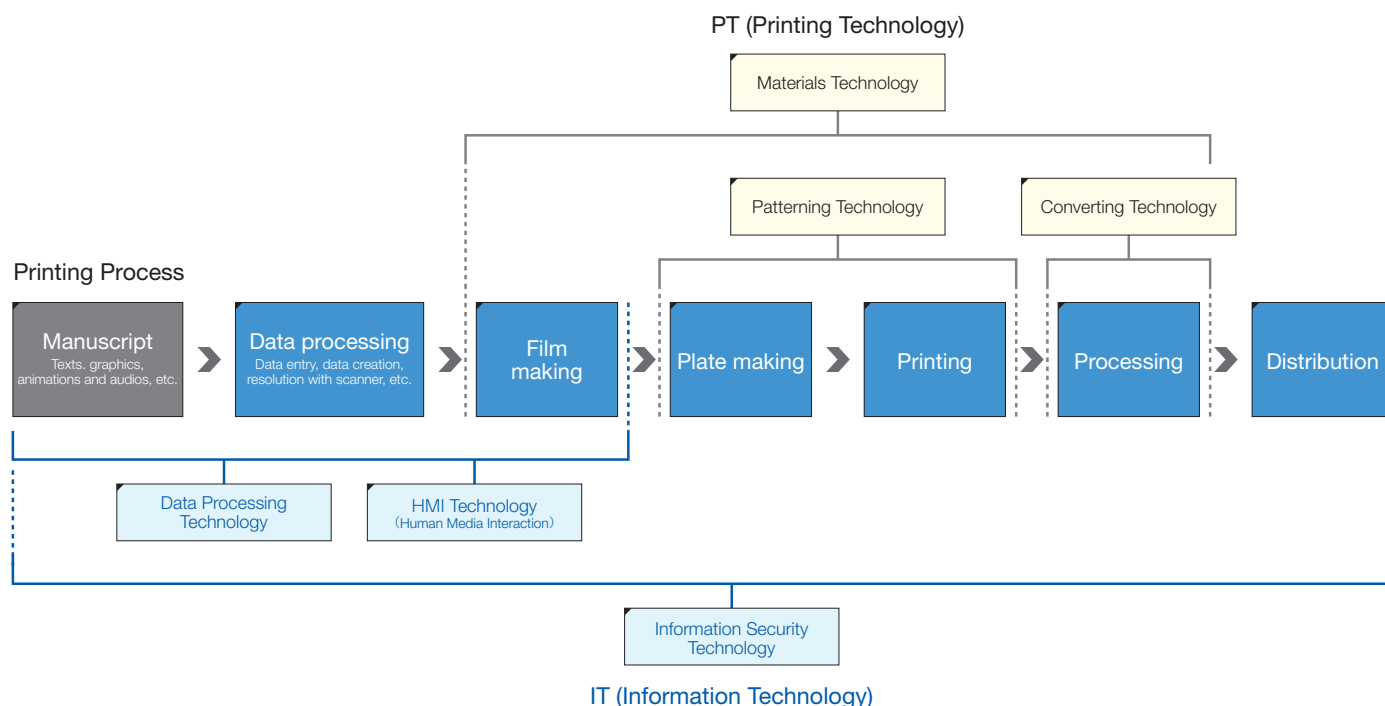
First, planning: this requires an amalgamation of knowledge and skills related to various fields, including marketing, media selection, planning and the collection, editing and processing of information. The preparation of form plates, including film making and platemaking, requires skills like sophisticated digital image processing, color management, optics and micro-processing. The actual printing process entails skills and

knowledge related to paper, film or other material to be printed, ink and a wide range of other materials, application techniques for fixing ink, and the mechanical skills required for the smooth operation of printing presses. Binding and post-processing involves skills needed to finish a variety of printed products, including bound-in sleeves, CD-ROM/DVD bindings, packaging material productions, and the formation of cups and PET bottles.

As the reader can see, printing is a complex process with both soft and hard aspects. It requires the integration of content, all types of media, materials and control of mechanical systems.

Technologies that Support Expansion Printing

Application and development of PT and IT, technologies based on printing processes → These are the strengths that allowed us to expand DNP's business.



■ PT = Printing Technology

- Materials technologies: techniques for synthesizing new materials, and for dispersing or mixing materials. Used with inks, adhesives, etc.
- Patterning techniques: formation of letters or images etc. on a base material. Includes making printing plates, lithography, and inkjet techniques.
- Converting techniques: processing technologies that change a material's shape or compound materials etc. Includes techniques for bookbinding, film formation, coating, copying, etc.

■ IT = Information Technology

- Data processing technologies: techniques for the input, output, conversion, synthesis, accumulation or transmission of data. Includes editing of text or images, database creation, and networking technologies.
- Human Media Interaction (HMI): technologies related to interaction between humans and information. Includes font design, color matching, and natural language processing technologies.
- Information security technologies: techniques for assuring that information is accurately transmitted to the correct target and stored without allowing improper usage. Includes encrypting techniques, personal information processing and management techniques, and biometric technology, etc.

Information Processing Technologies

Treating Text and Images as Information and Processing Them Flexibly to Suit Various Media

Before we begin to actually print something, there are preparatory processes in which we handle the text, photos, illustrations or other material to be printed as information. As part of this prepress process, we consider the printing method, size, materials and methods of expression that will convey the material clearly, legibly and most effectively. We then process the material according to the most effective mode of expression. Our job includes organizing and storing the processed information so that it can be revised and re-used in the future, as is often done with dictionaries, contact lists and product catalogues.

DNP's information processing skills are not limited to the domain of paper printing, but have evolved to include all kinds of media. The range of fields that we deal with expanded particularly suddenly in the 1970s, with the digitalization of printing processes.

Information processing technologies include image processing techniques, such as those aimed at optimizing the colors, outline, contrast or coloration used in an image, data conversion techniques (e.g. converting the language, format, or size of a data file to fit paper, CD-ROM/DVD, the Internet, digital broadcasting or other media), and databasing techniques for organizing, storing, and managing information.

We expanded into such businesses as information processing services (integrated data input, printing and shipping) that support products like personalized mail; digital archiving, which entails creating digital versions of cultural assets like paintings and other art works and organizing them into databases that can be searched and used in other novel ways; and operation of data centers that offer a high-security environment, including the infrastructure necessary to maintain security.

Most recently, in light of the new demand for personal data protection, anti-counterfeit and product traceability, DNP's information processing technology has become more advanced than ever. The information that our customers ask us to print is valuable material. Thanks to a corporate climate that allows us to take good care of that information, and thanks to our track record for taking good care of highly confidential printed matter such as bankbooks, bank cards and stock certificates, we have earned a high degree of trust from our customers. By combining hardware in the form of smart cards and IC tags with software applications, we are expanding into areas of information processing that other industries have not entered.

Examples of Information Processing Technology Applications

DNP has used its digital information processing expertise to address a variety of electronic media, including CD-ROMs, DVDs, the Internet and broadcasting. We have expanded our business to prepare for a full-fledged ubiquitous society — in which necessary information is accessible anywhere, anytime — and to meet the demand for personal data protection.

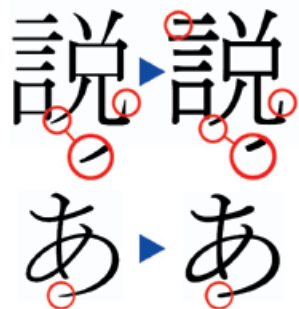
Application Example 1

Development of User-Oriented Media

With the rapid progress of computerization, information interfaces between consumers and corporations are becoming more and more diverse. In order to transmit information more effectively, it is important to understand how a target group of consumers uses information, and to develop media that is most suited to their information usage style.

DNP set about computerizing its typesetting operations in the 1970s. This included digitizing the original font, Shueitai, that we developed in the early 1900s. In 1985, we produced the world's first electronic dictionary on CD-ROM, after which we were quick to begin Internet (via PCs and cell phones) and digital broadcasting. In 2005, we made our Shueitai font compatible with JIS standards 3 and 4, and adapted it for use in word processing software. In 2006, we developed a version of Shueitai that is easier to read on digital displays.

DNP has refined its information processing technologies in order to make information easy to read and easy to communicate. Going forward, we intend to continue expanding our business along with developments in information media.



Left: Traditional Shueitai font Right: Shueitai font adapted for easy reading on digital display

Application Example 2

Responding to the Need for Advanced Information Security

Demand for information security is rapidly increasing, due partly to the passage of Japan's Personal Information Protection Act and Law Concerning Electronic Signatures and Certification Services, as well as measures aimed at preventing corporate data leakage. There is especially strong demand for the reinforcement of systems that protect and manage important information.

Since its founding, DNP has carefully guarded the manuscripts that it received from corporate clients. Through this careful handling, we honed our information processing skills. We developed technologies for organizing information into databases, for efficiently reusing information, and for building more secure network systems and products with improved anti-counterfeiting functions.

Recently, we have been building systems with such functions as a smart card-controlled computer boot-up, data encoding, restricted device access requiring personal authentication, and room entry/exit control. DNP also serves as the secretariat for Shared Security Formats Cooperation (SSFC), a corporate alliance aimed at creating standards for office security. These are some of the ways in which DNP is responding increasingly broadly to today's demand for sophisticated information security.



Patterning Technologies

Exposure, Development and Etching: the Principles are the Same Whether the Product is Text or Semiconductors

Patterning is the art of making images on form plates to be used in the film making process that is part of the overall printing process. The image to be created on the form plate may consist of text, pictures or illustrations.

Before the advent of full digitalization, the process of film making involved photographing camera-ready masters or original photos and exposing the images onto film to make positive film or negative film. Color photographs were separated into four colors: with tiny dots of yellow, magenta, cyan and black fixed onto four sheets of film.

An image that is microscopically etched onto the film using patterning technology is then burned onto a printing plate, consisting of a plate made of resin or metal, etc. Specifically, the image on the form plate was exposed onto a plate (usually made of resin or metal) that was coated with a photosensitizing agent. This is called photolithography. After exposing only the necessary parts of the resin or metal, a corrosive agent like acid was used to engrave the image. This was then washed off to make a gravure plate. This process is called etching.

As we refined this technology to the point that we now possess the most precise printing technology in the world, DNP developed its own production

equipment and systems. Today, each dot in high-quality printing is just over one hundredth of a millimeter in diameter.

DNP took the ultra-fine patterning, photolithography and etching skills that we accumulated in our printing work and began applying these micro-processing technologies to the manufacture of electronic components. The first electronics-related product that we addressed was shadowmasks. Shadowmasks guide electron beams to a luminant; they are essential for giving color to TV images. A shadowmask is a thin steel plate, only 0.2 mm thick, containing millions of ultra-microscopic holes. It is said to be impossible to achieve the necessary precision by punching, but it is possible to quickly mass-produce shadowmasks using advanced printing technology.

DNP has already refined its patterning technologies to accommodate the realm of nanotechnology necessary for manufacturing photomasks, which serve as original plates in the manufacture of semiconductors. We have built a record of success in the techniques that are indispensable to the pursuit of ultra-miniaturization, and the industry looks to us to build on this record in the future.

Examples of Applications for Patterning Technologies

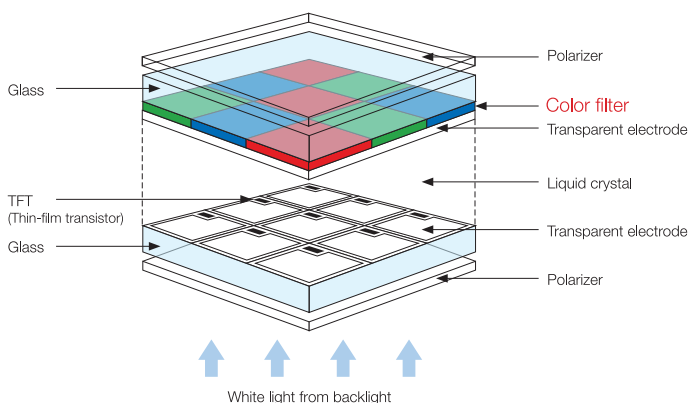
DNP has continued to hold the world's largest share of the shadowmask market, and has gone on to claim winning positions in other global markets such as photomasks, which serve as original plates for making semiconductor circuits, and color filters used in LCDs (liquid crystal displays).

Application Example 1

Display Components/Color Filters for LCDs

An LCD color filter consists of the three primary colors in light — red, green and blue — arranged in an orderly array on a glass substrate. Light from a backlight passes through the liquid crystals, and when it passes through the color filter, it creates a variety of colors. Color filter quality is determined by the formation of millions of pixels precisely in predetermined locations. This requires extremely sophisticated patterning technology.

In 2006, we developed a multi-primary color filter with yellow and cyan (bright blue) added to the three primary light colors, thereby enhancing the quality of color reproduction.

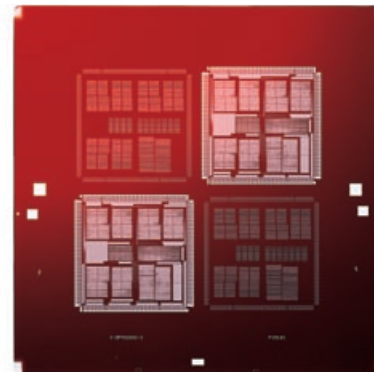


Application Example 2

Electronic Devices/Photomasks

Photomasks consist of highly precise circuit patterns, of a submicron or nanometer order, formed on a glass substrate. They are essential to the manufacture of LSIs and ICs because they are the original plates used for printing circuits onto the surface of silicone wafers. In recent years, as semiconductors have become increasingly highly integrated and larger in capacity, the line width required for high-end products has become smaller and smaller. Already, mass production is underway for products with 65 nm lines, and developers are working on ultra-advanced products with a line width of 45 to 32 nm.

Ever since DNP began producing photomasks, we have always worked at the leading edge of micro-processing technology and have remained at the forefront of technological development.



Coatings/Transferring Technologies

Technologies for Applying Functional Coatings and Transferring Images

Coating technologies are used to apply and fix ink from the image on a form plate to a material like paper or film. In other words, coating means transferring ink to the object that is to be printed. This is the process of printing in a broad sense. It goes without saying that DNP has developed basic technologies for improving image reproduction and accuracy by adjusting the amount of ink and printing pressure. We have also found ways to improve functions like coloration and durability by coating the paper surface with varnish or pigments, and have gone on to develop transfer technologies that support embossing, decorative printing and other types of texturing, as well as foil printing and other techniques that enhance the aesthetic effect of the end product.

With these types of technologies as a basis, we have expanded our business field to include printing on film used for packaging, magnetic tape used in bankbooks and cash cards, and various lifestyle materials such as floor and wall coverings, wood-grain printing and automotive interiors. By giving these products a wide range of functions such as friction or abrasion resistance, lubrication, electrical conductivity control, static or heat resistance, and heat

shielding or photocatalytic properties, we increased their market value. With the expansion of the market for displays in recent years, there has been a big jump in demand for functional films that reduce glare or reflection, and electromagnetic interference shielding film for use in plasma display panels (PDPs). These developments have also created new business fields that present opportunities for DNP.

Rather than printing directly onto the target material, there are other important transferring technologies whereby ink is first applied to film or some other material and then transferred to the material to be printed by using heat or other means. Beginning with ink ribbons for fax machines, thermal transfer materials were later used in the instant photo-sticker booths that became wildly popular among young Japanese from the early 1990s. Demand for these materials soared, as did demand for thermal transfer fax receiving paper. The market for these materials is still growing, with the focus now on ink ribbons for digital photo printers.

Examples of Coating and Transferring Technology Applications

Having cultivated coating technologies over the years, DNP began to apply them to the production of sophisticated, commercial-use printed products like magnetic tape coatings for cash cards and functional optical films, and to a wide range of products including film packaging used in everyday life, and lifestyle materials like floor and wall coverings. We hold a large share of all of these markets.

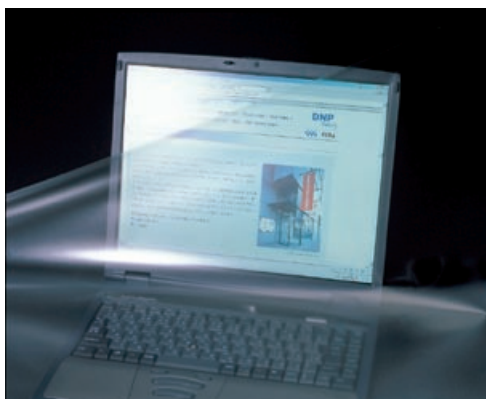
We also make use of our transferring technologies in the ink ribbons used in instant photo-sticker booths and digital photo printers, as well as in our unique "Curlfit" technology, which uses water pressure to transfer patterns for printing on curved surfaces such as automotive interiors or molded plastic products.

Application Example 1

High-function Optical Film

The surface of the polarizing plate at the very front of an LCD is covered with a special, functional film, called anti-reflection film. This film makes it easier to see the images on the screen by protecting the surface from scratches and by limiting the reflection of incident light such as fluorescent lights. A special anti-glare film is also used on front filters – the glass surface at the very front of PDPs.

By making the most of the coating technologies that are among our core printing technologies and providing optical films that facilitate viewing and prevent eyestrain, DNP has captured an overwhelming share of the market for surface functional films.

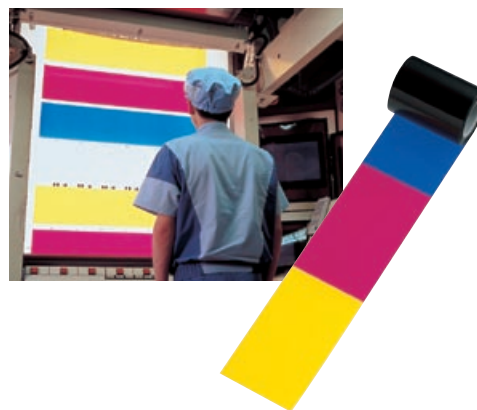


Application Example 2

Ink Ribbons for Digital Photo Printers

Ink ribbons used for digital photo printers consist of a base film coated with yellow, magenta, cyan and black inks to precisely controlled thicknesses. A certain amount of each color of ink is sublimated and transferred onto special receiving paper, depending on the amount of energy in the printer's thermal head. This method makes it possible to express very subtle variations in color and to produce prints that are very close to the quality obtained with silver halide photography.

As digital cameras and mobile phones with built-in cameras have rapidly gained popularity, there has been increasing demand for printing photos taken with these devices. In addition to the demand for supplying home-use printers, there has also been a surge in commercial demand, including printing services at major mass retail shops.



Post-processing Technologies

Refining the Final Shape and Making a Convenient Product: in Pursuit of Greater Usability

Even after printing has been completed, our job is not yet finished. In the case of books and magazines, it's only after we have completed the binding processes — folding the printed pages, fixing them together, cutting off unnecessary parts and cleaning up the edges — that we have a finished product.

The single word “bookbinding” comprises a large number of types of processing that we do in order to create a finished product. Depending on the number of pages and the purpose for which a document is to be used, we may use an expensive type of binding that yields a product with a luxurious feel or a less expensive method suited to high-volume products: options include saddle-stitching, side-stitching, burst binding and “perfect binding.”

Ever since DNP's founding, we have kept coming up with ideas for processing our final products so that they meet our customers' specific needs. In the early 1950s, with our entry into the packaging business, we began developing one post-processing technology after another. We started with the three-dimensional processing of paper containers and went on to develop

processes like sealing film packages and forming plastic. Eventually, we ended up developing and improving forming technologies for a variety of materials, including laminated tubes and PET bottles.

In these processes, we must pay as much attention to the functionality of the end product as we do to the aesthetics of the printing. We must think not only about durability and other types of strength, but also about the ease of use. When we are binding a very thick book like a computer manual, we must bind it very firmly. At the same time, we find a way to allow the manual to stay open at the desired page even when the reader has both hands on the computer. Because we seek maximum functionality in the arena of daily life, our post-processing technologies must also reflect consideration for aspects like environmental impact and universality of design.

The products that we make by applying these post-processing technologies are the result of matching DNP's technological strengths with what it is that our customers want.

Examples of Post-Processing Technology Applications

The development of our post-processing technologies began with bookbinding. In recent years, regulations governing magazine supplements have been eased so that today we encounter supplements like clothing, cosmetic samples, accessories and other items that were unheard of in the past. Because of this trend, DNP's development of new post-processing techniques has proceeded very rapidly. Our post-processing technology must always anticipate changes in the social environment and in consumers' desires, and respond quickly.

In the packaging business, which we entered in the 1950s, we are currently responding not only to changes in demand for functions like convenience and durability, but also to changes related to a growing concern for the environment and Japan's aging society.

Application Example 1

Designing in Functionality and Comfort

A large amount of packaging material is used in everyday life. It is developed according to design principles calling for minimal environmental impact and maximum functionality. For example, consumers do not see how much thought was given behind the scenes to designing the aluminum lid of a yogurt cup, which must be attached firmly enough to completely prevent leakage but not so firmly that people with little strength have trouble opening it. As another example, we considered the user's comfort in our design of cups for cup noodles, making it double-sided so that the outside will not be hot to the touch even when the cup is filled with hot water. We are also working on making thinner, lighter drinking cups.



Application Example 2

Aseptic Filling System that Does Not Harm Delicate Flavors

DNP established its aseptic filling technology in 1976 with the development of containers that can preserve their contents at room temperature for a long period of time. These containers are used as portion packs for coffee cream and as packaging for prepared foods like stew or pasta sauce. In recent years, DNP has also won high praise for its bottle filling system, which makes use of this same aseptic filling technology for packaging a variety of beverages.

Under this system, bottles are filled in an aseptic environment, so the contents are not damaged by thermal sterilization. This makes it possible to seal in the delicate flavors of beverages like Japanese green tea or black tea. Also, we provide parisons, or test-tube-like primary formed products. These are formed into bottles only immediately before filling, so their transportation entails less cost and less emission of CO₂. In recognition of how effective this system is at reducing the negative impact on the environment, DNP received an award from the LCA (Life Cycle Assessment) Japan Forum in December 2004.



Glossary

General Terms

3-D illustration (touch picture)

A 3-dimensional picture or diagram made with concave and convex parts so that people who are visually handicapped can understand it by touching.

Anti-glare film

Film that is attached to the surface of the display in devices such as computers and televisions, in order to prevent outside light or interior light from causing glare on the screen.

Aseptic filling system

A system for filling PET plastic bottles or other containers with beverages or food in an aseptic environment at room temperature.

By-plant

A factory that is built adjacent to a customer's factory in order to efficiently supply that customer with components.

Dye-sublimation thermal transfer recording media

Consists of ink ribbon with the three primary colors of ink (Y,C,B - yellow, magenta, and cyan) and special receiver paper. Heat from thermal heads transfers ink to the receiver paper. This media can express smooth color tones, and is good for photo printing among other applications.

Inkjet method

A method of printing directly onto a substrate media by spraying droplets of ink through nozzles pierced with tiny holes.

In-plant

A production facility that is built inside a customer's factory in order to efficiently supply that customer with components.

Interactive content

Content that can be manipulated by the user rather than being broadcast unilaterally, and responds interactively in very close to real time.

LC color filter

A component used to colorize liquid crystal displays. It consists of colorization layers with red, green, and blue (RGB, the three primary colors of light) pigments arrayed in patterns on a substrate.

Lead frame

Thin metal plate that is mainly used for the internal wiring of semiconductor packages.

Phase differential film

A material used for optical compensation in liquid crystal displays. It is used to prevent coloration or other display problems caused by optical distortion due to multiple refraction or by unusual tones resulting from the direction of the optic angle. This material is used to prevent dependence on the viewing angle.

Photolithography

A technology for forming patterns on a surface that is painted with photosensitive material by exposing it to light.

Semiconductor photomask

An original plate used in the process of manufacturing semiconductor devices. A circuit pattern drawn onto a glass substrate is transferred to a light-sensitive film applied to the surface of a semiconductor wafer, generally by means of light, and etching or some similar process is used to form the desired pattern on the wafer.

SIM (Subscriber Identification Module) card

A smart card that can be inserted in a mobile phone used with a GSM (Global System for Mobile Communication) network. It stores a service subscriber key that identifies the phone number of the device that contains it.

DNP Product and Service Names

Contrast improvement film

A film that is applied to the front glass substrate of a plasma display panel. It is usually used in high added-value products in order to improve color tone.

Expansion Printing

Expanding our business by applying and developing technologies — primarily the printing technologies that we have cultivated since our founding — in a variety of fields.

In 1951, we entered the packaging and building materials fields, and later we entered the electronics field after succeeding in the development of shadow masks in 1958 and in the development of photomasks in 1959. In the early 1970s, we began digitizing texts and images, and since the 1980s we have been increasingly involved in information services using such media as CD-ROMs and Internet communication.

Information Processing Services (IPS)

A type of service whereby we process, produce, ship and deliver invoices or similar printed materials within a secure environment, in response to customers' need for quick and accurate processing of large amounts of data including personal or other confidential information.

Innovative Barrier (IB) Film

Wrapping material that excels in terms of both transparency and barrier properties, and also has good heat resistance. It is mainly used to wrap food products.

Micro Electromechanical Systems (MEMS)

Devices that integrate tiny components made with semiconductor microprocessing technology.

"Monozukuri 21" Activities (Production 21 Activities)

Activities that create a framework for responding flexibly and rapidly to customers' requirements. This is accomplished by making continuous improvements aimed at eliminating waste, increasing quality and efficiency, and lowering costs. It is based on Total Productive Maintenance (TPM), and entails a return to our *monozukuri* (manufacturing) roots.

Roll to Roll

A technique for printing on rolled paper or other printing media and re-rolling the material after it has been printed. This method is well-suited to mass production because it reduces the number of times that material has to be supplied, and makes it possible to manufacture products with stable quality at high speed.

Taiwa

Talking freely together until something new is created. *Taiwa* starts with listening to what the other person has to say, and leads to a shared understanding.

Major Subsidiaries and Affiliates

Printing

		Capital (¥ million)	Ownership ratio (%)
DNP Hokkaido Co., Ltd.	Photoengraving, printing, bookbinding, production and sales of packaging	350	100.0
DNP Tohoku Co., Ltd.	Photoengraving, printing, bookbinding, production and sales of packaging	350	100.0
DNP Tokai Co., Ltd.	Photoengraving, printing, bookbinding and production of packaging	120	100.0
DNP Nishinippon Co., Ltd.	Photoengraving, printing, bookbinding, production and sales of packaging	400	100.0
DNP Shikoku Co., Ltd.	Photoengraving, printing, bookbinding, production and sales of packaging	50	97.0
Information Communication			
Books and Magazines			
DNP Seihon Co., Ltd.	Bookbinding	350	100.0
DNP Offset Co., Ltd.	Offset printing	200	100.0
DNP Media Art Co., Ltd.	Photoengraving	180	100.0
DNP Total Process Maebashi Co., Ltd.	Photoengraving	100	100.0
DNP Techtas Ichigaya Co., Ltd.	Bookbinding	80	100.0
DNP Uniprocess Co., Ltd.	Photoengraving	80	100.0
DNP Total Process Nagaoka Co., Ltd.	Photoengraving	50	100.0
DNP Butsuryu Systems Ichigaya Co., Ltd.	Warehousing and packaging of books and magazines	40	100.0
Tien Wah Press (Pte.) Ltd.	Photoengraving, printing and bookbinding	(\$1,000)	100.0
		4,600	
Commercial Printing			
DNP Media Create Kansai Co., Ltd.	Planning, production, photoengraving, printing and bookbinding	200	100.0
DNP Graphica Co., Ltd.	Printing and bookbinding	100	100.0
DNP Media Create Co., Ltd.	Planning, designing and photoengraving	100	100.0
DNP Multi Print Co., Ltd.	Photoengraving, printing and bookbinding	100	100.0
DNP Butsuryu Systems Shouin Co., Ltd.	Warehousing and packing of commercial printing	50	100.0
Business Forms			
DNP Data Techno Co., Ltd.	Production and sales of plastic cards with magnetic stripes, IC chips and others	100	100.0
DNP Data Techno Kansai Co., Ltd.	Production of business forms and plastic cards	100	100.0
DNP Total Process Warabi Co., Ltd.	Photoengraving and machine plate activities	80	100.0
NexantiS Corporation*	Sales of smartcard related software and products	25	100.0
DNP Techtas Warabi Co., Ltd.	Enclosing, sealing, and logistics for business forms related products	20	100.0
DNP France SAS*	Smart card and security business research	(Euro 1,000)	100.0
		37	
Communication and Information			
DNP Archives.com Co., Ltd.	Planning, producing and sales of art objects and contents	100	100.0
DNP AV Center Co., Ltd.	Planning, production, editing and sales of TV broadcasting, movies and video software	100	100.0
DNP Digitalcom Co., Ltd.	Planning and production of digital media contents	100	100.0
DNP Space Design Co., Ltd.	Planning and designing shops, exhibition booths and other commercial spaces	100	100.0
am3* Inc.	Planning, production and sale of visual contents, etc.	340	57.4
Maison de DNP Ginza Co., Ltd.*	Sales of Maison des Musées de France art products	60	100.0
DNP Corporate History Center Co., Ltd.	Planning and production of corporate history archives	50	100.0
Trans Art Inc.*	Procurement and sales of art objects	50	100.0
YouToo Co., Ltd.*	Provision of information over the Internet and mobile phones	50	100.0
CP Design Consulting Co., Ltd.*	Consultation for privacy protection and crisis management	40	92.5
M's Communicate Co., Ltd.*	Consultation for customer relationship management	30	95.0
At Table Co., Ltd.*	Research, consulting and planning for sales promotions for grocery supermarkets	30	95.0
MyPoint.com Japan Co., Ltd.	Marketing system planning and operations for Internet advertisements	10	83.0
Lifestyle and Industrial Supplies			
Packaging			
DNP Technopack Tokai Co., Ltd.	Photoengraving and production of packaging	430	100.0
DNP Techno Film Co., Ltd.	Production and processing of composite resins	380	100.0
DNP Technopack Co., Ltd.	Photoengraving and production of packaging	300	100.0
DNP Technopack Yokohama Co., Ltd.	Photoengraving and production of packaging	280	100.0
DNP Technopack Kansai Co., Ltd.	Photoengraving and production of packaging	200	100.0
Sagami Yoki Co., Ltd.	Production of laminated tubes	200	90.0
Aseptic Systems Co., Ltd.	Sales and consultation for aseptic systems for beverages	100	100.0
DNP Techno Polymer Co., Ltd.	Molding, processing and printing of plastic containers	100	100.0
DNP Hoso Co., Ltd.	Filling and processing of packages	80	100.0
PT DNP Indonesia	Production and sales of packaging products	(\$1,000)	51.0
		26,000	
Lifestyle Materials			
DNP Lifestyle Materials Marketing Co., Ltd.	Sales of lifestyle products	300	100.0
DNP Ellio Co., Ltd.	Printing and processing of steel and other metal plates	300	50.0
DNP Lifestyle Materials Co., Ltd.	Photoengraving and production of lifestyle products	200	100.0
Industrial Supplies			
DNP Photo Imaging Co., Ltd.	Holding company	6,080	100.0
DNP IMS Odawara Co., Ltd.	Production and sales of photographic materials	300	100.0
DNP PrintRush Co., Ltd.	Sales of digital photo printing systems and photographic materials	300	100.0
DNP IMS Co., Ltd.	Production and sales of TTRs and ST materials	100	100.0
DNP OptoMaterials Co., Ltd.	Manufacturing of optical products for displays	100	100.0
DNP Fine Chemical Co., Ltd.	Production and sales of chemicals for photography	100	100.0 (100.0)
DNP Photo Marketing Co., Ltd.	Sales of photo-related products	100	100.0 (100.0)
DNP ID Imaging Co., Ltd.	ID photographing and sales of ID photographs	50	100.0 (100.0)

		Capital (¥ million)	Ownership ratio (%)
DNP Denmark A/S	Manufacturing and sales of projection screens	(Dkr1,000) 135,000	100.0
DNP Electronics America, LLC	Manufacturing and sales of projection screens	(US\$1,000) 15,045	(100.0) 100.0
DNP Photo Imaging America Corporation	Sales of digital photo printing systems and photographic materials	(US\$1,000) 45,898	(98.9) 98.9
DNP Photo Imaging Corporation SAS	Investment in business corporations	(Euro 1,000) 50	(66.0) 66.0
DNP Photo Imaging Europe SAS	Sale of photo-related products	(Euro 1,000) 2,422	(100.0) 100.0
DNP IMS America Corporation	Production and sales of TTRs and ST materials	(US\$1,000) 53,320	(100.0) 100.0
Compagnie de Découpe de l'Ouest-CDO SAS	Production and sales of TTRs and ST materials	(Euro 1,000) 3,040	23.4
DNP IMS France SAS*	Sales of TTRs and ST materials	(Euro 1,000) 300	100.0
Electronics			
Display Components			
DAP Technology Co., Ltd.	Production and sales of PDP back plates	12,000	65.0
DNP Color Techno Kameyama Co., Ltd.	Production and sales of color filters for LCDs	2,500	100.0
DNP Precision Devices Co., Ltd.	Production of display related components	450	100.0
DNP Display Technology Taiwan Co., Ltd.	Sales of display components and technological consultation	(NT 1,000) 30,000	(99.0) 100.0
Electronic Devices			
DT Fine Electronics Co., Ltd.	Production and sales of components for manufacturing of semiconductor components	490	65.0
DNP Fine Electronics Co., Ltd.	Production and sales of components for manufacturing of semiconductor components	300	100.0
DNP LSI Design Co., Ltd.	Logical circuit designs for ICs and LSIs and layout designs	100	100.0
DNP Fine Electronics Sagamiyama Co., Ltd.	Manufacturing of electronics precision parts	100	100.0
DNP Micro Technica Co., Ltd.	Inspection and packing of semiconductor components	40	100.0
DNP Photomask Europe S.p.A.	Manufacturing and sales of photomasks	(Euro 1,000) 47,200	80.6
DNP Photomask Technology Taiwan Co., Ltd.	Manufacturing and sales of photomasks	(NT 1,000) 2,900,000	(0.5) 100.0
Others			
The Inctec Inc.	Development and sales of ink, varnish, pigments and dyes	2,000	83.4
Maruzen Co., Ltd.*	Sale of books, magazines and stationaries	2,000	25.6
DNP Logistics Co., Ltd.	Packing, shipping operations and warehouse management	626	100.0
Waseda Management Publishing Co., Ltd.	Operation of private cramming school	480	100.0
TRC, Inc.	Sales of books and creation of data	266	46.5
D.N.K. Co., Ltd.	Manufacturing, sales and repair of printing equipment and machine tools	100	100.0
DNP Trading Co., Ltd.	Sales of paper and other products	100	94.3
Direc Co., Ltd.	Sales of publishing and educational equipment	96	55.0
DNP SP Tech Co., Ltd.	Planning and production of promotional material	80	100.0
Kyoiku Shuppan Co., Ltd.	Publishing of educational books	60	48.3
Personnel Welfare, Facility Service and Others			
Dai Nippon Kaihatsu Co., Ltd.	Sales of real estate and maintenance of buildings and parking facilities	250	100.0
Shiobara Green Village Co., Ltd.*	Management of leisure facilities	200	99.6
DNP Facility Services Co., Ltd.	Management and operation of buildings and welfare facilities	100	100.0
DNP Information Systems Co., Ltd.	Planning, designing, development, management and operation of information systems	100	100.0
DNP Human Services Co., Ltd.	Planning, management and data processing activities related to personnel plans	90	100.0
Uzumine Country Club Co., Ltd.*	Management of golf courses	33	88.8
DNP Accounting Services Co., Ltd.	Accounting and consulting services	30	100.0
DNP Techno Research Co., Ltd.*	Studies related to patents and the preparation of contracts	20	100.0
Overseas Sales			
DNP America, LLC	Sales of printing solutions, electronic components, and lifestyle materials	(US\$1,000) 100	(100.0) 100.0
DNP Corporation USA	Holding company	(US\$1,000) 54,378	(8.2) 100.0
DNP Holding USA Corporation	Holding company	(US\$1,000) 100	(100.0) 100.0
DNP Europa GmbH*	Sales of displays, semiconductor components and lifestyle materials	(Euro 1,000) 92	100.0
DNP UK Co., Ltd.*	Sales of lifestyle materials	(£1,000) 120	100.0
Dai Nippon Printing Co. (Australia) Pty. Ltd.*	Sales of printed materials and building materials	(A\$1,000) 70	100.0
DNP Singapore Pte. Ltd.*	Sales of displays, semiconductor components and lifestyle materials	(S\$1,000) 350	100.0
DNP Korea Co., Ltd.*	Sales of displays and semiconductor components	(Krw1,000) 500,000	100.0
DNP Taiwan Co., Ltd.	Sales of displays and semiconductor components	(NT 1,000) 10,000	100.0
DNP International Trading (Shanghai) Co., Ltd.*	Sales of printing solutions and packaging products	(US\$1,000) 2,000	100.0
Beverages			
Beverages			
Hokkaido Coca-Cola Bottling Co., Ltd.	Manufacturing and sales of soft drinks	2,935	(4.4) 57.6

Notes: 1. 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.

Sources of Information about DNP

Reports

■ “Yuho” Annual Securities Report (Japanese)

Submitted twice a year to the Finance Ministry in accordance with Article 24 of the Securities Exchange Law (half-year report submitted in December, full year report submitted in June). We submit a wide range of information, including consolidated financial statements with an attached auditor's report, non-consolidated financial statements, summary of financial results, and information on outstanding shares and directors, etc.

■ “Tanshin” Earnings Release (Japanese, partially in English)

In accordance with Tokyo Stock Exchange rules, we prepare earnings releases for each quarter. (We began making quarterly releases after the rules were amended in March 2003.) In addition to consolidated and non-consolidated financial statements, we report on the status of sales, etc.

Publications

■ Annual Report (Japanese, English)

Around August or September every year, we release a Japanese version and an English version. In addition to consolidated financial statements, the report contains a message from the president, business strategies, summaries of financial results, news from each business sector, financial analysis, etc.

■ “DNP Report” Report to Shareholders (Japanese)

This report is issued quarterly, in September, December, March and June, and is mailed to shareholders. Examples of its content include summaries of business reports, interviews with management, information about new businesses, and information about shares.

■ Data Book (bilingual: Japanese and English)

Issued around August or September of every year, the Data Book contains values from financial statements of the past 10 years, financial analysis values presented in the form of tables and graphs, etc. Financial statement values are taken from securities reports.

■ DNP Group CSR Report (Japanese, English version available as PDF file)

Issued around August or September of every year, the report covers corporate social responsibility from the standpoint of the economy, society and the environment. Since we issued our “Eco-report” in 1998, we have continued to report under different names such as “Environment Report” or “Sustainability Report.”

■ Corporate Information (Japanese, English)

In order to give the public a better understanding of our operations, we published a pamphlet about our company. It introduces each division and addresses aspects like products, services, sales, planning, research and development, production facilities, company history, and a summary of our activities.

Web Site

English: http://www.dnp.co.jp/index_e.html

We maintain a web site as a portal for communication with a large number of stakeholders. In addition to general corporate information and news updates, we also offer PDF versions of various reports and publications, introduce products, services and bases of operations in Japan and overseas, and receive inquiries. The site also has links to DNP Group companies.

■ Major features of our web site

- News releases
- Information for investors: Financial highlights, bonds and rating report, disclosure policy, share information, etc.
- PDF files: Annual “Yuho” Securities Reports, “Tanshin” Earnings Releases, “Koukoku” Public Notices of Account Settlement, Annual Reports, DNP Reports, Data Books, DNP Group CSR Reports, Corporate Information, etc.
- Introduction to each division’s business: Lists of products and services
- Personal information protection
- Materials procurement
- Hiring information
- Events and gallery information
- Contact information, etc.

*Any DNP product or service trademarks mentioned in this annual report are registered in Japan.

