

DNP

Annual Report
2010

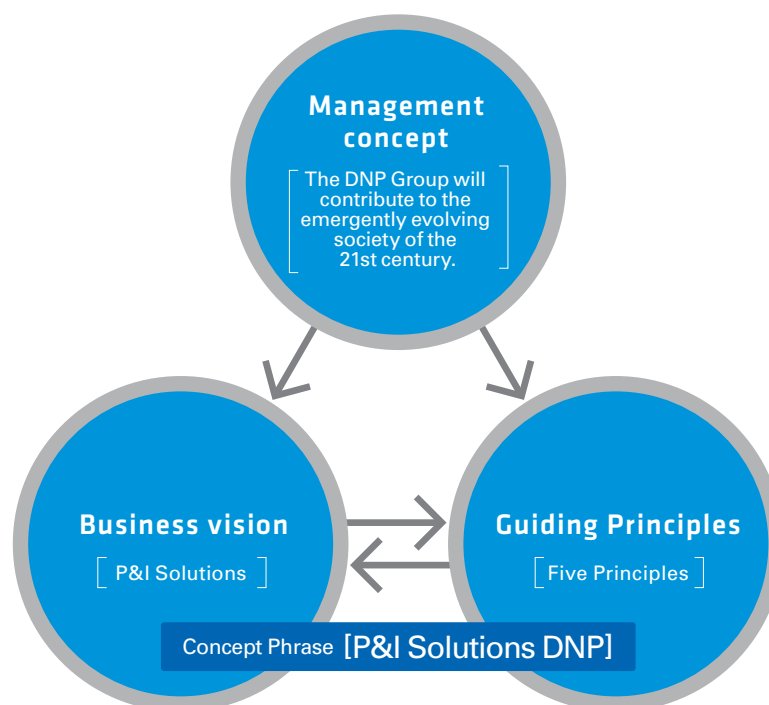
a

u

n

g

d



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

CONTENTS

2	To Our Shareholders	67	Corporate Governance
8	DNP in Brief	68	Corporate Governance
10	Synopsis of Performance	75	Board of Directors, Statutory Auditors and Corporate Officers
14	DNP at a Glance	76	Financial Section
16	Our Products	78	Management's Discussion and Analysis
18	Timeline of DNP's Technological Development and Business Expansion	88	Selected Financial Data
20	Major Events of This Fiscal Year	90	Consolidated Financial Statements
22	Special Feature: Lifestyle and Industrial Supplies Expanding Business by Increasing Added Value	98	Appendix
25	Packaging Operations	110	Technology-Centered Business Development
30	Overseas Operations	111	Technologies that Support P&I Solutions
32	Lifestyle Materials Operations	112	Technologies and Products
34	Research & Development	116	Investor Information
38	Segment Information	118	Major Subsidiaries and Affiliates
40	Information Communication	120	Glossary
40	Business Strategies	123	Sources of Information about DNP
42	Financial Results		
43	Portrait of Divisions		
46	Topics		
49	Strategic Focus		
52	Lifestyle and Industrial Supplies		
52	Business Strategies		
54	Financial Results		
55	Portrait of Divisions		
58	Topics		
59	Strategic Focus		
60	Electronics		
60	Business Strategies		
62	Financial Results		
63	Portrait of Divisions		
65	Topics		
66	Strategic Focus		

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.
(In the section on Corporate Governance (pp 67-75), "DNP" refers to Dai Nippon Printing Co., Ltd.)

To Our Shareholders

Yoshitoshi Kitajima President

In the fiscal year through March 2010, we improved performance by restructuring business operations

We achieved far better results than we expected at the beginning of the fiscal year ended March 2010.

During the fiscal term, the global economy experienced continued slow growth thanks to emergency economic measures taken by various countries and intense efforts on the part of corporations. However, the Japanese economic picture remained harsh, with continued stagnation in consumption and high levels of unemployment. Due to such factors as a protracted slump in the publishing market and corporations' containment of their advertising expenses, our Information Communication segment was hit particularly hard by the economic situation. On the other hand, we saw a clear recovery trend, particularly in Electronics, where a recovery in demand for liquid crystal display (LCD) panels supported the segment's return to the black, and in Lifestyle and Industrial Supplies, where sales of packaging and optical films were solid.

Our response was to review production systems and manufacturing facilities, and to strengthen our profit-generating base through exhaustive cost reductions. As a result, we were able to rapidly improve our results compared to the fiscal term ended March 2009, when worldwide financial crisis had an extremely severe impact on our bottom line.

Major initiatives in the fiscal years through March 2010 and March 2011

In the fiscal year ended March 2010, we conducted a thorough review of manufacturing facilities and consolidated production systems. In addition, we involved the entire DNP Group in cost reductions and succeeded in achieving significant results. We also boosted production capacity appropriately, in line with market demand.

As part of these changes, we integrated the domestic printing ink business of DNP subsidiary The Inctec Inc. with that of the leading player in the industry, DIC Corp., and established a joint venture called DIC Graphics Corp. Through these moves, we improved our operational efficiency and strengthened our corporate constitution.





Especially in the market for LCD panels, where demand has recovered dramatically, we are increasing our production capacity for LCD color filters and optical films from the fiscal year through March 2010 into the following fiscal year. We are working increasingly closely with corporate clients as we expand our LCD color filter business. Following the October 2009 start-up of a new 10th-generation plant in Sakai City, Osaka Prefecture, we also opened a new 8th-generation plant in Himeji City, Hyogo Prefecture in April 2010. Photomasks are expected to be affected by changes in the semiconductor market; in addition to boosting competitiveness by developing the very latest technologies, we will meet overseas demand for photomasks through a new plant in Taiwan, which we started up at the beginning of the fiscal year through March 2011.

During the fiscal term through March 2010, we worked harder than ever on projects aimed at revitalizing the publications market. In February 2010, we merged Maruzen Co., Ltd. and TRC, Inc., and established an intermediate holding company, CHI Group Co., Ltd. Together with Junkudo Co., Ltd. which joined the DNP Group in March 2009, we have been promoting activities such as the development of in-store sales promotions using digital signage and the introduction of tools such as smart cards and IC tags to facilitate book distribution, in order to strengthen our Books and Magazines business. We are also reinforcing planning, production and distribution functions for digital content aimed at the electronic book market and actively working to expand our information security business through such moves as tying up with Intelligent Wave Inc., a security system developer that became a DNP subsidiary in April 2010.

Corporate value enhancement and business strategies aimed at sustained growth

We are pursuing our “P&I Solutions” business vision aimed at building DNP’s corporate value in the long-term and achieving continuous growth. As our key strategies aimed at realizing our vision, we are working on establishing a strong profit-generating structure and developing new businesses.

In order to implement our business vision, it is essential that we notice changes in society and in markets, and that we be quick to discover issues that companies and even consumers are not aware of. We intend to expand our business by finding solutions to these issues through persistent *taiwa** with corporate directors and managers, consumers, and other relevant parties within and outside the DNP Group.

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

P&I Solutions

DNP's Business Vision is to provide "P&I Solutions" – meaning that we will make use of the unique Printing Technologies (P) and Information Technologies (I) that are DNP's strengths to provide products and services that solve various problems. By doing so, we hope to contribute to society.

One measure that we have undertaken with the aim of further promotion of P&I Solutions and future business development is the redevelopment of Tokyo's Ichigaya district in February 2010. Ever since 1886, when Shueisha, the forerunner of DNP, opened its Ichigaya publishing Plant in what is now Tokyo's Shinjuku Ward, this area has been the locus of our expansion into a wide variety of business fields. The redevelopment plan calls for concentrating in Ichigaya both head office functions and the planning, development and sales functions of various operating divisions that are currently dispersed in suburban Tokyo. The aim is not only to increase synergistic benefits and develop new businesses, but also to review manufacturing and distribution systems and consolidate production bases, etc. with an eye toward overall optimization. The project is scheduled for completion in 2018.

Establishing a strong profit-generating structure

We are establishing a strong profit-generating structure by having each and every employee maintain a profit-oriented awareness, and by working to boost productivity through such initiatives as streamlining processes and reviewing operations, primarily in manufacturing divisions. The Production 21 activities that we launched in 2002 have been steadily producing results. Aimed at mobilizing the entire DNP Group to increase productivity and based on the idea of overall optimization, Production 21 activities smooth the workflow between processes and between operating divisions, and promote the construction of efficient production systems from which we thoroughly eliminate waste.

In Information Communication, we will reinforce our comprehensive oversight of manufacturing processes, coordinate the wide variety of processes such as pre-press, printing, and post-processing so as to eliminate waste from production systems, improve distribution efficiency, and otherwise continue to strengthen our profit-generating structure. We already conducted a major review of the organization of our Commercial Printing business, which operates in both the Kanto and Kansai areas, and systemically reformed it by consolidating and reorganizing.

Development of new businesses

We believe that the development of new businesses and the creation of new operating divisions is an important strategy for future growth. We have already developed products and technologies that can grow into new businesses, such as products related to photovoltaic modules and lithium-ion rechargeable batteries in the environment/energy field, and products that address regenerative medicine, medicine, or healthcare in the life sciences field.

Our hope is that by developing these new businesses, we will solve more problems for corporate clients and consumers based on DNP's strength in printing and information technologies. We believe that making the most of our strengths and promoting businesses in order to solve problems is the essence of contributing to society.

In order to make these business strategies more effective, we need to enlist not only the unique technologies of the DNP Group, but also to cooperate with other companies that have special abilities. Based on this policy, we have already implemented mergers and acquisitions and formed strategic ties with a large number of companies, starting with the fields of electronic products, digital photos, and educational publications distribution. In the future, we will continue to actively seek partners both inside and outside Japan.

Holding high aspirations, we will run a civilized 21st-century business

The motto of Shueisha, the corporate predecessor of DNP, was "Run a civilized business." This motto, coined immediately after the Meiji Restoration amid major political and social upheaval throughout Japan, expresses the avid desire of the company's founders to contribute broadly to the development of Japanese society. Throughout the 134 years that have elapsed since then, we have maintained this aspiration.

Since the beginning of the 1950s, we have focused on "expansion printing" initiatives that broaden our fields of business by applying and developing the printing technologies that we have cultivated since DNP's founding. As a result, we have succeeded in creating products like food packages, decorative materials, display-related products, and photomasks used in semiconductor production. In addition to Information Communication, we have established Lifestyle and Industrial Supplies and Electronics as pillars of our business. By expanding these three business divisions in a balanced way, we succeeded in building a stable management base with a robust business portfolio. Today, DNP products and services reach

every corner of daily life in Japan and provide indispensable support for our comfortable and convenient lifestyles. There are very few examples in the world of “comprehensive printing companies” like DNP that have expanded their fields of business by refining printing technologies to the degree that we have.

Today’s world demands even more innovative changes. Based on the aspirations that we have maintained since DNP’s founding, we want to continue contributing to society by quickly noticing social changes and moving ahead of our corporate clients to make proposals and solve problems from the consumer’s perspective. We feel sure that the actions we take to realize our “P&I Solutions” Business Vision will amount to “running a civilized business” in the 21st century.

Toward even better relations with our shareholders

We view the return of profits to shareholders as an important management policy.

Our basic policy regarding allocation of profits is to pay stable dividends to shareholders, with consideration for such factors as business performance and dividend payout ratio. At the same time, we support future business expansion by using retained earnings to enhance our financial constitution, and by strengthening our management base.

We will allocate internal reserves for investments in research and development of new products and technologies, capital investment for the development of new businesses, and strategic tie-ups, including M&As. We believe that these types of investment help build corporate value in the medium and long term, and also contribute to returning profits to shareholders.

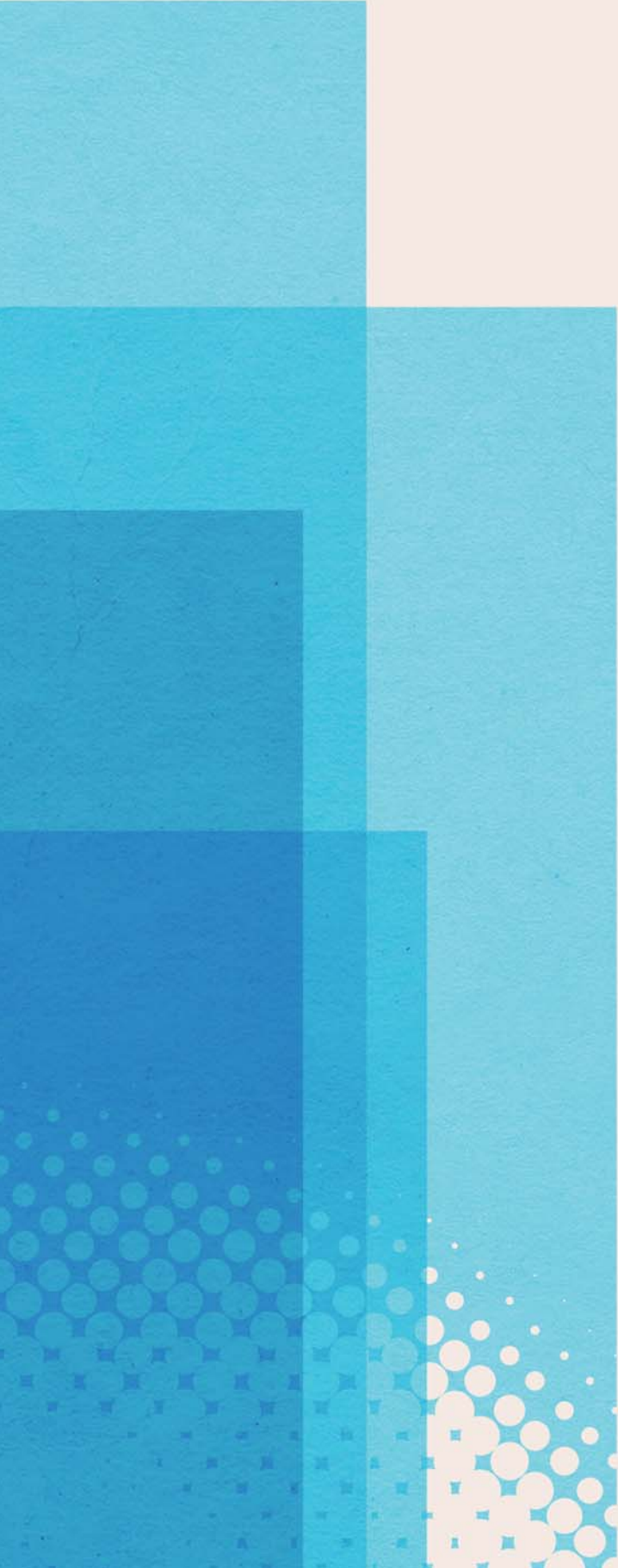
At DNP, we value *taiwa* with all of our various stakeholders. In order to stimulate livelier *taiwa* through which we can discover and resolve new issues, we disclose appropriate information in a timely fashion and work hard to achieve accountability. Furthermore, we view the maintenance of appropriate corporate governance as an important management responsibility. We intend to build, maintain, and operate monitoring systems that adequately support transparent, appropriate, and quick decision-making and business execution.

In order to gain the trust of shareholders and all other stakeholders, the management of DNP will continue to increase corporate value through our business activities. We look forward to your continued support and cooperation.



Yoshitoshi Kitajima, President





DNP in Brief

CONTENTS

- 10 Synopsis of Performance
- 14 DNP at a Glance
- 16 Our Products
- 18 Timeline of DNP's Technological
Development and Business Expansion
- 20 Major Events of This Fiscal Year

Synopsis of Performance

Grand Summary of Financial Results

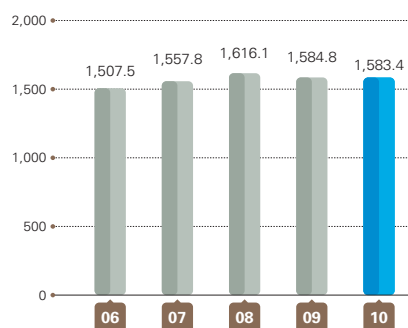
Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31

	2010	2009	2008	change 2010/2009
Statements of Operations (¥ million)				
Net sales	¥ 1,583,383	¥ 1,584,844	¥ 1,616,053	-0.1%
Operating income	66,514	46,177	87,104	44.0%
Ordinary income	68,841	47,390	86,502	45.3%
Income (loss) before income taxes	49,496	(27,842)	88,469	–
Net income (loss)	23,278	(20,933)	45,172	–
Balance Sheets (¥ million)				
Total net assets	¥ 956,864	¥ 940,086	¥ 1,040,135	1.8%
Interest-bearing debt	166,751	124,263	80,104	34.2%
Total assets	1,618,854	1,536,557	1,601,193	5.4%
Cash Flow Statements (¥ million)				
Cash flows from operating activities	¥ 140,574	¥ 131,569	¥ 157,283	6.8%
Cash flows from investing activities	(120,684)	(100,726)	(122,523)	-19.8%
Cash flows from financing activities	13,126	(33,952)	(73,728)	–
Free cash flow*	19,890	30,843	34,760	-35.5%
Per Share Data** (¥)				
Net income (loss)	¥ 36.13	¥ (32.35)	¥ 67.08	–
Net assets	1,422.34	1,393.91	1,516.35	2.0%
Cash dividend	32	32	36	–
Profit Margins (%)				
Operating income margin	4.20	2.91	5.39	1.29
EBITDA margin	9.07	5.09	12.36	3.98
Net income (loss) to net sales	1.47	-1.32	2.80	2.79
Financial Ratios				
ROE (%)	2.57	-2.20	4.35	4.77
ROA (%)	1.48	-1.33	2.74	2.81
D/E ratio (%)	18	14	8	–
Interest coverage ratio (times)	29.50	30.22	70.09	–
Valuations (against share prices on March 31)				
PER (times)	34.97	–	23.64	–
PBR (times)	0.89	0.64	1.05	–
EV/EBITDA (times)	5.77	7.19	4.94	–
PCFR (times)	7.08	6.74	6.76	–
Dividend yield (%)	2.53	3.56	2.27	-1.03
Return to Shareholders				
Value of shares repurchased (¥ million)	–	26,550	58,312	–
Dividend payout ratio (%)	88.6	–	53.7	–
Others				
Long-term credit rating (R&I)	AA (stable)	AA (stable)	AA+ (stable)	–
Foreign ownership (%)	25.38	23.63	29.53	–

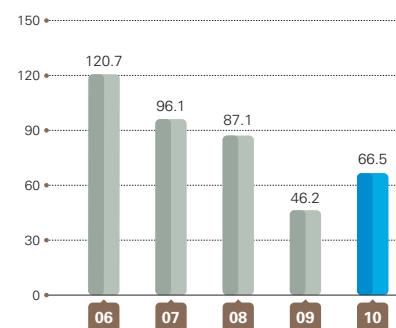
* Cash flows from operating activities - cash flows from investing activities ** No diluting securities outstanding

- We achieved large increases in operating income and net income.
- We focused on performance recovery by means of thorough cost reductions and reviewing production frameworks and equipment.
- Profits grew primarily from Lifestyle and Industrial Supplies, thanks to greater demand for high added value products.
- We expanded production capacity for strategic products like LCD color filters and optical films.

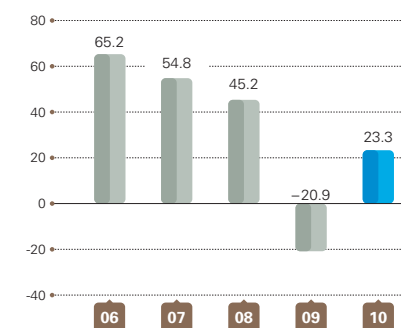
Net Sales
(¥ billion)



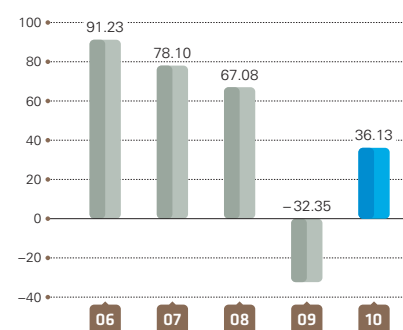
Operating Income
(¥ billion)



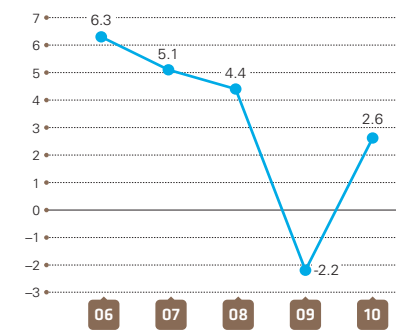
Net Income (Loss)
(¥ billion)



Net Income (Loss) per Share
(¥)



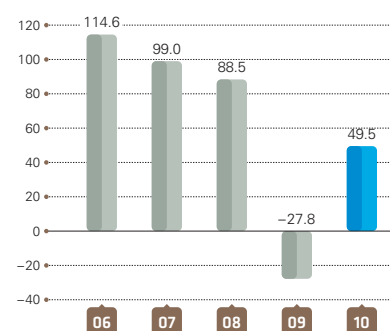
ROE
(%)



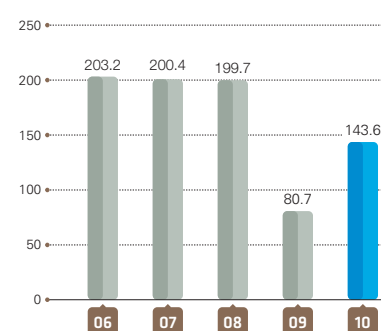
ROA
(%)



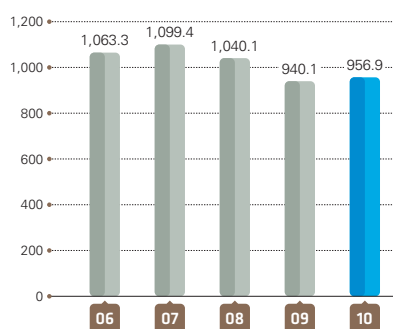
Income (Loss) Before Income Taxes (¥ billion)



EBITDA (¥ billion)

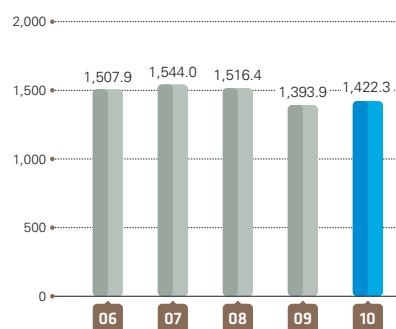


Total Net Assets* (¥ billion)

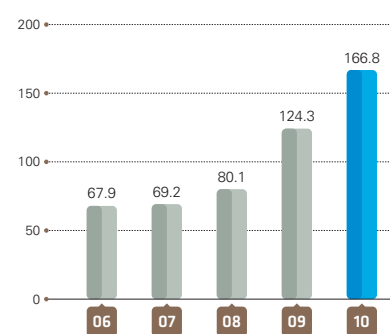


* Figure for 2006 shows total stockholders' equity.

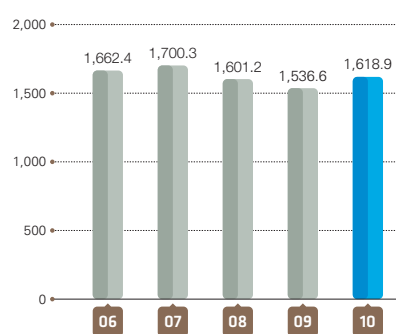
Net Assets per Share (¥)



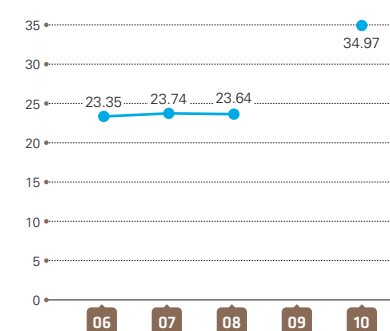
Interest-bearing Debt (¥ billion)



Total Assets (¥ billion)

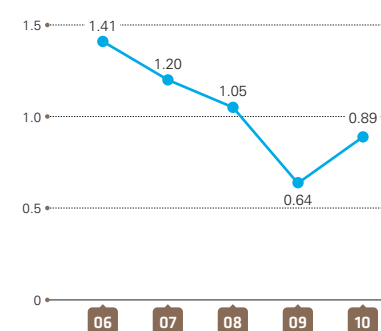


PER (Price Earnings Ratio)* (times)



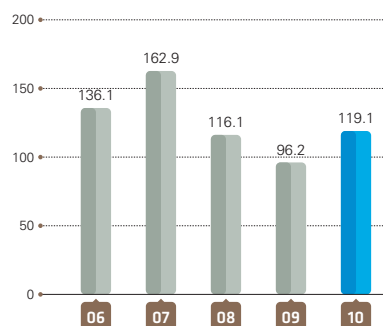
* The fiscal year through March 2009 is not shown because there was a net loss that year.

PBR (Price Book-value Ratio) (times)



Capital Expenditures*

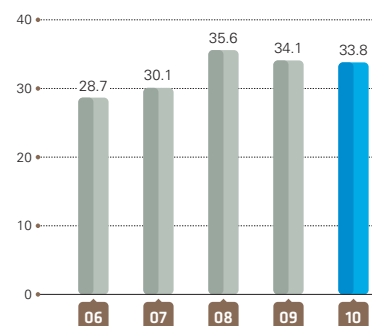
(¥ billion)



*Figures include capital expenditures for intangible fixed assets.

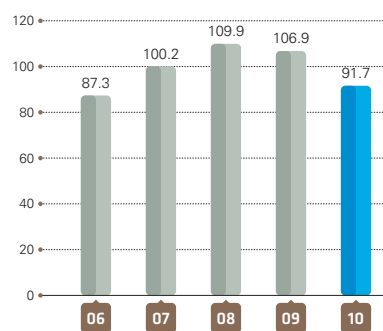
Research and Development Expenditures

(¥ billion)



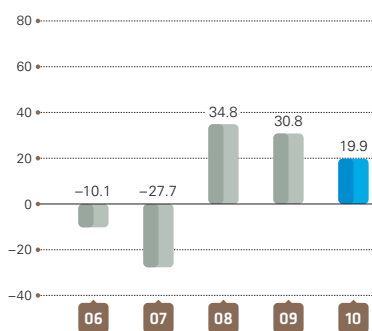
Depreciation Expense

(¥ billion)



Free Cash Flow*

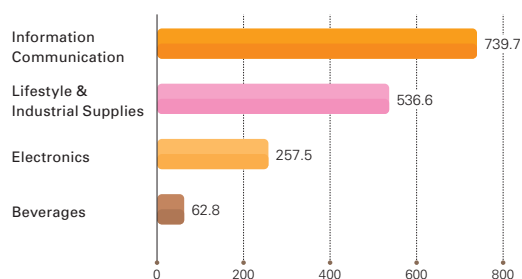
(¥ billion)



* Free cash flow = Net cash from operating activities – Net cash from investing activities

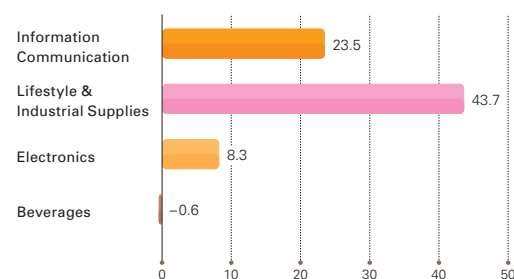
Net Sales by Segment

(¥ billion)



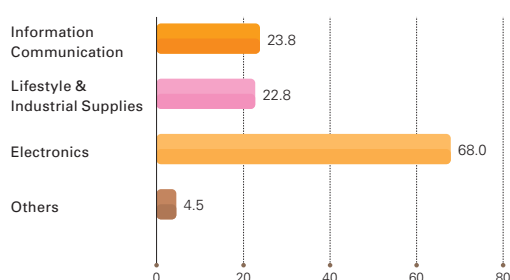
Operating Income by Segment

(¥ billion)



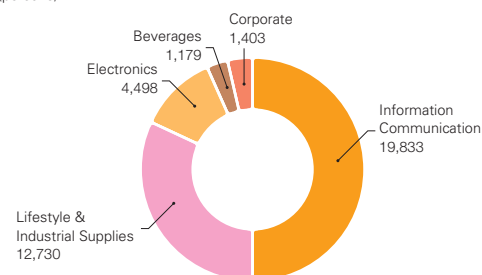
Capital Expenditures by Segment

(¥ billion)



Employees by Segment

(persons)



DNP at a Glance

Profile

With printing and information technologies at its core, DNP is a comprehensive printing company that is 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. On the strength of the printing and information technologies that DNP has cultivated since its founding in 1876, DNP has not only branched out from publishing and commercial printing to such fields as packaging, decorative materials, display-related products, and electronic devices, but has become the world's top supplier of a large number of products. Today, DNP continues to take on the challenge of expanding into new business fields, including those related to the environment, energy, and life science. We aim to provide solutions to a variety of problems, by enhancing *taiwa* with businesses and individuals and by developing and combining technologies.

The DNP Group employs about 40,000 people. In Japan, DNP has 45 sales bases and 60 production plants. Overseas, the Group has 21 sales offices in 13 countries and 10 production plants in eight countries. Overseas sales contributed 12.2% of the Group's overall net sales in the fiscal year ended March 2010.

Business Portfolio

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

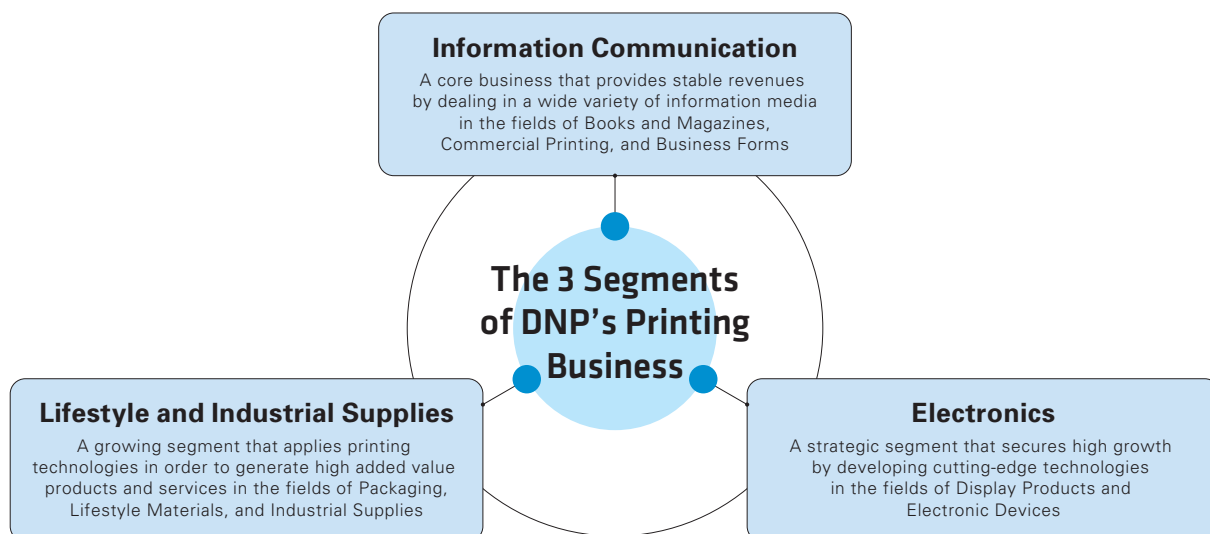
DNP has two main businesses: Printing, which contributes 96% of the Group's net sales, and Beverages, which generates 4% of net sales through Hokkaido Coca-Cola Bottling Co., Ltd.

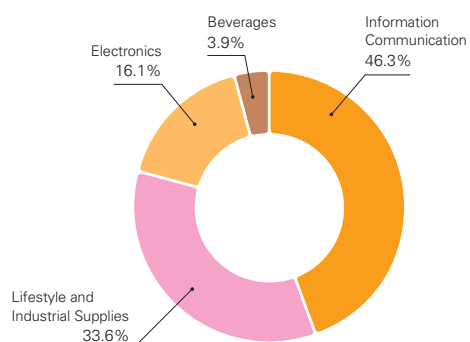
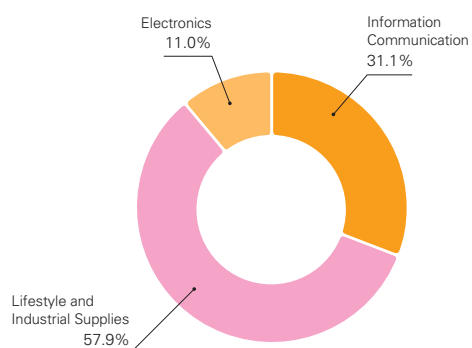
Printing consists of an assortment of businesses that DNP developed by applying printing and information technologies and adopting a variety of business types and formats as we expanded strategically into diverse fields.

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. Together, these segments comprise a business portfolio that is well-balanced from the standpoints of stability, profitability, growth potential, and risk.

In our Beverages business, we take advantage of the Coca Cola brand strength while also developing original DNP products. We are working on bolstering our beverages business base, for example by promoting production and procurement in liaison with bottlers in other parts of Japan.

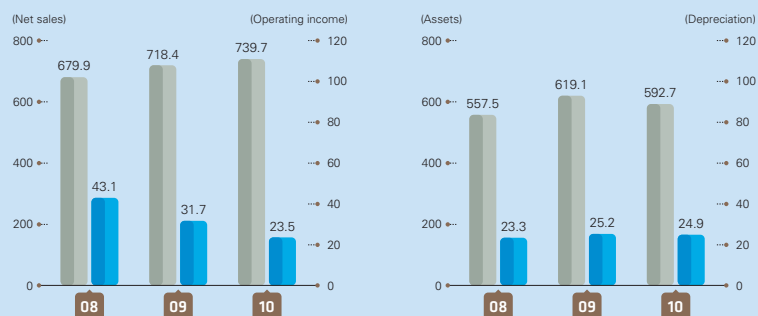
Three Well-Balanced Strategic Segments



Net Sales
by SegmentOperating Income
by Segment*

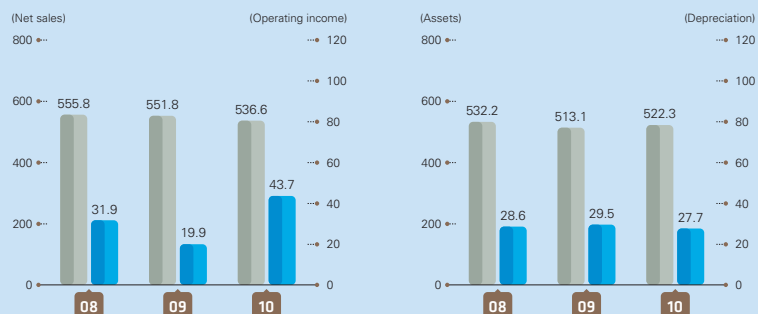
Information Communication

■ Net Sales ■ Operating Income (¥ billion) ■ Assets ■ Depreciation (¥ billion)



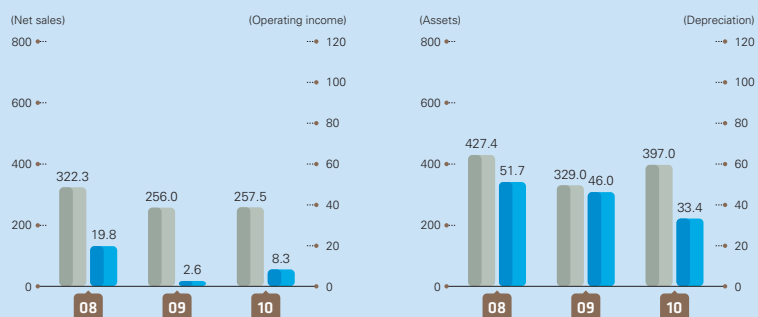
Lifestyle and Industrial Supplies

■ Net Sales ■ Operating Income (¥ billion) ■ Assets ■ Depreciation (¥ billion)



Electronics

■ Net Sales ■ Operating Income (¥ billion) ■ Assets ■ Depreciation (¥ billion)



Our Products

Information Communication

• Books and Magazines

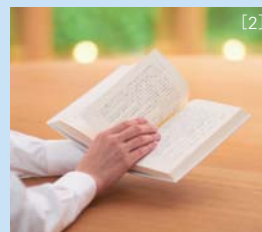
- [1] Magazines [2] Books [3] Dictionaries
[4] Electronic book-reading software (Magazine Viewer)

• Commercial Printing

- [5] Catalogs [6] Calendars
[7] Everybody's Book Production Site – "DreamPages"
[8] Augmented reality (AR)
[9] Digital Signage "Tall Vision"

• Business Forms

- [10] Personalized mail
[11] Smart cards
[12] SIM cards [13] IC tags for books
[14] Digital pens
[15] Hologram



Lifestyle and Industrial Supplies

• Packaging

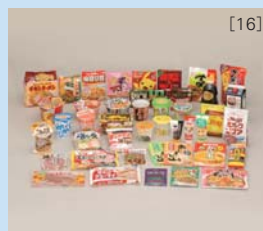
- [16] Packaging for foods [17] Packaging for toiletries and pharmaceutical products [18] Easy-to-open universal design products [19] Packages made of IB film [20] PET plastic bottles and preform [21] Aseptic filling systems for PET plastic bottle

• Lifestyle Materials

- [22] Residential interior materials [23] Automotive interior materials [24] Interior coverings for railway cars (ceilings; side ceilings)

• Industrial Supplies

- [25] Optical film for displays [26] Projector screens
[27] Dye-sublimation thermal transfer materials
[28] Thermal-resin type transfer materials
[29, 30] PrintRush PhotoBook



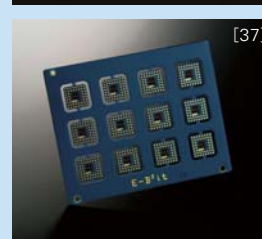
Electronics

• Display Components

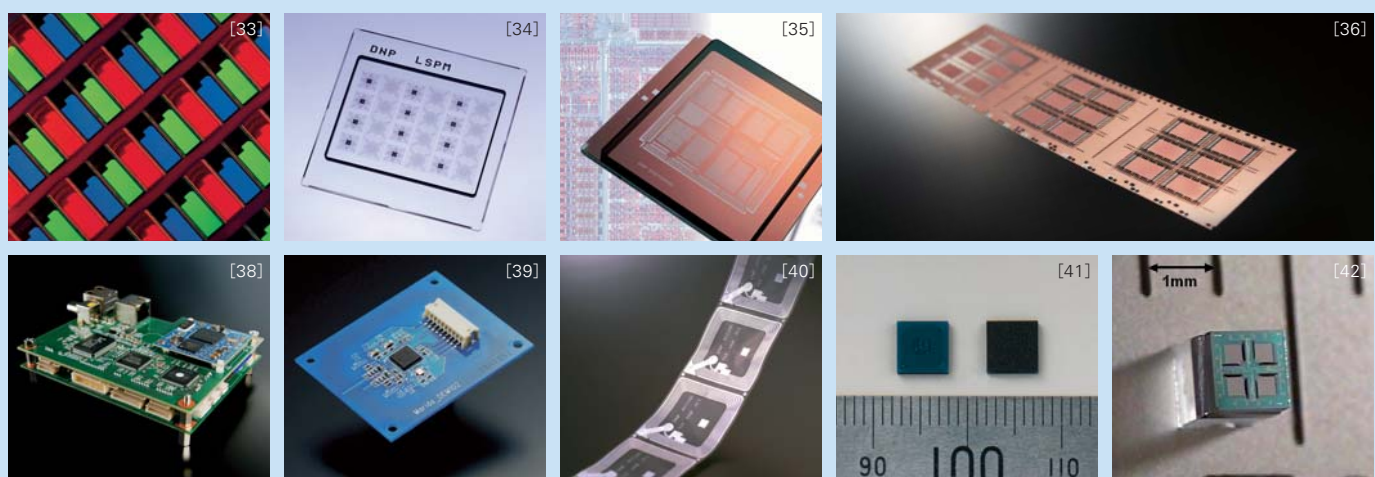
- [31, 32, 33] LCD color filters
[34] Large-scale photomasks

• Electronic Devices

- [35] Semiconductor photomasks
[36] Lead frames for semiconductor packages
[37] Inner component substrate
[38] Camera modules
[39] Reader/writer modules [40] IC tags
[41] Ultracompact IC tags
[42] MEMS (micro electro mechanical systems) products



Note: Numbers in square brackets correspond to photographs on p.16-17.



Timeline of DNP's Technological Development and Business Expansion

1876 <Founding> Founding of Shueisha, the predecessor of DNP
Start of letterpress printing

1950

1960

1970

Printing

Comprehensive Printing

1878 Determine Company rules

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

1949 Listed shares on Tokyo Stock Exchange

Promotion of "Expansion Printing"

Information Communication

Books and Magazines

1877 First Western-style book produced in Japan

Print revised edition of "Self-Help" by Samuel Smiles

1882 Begin sales of printing types

1909 Completion of DNP's original size 5 Mincho Shueitai

1925 Receive order to print 740,000 copies of the inaugural edition of "King" magazine

1956 Print the inaugural edition of "Shukan Shincho," the first weekly magazine issued by a publishing company

1972 Begin digitalization of text and images (CTS)

Commercial Printing

1885 Start of lithographic printing

1971 Development of scented printing

Business Forms

1898 Printed Osaka City Harbor-Construction Bonds (Begin printing of securities)

1946 Begin printing new Bank of Japan notes after being designated to do so by Japanese Ministry of Finance

1954 Start of carbon-backed ledger printing

1965 Begin mass production of OCR ledgers

1974 Full-scale production of magnetic plastic cards

Lifestyle and Industrial Supplies

Packaging

1951 Full-scale entry into paper container business

1961 Start production of blow-molded bottles

1969 Begin producing laminated tubes

1951 Begin in-house production of flexible packaging

1962 Begin producing paper cups

Lifestyle Materials

1951 Development of specialized printing methods for vinyl, cellophane, cloth, and other decorative materials

1961 Begin printing directly onto steel plates

1974 Introduction of Curfit technology for printing on curved surfaces

Electronics

Display Components

1958 Successful prototyping of shadowmasks

1973 Begin research and development of color filters

Electronic Devices

1959 Successful prototyping of photomasks

1964 Begin lead frame production



Major Events of This Fiscal Year

2009

May

- **Business and capital alliance with Shufunotomo**

DNP and publisher Shufunotomo Co., Ltd. agreed to form a business and capital alliance. DNP is strengthening its Educational Publications Distribution business so that we can help revitalize the publishing industry not only as a printer – i.e. as a manufacturer – but by taking on a wider variety of roles. Areas in which DNP and Shufunotomo plan to cooperate include the production of consumer-oriented content and the establishment of systems for efficient production of a variety of media. This latest capital tie-up will result in DNP holding enough shares to give it roughly 39% of total voting rights in Shufunotomo.

- **Joint Investment in Bookoff Corp.**

Kodansha Ltd., Shueisha Inc., Shogakukan Inc., DNP, TRC Inc., and Maruzen Co., Ltd. jointly invested in used bookstore chain operator Bookoff Corp. DNP aims to build cooperative relationships in the publications distribution market, which includes new publications and secondary distribution, in order to revitalize the overall market. DNP plans to implement a variety of measures; for example, devising ways to use DNP's IC tag technologies to make books traceable and prevent shoplifting at bookstores.

June

- **Achievement of more than 4% energy conversion rate in organic thin film photovoltaic cells**

DNP developed organic thin film photovoltaic cells that convert energy efficiently even when made on a large scale. As the cost of organic thin film PV cells is expected to drop sharply from current levels, they are seen as a strong candidate for becoming the next generation of PV cells. However, sharply lower conversion efficiencies when these cells are made on a large scale have been a major hurdle to their commercialization. By applying our proprietary photo-etching technology, DNP developed a technique for efficiently conducting solar electric power out of the battery, thereby achieving an energy conversion efficiency rate of more than 4% in a 50mm-square solar cell. We aim to make these new PV cells ready for market by the fiscal term through March 2016.

July

- **Use of printing technology in development of organic EL panels**

DNP developed organic EL panels using gravure printing technology. Self-illuminating, energy-efficient organic ELs are being cultivated as the next-generation display for use in devices such as flat-panel TVs and PC monitors. The organic EL panel uses wireless serial communication or wireless LAN to instantaneously update the text or images that it displays. Because it's made of plastic, it can be made into thin, lightweight, flexible displays that are easy to set up or to incorporate into sales promotion materials. DNP will continue to develop products that make use of organic EL's characteristics with a view toward commercialization in 2010.

October

- **Establishment of DIC Graphics Corp.**

On Oct. 1, 2009, DNP and DIC Corp. established a joint venture called DIC Graphics Corp., which took over the domestic printing ink businesses of DIC and DNP subsidiary The Inctec Inc.* In addition to improving operational efficiency by combining both companies' expertise and management resources, the tie-up will also improve DNP's corporate structure and boost competitiveness. The new company is expected to generate some 110 billion yen in annual sales.

*In January 2010, The Inctec Inc. changed its name to DNP Fine Chemicals Co., Ltd.

- **Start of flexible book production service for fast delivery of small-lot orders**

At our Shiraoka Plant in Saitama Prefecture, DNP installed a new integrated printing and binding line specifically for books, and began production in October 2009. The ability to print and bind at one production site shortens delivery times by eliminating transfer time between factories. In addition to enabling fast production, the new line's rotary offset printing machines require less pre-production time, which is a key to offering fast delivery and the ability to handle even small lots economically. The new facility can be used for publications of all sizes and is also easily adaptable for use with polyurethane reactive (PUR) bindings that are durable and easy to open.

2010

February

• Startup of 10th-generation LCD color filter production at new Sakai plant

We began supplying 10th-generation LCD color filters from our new plant in Sakai, Osaka Prefecture. Having invested some 43.5 billion yen in the new plant, we achieved nearly full production in the fiscal year ended March 2010, and are now smoothly expanding production according to schedule.

In December 2009, Japan's Ministry of Economy, Trade and Industry certified that the resource productivity innovation plan proposed by subsidiary DNP Color Techno Sakai Co., Ltd. makes the company eligible for benefits under the Law on Special Measures for Industrial Revitalization. The ministry praised the new plant's highly efficient production, energy efficiency-improving design and improvements in resource productivity.

• Development of agricultural production control system to help farmers "visualization" crops

DNP has developed an "Agricultural Production Control Support System" to improve the efficiency and reliability of agricultural production. The system consists of a "cultivation log" that makes it easy to record details of fertilizer or other agricultural chemical applications, a "cost control system" for detailed tracking of each operation's costs, a webcam-based "crop monitor," and a "farm server system" that monitors growing conditions by using sensors installed around the farm to measure such factors as soil moisture and fertilizer concentration. Going forward, DNP aims to promote sales of the system both to existing farms and to companies that are newly entering the agriculture field.

• Combining Maruzen and TRC to form CHI Group Co. Ltd.

In order to strengthen our Educational Publications Distribution business, we established CHI Group Co., Ltd., through a joint transfer of shares between DNP subsidiaries Maruzen Co., Ltd. and TRC, Inc. The new company will serve DNP as an intermediate holding company. It will fuse the expertise of Maruzen and TRC with that of DNP subsidiary Junkudo Co., Ltd. and with the manufacturing and service capacities of the DNP Group to enhance sales promotion measures at bookstores and to promote the introduction of smart cards and IC tags at university and public libraries. In addition to focusing on revitalization of the overall publishing market, DNP aims to strengthen its own Books and Magazines business, which is one of the DNP Group's core businesses.

• Successful takeover bid for Intelligent Wave Inc.

In February 2010, DNP began a tender offer for shares in Intelligent Wave Inc., whose strengths lie in network authentication technology and related areas. As a result, DNP acquired 50.61% of Intelligent Wave's shares and made the company its consolidated subsidiary as of April 9. Going forward, DNP aims to expand digital security operations, such as a user authentication service for credit card settlement in Internet transactions and an Application Service Provider service for detecting illicit acts. DNP also plans to expand its back office operations for financial institutions and business-process outsourcing services.

November

• Cutting costs by integrating back sheets and encapsulants for photovoltaic modules

DNP began shipping samples of a single product that integrates back sheets and encapsulants (sealant) functions for PV modules, and launched a service that integrates DNP's back sheets with customers' encapsulants. PV modules are generally assembled in the following order: transparent glass substrate, PV cells, encapsulants, and back sheets. Integrating encapsulants and back sheet functions can lower the cost of both materials and assembly. DNP plans to continue providing samples to PV module manufacturers in Japan, China, Europe and North America.

• Emergency fund-raising drive to help earthquake victims in Haiti

After the Caribbean Republic of Haiti was hit by a catastrophic earthquake, DNP conducted an emergency campaign to raise funds to help the victims. DNP placed collection boxes in 51 of its offices and factories nationwide. With additional participation from DNP Group companies, the campaign raised a total of 535,605 yen from employees. DNP matched this amount with its own contribution, resulting in the donation of 1,071,210 yen to the Japanese Red Cross Society. This money is being used to purchase relief supplies, and to support activities that improve public health, medical care, water supply, and hygiene for the earthquake victims in Haiti.

Expanding Business by Increasing Added Value

In Japan, everyone probably uses at least one DNP product or service every day. The Lifestyle and Industrial Supplies segment provides a particularly large number of products and services that are an integral part of people's everyday lives. Food and beverage packages, wall and floor coverings for homes and offices, anti-reflection films for flat-panel displays used in televisions and personal computers, and ink ribbons used for photo printers are among the products of this segment that enrich people's lives or are indispensable to business activities.



Today's society makes increasingly diverse demands of the segment, due to factors like Japan's shrinking birthrate/ aging society and growing concern for reducing the burden on the environment and improving quality of life. Our strategy is to increase added value – for example in the form of new functionality or greater ease of use – as we fully satisfy these demands and thereby expand our business.

DNP organizes printing technologies into three categories: patterning technologies (used for making printing plates), materials technologies (for developing materials with particular properties or functions), and converting technologies (for processing materials by coating or transferring, etc.). The Lifestyle and Industrial Supplies segment applies these technologies to provide products and services marked by world-leading high quality and advanced functionality.

This Special Feature will discuss the technologies that have underpinned Lifestyle and Industrial Supplies' development as the segment continually sought to build added value, and explain the directions in which we aim to take our business as well as prospects for future growth.

CONTENTS

25	Packaging Operations	30	Overseas Operations	32	Lifestyle Materials Operations	34	Research & Development
----	----------------------	----	---------------------	----	--------------------------------	----	------------------------



Advanced technical capabilities are the key to business expansion

Osamu Tsuchida Senior Managing Director

“We create new products and services that adequately respond to trends like Japan’s shrinking birth rate/ aging society, growing concern for reducing the burden on the environment and improving quality of life. We will continue making the most of our world-leading printing and information technologies in order to actively expand our business.”

Q1 What is your strategy for domestic expansion?

We will aim for future growth by focusing on how we can contribute to comfortable and convenient lifestyles while simultaneously reducing the burden on the environment as we expand our business in Japan.

For example, DNP is the world leader in electron beam (EB) coating technology. Our EB products are highly acclaimed due to the relatively low environmental load imposed in the manufacturing process, outstanding product durability, and ease of maintenance – resulting in our winning a growing share of the market for decorative materials in general, and wall and floor coverings in particular. We are beginning to take advantage of the superiority of this technology by developing new markets, such as photovoltaic module components and other products for the energy systems field and automotive interiors.

Meanwhile, Japan’s shrinking birth

rate and rising average age are expected to spark major changes in the nation’s social structure. DNP stands to benefit from increasing demand for new types of packaging arising from such factors as changing eating habits, including a growing number of solitary diners, and concerns about the safety and reliability of food. We will press on with the development of highly functional products like containers that seal very tightly yet are easy to open.

As DNP takes up the challenge of expanding its business, we are equipped with a wealth of capabilities including the ability to pick up on changes in society and the needs of consumers and corporate clients, and the ability to provide corporate customers with Business Process Outsourcing solutions — from market analysis to planning, design, production, promotion and sales.

Q2 What are your policies regarding overseas expansion?

The Lifestyle and Industrial Supplies segment’s largest overseas production and sales base is PT DNP Indonesia, which has been in business for almost 40 years. Indonesia plays an important role in Southeast Asia. As its economy develops, there are more double-income households, and more families have refrigerators. As a result of changes like these in the national lifestyle, the packaging business has grown rapidly in recent years. Some say that packaging consumption is a measure of modern culture. Going forward, we plan to expand

into neighboring countries, using DNP Indonesia as our packaging operations’ largest base in Southeast Asia.

Overseas demand is also increasing, primarily in high-growth, newly developing countries, for lifestyle materials including interior and exterior materials for homes and offices, and industrial supplies such as anti-reflection films for liquid crystal displays and color ink ribbons. By working even more closely with overseas corporate clients, we intend to strengthen our overseas business base.





Innovation: The Key to Our Packaging Business's Future

Toshiyasu Miyano Deputy General Manager, Packaging Operations

“In order to realize a sustainable society and enrich consumers' lives, we will keep developing new value by means of constant innovation”

We began our Packaging Operations in 1951 as the first step in the “Expansion Printing” initiative whereby we expanded our fields of business by applying and developing printing technologies. We started by developing and producing packages made of paper or plastic film. We went on to design and manufacture aseptic filling systems for filling PET plastic bottles or other containers in an aseptic environment. In addition to the food and beverage products that are essential to everyday living, we expanded this business into a wide range of fields including medical supplies, electronic components, and food for flights into outer space.

Printing is generally considered to be an order-based industry, but DNP's business is not based solely on receiving orders from corporate clients, nor is it based solely on manufacturing in response to orders. We also take the initiative to look at the world from consumers' point of view, to work with corporate clients to improve ease-of-use and increase added value, and to promote the adoption of universal design based on our own proposals. We can take credit for a wide variety of innovations. Examples include the development of advanced packaging materials that do a better job

of preserving package contents thanks to outstanding impermeability to moisture and oxygen, and the establishment of our “Human Research Lab,” which analyzes consumer behavior to facilitate the development of optimal packaging.

Going forward, we will continue to work on the development of even more new functions and eco-friendly products, and to be involved not only in providing a wide variety of packaging products, but in all of our corporate clients' business processes from product planning to manufacturing and sales. We intend to further expand our packaging business by earning the trust of our corporate clients as a partner who sees things from the consumers' point of view, and by providing solutions that generate new value.



Toshiyasu Miyano
Deputy General Manager, Packaging Operations

Osamu Tsuchida
Senior Managing Director

Expanding Packaging Operations by Developing Eco-Friendly Products and New Package Functions

Atsushi Saiki General Manager, Development Division, Packaging Operations



Atsushi Saiki
General Manager, Development Division, Packaging Operations

Acting on our concern for the environment

In recent years, there has been increasing social awareness of global environmental problems. In 1995, DNP's Packaging Operations became the first player in the Japanese industry to adopt Life Cycle Assessment (LCA), a method of objectively assessing a product's environmental impact through each stage of its life cycle, including manufacture, transport, sale, use, and disposal. DNP takes LCA results into account when developing products, and has offered a variety of products that help reduce the burdens that modern life places on the environment.

One such product is an aseptic filling system for PET plastic bottles. The system blows up preforms, turning them into PET plastic bottles, then washes them with sterilized water in an aseptic environment before filling. Before filling, the preform is a small, test tube-shaped item. It is much more economical and ecological

to transport preforms than to transport full-sized bottles. This aseptic filling system reduces CO₂ emissions by 54% in the raw material, manufacturing, and transport stages, compared to traditional PET plastic bottle manufacturing. DNP was the first company in Japan to successfully commercialize this method of inflating preforms as they are filled, and went on to capture the largest share of the Japanese market for aseptic filling systems.

Another idea that has been attracting attention around the world in recent years is the water footprint, which assesses the amount and quality of water used in the manufacture and distribution of products. We have taken a variety of initiatives in this area, including the development of an aseptic filling system that uses only one sixth as much water as previous systems used for washing plastic bottles. We are working to reduce our impact on the environment in other ways as well, for example by making use of biomass materials and by actively developing paper containers.

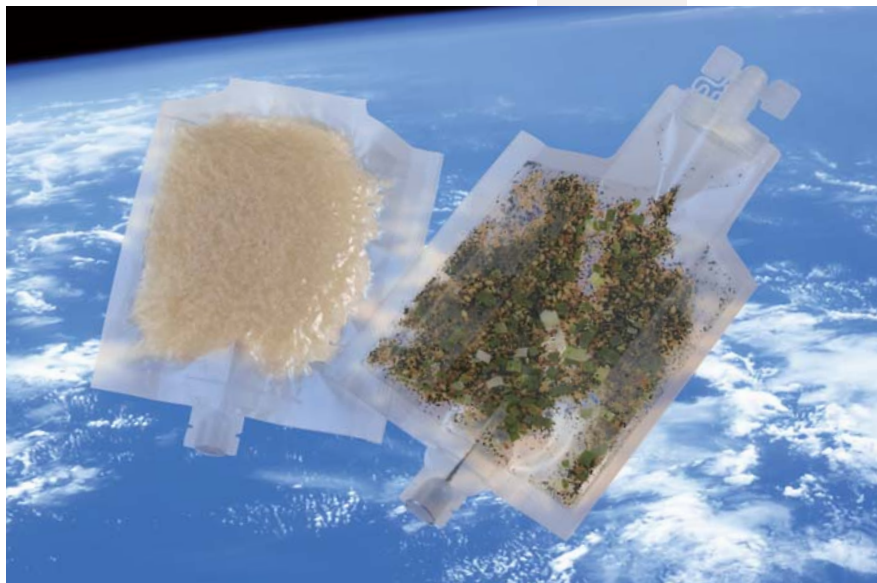


Providing new value through innovation

DNP's Packaging Operations contributes to more comfortable lifestyles by developing packages that serve various functions and that consumers can use safely and with peace of mind.

In the past, aluminum foil or aluminum vapor deposition was used to provide the impermeability to oxygen and water vapor that is necessary to make food and pharmaceutical packages more effective in preserving contents. Now, however, there is greater demand for nonmetallic material that is both transparent and highly impermeable, both for the convenience of being microwaveable, and from the standpoint of safety, as contents can be checked visually or with a metal detector. To meet that demand, we developed "Innovative Barrier (IB) Film." Moreover, we developed chemical vapor deposition (CVD) technology for chemically attaching material that increases impermeability, so that the coating remains unbroken even when the material is bent to form a package. Our competitors use physical vapor deposition (PVD) to attach materials, but this does not hold up against bending. DNP is the only manufacturer in the world that uses CVD in mass production.

Our new IB film-based aseptic filling and packaging system fills packages with one to 10 liters of content under aseptic conditions. It can make packages highly efficiently from rolls of plastic film. Going forward, we will step up sales of this system to food manufacturers and other industrial clients. We are developing many other innovative products as well, including new functional food pouches for microwave use, and space food packaging in collaboration with the Japan Aerospace Exploration Agency. These innovative products are backed by the variety of technologies – including technologies for converting, materials development, microbe control and filling systems – that we have cultivated in the 60 years since DNP's packaging business was established in 1951.



Space food packages

Focusing on growth areas

So far we have developed our business mainly around paper and plastic packaging. We have come to hold the top share of the Japanese market for paper containers and flexible packaging. Going forward, we will concentrate on developing Indonesia and other overseas markets, and will enter new fields that we have not yet addressed.

For example, in recent years we have been hearing about the problem of food waste resulting from supermarkets and

convenience stores' disposal of chilled foods that are past their expiration dates. We can help reduce food waste by developing food packages that better preserve chilled foods, thus extending their shelf life. In addition, by developing highly oxygen-absorbent plastic that is highly effective at blocking light as an alternative to the metal cans and glass bottles currently in use, DNP can enter markets in which it never participated before. As we develop our business, we will also keep in mind life science fields, such as medical care and pharmaceuticals, which are expected to grow steadily.



Promoting “human-centered marketing” that scientifically analyzes consumption behavior from the consumer’s point of view

Taku Furuta General Manager, Planning Division, Packaging Operations

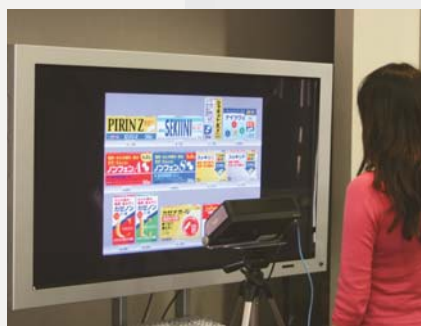
“Packaging Operations’ corporate clients, mainly food manufacturers, are looking for more effective marketing measures amid structural changes in distribution and Japan’s progressively falling birthrate and rising average age. DNP has responded by promoting ‘human-centered marketing’ that considers consumption from the consumer’s point of view. In addition to offering new solutions to corporate clients, we strive to improve consumers’ lifestyles and satisfaction level.”

DNP’s Human Research Lab – on the front lines of “human-centered marketing”

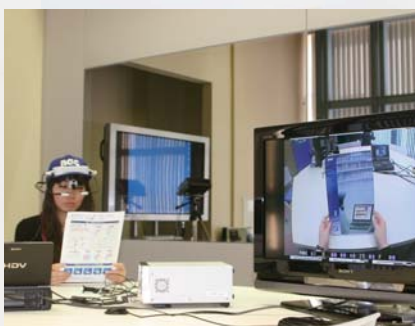
“Human-centered marketing” positions “humans” in the spotlight as it strives, by scientifically analyzing consumers’ awareness and actual circumstances, to increase the real value that corporate clients and consumers seek. In order to promote this effort, we established a Human Research Lab in Tokyo and a Packaging Usability Laboratory in Osaka. We ask consumers to use our products and services at these facilities so that we can scientifically evaluate the effectiveness of package designs and advertising. Toward this end, we analyze consumers’ behavior, including

unconscious behavior, for example by using an eye tracking system to measure eye movements. Another important analysis tool is the “Image Basket” purchasing behavior simulation system. This online research system displays a virtual store on a computer screen and enables an interactive experience of the process by which a consumer views products in the store, considers them, and makes purchases. Compared to traditional research methods using real shelves of products, the virtual version makes it possible to use more research subjects and to acquire behavioral data in a shorter time and at a lower cost.

We use these data to plan and propose effective marketing strategies with which we support our corporate clients’ sales promotions and other business activities.



Product placement simulation



Eye movement tracking system





Shoku-MAP® watches consumers' dining tables 365 days a year

"Shoku-MAP"® is an analytical system that uses consumers' actual dining tables to represent the market. It is operated by Lifescape Marketing Corp., a joint venture company established by DNP, NTT Data Corp. and Video Research Ltd. Under the Shoku-MAP system, we distribute barcode readers to 360 households in the metropolitan Tokyo area and collect detailed information about their eating habits, including what foods are purchased where and by whom, how those foods are prepared, when and by whom they are eaten, and whether they are eaten at home, at work, or at a restaurant, etc. We have already compiled more than 10 years worth of data on households consisting of married couples. In November 2008, we launched "Singles Shoku-MAP" to gather similar data for single households.

In addition to using Shoku-MAP to support our corporate clients' marketing efforts, we sell the results of our data analysis as well as selling the system itself under contract. Currently, we only collect data in the Tokyo metropolitan area. In the future, however, we plan to expand data collection to other areas.

*MAP stands for market analysis and planning.

Our environmental research program connects consumers and businesses

As consumers become increasingly aware of environmental issues, there is growing demand for planning and development of environmentally friendly products and packaging. DNP's Environmental Research Program responds to that demand by analyzing the connection between consumers' environmental awareness and their consumption behavior. Examples include using our Human Research Lab to conduct surveys of consumer awareness of product disposal, and surveying our Shoku-MAP households about their awareness of environmental issues.

In addition to using the results of this analysis for planning and sales promotion of our corporate clients' eco-friendly products, we use it to increase added value in other ways, such as linking the analysis results to the "Persona"® consumer behaviour profiling service that we began providing in November 2009.

** "Persona" is a marketing service that uses a database of consumer values and lifestyles to provide, quickly and at low cost, an image of a business's typical target customer and information about that customer's purchasing habits.

Our "UD Smile-up" campaign aims to make consumers smile by enriching their lives

Universal design (UD) is another important theme related to "human-centered marketing." In our Packaging business, we determined that our approach to UD would be to make "packaging that is designed to be as pleasant as possible for anyone to use," and the proposals that we make to client companies are formulated with this in mind. In recent years, we have been able to put the UD expertise that we have cultivated thus far to good use in preventing accidents that stem from mistaken product recognition in the medical care and pharmaceutical fields. Our current involvement with UD is mostly related to package development, but in the future we intend to enhance our UD consulting business.

We use the slogan "UD Smile-up" to remind ourselves to pay adequate attention to UD in our packaging development and to keep manufacturing products that are easier to use and inspire more appreciation from consumers.



Taku Furuta
General Manager, Planning Division, Packaging Operations



Overseas Operations

Steady expansion of our global business into the ASEAN region, with Indonesia as our base

Shuichi Kobayashi President, PT DNP Indonesia

“In 1972, DNP founded PT DNP Indonesia and entered the Indonesian market. Ever since, DNP Indonesia has led the Indonesian packaging industry while pursuing its mission of spreading ‘packaging culture’ in Indonesia. DNP Indonesia is currently staffed by 12 Japanese and about 2,000 local employees, and serves as the base for DNP’s entry into the ASEAN market.”



Shuichi Kobayashi
President, PT DNP Indonesia

Supplying laminated tube material and paper containers for major global companies

Since its founding 38 years ago, DNP Indonesia has aimed for full in-house production, meaning every process is performed in-house. In addition to introducing outstanding basic technologies for making flexible packaging and printing equipment from DNP’s head office, we have built quality control systems on the same level as those used in Japan.

As a result, the company has secured a roughly 90 percent share of the market for laminated materials used in toothpaste tubes and is supplying increasing quantities to the world’s major toothpaste manufacturers. DNP Indonesia has also won more than 60 percent of the market for packaging materials used for coffee and powdered milk, and for stand-up pouches used for liquid detergents and foods. It also supplies paper containers made with high-grade offset printing to

major global golf ball manufacturers and major global cosmetics manufacturers that hold a large share of the Southeast Asian market. DNP Indonesia has clearly carved out a solid position as a printing company in Indonesia, and is achieving stable business results.

DNP Indonesia’s strength lies in its ability to provide the same quality as DNP in Japan, because it performs every process in-house

Our strength lies in the fact that we perform every process in-house. Because of this, we can make the most of DNP’s original basic technology for making flexible packaging. This in turn allows us to propose packaging products that meet corporate clients’ needs, which may include packages in a variety of shapes and sizes, or with high impermeability to oxygen and moisture, or packages that

can be easily opened by anyone. Another important advantage of DNP Indonesia is that it uses the latest Japanese-made printing and processing machinery, with an image inspection function that allows the company to provide the same level of quality control and quality assurance that DNP delivers in Japan.

Armed with these advantages, DNP Indonesia aims to solidify its position as the No. 1 packaging processor in Southeast Asia, and to continue providing world-class quality products based on advanced technical capabilities.



Karawan Factory, PT DNP Indonesia

Main issues: developing local human resources and strengthening product development and sales capabilities

DNP Indonesia currently views the cultivation of locally hired human resources as one of the issues that management needs to address. As members of the global DNP business family, we believe that all DNP Indonesia employees must broaden their perspectives and increase their process control skills as the scale of production increases. Toward that end, the company is working on improving the abilities of its local employees by sending them to Japan and/or to outside organizations within Indonesia for training.

Another issue is the enhancement of product development and marketing capabilities. Because DNP Indonesia has many global companies as its customers, it is in a good position to grasp the needs of the international market. In addition to introducing to Indonesia the latest technologies, DNP Indonesia also does its own technological development so it can meet the expectations of the international market. In order to further boost competitiveness in the future, DNP Indonesia will focus on marketing based on analysis of market trends and work on even further enhancing its product development and marketing capabilities.

As an example of enhancing competitiveness, the company is improving its methods of tracking



Laminated products

materials procurement and working on building an in-house system for optimizing materials procurement. DNP Indonesia plans to further strengthen its profit base by optimizing inventory levels of materials such as polyester film used in packaging.

In recent years, Indonesia's political situation has stabilized, and the country is on track to achieve long-term stable economic growth, with the government actively inviting investment from abroad. Indonesia's flexible packaging market has been growing by 5-6% per year, and we are working to expand our business even further in this growing market.

Responding to the ACFTA by promoting localization of strategic products and services

The ASEAN-China Free Trade Area (ACFTA) took effect among member

states of the Association of Southeast Asian Nations (ASEAN), including Indonesia, and the People's Republic of China from January 2010, eliminating most import tariffs within the region. This should help expand DNP Indonesia's exports, but at the same time it means that low-priced competing products will flow into Indonesia from other ASEAN nations and from China. Given this situation, we will use the overall strength of the DNP Group to increase added value and functionality, for example by tailoring our strategic products – retort pouches and IB film – to the needs of Southeast Asian markets. Responding meticulously to corporate clients' needs, for example by supplying the products they need in a timely manner, and exporting to China and ASEAN nations are two of the ways that DNP Indonesia aims to promote penetration of the DNP brand.



(Lifestyle Materials Operations)

Making pleasant living spaces possible through innovative printing technologies

Masaki Tsukada Director

“DNP’s original EB (electron beam) coating technology has no rival anywhere in the world. Its range of applications has grown to include areas we never thought of when we first started developing this technology. Going forward, we will actively develop even more new uses.”



Masaki Tsukada
Director



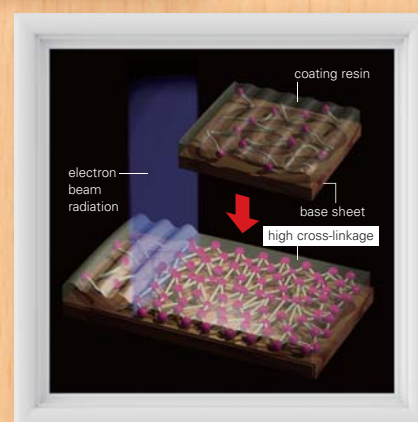
Development of advanced lifestyle products based on EB coating technology

DNP began its Lifestyle Materials business in 1951, as part of its “Expansion Printing” initiative. The business was driven by technology for continuous and seamless printing of patterns like wood grain or marble, on materials like paper, plastic film or metal. In order to meet the high durability requirements of decorative materials for housing, DNP then honed its materials technology skills to develop products like coating materials. As we expanded this business from residential interiors and exteriors to include decorative materials aimed at other environments, such as offices, medical and nursing

care facilities, and automotive interiors, we also refined converting technologies that we had been using for processing materials and used them to develop products with a wide range of functions.

Today, EB coating serves as the core of our Lifestyle Materials business. EB coating technology entails exposing coating material that has been applied to a film or other substrate to electron beam radiation. Upon exposure, the coating material immediately hardens and forms a dense polymerized structure. The technique was developed by improving on previous technologies that used heat or ultraviolet light to harden coatings. Compared to those previous technologies, products made with EB coating are far superior in terms of properties like abrasion resistance, soil resistance, and durability.

DNP floor coverings made with EB coating are used in about 60% of new apartments built in the metropolitan Tokyo area, and are being used increasingly in single-family homes and rented accommodations. In addition to floor coverings, products made with EB coating are used in a wide variety of other interior products, including wall coverings and storage cabinets, sliding partitions, and kitchen components. In addition, they are being used increasingly in exterior doors and other exterior products. In the roughly 30 years since DNP began researching EB coatings, we have filed some 800 related patent applications, making it extremely difficult for any competitor to enter the field. We are using our expertise in EB coatings to build a strong foundation for competing in the Lifestyle Materials market.



Making ArtTech the world standard for railroad cars

Developing a wide range of applications for EB coatings

EB coating technology, makes products highly weather resistant, and keeps dirt from adhering to product surfaces. Going forward, we plan to apply this technology to develop the market for outdoor products like advertising signs, displays, and glaze materials.

With the expected spread of electric vehicles that will have to carry heavy batteries, there is a need to develop lightweight yet strong auto body materials. It is therefore expected that a greater proportion of auto bodies will be made of plastic, and we plan to use EB coatings in this area as well, to reinforce and increase functionality of plastic materials.

We are also developing a variety of floor coverings from the standpoint of universal design. Examples include using EB coatings to produce no-wax floors, which do not require waxing because of their high resistance to abrasion and dirt. These properties also make our floor coverings desirable for pet owners, as pets can walk without slipping yet without scratching the floor.

DNP decorative materials are used in railroad cars in Japan and abroad. “ArtTech” is a line of aluminum paneling for interior decorative use, introduced for sale in 2000. DNP uses original technology to form a special layer on aluminum sheet, resulting in a product that is highly nonflammable and durable yet easily bendable. By printing directly onto the aluminum, we deliver more stable color qualities such as color tones and shades. ArtTech is used in about 70% of railway cars manufactured in Japan. For example, it is used on the ceilings and side ceilings of N700 series railway cars running on the Tokaido Bullet Train and new cars on the new Narita Express line.

Amid increasing worldwide awareness of the need for environmental preservation, Japan’s rail system, a type of social infrastructure that is supported by its advanced technology, is attracting attention as a low-carbon mode of transportation. Even the Japanese government has gotten involved in promoting Japanese-style transportation infrastructure overseas. Development of overseas railway business has become active, partly as a national undertaking. ArtTech has already been put to use in Taiwan’s high-speed railway, and in railway cars running on high-speed

How Electron Beam (EB) Coating Works

Liquid resin is applied to a sheet of base material, which is then passed under an electron beam that comes down like a curtain of rain. Exposure to the electron beam lasts only about one second, but the exposure causes some of the electrons in the resin molecules to fly off. This changes the bonds between the molecules, instantly resulting in a very hard film.

lines in the U.K. Going forward, we will concentrate on overseas sales wherever there are major railway construction projects around the globe, with the aim of making ArtTech the global standard for railway car interior materials.

As you can see, our Lifestyle Materials business holds a great deal of promise. In particular, we expect the range of applications for our core EB coating technology to grow exponentially from what it is today. Furthermore, we expect to see a rapid increase in the number of consumers seeking comfortable living spaces in line with economic development in emerging nations. DNP will view the full range of “human dwelling spaces” as its field of business, and develop this promising market by using the overwhelming superiority of our core technology, and by implementing proactive and flexible business strategies such as expanding our network to include the wide range of companies and organizations that address the overall supply chain.



A wide range of technologies derived from printing techniques support Lifestyle and Industrial Supplies

Takashi Wada Corporate Officer



Takashi Wada
Corporate Officer

DNP's Lifestyle and Industrial Supplies segment operates a wide variety of businesses, including Packaging for foods and beverages, pharmaceuticals and medical supplies; Lifestyle Materials for buildings, and automotive interiors, etc; Opto-Materials such as anti-reflection film used in LCD displays; color ink ribbons and other Information Media Supplies; and photovoltaic module components and other products related to Energy Systems. The diverse products provided by this business segment are an integral part of people's everyday lives and are important and often indispensable components of our corporate clients' products. By being quick to pick up on the needs and problems of companies and consumers, and by applying and developing various types of printing technologies – i.e. materials, patterning, and converting technologies – we have created a variety of products that meet those needs and lead to resolution of those problems.

DNP started out printing on paper. We then expanded our printing targets to include other materials, such as film and metal. Next we developed our business upstream by designing and developing films and other materials, and downstream by laminating things we had printed, molding them into particular shapes, and processing them into final products. This process led to the diverse product portfolio of the Lifestyle and Industrial Supplies segment, which

has grown to be one of the important business divisions that support DNP's success. As a result of our "Expansion Printing" policy of diversification through the application and development of printing technologies, we have expanded the Information Communication, Lifestyle and Industrial Supplies, and Electronics segments in a well-balanced way which has in turn supported DNP's sustained growth.

Today, we view the resolution of social problems as an important topic for Lifestyle and Industrial Supplies to address. Our challenge is to provide more convenient, more advanced products that support more comfortable and safer lifestyles while limiting burden on the global environment.

It is also important to consider universal design. For example, we are developing packages that can be opened easily with just a small amount of strength, floor coverings that discourage both slipping and stumbling, and wall coverings that purify the air. We are also working to enhance services that combine printing technologies with information technologies, such as the development of "human-centered marketing" and analysis of market trends. Without limiting the possibilities of printing, we are taking advantage of the expertise and technologies that we have cultivated thus far and constantly daring to enter new fields as we expand the scope of our business.

Packaging Products and Technologies

DNP started its packaging business in 1951 with the manufacture of paper containers. We then expanded the business to include printing on plastic film and the manufacture and processing of bags and containers. Our main customers were manufacturers of foods and beverages, toiletries and household articles, and pharmaceuticals and medical supplies. We developed a large number of advanced products that make use of DNP's original technologies.

Aseptic Filling Systems

DNP developed its first aseptic packaging system almost 40 years ago, in 1972. In 1976, we developed an aseptic system for filling single-portion containers of coffee whitener. In 1992, we were the first in the industry to develop a system for forming PET plastic bottles in a low-temperature, aseptic environment and filling them with beverages or other liquids. This system was highly acclaimed for preserving the flavor of beverages and even preserving the quality of milk-based drinks, leading to its adoption in production lines overseas as well as in Japan.



IB (Innovative Barrier) Film

In order to prevent the deterioration of contents, packaging materials must minimize permeation of oxygen and water vapor. In the past, aluminum deposition film was often used for wrapping foods when impermeability was important. However, this film rendered the package contents invisible and made recycling difficult because the aluminum could not be separated from the plastic. In 1998, DNP developed aluminum-free, transparent plastic "IB film" that shuts out oxygen and water vapor. In 2006, we used chemical vapor deposition to commercialize a type of IB film that can bend without cracking. We did this by activating a chemical reaction within a vacuum so as to cause gasified material to form a thin film on top of a plastic film.



Lifestyle Materials Products and Technologies

In 1951, DNP became the first company in Japan to develop technology for “endlessly” printing wood grain patterns without a seam. We went on to develop technology for printing on steel plate in 1961, and to develop “Curlfit” technology for printing on uneven surfaces in 1974. Today, we have developed a wide range of products for all types of living spaces, including decorative interior materials, storage and partition products, bath and kitchen products, decorative exterior materials, and interior materials for automobiles and railway cars. These products address consumers’ needs while also resolving technical problems for builders.

EB Coatings

In the 1980s, DNP became the first company in its industry to develop original EB coating technology. This technology entails hardening a coat of resin by exposing it to an electron beam, resulting in a product with extremely high surface hardness. Because the resulting products resist deterioration caused by abrasion, dirt, or sunlight, etc., and because the production process requires less energy, generates less CO₂ and does not require solvents, they have become highly acclaimed as the de facto standard for decorative materials, especially for interior materials used in homes and offices.



Industrial Supplies Products and Technologies



Information Media Supplies

After successfully developing two types of thermal transfer recording media – thermal-resin type and dye-sublimation, we established our Information Media Supplies business in the latter half of the 1980s. The thermal-resin type is generally used in monochrome ink ribbons for printing bar codes, while the dye-sublimation type is mainly used in color ink ribbons for printing photographs. DNP holds the world’s top share of the market for dye-sublimation thermal transfer materials, partly because we supply printer manufacturers on an OEM basis. Dye-sublimation thermal transfer materials transfer yellow, magenta, and/or cyan ink to special receiver paper to form color images. Its use is expanding because it can express smooth color tones and deliver almost the same quality images as silver halide photography.

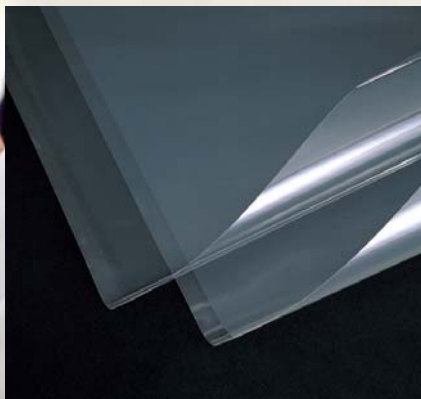


As of the 1980s, when DNP decided to apply the power of its technologies to solve problems faced by corporate clients and consumers, we began to expand our business fields more than ever. For example, we used various technologies – including coating technologies that allow us to form a thin film of material with specific properties depending on usage requirements, laminating techniques by which we join together multiple types of film, and materials technologies that enable us to design and develop optimal materials – to start up our Information Media Supplies and Opto-Materials businesses in the 1980s and our Energy Systems business in the first decade of this century.

Opto-Materials

Special, functional film is used on the surface of an LCD's polarizing plate to make it easier to see the images on the screen by reducing reflection of incidental light and by protecting the surface from scratches. DNP holds a 70% share of the world market for this type of anti-reflection film.

It was in 1996 that DNP established technology for designing anti-reflection films used in LCD. Since then, we have taken advantage of the highly acclaimed coating, materials, and clean converting technologies that we cultivated through printing to succeed in mass producing high-quality products and expanding our market share.



Energy Systems

DNP began researching and developing photovoltaic module components more than 10 years ago, and in 2003 we came out with commercially viable back sheets and encapsulants. In response to expansion of the market, we began producing these products at a dedicated factory in January 2009. Encapsulants are adhesive, protective sheets that secure a photovoltaic module's electricity-generating cells and wiring. DNP developed encapsulants which is made primarily of olefin resin and delivers better sealant and durability performance than previous products. Back sheets are made of weather-proof film and protect photovoltaic modules from external elements. By developing back sheets made of hydrocarbon film, DNP simultaneously improved the safety and lowered the cost of its back sheets.

Also in the energy field, we are focusing on the manufacture of lithium-ion battery packages. In order to make the batteries lighter, there is demand for making battery packages from plastic rather than the aluminum that was most commonly used in the past. DNP will enlist technologies and expertise that it cultivated in its packaging business to make an active entry into this market, and work to get our products adopted in a variety of electronic devices and electric automobiles.





Segment Information

CONTENTS

40 Information Communication

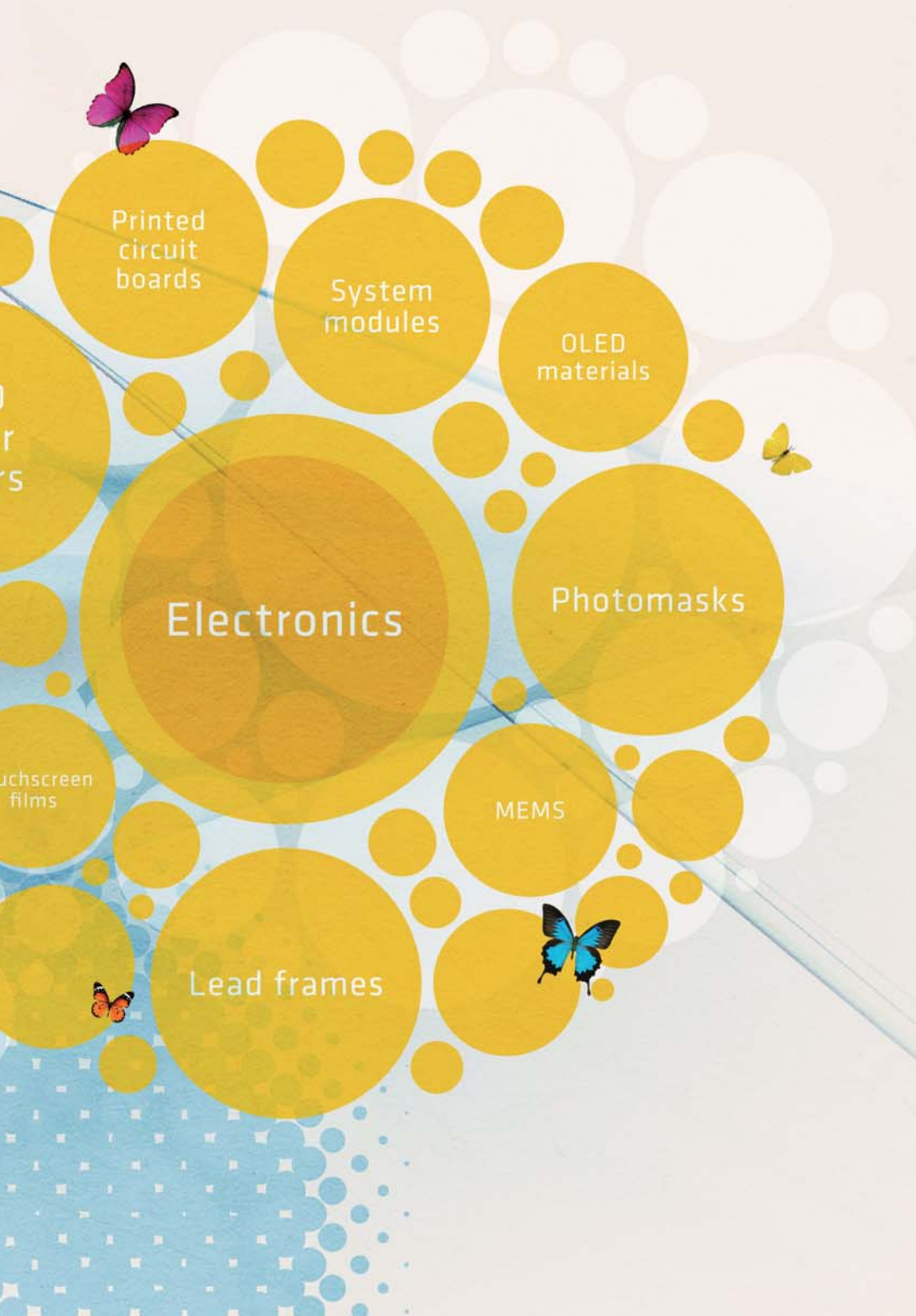
- 40 Business Strategies
- 42 Financial Results
- 43 Portrait of Divisions
- 46 Topics
- 49 Strategic Focus

52 Lifestyle and Industrial Supplies

- 52 Business Strategies
- 54 Financial Results
- 55 Portrait of Divisions
- 58 Topics
- 59 Strategic Focus

60 Electronics

- 60 Business Strategies
- 62 Financial Results
- 63 Portrait of Divisions
- 65 Topics
- 66 Strategic Focus



BUSINESS STRATEGIES

Our Information Communication segment constitutes a stable revenue base composed of three business divisions: Books and Magazines, which has been a core business since DNP's founding, Commercial Printing, and Business Forms. The segment covers a wide variety of media, beginning with paper and including electronic media such as the Internet and digital broadcasting. We intend to expand these businesses by providing original solutions that capitalize on our strengths in software development for smart cards and similar media, consumption behavior analysis, customer relationship management and other forms of market analysis, and information security.

Basic Strategies

Consumers have changed their consumption behavior with the development of information networks; today's consumers use a variety of communication channels to gather the information they want and to actively express their opinions. Because of these changes, it has become important for businesses to get a good grasp of the needs of individual consumers and to establish closer communication with them. At the same time, as individual consumers reveal more personal information to companies, the companies must be absolutely sure to maintain the security of personal data and other sensitive information.

DNP's Information Communication segment has responded to these circumstances by constructing a strong information security framework and offering information processing services that edit and process information that consumers want into the formats they want, as well as by making possible a variety of communication styles. We intend to focus more than ever on providing diverse solutions, including market analysis and consulting services aimed at reflecting consumers' opinions in corporate business activities, development of sales promotion plans, and providing back office functions on an outsourced basis.

Expanding Our Business by Promoting P&I Solutions

Since this segment is strongly focused on interpersonal communication, we aim to develop unique solutions that combine printing and information technologies in order to resolve problems that our corporate clients and consumers face in the area of information communication.

Developing Diverse Communication Styles

Some of the ways that we will work to solve problems for corporate clients and consumers are creating optimal combinations of media and content, building easy-to-use communication infrastructure, and generating new products and services.

Providing Comprehensive Business Process Solutions for Corporate Clients

DNP has become proficient in maintaining the advanced information security required for editing and processing massive amounts of data and for handling important information. Based on this expertise and other strengths, we aim to actively encourage businesses to outsource services from us in order to solve problems that they face in their overall business processes.

Generating New Businesses through Global Expansion and Business Tie-ups

We intend to develop new business fields, mainly by using our network of overseas bases to develop global businesses and by collaborating with companies that excel in a specific area.

Major Policies

Promoting P&I Solutions by Expanding Solutions-Oriented Business

We intend to move beyond the production-centered business of our past and further expand our solutions-based business, which offers original solutions combining printing and information technologies in ways that only DNP can. We intend to accomplish this by concentrating on the following areas:

- Providing solutions that address all of a manufacturer's business processes – both upstream and downstream – including sales promotion planning, product and service development, market research, and customer relationship management
- Facilitating direct communication between companies and consumers by providing advanced information security
- Creating new businesses that provide comprehensive solutions to customers' problems by linking smart cards and other security solutions with various media such as electronic forms, IC tags, print-on-demand services, and personalized direct mail
- Expanding our online distribution business and the planning and production of digital content, including books, magazines, and images, for publication in a variety of media formats
- Developing information services tailored to customers' needs, and strategic business alliances aimed at enlivening various industry sectors, including publishing, distribution, and manufacturing

Expanding Solutions-based Business through Cooperation between Business Segments

By improving cooperation among DNP's business divisions and making effective use of our business bases, we intend to provide more effective services aimed at solving problems for corporate clients and consumers.

In addition to enhancing showrooms at our major business bases, we have been presenting a variety of solutions through demonstrations and exhibits, at the DNP Gotanda Building (in Tokyo's Shinagawa Ward) and the Namba SS Building (in Osaka's Nishi Ward). We also use these facilities for working with corporate clients to identify problems and hammer out optimal solutions.

In order to further promote P&I solutions and ensure their future development, we have begun redeveloping the Ichigaya area of Tokyo, which has served as the primary locus for DNP's expansion into a variety of business fields ever since we opened our Ichigaya Plant in 1886. Our redevelopment plan calls for concentrating in the Ichigaya area the planning, development and sales functions of the various business operations, which are currently dispersed in various suburban Tokyo locations, along with head office functions.

Promoting Sales of Outsourcing-Based Services

We aim to use the technologies and expertise that we have cultivated over the years, and the good relationships that we have built with corporate clients, to support improvement and boost efficiency in our clients' overall business processes. Our aim is to provide services that address the full range of business processes – from product or service planning to production, sales promotion, distribution, and customer support – in ways that are meticulously tailored to the different needs of different types of business and industries yet improve efficiency through standardization.

For example, we take responsibility for implementing advanced security measures when handling information received from corporate clients and consumers, so we can process large amounts of information safely and accurately. We will concentrate on getting orders for outsourcing-based services by providing corporate customers with comprehensive solutions that include a variety of services. Examples include development tasks such as conducting surveys and analyzing results, consulting, or sales promotion planning; operation of online data centers, customer support centers, or sales campaign offices; providing back-office functions such as mailing; and printing-on-demand of information that is individually tailored communications.

Promoting Global Expansion and Business Tie-ups in Order to Create New Businesses

We will take advantage of our overseas production bases in locations like Singapore and Indonesia and use our network of printing companies in 50 countries to promote our Global Meta-Media (GMM) system for transmitting printing data for production in optimal locations. We will respond proactively to overseas printing demand and aim to expand our businesses on a global scale, by using our multilingual translation service, which can handle some 60 languages, and by focusing on developing the Asian market through the Shanghai subsidiary that we established in 2005.

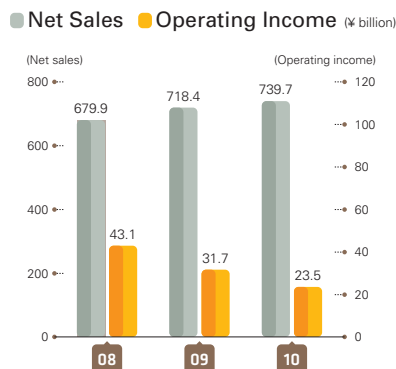
To bolster our Education and Publications Distribution business, we established CHI Group Co., Ltd. as an intermediate holding company on February 2010, through a joint transfer of shares by consolidated subsidiaries Maruzen Co., Ltd. and TRC, Inc. By combining the DNP Group's products and services with the expertise of our various Group companies, including a consolidated subsidiary Junkudo Co., Ltd., we aim to enhance sales promotion measures at bookstores and promote advancements such as the introduction of smart cards and IC tags at public and university libraries.

DNP actively seeks to resolve the problems of the overall publishing and printing industries, including the growing market for electronic books. In addition to taking a leading role in stimulating the educational publications distribution market, we will work to strengthen DNP's core Books and Magazine business.

FINANCIAL RESULTS

Financial Highlights

	2008.3 2009.3 2010.3		
	¥ billion, %		
Net sales	¥ 679.9	¥ 718.4	¥ 739.7
Operating income	43.1	31.7	23.5
Operating income margin	6.3%	4.4%	3.2%



Business Environment

In the fiscal year ended March 2010, total domestic sales from the publishing of books and magazines declined year on year for the fifth term in a row since 2005. Since 1997, the only break in the long-term downtrend of the Japanese book and magazine market was in 2004. In every other year, sales declined relative to the previous year. At the same time, there were pronounced cutbacks in corporate advertising outlays, as a result of the downturn in corporate performance. This had a significant impact on areas like commercial printing and magazine advertising, with advertising-related companies seeing their net sales decline. In business forms, demand for ETC (Electronic Toll Collection) cards grew in response to economic stimulus measures, but overall demand was stagnant due to such factors as limitations on credit card issuance and corporate cost-cutting. In addition to stagnation in these types of demand, unit prices declined in response to intensified competition, and the economic environment surrounding the Information Communication segment remained as harsh as ever.

Summary of Financial Results

In Books and Magazines, sales of both books and magazines declined due to the prolonged slump in the publications market. In Commercial Printing, sales of advertisements such as flyers, pamphlets and point-of-purchase materials declined because of cutbacks in corporate advertising budgets. In Business Forms, sales of ETC cards grew sharply, but the overall rise in net sales from smart cards was slight. Sales of information processing services also rose from the previous year, but ledger sales fell sharply year on year.

Due to the addition of sales from newly consolidated subsidiaries in the Education and Publications Distribution business, total segment sales increased by 21,260 million yen, or 3.0% from the previous fiscal year, to 739,685 million yen. Operating income, affected by decreased net sales in areas such as Books and Magazines and Commercial Printing as well as by lower unit prices, declined by 8,224 million yen, or 25.9%, from the previous fiscal year to 23,466 million yen. The operating income margin also declined, by 1.2 points to 3.2%.

The segment contributed 46.3% of the DNP Group's total net sales (compared to 45.0% the previous year), and 31.1% (down from 58.2%) of its operating income.

PORTRAIT OF DIVISIONS

Books and Magazines

Main Businesses

In addition to printing books and magazines, we handle a broad range of information, including planning and production of digital content, network-based distribution, sales and promotions aimed at mobile terminals, and analysis of consumer trends. In addition to conventional publishing companies, our customers include a variety of content holders in Japan and abroad. We are expanding our business by providing products and services based on editing and processing customers' content into the most appropriate formats in order to resolve customers' problems.

Market Trends and Summary of Financial Results

Estimated domestic sales of books and magazines in the fiscal term ended March 2010 declined by 3.8% from a year earlier, to 1.919 trillion yen. Book sales declined by 4.1% from a year earlier to 840.9 billion yen, and magazines sales fell 4.4% to 1.780 trillion yen.

In calendar 2009, book and magazine sales were estimated at 1.936 trillion yen, falling below 2 trillion for the first time in 21 years. No end is yet in sight for the long-term slump in publishing sales: book sales have declined for three years in a row since 2007 and magazine sales have declined for 12 years in a row, since 1998. There were 78,555 new books published in 2009, an increase of 2.9% over the previous year, but only 717.81 million books were sold during the year, representing a decline of 4.5% to the level of 1977 sales. There were only two books that became million-sellers in 2009, compared to seven the previous year. Although some women's magazines attracted attention when they were bundled with merchandise in collaboration with popular fashion brands, the overall magazine market did not recover. The number of magazine titles issued fell by 74 titles, or 2.0% from the previous year, to 3,539.

The return rate for books increased 0.5 percentage point to 40.6%, while the return rate for magazines decreased 0.3 point to 36.2%. Book publishers tend to try to ride out the slow market by issuing more new book titles, but magazine publishers responded to falling advertising revenues by publishing fewer copies, thus the lower return rate.

As a result of this difficult market – in which publishers issued fewer copies, responded to falling advertising revenues by reducing the number of magazine pages and

reconsidering publishing cycles, and demanded lower unit prices -- DNP's overall net sales from Books and Magazines declined 14% from the previous fiscal term. Of the 152 new magazines that were launched from April 2009 to March 2010, DNP printed 32, or 21%.

Strategic Opportunities and Future Development

The Japanese market for electronic publishing was estimated at 1 billion yen in the year through March 2003, grew 35% year on year to 46.4 billion in the year through March 2009, and is expected to exceed 100 billion yen within a few years. Currently, about 80% of this market consists of content distributed to mobile phones, most of which is comics. Given the diversity of information terminals on the market and the changeability of consumer needs, DNP wants to remain open to various ways of thinking and various frameworks, rather than restricting itself to a particular standard. In practice, this means driving market growth and expanding our business by taking advantage of the network of publishing companies that we have built up, constructing and operating a platform for content distribution and accounting, and providing solutions that support clients' marketing and sales promotion activities, in addition to planning and producing digital content.

Japanese content has become very popular outside of Japan, especially animation, comics, and fashion magazines. We will work with publishing companies to take advantage of the strength of Japanese brands to develop the global market for Japanese content.



Maruzen Tall Vision

Commercial Printing

Main Businesses

Commercial Printing provides a wide variety of products and services related to corporate sales promotions. For example, in addition to printing promotional materials like catalogs and pamphlets, we also handle in-store and Internet-based sales promotions, plan and develop sales campaigns, provide marketing support, and operate promotional gift mailing centers and customer service centers. The division serves corporate customers in various industries, including manufacturers, distributors, and advertisers. We strive to help our clients increase their sales and find ways to reduce costs and administrative burden.

Market Trends and Summary of Financial Results

Corporate sales promotion strategies have changed in response to prolonged economic stagnation and the diversification of consumers' needs. Whereas in the past companies mainly advertised through mass media, advertising expenses are now being allocated increasingly to Internet-based advertising, personalized mail, and other methods of approaching consumers directly to stimulate a greater response.

Economic recession triggered by the worldwide financial crash in the second half of 2008 led to a sharp decline in Japanese advertising budgets, which in turn affects DNP's Commercial Printing Operations. Japanese advertising outlays in the fiscal term ended March 2010 dropped 13% from the previous year to 4.631 trillion yen. Spending on television, newspaper, and other mass media advertising declined for the fifth year in a row, and are expected to remain tight for the foreseeable future. On the other hand, although the pace of growth has slowed, Internet advertising expenses have continued to grow even amid harsh economic conditions, suggesting that companies have high hopes for this more cost-effective method of advertising.

As a result of these circumstances, Commercial Printing's net sales of flyers, catalogs, and other printed matter declined along with sales from campaign and event operation. Overall, net sales declined 11% from the previous year. By industry, sales from the insurance, automotive, and personal care industries increased relative to a year earlier, while sales from the advertising, service, and consumer credit sectors declined sharply.

Strategic Opportunities and Future Development

As use of personal computers and mobile phones becomes increasingly common and Internet usage has become an integral part of daily life, most companies have come to take Internet advertising seriously. Many consumers now base their purchasing decisions on multiple forms of information media, including user comments posted on web sites, point-of-purchase media and digital signage, in addition to paper media such as flyers and catalogs. These trends present DNP with opportunities.

Based on the idea of providing "total sales promotion solutions," we are developing sales promotion programs that combine traditional advertising methods with direct approaches tailored to the needs of individual consumers and in-store approaches that work directly on consumers at the point of purchase. So after starting with a business model focused on printing and manufacturing, we now seek to expand our business by shifting to a business model that supports clients' sales promotion efforts through comprehensive solutions that connect companies and consumers.



"Machireco" "in-town" information distribution service for iPhones®

Business Forms

Main Businesses

DNP's Business Forms Operations, in addition to printing ledgers, bank books, and gift certificates, etc., manufactures and issues smart cards, develops various types of computer systems, develops IC tag-related services, and offers comprehensive information processing services (IPS) – such as entering individually tailored data into personalized mail, then printing and mailing it. Every company that handles personal information or other important information is a potential customer. Based on our advanced information security framework, we are actively developing business process outsourcing (BPO) services that handle client companies' business processes.

Market Trends and Summary of Financial Results

Demand for credit cards, cash cards, and other smart cards issued by financial institutions has remained sluggish, while demand for SIM cards also declined due to slower sales of mobile phones. Sales of ETC (electronic toll collection) cards increased sharply thanks to economic stimulus measures, but their growth has slowed since the autumn of 2009.

Meanwhile, corporate clients and consumers are calling increasingly loudly for advanced security for their personal and other information. There is more and more demand for high added value services capable of processing large amounts of information securely and reliably. In view of this increasing demand, we expect that the number of smart cards issued annually in Japan will increase from the current 170 million to 200 million within a few years. Corporate clients and customers also have increased expectations for smart card solutions that bolster security while improving convenience and customer satisfaction.

In the IPS market, the shrinkage in advertising budgets translated to fewer mailings of enclosed flyers, among other cutbacks. Nevertheless, sales remained solid due to demand for advanced information security.

Regarding IC tags, we are building frameworks tailored to each type of business in order to boost supply chain efficiency.

In the term ended March 2010, sales of ETC cards and IPS increased. Net sales for Business Forms Operations as a whole increased by 1% over the previous term. Operating income also increased relative to a year earlier, thanks to cost-cutting measures that included adopting

lower-cost chips in smart cards, boosting manufacturing efficiency, and reviewing materials procurement.

Strategic Opportunities and Future Development

Going forward, demand for information security is expected to grow. DNP will aggressively expand its business with a focus on smart cards, an area in which we hold a large share of the market. The market is looking for integrated management of multiple areas at school or work through a single smart card: for example, the card may be used upon entering or exiting facilities, logging on to computers, and tracking printer usage. DNP serves as the secretariat for the Shared Security Formats Cooperation (SSFC), and will continue to focus on the activities of this corporate alliance that aims to create uniform standards for office security.

In the IPS field, we want to make the most of our business opportunities by offering services with high added value. For example, we will take advantage of our expertise in customer relationship management, including analysis of consumers' purchasing behavior, to generate more effective advertisements that are tailored to individual recipients based on analysis of their spending patterns, and mail them together with invoices or other corporate communications.



Lippmann hologram card

TOPICS

Expanding our Books and Magazines business**Stimulating the publishing market**

Since DNP's founding, DNP has been closely connected to the Japanese publishing industry through our printing business. In recent years, that industry has been floundering. We have been actively working to reinvigorate the industry, for example by working to reduce the roughly 40% book return rate, building a business models that is not dependent on magazine advertising alone, creating digital content standards in response to the development of electronic books, and streamlining production costs and processes.



Press conference announcing establishment of CHI Group Co., Ltd.

In the fiscal year ended March 2010, we formed a business and capital alliance with Shufunotomo Co., Ltd. Shufunotomo and DNP are jointly producing content that is compatible with a variety of media formats and emphasizes the customer's point of view.

In order to achieve continuous growth not only in the new publishing market but also in the secondary distribution market, DNP joined TRC, Inc., Maruzen Co., Ltd. and publishers Kodansha Ltd., Shueisha Inc. and Shogakukan Inc. in investing in Bookoff Corp., a chain of secondhand bookstores with some 1,000 outlets throughout Japan.

In February 2010, we merged DNP subsidiaries Maruzen Co., Ltd. and TRC, Inc. and established an intermediate holding company, CHI Group Co., Ltd. Going forward, DNP will work with CHI Group and Junkudo Co., Ltd. to implement in-store promotional measures, enhance the Group's marketing capabilities, and promote innovations like the introduction of smart cards and IC tags in libraries.

Specialized IC tags and high-**speed mounting technology for books**

In January 2010, DNP developed a 10mm-wide IC tag especially designed for mounting on the spine of a book, along with high-speed mounting technology. The mounting technology makes it possible to attach 12,000 tags per hour, matching the speed of comic book and paperback book binding processes.

Specialized IC book tags came into use in 2008, originally as a way to monitor sales trends between two distribution methods. The traditional method used by the Japanese publishing industry was commissioned sales, whereby bookstores stock books for a limited time period but can return unsold merchandise to the publisher. In recent years, outright sales are becoming more common, meaning bookstores order books on their own responsibility and strive to sell every copy. Using IC tags enables bookstores to compare sales trends and book return rates between the two sales methods. The tags are also expected to improve the efficiency of inventory control and prevent shoplifting. The development of IC tags and a mounting method specially designed for books is expected to spur the use of IC tags on books. DNP aims for 6.0 billion yen in annual sales of IC book tags by the fiscal year through March 2014.

Start of quick-delivery, small-lot book production

In response to publishing companies' need to quickly reprint small lots of books, DNP installed a new production line that integrates printing and bookbinding at its Shiraoka Plant in Saitama Prefecture. The new line began operation in October 2009. DNP is now well prepared to execute small-lot orders. In addition to integrating printing and binding processes within a single plant to shorten transfer time between processes, DNP also found ways to shorten pre-production preparation time, for example by using a system that automatically calculates the amount of ink to load based on analysis of the text and/or images to be printed. The new line can also accommodate printed materials in a variety of sizes, and can provide polyurethane reactive (PUR) bindings, which are easy to open and very durable. DNP aims for net sales of 1.0 billion yen in the year through March 2011, and is prepared to add more such production lines in the future if demand warrants doing so.

Expanding our information security business**Aiming for further progress in high-security, advanced-function, low-priced smart cards**

Since DNP began its smart card business in 1981, we have continuously led the Japanese market in areas such as operating system and application software development, card manufacture, and card issuance. DNP currently holds roughly 40% of the overall smart card market in Japan, around 90% of the market for smart cash cards, and about 50% of the rapidly growing market for contactless smart cards used as transportation cards and electronic money. In the fiscal year through March 2010, we made use of our strength in this area to develop even more new products and services.

In June 2009, we began selling low-priced biometric smart cash cards with credit card and other functions.

The Japanese Bankers Association is promoting a shift to a system whereby a smart card's authenticity is verified by the financial institution's server rather than by an ATM. All Japanese financial institutions will have to make this transition by May of 2012. Because system development and other preparations for the transition will entail large outlays, the market is calling loudly for lower-priced smart cards. DNP's new low-priced card is designed to be compatible with the new system and reduces the price of a smart card by about 20% compared to existing smart cards. To assist financial institutions in making the transition, DNP developed a package of support services including a smart cash card authentication testing service, and cards and encryption keys for use in testing. DNP began offering these services in June 2009.

DNP hopes that the launch of its low-priced smart cash card will lead to the adoption of smart cards in 30% of new card issuances by 2012. We aim for 3.0 billion yen in sales of the new cards by that time. In addition, we expect 6.0 billion yen in sales of support packages by 2011.

In November 2009, DNP developed the world's first microSD card integrated with an IC chip running a highly secured smart card operating system called MULTOS. Installing the new microSD card in a mobile device allows the device to be used for authentication and payment

functions with greater security. DNP aims for 5.0 billion yen in microSD card-related sales by the fiscal year through March 2013.



MicroSD card with MULTOS operating system

DNP also collaborated with Mitsubishi Plastics, Inc. and Sony Corp. to develop the world's first smart credit card made primarily from a bio-based polylactate. In November 2009, the card received approval for usage from MasterCard Worldwide. Bio-based polymers have been attracting attention for their potential as an eco-friendly replacement for plastic. DNP and its partners needed to create a bio-based polylactate that could withstand manufacturing processes like the embedding of magnetic stripes and embossing, and make it durable and reliable enough to meet international credit card standards.



Plastic smart credit card made from a bio-based polymer

In March 2010, DNP completed development of Japan's first cash card that displays a one-time password (OTP) on its surface to prevent illicit use by someone other than the cardholder, and began sales of the new card. A one-time password is valid only for a single login session or transaction; OTPs are primarily used for personal authentication for Internet banking transactions using a personal computer or mobile terminal. DNP reduced the cost and improved the convenience of modern banking by combining OTP generation and display functions with cash card functions.



One-time password card

Shared Security Formats Cooperation (SSFC): promoting office security-related business

DNP has been promoting the improvement of workplace security as secretariat of the Shared Security Formats Cooperation (SSFC), a group of companies that aims to create a system for using smart cards to achieve a high degree of security for corporate information. An SSFC-compliant security system was adopted for use in a large-scale building complex for the first time in February 2010, when operation of the system began in Shinjuku Park Tower, a high-rise complex owned and operated by Tokyo Gas Urban Development Co., Ltd.

In April 2010, DNP completed development and began sales of a system that allows an employee to pay for beverages from a vending machine by using an SSFC-compliant smart employee ID card to have the price of the drink deducted from the employee's next salary. This system is convenient for employees because it allows them to make a purchase from a vending machine without pre-charging, and it helps beverage manufacturers and vending machine operators by reducing lost sales opportunities. DNP aims for 1.0 billion yen from sales of this system by the fiscal year through March 2013.

DNP has enhanced its lineup of hologram products

Holograms are images that appear to be three-dimensional. Because they are very difficult to forge, they are increasingly in demand as a means of preventing counterfeiting of credit cards, cash cards, identification cards, vouchers and other documents where a high degree of security is needed, and as a means of authenticating brand-name merchandise. DNP began developing hologram products in 1972 and succeeded in mass producing embossed holograms in 1981. In 2001 we began mass producing Lippmann holograms, which are much more difficult to produce than embossed

holograms. DNP is currently one of only two companies in the world that has the technology to mass produce Lippmann holograms, so we are developing our hologram business as a world-leading player.

DNP and Nippon DOM Co., Ltd. jointly developed heat-transfer holographic labels that can be attached to fabric products such as clothing, bags, and shoes, and that can withstand laundering and dry cleaning. The two companies began selling the new "Holotrans" labels in May of 2009. Use of these cloth labels on a variety of products is aimed at preventing counterfeiting by enabling consumers to distinguish between genuine and imitation goods.

In November 2009, DNP developed the world's first transparent Lippmann hologram transfer foil for use in passports. Lippmann holograms are more difficult to forge than the embossed holograms that are currently most commonly used in passports, and it is easy to tell if a Lippmann hologram is genuine or fake just by looking. To make it possible to take advantage of these qualities, DNP improved the transfer properties of its foil material and refined its manufacturing processes to enable continuous lamination that covers a passport's entire data page. DNP plans to commercialize the new product in collaboration with companies that are involved in passport issuing operations both in Japan and overseas, targeting sales of approximately 500 million yen by the year ending March 2013.



"Holotrans" heat transfer hologram labels

Developing new methods of advertising

“Tall Vision” large-scale digital signage system

DNP developed a digital signage system that coordinates images displayed on 12 large (42-inch) LCD panels to display advertisements or other digital content. The system is called “Tall Vision.” The Tall Vision system costs less to set up than a single display screen of the same size. It can be used in combination with various other advertising media, such as information terminals with touch panels for browsing information, racks of pamphlets, and/or billboards that display traditional posters. DNP will market the system as a highly effective system for distributing information to consumers, to be used in large public facilities like train stations, airports, and shopping malls.



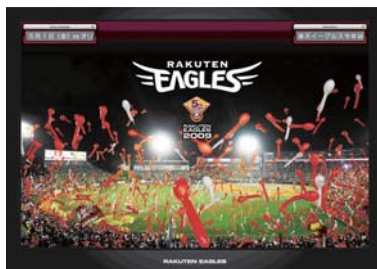
Tall Vision

In July 2009, DNP and East Japan Marketing & Communications, Inc., began test operation of the Tall Vision system at JR Sendai Station. In the test, the Tall Vision system displays information about JR-East merchandise and images of popular railcars. Passersby can use an information terminal equipped with a touch panel to access details about the products and railcars introduced on the big display, and other information such as timetables and a map of the area around station. In September 2009, Ryohin Keikaku Co., Ltd. became the first corporate customer to introduce the Tall Vision system on a permanent basis when it reopened its Mujirushi Ryohin Ikebukuro SEIBU store after remodeling. DNP expects 1.0 billion yen in sales related to Tall Vision in the year through March 2011.

“Shining & Speaking Posters” combining organic EL, inorganic EL, and panel speakers

Electro Luminescence (EL) can be processed into a thin, soft plastic-like material that can be made into a bendable panel which can be attached to a pillar or other curved surface. Because it has a wide viewing angle, it allows a large number of people to view information from various angles at once. DNP made use of these characteristics to develop the “Shining & Speaking Poster,” which combines organic EL panels that display textual information, inorganic EL panels that make images on the poster appear to be animated, and a panel speaker that emits sound from the entire poster.

During the fiscal term ended March 2010, DNP conducted a test exhibition, with cooperation from Rakuten Baseball Inc., of a shining poster depicting glowing images of the Tohoku Rakuten Golden Eagles (professional baseball team) home stadium and logo. DNP also received cooperation from Vegalta Sendai Co., Ltd. to conduct a test exhibition of a poster featuring the lit-up emblem of the Vegalta Sendai professional soccer team, accompanied by the sound of the team song. In the spring of 2010, DNP began offering “Shining & Speaking Posters” as a new service on its print-on-demand menu.



Shining & Speaking Poster

Startup of “netsuper” construction support service

In recent years, there has been growing demand for “netsuper” services that deliver merchandise ordered from e-commerce sites to the purchaser's home. Since 2001, DNP has been providing a “netflyer” service that publishes digital advertising fliers on corporate customers' web sites. In October 2009, we developed a system that allows users to order goods from an e-commerce site simply by clicking on product information viewed on a

netflyer, and we also launched a netsuper construction support service. We are promoting this service to corporate customers in tandem with Yamato System Development Co., Ltd.'s netsuper system.

New products and services

Denshobi (transmitting traditional beauty): Reproduction of the Ōkyo and Rosetsu art space within Kinkozan Muryou-ji Buddhist temple, as it was at the time of the temple's reconstruction

In 1999, DNP began developing “Denshobi” digital replicas of all types of expressive techniques, including sliding door paintings, wall paintings, ceiling paintings, decorative screens, and scroll paintings. The project made use of the image reproduction expertise that DNP has cultivated over many years as well as cutting-edge digital technologies.

In October 2009, we completed the digital reproduction of 55 shohekiga room partition paintings, including *ryuuko-zu* paintings of dragons and tigers by Maruyama Ōkyo and Nagasawa Rosetsu, two renowned artists of the late 18th century. Their works are preserved in the collection of Kinkozan Muryo-ji Temple in Kushimoto, Wakayama Prefecture. We took great care to make these reproductions faithful to the originals, for example by creating a special color chart in order to manage the color tones, density and harmony of the Indian ink. We used ultra-high definition printing on a dedicated printer and used special handmade Japanese paper developed by DNP to last about 100 years. In addition, we used light-resistant ink to enable the long-term preservation of the paintings' beauty despite their being continually on display.



Tiger painting by Nagasawa Rosetsu, at Kinkozan Muryo-ji Temple in Kishu

Strategic Focus

1

With the launch of the CHI Group, we aim to reinvigorate publications distribution

In 2008, DNP welcomed Japan's largest bookseller, Maruzen Co. Ltd., and major library service provider TRC Inc. into the DNP Group. In February 2010, we formed CHI Group Co., Ltd. by integrating the managements of Maruzen and TRC. We asked Senior Corporate Officer Tatsuya Nishimura to explain the objectives and the business strategy behind the founding of CHI Group.

Q Why did you choose the name "CHI"?

"Chi" means knowledge in Japanese. The name "CHI Group" expresses our vision of being a corporate group that brings innovation to the formation and distribution of knowledge, with "knowledge is the basis of society" as our management concept. Although the company name was derived from the Japanese word for knowledge, we pronounce it according to the English letters C-H-I.

CHI Group combines two operational companies, Maruzen and TRC. In addition to being a DNP corporate officer, I serve as vice chairman of CHI Group. Maruzen and TRC are both strong brands in their respective fields, so we are operating their distinctive businesses under their original names. In order to make the very most of their strengths, we decided to integrate the companies moderately.



Tatsuya Nishimura Senior Corporate Officer

Q In what direction does CHI Group want to take its business?

The most important thing we want to achieve through our operations is to innovate publications distribution. We recognize the following three issues in domestic publications distribution and we are working on finding solutions for them.

1. High book return rate

Most books and magazines are distributed on a commissioned sales basis, and in recent years the book return rate has risen to about 40%. This level means big losses for publishing companies, and must be reduced.

In order to lower the book return rate, we need to hone our marketing skills and understand "what books to offer, in what ways, through which sales channels." I think there's still a lot of room for new ideas at bookstore sales floors, like creating event corners or using digital signage. It would probably also be effective for bookstores and publishers to share marketing information including new book introductions, questionnaires, and grapevine-style communication about Internet bookstores. Two of the

ways that we will work on reducing book return rates are trying an "outright sales" system and introducing planned sales.

2. Lost sales opportunities

When the book that a reader wanted is not in the bookstore, not only is the customer's time wasted, but the bookstore has lost an opportunity to make a sale.

First, a point-of-sale system for sharing information between bookstore and publisher about hot sellers, marketing and inventories can help optimize the number of books printed and improve the effectiveness of inventory control. Also, we can respond flexibly to sales trends by reprinting when necessary. In addition to high-speed printing in quantities of hundreds of thousands or millions, DNP is also equipped to print small lots using dedicated book-printing lines or print-on-demand facilities. Flexible book manufacturing and inventory control can create a situation where "no book is unavailable," thereby reducing lost sales opportunities.

3. Digitalization of content

With electronic book readers and other devices appearing on the market along with cell phones and personal computers, we expect to see a sharp increase in the amount of digital content being distributed. Almost all of DNP's magazine and book production processes can be digitalized. We are working on bringing down other publishing companies' digitalization costs, for example by creating a common platform for content digitalization.

In the future, publications distribution will most likely take place through three formats: real bookstores, Internet bookstores that sell publications via a web site, and digital content distribution services. Within the DNP Group, CHI Group operates real bookstores through Maruzen and an Internet bookstore, "bk1," through TRC, while DNP was quick to launch a for-profit digital content distribution service. There are very few entities in the world that combine these three formats as DNP does, and we are convinced that this gives us an important advantage.

Q What synergistic benefits do you expect from the collaboration between Maruzen and TRC?

First of all, we will increase the benefits of collaboration in library-related business. Library-related business consists of

executing library operations on a contract basis and selling books and magazines to libraries. TRC has a strong customer base and business expertise among public libraries, while Maruzen has a strong customer base and business expertise among university libraries. Both have a wealth of experience in library-related business. One example of how we plan to achieve concrete results is by using online training and other tools to share both companies' strengths concerning employee training, which is important to library operations.

Regarding the sale of books and magazines, we want to further refine and standardize "TRC MARC," Japan's largest book and magazine database, and TRC's weekly catalog of new publications, both of which TRC makes widely available to libraries and other institutions, in order to increase their effectiveness in promoting sales. In addition to covering almost all new domestic publications, TRC MARC also covers past publications. It contains some 3 million entries, with each including such information as publication name, author name, price, and table of contents. We plan to apply this system to other operations, including Maruzen's, in order to promote sales.

Ever since DNP's founding, we have grown along with the publishing industry through our printing business. Through the activities of the CHI Group, we want to contribute to the revitalization of the overall publishing industry and at the same time support fresh styles of Japanese "chi," or knowledge.

Strategic Focus

2

Singapore's Tien Wah Press (Pte.) Ltd. Building a global business, starting with pop-up books, etc.

Tien Wah Press (Pte.) Ltd. is a wholly-owned subsidiary of DNP that is based in Singapore and does business worldwide. The company's strengths lie in the production of hardcover and pop-up books. Its main clients are major European publishing companies.

Tien Wah Press won the trust of publishers through successes like its "Star Wars" pop-up book

Tien Wah Press was founded in 1935 in Singapore. Its main business was commercial printing of pamphlets and other advertising materials. By the 1960s, it had become one of Singapore's largest printing companies. In 1970, DNP acquired a 20% stake and Mitsubishi Corp. acquired 10% of Tien Wah Press, and with technical support from DNP, it began to publish books. DNP then began gradually buying more shares in Tien



Pop-up book

Wah Press until it became a wholly owned subsidiary in 2003.

Tien Wah Press began producing pop-up books in 1978. In 1980, the company made a pop-up book based on the movie, "Star Wars" and received acclaim for the sophisticated technology required to mass produce a book with such elaborate pop-ups. As a result, Tien Wah won the trust and respect of publishing companies.

In addition to establishing sales offices in the U.S., U.K., France, and Australia, in 1984 the company started up a new factory in Johor Bahru, Malaysia, marking the start of its full-fledged overseas expansion. Besides publications that require intricate hand processing, such as pop-up books and hardcover cookbooks, Tien Wah Press manufactures a large number of picture books, among other publications. Exports accounted for about 95% of Tien Wah's net sales for the year ended March 2010, with 44% going to Europe and 35% to the U.S. The company has earned the strong confidence of many corporate clients, including major publishing houses like Scholastic Inc. and Random House, Inc. and media and entertainment giant The Walt Disney Company.

Supporting DNP's overseas development by serving as our Southeast Asian manufacturing hub

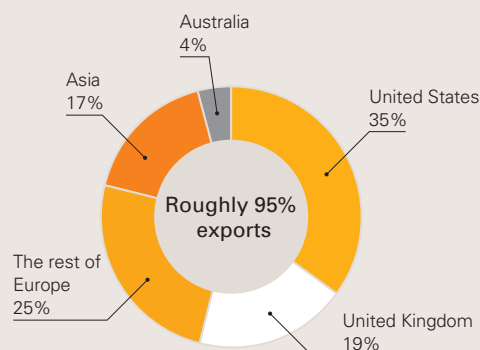
By aggressively investing in the latest equipment and upgrading employees' skills through systematic training, Tien Wah Press has prepared itself to offer high-quality printing services even when turnaround time is short. By answering the needs of the world's largest publishing companies and raising the quality of its products and services, Tien Wah has cultivated brand strength that will be an important asset as it promotes the global expansion of its business.

Singapore is among the world's most important economic centers. Its international logistics infrastructure and business connections, etc. are highly developed. In addition, governmental measures that promote the printing industry and support international marketing contribute to making Singapore a favorable business environment. Given these favorable conditions, we expect Tien Wah Press to broaden its fields of business beyond the printing of books and magazines, and expand DNP's international business by serving as our printing production hub in Southeast Asia.



Front entrance of Tien Wah Press

Year ended March 2010 Net Sales from Printing, by Region



Tien Wah's Strengths

- Sales offices in the U.S., U.K., France and Australia
- Long-standing trust-based relationships with major publishers
- High name recognition among Western publishing companies
- Up-to-date printing equipment and high-quality service
- Region-leading information processing technologies; offset and other printing and processing technologies

Strategies for the Future

- Improve quality and enhance production control systems; differentiate Tien Wah from competition, which is mainly in China
- Reinforce research and development; increase added value of products and services
- Offer high-end products and strengthen collaboration with DNP's Books and Magazines Operations in Japan in order to become a production base for the Japanese market
- Take advantage of DNP's technology and expertise to move into businesses other than printing and publishing
- Make use of production bases in Singapore and Malaysia to enhance ability to offer rapid-delivery, low-cost services

BUSINESS STRATEGIES

The Lifestyle and Industrial Supplies segment is composed of three business divisions: Packaging, Lifestyle Materials, and Industrial Supplies, with the latter being further divided into Information Media Supplies, Opto-Materials, and Energy Systems. The segment plays vital roles in corporate clients' manufacturing processes and provides products that are important in the daily life of consumers. By applying and developing printing technologies, this segment continuously takes up the challenge of entering new fields like environmental preservation, energy, and life sciences.

Basic Strategies

In recent years, consumers have begun to insist that their lifestyles include more consideration for the global environment – including restraints on excessive energy consumption – and more safety and peace of mind regarding food, clothing, and housing. In order to satisfy these types of demands from corporate clients and consumers, DNP has been focusing on developing products that address concerns such as food safety and convenience, and reducing the environmental burden of manufacturing processes.

DNP's Lifestyle and Industrial Supplies segment continuously develops environmentally friendly, high added value products with advanced functionality that are useful not only to consumers but also to our corporate clients. Starting with packaging products and decorative materials made from non-paper materials like film or steel, we supply a variety of advanced, high-quality products in Japan and abroad by applying basic printing technologies. DNP has even become the world's largest supplier of some of these products, including optical films used in flat-panel displays and dye-sublimation thermal transfer materials for digital photo printers.

Enhancing our Lineup of Eco-friendly Products with Advanced Functionality

Responding to concern for "universal design" (making products easy for anyone to use) and the need to reduce the impact of modern life on the environment, we will continue to develop eco-friendly products with advanced functionality that meet consumers' demand for good health, safety, comfort, and convenience.

Increasing Added Value and Shifting into Growth Fields

We will further explore the potential of printing technologies and step up the development of high added value products and services that precisely satisfy the demands of consumers and corporate clients. In particular, we will concentrate on businesses with good prospects for future growth, such as lifestyle materials made with electron beam (EB) coating technology, functional films used for packaging, and various types of optical films and dye-sublimation thermal transfer materials.

Actively Developing New Business Fields

We will take a broader view of the printing business and provide cutting-edge, original products that also address areas of increasing social concern, such as environmental preservation, energy, and life sciences. As we create new businesses, we will actively develop alliances with a large number of corporations and research institutes, in addition to applying our own original technologies.

Major Policies

Packaging: Focusing on Solutions; Starting with Consideration for the Environment

DNP understands the mission of its Packaging Operations as “realizing a sustainable society and wealth of life.” We intend to enhance our lineups of eco-friendly products and products with new types of advanced functionality.

In 1995, we were among the first in Japan to begin using the Life Cycle Assessment method of assessing environmental impact and reflecting the results in product development. In our aseptic PET plastic bottle filling system business, we succeeded in reducing CO₂ emissions by 54% in the processing of materials, manufacturing, and transport phases. In 2010, we launched our latest system, which was designed with consideration for its water footprint, a measure of the amount and quality of water used in product manufacturing. We intend to develop new markets and broaden the range of applications for our Innovative Barrier (IB) Film, a transparent packaging film with excellent barrier properties. In addition to food products, we will market IB film for packaging medical supplies, pharmaceuticals, and industrial materials.

In addition, we will enhance our “human-centered marketing” framework for scientifically analyzing consumer awareness and product usage, etc., in order to promote the creation of the real value that today’s consumers seek.

Lifestyle Materials: Expanding DNP’s Original EB Coated Products

Our Lifestyle Materials business supports healthy and comfortable living spaces, and will concentrate on the development of high added value products that make use of DNP’s original and highly acclaimed electron beam (EB) coating technology. EB coated products display exceptional abrasion resistance, soil resistance, and durability. In addition to interior and exterior products for homes and offices, we are expanding application of EB products to include areas such as automotive and Tokaido Bullet Train interiors. We are taking advantage of the strength of original DNP-brand products like “WS Safmare” by joining forces with housing equipment and decorative materials manufacturers to approach residential developers and general contractors from the planning and design stages, in order to develop a broad-based business that addresses the entire building industry supply chain. We are also expanding a variety of solutions-based businesses, including measurement and assessment of residential environments through DNP’s Living-space Analytical Evaluation Center.

Focusing mainly on environmentally friendly products and products with advanced functionality, we are developing a wide range of markets related to living environments, from single-family homes, condominiums, and other forms of housing, to office, hotels, shopping centers and other commercial facilities, medical and nursing care facilities, rental housing and remodeling projects, and even automobiles and railway cars. In addition, we will actively promote sales in overseas markets, including Europe and newly developing countries.

Industrial Supplies: Aiming for medium to long-term growth by supplying a variety of products

In the Opto-Materials field, we supply various types of optical films used in flat-panel displays for devices such as televisions, personal computers, and mobile phones. At the core of this business are clean converting technologies that apply and develop technologies like coating, lamination, and patterning. DNP controls roughly 70% of the world market for anti-reflection films used in LCDs. We aim to build on this strength in order to supply advanced products for use in touch-activated interactive displays including electronic paper and touch panels, which are expected to be used more widely in the future.

In the field of Information Media Supplies, we are broadly expanding our photography business based on our “more than just a photo” initiative. Regarding dye-sublimation thermal transfer materials (color ink ribbons and receiver papers), we will take advantage of our comprehensive manufacturing and sales framework to bolster sales of FOTOLUSIO brand products and increase DNP’s share of the market for dry printing, which is replacing the silver halide method of photo printing. In addition to developing and operating PrintRush self-service printing systems and Ki-Re-I photo ID kiosks, we launched a photo book production service, and will work on expanding our overall business by generating synergistic benefits from greater sales of thermal transfer materials. Regarding thermal-resin type transfer materials (monochrome ink ribbons) for bar-code printers, we will implement thorough cost-cutting measures and promote the development of products that meet the market’s needs.

In January 2009, our Energy System Operations started up a new, dedicated facility for manufacturing photovoltaic module components such as back sheets and encapsulants. In October of the same year, we established a manufacturing subsidiary called DNP Energy Systems Co., Ltd. As this market grows, we intend to expand our business by constructing a unified framework for research and development, manufacturing and sales related to clean energy. We will work to increase the functionality of back sheets and encapsulants for photovoltaic modules while focusing on cost reduction and the development of products that meet corporate clients’ needs. Meanwhile, DNP’s package film (electrolyte encapsulating film) for lithium-ion rechargeable batteries has received high acclaim from the market. We are promoting its use in mobile devices such as cell phones and notebook computers, and in electric bicycles and automobiles.

Developing New Markets through Global Expansion

So far in Packaging and Lifestyle Materials Operations, we have done most of our manufacturing and sales in Japan, but going forward, we will actively promote the development of Asia and other overseas markets. In Information Media Supplies, we will bolster sales in global markets by working out of overseas bases including our ink ribbon manufacturing and sales companies in France and the U.S. Our Opto-Materials and Energy Systems Operations will focus on boosting business in newly developing countries and the European market.

FINANCIAL RESULTS

Financial Highlights

	(¥ billion, %)		
	2008.3	2009.3	2010.3
Net sales	¥ 555.8	¥ 551.8	¥ 536.6
Operating income	31.9	19.9	43.7
Operating income margin	5.7%	3.6%	8.1%

PORTRAIT OF DIVISIONS

Packaging

Main Businesses

DNP's Packaging Operations offers comprehensive packaging-related services, including development of films and other materials with specialized functions, design and manufacture of aseptic filling systems, and the planning, development and manufacture of a variety of packaging products through our flexible framework that has production bases all over Japan. Manufacturers of foods, beverages, medical supplies, pharmaceuticals, electronic components – and any other company that has a need to “wrap things” – are all potential customers. We plan to expand this business by making products easy for consumers to use and by precisely meeting the needs of client companies.

Market Trends and Summary of Financial Results

In recent years, lifestyles have become more diverse due to such factors as growing awareness among consumers of health and environmental issues, the declining birth rate, aging society, and women's increasing participation in the world outside the home. The economic situation in Japan remains tough, as evidenced by sluggishness in the job market and consumer spending. Amid this environment, the facilitation of comfortable and convenient lifestyles is an important management issue, along with resource conservation and reducing environmental burden. Businesses and consumers increasingly choose products that were designed with consideration for human health and the environment – a trend that is only expected to keep growing in the future. DNP was quick to pick up on this trend, and set to work using its advanced technical capabilities and wealth of expertise to develop packaging-related technologies and products that address these needs.

In the fiscal year through March 2010, our Packaging Operations sold more plastic containers than in the previous year, including PET plastic bottle preforms for use with aseptic filling systems, but sales of paper containers and flexible packaging declined, as did sales of large-scale aseptic filling systems*. In sum, net Packaging sales decreased by 4% from a year earlier, but the division made a major contribution in terms of profits as a result of thorough cost-cutting and improved production efficiency.

Strategic Opportunities and Future Development

In our view, the changes that are occurring in people's lifestyles and awareness present DNP's Packaging Operations with important business opportunities. For example, in response to increased concern for reducing the burden on the environment, we developed packaging that uses less material and is easier to recycle. For the increasing number of people who live alone or in households where both spouses work, we developed single-portion packaging that enables longer-term preservation of package contents. In addition, we established guidelines relating to universal design, and we are developing packaging with these guidelines in mind. We also have a proven track record in the development of products like transparent barrier films that shut out water vapor and oxygen in order to protect package contents, and aseptic filling systems that preserve the flavors and aromas of container contents.

As part of our product development process, we propose a variety of solutions that make use of tools like “human-centered marketing” to formulate product and marketing strategies, and data from our Shoku-MAP system of monitoring consumers' eating habits.

DNP addresses the challenging demands of corporate clients and consumers by creating more efficient, more eco-friendly manufacturing processes and by developing products that are designed to be easy to use.

*Aseptic filling systems:

A system for filling sterilized containers with sterilized beverages or food in an aseptic environment. The first example in Japan was developed by DNP in 1976 for single portions of coffee whitener. In 1992, DNP was first in Japan to develop an aseptic system for filling PET plastic bottles with beverages. We went on to improve these systems – for example by making higher-speed models and by introducing compact preform bottles that are expanded to full size at the time of filling – and to take the top share of the Japanese market for aseptic filling systems.



Microwaveable heat-insulated container (D-COUPLE)

Lifestyle Materials

Main Businesses

Lifestyle Materials Operations supplies a wide range of products including interior and exterior materials for homes, offices, and commercial facilities, fittings and storage products, and interior materials for automobiles and railroad cars. These products are highly acclaimed by our corporate clients and consumers alike. Any company that deals in "comfortable dwelling spaces" is a potential customer, whether in Japan or abroad. Backed by the strength of DNP's original EB coating technology, we provide a large number of advanced, eco-friendly products that have been very well received by corporate clients and consumers. Lifestyle Materials also works with the building industry to provide solutions to problems related to construction methods.

Market Trends and Summary of Financial Results

Due to the lackluster domestic economy, the number of housing starts in 2009 declined by 25.4% year on year to 770,000 units, falling below 800,000 for the first time in 45 years. This year-on-year drop was the second largest on record, following the plunge that occurred from 1973 to 1974 as a result of the 1973 oil crisis.

Despite the continued harshness of the economic picture, demand remained steady for specialized products, such as those designed with health or the environment in mind, and high added value products with exceptional design appeal or functionality. DNP has also met demand for streamlining construction processes of large-scale projects like office buildings, hospitals, and commercial facilities, for example by reducing overall costs and providing lighter-weight decorative materials.

The fiscal year through March 2010 saw increased sales of environmentally friendly wall and floor coverings using DNP's original EB coating technology.* Our EB coated floor coverings made a strong showing in a difficult market; they account for a growing share of the floor covering market and are on their way to becoming the market standard. However, growth in floor coverings did not make up for stagnant demand for other products, including decorative paper coverings in general. As a result, net sales declined by 12% from a year earlier.

Strategic Opportunities and Future Development

DNP's superior EB coated products provide exceptional abrasion resistance, soil resistance, and durability. Because they make maintenance easier, they have won high praise from builders and consumers and are capturing an increasing share of the market. There is also increasing demand for products that use water-based inks and contain non-vinyl chloride base materials (olefin) instead of vinyl chloride base materials that emit toxic gas when burned or volatile organic compounds like formaldehyde, which are said to cause sick house syndrome. DNP views this increased demand for eco-friendly products as an important business opportunity, and plans to step up sales efforts overseas as well as in Japan, mainly in newly developing nations.

Meanwhile, DNP's aluminum interior panel is increasingly being used in railroad cars. For example, it was used on the ceilings and side ceilings of railway cars running on the Tokaido Bullet Train and cars on the new Narita Express line. In addition to being selected for use in about 70% of new railway cars manufactured in Japan, it is also being used in Taiwan High Speed Rail cars. In the future, not only do we intend to take the top share of the world market for automotive interiors, but we will also promote DNP lifestyle materials as the global standard for railway car interiors.

*Electron beam (EB) coating technology:

A technique for making resin harder by exposing it to an electron beam, which causes the resin's molecules to polymerize. EB coated products display greater surface hardness than products coated with urethane or ultraviolet cured resin. The technology makes it possible to provide products with superior resistance to abrasion, soil and sunlight, and with excellent durability and stability. Moreover, the eco-friendly EB manufacturing process uses less energy, generates less carbon dioxide, and does not require the use of solvents, making it suitable for widespread use in the future.



EB flooring

Industrial Supplies

Main Businesses

Industrial Supplies Operations provides many products of which DNP is the world's top supplier, including anti-reflection film used in LCDs and dye-sublimation thermal transfer materials (color ink ribbons and receiver papers) used in ink ribbons for printing photos. Although the division's main customers are appliance manufacturers and electronics companies in Japan and overseas, our photo print business provides DNP's own brand of products and services directly to consumers. In the Energy System, we supply components for the promising photovoltaic module market, and packages for lithium ion rechargeable batteries.

Market Trends and Summary of Financial Results

Recovery in the market for LCD panels led to steady demand for anti-reflection film that improves picture quality by preventing glare from incident lights on LCD screens. Although electromagnetic interference shielding film used in plasma display panels (PDPs) was affected by lackluster consumer spending, our overall optical film sales rose sharply, led by strong sales of anti-reflection film.

In Information Media Supplies, demand for dye-sublimation thermal transfer materials declined in the first half of the term. Although it recovered in the second half, primarily due to demand from the entertainment and medical fields, sales for the entire term still fell below the previous-year level. A recovery in corporate profits was accompanied by increased distribution, which boosted demand for thermal-resin type transfer materials (monochrome ink ribbons) used for printing barcodes. However, demand for facsimile ribbons decreased, and sales for the entire term declined relative to the year before.

DNP supplies back sheets, encapsulants and other photovoltaic module components. In the first half of the fiscal term through March 2010, sales were slow due to the worldwide financial crisis. Demand picked up in the second half and has remained solid, but despite an increase in sales of packages for lithium ion rechargeable batteries, the downturn in the first half resulted in a decline in overall sales of battery components.

Overall, net sales from Industrial Supplies increased 17% over the previous term.

Strategic Opportunities and Future Development

Japan is scheduled to switch all of its terrestrial television broadcasting to digital in 2011. This is expected to stimulate brisk demand for LCDs, together with other factors like China's economic stimulus measures and a trend toward replacing CRT televisions in newly developing nations. DNP will work to sell more anti-reflection film in anticipation of the expected increase in LCD panel demand. We will also concentrate on supplying other products, like surface films that protect touch panels from scratches and dirt, in order to achieve growth in our functional optical films business.

Demand for digital photo printing is increasing. We expect to see growth in demand for dye-sublimation thermal transfer materials, which enable much faster printing and much more durable prints, among other advantages. We intend to expand this business by promoting the installment of more KIOSK self-service printing systems and expanding the business to serve commercial and industrial users.

In the photovoltaic module field, we intend to apply advanced coating technologies, materials technologies, and various converting technologies to improve back sheets and other components, and to boost the market share of DNP products by promoting development in line with market demand to lower manufacturing costs, prevent deterioration, and boost the power generation efficiency of photovoltaic module panels.



Dye-sublimation thermal transfer materials

TOPICS

Packaging Operations

Kinoshita Award for microwaveable stand-up pouches

In July 2009, DNP and House Foods Corp. received the Japan Packaging Institute's 33rd annual Kinoshita Award in the "Packaging Idea" category, for microwaveable packaging they developed jointly for House Foods' "Dekitatezukuri" series of retort foods. The awards are given to entities that achieve notable results in packaging technology research and development, or in streamlining or otherwise improving packaging.

The package combines a transparent stand-up retort pouch with an outer box. Both can be heated in a microwave oven, which is now found in more than 95% of Japanese homes. In addition to a package's traditional functions of protecting its contents, displaying product information, and improving transport efficiency, this package won praise for its universal design-based ease of use and ability to be heated by microwave.

Energy Systems Operations

Major improvement in conversion efficiency of large-scale organic thin film photovoltaic (PV) cells

In June 2009, DNP developed an organic thin film PV cell that converts energy highly efficiently even when made on a large scale.

Silicon-based PV modules are currently the most common type of photovoltaic modules on the market, but the high cost of manufacturing them is a problem. The market has been looking forward to the large cost reductions that could be achieved by switching to organic thin film cells, which are made by applying printing technology, but until recently, their energy conversion efficiency dropped sharply when they were made in large sizes. By applying DNP's original photoetching technology, we achieved a high energy conversion efficiency rate of more than 4% for a cell as large as 50mm square. DNP aims to develop technology for mass producing organic thin film PV cells and start marketing them by the fiscal term through March 2016.

Developing back sheets for PV modules with even greater durability and at lower cost

DNP has been researching and developing PV module components since the 1990s. In 2003, we used printing technologies to develop back sheets and encapsulants, and in January 2009 we started production at a new plant in Izumizaki, Fukushima Prefecture.

Because PV modules generally stay outside for years, back sheets that protect PV modules from the outside environment must be highly weather-resistant and impermeable to water vapor. In order to preserve this function, back sheets are generally made of multiple layers of aluminum foil. However, aluminum foil must be insulated to prevent it from causing electrical problems if it comes into contact with the module's wiring. The need to insulate the foil posed a problem because of the burdens placed on the manufacturing process. In order to solve this problem, DNP developed a low-cost back sheet that does not use aluminum foil, by using inorganic oxide vapor deposition film that is highly impermeable to water vapor, with a highly weather-proof adhesive. DNP began shipping samples in June 2009, and aims to achieve about 5.0 billion yen in sales by the fiscal term through March 2013.

In July 2009, we completed development of back sheets using Asahi Glass Co. Ltd.'s ETFE fluoro resin and began shipping samples. ETFE has a high melting point compared to existing fluorine films, which contributes to greater durability. Other reasons for choosing it include its track record of use in decorative materials, stable supplies, and competitive cost. We are marketing it primarily to overseas manufacturers of PV modules, and aim for about 5.0 billion in sales by the fiscal term through March 2012.

In addition, in November 2009 we began shipping samples of a product that integrates a back sheet and encapsulants into one unit. We used two of DNP's core technologies – lamination processing and film formation processing – to supply a single product that serves the function of both back sheets and encapsulants, thereby reducing component costs and PV module production costs. We also began offering a service whereby we combine DNP's back sheets with the customer's encapsulants. We intend to achieve some 3.0 billion yen in sales by supplying these

products and services by the fiscal term through March 2012.

Photo print business

Full-fledged expansion of PrintRush PhotoBook do-it-yourself photo books

Thanks to the spread of digital cameras, there is a rapidly growing market for photo books commemorating events like family trips or weddings, etc., both for personal enjoyment and as gifts. In September 2009, DNP's wholly owned subsidiary DNP Fotolusio Co., Ltd. launched the PrintRush PhotoBook service, Japan's first do-it-yourself printing system that allows customers to easily produce a photo book at a retail outlet. The user inserts the media that contains their photos into the PrintRush PhotoBook system, uses the menu on the terminal's screen to select the photos and backgrounds they want, and as little as five minutes later can enjoy a high-quality, highly original, 10-page photo book. Over the next three years, we plan to install more than 500 PhotoBook systems, primarily in major appliance stores and camera specialty shops.

In March 2010, wholly owned subsidiary DNP DreamPages Co. Ltd. began offering consumers the opportunity to edit and order printing of original books via its website. Users can make use of DNP's original Shueitai font, which is used for printing books that are sold commercially. The finished book is delivered to whatever address the user specifies.



Self-service PrintRush PhotoBook terminal

Strategic Focus**3**

DNP's market-leading anti-reflection films for liquid crystal displays

Demand for flat-panel displays is growing worldwide, backed by various countries' economic stimulus measures, the digitalization of broadcasting, and the shift away from CRT televisions. Liquid crystal displays (LCDs) are particularly advantageous in terms of low energy consumption, light weight, potential for manufacture in large sizes, and adaptability to a wide range of applications, so demand for them for use in televisions is growing rapidly all over the world.

DNP holds the largest share – some 70% – of the world market for anti-reflection films that protect the outermost surface of an LCD from dirt and scratches while reducing glare from artificial or natural light. We have strengthened this business by winning praise for assembling a diverse product lineup and meeting customers' needs precisely, and by acquiring a large number of related patents.

Predicting a bright future for the flat-panel display market, in 1990 DNP established technology for designing anti-reflection films. At that time, dry coating methods such as vapor deposition and sputtering were the main technologies for film formation, but they were not satisfactory from the standpoints of production efficiency or cost. So DNP made use of some of the converting technologies that it had cultivated for many years – i.e. coating technologies for applying thin, uniform layers of functional materials – and in 2001 developed a wet coating production method for anti-reflection film. This method provides the same level of anti-reflective protection as previous products, but makes it possible to sharply reduce costs and greatly improve productivity even when applying multiple layers of thin film.

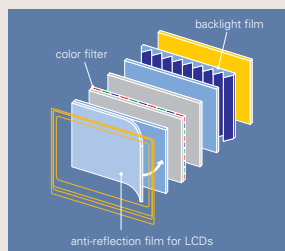
In May of 2002, before the flat-panel display market began to take off, we launched our Industrial Supplies Operations (currently called Opto-Materials Operations) and strengthened our framework for developing and producing all types of optical films. In addition to anti-reflection film used in LCDs, we have developed back light film, electromagnetic interference shielding film and contrast improvement film for use in plasma display panels (PDPs) and a wide range of optical film products, in response to the diverse needs of this growing market. We intend to continue leading this market by making the most of our technical strengths and stably supplying high-quality products that meet our customers' specifications at optimal prices.

The advantages of DNP's anti-reflection films

- A wealth of manufacturing expertise and technical patents acquired in the course of development
- A production framework that can provide stable supplies of high-quality products and respond rapidly when demand grows
- A broad product lineup that meets clients' needs

DNP's anti-reflection film production bases

October 2001	Okayama Plant established
February 2004	Okayama Plant production line added
May 2005	Okayama Plant production line added
October 2006	Mihara Plant established
May 2009	Okayama Plant production line added



DNP products used in a LCD



Production line



Okayama Plant



Mihara Plant

BUSINESS STRATEGIES

DNP's Electronics segment applies the world's most advanced printing techniques, including microfabrication and patterning technologies, to supply a wide variety of display-related products and electronic devices that support today's information society. The segment has developed a stream of products tailored to the needs of client companies, such as photomasks (masters for making LSI circuits), multilayer printed wiring boards, and color filters used in liquid crystal displays (LCDs). As markets for these products expand, we aim to secure stable profitability.

Basic Strategies

Our daily lives have become more convenient due to the widespread use of a variety of electronic devices, starting with information devices like televisions, personal computers, and mobile phones, and including household appliances. Despite the expectation that these devices be continually upgraded with new functions and greater ease of use, it is important that they be priced affordably for consumers. In order to meet these needs, we must seek both advanced functionality and lower prices as we develop and manufacture electronic products.

More than half a century ago, in 1958, DNP became the first company in Japan to develop shadow masks for color televisions, and in 1959 we succeeded in developing photomasks used in semiconductor manufacturing. Ever since, DNP has remained an industry leader by continually refining its technologies, and has secured its position as the world's top provider of many products despite the electronics market's vulnerability to sudden changes. In addition to developing cutting-edge technologies and actively deploying the latest equipment, we also speed up our business development through mergers, acquisitions, and corporate alliances with various companies.

Emphasizing Technological Development

Bolstered by world-class advanced technology, DNP's electronics products have won acclaim for being No. 1 in the world in many fields. In order to maintain and further sharpen this competitive edge, we will place even more emphasis on research and development, and develop new products by perfecting our quality control and microfabrication skills.

Rapid Response to Change

We aim to achieve medium to long-term business growth by responding quickly to sudden changes in market conditions or customer needs. We will do this by building a flexible production framework that includes "inplant" and "by-plant" manufacturing, by providing manufacturing technologies and other forms of support for our business partners.

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 with high growth potential in order to secure stable profitability.

Accelerating Business Startups

We intend to quickly pick up on sudden changes in marketplace requirements and speed up development of new technologies and businesses. Toward that end, we aim to expand our businesses efficiently, which includes exploring possibilities for mergers, acquisitions or other alliances that facilitate ongoing cooperation between partners that have complementary strengths.

Major Policies

Quick Response to Market Needs and Comprehensive Optimization of Production Systems

DNP concentrates management resources on boosting production capacity and developing new technologies and products so that we can respond rapidly to sudden changes in the demands of electronic device markets.

For example, DNP has the special advantage of being the only company in the world to succeed in mass producing color filters for LCDs with both inkjet-based and photolithographic methods. We intend to make the most of this advantage in the future as we take steps like improving productivity and thoroughly eliminating waste in order to further strengthen our profitability base and increase competitiveness. Parallel with the startups of large-scale assembly lines by LCD panel makers, we will establish new manufacturing bases and optimize our overall production framework, including existing bases.

We will strive to expand our business by enhancing our new product lineup, both by increasing the added value of existing products by advancing functionality – for example by adding touch-panel functionality – and by focusing on research and development for components of next-generation products like organic EL displays.

Flexible Business Models Focused on Profitability

As LCD panel substrate sizes increase, we need to create business models that can respond flexibly to the problems and concerns of our color filter business's corporate clients.

DNP responds quickly to changes in manufacturing processes, with ample consideration for return on investment (ROI)*. This sometimes leads us to solutions like building a new facility as a “byplant” adjacent to a customer's factory or an “in-plant” directly connected to a customer's production line. We will also work to expand our own business by flexibly meeting customers' needs in overseas markets as well as in Japan. As we choose from a wide array of business models, including corporate tie-ups with related companies and royalty businesses based on providing or supporting the licensing of technology, we will always giving due consideration to models with emphasis on ROI.

Maintaining Our Top Share of the World Photomask Market by Virtue of World-Class Technology

DNP has established a solid reputation for outstanding photomask quality, particularly regarding our most advanced products, to the point that we have secured the top share in the global photomask market apart from in-house production by semiconductor manufacturers. What makes our photomasks stand out is our capacity for advanced technological development, which no competitor can come

close to matching. More than half of DNP's photomask sales come from advanced products with line widths of less than 65nm**. As one example of how we are expanding our business in response to the demand for increasing miniaturization, DNP controls more than half of the world market for cutting-edge photomasks with line widths of 45nm or less.

In addition to the Agrate Brianza Plant that we opened in Italy in 2002, we opened a second overseas production base in April 2010 in Taiwan's Hsinchu Science Park, where we began mass producing photomasks. The new plant will serve as our base for supplying advanced photomasks in the Asian region, the site of sharp growth in demand for semiconductors.

Going forward, we aim to increase collaboration with customers and make use of the results of joint development to move ahead of our technological roadmap targets in preparing a framework for developing and supplying products that require line widths of 32nm, 28nm, and even smaller. In this way, we aim to solidify our hold on the top share of the world photomask market.

Building a Strong Business Constitution by Cultivating New Mainstays for the Electronic Device Business

We intend to apply microfabrication and other printing techniques to the active development of a wide range of products including components for hard disk drives, high-density build-up wiring boards, and MEMS*** products. We view electronic modules as a particularly promising growth area, in which we intend to concentrate management resources.

In addition, we will build a flexible and strong business constitution that is not overly dependent on the semiconductor market. The steps we take to accomplish this will include expanding LSI design and other solutions-based businesses, and developing our IC tag business in conjunction with application development.

* ROI (return on investment) : the ratio of profit returned relative to the amount invested

** nm (nanometer) : one billionth of a meter

*** MEMS (micro electro mechanical system) : a group of components 1-100 micrometers in size, made with semiconductor device microfabrication technologies

FINANCIAL RESULTS

Financial Highlights

	(¥ billion, %)		
	2008.3	2009.3	2010.3
Net sales	¥ 322.3	¥ 256.0	¥ 257.5
Operating income	19.8	2.6	8.3
Operating income margin	6.1%	1.0%	3.2%

PORTRAIT OF DIVISIONS

Display Components

Main Businesses

DNP's Display Components Operations started out more than half a century ago, in 1958, with the first successful development of shadowmasks for CRT televisions in Japan.

Today, Display Components focuses on manufacturing color filters for liquid crystal displays (LCDs), which are now the main type of display used in personal computers and televisions. The division supplies products mainly to Japanese manufacturers, but meets the global needs of manufacturers in South Korea, China, Taiwan, and elsewhere. As display panel size grew, we brought our color filter production facilities closer to client companies' LCD panel plants. In addition to strengthening our partnership with customers, we developed an inkjet-based production method and other new technologies as part of our efforts to improve quality and bolster cost competitiveness. We are strengthening our ties with clients both in Japan and overseas by providing color filter manufacturing technologies and other types of support. We are also actively engaged in creating new sources of revenue, such as sensors for touch panels and components for organic EL displays.

Market Trends and Summary of Financial Results

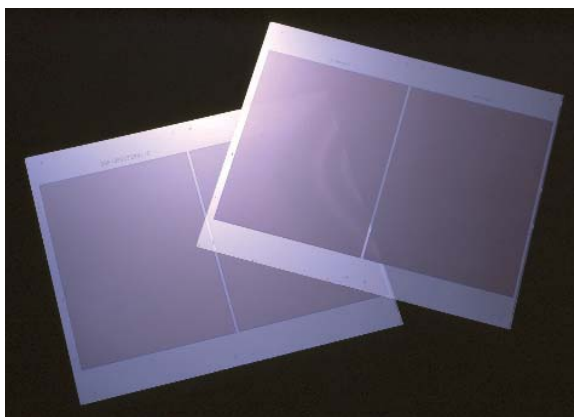
In 2008, the world market for LCD panels suddenly lost steam when manufacturers adjusted production in response to an oversupply of products. In 2009, worldwide sales of LCD televisions picked up speed and demand for LCD panels recovered quickly thanks to an economic recovery mainly spurred by economic stimulus measures enacted by various governments and economic growth in the newly developing nations. Demand became especially strong from the summer of 2009, with production of large-size panels becoming particularly active. Order volumes for DNP color filters increased, and we began producing filters in all sizes, including 6th-generation and 8th-generation, at full capacity. In October 2009, we started up our new 10th-generation color filter plant in Sakai City, Osaka Prefecture. In the year ended March 2010, net sales for the operating division grew by 15% over the previous fiscal term.

Strategic Opportunities and Future Development

Demand for LCDs is expected to keep growing due to continued replacement of CRT televisions and the spread of devices like tablet PCs with touch panels. In addition to existing trends toward lower prices and larger sizes, LCDs will keep gaining added value through the adoption of LED backlights, lower power consumption, and 3-D compatibility, etc.

However, the increased investment burdens imposed by factory expansion and larger substrate size present a challenge to panel manufacturers. Especially as large-screen LCD televisions become the norm, the market is looking increasingly favorably at the inkjet production method because it allows the construction of new manufacturing lines with relatively little initial investment and is highly cost competitive. At the same time, there is still demand for products with the properties that result from manufacture by photolithography. DNP is the only company in the world that mass produces color filters using both inkjet-based and photolithographic methods and we intend to make the most of this unique position, along with our superior production capacity and strength in technological development, to expand our business.

In the future, we intend to further expand our business by participating appropriately in organic EL displays and other next-generation products, and by adding greater value to our color filters. We can accomplish the latter by improving light transmission rates, or by adding colors, like yellow or cyan (bright blue) to the three colors now generally used in color filters: red, green, and blue (RGB), in order to greatly expand the range of colors that can be reproduced.



Color filters

Electronic Devices

Main Businesses

In 1959, DNP succeeded in developing photomasks (masters for making semiconductors) and started up its Electronic Devices Operations. We applied the patterning and etching technologies that we cultivated in our printing business to photomask manufacture, which entails forming minute semiconductor circuit patterns on glass substrates. In 1964, we succeeded in developing lead frames used for wiring semiconductors. Since then, we have increased collaboration with manufacturers in Japan and overseas in order to provide a variety of products that are indispensable to electronic devices. In recent years, we have been focusing on the development of high-precision, advanced products that require finer micro-processing, such as build-up wiring boards and MEMS products.

Market Trends and Summary of Financial Results

Due to the effects of worldwide economic recession, the global semiconductor market shrank in calendar 2008 compared to the previous year. The decline continued in calendar 2009, with semiconductor sales falling 9% from the previous year to 226.3 billion dollars. However, in the second half of 2009, shipments of products like personal computers, mobile phones, and electric appliances began to increase. As of the start of 2010, the market is expected to continue to grow on the strength of new demand for electronic devices from newly developing countries and replacement demand in developed countries.

Due to depressed prices for middle and low-end products and lackluster sales of advanced products, DNP's sales of photomasks for the entire term ended March 2010 declined compared to a year earlier. In the second half of the term, however, semiconductor manufacturers renewed capital spending aimed at further miniaturization. DNP responded by working to develop cutting-edge photomask production technology and by starting up a plant in Taiwan in early 2010, thereby enhancing our production framework's ability to adapt appropriately to overseas demand.

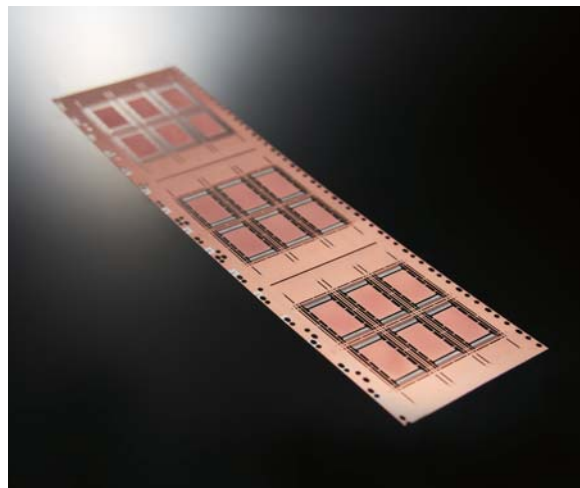
Looking at etched products, sales of lead frames declined from the previous year, but increased demand for netbook and notebook computers led to large increases in the number of suspensions and other hard disk drive components sold by DNP.

There was a significant drop in sales of high-density build-up wiring boards, primarily used in camera modules for mobile phones, due to shrinkage in demand for products with advanced functionality.

Strategic Opportunities and Future Development

As the semiconductor market recovers, chip makers are stepping up investment in miniaturization. We aim to increase our share of the market for cutting-edge photomasks as circuit line widths decrease. Now that demand for 45nm products has begun to grow in earnest, we plan to begin mass production. A combination of ArF immersion and double exposure has become the most likely next-generation photolithography technique for making 32nm and 28nm products. We will make the most of our strength as the world leader in these and other micro-processing technologies to take advantage of the business opportunities presented by increasing miniaturization. At the same time, we will respond cautiously to such trends as reorganization among chip manufacturers and increased outsourcing to foundries in Taiwan and other countries.

There is growing demand for thin, compact, high-density semiconductor packages. Going forward, we will use our strength in microfabrication to increase our share of the market for etched products. We will also actively develop non-semiconductor applications for etched products, such as hard disk drive suspensions.



Lead frame

TOPICS

Focus on developing new technologies and strengthening our supply frameworks

Installation of new high-density printed wiring board production line in China

DNP and Unimicron Technologies Corp. installed a new production line in Unimicron's Kunshan Plant in Jiangsu Province, China, to manufacture high-density printed wiring boards using DNP's original B²it wiring board manufacturing technology. The partners shipped samples in May 2009 and started mass production in July. B²it is a technology that answers the market's demand for thinner, more compact wiring boards for use in electronic devices like mobile phones and digital cameras. Another advantage is that it affords a great deal of freedom in wiring board design. As demand increases, we expect to add additional production lines at Unimicron's Kunshan Plant until we reach monthly production capacity of about 10,000 square meters and annual sales of approximately 18.0 billion yen by the fiscal term through March 2013.



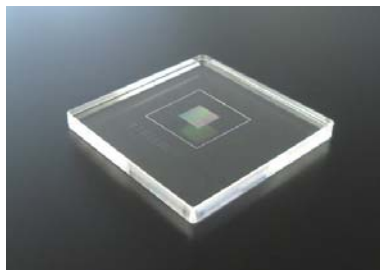
New production line for making high-density printed wiring boards in China

* B²it (pronounced be-square-it) technology: An original DNP technology that uses screen printing to form "bumps" of electrically conductive paste that serve as interlayer connections on a build-up board (a printed wiring board made by piling up

alternate insulating and conductive layers). It leaves a large amount of space for mounting components, affording a great deal of design freedom because electrical connections can be placed anywhere on a layer.

Tie-up on next-generation nano-imprint technology

In July 2009, DNP and Molecular Imprint Inc. of the U.S. agreed to form a strategic alliance to develop nanoimprint lithography systems for mass producing semiconductors with line widths of 22nm and less. Making semiconductors using nanoimprint technology entails pressing a template against a resin-coated silicon wafer so that the pattern on the template is transferred to the resin. The aim of the alliance with Molecular Imprint is to establish technology for reproducing nanoimprint templates by the end of 2011, then shorten production lead time and bring down costs in order to start mass production of templates for semiconductor memories and other applications in 2012.



Master template for nanoimprinting

Strengthening our overseas supply framework by establishing a cutting-edge photomask production base in Taiwan

DNP opened a new plant in Taiwan's Hsinchu Science Park to manufacture cutting-edge photomasks in April 2010. We established manufacturing subsidiary DNP Photomask Technology Taiwan Co., Ltd., which started out mass producing 65nm products. From the summer of 2010, we plan to have the new company also mass produce cutting-edge 40nm products.



DNP Photomask Technology Taiwan

DNP controls the largest share of the world's photomask market than any other manufacturer. It has four manufacturing plants in Japan and a plant in Agrate Brianza, Italy. DNP built the new plant in order to establish a stable photomask supply system for the South East Asian region. Taiwan, where growth in semiconductor demand is particularly rapid, is to be the system's hub. The new plant will initially supply cutting-edge photomasks to Taiwanese semiconductor makers, with an eye toward later expanding its customer base to include semiconductor manufacturers throughout South East Asia as well as in Japan.

DNP develops the world's first software to simulate printing ink movement

In June 2009, DNP Fine Chemicals Co., Ltd., a DNP subsidiary, and the "Earth Surface Dynamics and its Predictive Modeling Research Team" (part of the Japan Agency for Marine-Earth Science and Technology's Institute for Research on Earth Evolution) led by Hide Sakaguchi jointly developed a prototype of the world's first computer software for simulating the complex movement of ink. It had been difficult to simulate the

movement of ink with a method that had been tried in the past, using numerical fluid dynamics. DNP Fine Chemicals intends to use the new software to prevent printing equipment failures and to develop inks that enable clearer printing. The company will also apply the technology to a wide range of other uses, such as simulating movements of the earth's crust and mantle.

Startup of 10th-generation color filters for LCD panels and expansion of large-size color filter production capacity

In 1958, DNP applied its printing technologies to develop the first made-in-Japan shadow masks for color televisions. Ever since, DNP has been responding to market trends and customer needs by developing a variety of display-related products. In recent years, the flat-panel display market has continued growing by almost 20% a year. The spread of large-size liquid crystal displays (LCDs) for televisions has proceeded at an especially astonishing pace, and DNP has been increasing the size of the color filters that it supplies in line with increasing display size.

In order to efficiently manufacture large color filters, we need to use large glass substrates referred to as 8th-generation or 10th-generation substrates. DNP has developed techniques and expertise for handling and precisely processing glass sheets that are more than 3m long on each side and extremely thin – only 0.7mm thick – without breakage. Furthermore, we are the only manufacturer in the world that mass produces

color filters using both inkjet and photolithography methods and meets the needs of all LCD panel manufacturing clients, although they use different methods.

By accumulating color filter production technology and expertise, DNP has continued to supply high-quality products and earn the solid trust of LCD panel manufacturers.

In October 2009, we started up our new Sakai Plant, the world's first 10th-generation color filter plant, within Sharp Corp.'s industrial complex in Sakai City, Osaka Prefecture. In 2006, DNP commenced mass production of 8th-generation color filters using the inkjet method at Sharp's Kameyama Plant No. 2. It was because of Sharp's high regard for our performance there that DNP became the first vendor of 10th-generation color filters. In April 2010, DNP started up an 8th-generation color filter plant adjacent to the Himeji factory of IPS Alpha Technology, Ltd., an LCD panel-manufacturing joint venture of Panasonic Corporation and Hitachi, Ltd. The startup of these two new facilities gives DNP the world's largest production capacity for color filters used in large-scale LCD panels.

We intend to continue expanding this business by strengthening our ties with all LCD panel manufacturers, increasing production capacity in general and of color filters for large-size displays in particular, boosting production efficiency, and creating added value.

Advantages of DNP's Color Filter Business

- DNP has established its own mass production technologies for color filters that can be used with any type of LCD driver, including VA (Vertical Alignment) and IPS (In-Plane Switching)
- DNP is the only manufacturer in the world to offer two methods of color filter production: inkjet, which DNP was the first in the world to establish as a mass production method in 2006, and photolithography, in which we have some 25 years worth of accumulated expertise
- Outstanding cost-cutting capacity due to in-house manufacture of high quality color resists

Timeline of DNP's Color Filter Business Development

1989	Started at Kuki Plant (1st-generation)
1994	Otone Plant (2nd- to 4th-generations)
2001 – 2004	Mihara Plant (4.5- to 5th-generations)
2002	Kurosaki Plant (3rd- to 4.5th-generations)
2005 – 2006	Kurosaki Plant (6th-generation)
2006	Kameyama Plant (8th-generation)
2008	Kurosaki Plant (8th-generation)
2009	Sakai Plant (10th-generation)
2010	Himeji Plant (8th-generation)

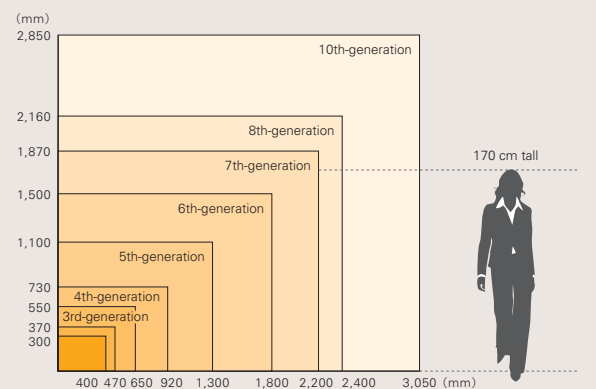


Sakai Plant



Himeji Plant

Glass Substrate Sizes by Generation



Corporate Governance

CONTENTS

68 Corporate Governance

75 Board of Directors, Statutory
Auditors and Corporate Officers



Corporate Governance

1. 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 Group and being trusted by its shareholders, customers, consumers, employees and other stakeholders is critical to improving the competitiveness of the Group. 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) Corporate governance structure

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, independent directors participate in decision-making, and 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.

The Board of Directors consists of 24 directors (as of June 29, 2010), including one independent 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 and corporate officers hold executive committee meetings once a month to exchange information that is helpful for efficient decisionmaking. 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 one auditor with considerable knowledge of finance and accounting and three outside auditors (one of which is independent). 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.

With such a corporate governance structure, the Board of Directors can make appropriate decisions efficiently.

(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 operating units according to the DNP Group's Basic Compliance Management Regulations, and regularly reports to auditors on management conditions. In addition, the Auditing Department (consisting of 19 employees) 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 and the accounting auditor.

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 firms 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
Hirofumi Nikaido (1 year), Kazuhiko Terada (3 years),
Tsuguhiro Tsukakoshi (1 year)
Managing partner
Junko Shima (3 years)
- **Audit firm**
Meiji Audit Corporation
- **Number of accounting audit assistants**
11 certified public accountants, 9 others

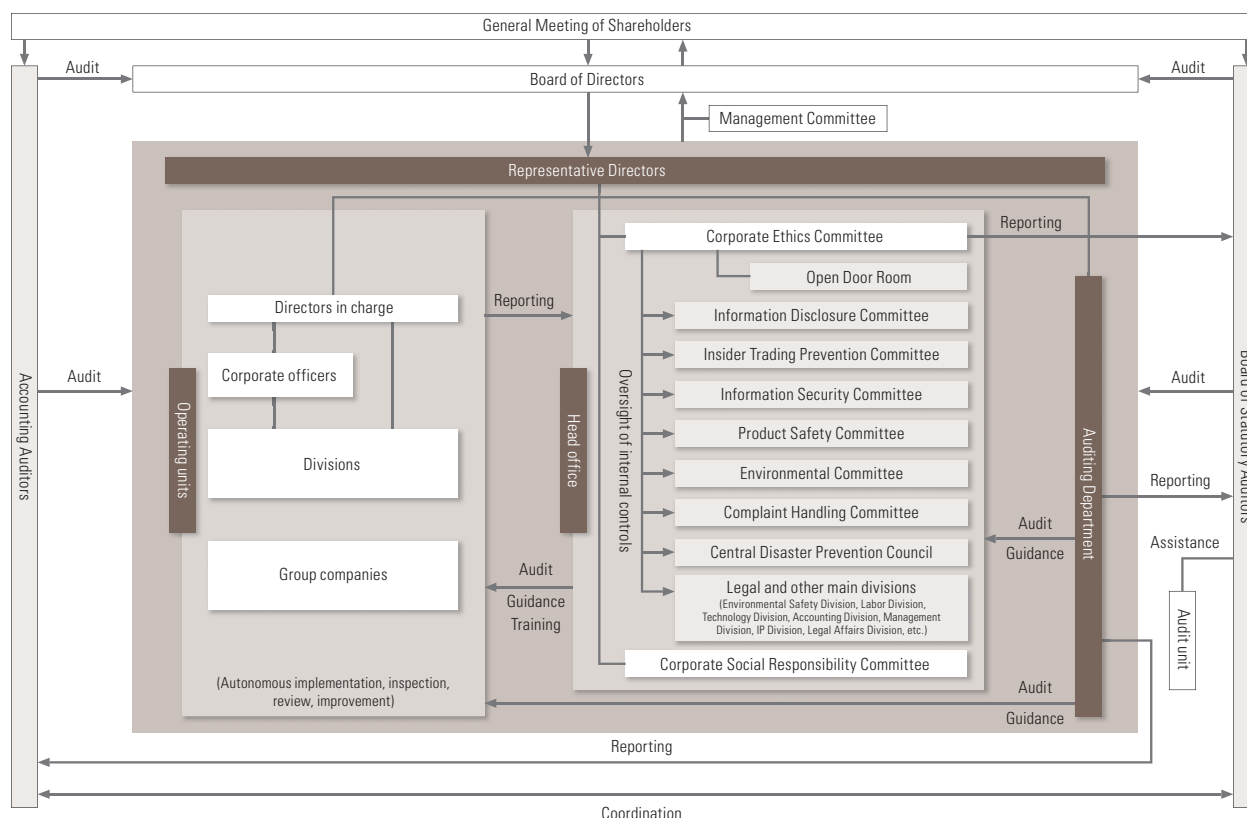
(3) Development of a risk management structure

To manage risks related to compliance, information security, 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 part of risk-related preemptive efforts, and respond promptly to avert or minimize losses to the DNP Group. Certain divisions and directors are promptly established and appointed for responding to risks that have newly developed.

(4) Progress on other corporate governance measures

DNP set down the DNP Group Code of 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 antisocial elements, fulfill its corporate responsibilities to society as an emergently evolving corporation, respect its shareholders, customers, consumers, employees and other stakeholders, and act in a way that earns trust. The DNP Group CSR Report 2010 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) A diagram of the corporate governance structure illustrating points (1)-(4) above is shown below.



(6) 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. Outside director Tadao Tsukada and outside auditor Yasuchika Negoro have been designated as independent directors because they do not fall under requirements set forth in “a” through “e” of Article 211, Paragraph 6, Item 5 of the Enforcement Rules for Securities Listing Regulations, and they have no conflicts of interest with general shareholders in fulfilling their roles.

Outside director Tadao Tsukada owns 2,000 shares of DNP, outside statutory auditor Kiyoshi Yuzawa 2,000 shares, and outside statutory auditor Yasuchika Negoro 3,000 shares.

Measures for Enhancing DNP's Corporate Governance

Regarding the development of arrangements for ensuring the propriety of operations decided based on the Japan's Companies Act and the Enforcement Regulations of the Japan's Companies Act 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 March 17, 2010.

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

- (1) The Group provides all employees (including directors) with a copy of DNP Group Code of Conduct which DNP established as a rule of behaviors 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 independent outside directors, 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 exercising their authority in accordance with organizational regulations, position authority rules, collective decision-making rules, and other internal rules, and supervising the conduct of the heads of the various divisions, 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 including independent outside auditors conduct audits of the directors' management of day-to-day operations.

- (3) The Corporate Ethics Committee, which consists of the directors of various divisions of the head office, 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 Information Disclosure Committee, Insider Trading Prevention Committee, Information Security Committee, Product Safety Committee, Environmental Committee, Complaint Handling Committee, Central Disaster Prevention Council, and various basic organizational units of the head office in charge of specific laws and regulations conduct reviews, provide guidance, and offer training for other basic organizational units and Group companies in their areas of responsibility.
- (5) The heads of the various 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 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 various divisions and Group companies regarding the establishment and management of arrangements for ensuring the propriety of operations.
- (7) The Corporate Ethics Committee has established an Open Door Room, a gateway for whistleblowing within the DNP Group, as well as a Supplier Hotline, a gateway for information from materials suppliers and service providers, to receive reports and information concerning employees' legal violations and to respond accordingly.
- (8) Responses regarding the development and management as well as evaluation and reporting of internal controls on financial reporting are based on the Basic Policies and Fiscal-Year Plan Regarding Internal Controls on Financial Reporting set by the Board of Directors to ensure legal compliance and the reliability of the Company's financial reports.
- (9) To establish a structure with no ties with anti-social elements, the DNP Group Code of Conduct specifies that no business activity shall be conducted with anti-social elements and calls for compliance with this rule. At the same time, the DNP Group develops arrangements with companies that it works with to cut off ties in the

event that the counterparty company is discovered to be an anti-social element. The DNP Group also works to develop ties with the police, law firms, and other external professional entities to prepare for unreasonable demands from anti-social elements.

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

To manage risks that could have a material impact on business, such as those related to compliance, information security, the environment, disasters, product safety, insider trading and export management, the Corporate Ethics Committee, other special committees and other divisions of the head office develop rules and conduct training as risk-related preemptive efforts, and respond promptly when risks arise to avert or minimize losses to the DNP Group. In addition, 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. The 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, the 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 decisionmaking 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 the heads of the various divisions, including 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 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 business operations in the Group, made up of the joint stock corporation, the parent company, and subsidiaries

- (1) To ensure the propriety of its operations, the DNP Group has established DNP Group Code of 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 divisions of the head office 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 Group.
- (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.

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 Companies Act, so long as they execute their duties in good faith and without serious negligence.

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.

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.

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 Companies Act, upon approval by the Board of Directors, in accordance with Article 165, Paragraph 2 of Japan's Companies Act, 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 Companies Act, be exempted from liabilities in Article 423, Paragraph 1 of Japan's Companies Act so that the directors can sufficiently carry out their expected responsibilities.

(3) Exemption of auditors from liability

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 Companies Act, be exempted from liabilities in Article 423, Paragraph 1 of Japan's Companies Act so that the statutory auditors can sufficiently carry out their expected responsibilities.

(4) Interim dividend

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 Companies Act 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.

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 Companies Act 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.

Compensation paid to directors and statutory auditors

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

Category of director/ statutory auditor	Total compensation (¥ million)	Total compensation by type (¥ million)		Number of directors and statutory auditors covered
		Base compensation	Bonus	
Directors (excluding outside directors)	1,968	1,758	210	25
Statutory auditors (excluding outside auditors)	80	80	—	2
Outside directors and auditors	91	91	—	4

- Notes: 1. Bonuses are provisions for bonuses for directors and statutory auditors for the fiscal year.
2. There were 24 directors (excluding outside directors), two statutory auditors (excluding outside auditors), and four outside directors and auditors as of the end of the fiscal year.

- (2) Company directors and total compensation

Name (director type)	Total compensation (¥ million)	Company	Total compensation by type (¥ million)	
			Base compensation	Bonus
Yoshitoshi Kitajima (Director)	787	Dai Nippon Printing Co., Ltd.	710	29
		Hokkaido Coca-Cola Bottling Co., Ltd.	48	—
Koichi Takanami (Director)	127	Dai Nippon Printing Co., Ltd.	112	14
Satoshi Saruwatari (Director)	119	Dai Nippon Printing Co., Ltd.	105	14
Masayoshi Yamada (Director)	127	Dai Nippon Printing Co., Ltd.	112	14

- Notes: 1. Total compensation is shown only for those with compensation of at least 100 million yen.
2. The portion of base compensation accounted for by Hokkaido Coca-Cola Bottling Co., Ltd. includes a portion corresponding to bonuses, as the company combines bonuses into annual compensation.
3. DNP's bonuses are the amounts expected to be paid as bonuses for the current fiscal year.

- (3) Policies regarding the determination of compensation for directors and statutory auditors

Compensation for directors is calculated within the limits on directors' compensation approved by shareholders at a general meeting, reviewed and discussed by the Management Committee, and deliberated and decided on by the Board of Directors.

The compensation of each of the directors is determined based on a broad range of factors, including the operations they are in charge of, their responsibilities, achievements, and contributions.

Compensation for statutory auditors is calculated within the limits on statutory auditors' compensation, and the compensation of each of the statutory auditors is determined based on discussions with the statutory auditors.

Stockholdings

- (1) Stocks held for reasons other than for pure investment purposes

No. of stocks	450
Total on the balance sheet	112,509 million yen

- (2) Of the publicly traded stocks held for reasons other than for pure investment purposes, those that amount to more than 1% of shareholders' equity on the balance sheet for the current fiscal year

Company name	Number of shares	Amount recorded on balance sheet (¥ million)	Holding purpose
Terumo Corporation	1,081,000	5,383	Enhance business relationship
Taisho Pharmaceutical Co., Ltd.	2,309,000	3,925	Enhance business relationship
Ezaki Glico Co., Ltd.	3,215,751	3,508	Enhance business relationship
Asahi Breweries, Ltd.	1,860,029	3,260	Enhance business relationship
Mizuho Financial Group, Inc.	15,501,000	2,867	Enhance business relationship
Nissin Foods Holdings Co., Ltd.	898,711	2,826	Enhance business relationship
Fujifilm Holdings Corporation	685,965	2,208	Enhance business relationship
Toshiba Corporation	4,547,000	2,196	Strengthen business alliance
Yamato Holdings Co., Ltd.	1,660,600	2,182	Enhance business relationship
Toyo Suisan Kaisha, Ltd.	794,980	1,922	Enhance business relationship
ROHM Co., Ltd.	265,101	1,850	Enhance business relationship
Mitsubishi Chemical Holdings Corporation	3,598,790	1,720	Strengthen business alliance
Nippon Steel Corporation	4,594,768	1,686	Strengthen business alliance
SMK Corporation	3,200,000	1,536	Enhance business relationship
Lion Corporation	3,140,665	1,479	Enhance business relationship
Shiseido Co., Ltd.	677,619	1,375	Enhance business relationship
AICA Kogyo Co., Ltd.	1,293,743	1,348	Enhance business relationship
Nihon Seiko Co., Ltd.	1,814,000	1,338	Strengthen business alliance
NuFlare Technology, Inc.	10,000	1,232	Strengthen business alliance
Sharp Corporation	1,011,140	1,182	Enhance business relationship
Mitsubishi UFJ Financial Group, Inc.	2,399,760	1,175	Enhance business relationship
Daikin Industries, Ltd.	300,000	1,147	Enhance business relationship

2. Compensation Paid to Accounting Auditor

(1) Compensation paid to accounting auditor

Category	Previous fiscal year		Current fiscal year	
	Compensation for audit certification (¥ million)	Compensation for other services (¥ million)	Compensation for audit certification (¥ million)	Compensation for other services (¥ million)
Dai Nippon Printing Co., Ltd.	91	—	91	—
Consolidated subsidiaries	92	—	106	—
Total	183	—	197	—

(2) Other material compensation details

None

(3) Compensation paid to accounting auditor for services other than audit work provided to the DNP Group.

None

(4) Determination of compensation for audit services

The Company's compensation for audit services is determined based on a variety of factors, including the number of expected days for the audit and the size of the Company.

Board of Directors, Statutory Auditors and Corporate Officers

(As of June 29, 2010)

President

Yoshitoshi Kitajima

Executive Vice Presidents

Koichi Takanami
Satoshi Saruwatari
Masayoshi Yamada
Yoshinari Kitajima

Senior Managing Directors

Mitsuhiko Hakii
Osamu Tsuchida
Teruomi Yoshino
Yujiro Kuroda
Masahiko Wada

Managing Directors

Kazumasa Hiroki
Tetsuji Morino
Shigeru Kashiwabara
Kunikazu Akishige
Kenji Noguchi
Yoshiaki Nagano
Motoharu Kitajima
Takao Shimizu
Yoshiki Nozaka

Directors

Tatsuo Komaki
Akira Yokomizo
Masaki Tsukada
Sakae Hikita
Tadao Tsukada*

Standing Statutory Auditors

Noriaki Nakamura
Minoru Yoneda
Kiyoshi Yuzawa*

Statutory Auditors

Yasuchika Negoro*
Kuniaki Nomura*

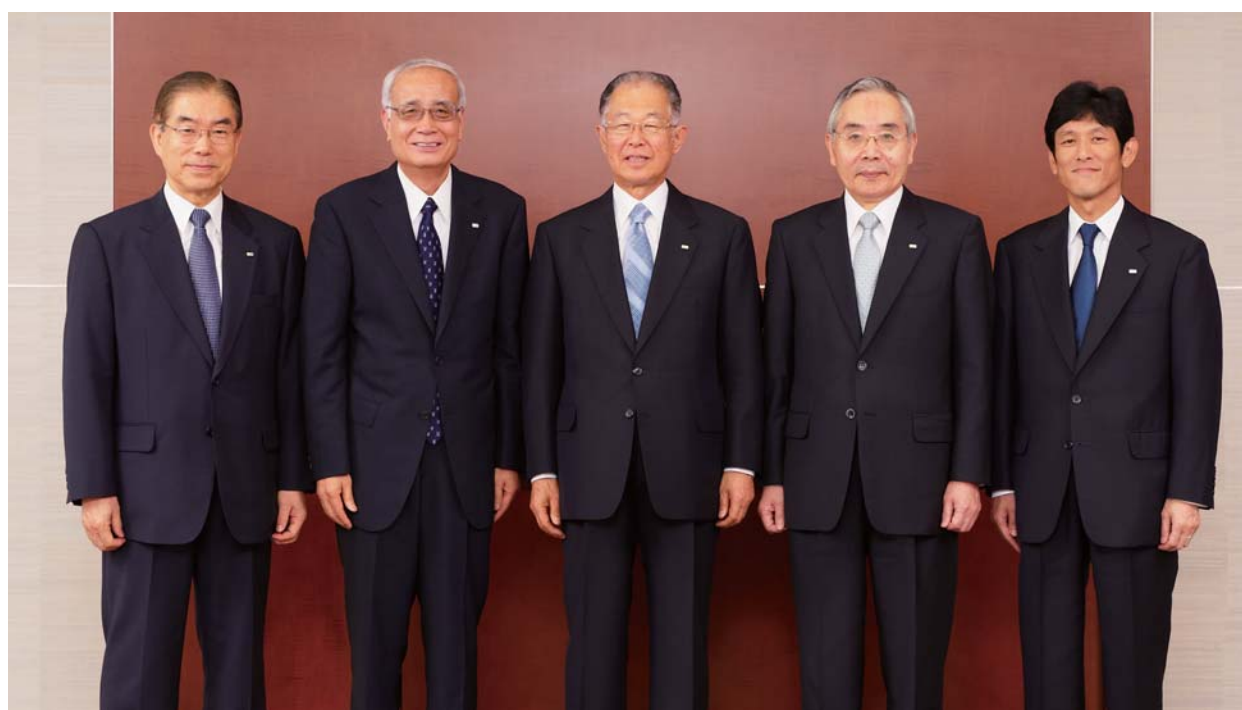
Senior Corporate Officers

Tatsuya Nishimura
Tatsuro Kitayuguchi
Koichi Hashimoto
Fujio Yamazaki
Takashi Saito
Shigemi Furuya

Corporate Officers

Akira Oguri
Masanori Akada
Katsuhisa Fudouta
Yoshio Nishida
Jun-ichi Tsuchiya
Kensuke Nakamura
Tokuji Kanda
Yoji Yamakawa
Takashi Wada
Ryuji Minemura
Masato Koike
Masato Yamaguchi
Yasuo Takeda
Jun-ichi Funatsu
Morihiro Muramoto
Kenji Miya
Yoshio Ogawa
Toshiki Sugimoto

*Outside director or auditors



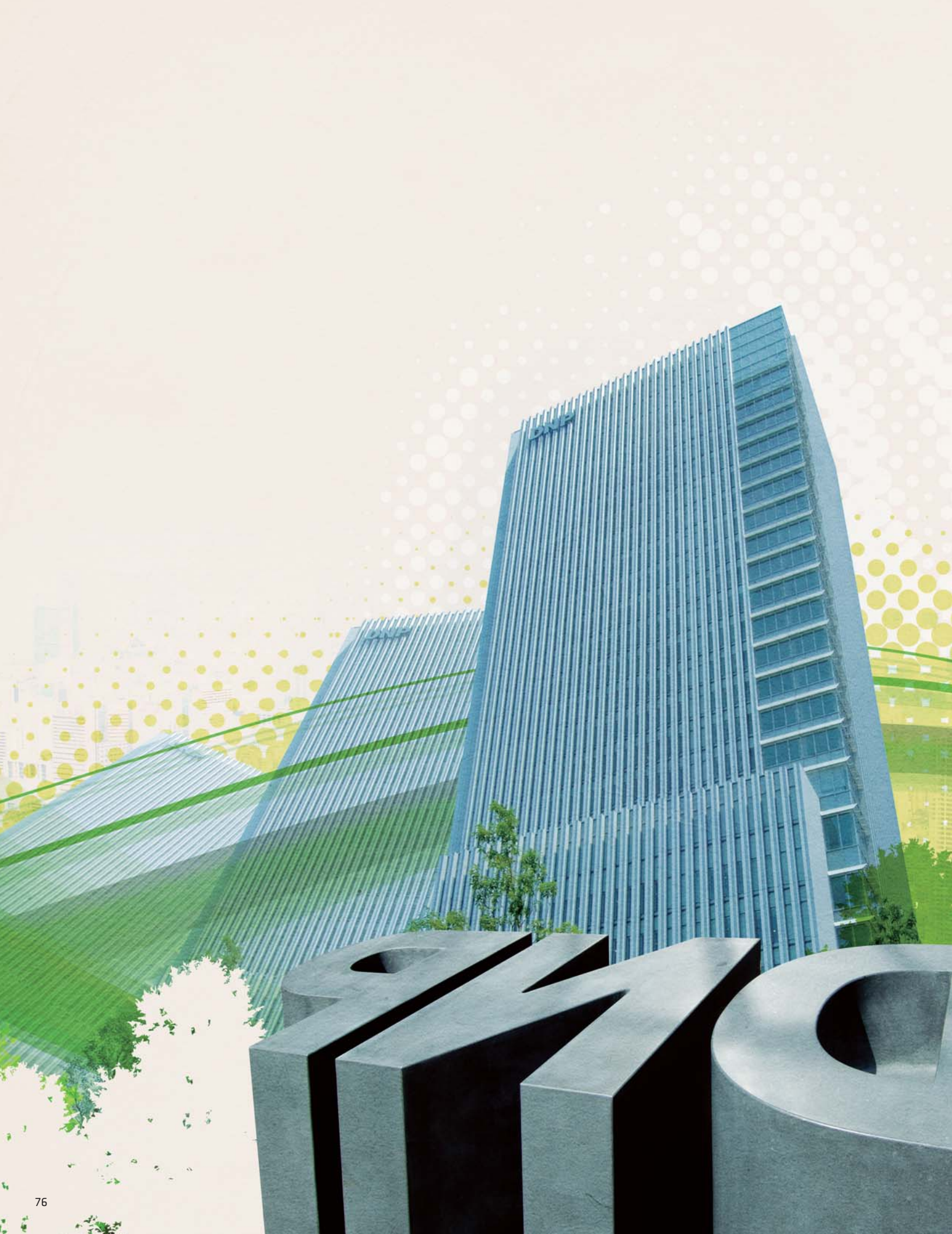
Masayoshi Yamada

Koichi Takanami

Yoshitoshi Kitajima

Satoshi Saruwatari

Yoshinari Kitajima



Financial Section

CONTENTS

78 Management's Discussion and Analysis

88 Selected Financial Data

90 Consolidated Financial Statements



Management's Discussion and Analysis

OPERATING RESULTS

Business Environment

Economic conditions in Japan were very challenging in the current fiscal year. Although there were some signs of recovery from government economic stimulus measures and a rebound in demand in emerging countries, capital investment weakened and employment remained sluggish because of the delayed recovery of the global economy.

The business environment surrounding the printing industry worsened, due to such factors as weak demand and unit prices declines stemming from intensified competition.

The Information Communication segment faced challenging conditions. In the books and magazines market, estimated sales of publications in Japan in the year ended March 2010 declined 3.8% year over year, extending a downtrend that started in 1997. In the magazine business, the number of discontinued magazines exceeded the number of new magazines launched because of cutbacks in corporate advertising budgets and a decline in sales volume. In the commercial printing business, a deterioration in corporate earnings led to cutbacks in advertising budgets; advertising-related companies' sales in the year ended March 2010 declined 12.5%; and advertising in all types of media, except online advertising, declined year over year. In the business forms business, conditions remained weak overall. Although there were some signs of improvement, including a rise in sales from the printing of electronic toll cards spurred by economic stimulus policies, sales from the printing of credit cards, cash cards, and other financial smart cards slumped.

In the Lifestyle and Industrial Supplies segment, the packaging business was weak overall owing to deflation and a slump in consumer spending in Japan's market. In the lifestyle materials business, conditions remained weak. Demand in the housing market continued to slump, as indicated by the number of new housing starts in Japan in the year ended March 2010, which fell below 800,000 for the first time in 45 years. In the industrial supplies business, demand for anti-reflection film used in liquid crystal displays (LCDs) rebounded sharply, along with demand for LCD TVs, thanks to government economic stimulus policies and a shift to digital broadcasting around the world.

Business conditions for the Electronics segment were favorable. In 2009, worldwide shipments of LCD TVs increased 37% year over year to 145 million units, and shipments of PCs increased 1% to 305.8 million. Shipments of mobile phones declined about 4%. Production of mobile phones had been declining since the fall of 2008, although demand did rebound in October–December 2009.

Overview

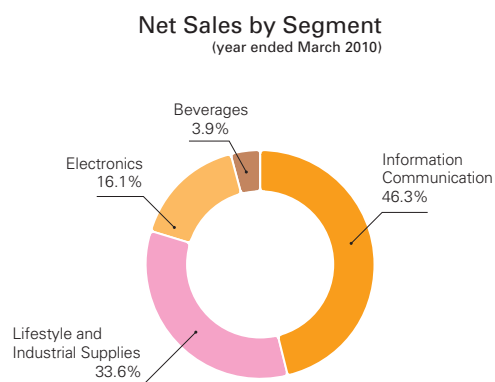
Under such conditions, the DNP (Dai Nippon Printing Co., Ltd.) Group has been aggressively developing its business and providing products, services, and solutions that meet customer needs, based on a business vision of "P&I Solutions" (P&I stands for "printing technology" and "information technology"). In addition, DNP has made groupwide efforts through its "Production 21" activities to establish a solid production structure in terms of all aspects, such as quality, cost, and turnaround times, and has worked hard to maintain positive performance.

DNP's net sales for the year ended March 2010 declined 0.1% from the previous year to 1,583.4 billion yen. Overall sales in the Information Communication segment increased 3.0%. Sales were weaker than in the previous fiscal year for Books and Magazines and Commercial Printing, but the inclusion of new consolidated subsidiaries in the Education and Publications Distribution business contributed to the overall growth. Overall sales in the Lifestyle and Industrial Supplies segment decreased 2.8%. In the Industrial Supplies business, sales of anti-reflection film rose sharply to above the year-ago level, thanks to a sharp rebound in demand for LCDs. However, sales of Packaging declined, owing to a slump in consumer spending, and sales of Lifestyle Materials decreased because domestic housing demand remained in a long-term slump. Sales in the Electronics segment inched up 0.6% over the previous year. Color filter sales have been strong since July 2009, thanks to a sharp rebound in demand for LCDs, and semiconductor market conditions recovered. Sales in the Beverages segment declined 12.4% owing to weak consumer spending.

Consolidated operating income increased 44.0% from the previous year. Operating income in the Information Communication segment remained weak because of a slump in the publications market and cutbacks in corporate advertising budgets. However, operating income in the Electronics and Lifestyle and Industrial Supplies segments improved because of a rebound in demand for flat-panel displays. In addition, DNP's group efforts to cut costs generated solid results.

The consolidated operating income margin rose 1.3 percentage points to 4.2%, and the ordinary income margin also increased 1.3 percentage points to 4.3%. The consolidated operating income margin slipped 1.2 percentage points to 3.2% in the Information Communication segment but rose 4.5 percentage points to 8.1% in the Lifestyle and Industrial Supplies segment and increased 2.2 percentage points to 3.2% in the Electronics segment. The Beverages operations incurred an operating loss.

Net income totaled 23.3 billion yen, a 44.2 billion yen improvement from the year-ago net loss of 20.9 billion yen.



	2010.3	2009.3	2008.3
Net sales (¥ million)	¥ 1,583,383	¥1,584,844	¥ 1,616,053
Gross margin (%)	18.7%	16.4%	17.8%
Operating income margin (%)	4.2%	2.9%	5.4%
Ordinary income margin (%)	4.3%	3.0%	5.4%
Net income margin (%)	1.5%	—	2.8%
Net income (losses) per share (¥)	36.13	¥ (32.35)	¥ 67.08

Net Sales

Net sales slipped 0.1%, or 1.5 billion, from the previous year to 1,583.4 billion yen. Demand for lower unit prices was strong throughout the year because of intense competition and a deterioration in corporate customers' earnings owing to the economic downturn.

In the Information Communication segment, sales from Books and Magazines declined because of a prolonged slump in the publications market. In the Commercial Printing business, sales decreased year over year because of cutbacks in advertising budgets, stemming from a slump in corporate earnings, hurt orders for flyers, catalogs, and other printed matter as well as demand for campaign and event planning. In the Business Forms business, overall sales rose slightly. Sales from the printing of electronic toll cards increased thanks to economic stimulus policies, and sales of IPS (information processing services) were higher than in the previous year because of direct mail growth and a switch to full-color notices and application forms. However, sales of forms declined. Net sales in the Information Communication segment rose with help from the inclusion of sales of consolidated subsidiaries in the Educational Publications Distribution business.

In the Lifestyle and Industrial Supplies segment, Packaging sales were lower year on year because of a decline in sales of flexible packaging, paper containers, and aseptic filling systems for PET plastic bottles. In the Lifestyle Materials business, DNP focused on increasing sales of eco-friendly products that make use of its proprietary electron beam (EB) coating technology, but overall sales remained weak because of a prolonged slump in housing demand. In the Industrial Supplies business, sales of ink ribbons and receiver paper for photo printers as well as back sheets for photovoltaic modules decreased, but sales of anti-reflection film used in flat-panel displays increased sharply. Net sales in the Lifestyle and Industrial Supplies segment increased year over year.

In the Electronics segment, sales rose year over year thanks to growth in the volume of LCD color filter orders, in conjunction with a rise in demand for LCD panels. The startup of a new 10th-generation LCD color filter plant in Sakai, Osaka Prefecture, also helped. In the semiconductor-related business, some indications of a rebound in demand started to become apparent, but sales of photomasks contracted because of weak demand for cutting-edge products. Sales of high-density build-up circuit boards fell, but sales of etched products for hard drive suspensions increased. Net sales

in the Electronics segment increased year over year.

In the Beverages segment, DNP faced a slump in consumer spending and intensified sales competition, but focused on increasing sales of Coca-Cola Zero and Georgia, both core products, and I LOHAS, a new brand of water that uses "ecoru Bottle Shiboru," Japan's lightest PET plastic bottle. Sales of carbonated beverages and mineral water increased, but sales of tea and coffee drinks decreased, resulting in an overall decline in net sales year over year.

Cost of Sales

The cost of sales slipped 2.9%, or 37.8 billion, from the previous year to 1,286.7 billion yen. The gross margin improved 2.3 percentage points from 16.4% to 18.7%.

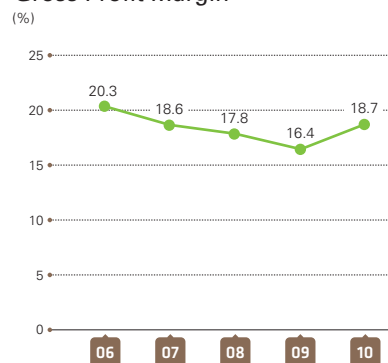
During the year, prices of film, resins, and other petrochemical products increased, following increases in crude oil and naphtha prices since late 2008. Prices of paper had held up because paper producers temporarily reduced output in response to weak domestic printing demand, but then prices softened partly because of inflows of cheap imported paper. Trends in material costs roughly offset each other, resulting in almost no overall cost increases.

DNP has been focusing groupwide since April 2002 on "Production 21" activities, such as making production processes more efficient, improving yields, reducing material losses, and shortening production preparation and lead times. In the fiscal year, DNP successfully applied measures horizontally throughout the Group and strove to cut production costs. As a result, DNP was able to reduce production costs for the entire fiscal year by 45.8 billion yen, 10.3 billion yen above the previous year's figure of 35.5 billion yen.

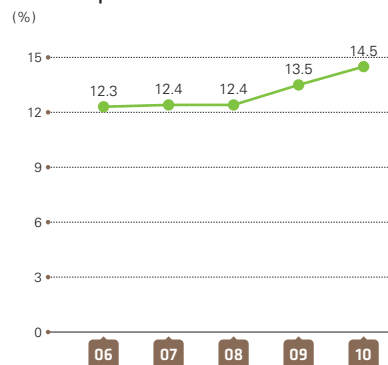
Selling, General and Administrative Expenses

With thorough cost-reduction efforts in the fiscal year, DNP was able to cut personnel and indirect costs by a total of 7.4 billion yen. However, as a result of increases in sales promotion costs and personnel costs, the latter owing to new consolidated subsidiaries, overall selling, general and administrative expenses increased 7.5%, or 16.0 billion, to 230.2 billion yen, or 14.5% of net sales, up 1.0 percentage point from the previous year.

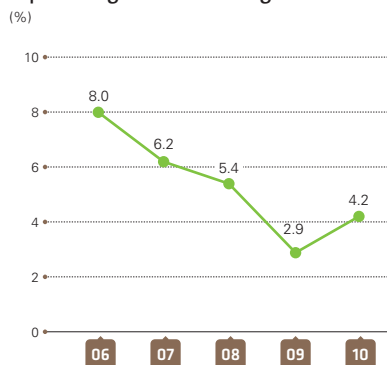
Gross Profit Margin



SGA Expenses to Net Sales



Operating Income Margin



ROE



Operating Income

Operating income for the year increased 44.0%, or 20.3 billion yen, to 66.5 billion yen. Unit prices declined, but growth in demand substantially boosted productivity and cost reductions exceeded the targets. The operating income margin improved 1.3 percentage points from 2.9% to 4.2%.

By segment, operating income from Information Communication declined 25.9%, or 8.2 billion yen, to 23.5 billion yen. In the Lifestyle and Industrial Supplies segment, it rose 119.5%, or 23.8 billion yen, to 43.7 billion yen. In the Electronics segment, operating income increased 222.7%, or 5.7 billion yen, to 8.3 billion yen. In the Beverages business, it deteriorated 0.9 billion yen to an operating loss of 0.6 billion yen because of intensified sales competition owing to the slump in consumer spending.

Nonoperating Income (Expenses) and Extraordinary Income (Losses)

This fiscal year, nonoperating income totaled 12.4 billion yen, up 0.7 billion yen, or 6.3%, and nonoperating expenses 10.0 billion yen, down 0.4 billion yen, or 3.6%, from the previous year. As a result of the above, net nonoperating income totaled 2.3 billion yen, above the previous year's 1.1 billion yen.

Extraordinary gains totaled 1.3 billion yen, up 0.2 billion yen, or 17.7%, and extraordinary losses 20.7 billion yen, down 55.7 billion yen, or 72.9%, from the previous year. Net extraordinary losses totaled 19.3 billion yen, versus net extraordinary losses in the previous fiscal year of 75.2 billion yen.

As a result of the above, income before income taxes and minority interests totaled 49.5 billion yen, a turnaround from losses of 27.8 billion yen the previous fiscal year.

Net Income (Losses)

As a result of the above, net income totaled 23.3 billion yen, a turnaround from losses of 20.9 billion yen the previous fiscal year.

Net income per share was 36.13 yen, versus the year-ago net loss per share of 32.35 yen.

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. DNP continued to strive for stable, longer-term growth, which is crucial for strengthening the company's financial condition.

Cash Flow

	2010.3	2009.3	2008.3
Cash flow from operating activities	¥ 140,574	¥ 131,569	¥ 157,283
Cash flow from financing activities	(120,684)	(100,726)	(122,523)
Free cash flow	19,890	30,843	34,760

(¥ million)

This fiscal year, cash flow generated by operating activities increased 6.8% to 140.6 billion yen mainly because of a swing from losses before income taxes and minority interests of 27.8 billion yen in the previous fiscal year to income before income taxes and minority interests of 49.5 billion yen.

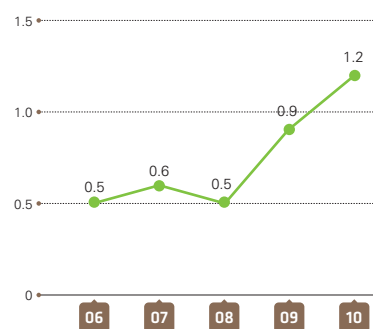
Cash flow used in investing activities totaled 120.7 billion yen largely because of 108.6 billion yen of investments in additional plant and equipment for LCD color filters and opto materials.

Cash flow from financing activities improved from the 34.0 billion yen of cash flow used in financing activities in the previous year to 13.1 billion yen because of 50.0 billion yen of funds raised through a bond offering.

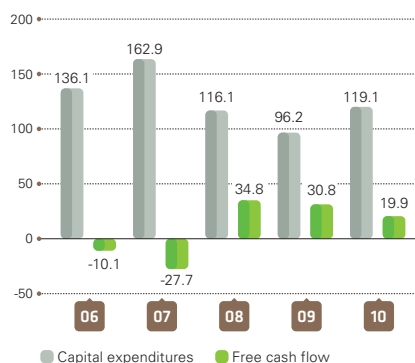
As a result of these activities, DNP's cash and cash equivalents at the end of the fiscal year amounted to 151.8 billion yen, up 29.4%, or 34.6 billion yen, from a year earlier.

This fiscal year, free cash flow – i.e., cash flow provided by operating activities minus cash flow used in investing activities—was 19.9 billion yen, down 11.0 billion yen from 30.8 billion yen in the previous year.

Interest-bearing Debt to Cash Flow Ratio
(times)



Capital Expenditures and Free Cash Flow (¥ billion)



Capital Expenditures, Research and Development Expenditures, etc.

DNP has focused its capital expenditures mainly on strategic areas, so as to gain a competitive edge, and on improvements to existing plant and equipment. Capital expenditures totaled 119.1 billion yen, an increase of 23.8%, or 22.9 billion yen, from the previous year.

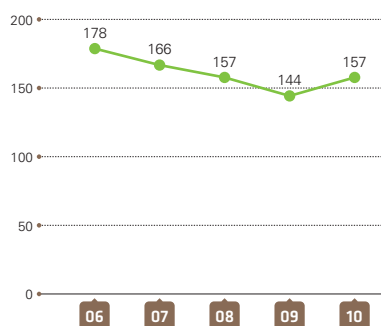
Key capital investments during the fiscal year included a new 10th-generation LCD color filter plant in Sakai, Osaka Prefecture, and additional opto-material clean coaters for the Okayama plant.

By segment, capital expenditures for Information Communication decreased 4.2 billion yen from the previous year to 23.8 billion yen, or 20% of overall capital expenditures. Capital expenditures for Lifestyle and Industrial Supplies decreased 7.0 billion yen over the previous year to 22.8 billion yen, or 19% of the total. For Electronics, we invested 68.0 billion yen, an increase of 33.7 billion yen and 57% of the total. Capital expenditures for other businesses increased 0.4 billion yen from the previous year to 4.5 billion yen, or 4% of the total.

Depreciation totaled 91.7 billion yen, down 14.2%, or 15.2 billion yen, from the previous year. By segment, depreciation for Information Communication decreased 0.3 billion yen over the previous year to 24.9 billion yen, or 27% of overall depreciation. Depreciation for Lifestyle and Industrial Supplies decreased 1.8 billion yen over the previous year to 27.7 billion yen, or 30% of the total. Depreciation for Electronics totaled 33.4 billion yen, a decrease of 12.7 billion yen and 36% of the total. Depreciation for other businesses fell 0.5 billion yen from the previous year to 5.7 billion yen, or 6% of the total.

Research and development expenditures totaled 33.8 billion yen, a decrease of 0.3 billion yen, or 0.8%, from the previous fiscal year.

Current Ratio (%)



The Balance Sheet

DNP has strived to use capital more efficiently, increase the value of the company, and maintain the liquidity necessary to promptly adapt to changes in the business environment.

	2010.3	2009.3	2008.3
Total assets (¥ million)	¥ 1,618,854	¥ 1,536,557	¥ 1,601,193
Current ratio (%)	157%	144 %	157 %
Working capital/net sales (%)	17%	13 %	16 %
Debt-to-equity ratio (%)	18%	14 %	8 %
Net assets per share (¥)	¥ 1422.34	¥ 1,393.91	¥ 1,516.35

DNP's total assets at the end of this fiscal year amounted to 1,618.9 billion yen, an increase of 82.3 billion yen, or 5.4%, from the previous fiscal year.

Among current assets, cash, cash equivalents, and time deposits increased by 23.3%, or 28.8 billion yen, from the previous fiscal year to 152.4 billion yen. Trade receivables increased by 10.6%, or 43.1 billion yen, to 449.0 billion

yen. Inventories of finished products, work in process, raw materials, and supplies decreased 1.8 billion yen to 118.8 billion yen. As a result of the above, total current assets increased by 63.8 billion yen, or 9.4%, to 740.0 billion yen.

Among long-term assets, property, plant and equipment increased by 2.0%, or 11.9 billion yen, to 616.8 billion yen. Intangible assets decreased by 28.9%, or 14.1 billion, to 34.7 billion. Investments and other assets increased 9.6%, or 19.8 billion yen, to 225.7 billion yen. As a result of the above, long-term assets increased by 2.1%, or 17.6 billion yen, to 877.3 billion yen.

Current liabilities increased by 2.1 billion yen, or 0.5%, to 471.9 billion yen.

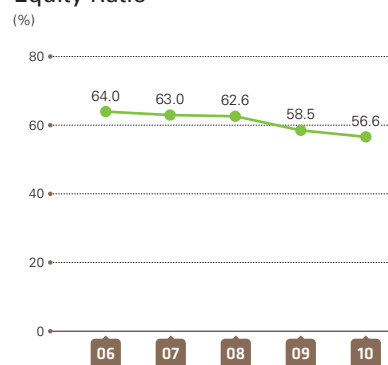
Long-term liabilities increased by 63.4 billion yen, or 50.0%, to 190.0 billion yen mainly because the amount of bonds increased 50.2 billion to 101.2 billion yen.

As a result of the above, total liabilities increased by 11.0%, or 65.5 billion yen, to 662.0 billion yen.

Net assets for the fiscal year increased by 1.8%, or 16.8 billion yen, to 956.9 billion yen.

DNP bought back a total of 112.86 million of its shares in the six years from February 2003 to June 2008 and retired 59 million treasury shares in the five years from 2004 to 2008. As of March 31, 2010, the number of treasury shares totaled 55.71 million, or 7.95% of the 700,480,693 total shares outstanding.

Equity Ratio*



* Figure for 2006 is calculated using total stockholders' equity.

Business Risks

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

The following are the major factors that the Group views as risks, as of the publication date of this annual report.

The Japanese economy and consumption trends

The Group engages in a wide range of businesses with an extremely large number of customers. It conducts business so as not to be overly dependent on specific customers. The Company does business mostly in the Japanese domestic market; overseas sales constitute only about 12% of net sales. Nevertheless, if the domestic economy weakens in sympathy with global economic trends and consumer spending and other components of domestic demand slump, then declines in order volume and unit prices may affect its performance.

Changes in the electronics market

The Electronics segment remains a strategic one that the Company intends to continue to strive to expand. The Company aims to secure steady profits from it by focusing on building business strategies based on a careful compilation of information and the development of profitable, high-added-value products. However, the market for display components and semiconductor products is subject to sudden changes. It is possible that the segment's performance could be affected by sudden changes affecting products that the Company handles, such as dramatic fluctuations in demand or a plunge in unit prices.

Fluctuations in raw material procurement

The Company procures raw materials such as printing paper and film from multiple suppliers in Japan and overseas. The Company works hard to secure stable supplies and maintain optimal prices. However, there is some potential for imbalances between supply and demand due to factors like spikes in petroleum prices or sudden surges in demand from emerging markets. The Company intends to cope with such instances by negotiating with customers and business partners. However, if it should become extremely difficult to secure supplies, or if prices rise markedly, DNP's performance could be affected.

Development of new products and technologies and services

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

Currency fluctuations

Particularly in fields such as Electronics, and Lifestyle and Industrial Supplies, the Company is expanding its business with customers overseas. Because the Company expects the effects of currency rates to gradually become more important, it uses such means as foreign exchange forward contracts to hedge the risks of currency fluctuations. Nevertheless, it is possible that radical swings in currency values could have a more serious effect on the Company's performance.

Legal compliance

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

Environmental protection and stricter regulations

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

Information system security

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

Disasters

The Company takes steps to protect its production equipment and other major facilities from being damaged by disasters such as fires or earthquakes. In addition, the Company divides its work among multiple production bases and make every effort to prevent disasters from causing production stoppages or disturbances in its ability to supply products. The Company also uses various types of insurance to transfer risk. Nevertheless, if major earthquakes, terrorist attacks, outbreaks of infectious diseases, and other unexpected developments arise and lead to production stoppages or major damage or interference with the social infrastructure, then its performance could be substantially affected.

Selected Financial Data (unaudited)

	2010	2009	2008	2007
Statements of Operations Data (¥ million)				
Net sales	¥ 1,583,383	¥ 1,584,844	¥ 1,616,053	¥ 1,557,802
Cost of sales	1,286,682	1,324,522	1,327,872	1,268,072
Gross profit	296,701	260,322	288,181	289,730
Selling, general and administrative expenses	230,187	214,145	201,077	193,585
Operating income	66,514	46,177	87,104	96,145
Ordinary income	68,841	47,390	86,502	101,348
Income (loss) before income taxes and minority interests	49,496	(27,842)	88,469	98,950
Net income (loss)	23,278	(20,933)	45,172	54,842
Balance Sheet Data (¥ million)				
Total assets	¥ 1,618,854	¥ 1,536,557	¥ 1,601,193	¥ 1,700,250
Property, plant and equipment — net	616,848	604,904	639,343	635,784
Long-term liabilities	190,045	126,671	106,691	118,437
Total liabilities	661,990	596,471	561,058	600,811
Total stockholders' equity	—	—	—	—
Stockholders' equity	921,775	917,348	990,122	1,027,475
Total net assets	956,864	940,086	1,040,135	1,099,439
Other Selected Data (¥ million)				
Capital expenditures	¥ 119,063	¥ 96,156	¥ 116,139	¥ 162,886
Depreciation expenses	91,695	106,883	109,902	100,161
R&D expenditures	33,850	34,112	35,556	30,113
Common Share Data (¥, shares)				
Earnings (loss) per share — primary	¥ 36.13	¥ (32.35)	¥ 67.08	¥ 78.10
Earnings (loss) per share — fully diluted	—	—	—	—
Dividends paid per share	32.00	32.00	36.00	32.00
Book value per share	1,422.34	1,393.91	1,516.35	1,544.02
No. of common shares outstanding (exc treasury shares)	644,238,930	644,357,076	661,366,377	694,226,171
Financial Ratios (% , times)				
As a percent of net sales:				
Gross profit	18.74%	16.43%	17.83%	18.60%
Selling, general and administrative expenses	14.54	13.51	12.44	12.43
Operating income	4.20	2.91	5.39	6.17
Income (loss) before income taxes and minority interests	3.13	-1.76	5.47	6.35
Net income (loss)	1.47	-1.32	2.80	3.52
Return on equity	2.57	-2.20	4.35	5.14
Current ratio	157	144	157	166
D/E ratio	18	14	8	6

2006		2005		2004		2003		2002		2001	
¥	1,507,506	¥	1,424,943	¥	1,354,101	¥	1,309,002	¥	1,311,934	¥	1,342,035
	1,202,160		1,121,374		1,073,118		1,043,456		1,071,163		1,091,386
	305,346		303,569		280,983		265,546		240,771		250,649
	184,676		183,041		178,545		175,665		168,529		164,708
	120,670		120,528		102,438		89,881		72,242		85,941
	124,715		120,485		97,276		88,177		74,775		92,349
	114,640		107,686		93,137		42,244		26,150		69,116
	65,188		59,937		52,971		28,774		15,609		33,409
¥	1,662,377	¥	1,600,129	¥	1,513,734	¥	1,450,027	¥	1,432,458	¥	1,489,871
	568,966		528,009		513,175		540,874		543,962		561,017
	118,287		115,801		119,277		66,821		79,013		86,012
	571,170		566,796		510,970		484,581		460,691		522,105
	1,063,309		1,007,944		978,736		942,083		946,998		939,441
	—		—		—		—		—		—
	—		—		—		—		—		—
¥	136,059	¥	86,057	¥	69,834	¥	73,789	¥	85,096	¥	103,050
	87,264		80,440		85,182		89,239		94,870		94,312
	28,692		26,386		26,050		24,097		23,367		24,664
¥	91.23	¥	82.56	¥	71.49	¥	37.80	¥	20.55	¥	43.99
	—		—		—		37.67		20.53		43.45
	26.00		24.00		21.00		19.00		18.00		18.00
	1,507.90		1,409.18		1,348.40		1,270.81		1,246.99		1,236.96
	704,972,101		715,076,830		725,677,422		741,161,150		759,480,693		759,480,693
	20.26%		21.30%		20.75%		20.29%		18.35%		18.68%
	12.25		12.85		13.19		13.42		12.85		12.27
	8.00		8.46		7.57		6.87		5.51		6.40
	7.60		7.56		6.88		3.23		1.99		5.15
	4.32		4.21		3.91		2.20		1.19		2.49
	6.29		6.03		5.52		3.02		1.65		3.58
	178		186		197		171		181		165
	6		7		7		6		7		8

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2010 and 2009	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Assets			
Current assets:			
Cash and cash equivalents (Notes 4 and 16)	¥ 151,710	¥ 117,200	\$ 1,631,290
Time deposits (Note 16)	706	6,370	7,591
Securities (Notes 5 and 16)	9	9	97
Trade receivables (Notes 10 and 16)	449,020	405,877	4,828,172
Allowance for doubtful receivables	(4,328)	(5,280)	(46,538)
Inventories (Note 6)	118,820	120,647	1,277,634
Prepaid expenses and other current assets (Notes 10 and 13)	24,014	31,327	258,216
Total current assets	739,951	676,150	7,956,462
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Note 10)	23,359	11,396	251,172
Investment securities (Notes 5 and 16)	124,715	107,975	1,341,022
Other (Note 10)	1,988	1,547	21,376
Total investments and advances	150,062	120,918	1,613,570
Property, plant and equipment, at cost (Notes 7 and 14):			
Land	135,485	132,889	1,456,828
Buildings	508,518	491,603	5,467,935
Machinery and equipment	1,006,219	1,016,535	10,819,559
Leased assets	26,309	10,061	282,892
Construction in progress	51,434	57,756	553,055
Total	1,727,965	1,708,844	18,580,269
Accumulated depreciation	(1,111,117)	(1,103,940)	(11,947,495)
Net property, plant and equipment	616,848	604,904	6,632,774
Other assets (Notes 7, 13, 14 and 16)	111,993	134,585	1,204,226
Total assets	¥ 1,618,854	¥ 1,536,557	\$ 17,407,032

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

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2010 and 2009	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Notes 7 and 16)	¥ 50,547	¥ 59,876	\$ 543,516
Current portion of long-term debt (Notes 7 and 16)	4,240	2,999	45,591
Trade payables (Notes 10 and 16)	308,630	290,871	3,318,602
Accrued expenses (Note 10)	35,566	34,715	382,430
Income taxes payable (Note 13)	15,623	7,892	167,989
Other current liabilities (Notes 7, 10 and 13)	57,339	73,447	616,549
Total current liabilities	471,945	469,800	5,074,677
Long-term liabilities:			
Long-term debt (Notes 7 and 16)	112,186	61,491	1,206,301
Liability for retirement benefits (Note 8)	43,230	41,452	464,839
Other long-term liabilities (Notes 7 and 13)	34,629	23,728	372,355
Total long-term liabilities	190,045	126,671	2,043,495
Contingent liabilities (Note 18)			
Net assets			
Stockholders' equity			
Common stock -			
Authorized : 1,490,000,000 shares;			
Issued : 700,480,693 shares;	114,464	114,464	1,230,796
Capital surplus (Note 9)	144,898	144,898	1,558,043
Retained earnings (Note 9)	756,430	751,870	8,133,655
Treasury stock, at cost			
56,241,763 shares in 2010 and 56,123,617 shares in 2009 (Note 9)	(94,017)	(93,884)	(1,010,935)
Total stockholders' equity	921,775	917,348	9,911,559
Valuation and translation adjustments			
Net unrealized gains (losses) on available-for-sale securities	8,060	(3,883)	86,667
Net deferred losses on derivatives	(11)	(5)	(118)
Foreign currency translation adjustments	(13,499)	(15,285)	(145,151)
Total valuation and translation adjustments	(5,450)	(19,173)	(58,602)
Minority interests	40,539	41,911	435,903
Total net assets	956,864	940,086	10,288,860
Total liabilities and net assets	¥ 1,618,854	¥ 1,536,557	\$ 17,407,032

Consolidated Statements of Operations

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2010 and 2009	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Net sales (Note 19)	¥ 1,583,383	¥ 1,584,844	\$ 17,025,624
Cost of sales (Notes 11, 15 and 19)	1,286,682	1,324,522	13,835,291
Gross profit	296,701	260,322	3,190,333
Selling, general and administrative expenses (Notes 11, 15 and 19)	230,187	214,145	2,475,129
Operating income	66,514	46,177	715,204
Other income (expenses) (Note 12):			
Interest and dividend income	3,197	4,164	34,376
Interest expenses	(2,363)	(1,666)	(25,409)
Equity in losses of associated companies	(103)	(1,247)	(1,108)
Foreign exchange transaction loss	(117)	(2,003)	(1,258)
Net loss on disposal of property, plant and equipment	(6,086)	(6,740)	(65,441)
Net gain on sales of marketable securities and investment securities	40	370	430
Loss on revision of retirement benefits plan (Note 8)	—	(144)	—
Loss on devaluation of investment securities	(1,200)	(13,947)	(12,903)
Impairment loss on fixed assets (Note 14)	(378)	(50,690)	(4,065)
Amortization of consolidation goodwill	(11,063)	(1,859)	(118,957)
Other	1,055	(257)	11,346
	(17,018)	(74,019)	(182,989)
Income (loss) before income taxes and minority interests	49,496	(27,842)	532,215
Income taxes (Note 13):			
Current	22,062	15,375	237,226
Deferred	3,700	(20,857)	39,785
	25,762	(5,482)	277,011
	23,734	(22,360)	255,204
Minority interests	(456)	1,427	(4,903)
Net income (loss)	¥ 23,278	¥ (20,933)	\$ 250,301

	Yen		U.S. dollars (Note 3)
	2010	2009	2010
Net assets per common share	¥ 1,422.34	¥ 1,393.91	\$ 15.29
Net income (loss) per common share			
primary	¥ 36.13	¥ (32.35)	\$ 0.39

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

Consolidated Statements of Changes in Net Assets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2010 and 2009	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 (losses) on available-for-sale securities	Net deferred gains (losses) on derivatives	Foreign currency translation adjustments	
Balance at March 31, 2008	700,480	114,464	144,898	797,317	(66,557)	10,610	7	2,121	37,275
Changes of items during the period									
Net loss	—	—	—	(20,933)	—	—	—	—	—
Cash dividends paid	—	—	—	(24,849)	—	—	—	—	—
Purchases of treasury stock (Note 9)	—	—	—	—	(27,425)	—	—	—	—
Disposal of treasury stock	—	—	—	(28)	90	—	—	—	—
Changes in unrealized losses on available-for-sale securities	—	—	—	—	—	(14,493)	—	—	—
Changes in deferred losses on derivatives	—	—	—	—	—	—	(12)	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	(17,406)	—
Changes in minority interests	—	—	—	—	—	—	—	—	4,636
Other	—	—	—	363	8	—	—	—	—
Total changes of items during the period	—	—	—	(45,447)	(27,327)	(14,493)	(12)	(17,406)	4,636
Balance at March 31, 2009	700,480	114,464	144,898	751,870	(93,884)	(3,883)	(5)	(15,285)	41,911
Changes of items during the period									
Net income	—	—	—	23,278	—	—	—	—	—
Cash dividends paid	—	—	—	(19,345)	—	—	—	—	—
Net increase resulting from changes in consolidated subsidiaries	—	—	—	192	—	—	—	—	—
Increase due to stock transfer	—	—	—	442	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(154)	—	—	—	—
Disposal of treasury stock	—	—	—	(7)	21	—	—	—	—
Changes in unrealized gains on available-for-sale securities	—	—	—	—	—	11,943	—	—	—
Changes in deferred losses on derivatives	—	—	—	—	—	—	(6)	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	1,786	—
Changes in minority interests	—	—	—	—	—	—	—	—	(1,372)
Total changes of items during the period	—	—	—	4,560	(133)	11,943	(6)	1,786	(1,372)
Balance at March 31, 2010	700,480	114,464	144,898	756,430	(94,017)	8,060	(11)	(13,499)	40,539

	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 (losses) on available-for-sale securities	Net deferred gains (losses) on derivatives	Foreign currency translation adjustments	
Balance at March 31, 2009	700,480	1,230,796	1,558,043	8,084,624	(1,009,505)	(41,753)	(54)	(164,355)	450,656
Changes of items during the period									
Net income	—	—	—	250,301	—	—	—	—	—
Cash dividends paid	—	—	—	(208,012)	—	—	—	—	—
Net increase resulting from changes in consolidated subsidiaries	—	—	—	2,064	—	—	—	—	—
Increase due to stock transfer	—	—	—	4,753	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(1,656)	—	—	—	—
Disposal of treasury stock	—	—	—	(75)	226	—	—	—	—
Changes in unrealized gains on available-for-sale securities	—	—	—	—	—	128,420	—	—	—
Changes in deferred losses on derivatives	—	—	—	—	—	—	(64)	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	19,204	—
Changes in minority interests	—	—	—	—	—	—	—	—	(14,753)
Total changes of items during the period	—	—	—	49,031	(1,430)	128,420	(64)	19,204	(14,753)
Balance at March 31, 2010	700,480	1,230,796	1,558,043	8,133,655	(1,010,935)	86,667	(118)	(145,151)	435,903

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

Consolidated Statements of Cash Flows

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2010 and 2009	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 49,496	¥ (27,842)	\$ 532,215
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	91,695	106,883	985,968
Impairment loss on fixed assets	378	50,690	4,065
Provision for doubtful receivables (net)	(80)	(522)	(860)
Provision for retirement benefits (net)	2,263	(3,111)	24,333
Equity in losses of associated companies	103	1,247	1,108
Amortization of consolidation goodwill (net)	16,220	6,407	174,409
Interest and dividend income	(3,197)	(4,164)	(34,376)
Interest expenses	2,363	1,666	25,409
Net gain on sales of marketable securities and investment securities	(52)	(373)	(559)
Loss on devaluation of investment securities	1,200	13,947	12,903
Net loss on disposal of property, plant and equipment	6,086	6,740	65,441
(Increase) decrease in trade receivables	(39,672)	56,827	(426,581)
Decrease in inventories	1,970	4,370	21,183
Increase (decrease) in trade payables	17,899	(42,200)	192,461
Other	2,775	(4,038)	29,838
Sub-total	149,447	166,527	1,606,957
Payments of income taxes	(8,873)	(34,958)	(95,409)
Net cash provided by operating activities	140,574	131,569	1,511,548
Cash flows from investing activities:			
Net (increase) decrease in time deposits	6,130	(14)	65,914
Proceeds from sales of marketable securities	–	10,980	–
Payments for purchases of property, plant and equipment	(108,596)	(95,556)	(1,167,699)
Proceeds from sales of property, plant and equipment	2,557	3,307	27,495
Payments for purchases of investment securities	(13,456)	(8,201)	(144,688)
Proceeds from sales of investment securities	7,048	1,388	75,785
Interest and dividend received	3,163	4,173	34,011
Other	(17,530)	(16,803)	(188,495)
Net cash used in investing activities	(120,684)	(100,726)	(1,297,677)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(10,119)	23,324	(108,806)
Proceeds from long-term debt	3,340	4,961	35,914
Repayments of long-term debt	(3,702)	(6,664)	(39,806)
Proceeds from issuance of unsecured debentures	50,000	–	537,634
Interest paid	(2,201)	(1,650)	(23,667)
Dividend paid	(19,684)	(25,253)	(211,656)
Payments for purchases of treasury stocks	(155)	(27,435)	(1,667)
Other	(4,353)	(1,235)	(46,806)
Net cash provided by (used in) financing activities	13,126	(33,952)	141,140
Effect of exchange rate changes on cash and cash equivalents	889	(10,386)	9,559
Net increase (decrease) in cash and cash equivalents	33,905	(13,495)	364,570
Cash and cash equivalents at beginning of year	117,200	130,695	1,260,215
Cash and cash equivalents of newly consolidated subsidiaries	605	–	6,505
Cash and cash equivalents at end of year	¥ 151,710	¥ 117,200	\$ 1,631,290

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, 2010 and 2009

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 the Company's group accounting policies based on International Financial Reporting Standards ("IFRS") or accounting principles generally accepted in the United States of America ("US GAAP").

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency of Japan as required by the Financial Instruments and Exchange Act of Japan. Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. Certain reclassifications have also been made in the 2009 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 mostly the same as that of the Company. There are twenty-nine subsidiaries whose fiscal years end December 31 and twenty-three subsidiaries whose fiscal years end January 31. Significant transactions between their fiscal year end and the Company's fiscal year end are reflected in the consolidated financial statements.

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

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

The differences between costs and underlying net assets at the date of investment in consolidated subsidiaries are included in other assets 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 being written-down to reflect the decline of profitability.

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 (\$1,075) or more per unit and less than ¥200,000 (\$2,151) per unit 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.

Leased assets

Finance leases which do not transfer ownership were accounted for as operating leases prior to 2009 but are capitalized since 2009. Depreciation for leased assets is computed on a straight-line basis over the lease period with a residual value of zero.

Intangible assets

Intangible assets included in other assets are carried at cost less accumulated amortization calculated by the straight-line method over their estimated useful lives. Software 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.

Income taxes

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

Derivatives and hedging activities

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

Derivatives are carried at fair value with change in unrealized gains or losses charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which an unrealized gain or loss is deferred as an asset or a liability.

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.

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, 2010 and 2009, 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.

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with accounting principles generally accepted in Japan. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the readers, at the rate of ¥93=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2010. 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, 2010 and 2009 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 151,710	¥ 117,200	\$ 1,631,290

5. Marketable Securities and Investment Securities

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities including those with no fair value as of March 31, 2010 and 2009 were as follows:

March 31, 2010	Millions of yen			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 100,741	¥ 21,452	¥ 7,762	¥ 114,431
Others	10,295	4	6	10,293
Total	¥ 111,036	¥ 21,456	¥ 7,768	¥ 124,724

March 31, 2010	Thousands of U.S. dollars (Note 3)			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 1,083,236	\$ 230,667	\$ 83,462	\$ 1,230,441
Others	110,699	43	65	110,677
Total	\$ 1,193,935	\$ 230,710	\$ 83,527	\$ 1,341,118

March 31, 2009	Millions of yen			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 97,332	¥ 9,816	¥ 13,272	¥ 93,876
Others	14,289	—	182	14,107
Total	¥ 111,621	¥ 9,816	¥ 13,454	¥ 107,983

The proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2009 were ¥163 million (\$1,753 thousand) and ¥1,185 million, respectively. The gross realized gains on these sales for the years ended March 31, 2010 and 2009 were ¥46 million (\$495 thousand) and ¥374 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2010 and 2009 were ¥5 million (\$54 thousand) and ¥1 million, respectively.

The redemption schedules for securities with maturities classified as held-to-maturity debt securities and other securities at March 31, 2010 and 2009 were as follows:

March 31, 2010	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Corporate bonds	¥ —	¥ 180	¥ —
Other bonds	—	—	5,000
	¥ —	¥ 180	¥ 5,000

March 31, 2010	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
Corporate bonds	\$ —	\$ 1,935	\$ —
Other bonds	—	—	53,763
	\$ —	\$ 1,935	\$ 53,763

	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, 2009			
Corporate bonds	¥ –	¥ 150	¥ 30
Other bonds	–	–	9,000
	¥ –	¥ 150	¥ 9,030

6. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Finished products	¥ 71,341	¥ 73,373	\$ 767,108
Work in process	29,722	29,708	319,591
Raw materials	17,757	17,566	190,935
	¥ 118,820	¥ 120,647	\$ 1,277,634

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

Short-term bank loans at March 31, 2010 and 2009 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 1.41% per annum for 2010 and 1.27% per annum for 2009.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Secured debentures			
1.05% due 2014	¥ 40	¥ –	\$ 430
1.05% due 2013	40	–	430
0.78~1.13% due 2012	87	–	935
0.78~1.13% due 2011	220	–	2,366
Unsecured debentures			
1.705% due 2020	¥ 50,000	¥ –	\$ 537,635
1.67% due 2014	50,000	50,000	537,635
1.04% for 2009 and 1.75% for 2010 due 2012	1,000	1,000	10,753
0.96% due 2010	–	100	–
Mortgage loans, maturing 2010-2023	5,146	3,117	55,333
Unsecured loans, maturing 2010-2017	9,893	10,273	106,375
	116,426	64,490	1,251,892
Current portion of long-term debt	(4,240)	(2,999)	(45,591)
	¥ 112,186	¥ 61,491	\$ 1,206,301

Finance lease obligations at March 31, 2010 which are included in other long-term liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Finance lease obligations	¥ 22,192	¥ 8,686	\$ 238,624
Current portion of lease obligations	(6,237)	(2,282)	(67,065)
	¥ 15,955	¥ 6,404	\$ 171,559

Mortgage loans were secured by property, plant and equipment and other assets amounting to ¥9,784 million (\$105,204 thousand) and ¥7,350 million at March 31, 2010 and 2009, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 0.73% to 2.86% per annum for 2010 and ranged from 2.72% to 3.02% per annum for 2009, while interest rates on unsecured loans ranged from 0.54% to 2.86% per annum for 2010 and from 0.77% to 2.07% per annum for 2009.

The aggregate annual maturities of long-term debt after March 31, 2010 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2011	¥ 4,240	\$ 45,591
2012	3,929	42,247
2013	5,699	61,280
2014	50,933	547,667
2015	695	7,473
2016 and thereafter	50,930	547,634
	¥ 116,426	\$ 1,251,892

The aggregate annual maturities of finance lease obligations after March 31, 2010 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2011	¥ 6,237	\$ 67,065
2012	5,665	60,914
2013	3,355	36,075
2014	1,269	13,645
2015	622	6,688
2016 and thereafter	5,044	54,237
	¥ 22,192	\$ 238,624

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.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Projected benefit obligation	¥ 176,040	¥ 171,672	\$ 1,892,903
Fair value of plan assets	(123,243)	(94,009)	(1,325,193)
Unrecognized actuarial gain/loss	(11,490)	(36,694)	(123,548)
Unrecognized prior service cost	(2,181)	(4,523)	(23,452)
Prepaid pension cost	4,104	5,006	44,129
Net liability	¥ 43,230	¥ 41,452	\$ 464,839

The components of net periodic benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Service cost	¥ 9,627	¥ 9,613	\$ 103,516
Interest cost	4,094	3,897	44,022
Expected return on plan assets	(2,355)	(2,498)	(25,323)
Actuarial gain/loss	7,712	1,931	82,925
Amortization of prior service cost	2,356	2,322	25,333
Gain/loss on revision of retirement benefit plan	—	144	—
Other	108	89	1,161
Net periodic benefit costs	¥ 21,542	¥ 15,498	\$ 231,634

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
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

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

(a) Dividends

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

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

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

Cash dividends of ¥16.00 (\$0.2) per share, aggregating ¥10,316 million (\$110,925 thousand) were approved at the general stockholders' meeting held in June 2010 with respect to the year ended March 31, 2010.

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

Upon approval by the resolution of the Board of Directors, the Company purchased 17,231 thousand shares of common stocks at aggregate cost of ¥27,425 million during the year ended March 31, 2009.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2010 and 2009 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Trade receivables	¥ 4,484	¥ 5,082	\$ 48,215
Other current assets	329	236	3,538
Investment securities (stock)	17,667	5,474	189,968
Long-term loans	5,416	5,647	58,237
Other investments	275	275	2,957
Trade payables	4,965	433	53,387
Accrued expenses	263	195	2,828
Other current liabilities	855	604	9,194

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Salaries and allowances	¥ 65,365	¥ 59,578	\$ 702,849
Accrued bonuses	5,804	5,516	62,409
Provision for retirement benefits	7,183	4,010	77,237
Depreciation	10,857	10,159	116,742
Research and development expenses	31,063	31,097	334,011
Other	109,915	103,785	1,181,881
	¥ 230,187	¥ 214,145	\$ 2,475,129

Total research and development expenses (including manufacturing costs) amounted to ¥33,850 million (\$363,978 thousand) and ¥34,112 million for 2010 and 2009, 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)
	2010	2009	2010
Interest and dividend income	¥ 120	¥ 112	\$ 1,290
Leasing fees	262	178	2,817

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, 2010 and 2009, respectively.

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

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2010, although no reconciliation for 2009 was shown because of loss before income taxes and minority interests.

	2010
Normal effective statutory tax rate	40.7 %
Expenses not deductible for income tax purposes	3.0
Amortization of consolidation goodwill	12.6
Change in valuation allowance	(1.8)
Special tax credit	(2.0)
Other	(0.5)
Actual effective tax rate	52.0 %

Net deferred tax assets at March 31, 2010 and 2009, 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)
	2010	2009	2010
Prepaid expenses and other current assets	¥ 9,775	¥ 10,279	\$ 105,108
Other assets	40,575	50,015	436,290
Other current liabilities	¥ (13)	¥ (11)	\$ (140)
Other long-term liabilities	(2,711)	(3,352)	(29,150)
Net deferred tax assets	¥ 47,626	¥ 56,931	\$ 512,108

Significant components of deferred tax assets at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Deferred tax assets:			
Excess provision for retirement benefits	¥ 20,276	¥ 19,356	\$ 218,022
Loss on devaluation of investment securities	5,016	4,873	53,935
Excess provision for doubtful receivables	5,573	5,691	59,925
Accrued bonuses	6,515	6,431	70,054
Loss on write-down of inventories	1,046	1,045	11,247
Operating loss carryforwards	36,363	31,267	391,000
Impairment loss on fixed assets	15,506	24,342	166,731
Unrealized loss on available-for-sale securities	–	1,505	–
Other	14,868	10,983	159,871
Total deferred tax assets	105,163	105,493	1,130,785
Less: valuation allowance	(41,259)	(43,307)	(443,645)
Total	¥ 63,904	¥ 62,186	\$ 687,140
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (5,554)	¥ –	\$ (59,720)
Reserve for special depreciation	(5,524)	–	(59,398)
Undistributed earnings of subsidiaries	(1,480)	(1,190)	(15,914)
Other	(3,720)	(4,065)	(40,000)
Total	¥ (16,278)	¥ (5,255)	\$ (175,032)
Net deferred tax assets :	¥ 47,626	¥ 56,931	\$ 512,108

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the years ended March 31, 2010 and 2009. 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 years ended March 31, 2010 and 2009 were recognized in the amount of ¥378 million (\$4,065 thousand) and ¥50,690 million, respectively due to a significant decline in profitability.

15. Leases**Finance Leases**

Effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions." Under this standard, finance lease transactions without ownership-transfer whose inception date is on or before March 31, 2008 are still allowed to be accounted for as operating leases. Pro forma information such as acquisition cost, accumulated depreciation and net book value of the leased properties for such finance lease transactions was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Acquisition cost	¥ 34,032	¥ 46,882	\$ 365,936
Accumulated depreciation	(25,494)	(28,233)	(274,129)
Accumulated impairment losses	(349)	(1,305)	(3,753)
Net book value	¥ 8,189	¥ 17,344	\$ 88,054

The amounts of lease expenses, reversal of allowance for impairment loss on leased assets and lease impairment losses under such finance leases for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Lease expenses	¥ 8,564	¥ 11,724	\$ 92,086
Reversal of allowance for impairment loss on leased assets	1,046	—	11,247
Lease impairment losses	93	1,102	1,000

The amounts of outstanding future payments under such finance leases due on March 31, 2010 and 2009, including the portion of interest thereon, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Future lease payments:			
One year or less	¥ 4,686	¥ 10,578	\$ 50,387
More than one year	3,852	8,111	41,419
	¥ 8,538	¥ 18,689	\$ 91,806

Operating Leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2010 and 2009 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Future lease payments:			
One year or less	¥ 4,527	¥ 2,656	\$ 48,678
More than one year	27,580	16,899	296,559
	¥ 32,107	¥ 19,555	\$ 345,237

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

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

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

Long-term investments are mainly equity securities. Listed stocks are stated at fair value based on market prices quarterly.

2. Fair value of financial instruments

Fair value and difference compared to the carrying amounts reported in the consolidated balance sheet as of March 31, 2010 were as follows:

	Millions of yen		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 152,416	¥ 152,416	¥ –
(2) Trade receivables	449,020	449,020	–
(3) Short-term and long-term investment securities	104,232	104,233	1
(4) Long-term loan receivables	1,741	1,676	
Allowance for doubtful receivables*1	(108)		
	1,633	1,676	43
Assets	707,301	707,345	44
(1) Trade payables	308,630	308,630	–
(2) Short-term bank loans	50,547	50,547	–
(3) Long-term debts	116,426	118,692	2,266
Liabilities	475,603	477,869	2,266
Derivatives*2			
[1] Hedge accounting is not applied	(221)	(221)	–
[2] Hedge accounting is applied	(16)	(1)	15
Total	¥ (237)	¥ (222)	¥ 15

	Thousands of U.S. dollars (Note 3)		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	\$ 1,638,881	\$ 1,638,881	\$ –
(2) Trade receivables	4,828,172	4,828,172	–
(3) Short-term and long-term investment securities	1,120,774	1,120,785	11
(4) Long-term loan receivables	18,720	18,022	
Allowance for doubtful receivables*1	(1,160)		
	17,560	18,022	462
Assets	7,605,387	7,605,860	473
(1) Trade payables	3,318,602	3,318,602	–
(2) Short-term bank loans	543,516	543,516	–
(3) Long-term debts	1,251,892	1,276,258	24,366
Liabilities	5,114,010	5,138,376	24,366
Derivatives*2			
[1] Hedge accounting is not applied	(2,376)	(2,376)	–
[2] Hedge accounting is applied	(172)	(11)	161
Total	\$ (2,548)	\$ (2,387)	\$ 161

*1. Allowance for doubtful receivables associated with long-term loan receivables is deducted.

*2. Derivative assets and liabilities are on a net basis.

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

Assets

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

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

(3) Marketable and investment securities

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

(4) Long-term loan receivables

The fair values of long-term loans are mainly determined based on the present value of the future cash flows discounted by government bonds rates plus certain credit risk premiums by categories according to the internal ratings. (Long-term loan receivables are included in other assets in the consolidated balance sheet.)

Liabilities

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

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

(3) Long-term debts

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

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

Derivatives

Fair values of forward-exchange contracts are based on the foreign exchange forward market rates. Fair values of interest rate swaps are based on those provided by financial institutions.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	Carrying amounts		Carrying amounts	
Unlisted equity securities	¥	20,403	\$	219,387
Other		89		957

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

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

The Company and certain consolidated subsidiaries enter into derivative financial instruments (“derivatives”) for foreign currency forward contracts and interest rate swaps to manage the risk arising from fluctuation in foreign currency exchange rates and interest rates. Foreign currency forward contracts are utilized to hedge foreign exchange risks associated with certain accounts receivable and accounts payable, including forecasted transactions, denominated in foreign currencies. Interest rate swaps are utilized to hedge interest rate risks on interest-bearing debts. 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, 2010 and 2009 were as follows:

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

March 31, 2010	Millions of yen		
	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 8,987	¥ 9,266	¥ (279)
Euro	1,504	1,446	58
	¥ 10,491	¥ 10,712	¥ (221)

March 31, 2010	Thousands of U.S. dollars (Note 3)		
	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	\$ 96,634	\$ 99,634	\$ (3,000)
Euro	16,172	15,548	624
	\$ 112,806	\$ 115,182	\$ (2,376)

March 31, 2009	Millions of yen		
	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 5,250	¥ 5,494	¥ 244
Euro	1,698	1,780	82
	¥ 6,948	¥ 7,274	¥ 326
Interest rate swaps			
Receive floating and pay fixed:	¥ 13,800	¥ (76)	¥ 76

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

March 31, 2010	Millions of yen		
	Hedge items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	¥ 1,599	¥ 1,645
Euro	Trade receivables	1,415	1,372
Payables:			
U.S. dollars	Trade payables	37	38
		¥ 3,051	¥ 3,055
Interest rate swaps			
Receive floating and pay fixed	Long-term loan payables	¥ 3,172	¥ (104)

March 31, 2010	Thousands of U.S. dollars (Note 3)		
	Hedge items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	\$ 17,193	\$ 17,688
Euro	Trade receivables	15,215	14,753
Payables:			
U.S. dollars	Trade payables	398	408
		\$ 32,806	\$ 32,849
Interest rate swaps			
Receive floating and pay fixed	Long-term loan payables	\$ 34,108	\$ (1,118)

Fair value of derivatives were, in principle, determined based on the market rates.

Foreign currency forward contracts which qualified for hedge accounting was assigned to the associated assets and liabilities or deferred until completion of the forecasted transactions.

18. Contingent Liabilities

The Company and its consolidated subsidiaries were guarantors of bank loans of other companies, amounting to approximately ¥78 million (\$839 thousand) and ¥93 million at March 31, 2010 and 2009, 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, 2010 and 2009, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥670 million (\$7,204 thousand) and ¥670 million, respectively. Notes discounted were accounted for as sales. One of the consolidated domestic subsidiaries securitized deposits for its leased property and sold them to third parties for ¥358 million (\$3,849 thousand) and ¥370 million at March 31, 2010 and 2009, respectively.

19. 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, 2010 and 2009 and for the years then ended.

	Millions of yen						
	Information Communication	Printing Lifestyle and Industrial Supplies	Electronics	Beverages	Total	Elimination and/or corporate	Consolidated
For 2010:							
Net sales:							
Outside customers	¥ 732,709	¥ 530,401	¥ 257,479	¥ 62,794	¥ 1,583,383	¥ –	¥ 1,583,383
Inter-segment	6,976	6,237	24	35	13,272	(13,272)	–
Total	739,685	536,638	257,503	62,829	1,596,655	(13,272)	1,583,383
Costs and expenses	716,219	492,924	249,187	63,405	1,521,735	(4,866)	1,516,869
Operating income (loss)	¥ 23,466	¥ 43,714	¥ 8,316	¥ (576)	¥ 74,920	¥ (8,406)	¥ 66,514
Assets, depreciation, impairment loss and capital expenditures:							
Assets	¥ 592,670	¥ 522,335	¥ 397,007	¥ 43,169	¥ 1,555,181	¥ 63,672	¥ 1,618,853
Depreciation	24,913	27,736	33,373	3,398	89,420	2,275	91,695
Impairment loss	264	2	–	112	378	–	378
Capital expenditures	23,800	22,763	67,953	3,173	117,689	1,374	119,063

	Thousands of U.S. dollars (Note 3)						
	Information Communication	Printing Lifestyle and Industrial Supplies	Electronics	Beverages	Total	Elimination and/or corporate	Consolidated
For 2010:							
Net sales:							
Outside customers	\$ 7,878,592	\$ 5,703,237	\$ 2,768,591	\$ 675,204	\$ 17,025,624	\$ –	\$ 17,025,624
Inter-segment	75,011	67,065	258	376	142,710	(142,710)	–
Total	7,953,603	5,770,302	2,768,849	675,580	17,168,334	(142,710)	17,025,624
Costs and expenses	7,701,280	5,300,259	2,679,430	681,774	16,362,743	(52,323)	16,310,420
Operating income (loss)	\$ 252,323	\$ 470,043	\$ 89,419	\$ (6,194)	\$ 805,591	\$ (90,387)	\$ 715,204
Assets, depreciation, impairment loss and capital expenditures:							
Assets	\$ 6,372,796	\$ 5,616,505	\$ 4,268,892	\$ 464,183	\$ 16,722,376	\$ 684,646	\$ 17,407,022
Depreciation	267,882	298,237	358,849	36,538	961,506	24,462	985,968
Impairment loss	2,839	22	–	1,204	4,065	–	4,065
Capital expenditures	255,914	244,764	730,677	34,118	1,265,473	14,774	1,280,247

For 2009:	Millions of yen						
	Printing			Beverages	Total	Elimination and/or corporate	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics				
Net sales:							
Outside customers	¥ 711,276	¥ 545,916	¥ 255,967	¥ 71,685	¥ 1,584,844	¥ –	¥ 1,584,844
Inter-segment	7,150	5,906	8	46	13,110	(13,110)	–
Total	718,426	551,822	255,975	71,731	1,597,954	(13,110)	1,584,844
Costs and expenses	686,736	531,905	253,398	71,408	1,543,447	(4,780)	1,538,667
Operating income	¥ 31,690	¥ 19,917	¥ 2,577	¥ 323	¥ 54,507	¥ (8,330)	¥ 46,177
Assets, depreciation, impairment loss and capital expenditures:							
Assets	¥ 619,080	¥ 513,092	¥ 329,042	¥ 43,394	¥ 1,504,608	¥ 31,949	¥ 1,536,557
Depreciation	25,204	29,513	46,039	3,507	104,263	2,620	106,883
Impairment loss	1,799	48	48,692	151	50,690	–	50,690
Capital expenditures	27,988	29,718	34,271	2,835	94,812	1,344	96,156

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, 2010 and 2009.

Overseas sales:

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 were as follows :

	Millions of yen				Thousands of U.S. dollars (Note 3)
	2010		2009		2010
	Amount	Ratio:(a)/(b)	Amount	Ratio:(a)/(b)	
Overseas sales (a)					
Asia	¥ 130,836	8.3%	¥ 134,108	8.5%	\$ 1,406,839
Other	62,308	3.9%	76,303	4.8%	669,978
Total	¥ 193,144	12.2%	¥ 210,411	13.3%	\$ 2,076,817
Consolidated net sales (b)	¥ 1,583,383		¥ 1,584,844		\$ 17,025,624

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, 2010 and 2009, and the related consolidated statements of operations, 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, 2010 and 2009, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

We have also audited the management's report on internal control over financial reporting of Dai Nippon Printing Co., Ltd. as of March 31, 2010. The Company's management is responsible for designing and operating effective internal control over financial reporting and for preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on the management's report on internal control over financial reporting based on our audit. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the management's report on internal control over financial reporting is free of material misstatement. An internal control audit includes examining, on a test basis, representation on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control over financial reporting. We believe that our internal audit provides a reasonable basis for our opinion.

In our opinion, the management's report on internal control referred to above, which represents the internal control over financial reporting of Dai Nippon Printing Co., Ltd. as of March 31, 2010 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting 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.

Meiji Audit Corporation
MEIJI AUDIT CORPORATION

Tokyo, Japan
June 29, 2010

Technology-Centered Business Development

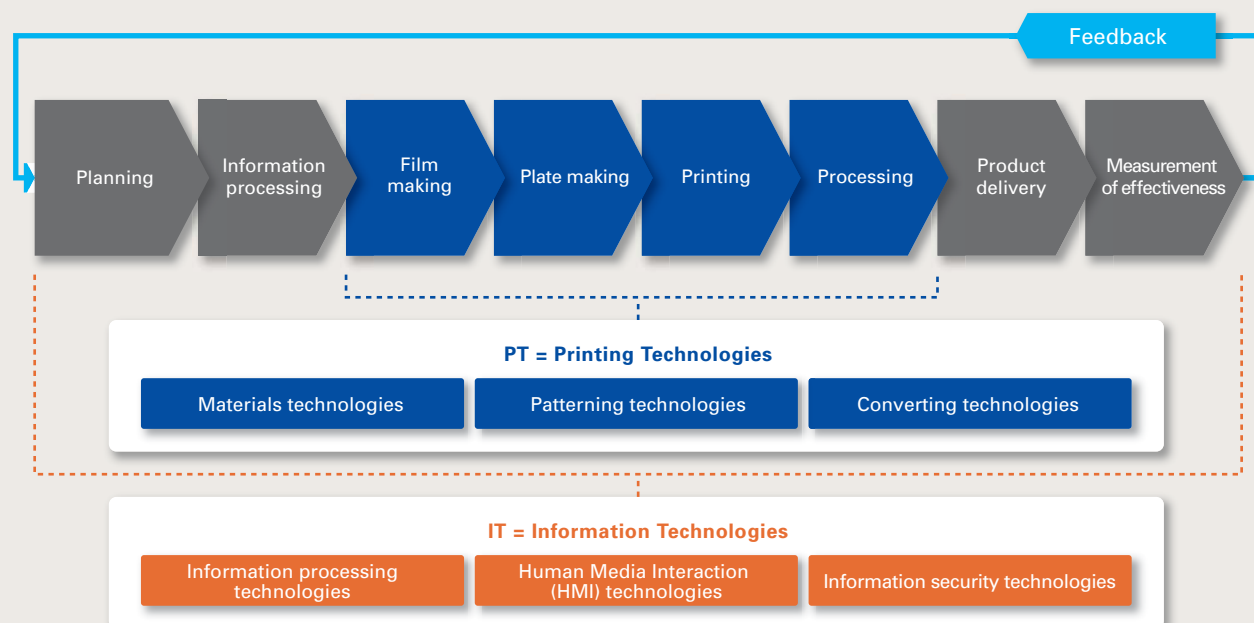
The history of DNP's business growth is the history of the evolution and application of our two core technologies – printing and information. Since its founding in 1876, DNP has refined these technologies to world-class levels. Based on the concept of “Expansion Printing,” our efforts to expand our fields of business around core technologies began to bear fruit all at once in the 1950s.

First, we expanded the range of materials to which we applied our printing techniques to materials other than paper. We gained the ability to print on plastic film, cloth, metal, and other materials, and entered the packaging and decorative materials businesses in 1951.

Later, we expanded on technologies like lamination and coating, created products such as dye-sublimation thermal transfer materials and anti-reflection film for flat-panel displays, and established our Lifestyle and Industrial Supplies segment. In 1958, DNP became the first Japanese company to succeed in the development of shadowmasks for domestic color television production, and we established our Electronics segment. This required making millions of ultramicroscopic holes in copper plate only 0.2mm thick, a technology that we developed by applying photolithography and other micro-processing techniques used for making printing films. After developing photomasks for making semiconductors in 1959, we went on to provide a variety of electronic devices such as color filters for liquid crystal displays (LCDs), and lead frames.

Meanwhile, we continued to develop the “information technologies” that we had cultivated since the company's founding as part of our quest for the most comfortable and pleasant ways of expressing text and images. We worked on a wide variety of projects, including development of DNP's original Shueitai font, which we have continued since the early 1900s, as well as color management systems and design development. In the early 1970s, we began digitizing information. By nimbly adapting to the rapid trend toward digitalization and networking – for example by developing the world's first electronic dictionary – we accumulated the technologies and expertise that allowed us to build the digital content business that we have today. Furthermore, we created infrastructure to support advanced information security, and developed a comprehensive business ranging from software development for smart cards and information processing services (IPS) to the manufacture of smart cards and related products.

Today, DNP aims to continue broadening its business and contributing to society by combining printing technologies and information technologies in order to solve problems for corporate clients and consumers – a business vision that we call “P&I Solutions.” This has been taking us into all kinds of business fields where problems can be solved by applying DNP technology, starting with photovoltaic module components and other energy-related areas, and life science fields like the formation of capillary blood vessel patterns and cell sheet engineering.



Technologies That Support P&I Solutions

Printing Technologies

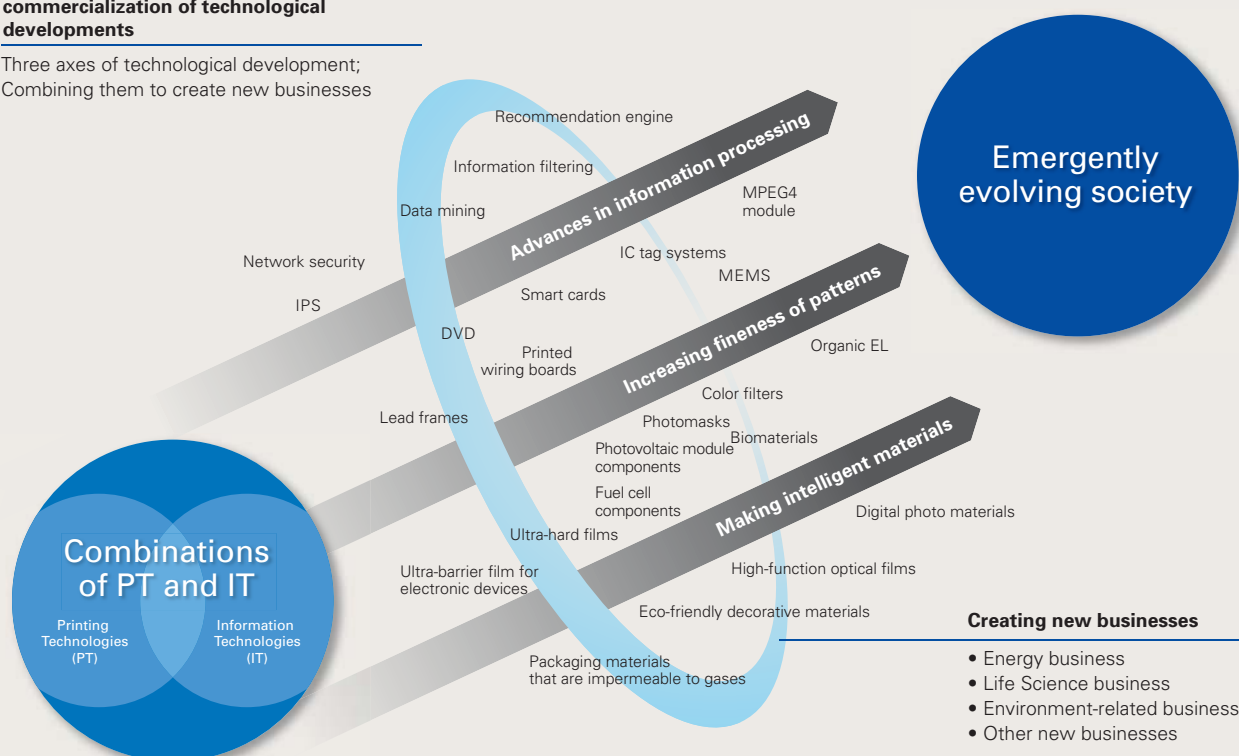
- **Materials technologies:**
Technologies for synthesizing new materials, or dispersing and mixing materials, including design & production techniques for inks, adhesives, photosensitive materials, coatings, etc.
- **Patterning technologies:**
The formation of letters, images and patterns, etc., on a base material, including plate-making technologies, letterpress, offset, and gravure printing techniques, as well as plateless printing techniques such as lithography, inkjet, etc.
- **Converting technologies:**
Materials processing technologies for changing the form of a material and for compounding materials, etc., including techniques for processing paper and film materials such as film formation, coatings, lamination, molding, transferring, cutting and polishing, bag-making, forming, bookbinding, etc.

Information Technologies

- **Information processing technologies:**
Technologies related to the conversion, accumulation and transmission of data, including techniques for text processing, color separation and editing texts & images, raster vector conversion and digital-to-analog conversion technologies, as well as database design, server management and network technologies.
- **Human Media Interaction (HMI) technologies:**
Technologies related to the interaction of humans and information, including expressive technologies such as font design, color matching, tone reproduction, industrial design planning, photo-realistic CG as well as interface design technologies such as screen design, natural language processing and cognitive engineering, etc.
- **Information security technologies:**
Technologies for ensuring that information is accurately transmitted to the correct destination, properly stored, while preventing improper use of information, including technologies for encrypting, personal data processing & management, copyright management technologies and biometrics, as well as information technologies related to smart cards.

Strategies for promoting commercialization of technological developments

Three axes of technological development;
Combining them to create new businesses



Technologies and Their Applications

Information Technologies (Information Processing, HMI, and Information Security Technologies)

Making communication pleasant by handling information safely and securely via all kinds of media

In the prepress stage, we use a variety of methods to process text, photographs, illustrations and other content. In order to present the content most effectively and make it clear and easy to read, we consider the most appropriate printing method, size, paper quality, and methods of expression, etc., before we edit and process the information. The prepress process also includes digitizing the information, and organizing, storing and managing it so that it can be updated or revised in the future, as is often done with dictionaries 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 information media. Our information processing technologies include image processing techniques aimed

at optimizing qualities used for expressing an image, such as colors, outline, contrast or coloration; data conversion techniques for converting the format or size of a data file to suit paper, DVD, Internet or other media; database technologies for organizing, storing, and managing information; and server management and networking technologies.

We have expanded our information-related business by combining these information processing technologies with human media interaction (HMI) techniques aimed at making it pleasant for people to interact with information, and with information security technologies to ensure that information is handled safely and securely.

Examples of Information Processing Technology Applications

Example 1 Digitalization of DNP's original Shueitai font

DNP set about computerizing its typesetting operations in the 1970s. This included digitizing our original Shueitai font, which we began developing in the early 1900s. After we produced the world's first electronic dictionary on CD-ROM in 1985, we were quick to begin Internet and other forms of 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 the font that was easier to read on an electronic display. In 2009, Morisawa & Company, Ltd. began marketing Shuei Hoso (Light weight) Ming-cho for use with desktop publishing systems. In the fall of 2010 we plan to start sales of three more Shuei Ming-cho fonts: Chuu (Regular) Ming-cho, Futo (Bold) Ming-cho, and Shuei Shogo Ming-cho.

あぢさゐや
よれば蚊の鳴く
花のうら

あぢさゐや
よれば蚊の鳴く
花のうら

あぢさゐや
よれば蚊の鳴く
花のうら

Shuei Shogo
Ming-cho

Shuei Futo (bold)
Ming-cho

Shuei Chuu (regular)
Ming-cho

Example 2 Providing advanced information security

Since its founding, DNP has been honing its information security technologies in the process of strictly controlling and carefully handling the information it receives from corporate clients. We developed techniques for organizing information in databases and efficiently reusing information, for constructing more secure network systems, and for providing products with improved anti-counterfeiting functions.

In recent years, we have been providing systems that use smart cards to authenticate personal identification, control computer boot-up access, encode data, and control room or gate entry and exit. DNP also serves as the secretariat for Shared Security Formats Cooperation (SSFC), a corporate alliance aimed at creating common standards for office security. Through these kinds of activities, DNP will continue to broaden its business as we meet demand for increasingly sophisticated information security.



Smart cards

Printing Technologies (Patterning Technologies)

Exposure, development, etching – the principles are the same whether the object is text or semiconductors

Patterning is the art of forming images – of text, photographs, illustrations or other content – on form plates that are used in the film making stage of printing.

Before the advent of the digital era, the film making process involved using a process camera to photograph the layout of a page of text and/or photographs or other illustrations, and burning the image onto a negative or positive film. Color photographs were separated into four colors, resulting in four sheets of film with tiny dots of yellow, magenta, cyan or black affixed to each one.

An image that is finely drawn on the form plate using patterning technology is then developed onto a printing plate made of resin, metal, or some other material. This is done by developing the image from the form plate onto a plate (usually made of resin or metal) coated with a

photosensitizing agent, exposing only the required parts of the resin or metal and using acid to corrode it, then washing it to form a relief plate. This process is called etching.

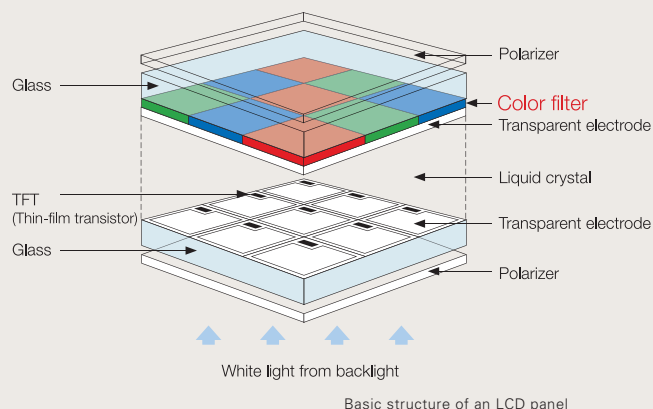
DNP developed its own production equipment and manufacturing systems and has refined these techniques to the point that it achieved one of the highest levels of precision in the world. We began to apply these ultra-fine patterning skills to the development of electronic products, in addition to traditional printing. Today, DNP has refined its patterning technologies so much that it can handle the nanometer-level microfabrication necessary for manufacturing photomasks, which serve as masters in the manufacture of semiconductors. These technologies have become indispensable to electronics manufacturers as they strive to further miniaturize their products.

Examples of Patterning Technology Applications

Example 1 Display components (color filters)

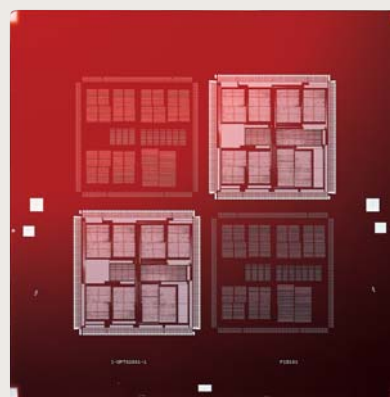
An LCD color filter consists of phosphors in the three primary additive colors— red, green and blue — arranged in an orderly array on a glass substrate. Only when light passes through the color filter is a color image formed. The formation of millions of pixels precisely in predetermined locations on the color filter is what determines picture quality. This requires extremely sophisticated patterning technology, a requirement that DNP fulfills.

Not only can DNP provide color filters that work with all of the various methods that client companies use for manufacturing LCD panels, we are the only company in the world that mass produces filters by both the inkjet and photolithographic methods.



Example 2 Electronic devices (photomasks)

Photomasks consist of glass substrates on which highly precise circuit patterns are formed, with accuracy at the submicron or nanometer level. 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. DNP remains at the forefront of technical development in this area; we already mass produce products with 45nm and 32nm lines, and are developing ultra-advanced products, including those with line widths of 20-10nm.



Technologies and Their Applications

Printing Technologies (Materials + Converting [Coating and Transferring] Technologies)

Technologies for painting on functionality and transferring “a look”

Coating technologies involve taking ink that was applied to a printing plate, and applying or affixing it to a material like paper or film. Of course DNP has developed basic technologies for improving image reproduction and accuracy by controlling the amount of ink and printing pressure. We also went on to develop techniques for improving coloration and durability by coating the paper surface with varnish or pigment.

Using these types of technologies as a foundation, we expanded our fields of business by refining our skill at printing materials other than ink onto materials other than paper. In addition to packaging made from film, and coated magnetic tape used in bankbooks and cash cards, we use materials technologies and coating technologies in various

lifestyle materials such as floor and wall coverings, wood-grain printing, and automotive interiors. In tandem with rapid expansion of the market for flat-panel displays in recent years, there has been a big jump in demand for functional films that reduce the reflection of light from electronic displays or block out electromagnetic waves emitted from plasma display panels (PDPs). DNP has cultivated these areas as new business fields.

Transferring techniques are another important type of printing technologies. An example is using heat to transfer ink that has been applied to film onto a base material. Two of our main products that involve transfer technologies are monochrome ink ribbons for barcode printers and color ink ribbons for digital photo printers.

Examples of Materials + Converting (Coating / Transferring) Technology Applications

Example
1

Optical films for flat-panel displays

The surface of the polarizing plate at the very front of an LCD or other type of display is covered with special, functional film, usually anti-reflection film. This film protects the surface of the screen from abrasion and makes it easier to see the images on the screen by reducing glare from incidental light or fluorescent lights. Special films are also used on PDPs, such as electromagnetic wave shielding film.

By applying the coating technologies that are among our core printing technologies, we provide optical films that improve the visibility of electronic displays and prevent eyestrain. DNP has captured an overwhelming share of the market for these types of films.



Optical films for flat-panel displays

Example
2

Color ink ribbons for digital photo printers

Ink ribbons used in digital photo printers consist of a base film coated with four colors of ink: yellow, magenta, cyan and black. Depending on the amount of energy in the printer's thermal head, an appropriate amount of each color of ink is sublimated and transferred onto special receiving paper. This method makes it possible to express very subtle variations in color and to produce high-quality prints that come very close to the results obtained with silver halide photography.

As use of digital cameras and mobile phones with built-in cameras has spread rapidly, users increasingly want to print the images that they captured with these devices. Demand for color ink ribbons is growing not only for use in home-use printers, but also for use by printing services offered through electrical appliance mass retailers and camera shops.



Color ink ribbons

Printing Technologies (Materials + Converting [Post-Processing] Technologies)

In pursuit of more sophisticated functionality: tweaking shapes and improving ease of use

Even after we finish printing on paper or film, we still don't have a finished product. In the case of books and magazines, it is only after we complete the binding processes — folding the printed pages, binding them together, trimming off extra paper and cleaning up the edges — that we are done with our work.

These binding processes are supported by materials and post-processing technologies that make all the difference in the final product according to whether we use a hard cover binding that gives the final product a luxurious feel, or a standard binding that allows us to mass produce low-priced products, and whether we use saddle stitching, side stitching, or adhesive binding.

Ever since DNP's founding, we have kept coming up with ideas for processing our final products to make them

meet our customers' various needs. In the packaging business, we developed one post-processing technology after another, starting with three-dimensional processing of paper containers and other paper products, and including techniques for sealing plastic film packages and forming plastic. We also developed forming technologies for a variety of materials, enabling us to make laminated tubes and PET plastic bottles.

In our approach to these processes, we consider improving the functionality of the end product to be as important as the beauty of our printing. Because we provide products that consumers actually use in their daily lives, it is imperative that we pay attention to environmental preservation and universal design.

Examples of Materials + Converting (Post-Processing) Technology Applications

Example 1 Designing in functionality and comfort

A large amount of packaging is used in everyday life. We develop our products according to design guidelines geared toward improving functionality in addition to the obvious concern with reducing negative impact on the environment. For example, we seal the aluminum lid of a yogurt cup tightly enough to keep the contents from leaking out, yet take care to enable even people with little strength to open it easily. As another example, we considered the user's comfort when designing a container for instant noodles, making it double-sided so that the outside would not be too hot to the touch even when it is filled with boiling water. We are also working on making thinner, lighter drinking cups.



Microwaveable heat-insulated container (D-COUPLE)

Example 2 More than 30 years of experience with aseptic filling

DNP established aseptic filling technology in 1976 and developed containers that make it possible to preserve their contents for a long period of time at room temperature. We offer these containers in the form of single-portion packages for coffee whitener and packaging for prepared foods like stew or pasta sauce. We also make use of aseptic filling technology to offer our highly acclaimed aseptic systems for filling PET plastic bottles with a variety of beverages. Our system uses compact, test tube-shaped bottle "preforms" that are formed into full-size bottles only immediately before they are filled, thereby reducing the costs and CO₂ emissions involved in transporting them to the bottling plant.



Aseptic filling system for PET plastic bottles



Left: preform, before being formed into bottle
Right: PET plastic bottle after forming

Investor Information

(as of March 31, 2010)

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):

39,643

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)

22,865

Stock Exchange Listings:

Tokyo, Osaka

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	37,398	5.80
The Dai-ichi Mutual Life Insurance Co.	30,882	4.79
Japan Trustee Services Bank, Ltd. (Trust A/C)	29,063	4.51
The BNYM as Depositary Bank for DR Holders	26,665	4.14
Mizuho Corporate Bank, Ltd.	15,242	2.36
Nippon Life Insurance Co.	14,349	2.23
Mizuho Bank, Ltd.	12,471	1.93
Employees' Shareholding Association	11,462	1.78
Japan Trustee Services Bank, Ltd. (Trust A/C 9)	7,958	1.23
State Street Bank and Trust Company 505225	7,595	1.18

Notes: 1. The number of treasury shares (55,718,118) is excluded from the figures above.
2. The ownership stakes are based on the total number of shares outstanding less treasury shares (644,762,575).
3. The Dai-ichi Mutual Life Insurance Company demutualized and became The Dai-ichi Life Insurance Company, Limited on April 1, 2010.

Major Stock Indices in which DNP is a Constituent:

Nikkei Stock Average
TOPIX Large70
MSCI World Index
S&P/TOPIX 150
Dow Jones Sustainability Indexes
Morningstar Socially Responsible Investment

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/eng/>

Share Price Evolution (Tokyo Stock Exchange)

(between April 1, 2007 and March 31, 2010)



*Index 100 = March 31, 2007

Voting Rights

(as of March 31, 2010)

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	56,803,000	—
Stocks with voting rights (other)	Common stocks	641,152,000	641,152
Stocks with less than trading units	Common stocks	2,525,693	—
Outstanding shares	700,480,693		—
Total voting rights of stockholders	—		641,152

Treasury Stocks

(as of March 31, 2010)

Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	55,718,000	7.95
Kyoiku Shuppan Co., Ltd.	1,085,000	0.15
Total	56,803,000	8.11

Major Subsidiaries and Affiliates

Printing

		Capital (¥ million)	Ownership ratio (%)
DNP Hokkaido Co., Ltd.	Photoengraving, printing, bookbinding; production and sale of packaging	350	100.0
DNP Tohoku Co., Ltd.	Photoengraving, printing, bookbinding; production and sale of packaging	350	100.0
DNP Tokai Co., Ltd.	Photoengraving, printing, bookbinding; and production of packaging	120	100.0
DNP Nishi Nippon Co., Ltd.	Photoengraving, printing, bookbinding; production and sale of packaging	400	100.0
DNP Shikoku Co., Ltd.	Photoengraving, printing, bookbinding; production and sale 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 Uniprocess Co., Ltd.	Photoengraving	80	100.0
DNP Total Process Nagaoka Co., Ltd.	Photoengraving	50	100.0
OGUCHI BOOK BINDING & PRINTING CO., LTD.	Printing and bookbinding	49	84.9 (15.2)
Tien Wah Press (Pte.) Ltd.	Photoengraving, printing and bookbinding	(S\$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
Business Forms			
DNP Data Techno Co., Ltd.	Production of plastic cards	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*	Sale of smart card related software and products	25	100.0
DNP France SAS*	Smart card and security business research	(Euro 1,000)	100.0
		37	
Others (Planning, production and venture businesses, etc.)			
DNP AV Center Co., Ltd.	Planning, production and sale of TV programs, movies and video softwares	100	100.0
DNP Digitalcom Co., Ltd.	Website planning, production and delivery	100	100.0
DNP Dream Pages Co., Ltd.	Production and sale of photobooks	400	100.0
am3 Inc.*	Planning, production and sale of images, contents, etc.	340	82.8
DNP Art Communications Co., Ltd.	Planning, production and sale of artistic images and videos	300	100.0
DNP Corporate History Center Co., Ltd.	Planning, editing and production of history archives for corporations and groups	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 and mediation 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.	Direct marketing services	10	83.0
Lifestyle and Industrial Supplies			
Packaging			
DNP Technopack Tokai Co., Ltd.	Production, printing and processing of packaging	430	100.0
DNP Technopack Co., Ltd.	Production, printing and processing of packaging	300	100.0
DNP Technopack Yokohama Co., Ltd.	Production, printing and processing of packaging	280	100.0
DNP Technopack Kansai Co., Ltd.	Production, printing and processing of packaging	200	100.0
Sagami Yoki Co., Ltd.	Production of laminated tubes	200	90.0
Aseptic Systems Co., Ltd.	Productions, sale and consultation for aseptic systems	100	100.0
DNP Techno Polymer Co., Ltd.	Molding, processing and printing of plastic containers	100	100.0
DNP Hosono Co., Ltd.	Filling and processing of packages	80	100.0
LIFESCAPE MARKETING CORPORATION	Various types of information services and surveys	430	50.7
PT DNP Indonesia	Production and sale of packaging products	(US\$1,000)	51.0
		26,000	
DNP Plastic Molding (Shanghai) Co., Ltd.	Molding, printing, processing and sale of plastic containers	(US\$1,000)	100.0
		6,350	
Lifestyle Materials			
DNP Lifestyle Materials Marketing Co., Ltd.	Sale of decorative 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 material products	200	100.0
Opto-Materials/Industrial Supplies			
DNP Photo Imaging Co., Ltd.	Investment in operating companies	9,680	100.0
DNP IMS Odawara Co., Ltd.	Production and sale of photographic materials	300	100.0
DNP IMS Co., Ltd.	Production of ink ribbons for thermal transfer printers and for thermal-resin type printers	100	100.0
DNP OptoMaterials Co., Ltd.	Manufacturing of optical products for displays	100	100.0
DNP Fotolusio Co., Ltd.	ID photo business and sale of photo materials and accessories	450	100.0 (33.3)
DNP ID System Co., Ltd.	Sale of equipment for making driver licenses and ID photos	60	100.0 (100.0)
DNP Energy System Co., Ltd.	Production of photovoltaic module components	200	100.0
DNP Fine Chemicals Fukushima Co., Ltd.	Production and sale of photographic chemicals	100	100.0 (100.0)
DNP Denmark A/S	Manufacturing and sale of precision electronic components	(Dkr1,000)	100.0
		135,000	
DNP Electronics America, LLC	Manufacturing and sale of precision electronic components	(US\$1,000)	(100.0)
		15,045	100.0
DNP Photo Imaging America Corporation	Sale of digital photo printing systems and photographic materials	(US\$1,000)	(99.9)
		45,898	99.9
DNP Photo Imaging Corporation SAS	Investment in operating companies	(Euro 1,000)	(66.0)
		50	66.0
DNP Photo Imaging Europe SAS	Sale of photo-related products	(Euro 1,000)	(66.0)
		2,422	66.0

		Capital (¥ million)	Ownership ratio (%)
DNP IMS America Corporation	Production and sale of ink ribbons for thermal transfer printers and for thermal-resin type printers	(US\$1,000)	(100.0)
Compagnie de Découpe de l'Ouest-CDO SAS	Production and sale of ink ribbons for thermal transfer printers and for thermal-resin type printers	(Euro 1,000)	23.4
		3,040	
DNP IMS Netherlands B.V.	Production and sale of ink ribbons for thermal transfer printers and for thermal-resin type printers	(Euro 1,000)	100.0
		1,000	
Electronics			
Display Components			
DNP Color Techno Kameyama Co., Ltd.	Production and sale of color filters for LCDs	2,500	100.0
DNP Precision Devices Co., Ltd.	Production of display related components	450	100.0
DNP Precision Devices Himeji Co., Ltd.	Production of color filters for LCDs	400	100.0
DNP Color Techno Sakai Co., Ltd.	Production of color filters for LCDs	400	100.0
DNP Display Technology Taiwan Co., Ltd.	Sale of display components and technological consultation	(NT\$1,000)	(99.0)
		30,000	100.0
Electronic Devices			
DT Fine Electronics Co., Ltd.	Production and sale of semiconductor components	490	65.0
DNP Fine Electronics Co., Ltd.	Production of semiconductor components	300	100.0
DNP LSI Design Co., Ltd.	Planning and production of drawings used in semiconductor production	100	100.0
DNP Micro Technica Co., Ltd.	Inspection, processing and loading of precision electronic parts	40	100.0
DNP Photomask Europe S.p.A.	Manufacturing and sale of photomasks	(Euro 1,000)	80.6
		47,200	
DNP Photomask Technology Taiwan Co., Ltd.	Manufacturing and sale of photomasks	(NT\$1,000)	(0.3)
		5,170,617	100.0
Others			
DNP Fine Chemicals Co., Ltd.	Development and sale of ink, varnish, pigments and dyes	2,000	100.0
DIC Graphics Corporation	Production and sale of printing ink	500	33.4
CHI Group Co., Ltd.	Investment in operating companies	3,000	52.3
Maruzen Co., Ltd.	Sale of books, magazines and stationaries	5,821	52.3 (52.3)
DNP Logistics Co., Ltd.	Packing, shipping operations and warehouse management	626	100.0
TRC, Inc.	Sale of books and creation of data	266	52.3 (52.3)
SHUFUNOTOMO Co., Ltd.	Publishing	2,111	56.7
BOOKOFF CORPORATION LIMITED	Sale of books	2,564	16.5 (9.9)
BUNKYODO GROUP HOLDINGS CO., LTD.	Sale of books	1,435	20.4 (20.4)
Junkudo Co., Ltd.	Sale of books	39	51.0
D.N.K. Co., Ltd.	Manufacturing, sale and repair of printing equipment and machine tools	100	100.0
DNP Trading Co., Ltd.	Sale of paper and other products	100	94.3
Direc Co., Ltd.	Sale 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.	Editing and sales of textbooks and educational materials	60	48.3
My Earth Projects LLC *	Planning, production and sale of trading cards	50	99.8
Personnel Welfare, Facility Service and Others			
DNP Facility Services Co., Ltd.	Building management, cleaning and security; operation of public health and recreation facilities	350	100.0
DNP Information Systems Co., Ltd.	Design, development and maintenance of information systems; production and sale of software	100	100.0
DNP Human Services Co., Ltd.	Planning and management 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	Sale of printing materials, electronic precision parts, and decorative materials	(US\$1,000)	(100.0)
		100	100.0
DNP Corporation USA	Investment in operating companies	(US\$1,000)	(7.2)
		62,164	100.0
DNP Holding USA Corporation	Investment in operating companies	(US\$1,000)	(100.0)
		100	100.0
DNP Europa GmbH*	Sale of electronic precision parts and decorative materials	(Euro 1,000)	100.0
		92	
DNP UK Co., Ltd.*	Sale of decorative materials	(£1,000)	100.0
		120	
Dai Nippon Printing Co. (Australia) Pty. Ltd.*	Sale of printed materials and decorative materials	(A\$1,000)	100.0
		70	
DNP Singapore Pte. Ltd.*	Sale of electronic precision parts and decorative materials	(S\$1,000)	100.0
		350	
DNP Korea Co., Ltd.*	Sale of electronic precision parts	(Krw1,000)	100.0
		500,000	
DNP Taiwan Co., Ltd.	Sale of electronic precision parts	(NT\$1,000)	100.0
		10,000	
DNP International Trading (Shanghai) Co., Ltd.*	Sale of printing solutions and packaging products	(US\$1,000)	100.0
		2,000	

Beverages

Beverages			
Hokkaido Coca-Cola Bottling Co., Ltd.	Manufacturing and sale of soft drinks	2,935	(6.5)
			57.5

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.

Glossary

From General Terms, Product and Service Names

■ Anti-reflection film (AR film)

Film applied to the surface of the display screen in devices like computers and televisions, in order to prevent outside light or interior light from causing glare. AR films include anti-glare (AG), low reflection (LR), and other types of AR films. DNP supplies a variety of these products by applying thin, uniform coatings of light-diffusing materials to rolls of base film.

■ Aseptic filling system

A system for filling sterilized PET plastic bottles or other containers with sterilized beverages or food in an aseptic environment. DNP has designed and developed a variety of aseptic filling systems, including systems for filling single-portion containers (for coffee whitener, etc.), retort pouches that can contain solid food, and PET plastic beverage bottles without impairing the flavor of the contents.

■ Augmented reality (AR)

A technology for synthesizing images, text, or other virtual information that is not really present, together with a scene or object directly experienced by the user, so as to create a richer expression. A web cam or mobile phone-mounted camera records printed images, identification codes, and images of the surrounding environment, all of which are synthesized and displayed with related information such as pre-registered 3-D computer graphics.

■ Biomass material

Biomass refers to the total quantity of living organisms living in a particular area. The word is also used to mean organic resources derived from living things, excluding petroleum and other fossil resources. Biomass material is made from resources of biological origin, such as vegetable resins or natural fibers. Because the CO₂ absorbed by plants during their growing process is believed to cancel

out the CO₂ emitted when biomass material is burned, it has attracted attention as a material that imposes little negative impact on the environment. Since biomass material is a renewable resource, supplies are expected to be stable.

■ Book return rate

In Japan, this refers to the proportion of books and magazines that were returned unsold to a publisher, relative to the number that were delivered to bookstores or other retail outlets for sale on consignment.

■ BPO (Business Process Outsourcing)

Contracting out the execution of some of a company's business processes to an outside provider that has specialized technology or expertise.

■ CRM (customer relationship management)

A method of building positive long-term relationships with a company's customers by planning and providing products and services that meet their particular needs, based on each customer's preferences and characteristics.

■ Digital signage

A new advertising medium that distributes very up-to-date information suited to a particular time and place by linking large flat-panel displays installed in stores, train stations, or other public facilities to an information network. It may include interactive communication functions that allow consumers to display the information they need by using a touch panel, a mobile phone, etc.

■ IC (integrated circuit) tag; also called RFID (radio frequency identification) tag

An electronic device that combines an IC chip with a miniature antenna. Radio communication between an IC tag and a dedicated reading device makes it possible to distinguish each individual item that has an IC tag attached to it. IC tags are made in various formats, including labels, cards, and disks.

■ Ink ribbon

A rolled strip of film to which a thin, uniform layer of ink has been applied, used in thermal transfer printers. In thermal-resin type printers, ink is melted and transferred to paper according to the amount of heat in the printer's thermal head, while in dye-sublimation type printers, the ink is vaporized and transferred to paper. Most of the thermal-resin type color ink ribbons that DNP provides are monochrome ribbons used for barcode printers, while most of the sublimation type are used for photo printing. Dye-sublimation thermal transfer materials developed by DNP, consisting of ribbons in the three primary printing colors (yellow, magenta, and cyan – or YMC) and special receiving paper, is capable of expressing very smooth color tones.

■ Lead frame

A metal component inside a semiconductor package that supports the semiconductor chip or chips and transmits electric signals.

■ Liquid crystal display (LCD) color filter

A component used to colorize LCDs. It has colorization layers consisting of pigments in the three primary colors – RGB or red, green, and blue – arrayed in particular patterns on glass substrates. Colored images can be seen when light passes through the color filter. Some color filters have yellow and cyan layers in addition to RGB. There are two methods of forming coloration layers: the photolithographic method, which forms patterns by exposing substrates coated with photosensitive material to light, and the inkjet method, which sprays ink directly onto the substrate through nozzles with tiny holes. DNP is the only company in the world that mass produces color filters by both methods.

There are also different methods of aligning liquid crystal molecules when manufacturing LCD panels. For example, there is the vertical alignment (VA) method and the InPlane Switching (IPS) method. LCDs display images by using variations in

voltage to change the orientation of the liquid crystal molecules, and thereby controlling the amount of light that passes through. With the VA method, the liquid crystal molecules are arranged vertically, whereas with the IPS method, they are arranged horizontally. DNP provides color filters that suit the characteristics of LCD panels manufactured by both methods.

■ MEMS (micro electro mechanical system)

A device that integrates tiny components like IC chips, sensors or electronic circuits into a three-dimensional structure on a silicon wafer or similar base.

■ Organic EL (electroluminescent) display

A display based on an organic compound that emits light when electricity is passed through it. It is superior to other types of displays in various ways, for example because of its wider viewing angle and greater contrast.

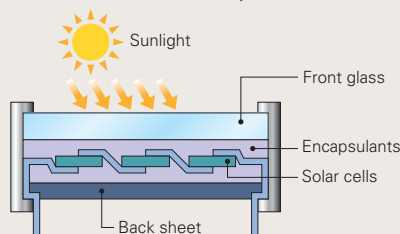
■ Photolithography

A technology for exposing part of the surface of a substrate coated with photosensitive material to light, so that the exposed areas and unexposed areas form a particular pattern. DNP applies its photolithographic skills, which it has honed through the production of original plates used for printing, to the manufacture of color filters and other types of electronic devices.

■ Photovoltaic module components

Encapsulants are an adhesive, protective sheet used to secure photovoltaic cells and their peripheral wiring in place, and to form a photovoltaic module. A back sheet protects a photovoltaic module from external elements, preventing precipitation from entering the cell. Because it is used outdoors for a long period of time, it must be very durable and moisture-proof, and have electrical insulating properties. The encapsulants bind the back sheet strongly to the front glass, which takes in sunlight. The main photovoltaic module components that

DNP provides are encapsulants, back sheets, and a single unit that combines the two components.



■ Prepress

The parts of the overall printing process that must be done before actual printing. These include digitalization, editing and layout, and manufacturing of printing plates. Thanks to the development of desktop publishing (DTP), most prepress operations can now be done by computer.

■ Regenerative medicine

A therapeutic method of using artificially cultivated cells or tissues to restore or recover the function of tissue or organs lost through disease or accident.

■ Roll to roll

A technique for printing on rolled printing media (such as paper) and re-rolling the media immediately after printing. This method is well suited to mass production because it reduces the number of times that material must be supplied, and enables high-speed production with stable quality.

■ Semiconductor photomask

A photomask is an original plate used for forming semiconductor circuits. It consists of minute circuit patterns drawn on a glass substrate. Most semiconductors are made by using light to transfer the circuit patterns to a wafer coated with a photosensitive resist, and then using etching or a similar process to embed the pattern in the wafer. Since electronic devices have continued to shrink in size in recent years, DNP is developing "nano-imprint technology" for transferring patterns by pressing templates with nanometer-level patterns into resin-coated wafers, in addition to improving existing methods.

■ Smart card

A card that contains one or more IC (integrated circuit) chips enabling data input, output and computing. Smart cards that use technologies like biometrics or encryption to provide advanced user authentication functions are widely used in a broad range of applications including cash cards, credit cards, electronic money, transportation cards, and employee ID cards. SIM (subscriber identity module) cards are a type of smart card issued by mobile phone service providers, and contain subscriber information. DNP entered the smart card business in the 1980s. In addition to developing software for smart cards, including the MULTOS operating system and various applications, we provide a wide variety of services such as smart card manufacture and issue and operation of online security services.

■ SSFC (Shared Security Formats Cooperation)

A consortium of companies, established in 2005, aimed at achieving a high degree of workplace security by using smart cards. DNP serves as its Secretariat. By agreeing on data formats, the group promotes the establishment of a unified control system that can grant access to various locations or functions throughout a company, school or other institution – including room entry and exit, and use of facilities such as personal computers, printers, or lockers, etc. – by means of a single smart card. As of June 2010, the group had some 207 corporate members, including office equipment manufacturers and system integrators, most of whom have already adopted SSFC-compliant data formats.

■ Universal design

According to the International Association for Universal Design (IAUD), universal design means "to design, from the start, equipment, a building, or living space so that it will be utilized by as many people as possible."

DNP Product and Service Names

■ B²it (B-square-it)

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 through bumps of conductive paste formed by means of screen printing.

■ CDMS (Card Data Management Service)

A service that provides comprehensive, online management of information entered on smart cards. CDMS enables immediate smart card issuance at customer service counters, PIN code revision at ATMs, "mobile bureau" distribution of applications and personal data to mobile phone chips, and identity authentication for online shopping. DNP began offering the service in 2004.

■ EB (Electron Beam) coating technology

DNP's original technique for hardening a coat of resin by exposing it to electron beams, which causes the molecules to polymerize. EB technology makes it possible to form films with greater surface hardness than products coated with urethane or UV-cured resin. It also makes it possible to provide products with superior abrasion and soil resistance, photo-resistance, durability, and stability. The eco-friendly manufacturing process uses less energy, generates less carbon dioxide, and does not require the use of solvents, making it a suitable next-generation manufacturing method.

■ "Expansion Printing" and "P&I Solutions"

"Expansion Printing" expresses DNP's policy of expanding our business by developing the printing technologies that we have cultivated since the founding of the company and applying them to a variety of fields. As examples of how we have implemented this policy, we entered the packaging and decorative materials businesses in 1951, started making shadowmasks in

1958, and entered the electronics field in 1959 after successfully developing photomasks.

"P&I Solutions" is the business vision that we spelled out in the "DNP Group Vision for the 21st Century." It entails combining printing and information technologies to discover and resolve problems faced by corporate clients and consumers. Based on the "P&I Solutions" vision, we are now actively developing new businesses in fields such as energy and life sciences.

■ Human Research Lab

A platform for assessment and analysis, primarily of the effects that posters, commercials, and other advertising and sales promotion media, including POP media and packaging, exercise on consumers' awareness, purchasing, and selection processes. The lab uses an eye movement tracking system to measure and analyze physiological reactions of consumers, as a means of understanding unconscious behavior. It was established in February 2009, in Tokyo.

■ IB (Innovative Barrier) film

Packaging film that is highly impermeable to water vapor and oxygen, highly transparent, and highly heat-resistant. Produced by DNP, it is used mainly for wrapping foods, medical supplies and pharmaceuticals, and electronic components. It is made by forming a thin, uniform coating of a material that boosts impermeability on a transparent base film. In the past, such films were usually formed through physical vapor deposition (PVD), whereby the coating material was vaporized by heat. DNP made it possible to mass produce film using chemical vapor deposition (CVD), whereby film is formed as a result of a chemical reaction between the coating material and the base film. Because the CVD method results in a strong bond between the coating material and base film, the coating does not break easily even when the final product is bent.

■ IPS (Information Processing Service)

DNP offers a broad menu of unique business services including inputting massive amounts of personal information and other data, editing and processing, printing, producing, mailing and/or distributing invoices, statements, and other forms of personalized mail – all in environments where information security is strongly protected.

■ Production 21 Activities

A program based on Total Productive Maintenance (TPM), consisting of activities aimed at creating a framework for flexibly and quickly responding to customer requirements by returning to our manufacturing roots and implementing ongoing improvements that further eliminate waste, reduce costs, and improve quality and efficiency. The goal is to establish production frameworks that are robust from a variety of standpoints, including quality, cost, and delivery speed.

■ PUL (Packaging Usability Laboratory)

A platform that simulates a typical kitchen and other real-life environments, primarily for assessing and analyzing consumers' use of packaging from a universal design standpoint, including how consumers handle products, and how easy they find specific packages to use. The laboratory makes it possible to quantify consumer psychology and behavior using such tools as recordings from depth interviews and dome cameras. It was established in February 2006, in Osaka.

■ Shueitai

An original font that DNP has been developing since the end of the 19th century. This beautiful, easy-to-read font with graceful, sleek lines has won high praise from book publishers and readers. We created a digital version in the 1970s and began licensing its use as of 2001. In 2006, we undertook a project called "Heisei no Dai Kaikoku" (engraving improvement project), which is aimed at improving the existing digital font and developing new fonts.

Sources of Information about DNP

Web Site (English: <http://www.dnp.co.jp/eng/>)

Our web site introduces DNP's three main business segments in a format that is easy to understand. Improvements such as an easier-to-use search function and seasonal renewal of the top page have been well received, and traffic at the site is increasing. The following publications and reports are also available as PDF files that can be downloaded from the web site.

Publications

■ Annual Report (Japanese and English versions)

Near the end of July every year, we release a Japanese version and an English version. In addition to a message from the president, the report contains features, consolidated financial statements, business strategies, summaries of financial results, news from each business sector, and financial analysis, etc.

■ Data Book (Bilingual: Japanese/English; available only as PDF file for download from web site)

Issued near the end of July every year, the Data Book contains values from financial statements of the past 10 years, and financial analysis values in the form of tables and graphs, etc. The Data Book is published in PDF format on DNP's Investor Relations site. Financial statement values are taken from securities reports.

■ "DNP Report" Report to Shareholders (in Japanese)

This report is issued quarterly, in September, December, March and June, and is mailed to shareholders. Examples of its content include summaries of financial results, interviews with management, information about new businesses, and information about shares.

■ DNP Group CSR Report (Japanese and English versions; English version available only as PDF file for download from web site)

It introduces each operations and addresses aspects like products, services, sales, planning, research and development, production facilities, company history, and a summary of our activities.

■ Corporate Information (Japanese and English versions)

It introduces each operation and addresses aspects like products, services, sales, planning, research and development, production facilities, company history, and a summary of our activities.

Publications

■ "Yuho" Annual Securities Report (in Japanese)

In accordance with Article 24 of the Securities Exchange Law, DNP submits quarterly reports to the Finance Ministry in August, November, and February. In June, DNP submits a quarterly report combined with a "Yuho" annual securities report. These are broad-ranging reports that include consolidated financial statements with auditing reports attached, non-consolidated financial statements, performance reviews, information about shares and corporate directors, etc.

■ "Tanshin" Earnings Release (Japanese and English versions)

In accordance with Tokyo Stock Exchange rules, we prepare earnings releases for each quarter. In addition to consolidated and non-consolidated financial statements, we report on the status of sales, etc.

About the Cover of This Annual Report

Designer's Profile

Kenjiro Sano, Art Director

Born in Tokyo in 1972. Creative Director of Mr. Design Inc. Designs for a wide variety of communication media in Japan and abroad. Major works include the design of popular characters such as "LISMO!" for telecommunications carrier au by KDDI Corporation, "T Boo Si!" for major broadcaster Tokyo Broadcasting System Television, Inc., and "Nyan Mage" for Edo Wonderland; packaging, such as for cosmetics manufacturer Shiseido Co., Ltd.'s "The Collagen" and Mizkan Group Corp.'s "Torotto" brand of fermented soybeans (natto); CD jackets for popular singers Hikaru Utada and Yosui Inoue, and rock band Remioromen; advertisements for Lumine Co. Ltd.'s department stores and Benesse Corp.'s educational courses for high school students; and T-shirts featuring the Rolling Stones or John Lennon.

www.mr-design.jp

Message in the Cover

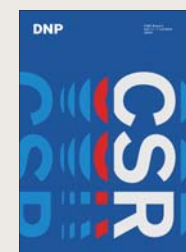
I designed the cover of this report by repeating the "a" of annual, like papers coming out of a printing machine one after another. It's always exciting to print something new. I hope that the coming year will be even better than the last one.



DNP English Web Site
(<http://www.dnp.co.jp/eng/>)



"DNP Report" to shareholders



DNP Group CSR Report

* Trademarks mentioned in this annual report in connection with DNP products or services are registered in Japan.



Through participation in Japan Natural Energy Co. Ltd.'s Green Power Certification System, DNP is supporting the spread of eco-friendly power generation equivalent to the 600 kWh of electricity used in the production of this report.



Dai Nippon Printing Co., Ltd.

Press and Public Relations

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

TEL: +81-3-3266-2111