

DNP

Annual Report
2011

Management
Concept

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

Business
Vision

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










Guiding
Principles

1. Engage in *Taiwa** with all persons concerned.
2. Work with an independent and collaborative mind-set in order to solve problems.
3. Challenge courageously, even in the face of difficult issues.
4. Act with integrity, fairness, and impartiality, at all times.
5. Be responsible for your own decisions and conduct.



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

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

In this annual report, "DNP" refers to the entire DNP Group, and "we" refers to DNP or the DNP management team.
(In the section on Corporate Governance (pp 66-75), "DNP" refers to Dai Nippon Printing Co., Ltd.)

Synopsis of Performance

Grand Summary of Financial Results

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

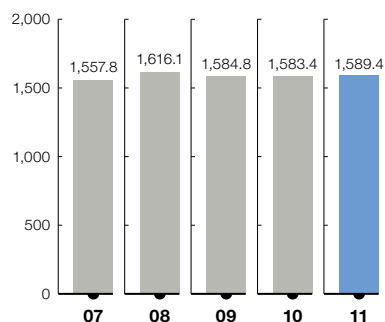
	2011	2010	2009	change 2011/2010
Statements of Operations (¥ million)				
Net sales	¥ 1,589,373	¥ 1,583,383	¥ 1,584,844	0.4%
Operating income	67,819	66,514	46,177	2.0%
Ordinary income	62,786	68,841	47,390	-8.8%
Income (loss) before income taxes	52,696	49,496	(27,842)	6.5%
Net income (loss)	25,033	23,278	(20,933)	7.5%
Balance Sheets (¥ million)				
Total net assets	¥ 952,441	¥ 956,864	¥ 940,086	-0.5%
Interest-bearing debt	229,140	166,751	124,263	37.4%
Total assets	1,649,784	1,618,854	1,536,557	1.9%
Cash Flow Statements (¥ million)				
Cash flows from operating activities	¥ 140,053	¥ 140,574	¥ 131,569	-0.4%
Cash flows from investing activities	(82,562)	(120,684)	(100,726)	-
Cash flows from financing activities	15,186	13,126	(33,952)	15.7%
Free cash flow*	57,491	19,890	30,843	189.0%
Per Share Data** (¥)				
Net income (loss)	¥ 38.86	¥ 36.13	¥ (32.35)	7.6%
Net assets	1,410.44	1,422.34	1,393.91	-0.8%
Cash dividend	32	32	32	-
Profit Margins (%)				
Operating income margin	4.27	4.20	2.91	0.07
EBITDA margin	9.65	9.07	5.09	0.58
Net income (loss) to net sales	1.57	1.47	-1.32	0.10
Financial Ratios				
ROE (%)	2.74	2.57	-2.20	0.17
ROA (%)	1.53	1.48	-1.33	0.05
D/E ratio (%)	25	18	14	-
Interest coverage ratio (times)	25.65	29.50	30.22	-
Valuations (against share prices on March 31)				
PER (times)	26.07	34.97	-	-
PBR (times)	0.72	0.89	0.64	-
EV/EBITDA (times)	4.29	5.77	7.19	-
PCFR (times)	5.30	7.08	6.74	-
Dividend yield (%)	3.16	2.53	3.56	0.63
Return to Shareholders				
Value of shares repurchased (¥ million)	-	-	26,550	-
Dividend payout ratio (%)	82.3	88.6	-	-
Others				
Long-term credit rating (R&I)	AA (stable)	AA (stable)	AA (stable)	-
Foreign ownership (%)	24.54	25.38	23.63	-

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

- We succeeded in increasing profits for the second consecutive term.
- Sales of color filters and optical films grew thanks to robust demand for LCDs.
- Despite posting an extraordinary loss of 6.1 billion yen related to the Tohoku-Pacific Ocean Earthquake, we still increased net profits in the fiscal year through March 2011.

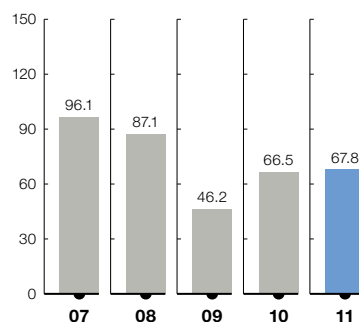
Net Sales

(¥ billion)



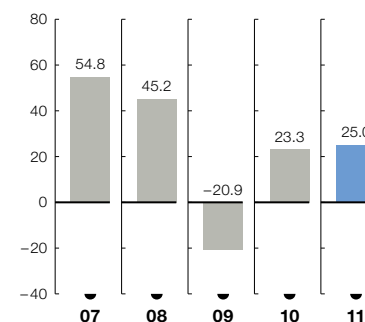
Operating Income

(¥ billion)



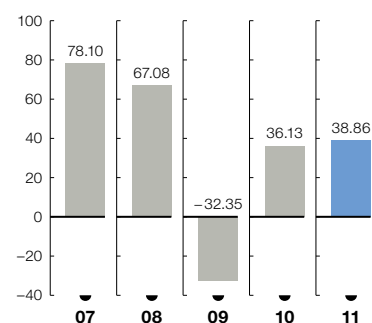
Net Income (Loss)

(¥ billion)



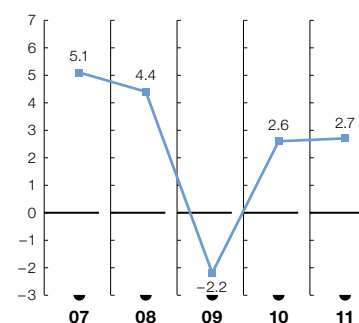
Net Income (Loss) per Share

(¥)



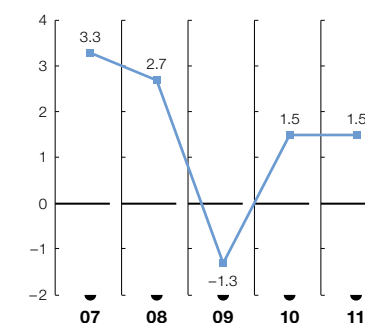
ROE

(%)

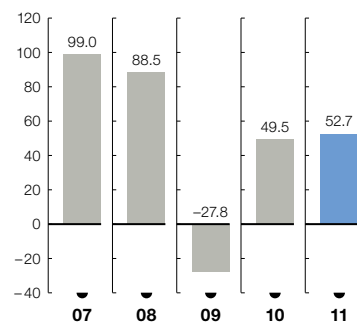


ROA

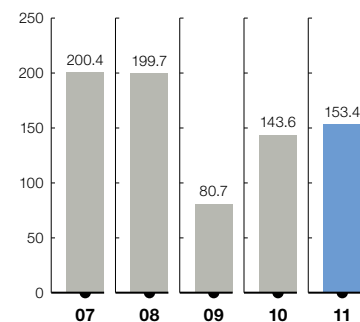
(%)



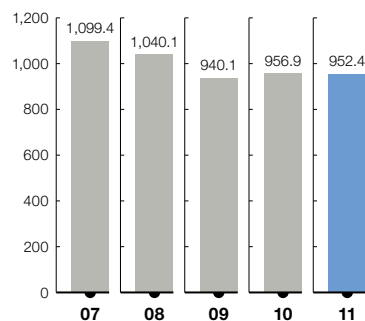
Income (Loss) Before Income Taxes
(¥ billion)



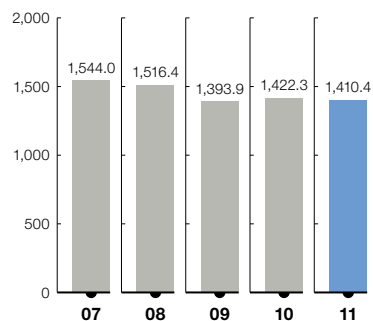
EBITDA
(¥ billion)



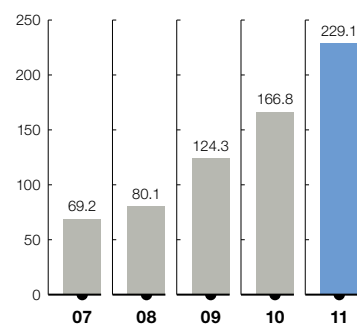
Total Net Assets*
(¥ billion)



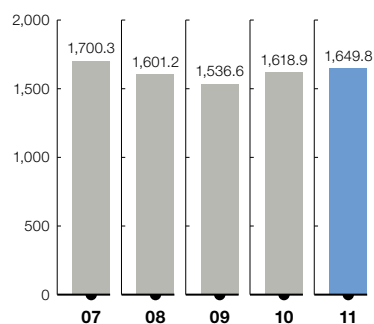
Net Assets per Share
(¥)



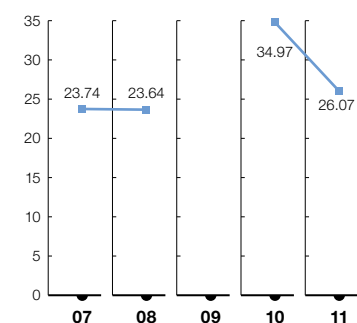
Interest-bearing Debt
(¥ billion)



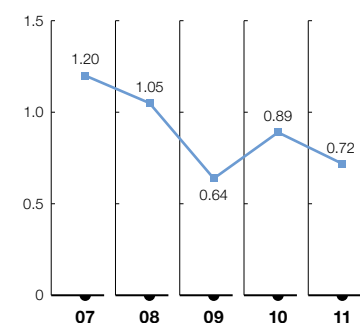
Total Assets
(¥ billion)



PER (Price Earnings Ratio)*
(times)



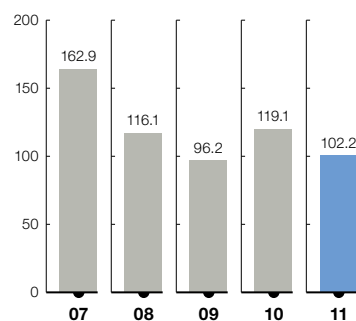
PBR (Price Book-value Ratio)
(times)



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

Capital Expenditures*

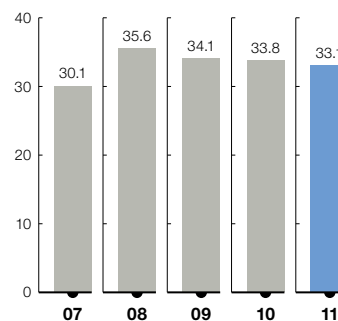
(¥ billion)



*Figures include capital expenditures for intangible fixed assets.

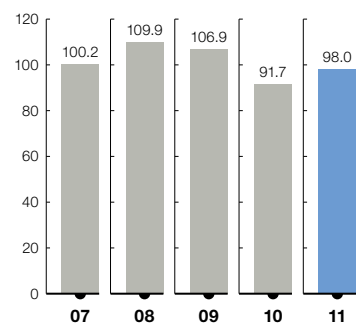
Research and Development Expenditures

(¥ billion)



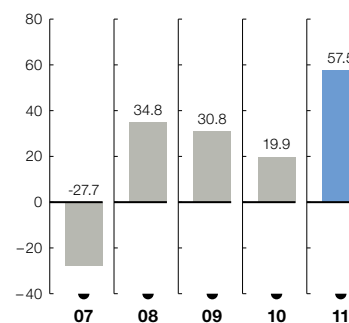
Depreciation Expense

(¥ billion)



Free Cash Flow*

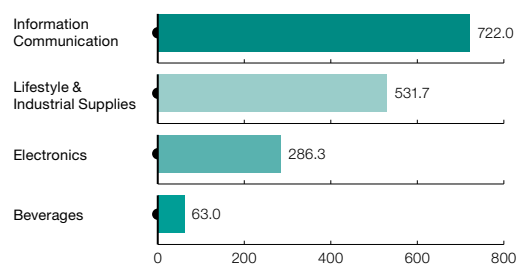
(¥ billion)



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

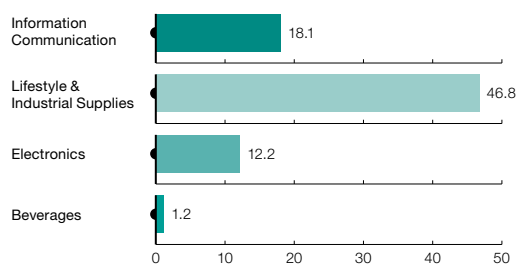
Net Sales by Segment

(¥ billion)



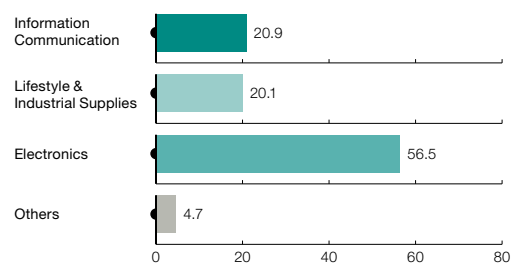
Operating Income by Segment

(¥ billion)



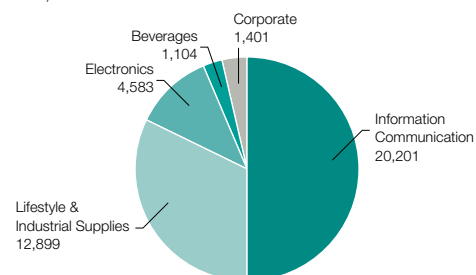
Capital Expenditures by Segment

(¥ billion)



Employees by Segment

(persons)



To Our Shareholders

Yoshitoshi Kitajima President

I would like to express my sincere condolences to those who lost loved ones in the Tohoku-Pacific Ocean Earthquake that struck Japan on March 11, 2011, and my heartfelt prayers for speedy reconstruction.

The DNP Group and especially DNP Tohoku Co., Ltd., which is based in Sendai, Miyagi Prefecture, was forced to suspend operations at some facilities that sustained damage from the earthquake. However, the entire Group helped with restoration so that we were able to resume operations almost completely by early May. We worked hard to stabilize our production system by using other facilities throughout the country to make up for lost production while the affected plants were down, and by coordinating with materials manufacturers and logistics providers. We responded to power shortages by implementing comprehensive energy-saving measures and bringing our own power generators online. We also took steps to minimize the effects of the disaster by improving our business continuation plan and proposing optimal production plans.

We will take on the challenge of achieving new growth for society and DNP

Today's Japan faces a time of major trials. As the Japanese people overcome the hardships

of the recent earthquake and make a fresh start to prepare for new development, DNP also wants to contribute more than ever to society's development. This is one reason why the fiscal year through March 2012 will be a very important milestone year for DNP, as for the whole country.

The year will also mark the 135th anniversary of the founding of DNP's corporate predecessor, Shueisha. The Company started out in 1876, shortly after the Meiji Restoration which was an important turning point in Japan's transition from feudal society to modern nation. Shueisha's founders had a keen desire to contribute to Japan's modernization and cultural enlightenment, and to support publishing businesses by making full use of the letterpress printing that was the latest technology of the time. This sentiment is expressed in the company's original motto, "Run a civilized business."

DNP made Books and Magazines and Commercial Printing its mainstays, but eventually came to perceive great danger in sticking only to the business fields where it already operated, as it would not be able to grow. That is when DNP began to focus on "expansion printing," meaning expansion into new fields of business. This effort led to DNP's entry into the fields of packaging and decorative materials in 1951, exactly 60 years ago. Then we branched out again and started



making display components in 1958 and electronic devices in 1959, making DNP one of the world's very few "comprehensive printing companies."

The fiscal year through March 2012 also marks 10 years since DNP came out with its business vision of providing "P&I Solutions." DNP applies the printing and information technologies that we have cultivated over the course of many years, along with other types of knowledge and experience, to the solution of a variety of problems faced by our corporate clients and consumers and by the society that constitutes the basis for their activities. By doing so, we achieve not only societal development but growth in our own corporate group.

DNP was founded at a time when letterpress printing was the latest technology in Japan. The founders had a strong entrepreneurial spirit, and one might say that the company has ever since been taking on the challenge of one new enterprise and one new environment after another. Today, as Japanese society sets out to rebuild in the aftermath of the 2011 earthquake, it faces a mountain of difficult problems more complex than we have ever faced before. DNP takes a direct and earnest approach to each of the problems that Japan faces, including the need to protect the environment and energy-related problems. We believe that by providing appropriate solutions, we can stimulate growth in both society and DNP. Autonomously and enthusiastically taking on the challenge of solving these problems is DNP's true mission. We firmly believe that moving forward toward accomplishing our mission one step at a time will earn us strong public trust and result in greater corporate value for DNP.



Major initiatives in the fiscal years through March 2011 and March 2012

In the fiscal year ended March 2011, we observed a certain degree of economic recovery resulting from overseas economic growth, primarily in emerging countries. However, the economic picture in Japan remained harsh due to factors such as high unemployment, the stronger yen, and higher crude oil prices. In the printing industry, competition increased in the face of stagnation both in personal consumption and in corporate advertising outlays. The earthquake that struck at the end of the fiscal year caused a further drop in demand and contributed to the continued severity of the business environment.

DNP met these challenges by actively expanding its sales activities and providing products and services aimed at solving our customers' problems. For example, in the promising field of electronic publishing, we prepared the ground for the startup of an e-book store and the sale of e-publishing content by unifying standards, promoting sound management of copyrights, and adjusting accounting methods. We geared up to meet increased demand for electronic devices by building a new color filter plant in Himeji, Hyogo Prefecture and a new photomask plant in Hsinchu City, Taiwan. In April 2011, we started up a new plant in Kitakyushu, Fukuoka Prefecture, to produce back sheets and encapsulants for photovoltaic cells, and "soft packs" for lithium-ion rechargeable batteries.

At the same time, in addition to pursuing structural reforms based on enhancing our production systems and equipment and re-examination of our operations, we also set about strengthening our profit base by implementing thorough cost-cutting measures. In the fiscal year through March 2011, we optimized production

sites, allocated personnel more appropriately, and improved productivity. One way in which we achieved this was by merging and reorganizing our Kanto and Kansai units, which previously had separate organizations handling commercial printing sales, planning, development and manufacturing. We also integrated the divisions that handle manufacturing and sales for the Chubu region and established DNP Chubu Co., Ltd. effective April 1, 2011. By tying operations closer to the local community, we aim to win more orders and boost efficiency.

As a result of these efforts, both net sales and operating income in the fiscal year through March 2011 increased relative to the previous term, despite the effects of the earthquake.

Business strategies aimed at corporate value enhancement and sustained growth

DNP pursues its "P&I Solutions" business vision with the aims of building the Group's corporate value in the long term and achieving continuous growth. In order to achieve concrete results based on this business vision, we implement business strategies that emphasize consumers' point of view, a global business development perspective, and the establishment of a solid profit-generating business structure.

1. Promoting P&I Solutions that emphasize consumers' point of view

In times like these, when business conditions and people's everyday lives are undergoing major changes, it can be difficult for companies and consumers to get a clear grasp of their own problems, so it is probably difficult for people to foresee what problems should be addressed and in what order of priority. For a company like DNP that expands its business by solving problems, it

is particularly important to quickly notice changes in society and markets, formulate hypotheses, and remain one step ahead of other companies and individuals in making proposals.

As we go about solving problems, we believe it is important that we maintain our own “consumers’ point of view” and actively approach society and markets just as we would on our own behalf. Picking up on changes in consumers’ point of view increases the accuracy of our hypotheses and proposals and helps us provide solutions that work well for corporate clients and consumers. DNP emphasizes the consumer’s point of view not only in sales and project planning but also in manufacturing, research and development, and the entire DNP Group. We strive to maintain this perspective as we develop new products and services, review existing businesses, or establish new business models and work to quickly get them up and running.

2. Taking a global view of business

The printing industry mainly revolves around printing on paper. Since it is inherently dependent on domestic demand, it is heavily influenced by trends among Japanese companies. Given the fact that the Japanese printing market is shrinking due to the falling birth rate and other factors, and the increasing speed at which companies are moving their operations overseas and markets are becoming borderless, we believe it is important for DNP to also look at its business from a “global point of view.”

Our slogan for DNP’s global strategy is “making the most of our strengths.” Rather than thinking of taking our business overseas because we can’t expect the Japanese market to grow, it is important for us to have the positive awareness that we can use DNP’s strengths to solve problems faced by businesses and consumers not only in Japan but all over the world.

DNP has a long history of developing its business overseas, going back to the opening of our Hong Kong office in 1964. From the 1970s into the 1990s we added business bases in Europe, Asia, the US, and Australia. One after another, we established overseas subsidiaries including DNP Europa GmbH, (headquartered in Germany), Tien Wah Press (Pte.) Ltd. (with offices in Singapore and Malaysia), PT DNP Indonesia, DNP America, LLC, Dai Nippon Printing Co. (Australia) Pty. Ltd., and DNP Denmark A/S. As of this writing, DNP has 25 sales bases in 14 countries and a region, and 12 production plants in nine countries and a region. As an example of our success overseas, PT DNP Indonesia has become the No. 1 packaging manufacturer and sales company in Southeast Asia. By promptly providing excellent quality products that respond meticulously to corporate clients’ needs, our Indonesian subsidiary has come to export products to other ASEAN countries.

In parallel with the development of our business bases around the world, DNP provides translation of some 60 languages, as well as editing, design, and other information services by linking corporate partners in 34 nations via a digital network. We have also built an optimal-site production system using this network to transmit printing data to a production base near a client’s location, where we handle every step from printing and binding to shipping of the finished product.

3. Establishing a strong profit-generating structure

We have implemented a variety of large and small measures as a result of constant consideration of how we can generate profits. We place particular emphasis on the idea of “designing in profit,” meaning that manufacturing divisions cooperate closely with sales and project planning divisions

and work at reviewing and streamlining business processes.

We have been steadily reaping benefits from the “Production 21” activities that we launched in 2002 with the aim of boosting Group-wide productivity. 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 systematically eliminate waste.

We also take a systematic approach to the maintenance of production equipment and facilities based on an awareness of how vitally important maintenance is to manufacturing. Through persistent daily effort, we can achieve results including improved yields, reduced materials loss, and shortened preparation time. In addition, these types of measures can help us respond more appropriately to unexpected situations like the recent earthquake.

Along with considering consumers’ point of view and a global perspective as we expand our business, the entire DNP Group maintains a strong awareness of the importance of profitability and enhances corporate value with a view toward establishing a solid profit-generating business structure.

strengthening our management base.

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

DNP values *taiwa* (dialogue) 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 corporate governance as an important management responsibility. We intend to build, operate and maintain monitoring systems that adequately support accurate, appropriate, and quick decision-making and business execution.

In order to earn the trust of our shareholders and all other stakeholders, the management of DNP will continue to increase the Group’s corporate value through our business activities.

We look forward to your continued support and cooperation.

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 development by securing retained earnings to enhance our financial constitution, and by



Yoshitoshi Kitajima, President

Special Feature:

The Driving Force behind Even Greater Growth

New Challenges for DNP's "Vision for the 21st Century"

In 2001, at the start of a new century, the DNP Group unveiled its "Vision for the 21st Century" — a vision of a company focused on providing "P&I Solutions." In other words, DNP intended to quickly pick up on the problems faced by businesses and individuals and apply printing and information technologies in order to solve those problems. Our aim was to expand DNP's businesses by dedicating ourselves to societal development.

Ten years have passed since we announced "Vision for the 21st Century." In this Special Feature, we will look at the results that we have attained so far, new issues that have surfaced in the interim, and our prospects for making big strides and achieving sustainable growth in the medium and long terms.



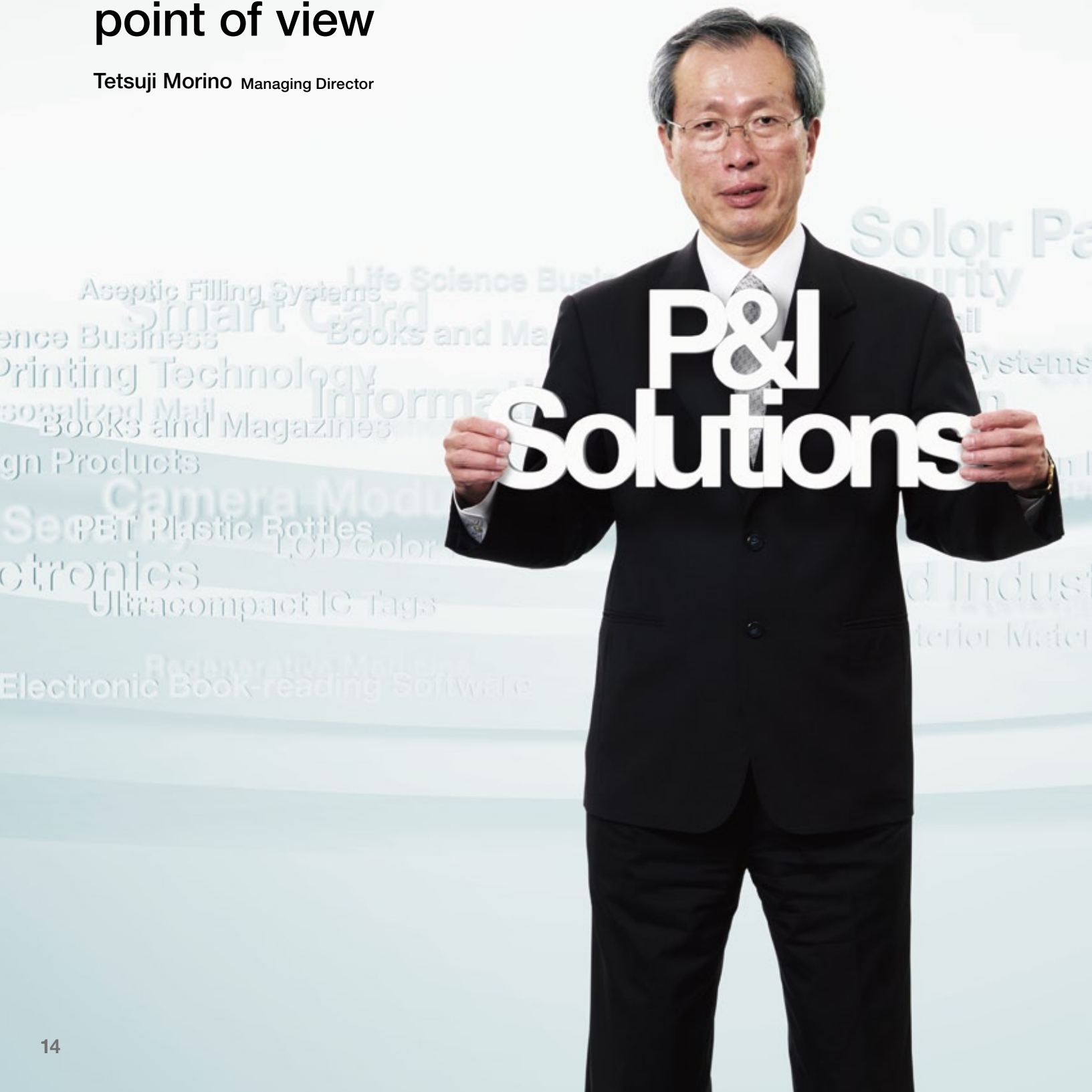
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Global-scale solutions for social problems, from the consumer’s point of view

Tetsuji Morino Managing Director



Basic strategies for realizing P&I Solutions

Some Japanese refer to the 1990s, when the economic bubble of the 1980s collapsed, as the “lost decade.” Until then, the Japanese style was marked by uniform mass production and mass consumption. This has changed completely, and as information networks developed, it became normal for consumers with diverse values to independently select products and services. For companies, it was no longer sufficient to produce massive quantities of the same product. It became essential to respond meticulously to consumers’ diverse needs. DNP had already been producing printed products to customers’ specifications since the company’s founding, basically treating every job as custom-made. So for us, the new trend only put wind behind our sails.

Also at the start of the new century in 2001, we said in our “Vision for the 21st Century” that we would enhance *taiwa*

(dialogue) in order to more rapidly uncover the problems faced by corporations and individuals so that we could focus on solving those problems. When solving problems, we make use of the comprehensive power of the entire DNP Group, including printing and information technologies, the capacity to form hypotheses based on knowledge and experience in management, planning, research and development, and manufacturing, and the ability to flexibly combine products and services. Our more than 30,000 corporate customers, with whom we can engage in *taiwa* on a daily basis, provide us with energy and ideas for discovering problems and solving them.

Ten years have passed since we established P&I Solutions as our corporate vision. During that time, we have actively made use of our strengths and steadily achieved results.

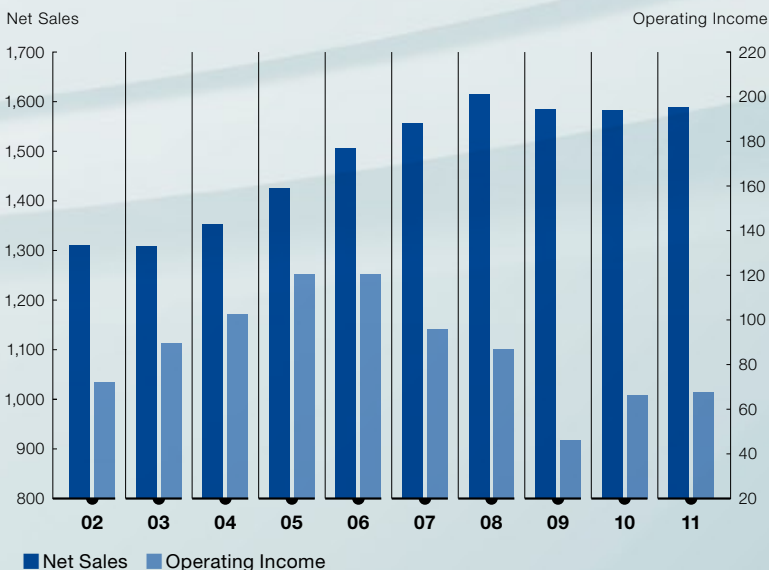
Achievements and new issues

Throughout the 1990s, Japan’s economy continued to stagnate. In the fiscal year ended March 1999, DNP’s performance deteriorated due to the lackluster performance by Japanese companies and depressed personal spending that followed the Asian currency crisis of 1997. We were so greatly alarmed that when we formulated our “Vision for the 21st Century” in 2001, it was with the intention of making a fresh start. In that same fiscal term, our business performance bottomed out, and then it began to recover. In the term ended March 2006, we achieved new record highs for consolidated net sales and operating income.

After getting off to such a good start in realizing our corporate vision, DNP’s performance began to lag again around the time of the worldwide financial crisis of 2008. We responded by creating new businesses — through technological developments, mergers, acquisitions, and other means — and by promoting operational reorganization and reforms aimed at boosting profitability, primarily in the Electronics segment. As a result, we were able to improve business performance during the two fiscal terms through March 2011. However, because we were not able to beat our previous records for net sales and operating income, we feel we still have a great deal of room for improvement. I’d like to look back at the results DNP has achieved and the problems we have uncovered during the past 10 years, and discuss the direction our company will be taking in the future.

Net Sales and Operating Income during Ten Years since Establishment of “DNP Group Vision for the 21st Century”

(¥ billion)



Management Message: "DNP Group Vision for the 21st Century" Progress and Prospect

Aiming for Greater Growth

Theme 1: Hybridization + Interactivity + Information Security

First, let's look at issues related to Information Communication. In recent years, there has been a rapid increase in the amount of information to which we are exposed due to the development of digital networks and other technologies. It has become difficult to appropriately process all of this information. Given this environment, we believe that it is very important to use optimum combinations of digital and paper media in order to increase intellectual productivity.

DNP began digitizing its printing production processes in the early 1970s. After we produced the world's first electronic dictionary on CD-ROM in 1985, we developed an extensive track record in the production of content for various types of information terminals. We used this capability to begin providing "hybrid production solutions" for optimizing digital data for use both in printing on paper and in e-publishing. In addition, we are

building Japan's first "hybrid bookstore network" that links physical bookstores such as Maruzen, Junkudo or Bunkyo-do with an Internet bookstore, "bk1," and an electronic bookstore, making it possible to offer the same services regardless of which sales channel a customer uses at a given time. We believe that by promoting our paper-digital hybrid model, we can improve convenience for consumers and revitalize the publishing market.

Meanwhile, it seems that people are questioning the very nature and meaning of advertising and what can be expected of it. People have come to place more weight on information that they receive from someone they trust, or by word of mouth, or through social network media such as Twitter than they do on advertising that was distributed to them unilaterally. The key word is "interactivity." Whereas consumers used to be just the receivers of a one-sided information flow, they are now increasingly evaluating information or products, broadcasting opinions in their own words, sharing information with friends, and linking that information to future action. DNP is

creating businesses that support safe and effective interactive communication.

Along with hybridization and interactivity, information security is also becoming increasingly important. DNP has constructed advanced information security environments wherein we provide comprehensive services that include not only accepting consumers' personal information from corporations, processing data, outputting data in various formats, and sending materials, but also services that involve interaction with consumers, including operation of customer service centers and data centers. By targeting the entire range of corporate business processes as our field of potential business and making use of our strength in information security, we are branching out into upstream processes like product development and marketing and working to solve a variety of problems.

Aiming for Greater Growth

Theme 2: "Social" as a point of view

Next let's look at issues related to the DNP Group as a whole, especially the Lifestyle and Industrial Supplies and Electronics segments. Until recently, DNP was primarily concerned with solving the problems of companies and consumers. Today however, we sense that it has become difficult for companies and consumers to get an accurate grasp of their own problems. We have come to think that the reason for this may be the instability that we find today in the very foundations of society, i.e. the dramatic changes that are occurring in the social environment surrounding companies and consumers. Before thinking about the problems that companies or consumers are facing, we feel it is more important to first deal with the problems of society itself.

When we shifted our emphasis to this "social" point of view and asked ourselves what it is that society is looking for and what it is that troubles society, some of the themes that emerged were ecology,



energy, universal design, and life sciences.

For example, all over the world people are reviewing their energy policies. In April 2011, we opened a new factory in Kitakyushu, Fukuoka Prefecture, in response to expectations for rapid growth in the market for photovoltaic cells and lithium-ion rechargeable batteries. We aim to triple our capacity for producing back sheets and encapsulants used in photovoltaic cells and “soft packs” for lithium-ion rechargeable batteries, thereby increasing DNP’s total sales of energy-related products to 30,000 million yen by the year ending March 2014.

Universal design (UD) is particularly important in our Packaging Operations, where our product development philosophy is to make “packaging that is designed to be as pleasant as possible for anyone to use.” In addition to making packages that can be opened with little force and labels that are easy to understand, in recent years we have been developing packaging that prevents misuse of medical and pharmaceutical products. We are also promoting UD-related consulting services.

Regenerative medicine is another topic that is attracting attention. This new type of therapy uses artificially cultivated cells to treat tissue or organs that were lost due to disease or accident. Applying our printing technologies to the development of products that facilitate effective cell cultivation is one of the ways in which DNP meets society’s new demands.

We believe that the resolution of social problems requires more than just providing simple components or individual products. We think it is important for companies with various strengths to gather, combine their various technologies and expertise, and form a unified organic system for implementing solutions. In order to speed up such initiatives and increase their effectiveness, it will probably be necessary to form active corporate alliances, including mergers and acquisitions. We want to

make an all-out effort to generate social innovations that will have a positive effect on society.

Aiming for Greater Growth

Theme 3: Social innovation on a global scale

When we think about social issues, we become keenly aware of how Japan is connected to the rest of the world and does not stand alone. For example, environmental issues and energy issues must literally be resolved at the global level, and most Japanese businesses are greatly affected by trends outside Japan.

As a more specific example, our Information Communication business is affected by digital networks and social media like Twitter that enable interactive, real-time exchange of information as if national borders did not exist. This presents opportunities for DNP, which has long been deeply involved in Japanese-language information processing, to help lower language barriers by solving such problems as how to display Japanese fonts and how to minimize the burden of converting between Japanese and other languages.

In the packaging and decorative materials fields, there may be big differences between the functions that customers seek for products in the Southeast Asian, European, American, or other markets compared to product specifications required for domestic consumption in Japan. It is important to increase *taiwa* in the various regions and to provide the functions and solutions that customers in those areas really want.

As far back as half a century ago, in 1964, DNP opened an office in Hong Kong. Since then, we established PT DNP Indonesia, the leading packaging manufacturing and sales company in Southeast Asia, and went on to open a total of 25 sales offices in 14 countries and a region and 12 manufacturing plants in nine countries and a region. So far, we have mainly developed separate overseas

businesses in each business field. In recent years, however, we have also been trying to create business bases that allow us to bring into play the full range of the DNP Group’s abilities.

Our slogan for DNP’s global strategy is “making the most of our strengths.” We would be unlikely to succeed if we thought “We can’t expect the Japanese market to grow so let’s take the business that we already operate in Japan and move it overseas.” Rather, we are actively working on taking products that solve various problems and were successful in Japan and adapting them to the various needs of overseas markets.

Paying close attention to the consumer’s point of view in order to achieve long-term growth

These days, the social environment surrounding companies and consumers is changing rapidly and there is a need for problem solving at the global level. This trend poses an immense opportunity for a company like DNP, whose business vision is to expand by providing solutions to problems — P&I Solutions. We want to make the most of this opportunity by maintaining our own “consumers’ point of view,” looking clearly at society through our own eyes, and solving society’s problems proactively with the understanding that society’s problems are our own problems. In this way, we can achieve further business expansion and sustainable growth.

DNP as “the publishing industry’s No. 1 partner”: Creating an electronic publishing market and revitalizing an industry

Motoharu Kitajima Managing Director



What DNP Is Working On

Revitalizing the publishing market

Books and Magazines has been our core business since DNP's founding. We have always expanded this business with the awareness that we are contributing to the development of society and culture. However, since peaking in 1996 at 2,656,400 million yen, the overall publishing market has continued shrinking to the point that in 2009 it dropped below two trillion yen. The Japanese publishing industry faces a multitude of problems including a high return rate of unsold books, increasing costs of digitization, and a tendency among consumers to read fewer books. There is also a need to establish magazine business models that are not dependent only on advertising revenues. Given this situation, in order for our Books and Magazines business to gain its former vitality, we believe it is important for the entire publishing industry, including DNP, to undergo structural reform.

In the past, DNP contributed to the publishing industry as a printing company, i.e. a manufacturer. Today, however, we have expanded our fields of business to include marketing, project planning, sales and distribution, customer service improvement, and the entire range of pre- and post-media production processes. Along with this "vertical expansion" into the entire range of publishing processes, we are also rapidly promoting "horizontal expansion" into various information media other than paper, including smart phones and tablet PCs. Backed by the strengths of the entire DNP Group, including

Maruzen Bookstores Co., Ltd., Junkudo Co., Ltd., Bunkyo Group Holdings Co., Ltd. and TRC, Inc., we will work on the problems that need to be solved in order to invigorate the publishing market.

Aiming for Greater Growth

Creating an electronic publishing market and a hybrid strategy

DNP is committed to actively addressing the electronic publishing market, which has great growth potential. In Japan, the market is growing primarily from distribution of comics to mobile terminals, from 57.4 billion yen in the fiscal year ended March 2010 to a projected 130 billion yen in the fiscal year through March 2015 according to a study by Impress R&D. DNP is working with other companies in the industry to prepare the ground for making the best use of this opportunity, for example by unifying standards for electronic publishing content, reducing production burdens, constructing infrastructure for distribution and sales, expanding points of contact with customers and reinforcing marketing.

As we move toward greater growth, our catchphrases will be "hybrid production solutions" and "hybrid bookstore networks."

In order for a publisher to create an electronic publishing business, it needs to digitize content and produce data that is compatible with various sales sites and display terminals. DNP began digitizing its printing manufacturing processes in the early 1970s. We will make use of our track record and expertise in this area to provide publishers with a service that we

call "hybrid production solutions." This service, which has received high acclaim from the industry, uses DNP's proprietary general-use format for constructing digital data so that it can be efficiently output in whatever format the publisher or reader desires, whether printing on paper, producing e-publishing content, or printing on demand.

Meanwhile, we expect to see three distribution and sales business formats fuse as they continue to develop: book vendors that operate physical stores, Internet-based bookstores that sell printed material through a website, and electronic stores that sell e-publishing content. DNP is the only corporate group in Japan that owns all three of these sales channels. We plan to expand our business by linking the three to form Japan's first "hybrid bookstore network." Members of a hybrid bookstore network can receive various services, including recommendations based on their purchasing history and bonus points, when they purchase content in any format from any outlet.

In November 2010, DNP established "honto," an e-book sales service that delivers content to personal computers, iPhones and iPads. In January 2011, we teamed up with NTT DoCoMo, Inc. to establish 2Dfacto, Inc. which sells content for delivery to smart phones operated by NTT DoCoMo. We plan to expand 2Dfacto's product lineup to 100,000 titles, with a focus on literary works and manga comic books. In order to address overseas markets, especially with regard to the Japanese comics that are very popular all over the world, we are stepping up efforts related to translation, production of data for sale, copyright processing, etc.

By offering "hybrid production solutions," we intend to lighten the burden on publishing companies. Through our "hybrid bookstore networks" we want to provide consumers with maximum benefits. We expect the result to be the reinvigoration of the overall printing and publishing industry and the achievement of stable growth in DNP's businesses.

DNP's Strengths

- Close partnerships with publishing companies and publishing-related businesses
- Advanced printing and information technologies cultivated over many years; research and development capacity that generates new services
- "Hybrid production solutions" that can address every type of information media from printed paper to digital media
- Japan's first "hybrid general bookstore" that can provide composite service through physical bookstores, net-based bookstores, and an e-book store all under one corporate roof



DNP aims for strategic expansion of its communication business to cover the entire, growing range of media types

Takao Shimizu Managing Director

What DNP Is Working On

From Total SP Solutions to cross media factory

For some years, DNP has been providing products and solutions that boost the effectiveness of corporate clients' sales promotion (SP) efforts based on an idea we called "Total SP Solutions." Total SP Solutions combined three methods of approaching consumers: the "mass approach" of widely disseminating promotional information, the "direct approach" of transmitting information tailored to individual consumers' needs, and the "point-of-sale approach" of influencing purchasing decisions at the time and place they are made. DNP went on to develop Total SP Solutions even further, and launched its "cross media factory" business during the fiscal term ended March 2011.

The "cross media factory" is supported by DNP's Content Management System (CMS) for effectively disseminating clients' product and other information and keeping it variably updated in formats compatible with a wide range of communication media including paper media (flyers, catalogs, etc.), websites and other electronic information services accessed by personal computers or mobile terminals such as smart phones, digital signage, and point-of-sale media. Our CMS enables companies to exercise uniform management of information and at the same time respond flexibly to various types of media. In addition, it eliminates time lags between transmission of information to multiple types of media.

Commercial Printing is one of DNP's core businesses. It has undergone

significant change in response to new realities including Japan's changing demographic picture (characterized mainly by longer life spans and a lower birth rate), a shift from mass media to Internet-based advertising, and consumers' autonomous transmission of product-related information. Commercial Printing has also been affected by the diversification of communication media and the rapid spread of highly interactive forums such as social media.

We believe that the cross media factory business that we are now promoting will be highly effective in this kind of environment. We expect that businesses will rapidly adopt this model, since it allows them to provide information more efficiently and more cost-effectively through a wide range of communication media.

Aiming for Greater Growth

Supporting "B to B" communication, collaborating across industry lines, and going global

We intend to actively promote our cross media factory as a strategic business that will support DNP's long-term growth, and we expect continued media diversification to work in our favor. Because this business is supported by DNP's original technologies, we believe we can achieve even greater profitability than we did in our traditional businesses, including printing on paper.

In the past, our Commercial Printing business mainly helped corporations transmit information to consumers, i.e. "B to C" communication. In the future we

will also focus on expanding our business in the "B to B" field, by optimizing information communication within a single corporation and between companies, and by providing BPO (Business Process Outsourcing) services that improve client companies' operational efficiency. In addition, we are forming joint venture businesses that combine our own strengths with those of corporate clients, sometimes even adopting business models that did not exist in the past. For example, we are making use of strengths that DNP has cultivated in the past in order to develop new products and services that we sell through our corporate clients' sales channels.

We will also be working harder than ever at expanding our overseas business. Under our cross media factory business model, a small number of employees positioned at business bases around the world can report accurately on the needs of individual customers. Based on their instructions, we can process information appropriately in Japan and use electronic networks to deliver it to the various overseas bases. For example, we can enable a corporation that operates outlet chains both in Japan and overseas to implement uniform management of data such as color-managed logos and product images, and facilitate use of the data by all of the various outlets via an online network. DNP's advanced CMS forms the core of this business. Because the business doesn't require us to maintain the type of large-scale rotary press used for printing paper media on our premises, we believe it will be easy to develop globally, particularly in Southeast Asia, China, and elsewhere within Asia.



Our cross media factory can even offer additional functions such as Internet-based product sales and account settlements, and processing of personal information within an advanced information security environment. In order to provide these services, we will collaborate with companies in other fields, such as financial institutions with strong track records and a high level of expertise in relevant areas.

As corporate marketing methods change, consumer needs become increasingly diverse, and communication between businesses and consumers becomes more and more interactive, DNP will use the strength of the cross media factory business model to actively expand its business.

DNP's Strengths

- Comprehensive ability to support every aspect of sales promotion from planning and proposal of marketing and sales strategies, information processing, all types of media production, development of relevant technologies, server operation, operation of promotional campaign offices, and customer response services
- Ability to develop technologies, produce content, and operate systems that address a wide range of communication media including paper media (flyers, catalogs, etc.), Internet-networked media, point-of-sale media, and digital signage
- Ability to provide color management enabling accurate reproduction of vivid product colors whether on paper or in digital media
- Capacity for textual expression that maximizes communicative effectiveness through the design of all types of media — printed and electronic — by selecting the best fonts and type sizes depending on the nature of the content and who will be reading it

Expanding DNP's comprehensive service in order to solve information security problems in Japan and abroad

Sakae Hikita Managing Director

What DNP Is Working On

Developing businesses that make use of advanced information security systems

In recent years, a strong need has developed for safer, more appropriate handling of sensitive corporate information and consumers' personal information. When DNP began developing smart cards 30 years ago, in 1981, there was not much interest in information security. Even before that, we had been printing valuable products like stock certificates and magnetic cards. Because our customer base consists of a variety of companies and individuals who handle information, we have established a track record in providing products and services that depend on advanced information security systems.

We built our business on the strength of DNP's original security technologies related to manufacturing and information processing. On the manufacturing side, we have primarily focused on secure printing, including the use of devices like holograms to prevent counterfeiting of valuable products such as stock certificates, vouchers, and all types of cards. There are only a few companies in the world besides DNP that are capable of producing Lippmann holograms, which are extremely effective at preventing counterfeiting. In the information processing field, we are working primarily on improving operating systems and application software for smart cards, data encryption and verification systems, and the development and operation of information network-related systems.

Another area of focus is Business Process Outsourcing (BPO) services that make use of the technologies mentioned





Aiming for Greater Growth

Forming alliances to meet increasing demand at the global level

above to support client companies' overall business processes. DNP has long provided Information Processing Services (IPS) for clients, meaning that we print millions of account statements and other documents that require variable printing, data processing, production of varied output materials, envelope-stuffing, mailing, etc. In addition to these processes, BPO adds the performance of a wide range of business operations including intake and inspection of documents, database input and maintenance, data analysis, and customer service center operation. In order to promote this business, it is essential to gain customers' trust based on an impressive track record supported by the ability to provide a high-security environment.

As an example of how we can inspire the necessary level of trust, in July 2010 DNP's Warabi Plant was given the top "AAais" rating out of 17 levels of information security authorized by I.S. Rating Co., Ltd., the world's first private information security rating company. The rating is an indicator of the level of security under which a company or other entity handles technical information, trade secrets, or personal information. The highest level rating has only been awarded to six workplaces operated by four companies (including DNP). DNP was the first company in the printing industry to receive the highest rating.

Today, information networks extend beyond national borders. We expect the territory covered by our security business to also spread out more and more. In Japan, DNP is involved in the construction and operation of mechanisms that combine a high degree of convenience with a high degree of information security, such as government-issued smart cards that are seen as necessary for the smooth operation of social insurance, taxation, and other elements of next-generation social infrastructure. Outside Japan, too, the need for information security is stronger than ever. DNP intends to actively provide manufacturing-based solutions including Lippmann holograms and various types of cards, as well as information processing-based solutions like our Card Data Management Service, an online application service that manages information entered on smart cards. DNP has increasingly gained recognition through participation in

overseas exhibits, and the number of orders and inquiries about the service is rapidly growing. In the future, we plan to promote this business overseas, particularly within Asia and in Western countries.

In order to speed up this kind of venture and achieve satisfactory results, we need to build cooperation with corporate partners in Japan and abroad. Toward that end, in April 2010 we welcomed Intelligent Wave Inc. as a new member of the DNP Group. Intelligent Wave's areas of specialty are authentication and fraud detection systems for credit card companies. The company has also developed anti-money laundering software and related products. Amid growing demand for office security, we are promoting and supplying a uniform management system that uses a single smart card for each employee to control office entry and exit, computer login, and use of printers and other equipment in order to prevent misuse of company facilities.

Following our acquisition of Intelligent Wave, DNP intends to expand our security business in Japan and overseas by increasing cooperation with other companies that have special abilities, and enhancing our services through the realization of synergistic benefits.

DNP's Strengths

- Advanced security systems for handling sensitive information including important corporate information and consumers' personal information
- Capacity for technological development; track record in developing operating systems and application software for smart cards
- Comprehensive ability to provide a full range of services including all types of output production, envelope-stuffing, mailing, and customer service center operation, in addition to information processing
- Ability to provide total support including consulting prior to introduction of new systems, testing and verification, and post-introduction follow-up

DNP wants to remain the world leader in energy-related components

Shigeki Umise General Manager of Energy Systems Operations



What DNP Is Working On

Energy as a new mainstay of DNP's business

DNP first started developing its energy business back in the early 1990s, before photovoltaic cells and lithium-ion rechargeable batteries were the hot topics that they are today. In 2003, we developed commercially viable back sheets and encapsulants for photovoltaic modules. In the past few years the business has expanded nicely, thanks in part to a favorable business environment.

Because photovoltaic cells do not burn petroleum or other fossil fuels, they constitute a promising source of clean energy that can help reduce negative impacts on the environment. Backed by strong support from the governments of various countries, in 2010 the world market for solar cells doubled compared to the previous year, resulting in an industry worth some three trillion yen. In the future, when technological development leads to improved power generation efficiency and mass production brings down the cost of solar power generation, demand is likely to grow even more.

DNP serves the promising photovoltaic cells market by manufacturing and selling "back sheets" that are applied to the back side of solar panels to keep out wind and rain and "encapsulants" that secure solar cells (power-generating elements) and their wiring and protect them from the outside environment.

Meanwhile, a rapid increase in the use of smart phones, tablet PCs, and other mobile devices caused the market for lithium-ion rechargeable batteries to grow to a size of one trillion yen in 2010. Looking ahead, large-capacity lithium-ion rechargeable batteries are expected to come into widespread use in electric vehicles, which should cause even

further expansion of the market.

In the past, lithium-ion rechargeable batteries were usually enclosed in metal casings. More recently, we are seeing greater use of "soft packs" made of multilayered film, which are lighter in weight, more durable, more flexible and easier to work with than metal. DNP controls the top share of the world market for these soft packs.

Corporate clients in Japan and overseas have been highly appreciative of DNP's energy-related products, which make use of various technologies that we have cultivated over the years, including materials, coating, and lamination technologies.

Aiming for Greater Growth

Reinforcing our business base to allow rapid responsiveness in a growing market

Worldwide demand for clean energy is expected to increase, and we believe that photovoltaic cells will play an important role in this market. At the present time, solar power generation systems are still relatively expensive. We are working on improving the functionality, increasing the added value, and lowering the cost of the components that we provide in order to bring the cost of solar power generation down to the same level as power generated by means of combustion or other conventional methods.

Demand for lithium-ion rechargeable batteries is expected to grow not only for use in mobile devices, but also for electric and hybrid vehicles and for household-

use storage batteries, among other uses. DNP is focusing on developing products with optimal characteristics for these various applications.

In response to this growing market, in April 2011 DNP opened a new factory for energy systems-related products in Kitakyushu, Fukuoka Prefecture. We invested some 6 billion yen in the new plant with the intention of increasing our production capacity to three times what it was before the new plant came online.

The very clean environment inside the new plant enables us to manufacture exceptionally high-performance, high-quality products. We believe that we will be able to increase the already high degree of confidence that our corporate clients have in DNP. This buildup of our facilities will allow us to respond flexibly to continued growth in demand for photovoltaic cells and lithium-ion rechargeable batteries. By the year ending March 2014, we expect to achieve 30 billion yen in annual sales of energy-related components. In addition, the new plant will serve as an important manufacturing hub from which we can supply products to Europe and North America, China and other developing nations, and the entire world.

As worldwide energy policies come under review, we believe that corporate clients will continue to place their trust in DNP's energy systems-related products based on our products' advanced functionality and high quality. We intend to keep working to improve productivity and develop better technologies in order to contribute to the market as a leading company.

DNP's Strengths

- Materials development capacity that allows us to derive maximum functioning from a single material
- Laminating and coating technologies that allow us to express each function to the maximum degree possible and to realize the optimal combination of multiple materials
- Ability to propose solutions with flexible conditions according to each corporate client's processes and needs

Looking at things from consumers' point of view and turning global problems into business opportunities

Overseas business development is one of the forces that has propelled DNP's rapid progress in the past and will drive it forward into the future. Currently we face a number of issues that transcend Japan's borders, including the need to preserve and share the Earth's environment and energy resources, and the development of worldwide information networks. One of DNP's important growth strategies is to view these issues as opportunities and take on the challenge of resolving them from a global standpoint.

DNP's Global Strategy: Take on the challenge of resolving issues on a global scale

As we implement our global strategy, a phrase we want to keep in mind is "making the most of our strengths in Japan and around the world." There is much talk in Japan about how the market is shrinking due to factors like the declining birth rate, aging society, and industry reorganizations. DNP is not so simplistic as to think that we will just go overseas because we can't expect any more growth in Japan. We intend to develop our business with a focus on making the most of our strengths, finding the most comprehensive solutions to problems, and adapting to the realities of the various nations and communities of the world.

DNP's problem-solving ability is supported by the printing and information technologies and other expertise that we have cultivated in the past. These strengths allow us to provide optimal products and services that meet the needs of a variety of companies and consumers in each region. Rather than trying to secure sales simply by marketing existing products and services, we aim to contribute to the creation of new value and grow along with regional communities by coming up

with solutions for the problems faced by companies, consumers, and the specific societies in which they function.

DNP's Global Development: Initiatives and issues

In 1964, almost 50 years ago, DNP opened its first overseas representative office in Hong Kong. We have been actively developing our overseas business since the 1970s. Currently, the DNP Group has 12 overseas manufacturing bases in nine countries and a region and 25 overseas sales offices in 14 countries and a region, mainly in Asia, North America, and Europe. We manufacture and sell a wide variety of products in these regions, including commercial printed matter such as catalogs and flyers, packaging products, building materials, optical films used in electronic displays, color ink ribbons for printing photos, and photomasks used for manufacturing semiconductors.

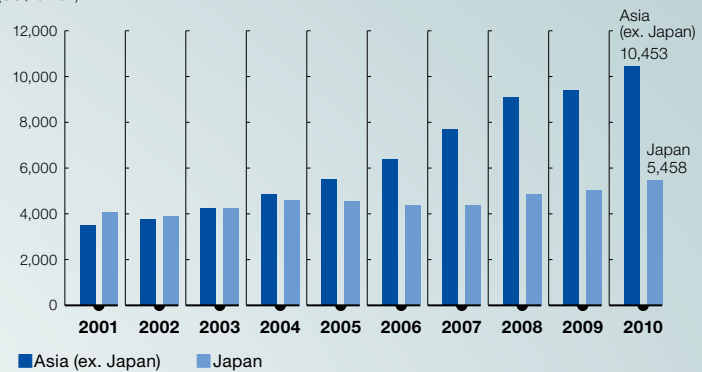
In the fiscal year ended March 2011, overseas sales came to 197.6 billion yen and accounted for 12.4% of the Group's





Japan's GDP Compared to That of Other Asian Countries

(US\$ billion)



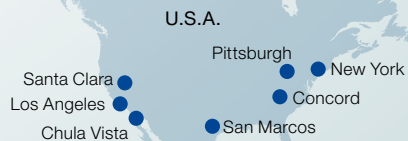
consolidated net sales.

As DNP plans its future overseas business expansion, one of its main strategies is to target the Asian region, which is expected to experience remarkable economic growth.

The Asian region, including China, India, and particularly the member states of the Association of Southeast Asian Nations (ASEAN), holds great potential for DNP to expand its business. We expect to see growth in domestic demand and improvement in quality of life in Asian countries. We feel sure that we will be able to capture demand not only for everyday products like the

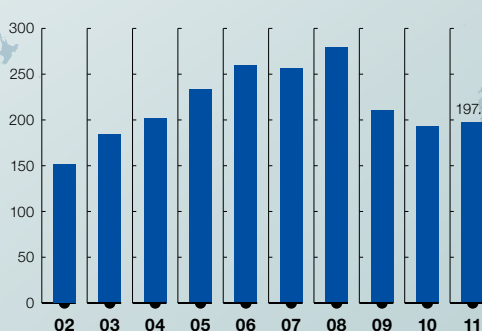
advanced/ high-performance packaging and building materials that DNP provides, but also for books, magazines, and commercial printed matter — areas where DNP's advanced technology enables true-to-life graphic expression of beauty and ideas. Looking at DNP's Electronics segment, since a growing proportion of the world's production and technological development bases are located in Asia, enhancement of our business bases in the region is a cornerstone of DNP's global development.

In the future, as DNP moves ahead with solving problems not only within Japan but on a broader, global basis, we will increase Group-wide cooperation and work on promoting research and product and services development and improving profitability by optimizing production locations and boosting operational efficiency so that we can expand sales and profits both in Japan and overseas.



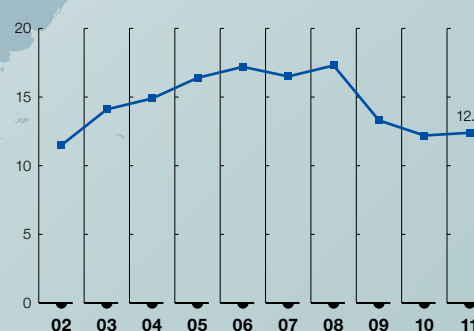
DNP's Overseas Sales

(¥ billion)



DNP's Overseas Sales to Net Sales

(%)



Asia is the key to DNP's Global Strategy. Examples of DNP Group corporate activities in Indonesia, Singapore, and Taiwan.

PT DNP Indonesia

Aiming to be Asia's No. 1 packaging company

■ **Business Profile:** DNP founded PT DNP Indonesia in 1972 in order to spread "packaging culture" in Indonesia. From the very beginning, we performed all manufacturing processes in-house. This allowed us to provide high-quality products that met the diverse needs of our corporate clients, and to build solid trust that continues to the present. Today, in addition to capturing the top local share of packaging products in many fields including everyday items, laundry detergent and food products, we provide packaging products made with high-quality offset printing equipment to local subsidiaries of major international cosmetics and sporting-goods manufacturers. DNP has established itself as the overwhelming industry leader and has been securing stable profits not only within Indonesia but in the ASEAN region as a whole. DNP Indonesia provides all types of packaging products — from general-purpose to highly advanced — to meet the needs of its corporate clients and consumers. The company has gained increasing recognition for its ability to solve the problems of businesses and consumers.

■ **Business Environment:** The Indonesian economy has grown by more than 4% annually for the past nine years. Future growth is estimated at around 6 to 7% per year. The Indonesian government recently came out with a social infrastructure investment plan totaling the equivalent of about 15 trillion yen by 2014, and it is already implementing a plan aimed at increasing per capita GDP tenfold by 2021. DNP views Indonesia's economic situation as a major business opportunity because

whenever people move things and consume more, they require packages in a variety of business fields, including food, beverages, everyday items, and pharmaceuticals. We intend to respond to future market trends by developing products that reflect an accurate grasp of consumers' wishes, and by weighing further increases in production capacity as we expand our business.

■ **Growth Strategies:** We aim to become "the Asian region's No.1 packaging company" by solidifying our position as the leading packaging company in the ASEAN region and continuing to supply world-class technologies and high-quality products and services. DNP Indonesia already supplies products on a global level, primarily in Asia, the Middle East, and Africa. By establishing production bases at points of consumption, particularly in developing countries, we will further strengthen our existing global product supply framework.

The ASEAN-China Free Trade Area (ACFTA) took effect among ASEAN member states, 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 products will flow into Indonesia from other ASEAN nations and from China, suggesting that the agreement will lead to more intense competition in the local market. DNP Indonesia is far superior to its competitors in the region in terms of scale of production, technological and developmental capacity, product quality and customer service. By responding meticulously to the diverse and

sophisticated needs of our corporate clients, it will build a solid framework that no other company in Indonesia can hope to match. Our product development teams will use the expertise and technological strength of the DNP Group to add value and further increase functionality, for example by tailoring products like Innovative Barrier (IB) Film (a transparent packaging film with excellent oxygen and water vapor barrier properties) to the needs of Southeast Asian markets.

Furthermore, we will actively "localize" DNP Indonesia to root it more firmly in the surrounding society. We believe that training of locally hired personnel is particularly essential to our overseas business development, and we are steadily reaping the benefits of our efforts in this regard. As a result of ensuring diversity in our recruitment processes and developing employees' skills by enhancing training programs, the company's net sales have roughly doubled compared to 10 years ago, although the number of employees is virtually unchanged.



Checking packages for color tone

Tien Wah Press (Pte.) Ltd. (Singapore, Malaysia)

Southeast Asian hub factory to support the global development of DNP's Books and Magazines segment

■ **Business Profile:** Tien Wah Press has expanded its book and magazine production business to serve the global market. Its specialties are the production of pop-up books and hardcover books, including cookbooks. Tien Wah Press was founded in 1935 as a printer of pamphlets and other commercial materials. DNP

acquired a stake in it in 1970, and made it a wholly owned subsidiary in 2003.

Today, Tien Wah's main clients are major European and North American publishing companies, and exports account for about 95% of its net sales. While Singapore is the main base for the company's business activities, it also has established sales

offices in the U.S., U.K., France, and Australia, and opened a production base in Malaysia.

■ **Business Environment:** Like most companies in Singapore, almost all of Tien Wah Press's sales come from exports to European and North American markets, so

local economic conditions do not directly affect the company's business performance. At the same time, Singapore is among the world's most important economic centers. Its international logistics infrastructure and opportunities for business networking are highly developed, and government agencies in Singapore actively support business by providing many incentive programs to encourage capital investment, improvements in productivity, and the development of new technologies.

Given these favorable conditions, we expect Tien Wah Press to contribute to DNP's international business expansion by serving as our printing production hub in Southeast Asia.

■ **Growth Strategies:** Over the course of many years, Tien Wah has established bonds of trust with the world's largest publishing companies and has built up considerable brand strength by providing

high-quality products. Moreover, the company has achieved a dominant position in its industry by establishing a global network of sales offices, investing in the latest printing equipment, and building an excellent workforce. Tien Wah Press's basic strategy is to further refine its strengths and boost cost and quality competitiveness. Besides reinforcing its function as the DNP Group's Southeast Asian printing production hub, we plan to boost collaboration between Tien Wah Press and the DNP Group's Books and Magazines segment and have Tien Wah Press serve as a production base for the Japanese market.

In addition, we will take advantage of the DNP Group's technology and expertise to have Tien Wah Press move into new business fields other than printing and publishing. The company recently started information media supplies for barcode labels business and is developing its electronic publishing business by producing content and building a distribution platform.

Going forward, Tien Wah Press will continue to pursue a variety of possibilities and steadily expand its business.



Making pop-up books at our factory in Johor Bahru Plant

DNP Photomask Technology Taiwan Co., Ltd.

Reinforcing our framework for the global supply of cutting-edge photomasks in order to further boost market share

■ **Business Profile:** Ever since 1959, when DNP first succeeded in developing photomasks (original plates for making semiconductor circuits), we worked hard to develop new technologies and expand the business. Today, DNP has grown to be the photomask manufacturer with the largest share of the world market. A photomask consists of minute circuit patterns formed on a glass substrate, so in order to produce them we make use of the patterning and etching technologies that we cultivated through our printing business. To date, DNP has been producing photomasks at four plants in Japan (Kamifukuoka Plant, Kyoto Plant, Kawasaki Plant, and Kitakami Plant) and at our Agrate Brianza Plant outside of Milan, Italy. In 2010, we built our second overseas production base in Taiwan's Hsinchu City, and began mass producing photomasks.

■ **Business Environment:** Taiwan is one of the world's main semiconductor production bases, and most manufacturers have a presence there. In the past few years, the semiconductor market has grown rapidly in Taiwan and the rest of Southeast Asia, so photomask demand is on an uptrend.

Although the semiconductor industry is affected by constant technological innovation and fluctuations in supply and demand, semiconductor products are indispensable to most electronic devices, so the market is expected to grow in the long term.

In addition to developing cutting-edge photomask technologies like nanoimprinting and extreme ultraviolet (EUV) lithography, we are working hard to establish a production framework that can respond to growing overseas demand. We expect our new Taiwan plant to make a major contribution toward boosting the competitive standing of DNP's photomask business in the world market.

■ **Growth Strategies:** DNP Photomask Technology Taiwan Co., Ltd., the DNP subsidiary that operates the new plant, started out mass producing 65nm photomasks and plans to later expand its operations to mass produce 45nm and 40nm products. The new plant currently focuses on supplying cutting-edge photomasks to semiconductor manufacturers in Taiwan, but in the future we plan to expand its market to target

semiconductor makers throughout South East Asia as well as in Japan.

With chip manufacturers actively investing in miniaturization and circuit line widths becoming progressively more minute, it has become essential for DNP as a photomask supplier to increase our share of the market for cutting-edge products. As demand for under-45nm products begins to grow in earnest, our Taiwan plant will play an increasingly important role as a strategic production base.

DNP intends to reinforce its framework for supplying the growing global market for cutting-edge photomasks, and further increase its share of the world market.



Exterior of the factory

DNP in Brief

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- 32 DNP at a Glance
- 34 Our Products
- 36 Timeline of DNP's Technological Development and Business Expansion
- 38 Major Events of This Fiscal Year
- 40 Investor Information





DNP at a Glance

Profile

With printing and information technologies as our strengths, 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. We provide a variety of products and services in a wide range of business fields to consumers and some 30,000 corporate clients in Japan and around the world. DNP's main strengths are the printing and information technologies that it has cultivated since its founding in 1876. The Company has branched out from publishing and commercial printing into diverse fields including packaging, decorative materials, display components, and electronic devices. DNP has even grown to be the world's largest supplier of many products in these areas, and we continue to take on the challenge of expanding into new business fields, such as environment, energy, and life sciences.

From early in its development, DNP set about boosting the efficiency of the overall Group's management by promoting overall optimization, greater profitability, and effective use of management resources. We work hard to manage the company efficiently, for example by concentrating functions such as planning, sales, and research and development in our head office while positioning manufacturing divisions and specific technology development divisions within various Group companies.

As of March 31, 2011, the DNP Group employed 40,188 people. The Group had 48 sales bases and 59 production plants in Japan, 25 sales offices in 14 countries and a region, and 12 overseas production plants in nine countries and a region. Overseas sales contributed 12.4% of the Group's overall net sales in the fiscal year through March 2011. In April 2011, we established a Group company to coordinate sales, planning, and manufacturing functions for Japan's Chubu region, as we have already done for the Hokkaido, Tohoku, and Nishi Nippon regions, to help us respond appropriately to the particular needs of each region.

Business Portfolio

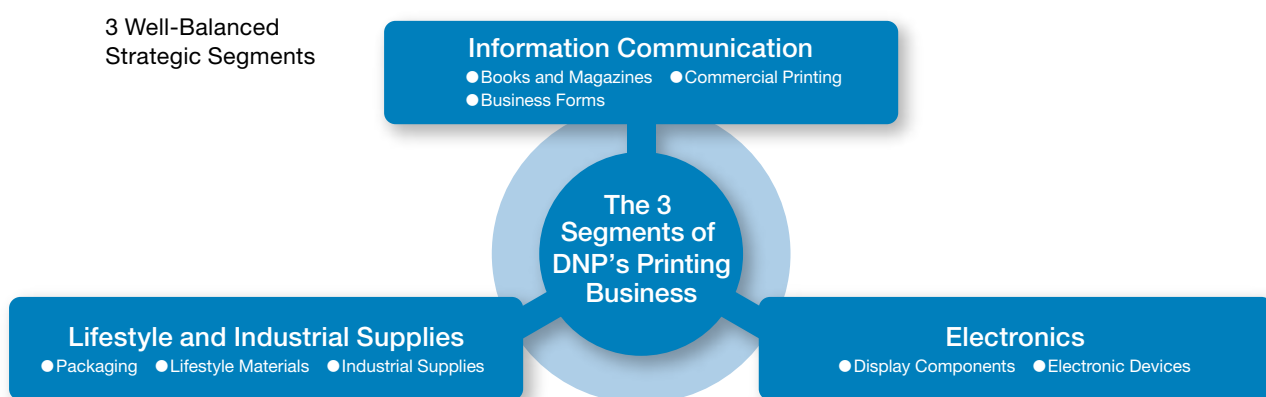
A business portfolio that is well-balanced from the standpoints of stability, profitability, growth potential and risk

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

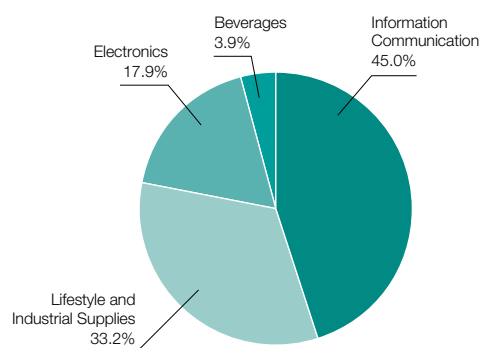
Printing consists of an assortment of businesses through which DNP applies and develops printing and information technologies in order to solve problems for consumers, and for client companies who operate in all types of business fields and in diverse formats. We divide our Printing business into three segments: (1) Information Communication, which includes the book and magazine publishing and commercial printing businesses where DNP got its start, (2) Lifestyle and Industrial Supplies, which supplies a wide range of products including packaging products, decorative materials, optical films and color ink ribbons, and energy-related components, and (3) Electronics, which supplies display components and electronic devices, among other products. These three segments cooperate with each other and form a business portfolio that is well-balanced from the standpoints of stability, profitability, growth potential, and risk.

Our Beverages business takes advantage of the strength of the Coca Cola brand 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.

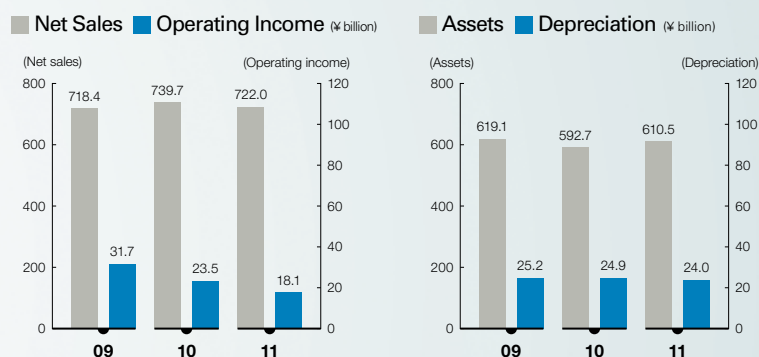
Armed with this business portfolio, DNP aims to expand its overall business and increase its corporate value by striving to solve problems for corporate clients and consumers.



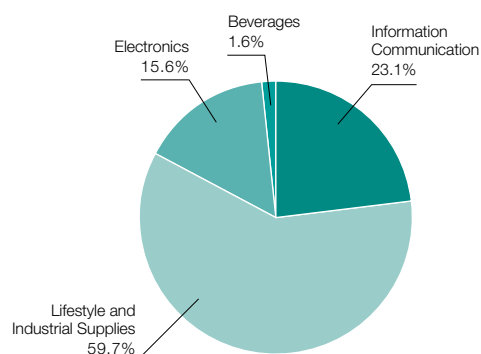
Net Sales by Segment



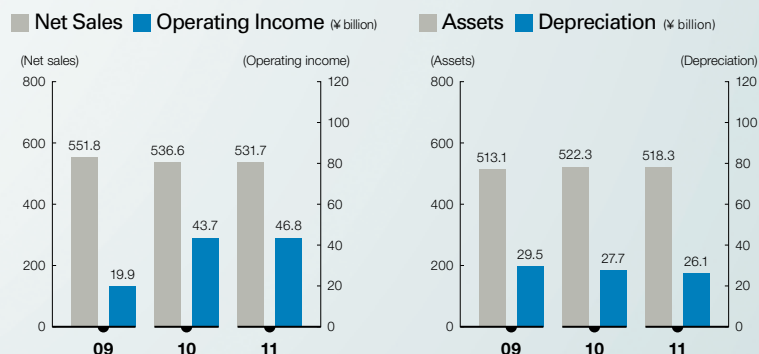
Information Communication



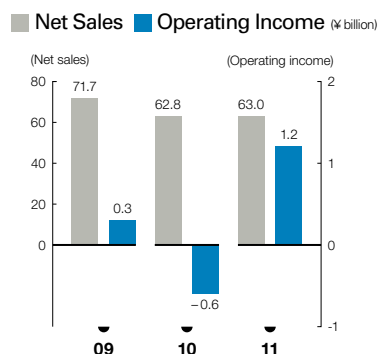
Operating Income by Segment



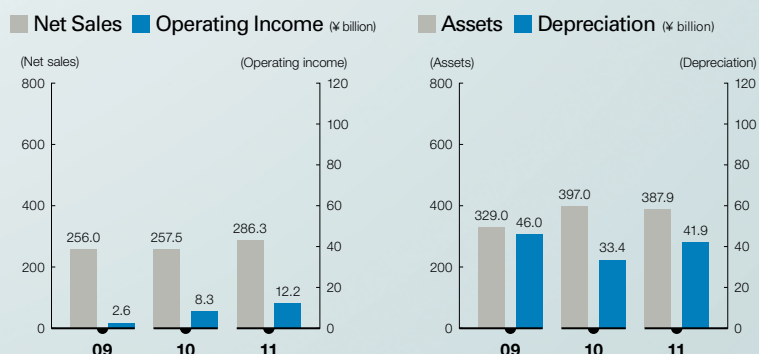
Lifestyle and Industrial Supplies



Beverages



Electronics



Our Products

Information Communication

• Books and Magazines

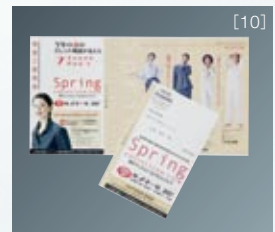
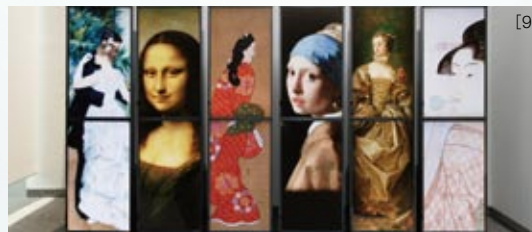
[1] Magazines [2] Books (Pop-up books) [3] Dictionaries
[4] Electronic book-reading software (Magazine Viewer)

• 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] Hologram
[14] OpenSTAGE™ digital pen-based presentation software



Lifestyle and Industrial Supplies

• Packaging

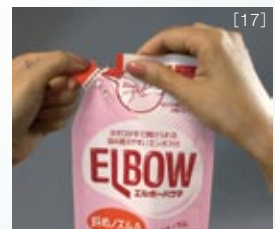
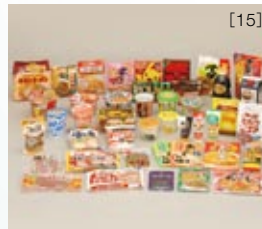
[15] Packaging for foods [16] Packaging for toiletries and pharmaceutical products [17] Easy-to-open universal design products [18] Packages made of IB film
[19] PET plastic bottles and preform
[20] Aseptic filling systems for PET plastic bottle

• Lifestyle Materials

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

• Industrial Supplies

[24] Optical film for displays [25] Projector screens
[26] Photovoltaic module components (back sheets and encapsulants)
[27] Dye-sublimation thermal transfer printing media
[28] Thermal-resin type transfer printing media
[29] Self print terminal "PrintRush"



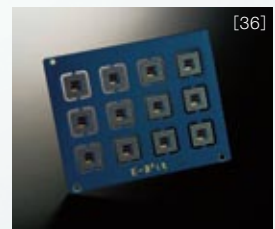
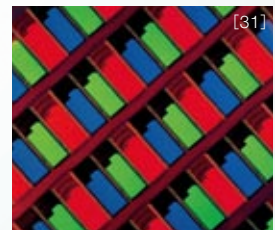
Electronics

• Display Components

[30, 31] LCD color filters
[32] Large-scale photomasks
[33] Touch panel sensors

• Electronic Devices

[34] Semiconductor photomasks
[35] Lead frames for semiconductor packages
[36] Embedded print wiring board
[37] Camera modules
[38] Reader/writer modules [39] IC tags
[40] Ultracompact IC tags
[41] MEMS (micro electro mechanical systems) products



Note: Numbers in square brackets correspond to photographs on p.34-35.



[4]



[5]



[6]



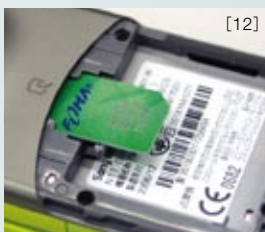
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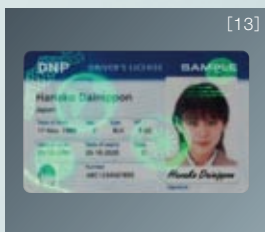
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[12]



[13]



[14]



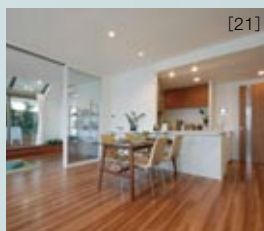
[18]



[19]



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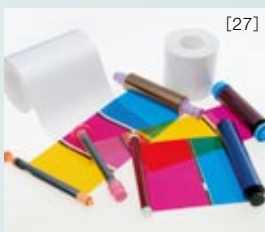
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[22]



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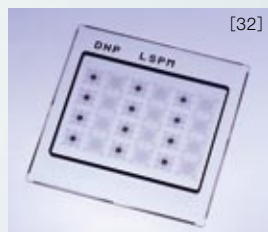
[27]



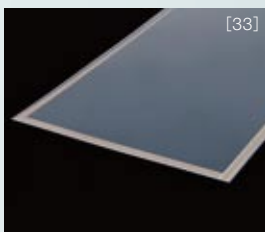
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[29]



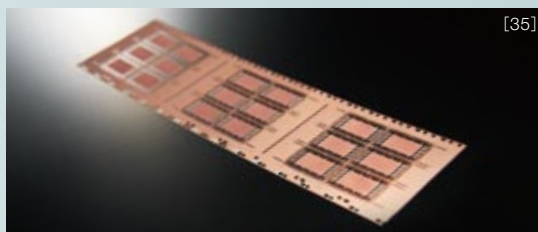
[32]



[33]



[34]



[35]



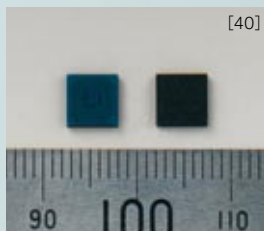
[37]



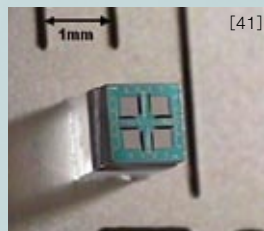
[38]



[39]



[40]



[41]

Timeline of DNP's Technological Development and Business Expansion

1876 <Founding>

1950

1960

1970

1980

Printing

Comprehensive Printing

Information Processing

- ▶ 1876 Founding of Shueisha, DNP's predecessor; start of letterpress printing
- ▶ 1935 Merger of Shueisha and Nisshin Printing to form Dai Nippon Printing
- ▶ 1949 Listed shares on Tokyo Stock Exchange
- ▶ 1951 Promotion of "Expansion Printing"

Information Communication

Books and Magazines

- ▶ 1877 Produced first Western-style book in Japan, revised edition of "Self-Help" by Samuel Smiles
- ▶ 1912 Completion of DNP's original Shueitai font
- ▶ 1925 Receive order to print 740,000 copies of the inaugural edition of "King" magazine
- ▶ 1882 Begin sales of printing types
- ▶ 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
- ▶ 1981 Establishment of new video printing system technology

Business Forms

- ▶ 1898 Printed Osaka City Harbor-Construction Bonds (Begin printing of securities)
- ▶ 1954 Start of carbon-backed ledger printing
- ▶ 1965 Begin mass production of OCR ledgers
- ▶ 1974 Full-scale production of magnetic plastic cards
- ▶ 1983 Development of smart card
- ▶ 1946 Begin printing new Bank of Japan notes after being designated to do so by Japanese Ministry of Finance

Lifestyle and Industrial Supplies

Packaging

- ▶ 1951 Full-scale entry into paper container business
- ▶ 1961 Start production of blow-molded bottles
- ▶ 1975 Begin producing retort pouches
- ▶ 1983 Development of "Thermoject" technology for simultaneous plastic molding and printing
- ▶ 1984 Begin producing PET plastic bottles
- ▶ 1951 Begin in-house production of flexible packaging
- ▶ 1962 Begin producing paper cups
- ▶ 1969 Begin producing laminated tubes

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 Curlfit technology for printing on curved surfaces
- ▶ 1977 Development of stainless decorative sheet

Industrial Supplies

- ▶ 1983 Start producing projection screens
- ▶ 1984-85 Development of thermal resin-type and dye sublimation-type thermal transfer recording media

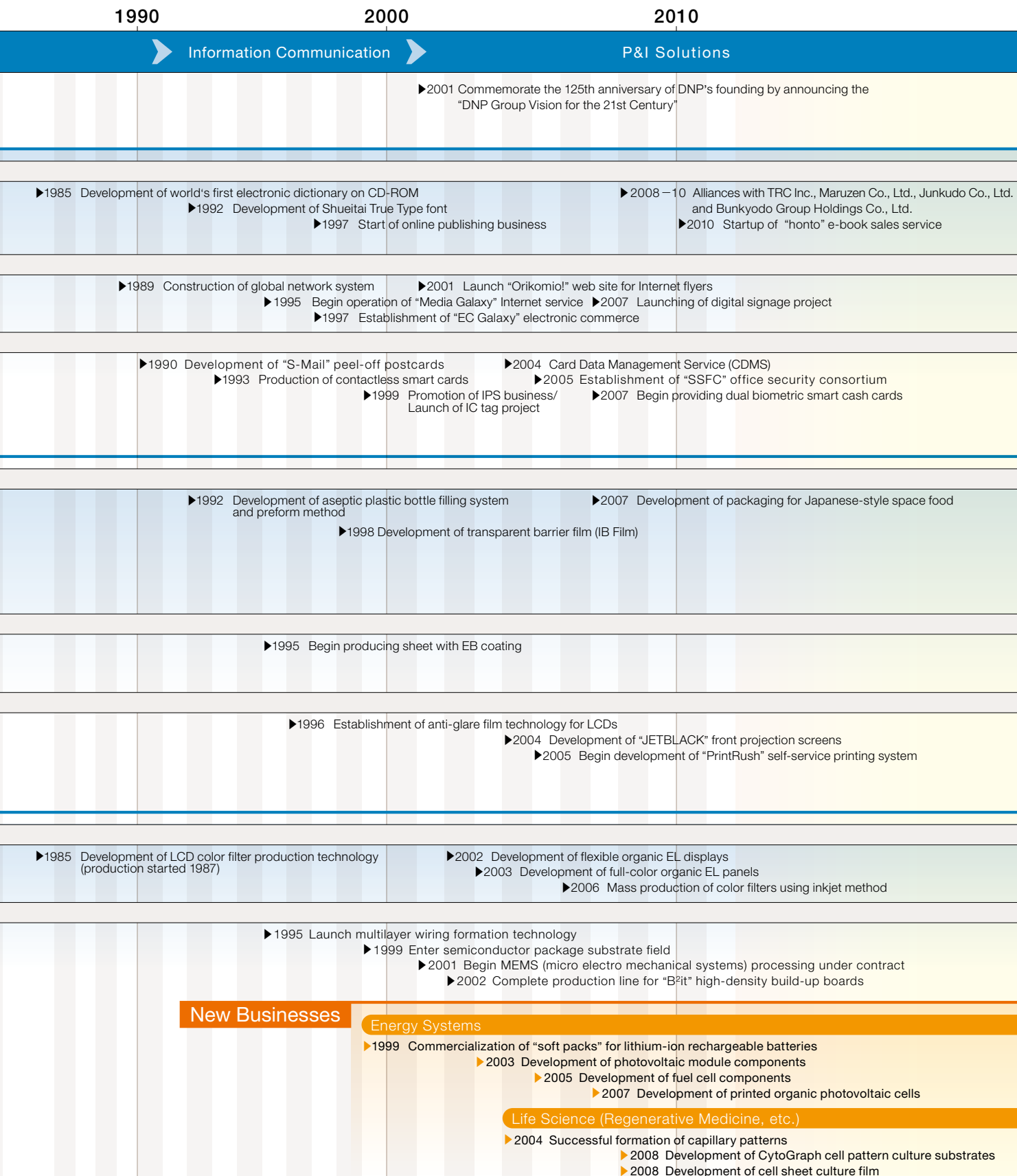
Electronics

Display Components

- ▶ 1958 Successful prototyping of shadowmasks
- ▶ 1973 Begin research and development of color filters
- ▶ 1978 Development of new type shadowmasks (flat masks)

Electronic Devices

- ▶ 1959 Successful prototyping of photomasks
- ▶ 1964 Begin lead frame production



Major Events of This Fiscal Year

2010

April

● Startup of advanced photomask production base in Taiwan; strengthening of overseas supply framework

→ See page 65 for details.

● Intelligent Wave Inc. becomes a consolidated subsidiary of DNP

Following a successful takeover bid, DNP acquired 50.61% of outstanding shares in Intelligent Wave Inc., making this strong player in network authentication technology a DNP subsidiary. Looking ahead, DNP plans to expand its business in the digital security field — including providing identity authentication for online account settlements and ASP operation of a fraud detection system — and in back office operations for financial institutions and business process outsourcing services.

● Startup of new color filter plant in Himeji, Hyogo Prefecture

→ See page 65 for details.

May

● Bunkyo Group Holdings Co., Ltd. becomes a consolidated subsidiary

In order to strengthen its education and publications distribution business, DNP acquired Bunkyo Group Holdings Co., Ltd. as a consolidated subsidiary through a private placement of new shares. By increasing collaboration between Maruzen CHI Holdings Co., Ltd, operator of major bookstore chains including Maruzen, Junkudo and Bunkyo Group Holdings Co., Ltd., which operates a bookstore chain focused on small- and medium-sized bookstores, DNP is moving forward with the construction of a publications distribution platform suited to the digital age.

July

● Establishment of the Association for E-publishing Business Solution

Based on close cooperation with the Japanese publishing industry, DNP and Toppan Printing Co., Ltd. founded the Association for E-publishing Business Solution to promote the establishment of an environment conducive to the growth and healthy development of Japanese e-publishing businesses. The association aims to contribute to the growth of e-publishing business in Japan.

→ See page 50 for related information.

October

● DNP establishes DNP Book Factory Co., Ltd. to enable integrated printing and binding of books

DNP established a dedicated production company, DNP Book Factory Co., Ltd., through the merger of two Group companies that were involved in book production. In response to publishers' need to quickly print small lots of books, especially paperbacks, new titles, and comic books, DNP created a factory that can offer high-quality, fast-turnaround, low-cost book production. Looking ahead, DNP will further bolster its ability to print on demand and handle e-publishing, thereby reinforcing its overall book printing business.

November

● Establishment of "honto," one of Japan's largest e-book sales services

DNP established "honto," an online sales service offering one of the largest selections of electronically published content in Japan. By increasing collaboration between honto, "bk1," an online bookstore for printed books, and physical bookstore chain operators including Maruzen, Junkudo and Bunkyo, DNP formed a digital/physical hybrid bookstore network. DNP aims to expand its overall business by creating a place where consumers are "certain to find a book they want to read" and "able to read the book they want in the format they want."

→ See page 50 for related information.

2011

January

●Startup of 2Dfacto online e-book store

DNP teamed up with NTT DoCoMo, Inc. and Maruzen CHI Holdings Co., Ltd. (formerly CHI Group Co., Ltd.) to establish 2Dfacto, Inc., a joint venture company aimed at operating a new type of hybrid retail network that will sell paper and electronic publications, both online and in physical stores. As a step in that direction, the partners established 2Dfacto online e-book store to sell e-publishing content for delivery to smart phones operated by NTT DoCoMo and other types of information terminals in January. 2Dfacto's e-book store started out offering some 20,000 electronic books with a focus on literary works and manga comic books, with plans to expand the inventory to around 100,000 titles.

→See page 50 for related information.

February

●Reorganization of promotion framework for education and publications distribution business (CHI Group acquires Junkudo and Yushodo)

DNP consolidated subsidiary CHI Group Co., Ltd. executed stock swaps to acquire Yushodo Co., Ltd., and Junkudo Co., Ltd. as consolidated subsidiaries. Yushodo specializes in imported academic publications, while Junkudo has a wealth of expertise in bookstore operations. In order to speed up implementation of strategies in each area of business, the operating companies held under CHI Group Co., Ltd. were reorganized and CHI Group was renamed Maruzen CHI Holdings Co., Ltd. effective May 1, 2011.

March

●Procurement of 50 billion yen through the issue of a third series of unsecured corporate bonds

DNP issued a third series of unsecured corporate bonds on March 3, 2011, and raised 50 billion yen. This latest bond issue received a high rating of "AA with stable outlook" from Rating and Investment Information, Inc. DNP plans to allocate the funds procured through this bond issue to invest in plant and equipment, including a new packaging plant in Kyotanabe, Kyoto Prefecture, and facilities at our energy systems plant in Kitakyushu, Fukuoka Prefecture.

●Damages from the Tohoku-Pacific Ocean Earthquake; posting of 6.1 billion-yen extraordinary loss

●DNP acquires Sony's commercial digital photo printer business

DNP acquired Sony Corp.'s professional digital photo printer business, excluding manufacturing of the printers. According to the agreement, Sony is to transfer to DNP its worldwide business base related to the professional digital photo printer business, while DNP is to provide supplies of dye-sublimation print media for instant photo printing kiosks and ID photo printers installed by Sony. DNP aims to continue strengthening and expanding its digital photo print business.

April

●Startup of energy systems operations' new plant

DNP constructed a new plant in Kitakyushu, Fukuoka Prefecture, to manufacture "soft packs" for lithium-ion rechargeable batteries and back sheets and encapsulants for photovoltaic cells. The plant began operating in April 2011. Looking ahead, we expect to see demand grow around the world for new energy sources to replace fossil fuel. We will operate the new plant as an important manufacturing hub from which we can supply products to Europe and North America, China and other developing nations, and the entire world.

Investor Information

(as of March 31, 2011)

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):

40,188

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)

23,990

Stock Exchange Listings:

Tokyo, Osaka

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	40,614	6.30
The Dai-ichi Life Insurance Co., Ltd.	30,882	4.79
The Bank of New York Mellon as Depositary		
Bank for Depositary Receipts Holders	29,411	4.56
Japan Trustee Services Bank, Ltd. (Trust A/C)	27,525	4.27
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	12,323	1.91
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	11,280	1.75
Japan Trustee Services Bank, Ltd. (Trust A/C 9)	10,385	1.61

Notes: 1. The number of treasury shares (55,814,518) is excluded from the figures above.
2. The ownership stakes are based on the total number of shares outstanding less treasury shares (644,666,175).

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
FTSE4Good Index Series
Ethibel PIONEER Register
& Ethibel EXCELLENCE Register
Morningstar Socially Responsible Investment Index
Sustainable Asset Management

Stock Code:

7912

Administrator of Shareholder Register:

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

American Depositary Receipts:

Ratio (ADR:ORD): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: DNPLY
CUSIP: 233806306
Depositary:
The Bank of New York Mellon
101 Barclay Street, 22 West, New York, NY
10286, U.S.A.
Telephone: (201) 680-6825
U.S. toll free: 888-269-2377 (888-BNY-ADRS)
URL: <http://www.adrbnymellon.com/>

Annual Meeting of Shareholders:

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

Investor Relations:

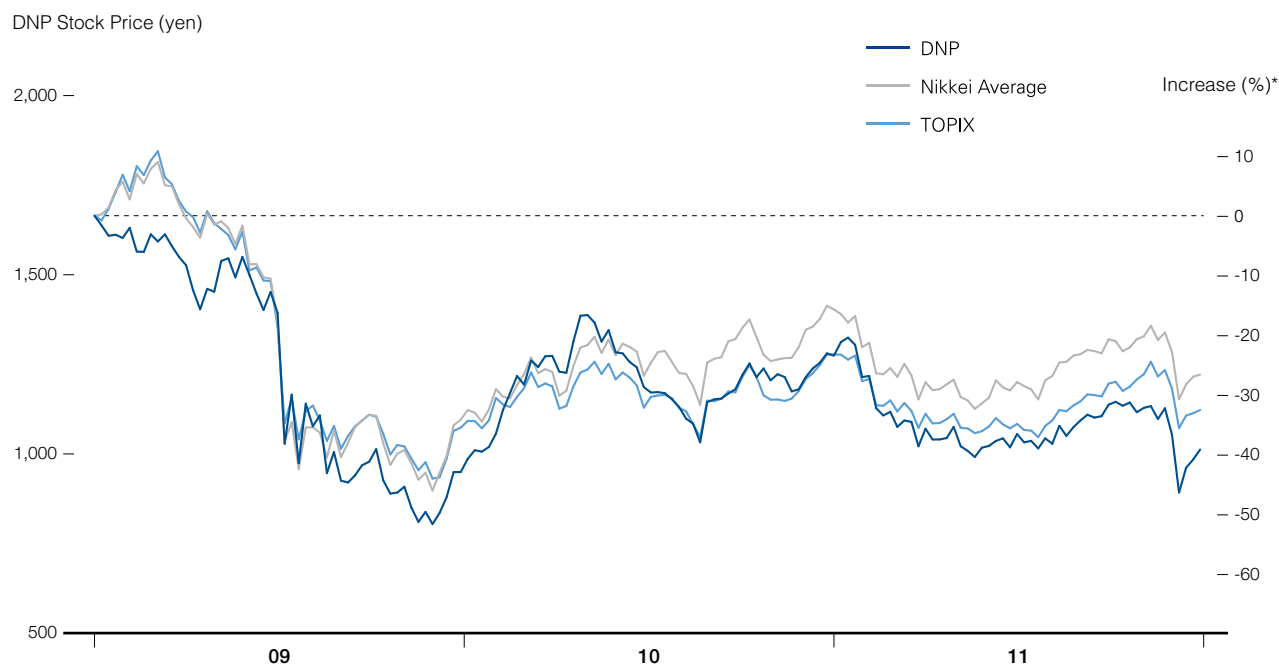
Dai Nippon Printing Co., Ltd.
IR Group, Press and Public Relations
1-1, Ichigaya-Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan
Tel: +81-3-5225-8220
Fax: +81-3-5225-8239

Web Site Address:

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

Share Price Evolution (Tokyo Stock Exchange)

(between April 1, 2008 and March 31, 2011)



Voting Rights

(as of March 31, 2011)

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	56,899,000	—
Stocks with voting rights (other)	Common stocks	641,272,000	641,271
Stocks with less than trading units	Common stocks	2,309,693	—
Outstanding shares	700,480,693		—
Total voting rights of stockholders	—		641,271

Treasury Stocks

(as of March 31, 2011)

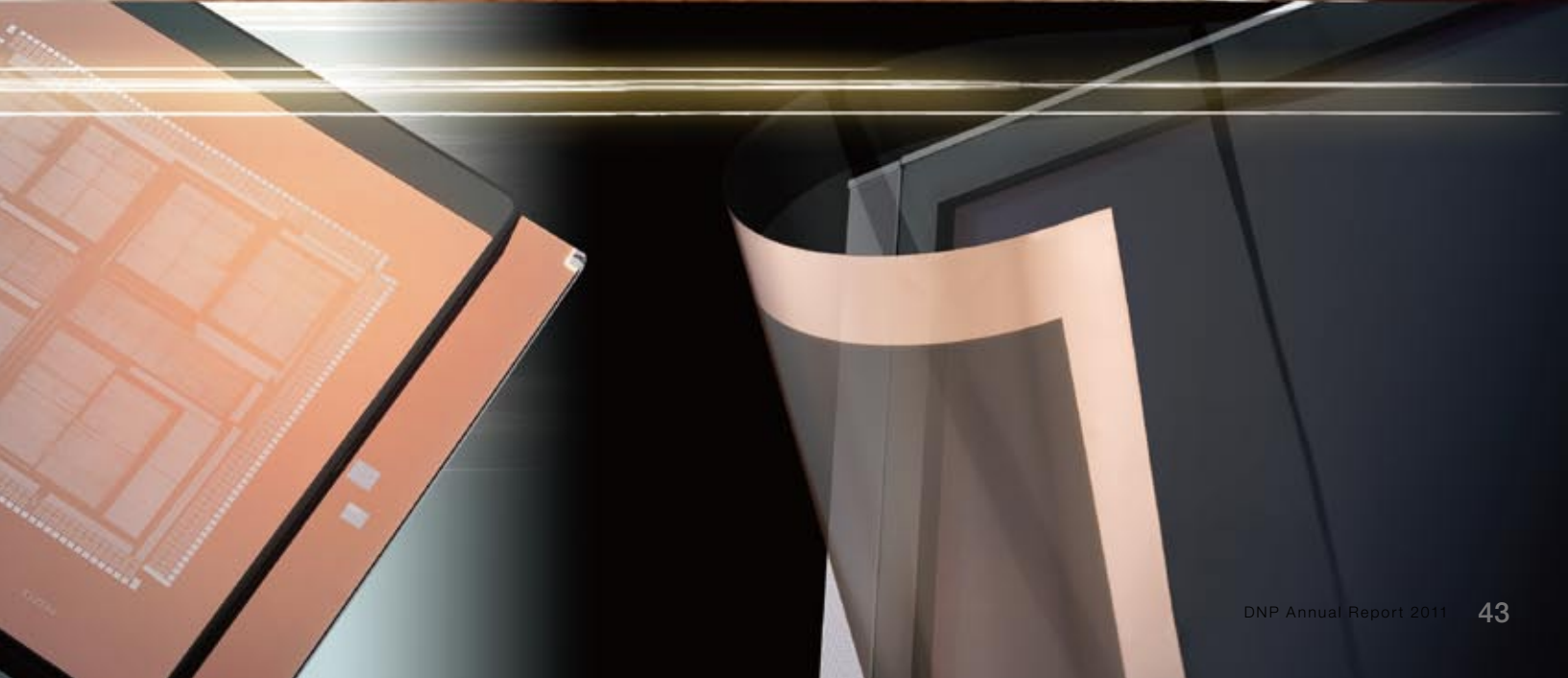
Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	55,814,000	7.97
Kyoiku Shuppan Co., Ltd.	1,085,000	0.15
Total	56,899,000	8.12



Segment Information

CONTENTS

44	Information Communication	52	Lifestyle and Industrial Supplies	60	Electronics
44	Business Strategies	52	Business Strategies	60	Business Strategies
46	Financial Results	54	Financial Results	62	Financial Results
47	Portrait of Divisions	55	Portrait of Divisions	63	Portrait of Divisions
50	Topics	58	Topics	65	Topics



Information Communication

BUSINESS STRATEGIES

Our Information Communication segment is composed mainly of Books and Magazines, Commercial Printing and Business Forms. The segment has grown far beyond the manufacturing-centered activities that were its original field of business. Today it combines printing and information technologies in order to provide a variety of solutions that enhance communication between businesses and consumers, businesses and businesses, and consumers and consumers.

Basic Strategies

With the emergence of social media, consumers have begun to receive and transmit their own information. Rather than relying on information that companies provide through mass media or in retail stores, consumers are increasingly basing purchasing decisions on information that they sought online, including other consumers' opinions and values and evaluations by experts. Companies are shifting from a mass media-centered marketing style to a social media-oriented style of cooperating with consumers and inviting them to participate in corporate activities.

In response to these changes, DNP's Information Communication segment will not only continue to produce output in all types of formats, but will provide a variety of solutions including market analysis and consulting to help businesses make the most of consumers' opinions, promotional project planning, operation of campaign offices and customer service centers, processing of gift requests and mailing of gifts, as well as website operations. Because the Information Communication segment handles corporate and personal information, we have constructed a high-level information security environment and worldwide information networks, and we intend to make active use of these assets as we develop our business.



Major Policies

Promotion of P&I Solutions

As the business segment that has the most direct involvement with corporate and individual customers' information, Information Communication is actively developing products and services that support our Group-wide vision of providing P&I Solutions. We work to quickly uncover the problems faced by corporations, consumers, and society in general, and to provide optimal solutions to those problems based on our many strengths, including printing and information technologies, the capacity to generate hypotheses and proposals, and the ability to develop products and services.

Strengthening our business process outsourcing (BPO) services through a safe and reliable business platform

Because DNP is aware of its responsibility to handle information entrusted to it by companies and consumers in a safe and secure manner, we have constructed an advanced information security environment. This environment is a valuable asset. We use it to provide an information platform which we employ not only for high-speed processing of massive amounts of data, but also for personalized information services through which we can meticulously address consumers individually.

We make use of this platform and the rest of the DNP Group's overall strengths as we focus on winning orders for our comprehensive business process outsourcing services. In addition to production of optimal media and content, these services include implementation of all types of surveys and studies, consulting, development of promotional projects, operation of online data centers and e-tail sites, operation of customer service centers and promotional campaign offices, back office operations such as packaging and shipping of promotional items and gifts, and print-on-demand of customized information.

Developing hybrid production solutions and a hybrid bookstore network

The environment surrounding the publishing market remains extremely harsh. In order to revitalize the market, we plan to mobilize the entire DNP Group and work at planning marketing projects, improving the efficiency of sales and distribution, and improving customer service, rather than approaching the market only from the manufacturing-oriented standpoint of a printing company. As the Japanese publishing industry's "No. 1 partner," we are focusing on solving a variety of problems and establishing a new profit base, which includes expansion of our electronic publishing business.

We aim to revitalize the publishing market through "hybrid production solutions" that integrate paper book production with print-on-demand and electronic book content production, and by developing Japan's first digital/physical hybrid bookstore, which will link physical bookstore chains with an online bookstore that sells printed books and an online e-book retail service.

Further global development

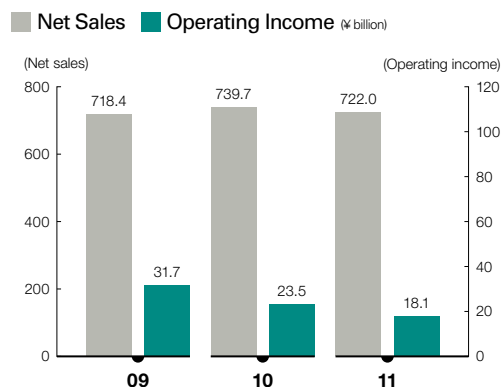
DNP is focusing on developing Asian markets by making use of the Shanghai subsidiary that we established in 2005 in addition to production bases that we have operated in Singapore and Indonesia for almost 40 years. We have built a network of printing companies in 33 countries and a region around the world. By making use of this network, a multilingual translation service capable of handling some 60 languages, and electronic transmission of printing data, we will work harder than ever to promote production in the location that best suits each client.

DNP will actively work to solve overseas problems related to information communication and expand our business on a global level.

FINANCIAL RESULTS

Financial Highlights

	(¥ billion, %)		
	2009.3	2010.3	2011.3
Net sales	¥ 718.4	¥ 739.7	¥ 722.0
Operating income	31.7	23.5	18.1
Operating income margin	4.4%	3.2%	2.5%



Business Environment

In the fiscal term through March 2011, total domestic sales from the publishing of books and magazines declined year on year for the sixth term in a row since 2005, offering no relief from the industry's prolonged downtrend. In addition, sales in areas such as commercial printed matter and magazine advertisements suffered greatly from stagnation in both personal consumption and corporate advertising spending. Business Forms also continued to face a harsh environment due to the increasing trend toward paperless recordkeeping, issuance of fewer invoices, etc., and reduced credit card issuance as part of cost-cutting efforts. Demand was pressured even further because many businesses canceled promotional campaigns to show solidarity with the victims of the March earthquake, and because unit prices kept falling in response to intensified competition. In short, the economic environment remained as difficult as ever.

Summary of Financial Results

In Books and Magazines, sales of both books and magazines declined, continuing the publications market's prolonged slump. In Commercial Printing, sales of advertising materials such as flyers, pamphlets and point-of-purchase materials declined as a result of cutbacks in corporate advertising budgets. In Business Forms, sales of smart cards declined as did sales of information processing services (IPS), a comprehensive service that handles every step in the execution of mass mailings of personalized communications, from data entry to printing and mailing.

Sales from DNP's Education and Publication Distribution business increased thanks to the contribution from bookstore operator Bunkyo Group Holdings Co., Ltd., a newly consolidated subsidiary. But total segment sales decreased by 17,705 million yen, or 2.4% from the previous fiscal year, to 721,980 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 5,321 million yen, or 22.7%, from the previous fiscal year to 18,145 million yen. The operating income margin also declined, by 0.7 point to 2.5%. The Information Communication segment contributed 45.0% of DNP's total net sales (down from 46.3% in the previous term) and 23.1% of the Group's operating income, compared to 31.1% last term.

PORTRAIT OF DIVISIONS

Books and Magazines



Main Businesses

In addition to printing books and magazines, we handle a broad range of digital content, for which we execute every step from planning and production to network-based distribution, sales, promotions, and analysis of consumer trends. We are also working hard at the promising electronic publishing market. In addition to conventional publishing companies, our customers include a variety of content holders in Japan and abroad. We edit and process our customers' content into the most appropriate formats and provide products and services that resolve their problems.

Market Trends and Summary of Financial Results

Stagnation continued in the traditional publishing market. Domestic sales of books and magazines in the fiscal term ended March 2011 declined by 3.2% from a year earlier, to 1,857.4 billion yen. Book sales declined by 2.5% from a year earlier to 819.8 billion yen, and magazine sales fell 3.8% to 1,037.6 billion yen. There is still no end in sight for the prolonged slump in publishing sales: book sales have fallen for four years in a row since 2007 and magazine sales have declined for 13 years in a row, since 1998. A women's magazine that has attracted attention by bundling the magazine with merchandise in collaboration with popular fashion brands, achieved a year-on-year increase in sales for the third year in a row, but the overall magazine market did not recover.

As a result of the sluggish market, magazine publishers

put out fewer copies of each issue and responded to falling advertising revenues by reducing the number of pages and reviewing publishing cycles. Unit prices also declined. These trends caused DNP's overall net sales from Books and Magazines to decline relative to the previous fiscal term.

Strategic Opportunities and Future Development

DNP's Books and Magazines is focusing on preparing the ground to accommodate expected expansion in the electronic publishing business. Our efforts toward this end have included unifying standards and building frameworks for copyright management and other areas needed to support the electronic publishing business, teaming up with NTT DoCoMo, Inc. to establish 2Dfacto, an online store that sells electronic book content, and starting our own online e-book retail service.

DNP is accelerating the development of these new businesses by creating a hybrid production solution framework that can handle various formats ranging from paper books to e-book content, and by establishing a hybrid retail network that links an online store for e-books with an online store for printed books and physical stores for printed books. We aim to generate synergistic benefits by joining forces with Maruzen CHI Holdings Co., Ltd. and other partners in order to create an environment in which consumers are "certain to find a book they want to read" and "able to read the book they want in the format they want."



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, send promotional gifts, and operate customer service centers. Commercial Printing serves manufacturers, distributors, and other corporate customers in a variety of industries by providing a comprehensive service that closely links DNP's sales, planning, development and manufacturing divisions to cover every aspect of sales promotion.

Market Trends and Summary of Financial Results

Corporate sales promotion strategies have undergone major changes recently in response to such factors as prolonged economic stagnation and diversification in consumers' needs. There is a clear trend toward approaching consumers on an individual basis rather than through mass media advertising as was common in the past. Advertisers are increasingly shifting their communications to the Internet, mobile information devices, and other methods of direct approach that stimulate a greater response than the old methods.

According to "Sales by Advertising-related Companies" reported by the Ministry of Economy, Trade and Industry, in the fiscal year ended March 2011, Japanese spending on magazine advertising declined by 9.5% from the previous

term and spending on newspaper ads declined by 5.8%, but total Japanese advertising outlays increased by 2.7% thanks to year-on-year increases in television advertising (up 3.6%), Internet (17.3%) and direct mail (4.4%). Nevertheless, advertising outlays have not recovered from the plunge they took in response to the international financial crisis in 2008. Continued growth in spending on Internet advertising suggests that businesses are increasingly pinning their hopes on the Net and other methods that are more cost-effective than traditional media.

As a result of these circumstances, Commercial Printing's net sales from campaign and event operation increased relative to the previous term, while sales of flyers, catalogs, and other printed matter declined. Overall net sales decreased compared to the previous year. By industry, sales from specialty retailers and appliance retailers increased relative to a year earlier, while sales from the advertising, service, and cosmetics sectors declined.

Strategic Opportunities and Future Development

As Internet usage has become an integral part of daily life, most companies have begun making maximum use of Internet advertising. Before making purchasing decisions, many consumers now seek and use information from multiple forms of media, including user comments posted on web sites, point-of-purchase media, and digital signage, rather than relying only on paper media such as flyers and catalogs.

Based on the "cross media factory" concept, DNP offers solutions that enliven the communications of our corporate clients and connect companies with consumers based on multimedia distribution using the most effective mix of printed media and a diverse range of electronic media including digital signage and tablet PCs.

Business Forms



Main Businesses

In addition to printing ledgers, bank books, and gift certificates, etc., DNP's Business Forms Operations 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 direct 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 whereby we handle client companies' business processes on their behalf.

Market Trends and Summary of Financial Results

Demand for credit cards, cash cards, and other smart cards issued by financial institutions was sluggish, while demand for mobile phone SIM cards also declined.

At the same time, corporate clients and consumers are increasingly seeking advanced security for personal information and other sensitive 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, corporate clients have come to harbor great expectations for smart card solutions that increase security or improve convenience and customer satisfaction. We expect that the number of smart cards issued annually in Japan will further increase

from the current 170 million.

In this fiscal year, the IPS market was hurt as cutbacks in advertising budgets translated to fewer mailings of flyers in envelopes and the use of simpler direct mail, while increased use of Internet-based communication led to a drop in mailings of notifications. As a result of these factors, net sales for IPS and smart cards decreased relative to a year earlier.

Strategic Opportunities and Future Development

DNP controls roughly 60% of the Japanese market for smart cards issued by financial institutions including credit cards, cash cards, etc. Going forward, we expect to see growing demand for information security related to personal information and sensitive corporate information. In addition to financial applications, we intend to provide a variety of industries, including distribution, transportation, communications, and the public sector, with security solutions based on the use of smart cards that can process large amounts of data safely and reliably. In the IPS field, we intend to make use of our ability to process large amounts of data individually and under highly secure conditions, and to expand our BPO services by combining non-printing services such as online distribution, office operation, customer service center operation, and shipping of merchandise and gifts.



TOPICS

Books and Magazines

● Launch of digital magazine with video and audio content

Using the same DTP data and software that we use to produce paper magazines, DNP has launched a service that produces digital magazines combining text with multimedia components including photographs, illustrations, video and audio content. The service makes it possible to simultaneously publish a paper version and digital version of a magazine.

The service's initial offering is a digital version of "Hütte," an outdoor magazine for women produced jointly with Yama-kei Publishers Co., Ltd. which we have already started distributing to iPads. In the future, DNP intends to reinforce its "hybrid production solutions" for handling both paper and digital content, in order to help publishing companies expand their businesses.



"Hütte" by Yama-kei Publishers
Left: Layout image of digital version
Right: Front-cover page of the third issue

● Focus on startup of electronic publishing market

The electronic publishing market has begun to grow rapidly with the appearance of smartphones, tablet PCs, and other e-book readers in addition to mobile phones. DNP has taken steps to take advantage of this trend, which we view as a new opportunity to expand our business.

In July 2010, DNP participated in the establishment of the Association for E-publishing Business Solution as one of its founding members. DNP Executive Vice President Koichi Takanami serves as chairman of the association, which already has 150 corporations and

groups participating in its activities.

In November 2010, DNP launched an e-book sales service called "honto," which delivers electronically published content to iPhones and iPads. In January 2011, DNP tied up with NTT DoCoMo, Inc. to establish an e-bookstore called 2Dfacto, which has begun selling e-book content for delivery to smart phones and e-book readers supplied by NTT DoCoMo. The new e-bookstore started out offering primarily literary works and Japanese manga comic books, with plans to gradually add new book titles, magazines, and "rich media" embedded with video and audio contents.

Commercial Printing

● DNP becomes the first commercial printer in Japan to acquire the right to use the Carbon Footprint Mark

DNP became the first company in Japan to acquire the right to use the Japanese government-sponsored Carbon Footprint Mark in posters, pamphlets, and other commercial printed matter. A product's carbon footprint is the CO₂ equivalent of greenhouse gases emitted during the product's entire life cycle from the procurement of raw materials through manufacturing, distribution, usage, disposal, all the way to recycling. The Carbon Footprint Mark displays the amount of emissions in an easy-to-understand format. Efforts to promote carbon footprint labeling are spreading throughout the world, with international standards expected to be established during the fiscal term through March 2012.

In addition to assessing its own printed material, DNP also calculates and labels the carbon footprint of commercial printed matter that it produces on behalf of corporate clients as a service to clients. DNP also actively develops other eco-friendly products and services that contribute to the realization of a sustainable society.

Security Solutions Business

● DNP hologram designs give products a luxurious feel and provide effective protection against counterfeiting

In recent years, many card-issuing companies have sought not only to gain new members, but also to improve the added value services they provide for their preferred members. As part of this trend, there is a great deal of demand for elegant designs to distinguish premium membership cards. DNP has developed a card with an embedded Lippmann hologram, a type of hologram that offers particularly rich three-dimensional expression of designs.

By rethinking the materials and manufacturing processes used to make hologram cards, DNP was able to achieve more flexibility in determining the hologram's size and position on the card and to make the holograms more durable. Because the manufacture of Lippmann holograms requires specialized materials and knowledge, they provide more effective protection against counterfeiting. DNP intends to step up efforts to market these cards to a wide variety of industries, starting with financial institutions and distributors.



Lippmann hologram card

● DNP becomes the first company in Japan certified to manufacture and personalize China UnionPay cards

DNP's Ushiku Plant (in Ibaraki Prefecture), which manufactures and personalizes smart cards, has been certified as a personalizer for China UnionPay brand credit cards. The Ushiku Plant was already certified to manufacture the UnionPay card in July 2009, and has now become the first company in Japan capable of establishing a coherent UnionPay

card production system with integrated manufacturing and personalization. DNP is also the only domestic Japanese card vendor that has acquired certification to both manufacture and personalize all of the world's six biggest global payment brands: Visa, MasterCard, JCB, American Express, Diners and UnionPay.

By offering magnetic and smart cards with high added value to financial institutions not only in Japan but also overseas — and particularly within Asia — DNP aims to expand its UnionPay brand-related business.

● DNP becomes the first printing company to receive highest information security rating

DNP's Warabi Plant (in Saitama Prefecture), which handles massive amounts of personal information and produces personalized mail, received the top "AAAI's" rating out of 17 levels of information security authorized by information security rating company I.S. Rating Co., Ltd. The highest level rating has only been given to six workplaces operated by four companies (including DNP). DNP was the first company to receive the highest rating for both data processing and manufacturing divisions. It was also the first company in the printing industry to receive the highest rating.

The rating is an indicator of the level of security under which a company or other entity handles technical information, trade secrets, and/or personal information. Factors on which the rating is based include the degree of maturity of the company's management, the strength of measures taken to prevent information leakage, and the quality of efforts to ensure compliance with laws and regulations. DNP will continue to actively promote its Information Processing Services and other businesses on the strength of its advanced information security environment.



Evaluation mark for AAAI's

Lifestyle and Industrial Supplies

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 Opto-Materials, Information Media Supplies, 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 come to insist that their lifestyles reflect more consideration for the global environment, and to demand greater safety and peace of mind regarding food, clothing, and housing. It is important that we contribute to resource saving, make use of cleaner energy sources, and design products according to universal design principles to make them as easy as possible for anyone to use. In response to the diverse needs of corporate clients and consumers, the Lifestyle and Industrial Supplies segment will continue to develop and supply a wide range of products that are important to people's daily lives and products that are indispensable to the manufacturing processes of our corporate clients. In addition to ensuring safety and ease of use, we will reduce negative impact on the environment and energy resources throughout each product's life cycle.

DNP takes a very broad view of the "printing" field. We have designated areas of great social concern, such as environmental preservation, energy, and life sciences, as new fields in which we intend to provide cutting-edge, original products. We will speed up the development of these new businesses by making use of DNP's original technologies and by actively forming alliances with companies and research institutes that have special capabilities.



Major Policies

■ Packaging:

Creating new value with a focus on environmental consciousness and high functionality

Our aim in this field is to support both a sustainable society and abundant lifestyles. Toward that end, we will enhance our lineup of eco-friendly products and products with advanced functionality. We will also focus on analyzing consumers' awareness and how they actually use products, in order to create the value that society seeks.

Our Packaging Operations develops materials as well as finished products. As an example of an eco-friendly packaging material developed by DNP, in 2011 we were first in the world to begin marketing polyethylene terephthalate (PET) plastic film made with material derived from sugar cane. Meanwhile, we have positioned our Innovative Barrier (IB) film, a transparent packaging film with excellent barrier properties, as a strategic product. In addition to boosting overseas sales efforts to expand its use in packaging foods, we intend to further improve its functionality in order to use it for medical supplies, pharmaceuticals, and industrial materials.

■ Lifestyle Materials:

Focusing on the environment, health, comfort, safety and peace of mind

Our Lifestyle Materials Operations addresses many different types of spaces where people spend time. Our focus is 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 provide exceptional abrasion resistance, soil resistance, and durability. We are expanding application of this technology to interior and exterior products for homes and offices, including floor and wall coverings, room dividers, storage units, and entrance doors. By joining forces with manufacturers of residential facilities and decorative materials to approach builders and developers while they are still in the project planning stages we are working to develop a broad-based business that addresses the entire building industry supply chain. As an example of how DNP is working harder to respect the environment, DNP has its own facility for measuring and assessing volatile organic compounds (VOCs) emitted by building materials in residential environments. We are also actively promoting the overseas development of our business, especially in Europe, North America, and the markets of developing nations.

■ Industrial Supplies:

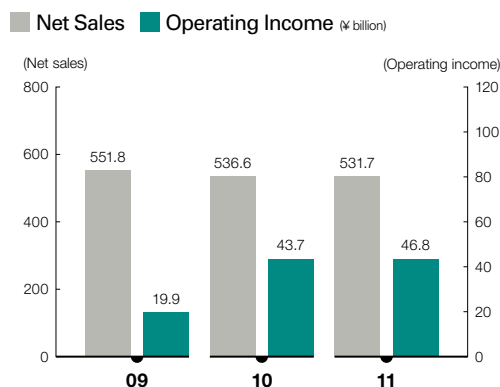
Aiming for medium to long-term growth by supplying a variety of products

- **Opto-Materials:** Our opto-materials business supplies various types of optical films used in flat-panel displays. At the business' core are "clean converting technologies" that boost product precision and quality through the development and application of technologies like coating, lamination, and patterning. DNP controls roughly 70% of the world market for anti-reflection films used in liquid crystal displays. Looking ahead, we aim to further expand this business into the field of touch-activated interactive displays, including touch panels and electronic paper.
- **Information Media Supplies:** We intend to broadly expand our photo print-related business based on our "more than just a photo" concept. In dye-sublimation thermal transfer recording media (color ink ribbons and receiver paper), we want to use our comprehensive manufacturing and sales framework to boost sales of DNP-brand products and increase our share of the world market. We will also focus on developing, operating, and expanding PrintRush self-service printing systems and Ki-Re-i photo ID kiosks.
- **Energy Systems:** One of the mainstays of DNP's new businesses, energy systems business responds to increased demand for clean energy amid rapid growth in related markets. We plan to actively promote this business in world markets. In January 2009, energy systems business inaugurated a dedicated facility for manufacturing photovoltaic module components in Izumizaki, Fukushima Prefecture. Then in April 2011, we opened a new plant in Kitakyushu, Fukuoka Prefecture, to manufacture soft packs for lithium-ion rechargeable batteries and photovoltaic module components, allowing us to triple production capacity in this field. Regarding photovoltaic cells, we will work on developing products that meet the needs of our corporate clients with a focus on improving the functionality and lowering the cost of back sheets and encapsulants. DNP has already won the top share of the world market for soft pack packaging material for lithium-ion rechargeable batteries. We intend to further expand this business by providing soft packs for products such as mobile devices including smart phones and tablet PCs, and for battery-assisted bicycles and electric cars.

FINANCIAL RESULTS

Financial Highlights

	(¥ billion, %)		
	2009.3	2010.3	2011.3
Net sales	¥ 551.8	¥ 536.6	¥ 531.7
Operating income	19.9	43.7	46.8
Operating income margin	3.6%	8.1%	8.8%



Business Environment

In the fiscal year through March 2011, Lifestyle and Industrial Supplies benefited from government stimulus measures such as eco-car subsidies and an “eco-point system” aimed at promoting eco-friendly appliances and residential construction. Personal consumption improved somewhat in the first half of the term due to factors like an extremely hot summer. However, the business environment became very harsh in the second half. After the summer, higher crude oil prices combined with a stronger yen to push up materials prices. On top of stagnant consumption, the Tohoku-Pacific Ocean Earthquake dealt a heavy blow.

Housing starts in the fiscal term ended March 2011 increased by 5.6% year on year to 820,000 units, but demand for optical films was stagnant as manufacturers of flat-panel displays implemented production adjustments in the second half of the term. On the other hand, there was growth throughout the fiscal term in the market for batteries, including photovoltaic modules and lithium-ion rechargeable batteries.

Summary of Financial Results

Sales of anti-reflection films for use in liquid crystal displays (LCDs) increased year on year in the fiscal term through March 2011, despite lackluster sales in the second half due to production adjustments by LCD panel manufacturers. Sales of ink ribbons and lifestyle materials also increased. However, in the packaging sector, sales of aseptic PET plastic bottle filling systems and paper containers declined. In the Lifestyle and Industrial Supplies segment as a whole, net sales declined by 0.9%, or 4,924 million yen, from the previous fiscal year to 531,714 million yen. Despite increased material costs primarily related to packaging and the slump in demand that resulted from the disastrous earthquake, operating income for the segment as a whole increased by 7.0% or 3,076 million yen from the previous term to 46,790 million yen thanks to increase sales of anti-reflection films used in LCDs and solid sales related to lifestyle materials. The segment contributed 33.2% of DNP's total net sales (down from 33.6% in the previous term) and 59.7% of the Group's operating income, compared to 57.9% last term.

PORTRAIT OF DIVISIONS

Packaging



Main Businesses

DNP's Packaging Operations does not simply manufacture packaging products. In addition to providing designs and ideas for all types of packaging based on participation from the earliest stages of project planning, DNP uses its flexible, nationwide network of manufacturing bases to provide timely supplies of finished packaging products. Our comprehensive packaging business even includes the development of functional films and other specialized materials, and the design and manufacture of aseptic filling systems. 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 meticulously 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 consumers' growing awareness 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. In this type of environment, important themes for our business include the facilitation of comfortable and convenient lifestyles, resource saving, and reducing negative environmental impact. Businesses and consumers have become more discriminating in their selection of products designed to protect human health and the natural environment — a

trend that we expect will only keep increasing 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 concerns.

In the fiscal year through March 2011, our Packaging Operations achieved a year-on-year increase in sales of plastic containers, including PET plastic bottle preforms used with aseptic filling systems, but sales of paper containers, flexible packaging and aseptic filling systems for PET plastic bottles declined. Overall, the subsegment's net sales decreased slightly relative to the previous term.

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 negative environmental impact, we developed commercially viable biomass plastic packaging material containing plant-derived material. For the increasing number of people who live alone or in households where both spouses work, we developed single-portion packaging that preserves package contents for a longer period of time. In addition, we established guidelines related to universal design, i.e. making products easy for all kinds of customers to use, and we are developing packaging products with these guidelines in mind. We also have a proven track record in the development of products like transparent barrier films (IB 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 DNP's product development process, we propose a variety of solutions based on the use of tools like “human-centered marketing” — which entails analyzing consumer behavior as a basis for formulating product and marketing strategies — and findings from our “Shoku-MAP” system of monitoring consumers' actual eating habits. DNP addresses the 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.

Lifestyle Materials



Main Businesses

Lifestyle Materials Operations supplies a wide range of products including interior and exterior materials for homes, offices, and commercial facilities, room dividers and storage products, and interior materials for automobiles and railroad cars. 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 (Electron Beam) 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 construction companies to provide solutions to problems related to construction methods.

Market Trends and Summary of Financial Results

In the fiscal year through March 2011, the number of domestic housing starts increased by 5.6% from a year earlier to about 820,000 as new tax incentives and other government measures stimulated sales of condominiums in the Tokyo metropolitan area and construction of low-priced single-family homes. As in the previous year, there was growth in demand for high-added value products such as those designed with health or the environment in mind, and products with exceptional design appeal or functionality.

In the fiscal year through March 2011, environmentally friendly decorative materials using DNP’s original EB coating technology continued to win high acclaim in the marketplace. Our EB-coated wall and floor coverings

captured a larger share of the market, while sales of other products including automotive interior materials also increased. On the whole, the subsegment’s net sales increased compared to the previous term.

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 in the market and have captured an increasing share of the market. There is also increasing demand for products that use water-based inks and non-vinyl chloride (olefin) base materials, which are less likely to emit toxic gas when burned, and for products that do not contain volatile organic compounds like formaldehyde, which are said to cause sick house syndrome. DNP views this increased demand for eco-friendly products as a business opportunity, and plans to step up sales efforts both in Japan and in overseas markets, particularly in newly developing nations.

Meanwhile, amid expectations of widespread use of electric cars in the future, automotive manufacturers are looking for materials that are strong enough to use in auto bodies but lightweight enough to compensate for the heavy battery that an electric car must carry. As a result, DNP anticipates an increasing trend toward replacing metal with plastic as the main material used in automobiles. In order to take advantage of that new demand, we are working on applying our EB coating technology to boosting the strength and functionality of plastic materials.

In addition, EB coating makes products highly weather resistant, and keeps dirt from adhering to product surfaces. We plan to take advantage of these characteristics to expand sales of advertising-related products such as outdoor signs and displays.

*EB (Electron Beam) coating technology

DNP’s original technique for hardening a coat of resin by exposing it to electron beams. 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. In addition, the EB coating technique uses less energy, generates less carbon dioxide, and enables coating without the use of solvents, making it an eco-friendly, next-generation manufacturing method.

Industrial Supplies



Main Businesses

DNP is the world's top supplier of many products supplied by our Industrial Supplies Operations, including anti-reflection films used in LCDs and dye-sublimation thermal transfer recording media (ink ribbons and receiver paper) used for printing photos. Although the subsegment'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. DNP's energy systems business supplies photovoltaic module components and soft packs (packaging products) for lithium-ion rechargeable batteries that meet market expectations.

Market Trends and Summary of Financial Results

Due to growth in the market for LCD panels, there is increasing demand for anti-reflection films that improve picture quality by preventing glare on LCD screens. Although sales of electromagnetic interference shielding film used in plasma display panels (PDPs) decreased in the fiscal year through March 2011, we sold more contrast improvement film, and overall optical film sales increased relative to the previous term.

In information media supplies, there was increased demand for dye-sublimation thermal transfer recording media used for printing photos. There was also solid demand related to ID cards and the entertainment and medical fields. Sales of thermal-resin type transfer recording media (monochrome ink ribbons generally used for printing

barcodes) increased due to overseas demand for printing barcodes.

In our battery-related business, a government subsidy system boosted demand for photovoltaic cells, leading to a large increase in sales of photovoltaic module components. The popularity of smart phones and other mobile products led to solid sales of packaging for lithium-ion rechargeable batteries. Overall, net sales from Industrial Supplies increased slightly over the previous term.

Strategic Opportunities and Future Development

The market for LCDs is expected to grow in the future, largely due to demand for LCD televisions in developing countries. Some analysts even expect that China and other developing countries will account for more than 50% of total demand for LCDs in 2012. Sales of small and medium-sized display panels are also expected to continue to increase due to increasing penetration of smart phones and tablet PCs. In response to this expected increase in LCD panel demand, DNP will work to sell more anti-reflection films. 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.

Meanwhile, there is increasing demand for printing photos taken with digital cameras and mobile terminals. We expect to see growth in demand for dye-sublimation thermal transfer recording media, which offer many advantages over other printing methods, including much faster printing and much more durable prints. We intend to expand our thermal transfer recording media business by installing more self-service printing kiosks and developing applications that serve commercial and industrial users.

In order to respond to robust demand for photovoltaic cells and lithium-ion rechargeable batteries, in April 2011, we opened a new plant in Kitakyushu that will triple DNP's previous battery-related production capacity. This new plant will serve as the main base from which we will supply products that deliver exceptionally high performance and quality to customers throughout the world, including China and other developing countries as well as Europe and North America, thereby increasing DNP's share of the market for battery-related products.

TOPICS

Packaging

● **“Biomatech PET” plastic film containing plant-based material**

Based on DNP’s recognition of the importance of biodiversity and sustainability, we have been working on commercializing biomass plastic packaging material that contains plant-derived material. The material is attracting attention for its potential to reduce negative environmental impact since it uses less petroleum and emits less CO₂ when burned compared to conventional plastics.

DNP began mass producing “Biomatech PET” polyethylene terephthalate (PET) plastic film in May 2011. We reduced the plastic’s petroleum content by sourcing ethylene glycol — which accounts for about 30% of the raw material in PET film — from sugar cane rather than from petroleum. DNP will gradually switch to the new biomass PET film in packaging materials used for foods, beverages, and everyday articles. We will also continue working to reduce costs and enhance our business related to packaging materials containing plant-derived materials.



Samples of products made with Biomatech PET plastic

Lifestyle Materials

● **Portable anti-virus isolation booth for medical facilities**

DNP and major construction company Shimizu Corp. jointly developed a low-cost portable medical-use isolation booth. The booth is simple to set up and take down.

Medical facilities increasingly use isolation facilities to prevent the spread of viruses. The new isolation booth is made with paper support posts and transparent film walls. It is easy for anyone to set up and can be disposed of after use by burning on the grounds of the medical facility. Because it is compact enough to allow storage of many units in a small space, it can enable medical facilities to respond adequately to influenza epidemics or other situations where there is a need to suddenly establish or increase the number of isolation facilities.

Sample shipments began in February 2011 and product sales are expected to begin in earnest in September of the same year. In the future, DNP plans to sell products with antibacterial or antiviral functions for medical or welfare applications.



Isolation booth components



Disposable isolation booth

Energy Systems

● Polyolefin encapsulants suitable for use with crystalline silicon photovoltaic modules

DNP is actively engaged in the energy-related business, primarily by manufacturing and selling back sheets and encapsulants used in the production of photovoltaic cells, for which demand is rapidly growing. In June 2010 we developed "CVF1" polyolefin encapsulants suitable for use with crystalline silicon photovoltaic cells.

In the past, cracking was sometimes a problem when silicon used in crystalline silicon photovoltaic cells was applied thinly in order to reduce costs. Because the new product maintains a high degree of flexibility and does not crack even at temperatures below 0°C, it can help enable the production of thinner photovoltaic cells and thinner encapsulants. DNP will further refine this development to allow mass production and will actively promote sales to photovoltaic module makers in Japan, China, Europe and North America.

DNP also plans to develop back sheets made with fluoride resin film for use in crystalline silicon photovoltaic cells.

businesses in 2006, and in April 2011 we acquired Sony Corp.'s commercial-use digital photo printer business, as part of our global business development.

Especially in recent years, people are using digital cameras and mobile terminal-mounted cameras to take more photographs, leading to increased demand for convenient ways to print photographs and produce photo albums. In response to this demand, DNP's wholly owned subsidiary DNP Fotolusio Co., Ltd. has installed over 2,500 (as of March 2011) PrintRush self-service printing terminals all over Japan. The PrintRush PhotoBook service has also proved to be very popular. It allows customers to quickly and easily produce a themed photo book at a retail outlet, in commemoration of such events as weddings, school ceremonies, or family trips. DNP has further heightened the enjoyment that customers can get from their photographs by developing additional features such as "split printing" that makes it possible to display multiple pictures on a single print, a "drawing mode" that allows customers to integrate handwriting or hand drawings with photographs, and a function that makes it possible to transmit image data directly from an iPhone or iPad to a PrintRush printer.

Information Media Supplies

● New features and new models for our PrintRush self-service printing systems

DNP began its Information Media Supplies business in the 1980s, after successfully developing two types of thermal transfer recording media dye-sublimation and thermal resin by applying coating technologies that we cultivated through our printing business. Thermal resin-type transfer materials are primarily used in monochrome ink ribbons for bar-code printers, while dye-sublimation materials are generally used in color ink ribbons for printing photographs. DNP holds the top share of the world market for both types. DNP actively promotes alliances with companies that have special strengths. We acquired the Konica Minolta Group's ID photo business and photography-related product manufacturing and sales



New PrintRush model: T-2101



Samples of "split printing"



Samples of pictures created in "drawing mode"

Electronics

BUSINESS STRATEGIES

DNP's Electronics segment applies the most advanced printing technologies in the world, including microfabrication and patterning technologies, to provide a variety of display components and electronic devices that sustain today's information society. By developing a steady stream of products that meet our corporate clients' needs, including color filters for liquid crystal displays (LCDs), photomasks (masters for making LSI circuits), and multilayer wiring boards, we will continue to expand our business.

Basic Strategies

Widespread use of a variety of electronic devices including household appliances, smart phones and tablet PCs has made our lives more convenient than ever. While consumers always seek new features and greater ease of use in electronic devices, it is important that the devices also be affordable. In order to meet both of these conflicting needs, we must simultaneously pursue advanced functionality and lower costs as we develop and manufacture electronic devices.

More than half a century ago, in 1958, DNP developed the first made-in-Japan shadow masks for color televisions. In 1959, we succeeded in developing photomasks used in the manufacture of semiconductors. Ever since, we have remained at the forefront of these industries by continually refining our advanced technologies. Despite the rapid changes inherent in electronics-related markets, DNP has established itself as the world's top vendor of a variety of products. Going forward, we intend to meet market demands for increasingly advanced and increasingly low-cost electronic devices. In addition to actively developing cutting-edge technologies and new products, we will speed up our business development by forming alliances with a large number of companies.



Major Policies

■ New Product Development and Profit Base Reinforcement:

Respond quickly to market needs and optimize overall production framework

In order to enable us to respond promptly to rapid changes in demand for electronic devices, we will focus allocations of management resources on boosting production capacity and developing new technologies and new products.

For example, DNP is the only company in the world that successfully mass produces color filters for LCDs using both inkjet and photolithography methods. We intend to build on this success by improving productivity, optimizing our overall production framework, and making other improvements that will further increase profit potential and competitiveness. Additionally, we will further expand our business by enhancing our lineup of new products with a focus on the development of products related to touch panels and organic EL displays, while also improving the performance and increasing the added value of existing products.

■ Color Filters:

Choose flexible business models with an emphasis on profitability

As the size of LCD panel substrates continues to grow and demand for small and medium-sized displays increases, it is important to use color filter business models that respond flexibly to the needs of the market and to the needs of our specific corporate clients. DNP responds quickly to changes in manufacturing processes, with ample consideration for return on investment (ROI^{*1}). This sometimes leads us to build a new facility as a “by-plant” adjacent to a customer’s factory or as an “in-plant” directly connected to a customer’s production line. In overseas markets as well as in Japan, we consider a wide array of business models, including corporate tie-ups and royalty businesses based on DNP’s proprietary technologies, and choose to build business models that emphasize ROI.

■ Photomasks:

Maintain the top share of the world market on the strength of DNP’s world-class technology

DNP’s photomasks have established such a solid reputation

for outstanding quality that we have secured the top share of the global photomask market (excluding in-house production by semiconductor manufacturers). We are expanding our business by meeting corporate clients’ need for further miniaturization. For example, DNP controls more than half of the world market for cutting-edge photomasks with line widths of 45nm or less.^{*2} Following the construction of our factory in Agrate Brianza, Italy, we opened a second overseas production base during the fiscal term through March 2011 in Hsinchu City, Taiwan, where we began mass producing photomasks. This new plant will serve as our base for supplying advanced photomasks within the Asian region, which has experienced remarkable growth in demand for semiconductors.

Going forward, we aim to increase collaboration with customers and use the results of joint development to prepare a framework for developing and supplying cutting-edge products with line widths of 22nm or less. In addition, we aim to solidify our hold on the top share of the world photomask market by moving forward with the development of next-generation semiconductor manufacturing technologies such as extreme ultraviolet (EUV) exposure^{*3} and nanoimprinting.

■ Build a strong business constitution by cultivating new mainstays for our electronic devices business

We intend to apply microfabrication and other printing techniques to the active development of a wide range of other products in addition to photomasks, including components for hard disk drives, metal substrates for LEDs, wiring boards with embedded components, and MEMS^{*4} products. Of these products, we view image processing modules and other electronic modules as a particularly promising growth area in which we intend to concentrate management resources. In this way, we intend to build a strong and flexible business constitution that is less dependent on the semiconductor market.

^{*1} ROI (return on investment): the ratio of profit returned relative to the amount invested

^{*2} nm (nanometer): one billionth of a meter

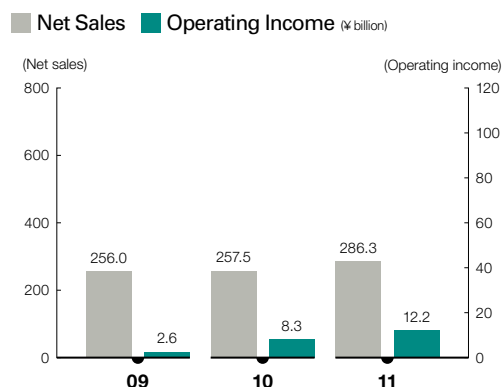
^{*3} EUV (Extreme Ultra-Violet) exposure: a technique for using ultraviolet rays with extremely short wavelengths to burn minute circuit patterns onto a wafer

^{*4} 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, %)		
	2009.3	2010.3	2011.3
Net sales	¥ 256.0	¥ 257.5	¥ 286.3
Operating income	2.6	8.3	12.2
Operating income margin	1.0%	3.2%	4.3%



Business Environment

According to one research company's figures for worldwide shipments of electronic devices in calendar 2010, there were large year-on-year increases in shipments of LCD televisions (to more than 190 million units), and personal computers (345 million units). Shipments of mobile phones increased 19% over the previous year, mainly due to the popularity of smart phones. At the start of 2011, the growth trend slowed for LCD televisions and personal computers. However, shipments of mobile phones still increased sharply in the first quarter of calendar 2011, growing 20% year on year, largely due to strong sales of smart phones in developing countries.

Summary of Financial Results

In the fiscal term ended March 2011, net sales of photomasks declined due to sluggish domestic demand, in spite of our efforts to capture overseas demand. Color filter sales increased relative to a year earlier. Sales of color filters for large-scale televisions increased with help from our new 10th-generation color filter plant in Sakai, Osaka Prefecture, and the start up of production in April 2010 at the Himeji Plant in Hyogo Prefecture. Products aimed at small and medium-sized LCDs also met greater demand. Overall segment sales increased by 28,793 million yen or 11.2% over the previous year to 286,296 million yen.

Although profitability was hindered in the fourth quarter by the Tohoku–Pacific Ocean Earthquake, operating income still jumped up 47.0% to 12,223 million yen thanks to robust first-half demand for color filters for LCD panels — a bigger proportion of which were made for large-scale TVs — and thanks to greater sales of high-definition, high-added value products for use in smart phones and tablet PCs.

The Electronics segment contributed 17.9% of DNP's total net sales, compared to 16.1% the previous year, and 15.6% of the Group's operating income, up from 11.0% a year earlier.

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 also meets the global needs of manufacturers in South Korea, China, Taiwan, and elsewhere. As display panel size increased, we brought our color filter production facilities closer to client companies' LCD panel plants. In addition to strengthening our partnership with our corporate 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 now stepping up efforts to use our small and medium-size production lines to make high-definition, high-added value color filters in response to demand for smart phones and tablet PCs, which has increased sharply in recent years. 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 the fiscal year through March 2011, worldwide demand for LCDs was bolstered by growth in developing countries, while Japanese demand was spurred by the government's "ecopoint" program, which rewarded purchases of energy-efficient appliances, including televisions. The panel manufacturers who are DNP's customers actively ramped up production in response to this increased demand, and were operating at full capacity until around the summer of 2010. After the summer of that year, however, producers built up excess inventories, so from August until the end of the year manufacturers around the world adjusted production levels downward. At the same time, however, new demand began to emerge for small and medium-sized LCD panels used in smart phones and tablet PCs. Given these trends, DNP had moved to capture the robust demand for LCD panels for televisions by boosting production capacity: we opened the Sakai Plant for 10th-generation color filters in Osaka Prefecture in October

2009, and in April 2010 we started up the Himeji Plant for 8th-generation color filters in Hyogo Prefecture.

Strategic Opportunities and Future Development

Demand for LCD televisions is expected to keep growing, primarily in developing countries. According to one research company's forecast, China and other developing countries are expected to account for more than half of worldwide LCD television demand in 2012. However, basic models aimed at developing countries account for a growing proportion of the overall television market, and we expect that intense competition for sales may cause large reductions in price, making it more difficult than ever to turn a profit on finished products or components. In anticipation of demand for a greater number of their major products, major panel makers based in South Korea, Taiwan, and China have made plans to build large-size panel factories in China, prompting observers to warn increasingly loudly that excess production capacity may cause prices to crash. Meanwhile, in Japan, Europe, North America, and other more advanced markets, demand is expected to continue to shift toward higher-added value displays, such as energy-saving LED-backlit models and 3D-compatible models.

DNP will continue its efforts to both lower the cost and raise the advanced technology development level of color filters used in televisions.

Meanwhile, in the market for small and medium-size LCD panels, there has been a surge in demand for state-of-the-art LCD panels due to the rapid spread of smart phones, tablet PCs, and other advanced products. Japanese LCD panel manufacturers with superior technological capabilities are stepping up production and in some cases building new factories for small and medium-size products.

DNP is working harder to produce cutting-edge color filters for small and medium-size LCD panels that support higher definition and greater brightness.

Electronic Devices

Main Businesses

DNP first succeeded in developing photomasks (masters for making semiconductors) in 1959. 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 other 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

In calendar 2010, the global semiconductor market emerged from a worldwide economic recession that continued from 2008 to 2009. Backed by increased demand for electronic devices from developing countries, the market grew 32% compared to the previous year. The size of the market even exceeded the previous record set in 2007, and is expected to continue growing gradually.

We did our best to capture overseas demand by making use of our plant in Agrate Brianza, Italy and a new plant that we started up in Taiwan in 2010. However, because domestic demand remained lackluster and we were affected by rolling blackouts following the Tohoku–Pacific Ocean Earthquake at the end of the fiscal term, DNP's photomask sales in the term ended March 2011 fell below those of the previous year.

Looking at etched products, sales of lead frames increased from the previous year, but sales of suspensions and other hard disk drive components declined.

There was also a year-on-year drop in sales of high-density build-up wiring boards, which are primarily used in camera modules for mobile phones, due to decreased demand for the camera modules.

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. We started mass producing 45nm products, for which demand has begun to grow in earnest. We are also supplying products that are suitable for use with a photolithography technique that combines double patterning and ArF immersion in order to make 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.

In addition to cooperating with semiconductor manufacturers to speed up research and development of next-generation chip lithography technologies like EUV exposure and nanoimprinting, we will carefully address the trend among chip makers to outsource production to foundries in Taiwan and other countries.

Amid growing demand for thin, compact, high-density semiconductor packages, we will continue to capitalize on 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 metal substrates for LEDs, and new products including various types of electronic modules and MEMS products.

TOPICS

Color Filters

● Startup of new 8th-generation color filter plant in Himeji, Hyogo Prefecture

In April 2010, we began operating our new 8th-generation color filter plant in Himeji, Hyogo Prefecture. We invested some 30 billion yen in the new factory, and increased its productivity by building it adjacent to Panasonic Liquid Crystal Display Co., Ltd.'s Himeji LCD panel plant. With the startup of our Himeji Plant following the October 2009 inauguration of a 10th-generation color filter plant in Sakai, Osaka Prefecture, DNP now has more color filter production capacity than any other company in the world.

In addition to being the only company in the world that uses both photolithography and inkjet methods of manufacturing color filters, DNP supplies color filters for every type of LCD panel, including vertical alignment and in-plane switching. DNP will continue supplying optimal products that meet the needs of our corporate clients in the worldwide LCD market, which is expected to keep growing for some time.



Himeji Plant

Electronic Devices

● Startup of new photomask plant in Hsinchu City, Taiwan

In April 2010, DNP held a ceremony to celebrate the opening of our new advanced photomask plant in Taiwan's Hsinchu Science Park, where we began mass producing photomasks. The new plant started

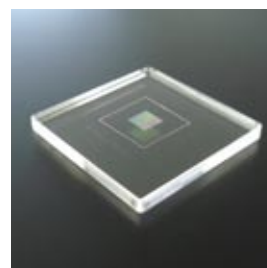
out mass producing 65nm photomasks and added cutting-edge products with line widths of only 45nm and 40nm during the fiscal year ended March 2011. With the startup of our new plant in Taiwan, we have established a framework for the stable supply of photomasks to the rapidly growing Southeast Asian semiconductor market. Following DNP's factory in Agrate Brianza in Italy, the Hsinchu plant is our second overseas photomask production base. We will increase cooperation between our overseas plants and our production bases in Japan as we gear up to meet expected growth in worldwide demand for electronic devices.

● Accelerating development of nano-imprinting technology in order to establish next-generation semiconductor production technology

Nano-imprint lithography technology is attracting attention as a next-generation method of manufacturing ultrafine semiconductors. Among other advantages, it reduces manufacturers' capital investment burden compared to conventional optical methods of production. However, nano-imprinting requires more frequent replacement of the templates that transfer electronic circuit patterns, which pushes up running costs. DNP became the first player in the photomask industry to adopt nano-imprint template replication equipment developed by Molecular Imprint Inc. of the U.S. The equipment brings down production costs by producing multiple template replicas from a single master template. DNP is committed to ongoing development of next-generation mass production technologies.



Template duplicator: PERFECTA™ MR5000



Master template for nano-imprinting

Corporate Governance

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P&I Solutions

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Corporate Governance

“DNP” refers to Dai Nippon Printing Co., Ltd. in this section.

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 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.

The term of office for the directors is one year, in order to have more flexibility to construct a management system best suited to responding to the business environment; and to further clarify management responsibility for each fiscal year.

The Board of Directors consists of 20 directors (as of June 29, 2011), 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 three times a month to exchange information that is helpful for efficient decision making. To speed up the Company's activities and make them more efficient, DNP has also

established a Management Committee consisting of directors at the senior managing director level and above. The committee meets once a month, in principle, to review and discuss management policies, strategies, and important business matters.

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

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

(2) Internal controls and auditor's 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 17 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 partners and managing partners

Hirofumi Nikaido (2 years), Kazuhiko Terada (4 years),
Tsuguhiro Tsukakoshi (2 years), Junko Shima (4 years)

- Audit firm

Meiji Audit Corporation

- Number of accounting audit assistants

10 certified public accountants, 10 others

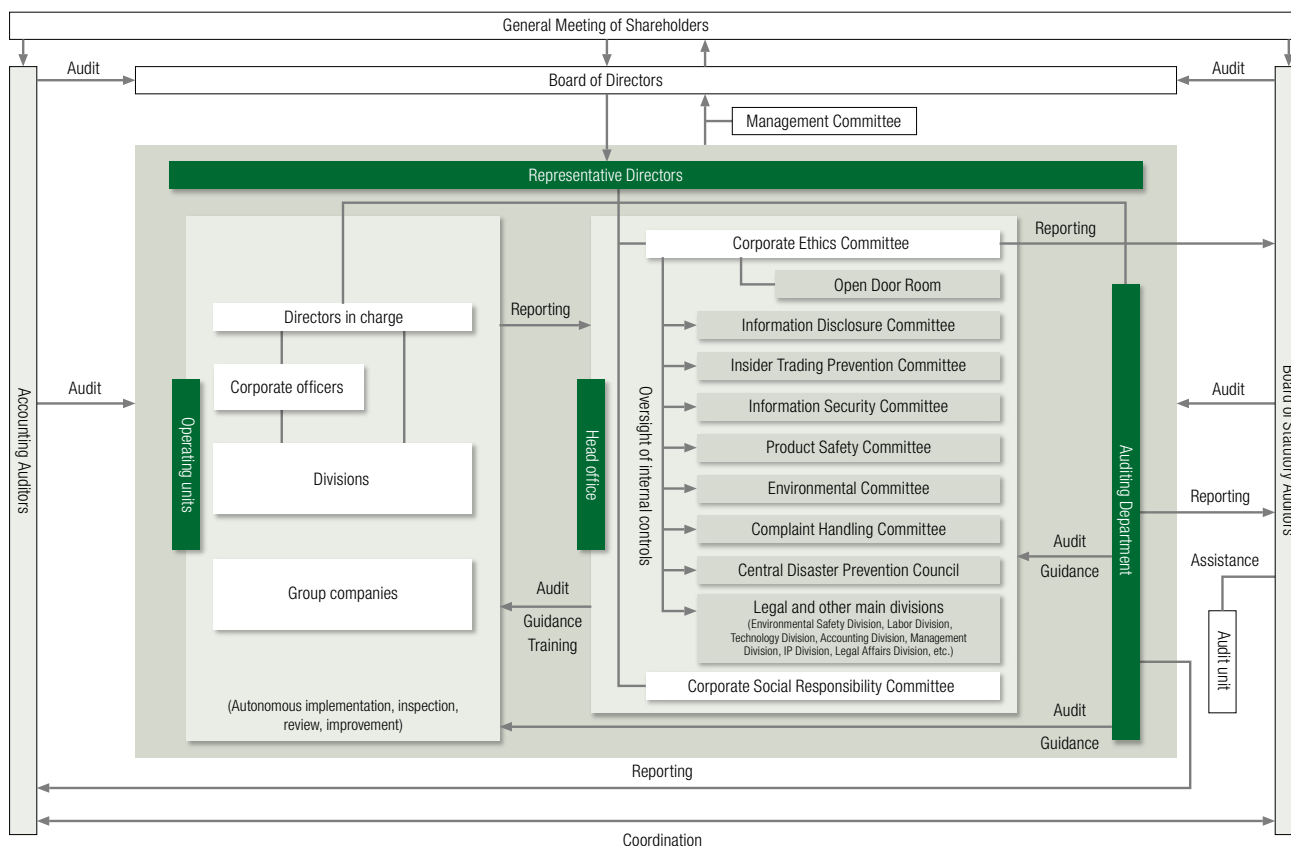
(3) Development of a risk management structure

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, respect its shareholders, customers, consumers, employees and other stakeholders, and act in a way that earns trust.

(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

DNP has one outside director and three outside statutory auditors. Neither the outside director nor the outside statutory auditors have personal, financial, business, or other interests with DNP, and they conduct neutral supervision and auditing of DNP's management from a standpoint independent from DNP's operations. The role of the outside director is to supervise inside directors and to contribute to improving the transparency and accountability of the board of directors by providing management advice based on their judgment. The role of outside statutory auditors is to enhance the propriety of accounting and operational audits and to supervise management. Outside director Tadao Tsukada and outside auditor Shin-ichi Ikeda and Makoto Matsuura have been designated as independent directors because they do not fall under requirements set forth in "a" through "e" of Article 211, Paragraph 4, 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 and outside statutory auditor Shin-ichi Ikeda each own 2,000 shares in DNP.

DNP and its outside director and outside statutory auditors have concluded agreements that limit the director 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.

(7) 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 20.

(8) 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.

(9) 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.

(10) 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 statutory 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)	1,541	1,356	185	24
Statutory auditors (excluding outside auditors)	82	82	–	2
Outside directors and auditors	94	94	–	4

Notes: 1. Bonuses are provisions for bonuses for directors and statutory auditors for the fiscal year.

2. There were 23 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)	353	Dai Nippon Printing Co., Ltd.	289	25
		Hokkaido Coca-Cola Bottling Co., Ltd.	38	–
Koichi Takanami (Director)	126	Dai Nippon Printing Co., Ltd.	113	12
Satoshi Saruwatari (Director)	121	Dai Nippon Printing Co., Ltd.	109	12
Masayoshi Yamada (Director)	126	Dai Nippon Printing Co., Ltd.	113	12

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. Bonuses of Dai Nippon Printing Co., Ltd. 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 433

Total on the balance sheet 110,943 million yen

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

(Previous fiscal year)

Stocks held for reasons other than pure investment purposes

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
NSK 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

(Current fiscal year)

Stocks held for reasons other than pure investment purposes

Company name	Number of shares	Amount recorded on balance sheet (¥ million)	Holding purpose
The Dai-ichi Life Insurance Co., Ltd.	66,066	8,291	Enhance business relationship
Terumo Corporation	1,081,000	4,740	Enhance business relationship
Taisho Pharmaceutical Co., Ltd.	2,309,000	4,156	Enhance business relationship
Mizuho Financial Group, Inc.	25,385,680	3,503	Enhance business relationship
Ezaki Glico Co., Ltd.	3,218,348	3,108	Enhance business relationship
Nissin Foods Holdings Co., Ltd.	898,711	2,635	Enhance business relationship
Asahi Breweries, Ltd.	1,860,029	2,572	Enhance business relationship
Yamato Holdings Co., Ltd.	1,660,600	2,142	Enhance business relationship
Mitsubishi Chemical Holdings Corporation	3,598,790	1,882	Strengthen business alliance
Toshiba Corporation	4,547,000	1,850	Strengthen business alliance
Fujifilm Holdings Corporation	685,965	1,767	Enhance business relationship
Toyo Suisan Kaisha, Ltd.	794,980	1,435	Enhance business relationship
Aica Kogyo Co., Ltd.	1,293,743	1,410	Enhance business relationship
ROHM Co., Ltd.	265,706	1,384	Enhance business relationship
NuFlare Technology, Inc.	10,000	1,355	Strengthen business alliance
Lion Corporation	3,140,665	1,328	Enhance business relationship
NSK Ltd.	1,814,000	1,300	Strengthen business alliance
Mitsubishi Electric Corporation	1,300,000	1,276	Enhance business relationship
SMK Corporation	3,200,000	1,235	Enhance business relationship
Nippon Steel Corporation	4,594,768	1,222	Strengthen business alliance
Sapporo Holdings Limited	3,796,388	1,176	Enhance business relationship
Shiseido Co., Ltd.	677,619	975	Enhance business relationship
Kurita Water Industries Ltd.	387,000	951	Strengthen business alliance
Meiji Holdings Co., Ltd.	282,200	943	Enhance business relationship
Ushio Inc.	572,957	932	Strengthen business alliance
Sinfonia Technology Co., Ltd.	3,664,000	923	Strengthen business alliance

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

Company name	Number of shares	Amount recorded on balance sheet (¥ million)	Holding purpose
Terumo Corporation	1,930,500	8,465	Hold voting instruction rights for shares in retirement benefit trust
TV Asahi Corporation	40,300	5,234	Hold voting instruction rights for shares in retirement benefit trust
Astellas Pharma Inc.	913,770	2,814	Hold voting instruction rights for shares in retirement benefit trust
Japan Tobacco Inc.	5,000	1,502	Hold voting instruction rights for shares in retirement benefit trust

Note: Specified stocks and stocks held in trust with voting rights are not added together when selecting stocks with the largest amounts as recorded in the balance sheet.

(3) Stocks held for pure investment purposes

None

2. Compensation Paid to Accounting Auditor

(1) Compensation paid to accounting auditor

	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	–	83	–
Consolidated subsidiaries	106	–	130	–
Total	197	–	213	–

(2) Other material compensation details

None

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

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, 2011)

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

Kunikazu Akishige

Yoshiaki Nagano

Motoharu Kitajima

Takao Shimizu

Yoshiki Nozaka

Masaki Tsukada

Sakae Hikita

Director

Tadao Tsukada*

Standing Statutory Auditors

Kenji Noguchi

Minoru Yoneda

Shin-ichi Ikeda*

Statutory Auditors

Makoto Matsuura*

Kuniaki Nomura*

Senior Corporate Officers

Tatsuya Nishimura

Tatsuo Komaki

Tatsuro Kitayuguchi

Fujio Yamazaki

Takashi Saito

Shigemi Furuya

Corporate Officers

Jun-ichi Tsuchiya

Tokuji Kanda

Takashi Wada

Ryuji Minemura

Masato Koike

Masato Yamaguchi

Yasuo Takeda

Morihiro Muramoto

Kenji Miya

Yoshio Ogawa

Toshiki Sugimoto

*Outside director or auditors



Masayoshi Yamada

Koichi Takanami

Yoshitoshi Kitajima

Satoshi Saruwatari

Yoshinari Kitajima

How DNP Works to Achieve Sustainable Development

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Through its business activities, DNP solves problems faced by corporations, consumers, and society as a whole in order to realize sustainable growth as a company that has the public's trust. Toward that end, DNP strives to simultaneously fulfill three corporate responsibilities: providing society with new value (i.e. useful products and services), acting in good faith (i.e. executing business processes fairly and equitably), and demonstrating a high degree of transparency and accountability.

DNP's business activities constitute social contributions in and of themselves. We work at expanding our business based

on the premise that the products and services that we supply will lead to the resolution of a variety of problems. As we work to increase corporate value, we consider a number of important themes including development of products and services, research and development/intellectual property, information security, business continuity plan, human resources development, and environmental preservation. Our efforts in these areas have attracted public recognition as evidenced by the inclusion of DNP shares in several major socially responsible investment indices. Below is a list of those that included DNP shares as of May 2011.

- Dow Jones Sustainability Indexes
- FTSE4 Good Index Series
- Ethibel PIONEER Register & Ethibel EXCELLENCE Register
- Morningstar Socially Responsible Investment Index
- SAM Group Holding AG's Sustainable Asset Management



Research and Development / Intellectual Property

Research and development are extremely important for DNP since our business vision entails providing P&I Solutions and expanding our business by applying and developing printing and information technologies. Especially in today's rapidly changing world, we need to take a consumers' point of view, look carefully at what is happening in society, and be quick to discern where and what problems exist and which technologies are needed to solve them. In order to accelerate technological development, we actively pursue alliances with other companies that have special strengths rather than relying solely on DNP's original technologies.

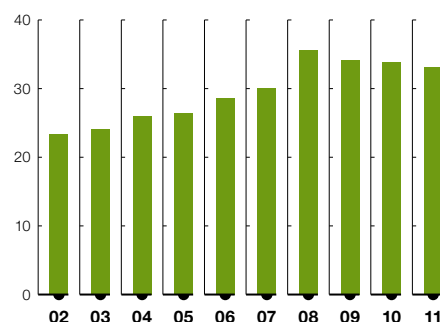
In addition to inventing products and services, DNP also innovates new business models. It is important to secure and manage our rights to the resulting intellectual property so that we can benefit appropriately. We will further strengthen our research and development and intellectual property management functions in order to increase DNP's corporate value when we bring to market, before other companies do, the products and services sought by corporate clients, consumers and society.

Investment in Research and Development

DNP conducts many types of research and development, including new business creation, new product and service development, and production technology development. Continuous investment in research and development is important for increasing DNP's corporate value in the medium and long term. In the fiscal year through March 2011, DNP invested 33.1 billion yen (compared to 33.8 billion yen in the previous fiscal term), or roughly 2% of consolidated net sales, in research and development. These funds are used to support a full range of research and development activities including long-term (up to five years) basic research, medium-term (up to three years) production technology development, and short-term (up to one year) development of new products and technologies.

Research and Development Expenditures

(¥ billion)



Intellectual Property Strategies

In order to raise the DNP Group's overall level of skills related to intellectual property generation and use, we conduct training sessions that cover every aspect of intellectual property from basic knowledge to application. We promote the acquisition of strong rights and at the same time, we foster a corporate culture of fairness that respects other companies' rights just as we want our own rights respected, and a corporate climate of compliance with legal regulations.

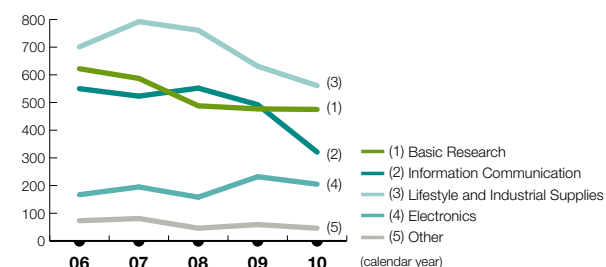
In order to increase the value of intellectual property to DNP's

business, we work to enhance DNP's patent portfolio, file strategic patent applications, evaluate the quality of patent specifications, fulfill legal obligations, and provide meaningful benefits to business units.

In addition to sending representatives to an intellectual property-related association where we actively make proposals, DNP proactively engages in support activities involving other companies, such as sponsoring seminars or proposing projects related to copyrights, premiums and representations, or trademark laws.

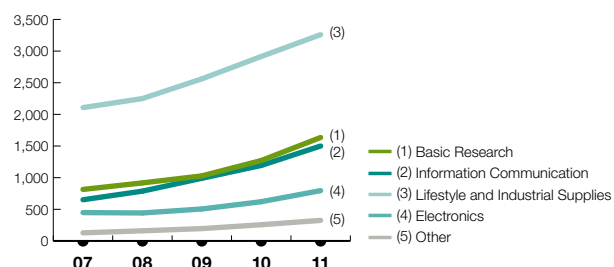
Number of Patent Disclosures

(case)



Number of Patents and Utility Model Rights Held

(case)



Research and Development

DNP's research and development section develops original technologies that lead to the resolution of a variety of problems in a wide range of fields. In addition to building up new businesses around these original technologies, we have created a flexible framework that leaves room for forming alliances with other companies that possess technological strengths.

DNP's research and development framework consists primarily of seven laboratories that each specialize in a different field, including the Research and Development Center, the Nano Science Research Center, the Media Technology Research Center, the Electronic Module Development Center, and the Technology Development Center. The various laboratories cooperate closely with relevant business units as they focus on creating new value.

		Controlled by Head Office						Controlled by Business Units		
		Development support	Production technologies; equipment development	R&D for new products and technologies				Improvement of existing products and technologies/ Development of products and technologies for the division		
Information Communication	Books and Magazines	Corporate R&D Division	Technology Development Center	Research and Development Center	Electronic Module Development Center	Nano Science Research Center	Media Technology Research Center	Technical section of each operations		
	Commercial Printing									
	IPS/Business Forms									
Lifestyle and Industrial Supplies	Packaging									Packaging Laboratory
	Industrial Supplies									Advanced Industrial Supplies Laboratory
	Lifestyle Materials									Lifestyle Materials Laboratory
	Opto-Materials									Opto-Materials Laboratory
	Information Media Supplies									Information Media Supplies Laboratory
	Energy Systems									—
Electronics	Display Components									Display Components Laboratory
	Electronic Devices									Electronic Devices Laboratory
New Business Fields		Commercialization projects								

Functions and Time Frames of R&D Facilities

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

Proper Use and Management of Information

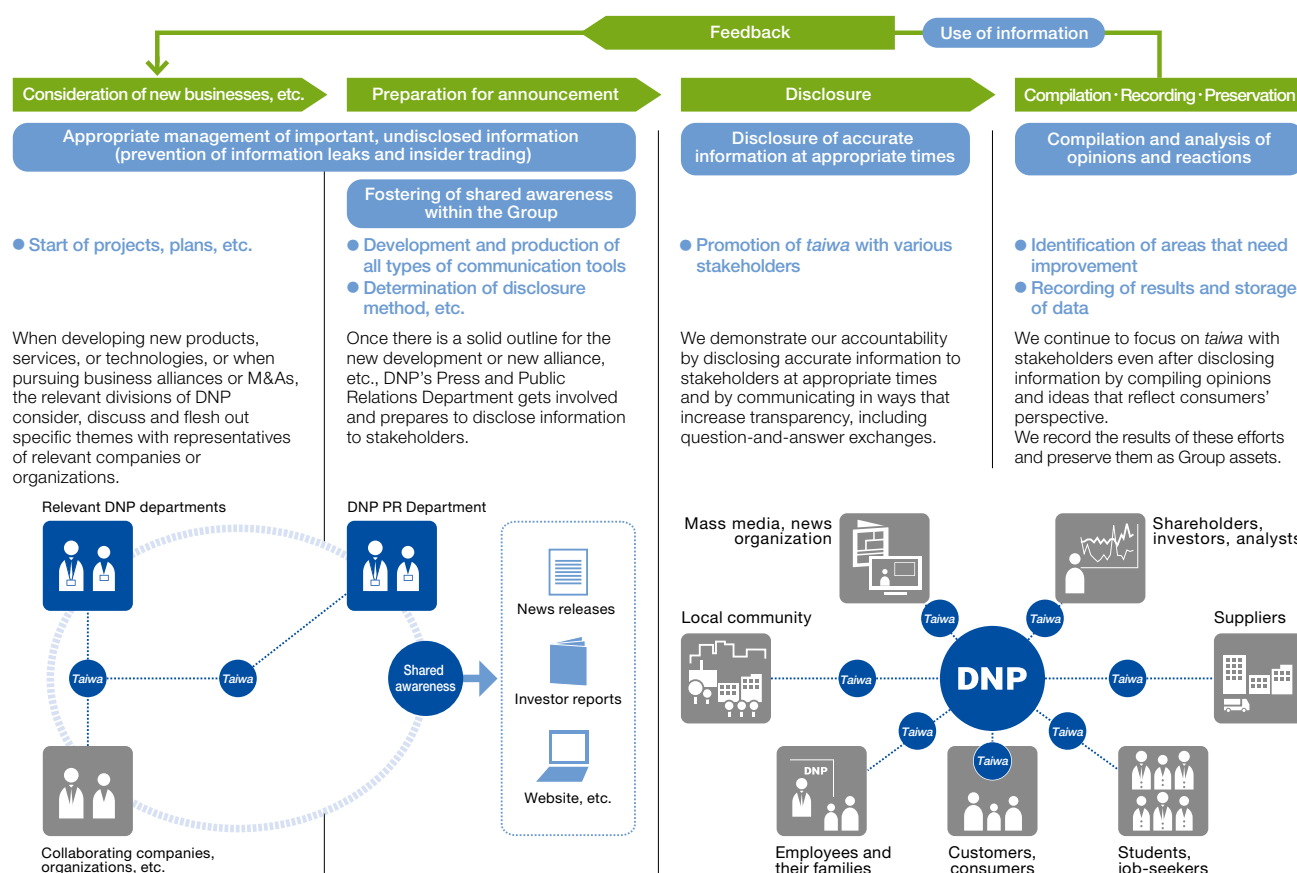
Information Management

Building credibility with our various stakeholders is essential to the ongoing development of DNP. In order to increase stakeholders' understanding of our businesses and corporate activities, and in order for DNP itself to gain a proper awareness of how the corporate group is perceived by society, we make a point of engaging in lively *taiwa* with a wide range of stakeholders.

DNP endeavors to build better relationships with all of its stakeholders, including shareholders and investors, corporate

clients and consumers, suppliers, students and job-seekers, mass media and news agencies, local communities, and employees and their family members. We take responsibility for explaining our corporate activities by disclosing appropriate information in a timely fashion. At the same time, we respect the importance of properly managing sensitive or personal information. We also need to focus on information management in order to reflect stakeholders' opinions in the creation of products and services and to improve DNP's corporate climate.

Information Management Flow



Information Security



Without question, every company is responsible for appropriately managing consumers' personal information and client companies' important information in the course of its business operations. Because DNP views complete information security as one of its most important management priorities, we maintain strict, comprehensive controls over information assets.

In 1999 DNP established a Group-wide information security framework including Personal Information Protection Policies and a Personal Information Protection Office. DNP has also been active in gaining official recognition for its information protection systems, for example by establishing a personal information management system based on Japanese Industrial Standards' "Personal Information Protection Management

Systems Requirements" (JISQ15001), and by acquiring and maintaining PrivacyMark certification. In addition, DNP takes personnel-related measures, such as holding training sessions and providing online courses to enhance each and every employee's awareness of security issues; physical measures, such as using smart employee ID cards at security gates and other access points; and technological measures, such as introducing a biometric authentication system to control access to data processing equipment.

Through these various endeavors, DNP has accumulated expertise in the area of information security. We have built up our security solutions business by developing a variety of related products and services that we provide to corporate clients.

Examples of Computer Rooms where Personal Data is Handled

Physical measures	<ul style="list-style-type: none"> ● Entry/exit controls using biometrics preventing access by unauthorized persons ● Surveillance cameras that keep improper behavior in check ● Pocket-free uniforms for on-site workers that prevent data from being taken out ● Separating the locations where information is written on media ● Checks using metal detectors 	  <p>Finger vein authentication system Iris verification turnstile gate</p>
Technological measures	<ul style="list-style-type: none"> ● Implementation of access logs <ul style="list-style-type: none"> → Minimal number of employees engaged in the work of writing on recording media → Limiting work of writing on recording media to DNP Group employees → Increased the frequency of recording media writing log checks 	

Universal Design

In a society that is increasingly tolerant of diversity, there is growing recognition for the importance of "universal design" that makes it possible for people in a variety of situations to make use of products. In order to realize a society in which everyone can live safely and comfortably, we established the DNP Group's Five Principles of Universal Design as a guide to developing products and services that emphasize the consumer's point of view.

The DNP Group takes a universal design approach to product development throughout the wide range of business fields in which we participate. For example, we developed packages that can be used intuitively and with minimal physical

effort, developed method for assessing products' overall conformance with universal design principles (including color universal design, which considers color blindness), and we organize all types of related seminars and training sessions.



Universal design package "USE-FULL packaging"

Disaster Preparedness and Business Continuity Plan

In order to increase the DNP Group's overall disaster preparedness, we established the "DNP Group Basic Code for Disaster Response." Aiming for a "disaster-proof DNP Group," we implement disaster prevention and preparedness measures on a daily basis in line with our disaster prevention plan. We also prepared a business continuity plan (BCP) to help us restore operations as quickly as possible in the event of a major disaster.

Organization and Framework

In order to prepare the overall DNP Group for handling emergency situations, we established the DNP Group Central Disaster Prevention Council at DNP's head office. To promote practical measures to be taken by each business unit and Group company, we had each one establish its own disaster prevention council.

In addition, we established regional disaster councils to promote horizontal disaster prevention and response measures suited to the needs of each particular region. In the event of a major catastrophe, these councils will act as disaster response headquarters that supervise and implement restoration and reconstruction measures as well as emergency measures.

Enhancing our Disaster Prevention Plans and Business Continuity Plan (BCP)

Specific disaster prevention and response measures are to be implemented in accordance with the "DNP Group Basic Plan for Disaster Response," a comprehensive, long-term plan formulated by the head office's Central Disaster Prevention Council, and in accordance with each business unit or group company's "Emergency Operation Plan."

In addition, we prepared a BCP to guide the resumption of key businesses and operations within a certain maximum period of time in the event that a major disaster occurs.

In the Tohoku-Pacific Ocean Earthquake, the printing industry faced rolling blackouts and fuel shortages as well as delayed deliveries of printing paper, ink, film, and other supplies due to damages to distributors and manufacturers, all of which affected production plans and distribution. DNP will strive to minimize the effects of emergency situations on its business by reviewing its BCP and considering the entire supply chain as we prepare frameworks for distribution and alternative production and think about the distribution of production bases within Japan and overseas.

Reinforcing Preventative Measures

The fact that none of our employees were personally injured in the recent earthquake was the most important confirmation of the effectiveness of our preventative measures. We are working to further improve those measures by reassessing disaster risks in each region where we have operating units and enhancing inspections and reinforcement of buildings and equipment,

emergency equipment and supplies, and infrastructure. We are also beefing up our disaster response headquarters framework and emergency information-gathering and disseminating functions. To ensure that employees act calmly and remain safe even in times of emergency, we implement disaster preparedness education and training on an ongoing basis.



An example of a teleconference between central disaster response headquarters and regional headquarters affected by the Tohoku-Pacific Ocean Earthquake



Displaying earthquake information in affected region

Creating Lively Workplaces

Human Resource Development that Increases Vitality

In order to ensure DNP's continuous growth, it is essential that each individual employee grows and enriches our corporate activities by cooperating with others in the company and outside. Human resources are the source of a company's vitality. DNP strives to establish better systems and mechanisms and to enhance its training framework in order to enable each employee to fulfill his or her role as fully as possible and realize his or her full potential.

DNP has formulated a vision for its human resource development. The organizational unit in charge of employee training cooperates with each business unit and each Group

company to implement training programs in accord with societal needs and DNP management priorities. DNP operates multiple training facilities where employees can gain specialized skills. In order to provide environments where employees can get away from their workplace and concentrate on learning, we maintain a seminar hall in Tokyo's Shinjuku Ward and a training center in Hakone. In addition to in-house training sessions, we provide opportunities for a variety of stakeholders to engage in *taiwa*. For example, we organize seminars where employees can meet with people in different industries, overnight sessions where each business segment establishes its medium and long-term goals, and overnight events that foster discussion with corporate clients.



Respect for Diversity and Flexible Working Styles

In order to energize DNP's business activities, it is essential that each member of our diverse workforce can work and fulfill his or her assigned role according to his or her particular way of working. In recent years, the business environment has undergone major changes. In order to transform these changes into opportunities that lead to the achievement of results, it is important that each and every member of our workforce

expresses his or her maximum potential.

As a first step in that direction, we are improving operational efficiency by reviewing our work flow and mechanisms and changing our working style in ways that generate "time resources." We believe that these efforts will lead us to take up the challenge of new types of work, develop products and services from consumers' point of view, create new value, and help each employee to achieve a good balance between work and personal life.

Environmental Conservation and Expansion of Eco-Business

Establishment and Operation of Environmental Management Systems

As a company that provides products and services to solve the problems of businesses, consumers, and society, DNP views coexisting with the Earth's environment as an important management task. Our mission is to coexist with nature and pass on the Earth to the next generation without wasting its limited resources. We implement specific measures in Japan and overseas in line with our basic environmental policies — “preserve the Earth's environment,” and “use resources effectively.”

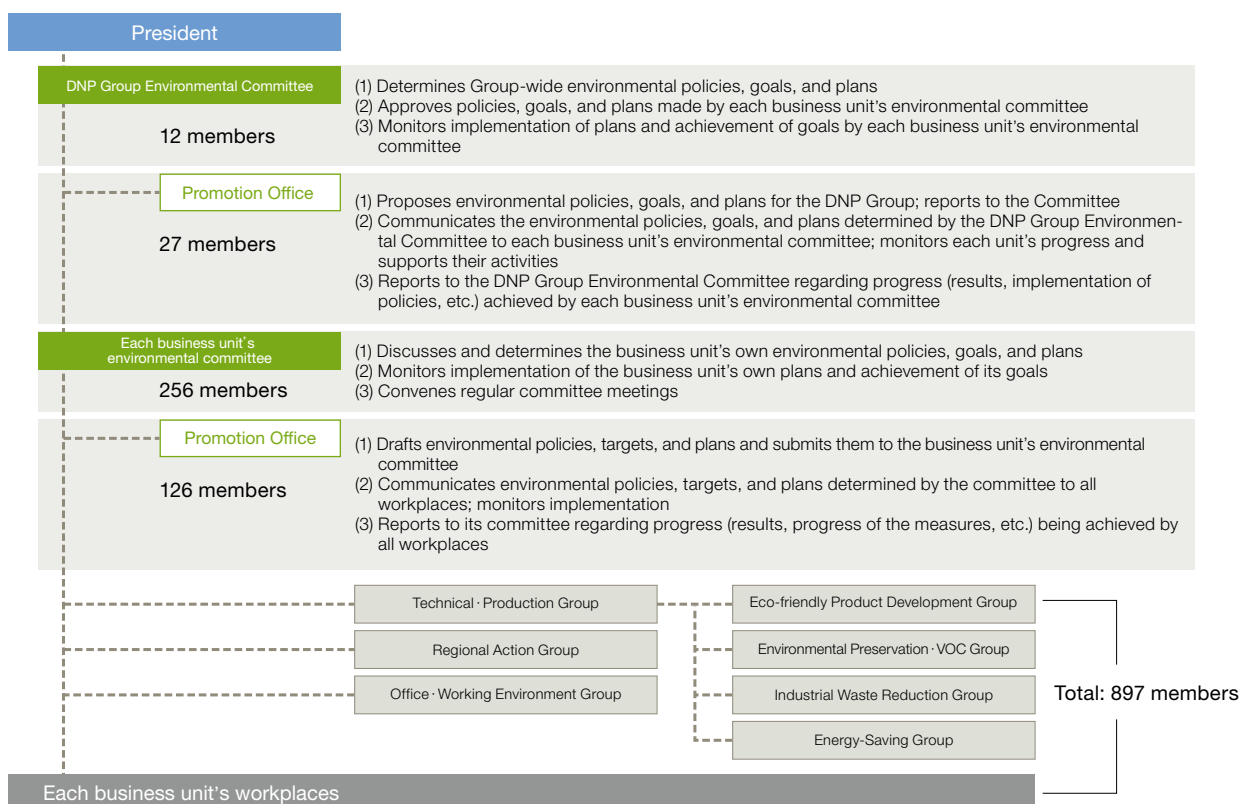
DNP's environmental management framework consists of the DNP Group Environmental Committee, which establishes

Group-wide environmental policies and plans and monitors progress towards the achievement of goals, and each business unit's environmental committee, which takes specific actions in accordance with the characteristics of its field of business.

DNP reduces the negative effects of its business activities on the environment to the absolute minimum. In addition to using resources effectively, we are working harder than ever on the development of eco-friendly products.

DNP provides diverse products and services. The main raw materials that we use are paper, film, resins, metals including steel and aluminum, and ink. Following are the special characteristics of each of our business segments.

Information Communication	Manufactures printed materials including magazines and commercial printed matter, primarily using offset printing; uses a large amount of printing paper.
Lifestyle and Industrial Supplies	Manufactures packaging and decorative materials, optical films and color ink ribbons, etc., using such processes as gravure printing, coating, and lamination; uses large quantities of plastic films and solvents, etc.
Electronics	Manufactures products like LCD color filters and semiconductor photomasks by applying etching and photolithography technologies; uses a large amount of water for washing products.

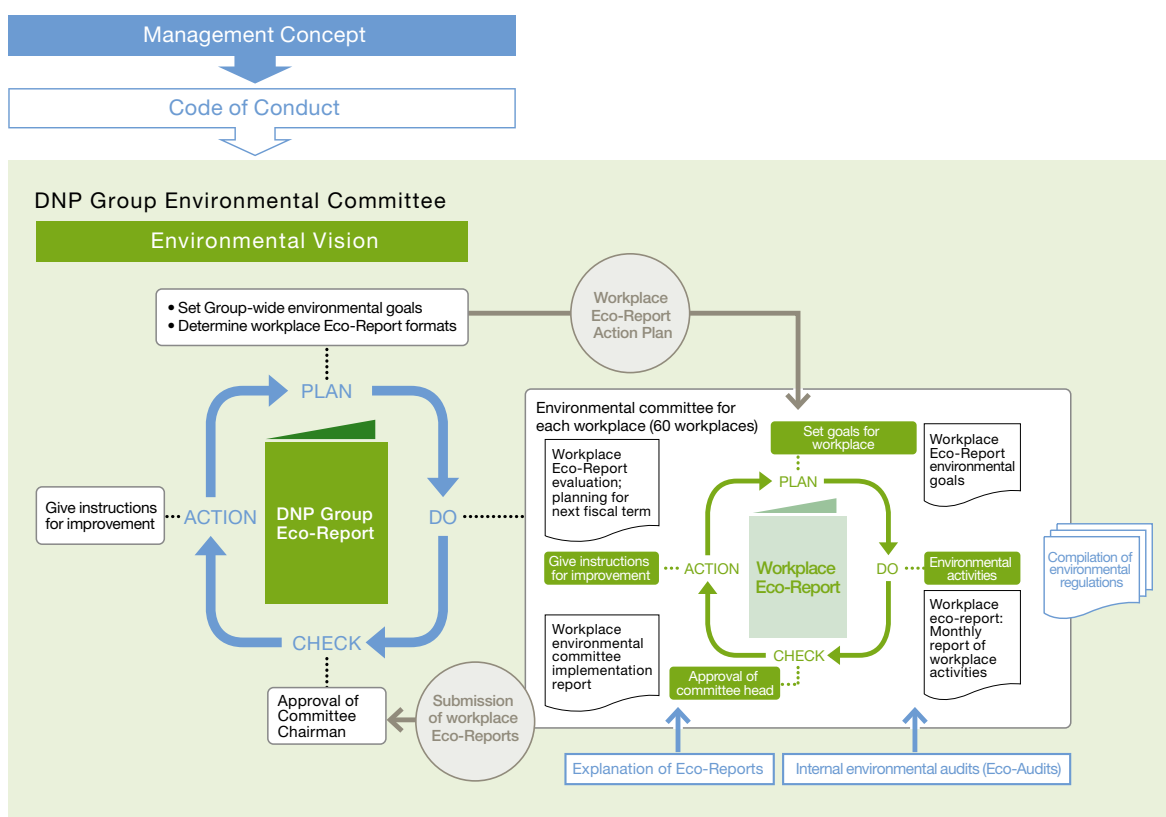


Environmental Management System

DNP was among the first Japanese printing companies to take action to protect the environment. In 1972, we became the first company in our industry to establish a special section to address environmental issues (currently the Environmental Safety Department), and to initiate antipollution measures and *taiwa* with residents of local communities. From 1990 on, we have also focused on global-level environmental issues. We created our own environmental management system (EMS) in 1993, even before the International Organization for Standardization published its ISO14001 EMS standards in 1996. Our EMS is the basis for the environmental management activities that we perform every six months in the form of

“Plan-Do-Check-Action” cycles.

In order to further increase the effectiveness of our EMS, in 1996 we began conducting Eco-Audits. In the event that an audit reveals the need for corrective action, the DNP Group Environmental Committee sends a written request to the relevant operational base and receives a written response. Through activities such as Eco-audits and regular issuance of “Eco-Reports,” DNP keeps its business activities in line with relevant laws and regulations. We have also established and do our best to strictly observe our own voluntary standards (for air quality, water quality, noise, vibration, and odor generation), and voluntary guidelines (for chemical substance management and soil contamination measures), which exceed legal requirements.



Protecting Biodiversity

In March 2010, we issued the “DNP Group Biodiversity Declaration” and stepped up our efforts to create a society that fosters biodiversity. As we engage in our business activities, DNP is committed to always keeping biodiversity in mind and contributing to the formation of a sustainable society.

As an example of one of our eco-minded activities, DNP is

working on commercializing packaging material made of biomass plastic containing plant-derived material. By using a renewable resource, we help reduce dependency on petroleum. We plan to gradually replace the polyethylene terephthalate (PET) plastic packaging film that we supply to manufacturers of foods, beverages, and everyday items with the new biomass plastic.

Development of Environmentally Conscious Products

DNP is working to reduce the burden that our products place on the environment in every phase of their life cycle: from design and development to manufacturing, distribution, consumption, disposal, and recycling. In the fiscal year through March 2011, sales of products

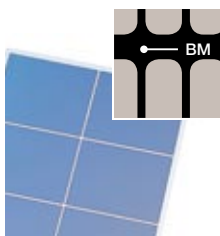
developed according to DNP's "Environmentally Conscious Product Development Guidelines" amounted to 318.0 billion yen, compared with 312.1 billion yen a year earlier. By increasing our efforts in this area, we plan to boost sales of eco-friendly products and services to 400.0 billion yen in the fiscal term through March 2016.

1 Reducing environmental pollutants

Eliminating ozone-depleting substances, heavy metals, and organic chlorides; reducing the release of substances like nitrogen oxides into the environment.

Example • Resin Black Matrix Color Filters

We make LCD color filters using film instead of heavy metal for the black matrix. By developing this product, we reduced negative impact on the environment and lowered costs at the same time.



2 Conserving resources and energy

Energy-saving products and systems; reducing consumption of metal resources and fossil fuels

Example • Elbow Pouch

A refill pouch that is easier to open and easier to pour from. Conserves resources used for making products containers; collapses after use for efficient disposal.



3 Using resources sustainably

Sustainable use of natural resources

Example • HI-CUP

A heat-insulating, double-walled paper container consisting of a paper cup with an outer paper sleeve around it. After use, it can be crushed for compact disposal or the paper can be recycled.



4 Enabling long-term use

Supporting long-term product use by simplifying repairs and parts replacement, offering long-term maintenance and repair services, allowing for expansion of functionality, etc.

Example • Safmalle

DNP's original olefin-based decorative sheet for furniture and home fittings; facilitates creation of the healthy, clean, safe living spaces that consumers want.



5 Reusability

In the case of parts, consideration for ease of disassembly, washing, refilling etc; establishment of convenient collection and reuse systems.

Example • Easily removable shipping labels

Shipping labels that stick well to paper or cardboard packaging but come off easily. Single-ply shipping labels save paper, leave no marks when removed, facilitating reuse of boxes and other packing materials.



6 Recyclability

Making products from easy-to-recycle materials, designing them for ease of disassembly and sorting into different materials, or creating collection and recycling systems that are easy for consumers to use.

Example • Eco-friendly calendar

Calendars made of recycled paper and eco-friendly ink. Because the calendars are processed without the use of metal or plastic, they do not need to be taken apart and sorted after use.



7 Use of recycled materials

Products made with a significant amount of recycled or reused materials or parts

Example • Magazines and pamphlets made of recycled paper

Printed materials made of recycled paper, containing used magazines or newspapers, etc. We are also using more environmentally friendly inks, such as soy ink and non-VOC ink.



8 Ease of processing and disposal

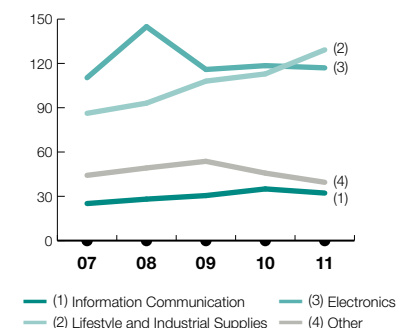
Placing minimal burden on waste incinerators and landfills

Example • IB (Innovative Barrier) film

Transparent, moisture-proof packaging film is made without chemicals that contain chlorine, so it does not emit dioxins when burned. It is used to package a large number of food products, toiletries and everyday items that require good barrier protection.



Sales of DNP's Eco-friendly Products
(¥ billion)



Topics

Traveling Science Class Demonstrates the Wonder of Color

One of the important themes of DNP's social contributions is "developing the next generation," and one way we achieve this is by actively educating and cultivating a future generation of scientists. In the fiscal year through March 2011, we conducted "traveling science classes" at four elementary schools in Chiba Prefecture, where our head office's research laboratory is located. This activity supports an initiative by the Ministry of Economy, Trade and Industry to get working people to support education. DNP's representatives explained to the children in terms they could understand how printing technologies are useful in society. The lessons were designed to pique the children's interest in science and technology.



Printed material using halftone dots in the three primary colors (cyan, magenta, and yellow) to express a variety of colors

Local Contribution Activities Overseas

Tien Wah Press (Pte.) Ltd. (Singapore) primarily manufactures hardcover books and pop-up books. The company works with the local community to help solve social problems, mainly in the area of education, which is closely related to Tien Wah Press's main business.

For example, in 2007 Tien Wah Press became the first private company to participate in the activities of South West Community Development Council (SWCDC), an organization that uses money raised through recycling and other activities to support the education of disadvantaged children in southwestern Singapore. In the fiscal term ended March 2011, SWDC/ Tien Wah Press employees sold Chinese New Year greeting cards and sketchbooks decorated with local children's drawings illustrating environment-related themes. Between proceeds of the sales, donations, and contributions from the local community, the organization raised a total of S\$35,000 that was used to pay educational expenses for 282 children.



March 2011: Some 250 people, including Tien Wah Press employees, the head of South West Community Development Council, and local primary and middle school children participate in a charity run

Exhibition of DNP's Original Shueitai Font

In 2011, exhibitions were held at three galleries operated by DNP to mark the 100th anniversary of the creation of DNP's original Shueitai font.

The Shueitai font was created in 1912, and has attracted high praise for being easy to read and for its elegant design. It was originally used in letterpress printing, and later adapted for use in desktop publishing, e-book publishing, and subtitles and other text displayed on television and/or movie screens. DNP is currently working on a Shueitai renewal project that we call the "Heisei no Dai Kaikoku" (engraving improvement project).

We updated the Mincho font in which this sentence is written in order to make it compatible with the latest printing environments. We also digitized and began marketing fonts from the days of letterpress printing. These fonts are being increasingly widely used in new areas such as e-books, movie subtitles, mobile phones and computer games.

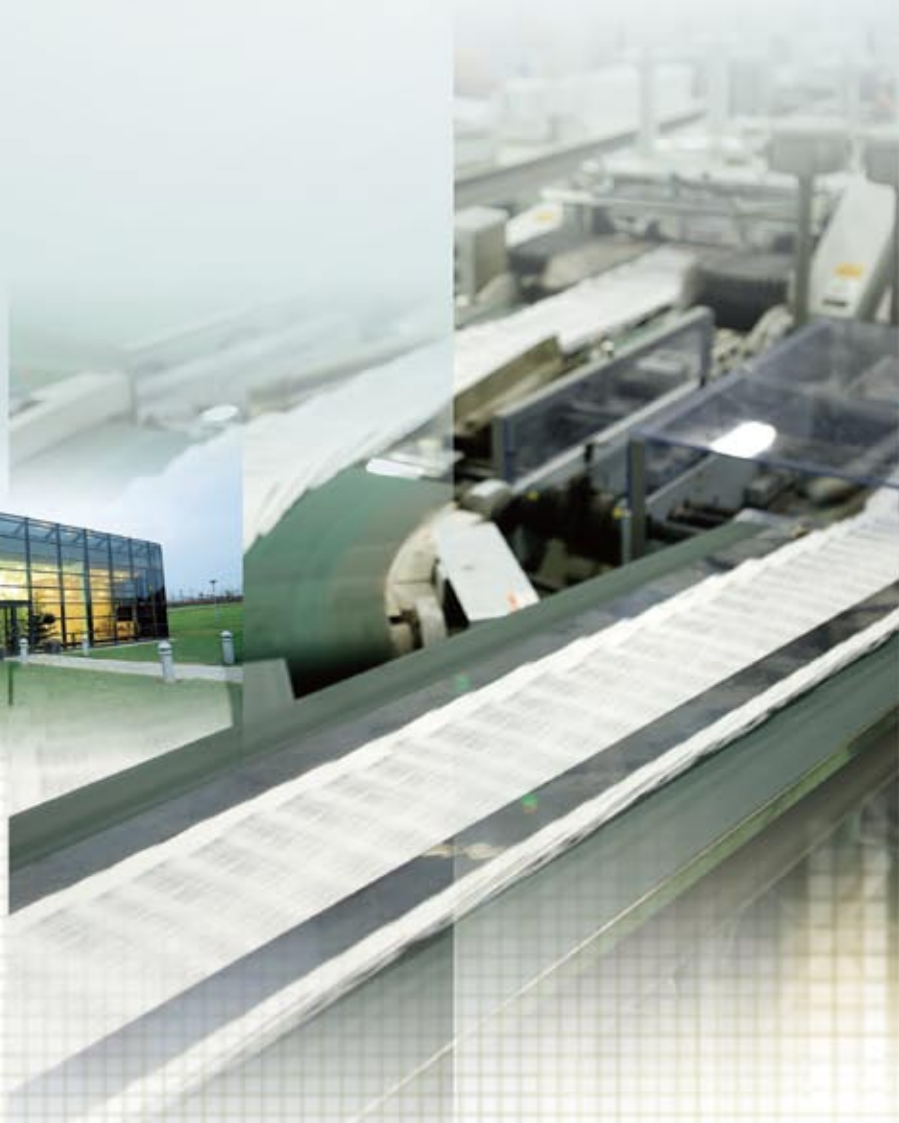


Poster for the Exhibition "Shueitai 100"

Financial Section

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Management's Discussion and Analysis

Operating Results

Business Environment

Economic conditions in Japan remained challenging during the current fiscal year. Despite some signs of recovery driven by overseas economic growth, especially in emerging countries, the economy was affected by a stronger yen, rising crude oil prices, and high unemployment. Additionally, the Tohoku-Pacific Ocean Earthquake in March 2011 could possibly have a very large impact on the Japanese economy, making the future outlook even more uncertain.

The printing industry continued to face a difficult business environment. Unit prices declined in response to stiffer competition prompted by weak consumer spending and corporate advertising spending. The earthquake also weakened demand further at the end of the fiscal year.

The Information Communication segment faced challenging conditions. In the books and magazines market, estimated sales of publications in Japan in the year ended March 2011 declined by 3.2% year over year, extending a downtrend that started in 1997. Moreover, although five books sold one million copies in 2010, new publication circulation decreased by 4.9%. Additionally, the earthquake appears to have affected the publishing market through delivery delays caused by fuel shortages and poor road conditions and the suspension of new releases and delay of publications due to paper and ink shortages. In the commercial printing business, sales at advertising-related companies in the year ended March 2011 rose by 2.7% year over year. Magazine advertising fell by 9.5% and newspaper advertising was down by 5.8%, but television advertising grew by 3.6%, internet advertising rose by 17.3%, and direct mailing was up by 4.4%. However, advertising has still not recovered to the level prior to the global financial crisis in 2008. The business forms business continued to struggle, as cutbacks in corporate spending resulted in simpler forms and the credit and cash card businesses were sluggish.

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, sales rose by 5.6% year over year on a recovery in new housing starts in Japan during the year ended March 2011, after slumping and falling below 800,000 for the first time in 45 years during the year ended March 2010. In the industrial supplies business, optical films used in displays recorded strong sales on growth in demand for LCD TVs.

In the Electronics segment, worldwide shipments of LCD TVs surpassed 190 million units in 2010, and PC shipments totaled 345 million units, up sharply from the previous year. Mobile phone shipments increased by 19%, due partly to growth for smart phones. However, domestic electronics-related companies were seriously affected by the earthquake in March, in terms of both demand and supply chains, including temporary difficulties with component supplies.

Overview

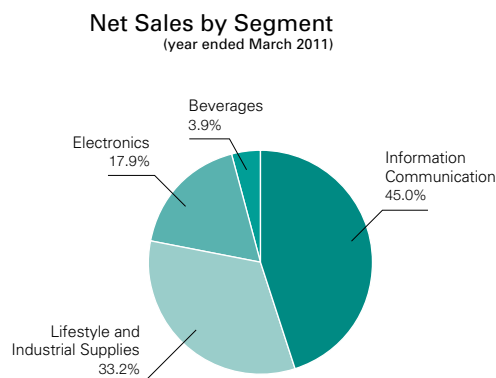
The DNP (Dai Nippon Printing Co., Ltd.) Group sought to aggressively develop its business and deliver products, services, and solutions tailored to the needs of its customers, based on its P&I Solutions business vision (P&I stands for “printing technologies” and “information technologies”). The Group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

DNP's consolidated net sales for the year ended March 2011 grew by 0.4% from the previous year to 1,589.4 billion yen. Sales in the Information Communication segment fell by 2.4%, due to a slump in the publications market, cutbacks in corporate expenditures and advertising, and a reaction to a large increase in sales of some products in the previous year. Sales in the Lifestyle and Industrial Supplies segment decreased by 0.9%, due to an overall decline for food packaging and other products on a slump in consumer spending. Sales in the Electronics segment rose by 11.2% on growth in demand for LCD displays, mainly large displays. Sales in the Beverages segment increased by 0.3%.

Turning to profits, although the Information Communication segment continued to face a difficult market environment, including a slump in the publications market and cutbacks in corporate advertising expenditures, overall profits were firm on growth for anti-reflection films and decorative materials in the Lifestyle and Industrial Supplies segment and for LCD color filters in the Electronics segment. However, the March earthquake resulted in lower sales for some products and a decline in plant capacity utilization, and this significantly eroded profitability. As a result, consolidated operating income grew by only 2.0% from the previous year.

The consolidated operating income margin rose by 0.1 percentage points to 4.3%, but the consolidated ordinary income margin declined by 0.3 percentage points to 4.0%. Net income totaled 25.0 billion yen, rising by 7.5%, or 1.8 billion yen, from the previous year, due partly to earthquake-related extraordinary losses of about 6.1 billion yen.

The consolidated operating income margin declined by 0.7 percentage points to 2.5% in the Information Communication segment, rose by 0.7 percentage points to 8.8% in the Lifestyle and Industrial Supplies segment, increased by 1.1 percentage points to 4.3% in the Electronics segment, and improved by 2.9 percentage points to 2.0% in the Beverages segment.



	2011.3	2010.3	2009.3
Net sales (¥ million)	¥ 1,589,373	¥ 1,583,383	¥ 1,584,844
Gross margin (%)	19.0%	18.7%	16.4%
Operating income margin (%)	4.3%	4.2%	2.9%
Ordinary income margin (%)	4.0%	4.3%	3.0%
Net income margin (%)	1.6%	1.5%	—
Net income (loss) per share (¥)	¥ 38.86	¥ 36.13	¥ (32.35)

Net sales

Net sales in the current fiscal year totaled 1,589,373 million yen, up 0.4%, or 5,990 million yen, from the previous year. Unit prices decreased as a result of stiffer competition prompted by weak consumer spending and corporate advertising expenditures, but sales benefited from robust demand for LCD-related products and growth for decorative materials on a recovery in housing starts.

In the Information Communication segment, sales in the Books and Magazines business gained momentum from the second half of the fiscal year, buoyed by a recovery for books, but resumed a decline in January–March, due partly to the earthquake impact, and decreased year over year for the full year. Book sales were on par with the previous year as the Group worked to expand sales, but magazine sales fell below year-ago levels on decreases in circulation, page numbers, and prices and an increase in discontinued publications. The education and publications distribution business achieved sales growth, due partly to an increase in newly consolidated subsidiaries, including Bunkyo Group Holdings Co., Ltd. In the Commercial Printing business, sales increased for services such as event planning and campaign administration, but decreased for flyers, catalogs, and point-of-purchase materials. Sales increased to specialty retailers and consumer electronics retailers, but decreased in the advertising, planning, and promotion, services, and cosmetics industries. In the Business Forms business, IPS (information processing services) demand decreased on cutbacks in corporate expenditures. For smart cards, the issuance of credit cards, cash cards, and other financial cards was sluggish, and sales of ETC cards for expressways decreased after recording strong sales last year. As a result, net sales in the Information Communication segment declined by 2.4%.

In the Lifestyle and Industrial Supplies segment, sales of flat-panel display anti-reflection film in the Industrial Supplies business rose above year-ago levels despite production adjustments during the second half of the fiscal year. Sales of ink ribbons for digital photo printers also increased. Lifestyle Materials recorded strong sales on an upturn in the market. Packaging sales decreased on lower sales of aseptic filling bottling systems for PET plastic bottles and a general decline for food packaging. As a result, net sales in the Lifestyle and Industrial Supplies segment declined by 0.9%.

In the Electronics segment, LCD color filters benefited from rising demand for large panels in emerging countries and robust demand in Japan in response to the Eco-point program. Demand for small and medium-sized panels used in smart phones and other products was also strong. The March

earthquake caused some demand and supply chain disruptions, including stoppages of component supplies, and although this caused sales to decrease during the fourth quarter, sales increased for the full year. For photomasks, despite focusing on acquiring overseas demand, domestic demand remained weak, and because the earthquake also had a major impact on the domestic semiconductor industry, full-year sales decreased. Net sales in the Electronics segment grew by 11.2% as a result of meeting robust demand for LCD panel color filters during the first half of the year by launching operations at a new plant.

In the Beverages segment, amid a tough market environment, characterized by a slump in consumer spending and intensified sales competition, net sales increased by 0.3% as a result of growth in demand due to the hot summer and efforts to expand sales of Coca-Cola and Georgia, both core products, and I LOHAS, a brand of mineral water that uses "ecoru Bottle Shiboru," Japan's lightest bottle.

Cost of Sales

The cost of sales edged up 0.1%, or 899 million yen, from the previous year to 1,287,581 million yen. The gross margin improved by 0.3 percentage points from 18.7% to 19.0%.

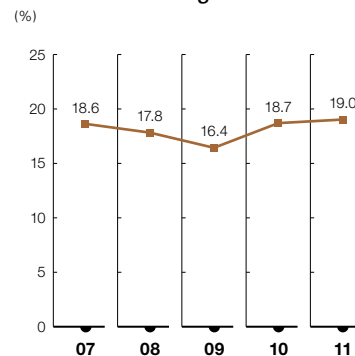
Crude oil prices surged during the year, reaching a high of 92 dollars per barrel in January 2011, due partly to an inflow of surplus funds from monetary easing in the US, growth in demand in emerging countries, and prospects for an economic recovery in the US. Prices for films, resins, and other raw materials were also raised several times. Additionally, although prices for paper raw materials increased, domestic printing demand remained weak and printing paper prices were maintained throughout the year. As a result, higher prices for raw materials, mainly films, had a 3.4 billion yen impact during the year, and DNP passed about 20% of this impact through to product prices through negotiations with customers.

The DNP Group has been pursuing Production 21 activities since April 2002, placing priority on efforts to enhance production efficiency, improve yields, reduce material losses, shorten production preparation and lead times, and otherwise reduce costs. DNP also worked to reduce indirect costs, achieving a reduction of 32.2 billion yen for the year.

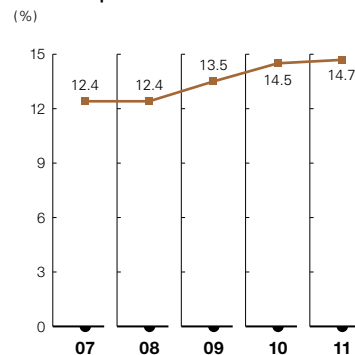
Selling, General and Administrative Expenses

For selling, general and administrative expenses, DNP worked to reduce variable costs by using information technology to enhance efficiency and by strengthening budget management, and as a result of continuous cost reduction efforts, it managed to reduce variable costs by 500 million yen. However, overall selling, general and administrative expenses rose by 1.6%, or 3,786 million yen, from the previous year to 233,973 million yen, due partly to higher sales promotion costs and higher personnel costs from newly consolidated subsidiaries. Selling, general and administrative expenses accounted for 14.7% of net sales, up 0.2 percentage points from the previous year.

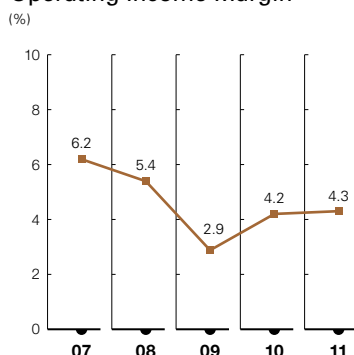
Gross Profit Margin



SGA Expenses to Net Sales



Operating Income Margin

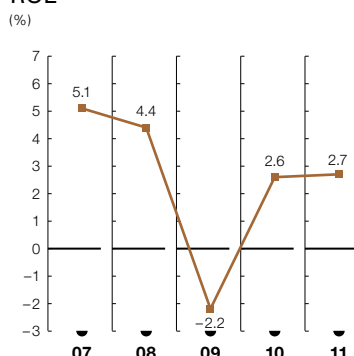


Operating Income

Operating income grew by 2.0%, or 1,305 million yen, from the previous year to 67,819 million yen. Although DNP was affected by the Tohoku-Pacific Ocean Earthquake at the end of the fiscal year, it achieved growth driven by the Lifestyle and Industrial Supplies segment and the Electronics segment. The operating income margin improved by 0.1 percentage points from 4.2% to 4.3%.

In the Information Communication segment, operating income declined by 22.7%, or 5.3 billion yen, from the previous year to 18.1 billion yen, due partly to a slump in the Books and Magazines business, a decrease in Business Forms sales, and a decline in the profitability of the education and publications distribution business. In the Lifestyle and Industrial Supplies segment, operating income rose by 7.0%, or 3.1 billion yen, to 46.8 billion yen, buoyed by growth for anti-reflection films and decorative materials. In the Electronics segment, operating income grew by 47.0%, or 3.9 billion yen, to 12.2 billion yen, on growth in sales of color filters, which sold well during the first half of the fiscal year. In the Beverages segment, operating income improved by 1.8 billion yen to 1.2 billion yen on higher sales prompted by extremely hot summer weather.

ROE



Nonoperating Income (Expenses) and Extraordinary Income (Losses)

Nonoperating income totaled 9,671 million yen, down 21.8%, or 2,690 million yen, from the previous year; and nonoperating expenses totaled 14,704 million yen, up 46.6%, or 4,671 million yen. As a result, net nonoperating expenses were 5,033 million yen. Extraordinary income totaled 4,416 million yen, up 233.8%, or 3,093 million yen, from the previous year; and extraordinary losses totaled 14,506 million yen, down 29.8%, or 6,163 million yen, despite disaster losses and provision for disaster of 6,088 million yen. As a result, net extraordinary losses were 10,090 million yen, versus losses of 19,346 million yen in the previous year.

As a result of the above, income before income taxes and minority interests grew by 6.5%, or 3,200 million yen, to 52,696 million yen.

Net Income

As a result of the above, net income grew by 7.5%, or 1,755 million yen, from the previous year to 25,033 million yen.

Net income per share was 38.86 yen, up from 36.13 yen in the previous year.

Liquidity and Capital Resources

To expand its business, DNP considers it important to steadily increase cash flow through aggressive operating activities and to prioritize investment in strategic areas. DNP also believes that strengthening its financial position is essential to sustain stable medium- to long-term growth, and it worked toward this goal during the current fiscal year.

Cash Flow

	2011.3	2010.3	2009.3
Cash flow from operating activities ¥	140,053	¥ 140,574	¥ 131,569
Cash flow from investing activities	(82,562)	(120,684)	(100,726)
Free cash flow	57,491	19,890	30,843

(¥ million)

This fiscal year, net cash provided by operating activities decreased by 0.4% to 140,053 million yen.

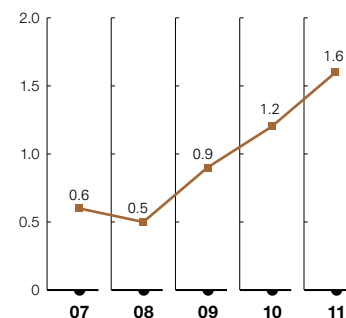
Net cash used in investing activities totaled 82,562 million yen, down by 31.6%, or 38,122 million yen, from 120,684 million yen in the previous year, due partly to lower payments for purchases of property, plant and equipment.

Net cash provided by financing activities totaled 15,186 million yen, up 15.7%, or 2,060 million yen, from 13,126 million yen in the previous year.

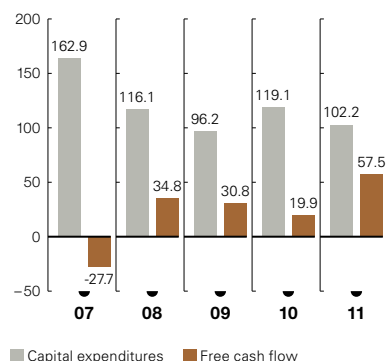
As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled 222,057 million yen, up 46.4%, or 70,347 million yen, from the previous year.

Free cash flow — i.e., net cash provided by operating activities minus net cash used in investing activities — was 57,491 million yen, up 37,601 million yen from 19,890 million 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 focuses capital expenditures primarily on strategic areas to ensure competitive advantages and on improving existing plants and equipment. Capital expenditures this fiscal year totaled 102.2 billion yen, down 14.2%, or 16.9 billion yen, from the previous year.

Key capital investments during the year included a new color filter plant in Himeji City, Hyogo Prefecture and a new photomask plant in Taiwan.

By segment, capital expenditures in the Information Communication segment decreased by 2.9 billion yen from the previous year to 20.9 billion yen, accounting for 21% of total capital expenditures. The Lifestyle and Industrial Supplies segment decreased by 2.7 billion yen to 20.1 billion yen, or 20% of the total. The Electronics segment decreased by 11.5 billion yen to 56.5 billion yen, or 55% of the total. Other businesses increased by 121 million yen, to 4.7 billion yen, or 4% of the total.

Depreciation totaled 98.0 billion yen, up 6.9%, or 6.3 billion yen, from the previous year. By segment, depreciation in the Information Communication segment decreased by 877 million yen from the previous year to 24.0 billion yen, accounting for 25% of total depreciation. The Lifestyle and Industrial Supplies segment decreased by 1.7 billion yen to 26.1 billion yen, or 27% of the total. The Electronics segment increased by 8.5 billion yen to 41.9 billion yen, or 43% of the total. Other businesses increased by 320 million yen to 6.0 billion yen, or 5% of the total.

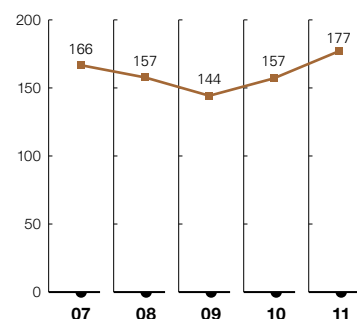
Research and development expenditures totaled 33.1 billion yen, down 2.1%, or 703 million yen, from the previous year.

The Balance Sheet

DNP is working to enhance capital efficiency, raise enterprise value, and maintain the liquidity required to quickly respond to changes in the business environment.

	2011.3	2010.3	2009.3
Total assets (¥ million)	¥ 1,649,784	¥ 1,618,854	¥ 1,536,557
Current ratio (%)	177%	157%	144%
Working capital/net sales (%)	22%	17%	13%
Debt-to-equity ratio (%)	25%	18%	14%
Net assets per share (¥)	¥ 1,410.44	¥ 1,422.34	¥ 1,393.91

Current Ratio
(%)



DNP's total assets at the end of this fiscal year amounted to 1,649,784 million yen, an increase of 1.9%, or 30,930 million yen, from the previous year.

Among current assets, cash, cash equivalents, and time deposits increased by 46.9%, or 71,432 million yen, from the previous year to 223,848 million yen. Trade receivables decreased by 10.0%, or 45,034 million yen, to 403,986 million yen. Inventories of finished products, work in process, raw materials, and supplies increased by 16.7%, or 19,787 million yen, to 138,607 million yen. As a result, current assets increased by 6.9%, or 50,992 million yen, to 790,943 million yen.

Among long-term assets, property, plant and equipment decreased by 0.3%, or 2,021 million yen, to 614,827 million yen. Intangible assets increased

by 3.4%, or 1,174 million yen, to 35,891 million yen. Investments and other assets decreased by 8.4%, or 18,863 million yen, to 206,868 million yen. As a result, long-term assets decreased by 2.2%, or 19,709 million yen, to 857,587 million yen.

Current liabilities decreased by 5.1%, or 24,177 million yen, to 447,768 million yen.

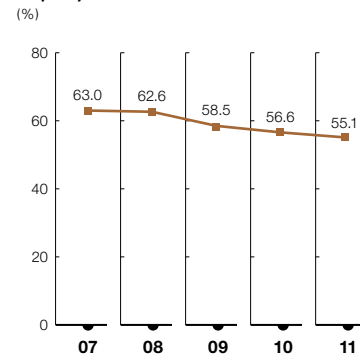
Long-term liabilities increased by 31.3%, or 59,530 million yen, to 249,575 million yen, due mainly to bonds increasing by 52,353 million yen to 153,520 million yen.

As a result, total liabilities increased by 5.3%, or 35,353 million yen, to 697,343 million yen.

Net assets for the fiscal year decreased by 0.5%, or 4,423 million yen, to 952,441 million yen.

DNP repurchased about 112.86 million of its shares during the six years from February 2003 to June 2008 and retired 59 million treasury shares during the five years from 2004 to 2008. As of March 31, 2011, the number of treasury shares totaled 55.81 million shares, or 7.97% of total shares outstanding of 700,480,693 shares.

Equity Ratio



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 Group considers the following factors to be key 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 Group does most of its business in the Japanese market and overseas sales account for 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 sharp volatility in petroleum prices, sudden surges in demand from emerging markets, and major disasters. 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 makes 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, its performance could be substantially affected in the event of major earthquakes or other natural disasters, terrorist attacks, infectious disease outbreaks, or other unexpected events that cause production stoppages or major damage or interference with social infrastructure.

Selected Financial Data (unaudited)

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

	2011	2010	2009	2008
Statements of Operations Data (¥ million)				
Net sales	¥ 1,589,373	¥ 1,583,383	¥ 1,584,844	¥ 1,616,053
Cost of sales	1,287,581	1,286,682	1,324,522	1,327,872
Gross profit	301,792	296,701	260,322	288,181
Selling, general and administrative expenses	233,973	230,187	214,145	201,077
Operating income	67,819	66,514	46,177	87,104
Ordinary income	62,786	68,841	47,390	86,502
Income (loss) before income taxes and minority interests	52,696	49,496	(27,842)	88,469
Net income (loss)	25,033	23,278	(20,933)	45,172
Balance Sheet Data (¥ million)				
Total assets	¥ 1,649,784	¥ 1,618,854	¥ 1,536,557	¥ 1,601,193
Property, plant and equipment – net	614,827	616,848	604,904	639,343
Long-term liabilities	249,575	190,045	126,671	106,691
Total liabilities	697,343	661,990	596,471	561,058
Total stockholders' equity	–	–	–	–
Stockholders' equity	925,702	921,775	917,348	990,122
Total net assets	952,441	956,864	940,086	1,040,135
Other Selected Data (¥ million)				
Capital expenditures	¥ 102,173	¥ 119,063	¥ 96,156	¥ 116,139
Depreciation expenses	97,977	91,695	106,883	109,902
R&D expenditures	33,147	33,850	34,112	35,556
Common Share Data (¥, shares)				
Earnings (loss) per share – primary	¥ 38.86	¥ 36.13	¥ (32.35)	¥ 67.08
Earnings (loss) per share – fully diluted	–	–	–	–
Dividends paid per share	32.00	32.00	32.00	36.00
Book value per share	1,410.44	1,422.34	1,393.91	1,516.35
No. of common shares outstanding (exc. treasury shares)	644,142,530	644,238,930	644,357,076	661,366,377
Financial Ratios (% , times)				
As a percent of net sales:				
Gross profit	18.99%	18.74%	16.43%	17.83%
Selling, general and administrative expenses	14.72	14.54	13.51	12.44
Operating income	4.27	4.20	2.91	5.39
Income (loss) before income taxes and minority interests	3.32	3.13	-1.76	5.47
Net income (loss)	1.57	1.47	-1.32	2.80
Return on equity	2.74	2.57	-2.20	4.35
Current ratio	177	157	144	157
D/E ratio	25	18	14	8

2007	2006	2005	2004	2003	2002
¥ 1,557,802	¥ 1,507,506	¥ 1,424,943	¥ 1,354,101	¥ 1,309,002	¥ 1,311,934
1,268,072	1,202,160	1,121,374	1,073,118	1,043,456	1,071,163
289,730	305,346	303,569	280,983	265,546	240,771
193,585	184,676	183,041	178,545	175,665	168,529
96,145	120,670	120,528	102,438	89,881	72,242
101,348	124,715	120,485	97,276	88,177	74,775
98,950	114,640	107,686	93,137	42,244	26,150
54,842	65,188	59,937	52,971	28,774	15,609
¥ 1,700,250	¥ 1,662,377	¥ 1,600,129	¥ 1,513,734	¥ 1,450,027	¥ 1,432,458
635,784	568,966	528,009	513,175	540,874	543,962
118,437	118,287	115,801	119,277	66,821	79,013
600,811	571,170	566,796	510,970	484,581	460,691
–	1,063,309	1,007,944	978,736	942,083	946,998
1,027,475	–	–	–	–	–
1,099,439	–	–	–	–	–
¥ 162,886	¥ 136,059	¥ 86,057	¥ 69,834	¥ 73,789	¥ 85,096
100,161	87,264	80,440	85,182	89,239	94,870
30,113	28,692	26,386	26,050	24,097	23,367
¥ 78.10	¥ 91.23	¥ 82.56	¥ 71.49	¥ 37.80	¥ 20.55
–	–	–	–	37.67	20.53
32.00	26.00	24.00	21.00	19.00	18.00
1,544.02	1,507.90	1,409.18	1,348.40	1,270.81	1,246.99
694,226,171	704,972,101	715,076,830	725,677,422	741,161,150	759,480,693
18.60%	20.26%	21.30%	20.75%	20.29%	18.35%
12.43	12.25	12.85	13.19	13.42	12.85
6.17	8.00	8.46	7.57	6.87	5.51
6.35	7.60	7.56	6.88	3.23	1.99
3.52	4.32	4.21	3.91	2.20	1.19
5.14	6.29	6.03	5.52	3.02	1.65
166	178	186	197	171	181
6	6	7	7	6	7

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2011 and 2010	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Assets			
Current assets:			
Cash and cash equivalents (Notes 4 and 16)	¥ 222,057	¥ 151,710	\$ 2,675,386
Time deposits (Note 16)	1,791	706	21,578
Securities (Notes 5 and 16)	9	9	108
Trade receivables (Notes 10 and 16)	403,986	449,020	4,867,301
Allowance for doubtful receivables	(6,995)	(4,328)	(84,277)
Inventories (Note 6)	138,607	118,820	1,669,964
Prepaid expenses and other current assets (Notes 10 and 13)	31,488	24,014	379,374
Total current assets	790,943	739,951	9,529,434
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Note 10)	22,104	23,359	266,313
Investment securities (Notes 5 and 16)	114,438	124,715	1,378,771
Other (Note 10)	2,334	1,988	28,121
Total investments and advances	138,876	150,062	1,673,205
Property, plant and equipment, at cost (Notes 7 and 14):			
Land	138,650	135,485	1,670,482
Buildings	531,440	508,518	6,402,892
Machinery and equipment	1,028,119	1,006,219	12,386,976
Leased assets	33,516	26,309	403,807
Construction in progress	47,037	51,434	566,710
Total	1,778,762	1,727,965	21,430,867
Accumulated depreciation	(1,163,935)	(1,111,117)	(14,023,313)
Net property, plant and equipment	614,827	616,848	7,407,554
Other assets (Notes 7,13,14 and 16)	105,138	111,993	1,266,723
Total assets	¥ 1,649,784	¥ 1,618,854	\$ 19,876,916

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

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2011 and 2010	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Notes 7 and 16)	¥ 51,403	¥ 50,547	\$ 619,313
Current portion of long-term debt (Notes 7 and 16)	11,019	4,240	132,759
Trade payables (Notes 10 and 16)	275,525	308,630	3,319,578
Accrued expenses (Note 10)	37,952	35,566	457,253
Income taxes payable (Note 13)	10,487	15,623	126,349
Provision for loss from a disaster	4,648	–	56,000
Other current liabilities (Notes 7, 10 and 13)	56,734	57,339	683,543
Total current liabilities	447,768	471,945	5,394,795
Long-term liabilities:			
Long-term debt (Notes 7 and 16)	168,323	112,186	2,027,988
Liability for retirement benefits (Note 8)	39,261	43,230	473,024
Other long-term liabilities (Notes 7 and 13)	41,991	34,629	505,916
Total long-term liabilities	249,575	190,045	3,006,928
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	1,379,084
Capital surplus (Note 9)	144,898	144,898	1,745,759
Retained earnings (Note 9)	760,453	756,430	9,162,085
Treasury stock, at cost			
56,338,163 shares in 2011 and 56,241,763 shares in 2010 (Note 9)	(94,113)	(94,017)	(1,133,892)
Total stockholders' equity	925,702	921,775	11,153,036
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	833	8,060	10,036
Net deferred losses on derivatives	(12)	(11)	(145)
Foreign currency translation adjustments	(18,000)	(13,499)	(216,867)
Total accumulated other comprehensive income	(17,179)	(5,450)	(206,976)
Share acquisition rights	16	–	193
Minority interests	43,902	40,539	528,940
Total net assets	952,441	956,864	11,475,193
Total liabilities and net assets	¥ 1,649,784	¥ 1,618,854	\$ 19,876,916

Consolidated Statements of Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2011 and 2010	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Net sales (Note 19)	¥ 1,589,373	¥ 1,583,383	\$ 19,149,072
Cost of sales (Notes 11, 15 and 19)	1,287,581	1,286,682	15,513,024
Gross profit	301,792	296,701	3,636,048
Selling, general and administrative expenses (Notes 11, 15 and 19)	233,973	230,187	2,818,952
Operating income	67,819	66,514	817,096
Other income (expenses) (Note 12):			
Interest and dividend income	3,353	3,197	40,398
Interest expenses	(2,775)	(2,363)	(33,434)
Equity in losses of associated companies	(413)	(103)	(4,976)
Foreign exchange transaction loss	(1,672)	(117)	(20,145)
Net loss on disposal of property, plant and equipment	(904)	(6,086)	(10,892)
Net gain on sales of investment securities	694	40	8,361
Loss on devaluation of investment securities	(436)	(1,200)	(5,253)
Impairment loss on fixed assets (Note 14)	(1,685)	(378)	(20,301)
Amortization of consolidation goodwill	—	(11,063)	—
Disaster losses and provision for disaster	(6,088)	—	(73,349)
Other	(5,197)	1,055	(62,613)
	(15,123)	(17,018)	(182,204)
Income before income taxes and minority interests	52,696	49,496	634,892
Income taxes (Note 13):			
Current	20,027	22,062	241,289
Deferred	8,003	3,700	96,422
	28,030	25,762	337,711
Net income before minority interests	24,666	23,734	297,181
Minority interests	367	(456)	4,421
Net income	¥ 25,033	¥ 23,278	\$ 301,602

	Yen		U.S. dollars (Note 3)
	2011	2010	2011
Net assets per common share	¥ 1,410.44	¥ 1,422.34	\$ 16.99
Net income per common share			
primary	¥ 38.86	¥ ¥36.13	\$ 0.47

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

Consolidated Statements of Comprehensive Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2011	2011
Net income before minority interests	¥ 24,666	\$ 297,181
Other comprehensive income		
Net unrealized losses on available-for-sale securities	(7,108)	(85,639)
Net deferred losses on derivatives	(2)	(24)
Foreign currency translation adjustments	(5,023)	(60,518)
Share of other comprehensive income in associates accounted for using the equity method	(59)	(711)
Total other comprehensive income	(12,192)	(146,892)
Comprehensive income	12,474	150,289
Attributable to :		
Shareholders of parent company	¥ 13,302	\$ 160,265
Minority interests	(828)	(9,976)

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, 2011 and 2010	Millions of yen									
	Number of shares issued (in thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Accumulated net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on derivatives	Other comprehensive income Foreign currency translation adjustments	Share acquisition rights	Minority interests
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
Changes of items during the period										
Net income	—	—	—	25,033	—	—	—	—	—	—
Cash dividends paid	—	—	—	(20,632)	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(118)	—	—	—	—	—
Disposal of treasury stock	—	—	—	(8)	22	—	—	—	—	—
Changes in unrealized losses on available-for-sale securities	—	—	—	—	—	(7,227)	—	—	—	—
Changes in deferred losses on derivatives	—	—	—	—	—	—	(1)	—	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	(4,501)	—	—
Changes in share acquisition rights	—	—	—	—	—	—	—	—	16	—
Changes in minority interests	—	—	—	—	—	—	—	—	—	3,363
Other	—	—	—	(370)	—	—	—	—	—	—
Total changes of items during the period	—	—	—	4,023	(96)	(7,227)	(1)	(4,501)	16	3,363
Balance at March 31, 2011	700,480	114,464	144,898	760,453	(94,113)	833	(12)	(18,000)	16	43,902

	Thousands of U.S. dollars (Note 3)									
	Number of shares issued (in thousands)	Stockholders' equity			Accumulated other comprehensive income				Share acquisition rights	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, 2010	700,480	1,379,084	1,745,759	9,113,614	(1,132,735)	97,108	(133)	(162,639)	-	488,422
Changes of items during the period										
Net income	-	-	-	301,602	-	-	-	-	-	-
Cash dividends paid	-	-	-	(248,578)	-	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	(1,422)	-	-	-	-	-
Disposal of treasury stock	-	-	-	(96)	265	-	-	-	-	-
Changes in unrealized gains on available-for-sale securities	-	-	-	-	-	(87,072)	-	-	-	-
Changes in deferred losses on derivatives	-	-	-	-	-	-	(12)	-	-	-
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(54,228)	-	-
Changes in share acquisition rights	-	-	-	-	-	-	-	-	193	-
Changes in minority interests	-	-	-	-	-	-	-	-	-	40,518
Other	-	-	-	(4,457)	-	-	-	-	-	-
Total changes of items during the period	-	-	-	48,471	(1,157)	(87,072)	(12)	(54,228)	193	40,518
Balance at March 31, 2011	700,480	1,379,084	1,745,759	9,162,085	(1,133,892)	10,036	(145)	(216,867)	193	528,940

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, 2011 and 2010	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 52,696	¥ 49,496	\$ 634,892
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	97,978	91,695	1,180,458
Impairment loss on fixed assets	1,685	378	20,301
Provision for doubtful receivables (net)	1,146	(80)	13,807
Provision for retirement benefits (net)	(4,177)	2,263	(50,325)
Equity in losses of associated companies	413	103	4,976
Amortization of consolidation goodwill (net)	2,554	16,220	30,771
Interest and dividend income	(3,353)	(3,197)	(40,398)
Interest expenses	2,775	2,363	33,434
Net gain on sales of investment securities	(694)	(52)	(8,361)
Loss on devaluation of investment securities	436	1,200	5,253
Net loss on disposal of property, plant and equipment	904	6,086	10,892
(Increase) decrease in trade receivables	48,851	(39,672)	588,566
(Increase) decrease in inventories	(7,135)	1,970	(85,964)
Increase (decrease) in trade payables	(36,477)	17,899	(439,482)
Other	4,781	2,775	57,602
Sub-total	162,383	149,447	1,956,422
Payments of income taxes	(22,330)	(8,873)	(269,036)
Net cash provided by operating activities	140,053	140,574	1,687,386
Cash flows from investing activities:			
Net (increase) decrease in time deposits	(171)	6,130	(2,060)
Payments for purchases of property, plant and equipment	(89,846)	(108,596)	(1,082,482)
Proceeds from sales of property, plant and equipment	7,059	2,557	85,048
Payments for purchases of investment securities	(2,156)	(13,456)	(25,976)
Proceeds from sales of investment securities	11,095	7,048	133,675
Interest and dividend received	3,502	3,163	42,193
Other	(12,045)	(17,530)	(145,121)
Net cash used in investing activities	(82,562)	(120,684)	(994,723)
Cash flows from financing activities:			
Net (decrease) in short-term bank loans	(12,447)	(10,119)	(149,964)
Proceeds from long-term debt	14,699	3,340	177,096
Repayments of long-term debt	(9,786)	(3,702)	(117,904)
Proceeds from issuance of unsecured debentures	53,700	50,000	646,988
Interest paid	(2,660)	(2,201)	(32,048)
Dividend paid	(21,094)	(19,684)	(254,145)
Payments for purchases of treasury stocks	(118)	(155)	(1,422)
Other	(7,108)	(4,353)	(85,637)
Net cash provided by financing activities	15,186	13,126	182,964
Effect of exchange rate changes on cash and cash equivalents	(2,458)	889	(29,615)
Net increase in cash and cash equivalents	70,219	33,905	846,012
Cash and cash equivalents at beginning of year	151,710	117,200	1,827,832
Cash and cash equivalents of newly consolidated subsidiaries	-	605	-
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	128	-	1,542
Cash and cash equivalents at end of year	¥ 222,057	¥ 151,710	\$ 2,675,386

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, 2011 and 2010

1. Basis of Presenting the Consolidated Financial Statements

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

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency of Japan as required by the Financial Instruments and Exchange Act of Japan. Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in net assets. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011. 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 2010 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-five subsidiaries whose fiscal years end December 31 and twenty-five subsidiaries whose fiscal years end January 31. Significant transactions that took place between their fiscal year ends and the Company's fiscal year end are reflected in the consolidated financial statements. Nine subsidiaries whose fiscal years end August 31 and one subsidiary whose fiscal year ends June 30 are consolidated based on their additionally prepared financial statements as of and for the period ended March 31.

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 accumulated other comprehensive income 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 (\$1,205) or more per unit and less than ¥200,000 (\$2,410) 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 lease 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, currency options, interest rate swaps and currency 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, 2011 and 2010, respectively.

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

Change in accounting policies

Application of "Accounting Standards for Asset Retirement Obligations"

Beginning with the first quarter of the fiscal year ending December 31, 2011, "Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ) Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008) have been applied. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. As a result, operating income decreased by ¥265 million (\$3,193 thousand), ordinary income decreased by ¥449 million (\$5,410 thousand) and income before income taxes and minority interests decreased by ¥950 million (\$11,446 thousand).

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 ¥83=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2011. 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, 2011 and 2010 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cash and deposits	¥ 222,057	¥ 151,710	\$ 2,675,386
(excluding time deposits with a maturity over three months)			

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, 2011 and 2010 were as follows:

	Millions of yen			
March 31, 2011	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 112,167	¥ 14,734	¥ 12,859	¥ 114,042
Others	411	2	8	405
Total	¥ 112,578	¥ 14,736	¥ 12,867	¥ 114,447

	Thousands of U.S. dollars (Note 3)			
March 31, 2011	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 1,351,410	\$ 177,518	\$ 154,928	\$ 1,374,000
Others	4,952	24	96	4,880
Total	\$ 1,356,362	\$ 177,542	\$ 155,024	\$ 1,378,880

	Millions of yen			
March 31, 2010	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

The proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2010 were ¥946 million (\$11,398 thousand) and ¥163 million, respectively. The gross realized gains on these sales for the years ended March 31, 2011 and 2010 were ¥696 million (\$8,386 thousand) and ¥46 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2011 and 2010 were ¥2 million (\$24 thousand) and ¥5 million, respectively.

The redemption schedules for securities with maturities classified as held-to-maturity debt securities and other securities at March 31, 2011 and 2010 were as follows:

	Millions of yen		
March 31, 2011	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	¥ -	¥ 180	¥ 100

	Thousands of U.S. dollars (Note 3)		
March 31, 2011	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	\$ -	\$ 2,169	\$ 1,205

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

6. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Finished products	¥ 87,446	¥ 71,341	\$ 1,053,566
Work in process	31,585	29,722	380,542
Raw materials	19,576	17,757	235,856
	¥ 138,607	¥ 118,820	\$ 1,669,964

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

Short-term bank loans at March 31, 2011 and 2010 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 0.74 % per annum for 2011 and 1.41 % per annum for 2010.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Secured debentures			
1.05% due 2014	¥ 40	¥ 40	\$ 482
1.05% due 2013	40	40	482
0.66~1.13% due 2012	87	87	1,048
0.78~1.13% due 2011	–	220	–
Unsecured debentures			
1.358% due 2021	¥ 50,000	¥ –	\$ 602,410
1.705% due 2020	50,000	50,000	602,410
0.65% due 2016	340	–	4,096
0.55~0.65% due 2015	1,340	–	16,145
0.45~1.67% due 2014	51,380	50,000	619,036
0.65~1.35% due 2013	380	–	4,578
0.65~1.75% due 2012	1,516	–	18,265
1.04% for 2009 and 1.75% for 2010 due 2012	–	1,000	–
Mortgage loans, maturing 2011-2015	3,262	5,146	39,301
Unsecured loans, maturing 2011-2018	20,957	9,893	252,494
	179,342	116,426	2,160,747
Current portion of long-term debt	(11,019)	(4,240)	(132,759)
	¥ 168,323	¥ 112,186	\$ 2,027,988

Finance lease obligations at March 31, 2011 and 2010 which are included in other long-term liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Finance lease obligations	¥ 23,120	¥ 22,192	\$ 278,554
Current portion of lease obligations	(7,662)	(6,237)	(92,313)
	¥ 15,458	¥ 15,955	\$ 186,241

Mortgage loans were secured by property, plant and equipment and other assets amounting to ¥14,985 million (\$180,542 thousand) and ¥9,784 million at March 31, 2011 and 2010, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 1.34 % to 2.25 % per annum for 2011 and ranged from 0.73 % to 2.86 % per annum for 2010, while interest rates on unsecured loans ranged from 0.64 % to 2.35 % per annum for 2011 and from 0.54 % to 2.86 % per annum for 2010.

The aggregate annual maturities of long-term debt after March 31, 2011 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2012	¥ 11,019	\$ 132,759
2013	4,531	54,590
2014	55,212	665,205
2015	4,238	51,060
2016	3,577	43,097
2017 and thereafter	100,765	1,214,036
	¥ 179,342	\$ 2,160,747

The aggregate annual maturities of finance lease obligations after March 31, 2011 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2012	¥ 7,662	\$ 92,313
2013	5,439	65,530
2014	3,252	39,181
2015	1,262	15,205
2016	743	8,952
2017 and thereafter	4,762	57,373
	¥ 23,120	\$ 278,554

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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Projected benefit obligation	¥ 186,008	¥ 176,040	\$ 2,241,060
Fair value of plan assets	(132,698)	(123,243)	(1,598,771)
Unrecognized actuarial gain/loss	(16,010)	(11,490)	(192,891)
Unrecognized prior service cost	(1,526)	(2,181)	(18,386)
Prepaid pension cost	3,487	4,104	42,012
Net liability	¥ 39,261	¥ 43,230	\$ 473,024

The components of net periodic benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Service cost	¥ 10,227	¥ 9,627	\$ 123,217
Interest cost	4,291	4,094	51,699
Expected return on plan assets	(3,177)	(2,355)	(38,277)
Actuarial gain/loss	2,084	7,712	25,108
Amortization of prior service cost	2,147	2,356	25,867
Other	142	108	1,711
Net periodic benefit costs	¥ 15,714	¥ 21,542	\$ 189,325

Assumptions used for the years ended March 31, 2011 and 2010 were set forth as follows:

	2011	2010
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 ¥10,314 million (\$124,265 thousand) were approved at the general stockholders' meeting held in June 2011 with respect to the year ended March 31, 2011.

(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.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2011 and 2010 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Trade receivables	¥ 5,396	¥ 4,484	\$ 65,012
Other current assets	538	329	6,482
Investment securities (stock)	16,355	17,667	197,048
Long-term loans	5,159	5,416	62,159
Other investments	590	275	7,108
Trade payables	4,102	4,965	49,422
Accrued expenses	269	263	3,241
Other current liabilities	724	855	8,723

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Salaries and allowances	¥ 66,754	¥ 65,365	\$ 804,265
Accrued bonuses	5,980	5,804	72,048
Provision for retirement benefits	4,515	7,183	54,398
Depreciation	11,213	10,857	135,096
Research and development expenses	30,619	31,063	368,904
Other	114,892	109,915	1,384,241
	¥ 233,973	¥ 230,187	\$ 2,818,952

Total research and development expenses (including manufacturing costs) amounted to ¥33,147 million (\$399,361 thousand) and ¥33,850 million for 2011 and 2010, 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)
	2011	2010	2011
Interest and dividend income	¥ 103	¥ 120	\$ 1,241
Leasing fees	203	262	2,446

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, 2011 and 2010, 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, 2011 and 2010, respectively.

	2011	2010
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	(0.7)	3.0
Amortization of consolidation goodwill	1.3	12.6
Change in valuation allowance	11.7	(1.8)
Special tax credit	1.6	(2.0)
Other	(1.4)	(0.5)
Actual effective tax rate	53.2%	52.0%

Net deferred tax assets at March 31, 2011 and 2010, 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)
	2011	2010	2011
Prepaid expenses and other current assets	¥ 10,415	¥ 9,775	\$ 125,482
Other assets	37,196	40,575	448,144
Other current liabilities	¥ (8)	¥ (13)	\$ (96)
Other long-term liabilities	(2,628)	(2,711)	(31,663)
Net deferred tax assets	¥ 44,975	¥ 47,626	\$ 541,867

Significant components of deferred tax assets at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Deferred tax assets:			
Excess provision for retirement benefits	¥ 18,919	¥ 20,276	\$ 227,940
Loss on devaluation of investment securities	5,883	5,016	70,880
Excess provision for doubtful receivables	5,955	5,573	71,747
Accrued bonuses	6,686	6,515	80,554
Loss on write-down of inventories	986	1,046	11,880
Operating loss carryforwards	36,949	36,363	445,169
Impairment loss on fixed assets	9,641	15,506	116,157
Other	18,078	14,868	217,806
Total deferred tax assets	103,097	105,163	1,242,133
Less: valuation allowance	(45,929)	(41,259)	(553,362)
Total	¥ 57,168	¥ 63,904	\$ 688,771
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (329)	¥ (5,554)	\$ (3,964)
Reserve for special depreciation	(5,142)	(5,524)	(61,952)
Undistributed earnings of subsidiaries	(1,610)	(1,480)	(19,398)
Other	(5,112)	(3,720)	(61,590)
Total	¥ (12,193)	¥ (16,278)	\$ (146,904)
Net deferred tax assets :	¥ 44,975	¥ 47,626	\$ 541,867

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the years ended March 31, 2011 and 2010. 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, 2011 and 2010 were recognized in the amount of ¥1,685 million (\$20,301 thousand) and ¥378 million, respectively due to a significant decline in profitability. The recoverable amounts of the business assets were measured at their value in use which was calculated by discounting future cash flow. The recoverable amounts of the idle assets were measured at the net selling. The carrying amounts of the idle assets were devalued to the nominal amount since calculation of its net selling value was difficult and its future cash flow was negative. The losses on impairment of fixed assets for the years ended March 31, 2011 and 2010 were as follows.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Buildings and structures	¥ 1,575	¥ 158	\$ 18,976
Others	110	220	1,325
Total	¥ 1,685	¥ 378	\$ 20,301

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)
	2011	2010	2011
Acquisition cost	¥ 20,526	¥ 34,032	\$ 247,301
Accumulated depreciation	(15,785)	(25,494)	(190,181)
Accumulated impairment losses	(235)	(349)	(2,831)
Net book value	¥ 4,506	¥ 8,189	\$ 54,289

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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Lease expenses	¥ 4,041	¥ 8,564	\$ 48,687
Reversal of allowance for impairment loss on leased assets	113	1,046	1,361
Lease impairment losses	¥ 2	¥ 93	\$ 24

The amounts of outstanding future payments under such finance leases due on March 31, 2011 and 2010, including the portion of interest thereon, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Future lease payments:			
One year or less	¥ 2,153	¥ 4,686	\$ 25,940
More than one year	2,589	3,852	31,193
	¥ 4,742	¥ 8,538	\$ 57,133

Operating leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2011 and 2010 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Future lease payments:			
One year or less	¥ 3,935	¥ 4,527	\$ 47,409
More than one year	16,865	27,580	203,193
	¥ 20,800	¥ 32,107	\$ 250,602

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, 2011 and 2010 were as follows:

Millions of yen			
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
March 31, 2011			
(1) Cash and deposits	¥ 223,848	¥ 223,848	¥ –
(2) Trade receivables	403,986	403,986	–
(3) Short-term and long-term investment securities	96,356	96,358	2
(4) Long-term loan receivables	1,990	1,967	
Allowance for doubtful receivables ^{*1}	(203)		
	1,787	1,967	180
Assets	725,977	726,159	182
(1) Trade payables	275,525	275,525	–
(2) Short-term bank loans	51,403	51,403	–
(3) Long-term debts	179,343	182,745	3,402
Liabilities	506,271	509,673	3,402
Derivatives ^{*2}			
[1]Hedge accounting is not applied	(217)	(217)	–
[2]Hedge accounting is applied	(20)	(26)	(6)
Total	¥ (237)	¥ (243)	¥ (6)

Thousands of U.S. dollars (Note 3)			
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
March 31, 2011			
(1) Cash and deposits	\$ 2,696,964	\$ 2,696,964	\$ –
(2) Trade receivables	4,867,301	4,867,301	–
(3) Short-term and long-term investment securities	1,160,916	1,160,940	24
(4) Long-term loan receivables	23,976	23,699	
Allowance for doubtful receivables ^{*1}	(2,446)		
	21,530	23,699	2,169
Assets	8,746,711	8,748,904	2,193
(1) Trade payables	3,319,578	3,319,578	–
(2) Short-term bank loans	619,313	619,313	–
(3) Long-term debts	2,160,760	2,201,748	40,988
Liabilities	6,099,651	6,140,639	40,988
Derivatives ^{*2}			
[1]Hedge accounting is not applied	(2,614)	(2,614)	–
[2]Hedge accounting is applied	(241)	(313)	(72)
Total	\$ (2,855)	\$ (2,927)	\$ (72)

Millions of yen			
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
March 31, 2010			
(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

*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)
March 31, 2011	Carrying amounts	Carrying amounts
Unlisted equity securities	¥ 17,907	\$ 215,747
Other	184	2,217
March 31, 2010	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, currency swap contracts, currency option contracts and interest rate swaps to manage the risk arising from fluctuation in foreign currency exchange rates and interest rates. Derivatives related to currency are utilized to hedge foreign exchange risks associated with certain accounts receivable, accounts payable and other debts, 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 at March 31, 2011 and 2010 were as follows:

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

Millions of yen			
March 31, 2011	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 6,114	¥ 6,175	¥ (61)
Euro	1,836	1,921	(85)
	¥ 7,950	¥ 8,096	¥ (146)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	¥ 1,464	¥ (47)	¥ (47)
Currency option contracts			
Buying Euro	¥ 215	¥ (11)	¥ (11)
Selling Euro	215	(13)	(13)
	¥ 430	¥ (24)	¥ (24)

Thousands of U.S. dollars (Note 3)			
March 31, 2011	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	\$ 73,663	\$ 74,398	\$ (735)
Euro	22,120	23,144	(1,024)
	\$ 95,783	\$ 97,542	\$ (1,759)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	\$ 17,639	\$ (566)	\$ 566
Currency option contracts			
Buying Euro	\$ 2,590	\$ (132)	\$ (132)
Selling Euro	2,590	(157)	(157)
	\$ 5,180	\$ (289)	\$ (289)

Millions of yen			
March 31, 2010	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)

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

Millions of yen

March 31, 2011	Hedge items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	¥ 1,175	¥ 1,176
Euro	Trade receivables	454	478
Payables:			
U.S. dollars	Trade payables	11	11
Japanese yen	Trade payables	32	29
		¥ 1,672	¥ 1,694
Interest rate swaps	Long-term loan payables		
Receive floating and pay fixed	and corporate bonds	¥ 4,425	¥ (123)

Thousands of U.S. dollars (Note 3)

March 31, 2011	Hedge items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	\$ 14,157	\$ 14,169
Euro	Trade receivables	5,470	5,759
Payables:			
U.S. dollars	Trade payables	133	133
Japanese yen	Trade payables	385	349
		\$ 20,145	\$ 20,410
Interest rate swaps	Long-term loan payables		
Receive floating and pay fixed	and corporate bonds	\$ 53,313	\$ (1,482)

Millions of yen

March 31, 2010	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	Long-term loan payables		
Receive floating and pay fixed		¥ 3,172	¥ (104)

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 ¥75 million (\$904 thousand) and ¥78 million at March 31, 2011 and 2010, 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, 2011 and 2010, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥704 million (\$8,482 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 ¥891 million (\$10,735 thousand) and ¥358 million at March 31, 2011 and 2010, respectively.

19. Business Segment Information

Outline of reportable segments:

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

Information on sales and profit (loss), identifiable assets/liabilities and other items by business segment.

Millions of yen							
For 2011:	Segment report				Total	Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages			
Net sales and operating income							
Net sales							
Outside customers	¥ 715,519	¥ 524,529	¥ 286,286	¥ 63,039	¥ 1,589,373	¥ –	¥ 1,589,373
Inter-segment	6,461	7,185	10	6	13,662	(13,662)	–
Total	721,980	531,714	286,296	63,045	1,603,035	(13,662)	1,589,373
Segment income	18,145	46,790	12,223	1,249	78,407	(10,588)	67,819
Segment assets	¥ 610,457	¥ 518,259	¥ 387,890	¥ 44,377	¥ 1,560,983	¥ 88,801	¥ 1,649,784
Others							
Depreciation and amortization	¥ 24,036	¥ 26,070	¥ 41,878	¥ 3,351	¥ 95,335	¥ 2,642	¥ 97,977
Amortization of goodwill	1,408	1,293	161	–	2,862	–	2,862
Impairment loss	225	–	1,441	19	1,685	–	1,685
Tangible/intangible fixed assets increased	20,939	20,068	56,498	3,471	100,976	1,197	102,173

Thousands of U.S. dollars							
For 2011:	Segment report				Total	Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages			
Net sales and operating income							
Net sales							
Outside customers	\$ 8,620,711	\$ 6,319,627	\$ 3,449,229	\$ 759,505	\$ 19,149,072	\$ –	\$ 19,149,072
Inter-segment	77,843	86,566	121	72	164,602	(164,602)	–
Total	8,698,554	6,406,193	3,449,350	759,577	19,313,674	(164,602)	19,149,072
Segment income	218,615	563,735	147,265	15,048	944,663	(127,567)	817,096
Segment assets	\$ 7,354,904	\$ 6,244,084	\$ 4,673,373	\$ 534,663	\$ 18,807,024	\$ 1,069,892	\$ 19,876,916
Others							
Depreciation and amortization	\$ 289,590	\$ 314,096	\$ 504,554	\$ 40,374	\$ 1,148,614	\$ 31,832	\$ 1,180,446
Amortization of goodwill	16,964	15,578	1,940	–	34,482	–	34,482
Impairment loss	2,711	–	17,361	229	20,301	–	20,301
Tangible/intangible fixed assets increased	252,277	241,783	680,699	41,819	1,216,578	14,422	1,231,000

(Note)

Effective for the year ended March 31, 2011, the Company adopted the “Accounting Standard for Segment Information” (ASBJ statement No. 17, March 27, 2009) and “Guidance on Accounting Standard for Segment Information” (ASBJ Guidance No. 20, March 21, 2008).

[Relative information]

Information regarding regions

Millions of yen				
For 2011 :	Japan	Asia	Other region	Total
Net sales	¥ 1,391,676	¥ 134,734	¥ 62,963	¥ 1,589,373

Thousands of U.S. dollars (Note 3)				
For 2011 :	Japan	Asia	Other region	Total
Net sales	\$ 16,767,181	\$ 1,623,301	\$ 758,590	\$ 19,149,072

Industry segments:

Millions of yen

For 2010:	Printing				Total	Elimination and/or corporate	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages			
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

Overseas sales:

Millions of yen

For 2010:	2010	
	Amount	Ratio:(a)/(b)
Overseas sales (a)		
Asia	¥ 130,836	8.3%
Other	62,308	3.9%
Total	¥ 193,144	12.2%
Consolidated net sales (b)	¥ 1,583,383	

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, 2011 and 2010, and the related consolidated statements of income for the years then ended, and the related consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010, 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, 2011. 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, 2011 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, 2011

Technologies that Support P&I Solutions

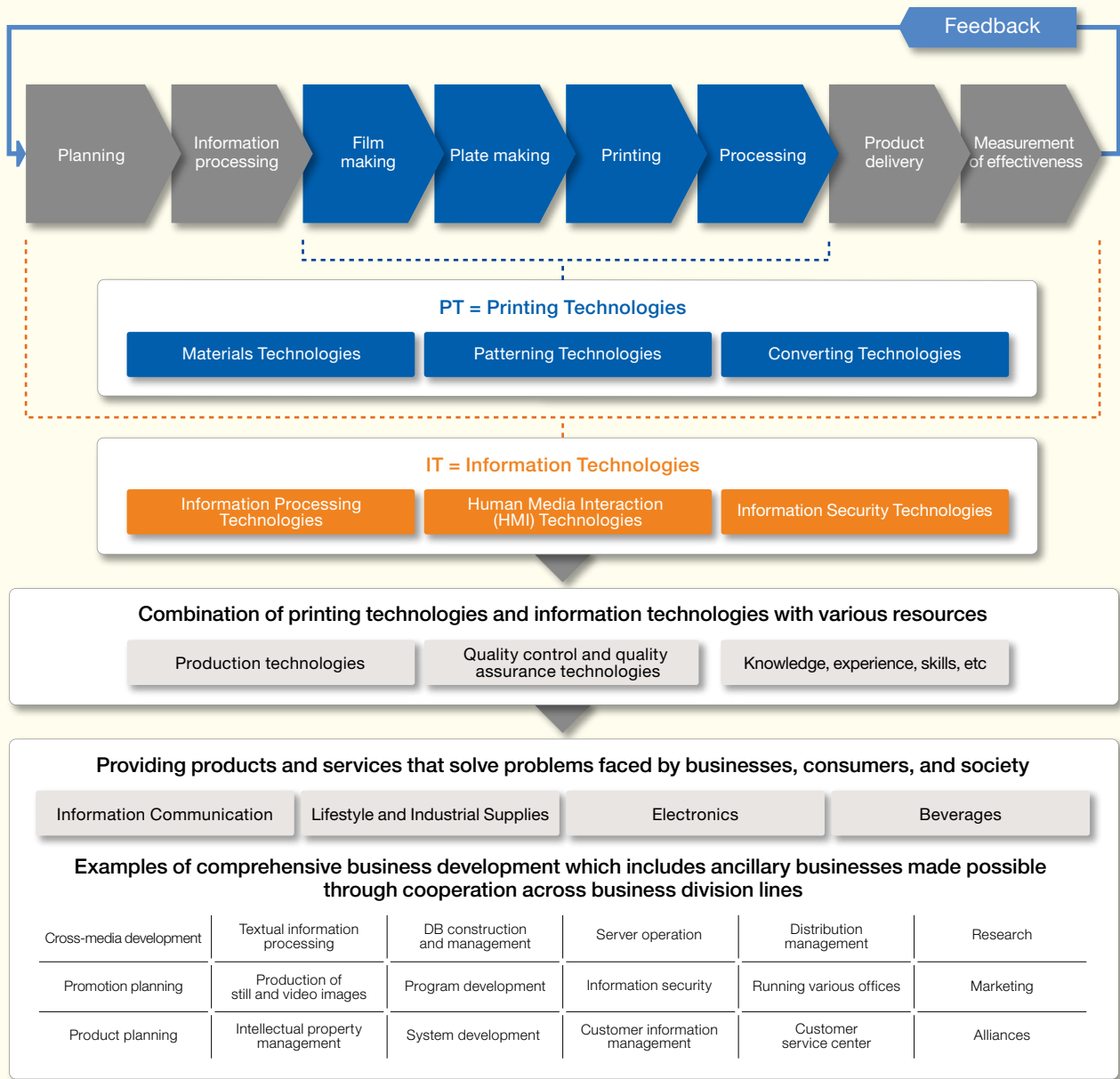
Printing and information technologies are DNP's core technologies. We endeavor to solve the problems of businesses, consumers, and society by combining these core technologies with the quality control and quality assurance technologies that support DNP products and services, and with knowledge, experience and skills in sales, project planning, research and development, and manufacturing.

There are three core printing technologies that we use to give shape to the information or functions that customers want: materials technologies, patterning technologies, and converting technologies. And there are three core information technologies that we use to enrich communication: information processing technologies, Human Media Interaction (HMI) technologies, and

information security technologies.

DNP has created new printing and information technologies, improved existing ones, and freely combined all of them to achieve a large number of successful solutions. Today, in addition to making individual products, our business addresses the entire range of operations surrounding manufacturing; we even focus on developing business models and building the infrastructure that society wants. We intend to continue engaging in *taiwa* with DNP's stakeholders so that we will be among the first to detect signs of change and use our unique technologies and comprehensive strength in order to contribute to society by solving problems.

Basic Process of Printing and DNP's Core Technologies



Printing Technologies

Materials Technologies

Materials technologies are technologies for synthesizing new materials or dispersing and mixing materials, including techniques for designing or producing inks, adhesives, photosensitive materials or coatings, etc.

One basic printing process is the application of ink from a printing plate onto paper so that it adheres to the paper. As an example of how we have branched out from basic printing technologies, we have

been developing various types of optical films by applying — instead of ink — material that prevents glare or static electricity to film or another material instead of paper. By printing on plastic film instead of paper, we are supplying packaging products and ink ribbons, and by printing on metal, we are supplying decorative materials and other products. We strive to develop new materials in order to achieve the best possible results from these various products.

Patterning Technologies

Patterning means the formation of letters, images or patterns, etc., on a base material. Patterning technologies include plate-making technologies, letterpress, offset, and gravure printing techniques, as well as lithography, inkjet, and other plateless printing techniques.

DNP has refined these techniques to the point of achieving one of the highest levels of precision in the world. This includes

developing our own production equipment and manufacturing systems to handle everything from high-quality prints composed of halftone dots that measure about 100th of a millimeter to photomasks that require nanometer-level accuracy (within one millionth of a millimeter). DNP is the only company in the world that mass produces color filters by both the inkjet and photolithographic methods.

Converting Technologies

Converting technologies change a material's form or form compound materials. Examples include film formation, coating, lamination, molding, transferring, cutting and polishing, bag-making, forming, bookbinding, etc., and the processing of materials like paper or film.

Simply printing on paper or film does not produce a finished product. There are processes that are essential to turning printed

pages into books and magazines, or to making consumer-friendly packaging for food or everyday items. DNP is working on a wide variety of related technologies, including 3-D processing technologies, forming and processing technologies for films, plastics, and a variety of other materials, and developing laminated tubes and aseptic PET plastic bottle filling systems.

Information Technologies

Information Processing Technologies

Information processing technologies are related to the conversion, accumulation, or transmittal of information. Examples include text processing technologies, color analysis and editing of text and images, raster-vector conversion, digital-analog conversion, data base design, server management, and networking technologies. As the world becomes increasingly digitized and networked, there is growing demand for the rapid processing of massive amounts

of information, including not only text, photographs and illustrations, but also audio and video data. DNP meets a variety of information processing needs, including digitization and appropriately timed data maintenance, processing of both paper and digital media, and the use of its worldwide network of information bases.

Human Media Interaction (HMI) Technologies

Human media interaction (HMI) technologies relate to interaction between people and information. Examples include expressive technologies like font design, color matching and tone reproduction, design planning and photorealistic computer graphics, screen design and other interface design technologies, natural language processing and cognitive engineering.

Since its founding, DNP has been working to support pleasant communication, including through the development of its original Shueitai font. We are working to enhance HMI technologies, for example by coordinating color reproduction in paper and digital media, adopting universal design, and developing augmented reality (AR) programs that use computer graphics.

Information Security Technologies

Information security technologies help transmit information to the intended destination, store it properly, and prevent its improper use, etc. Examples include encryption, personal information processing and management technologies, copyright management technologies, biometrics, and smart card-related information technologies.

In order to safely and reliably handle sensitive information, such

as important corporate data and consumers' personal information, it is essential to establish infrastructure for advanced information security. In addition to creating such infrastructure, DNP is developing a variety of security systems. For example, we provide systems that use smart cards to authenticate personal identification, control access to information devices, encrypt data, and exercise uniform entry/exit control over gates and rooms.

Technology-Centered Business Development: Past and Future

DNP's business growth has been supported by the evolution and application of our two core technologies — printing and information technologies. Since its founding in 1876, DNP has always continued to pursue the most advanced technologies of each era, and has refined those technologies to world-class levels. In the 1950s, we built businesses outside of the Information Communication segment that had mainly done business by printing on paper. Based on the concept of "Expansion Printing," we worked actively to expand our fields of business around our core technologies.

By applying printing technologies, we gained the ability to print on non-paper materials such as plastic film and metal, and in 1951 we started a packaging business and a decorative materials business. Later, we built on technologies like lamination and coating, created products such as dye-sublimation thermal transfer recording media for photo printing 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 shadow masks for television production, and we established our Electronics segment. Making shadow masks required making millions of ultramicroscopic holes in copper plate only 0.2 mm thick, a technology that we developed by applying photolithography and other micro-processing techniques used for making printing plates. In 1959, DNP succeeded in developing photomasks used in semiconductor manufacturing. Later we went on to develop and provide color filters for LCDs, lead frames, and other electronic devices.

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 and the safest ways of handling

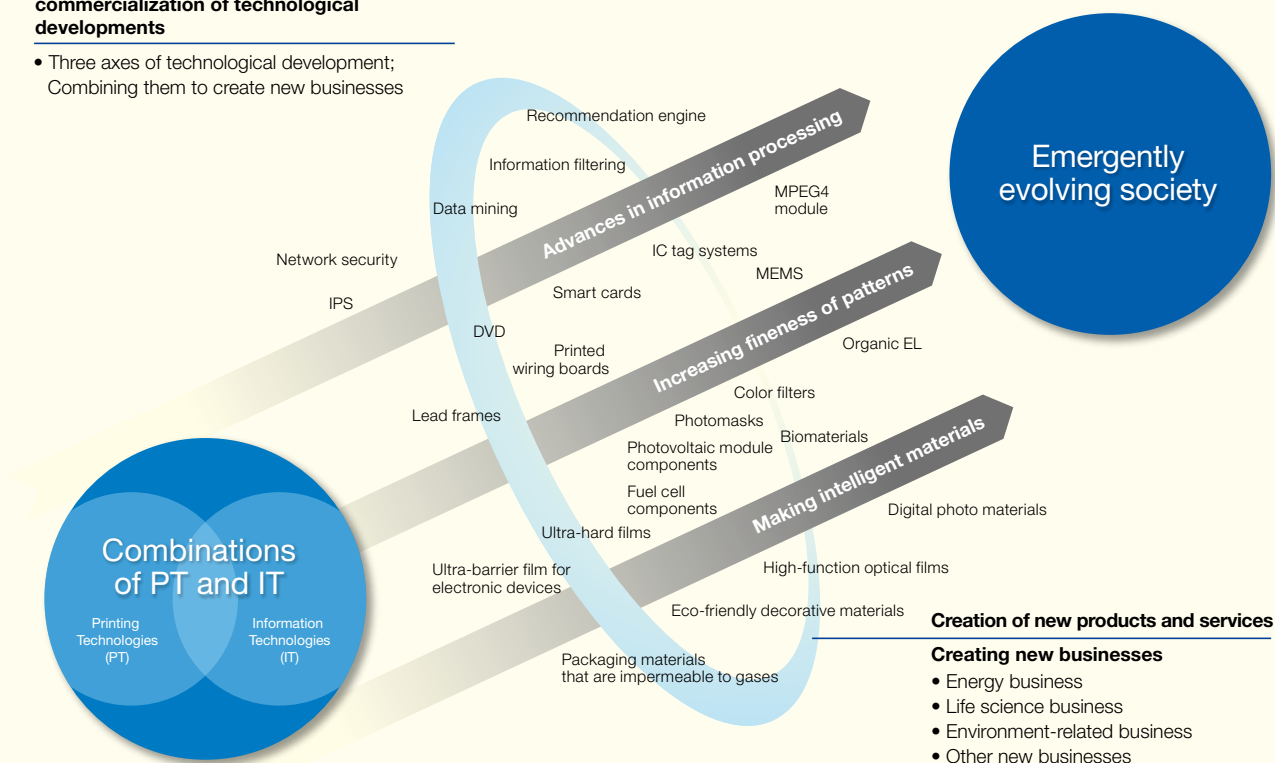
information of companies and consumers. We cultivated a wide array of technologies, including ongoing development of DNP's original Shueitai font since the early 1900s, color management systems and design development, and production of printed materials in a high-security environment.

We began digitizing information as far back as the early 1970s — 40 years ago. By nimbly adapting to the rapid trend toward digitalization and networking, for example by developing the world's first electronic dictionary in 1985, we accumulated the technologies and expertise that led us to operate the electronic publishing business that we have today. Furthermore, we focused on establishing infrastructure to support advanced information security, and developed a comprehensive business that handles everything from the development of software for smart cards and operation of information processing services (IPS) to manufacturing.

Today, DNP wants to simultaneously expand its business and contribute to society by solving the problems of corporate clients, consumers and society through the development and application of printing and information technologies. We call this business vision "P&I Solutions." We are strategically developing technologies in line with trends toward increasingly sophisticated information processing, increasingly high-definition patterning, and increasingly intelligent materials. By using these new technologies to expand in new fields such as photovoltaic module components and other energy-related areas, and formation of capillary blood vessel patterns, cell sheet engineering, and other areas of life sciences, and by boosting profitability in our existing businesses, we aim to make the most of DNP's unique strengths and achieve further growth.

Strategies for promoting commercialization of technological developments

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



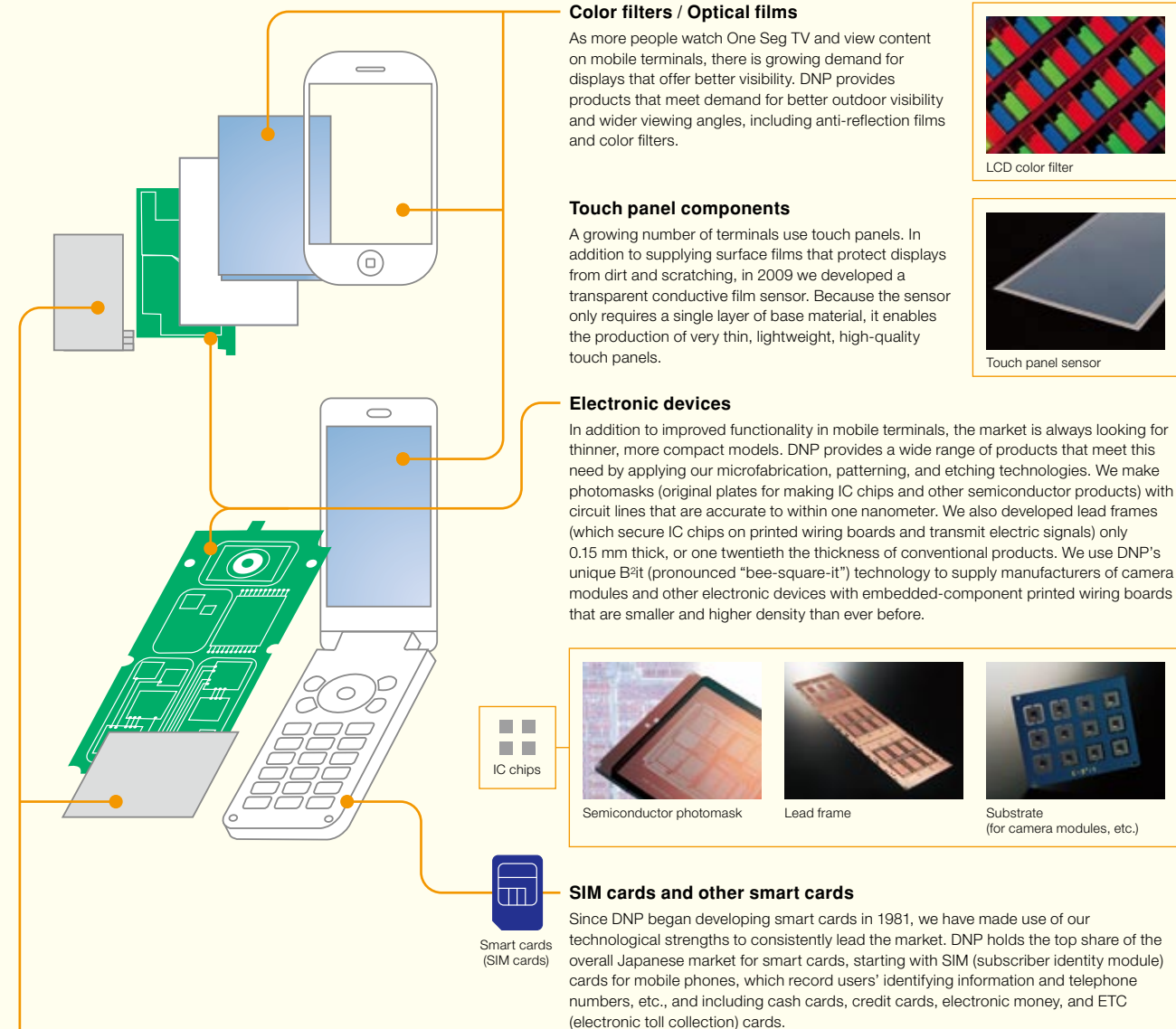
Examples of Products and Services That Make Use of Printing and Information Technologies

Examples of DNP products that are an integral part of daily life

Products and technologies that support mobile terminals (smart phones and mobile phones)

It would be hard to imagine life today without information devices and information services. Most of these devices and services are supported by products and services that make use of DNP's technologies. For example, a variety of DNP products are used in smart phones and other mobile terminals, including color filters, electronic devices, SIM cards

that distinguish individual users, "soft packs" for lithium-ion rechargeable batteries, and touch panel sensors. We also provide a large number of information services for mobile terminals, including novels, comics, and other e-books as well as recommendations based on individual users' interests.



"Soft packs" for lithium-ion rechargeable batteries



Soft pack for lithium-ion rechargeable batteries



Battery module consisting of multiple soft packs in a single case

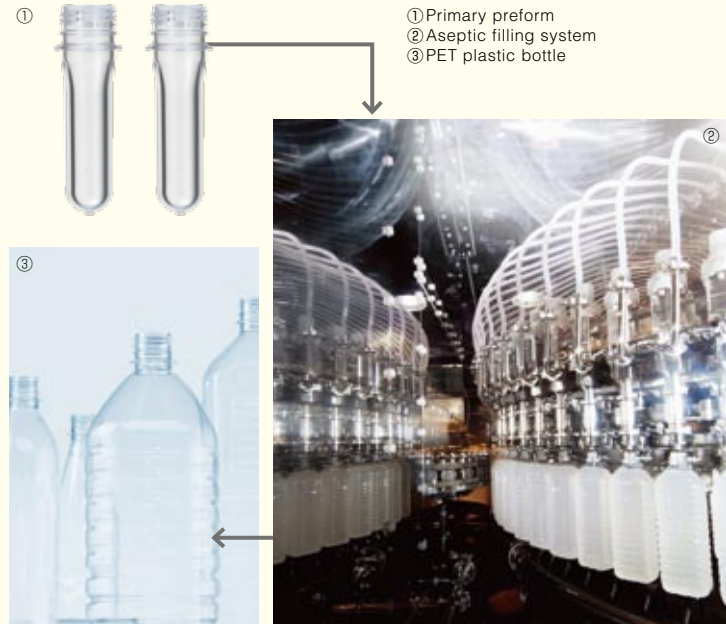
DNP developed "soft pack" material made of multilayer film for packaging high-capacity, high-output lithium-ion rechargeable batteries. The material is more flexible and more easily formable than the metal containers that were used in the past, allowing for the manufacture of lighter, thinner batteries. It is being used in an increasingly wide range of products including mobile terminals and electric vehicles. Today, DNP is the world's leading provider of soft packs.

Aseptic filling systems offer potential for growth

DNP's comprehensive framework handles every aspect from technological development to equipment manufacture and installation

One of the important roles of packaging is to enable the safe and reliable delivery of foods and beverages to consumers. "Aseptic packaging" consists of filling sterilized containers or packaging material with sterilized contents and sealing them shut within a bacteria-free environment. In addition to being safe and reliable, this type of system preserves nutrients, flavors, textures, colors and aromas by eliminating the necessity to sterilize at high temperatures for a long period of time.

In 1978, DNP became the first Japanese company to develop aseptic packaging when we began working on single-portion containers for coffee whitener. We went on to innovate new technologies as these packages became more complex. In 1994, we became the first Japanese company to develop a system for aseptically filling PET plastic beverage bottles, which we first used for milk-based beverages. In 1997, we started operating a system that aseptically filled small, test tube-like bottle preforms while simultaneously blowing them up into full-size bottles. We expanded this business and today hold the largest share of the Japanese market for aseptic bottle preform-filling systems. We have refined our converting technologies (technologies that change a material's form) and the sterilization techniques that we have been working on for some 40 years, and built a comprehensive framework for handling every step from technological development to equipment design, manufacture, and installation. Now we are working on market development.



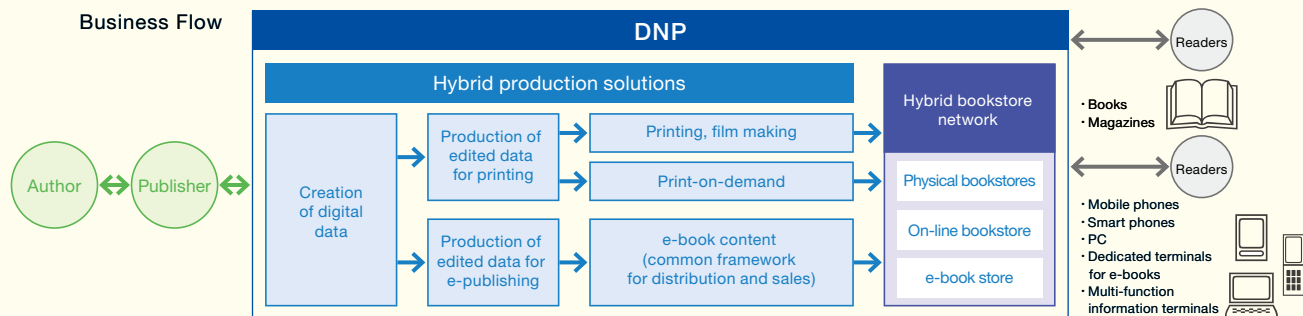
Hybrid production solutions and our hybrid bookstore network

Comprehensive service combines our strengths in manufacturing and information technologies

DNP has handled all types of information media by combining printing and publishing technologies and expertise that we accumulated during the 135 years since our founding with the digitization techniques and knowledge that we have been working with since the early 1970s. Currently, we are focusing on providing "hybrid production solutions" for both paper and digital media, including construction of efficient digital data, production of paper books and e-books, and printing in small lots on demand.

We do not see ourselves as just a printing company, i.e. a manufacturer, but rather also as a provider of various solutions in our

capacity as the Japanese publishing industry's "No. 1 partner." For example, we are working on establishing all of the basic functions needed for distribution and sales, expanding points of contact with consumers, reinforcing marketing efforts, and unifying e-book standards. In the area of distribution and sales, we linked bookstore chains that operate physical bookstores, an online store that sells printed material through a website, and an online service that sells e-book content in order to develop Japan's first "hybrid bookstore network" as a business that no other company can imitate.



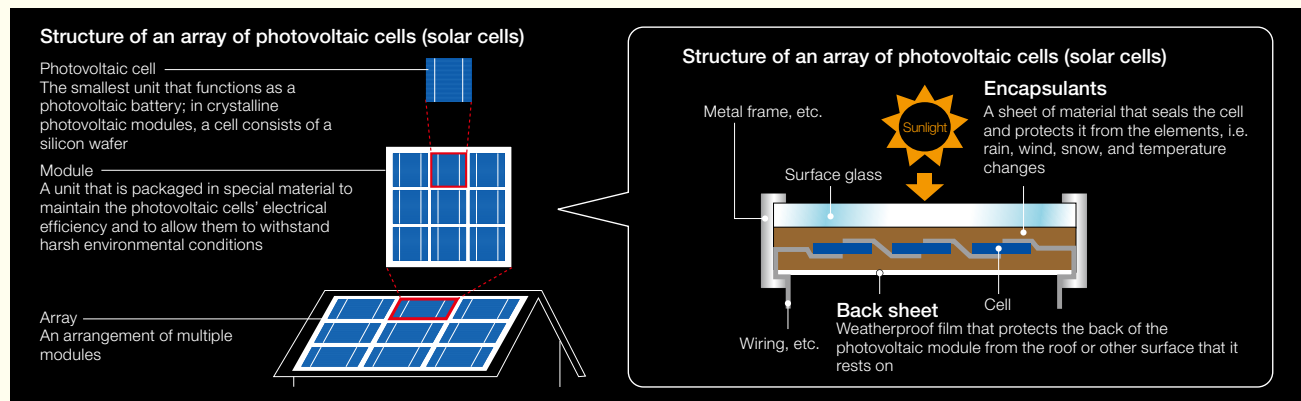
Meeting society's need for clean energy

Applying materials technologies and manufacturing technologies in order to provide advanced photovoltaic module components

Worldwide, there is growing demand for photovoltaic cells as a source of clean energy that does not use petroleum or other fossil fuels. DNP began researching and developing photovoltaic module components more than 10 years ago. By applying our proprietary materials technologies and manufacturing technologies, we succeeded in developing back sheets and encapsulants for photovoltaic cells in 2003.

Back sheets are made of weatherproof film that protects photovoltaic modules from the elements. DNP's back sheets make use of proprietary lamination and film formation technologies to improve weatherability while at the same time reducing production costs. Encapsulants are adhesive,

protective sheets used to secure photovoltaic cells and their peripheral wiring in place within a photovoltaic cell. DNP provides a wide range of encapsulants that meet manufacturers' needs. For example, we offer products with excellent moisture resistance that do not emit acidic gas that causes photovoltaic cells to deteriorate, and we offer products that maintain excellent flexibility even in cold weather. We aim to further expand this business on the strength of our advanced technical capabilities and a production framework including the new plant in Kitakyushu that we started operating in April 2011.



Expanding our business to serve the entire range of corporate clients' business process needs

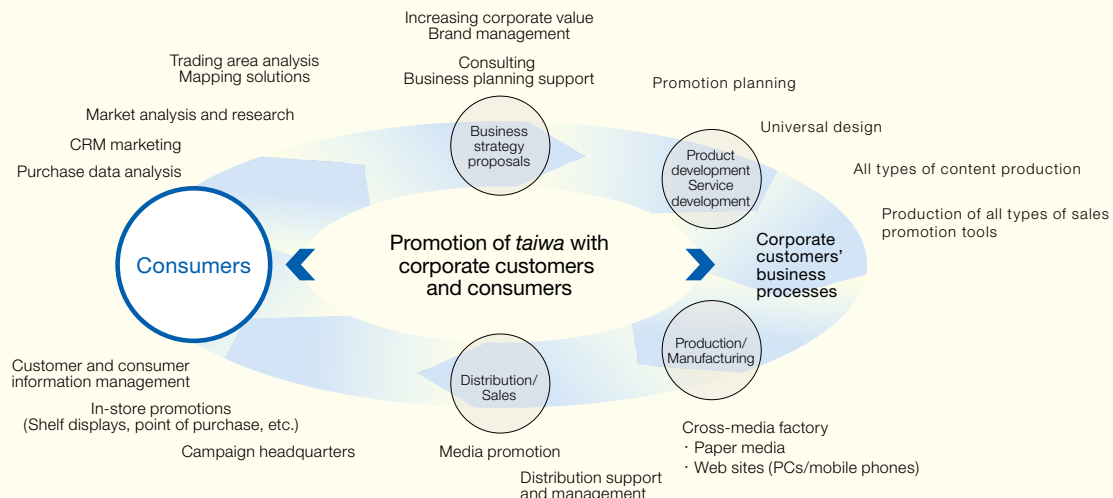
Focusing on solving problems through technological development from consumers' point of view

A growing number of consumers actively gather information, transmit information or opinions, and engage in active communication with companies. As interactive networks reach around the world, consumer behavior has changed and relationships between consumers and companies have changed significantly.

In response to these changes, rather than simply manufacturing printed paper products, DNP seeks to develop in a horizontal direction — by handling a variety of information media including digital media — as well as in a vertical direction, by offering market analysis and project planning proposals, implementation of sales promotions and support for

distribution, and operation of promotional campaign offices and customer service centers. In all of these businesses, we handle consumers' personal information and corporate clients' important information appropriately, in an environment protected by advanced information security measures.

DNP is looking at things from consumers' perspective, honing its capacity for suggesting hypotheses and proposals aimed at solving problems, and focusing on providing a variety of solutions that combine information technologies with printing technologies.



Major Subsidiaries and Affiliates

Printing

		Capital (¥ million)	Ownership ratio (%)
DNP Hokkaido Co., Ltd.	Film making, printing, bookbinding; production and sale of packaging	350	100.0
DNP Tohoku Co., Ltd.	Film making, printing, bookbinding; production and sale of packaging	350	100.0
DNP Tokai Co., Ltd.	Film making, printing, bookbinding; and production of packaging	120	100.0
DNP Nishi Nippon Co., Ltd.	Film making, printing, bookbinding; production and sale of packaging	400	100.0
DNP Shikoku Co., Ltd.	Film making, printing, bookbinding; production and sale of packaging	50	97.0
Information Communication			
Books and Magazines			
DNP Book Factory Co., Ltd.	Film making, printing and bookbinding	200	100.0
DNP Media Art Co., Ltd.	Film making	180	100.0
DNP Total Process Maebashi Co., Ltd.	Film making	100	100.0
DNP Uniprocess Co., Ltd.	Film making	80	100.0
DNP Total Process Nagaoka Co., Ltd.	Film making	50	100.0
OGUCHI BOOK BINDING & PRINTING CO., LTD.	Printing and bookbinding	49	84.9 (15.2)
Tien Wah Press (Pte.) Ltd.	Film making, printing and bookbinding	(S\$1,000) 4,600	100.0
Commercial Printing			
DNP Media Techno Kansai Co., Ltd.	Planning, production, film making, printing and bookbinding	200	100.0
DNP Graphica Co., Ltd.	Printing and bookbinding	100	100.0
DNP Media Create Co., Ltd.	Planning, designing and film making	100	100.0
DNP Multi Print Co., Ltd.	Film making, printing and bookbinding	100	100.0
Business Forms			
INTELLIGENT WAVE, INC.	Credit card security; security systems construction	843	50.6
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.	Film making and plate making	80	100.0
NexantiS Corporation*	Sale of smart card related software and products	25	100.0
NBC Co., Ltd.*	Shipping	20	100.0 (100.0)
DNP France SAS*	Smart card and security business research	(Euro 1,000) 37	100.0
Communication & Information			
DNP Dream Pages Co., Ltd	Production and sale of photobooks	400	100.0
am3 Inc.*	Planning, production and sale of images, contents, etc.	340	85.9
DNP Art Communications Co., Ltd.	Planning, production and sale of artistic images and videos	300	100.0
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 Corporate History Center Co., Ltd.	Planning, production and sale of history archives for corporations and organizations	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
DNP Social Links Co., Ltd.	Direct marketing services	10	100.0
Lifestyle and Industrial Supplies			
Packaging			
DNP Technopack Tokai Co., Ltd.	Production, printing and processing of packaging	430	100.0
LIFESCAPE MARKETING CORPORATION	Various types of information services and surveys	430	50.7
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 Hoso Co., Ltd.	Filling and processing of packages	80	100.0
DNP Field Eyes Co., Ltd.	Survey and provision of various information	50	100.0
PT DNP Indonesia	Production and sale of packaging products	(US\$1,000) 26,000	51.0
DNP Plastic Molding (Shanghai) Co., Ltd.	Molding, printing, processing and sale of plastic containers	(US\$1,000) 6,350	100.0
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.	Production, printing, processing of decorative materials	200	100.0
Opto-Materials/Industrial Supplies			
DNP Photo Imaging Co., Ltd.	Investment in operating companies	9,680	100.0
DNP ID System Co., Ltd.	Sale of equipment for making driver licenses and ID photos	60	100.0 (100.0)
DNP Fotolusio Co., Ltd.	ID photo business and sale of photo materials and accessories	450	100.0 (33.3)
DNP IMS Odawara Co., Ltd.	Production and sale of photographic materials	300	100.0
DNP Energy System Co., Ltd.	Production of photovoltaic module components	200	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 IMS America Corporation	Production and sale of ink ribbons for thermal transfer printers and for thermal-resin type printers	(US\$1,000) 71,980	(100.0) 100.0
DNP Photo Imaging America Corporation	Sale of digital photo printing systems and photographic materials	(US\$1,000) 45,898	(99.9) 99.9
DNP Electronics America, LLC	Manufacturing and sale of precision electronic components	(US\$1,000) 15,045	(100.0) 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) 3,040	23.4
DNP Photo Imaging Europe SAS	Sale of photo-related products	(Euro 1,000) 2,408	(66.0) 66.0

		Capital (¥ million)	Ownership ratio (%)
DNP IMS Netherlands B.V.	Production and sale of ink ribbons for thermal transfer printers and for thermal-resin type printers	(Euro 1,000) 1,000	100.0
DNP Denmark A/S	Manufacturing and sale of precision electronic components	(Dkr1,000) 135,000	100.0
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
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.	Designing 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) 47,200	80.6
DNP Photomask Technology Taiwan Co., Ltd.	Manufacturing and sale of photomasks	(NT\$1,000) 5,170,618	(0.3) 100.0
Others			
CHI Group Co., Ltd.	Investment in operating companies	3,000	53.0
Maruzen Co., Ltd.	Sale of books, magazines and stationary	4,821	53.0 (53.0)
Maruzen Bookstores Co., Ltd.	Sale of books, magazines and stationary	50	53.0 (53.0)
MARUZEN PUBLISHING CO., LTD.	Publishing	50	53.0 (53.0)
TRC, Inc.	Sale of books and creation of data	266	53.0 (53.0)
honto Co., Ltd.	Development of e-publishing contents	50	53.0 (53.0)
Junkudo Co., Ltd.	Sale of books	39	53.0 (53.0)
Yushodo Co., Ltd.	Sale of books	35	53.0 (53.0)
BOOKOFF CORPORATION LIMITED	Sale of books	2,564	16.5 (9.9)
SHUFUNOTOMO Co., Ltd.	Publishing	2,111	56.7
BUNKYODO GROUP HOLDINGS CO., LTD.	Investment in operating companies	2,035	45.3 (14.0)
DNP Fine Chemicals Co., Ltd.	Development and sale of ink, varnish, pigments and dyes	2,000	100.0
DNP Fine Chemicals Fukushima Co., Ltd.	Production and sale of photographic chemicals	100	100.0 (100.0)
DNP Logistics Co., Ltd.	Packing, shipping operations and warehouse management	626	100.0
DIC Graphics Corporation	Production and sale of printing ink	500	33.4
2Dfacto, Inc.	Development of e-books and terminals	490	60 (9.0)
D.N.K. Co., Ltd.	Manufacturing, sale and repair of printing equipment and machine tools	100	100.0
DNP Trading Co., Ltd.	Sale and purchase of paper and other products	100	94.3
Direc Co., Ltd.	Educational consulting, etc.	96	100.0
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
DNP Business Consulting (Shanghai) Co., Ltd.*	Study and analysis of Chinese market and business feasibility	(US\$1,000) 420	100.0
Personal 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 Corporation USA	Investment in operating companies	(US\$1,000) 62,164	(7.2) 100.0
DNP America, LLC	Sale of printing materials, electronic precision parts, and decorative materials	(US\$1,000) 100	(100.0) 100.0
DNP Holding USA Corporation	Investment in operating companies	(US\$1,000) 100	(100.0) 100.0
DNP Europa GmbH*	Sale of electronic precision parts and decorative materials	(Euro 1,000) 92	100.0
DNP UK Co., Ltd.*	Sale of decorative materials	(£1,000) 120	100.0
Dai Nippon Printing Co. (Australia) Pty. Ltd.*	Sale of printed materials and decorative materials	(A\$1,000) 70	100.0
DNP Singapore Pte. Ltd.*	Sale of electronic precision parts and decorative materials	(S\$1,000) 350	100.0
DNP Korea Co., Ltd.*	Sale of electronic precision parts	(Krw1,000) 500,000	100.0
DNP Taiwan Co., Ltd.	Sale of electronic precision parts	(NT\$1,000) 10,000	100.0
DNP International Trading (Shanghai) Co., Ltd.*	Sale of printing solutions and packaging products	(US\$1,000) 5,400	100.0

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

General Terms, Product and Service Names

■ Anti-reflection (AR) film

Film applied to the surface of display screens in devices like computers or televisions in order to prevent outside light or interior light from reflecting off the screen. There are various types of AR films including anti-glare (AG) and low reflection (LR) films. DNP supplies a variety of these products by making use of coating and other technologies to apply 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 manufacturing environment (aseptic chamber). DNP supports every aspect of aseptic filling operations, from designing systems to manufacturing, installing and maintaining equipment and supplying bottle preforms. Examples of applications for which we have designed and built filling systems include single-portion containers (for coffee whitener, etc.), retort pouches that can contain solid food, and PET plastic beverage bottles that do not impair the flavor of their contents.

■ Augmented reality (AR)

A technology for synthesizing images, text, or other virtual information with an actual scene or object in the physical presence of the user, so as to create a rich expression that augments the experience of reality. For example, a web cam or mobile phone-mounted camera may record printed images or identification codes along with images of the surrounding environment, all of which are synthesized and displayed together with preregistered information such as 3-D computer graphics.

■ Biomass material

"Biomass" may refer to the total quantity of organisms living in a particular area, or it may mean organic resources derived from living things other than petroleum or other fossil

resources. Biomass material is made from resources of biological origin, such as vegetable resins or natural fibers. Biomass material has attracted attention as a material that puts relatively little strain on the environment due to the idea that CO₂ absorbed by plants during their growing process cancels out the CO₂ emitted when the material is burned. Since biomass material is a renewable resource, supplies are expected to be stable.

■ Business Process Outsourcing (BPO)

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

■ Content Management System (CMS)

A system or software application that facilitates integrated management of digital content used for website operation, such as text, images, and layout information, and efficiently handles tasks like updating and transmitting website content.

■ Digital signage

An advertising medium that uses large, flat-panel displays linked to an information network in order to broadcast up-to-the-minute, highly localized information in stores, train stations, or other public spaces. Digital signage may include an interactive component that enables consumers to display the specific information they need by using a touch panel or mobile phone, etc.

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

An electronic device combining a miniature antenna with an IC chip that records information. Radio communication between an IC tag and a dedicated reading device makes it possible to distinguish the individual item that has a particular IC tag attached to it. IC tags take a variety of forms, including labels, cards, and coins.

■ Ink ribbon

A rolled strip of film to which a thin, uniform layer of ink has been applied; used in thermal transfer printers. There are two types of thermal transfer printers. Heat from the thermal head of a thermal-resin type printer transfers ink from the ribbon by melting it, while dye-sublimation-type printers vaporize ink in order to transfer it to paper. Most of the thermal-resin ink ribbons that DNP provides are monochrome ribbons used for barcode printers, while most of the dye-sublimation type are color ribbons used for photo printing. DNP has developed a lineup of dye-sublimation thermal transfer recording media consisting of ink ribbons in the three primary printing colors (yellow, magenta, and cyan, or YMC) and special receiving paper. These products make it possible to express very smooth color tones.

■ Lead frame

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

■ Lippmann hologram

A type of hologram, which is a three-dimensional image recorded using a split laser beam. Lippmann holograms are excellent for expressing vertical and horizontal three dimensionality and a sense of depth. In addition, they are extremely hard to counterfeit because their manufacture requires special equipment. These holograms have garnered praise around the world for providing a high level of security and potential for outstanding designs.

■ Liquid crystal display (LCD) color filter

A component needed for coloring LCDs. It consists of pigments in the three primary colors of light — red, green, and blue (RGB) — arrayed in a pattern on a glass substrate. Passing light through the color filter causes colored images to be displayed. Multicolor filters have yellow and cyan or other color layers in addition to RGB. There are two methods of forming coloration layers as part of the color filter manufacturing process: the photolithographic method, which forms patterns by exposing substrates coated

with photosensitive material to light, and the inkjet method, which sprays ink onto substrates 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: the vertical alignment (VA) method and the InPlane Switching (IPS) method. LCDs display images by using variations in voltage to change the orientation of liquid crystal molecules, 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)

An electronic device that integrates components like IC chips, sensors and electronic circuits into a three-dimensional structure mounted on a base, which is usually a silicon wafer.

■ Nano-imprinting

Nanoimprinting is a manufacturing process used to make next-generation semiconductor products. Making semiconductors by nanoimprinting entails pressing a template against a resin-coated silicon wafer so that the minute, nanometer-level pattern on the template is physically transferred to the resin. Because nanoimprinting uses relatively simple production equipment compared to the complicated optical equipment required for conventional methods, it can bring down the cost of manufacturing.

■ Organic EL (electroluminescent) display

A display based on an organic compound that emits its own 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 the surface of a substrate coated with photosensitive material to light, so that the exposed areas and unexposed areas form a particular pattern. DNP has honed its photolithographic techniques through the production of original plates used for printing. Today, we apply these technologies to the manufacture of color filters and various other types of electronic devices. In recent years, we have been developing photolithography techniques using extreme ultraviolet (EUV) rays as a new light source for the production of next-generation semiconductors.

■ Photovoltaic module components

- Back sheets are weatherproof films that protect photovoltaic modules from external elements. They prevent precipitation from entering modules, making it possible to use them outdoors for a long period of time. Back sheets must be very durable and moisture-proof, and have good electrical insulating properties.
- Encapsulants are protective sheets used to secure photovoltaic cells and their peripheral wiring in place, and to form photovoltaic modules. An encapsulant forms a strong bond between a module's back sheet and its front glass.

■ Prepress

The parts of the overall printing process that are done before actual printing, including digitalization of text, photographs, and illustrations, etc., editing and layout, and film and plate making. Thanks to the development of desktop publishing (DTP), most prepress operations can now be done by computer. Parts of the overall printing process that are done after printing, such as bookbinding and processing, are called postpress.

■ Regenerative medicine

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

■ Semiconductor photomask

A photomask is an original plate used for forming semiconductor circuits. It consists of minute circuit patterns drawn on a glass substrate. Semiconductors are made by passing light through a photomask in order to transfer circuit patterns onto a wafer coated with a photosensitive resist, and then using etching or a similar process to embed the pattern in the wafer.

■ Smart card

A card that contains one or more IC (integrated circuit) chips enabling data input, output and computing. Smart cards that employ advanced methods of user authentication, such as biometrics or encryption, are widely used in a broad range of applications including cash cards, credit cards, electronic money, transportation cards, and employee ID cards. Compact SIM (Subscriber Identity Module) cards that identify mobile phone subscribers are also a type of smart card. DNP entered the smart card business in the 1980s. In addition to developing the MULTOS operating system and various software applications for smart cards, we provide a wide variety of services such as smart card manufacture and personalization, and provision of online security services.

■ “Soft pack” for lithium-ion rechargeable battery

A laminated packaging film that seals in battery materials such as electrolytes and separators. Compared to conventional metal can-type packaging, a soft pack allows greater freedom in designing a battery's shape and dimensions and can help reduce its weight and cost. Another advantage is that the soft pack releases pressure from inside the battery, preventing deformation from excess heat.

■ 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(pronounced “bee-square-it”)

DNP's proprietary technology for connecting layers in a buildup board by using bumps of conductive paste formed by means of screen printing. A buildup board is a printed board made by alternating insulating layers and wiring layers.

■ 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, 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. 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. In addition, the EB coating technique uses less energy, generates less carbon dioxide, and enables coating without the use of solvents, making it an eco-friendly, 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, and the electronics business in 1958 after successfully developing

shadowmasks. In 1959, we also succeeded in developing photomasks. “P&I Solutions” is the business vision that we spelled out in the “DNP Group Vision for the 21st Century.” DNP makes the most of printing and information technologies and other expertise to resolve problems faced by businesses, consumers, and society. By doing so, we increase DNP's corporate value and contribute to society at the same time. Based on the “P&I Solutions” vision, we are actively developing new businesses in fields such as energy and life sciences, along with expanding our existing businesses.

■ IB (Innovative Barrier) film

Packaging film made by DNP that is highly impermeable to water vapor and oxygen, highly transparent, and highly heat-resistant. It is used mainly for wrapping foods, medical supplies and pharmaceuticals, and electronic components.

IB film 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 highly impermeable 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.

■ Information Processing Services (IPS)

DNP offers a uniquely broad menu of 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 protected by advanced information security.

■ Production 21 Activities

A program based on Total Productive Maintenance (TPM) that helps DNP respond to customer requirements flexibly and quickly by implementing ongoing improvements that boost profitability and lead to even greater quality and efficiency and lower costs. Its aim is to establish production frameworks that are robust from a variety of standpoints, including quality, cost, and delivery speed.

■ Shueitai

An original font that DNP has been developing since the early 1900s. This beautiful, easy-to-read font with a graceful, sleek design 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 2005, 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 our Printing segment's three main operations in a format that is easy to understand. In addition to disclosing information at appropriate times and in appropriate ways, we are continuously improving the site. The following publications and reports are also available as PDF files that can be downloaded from the web site.



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

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)**
Each year around the end of June, we issue a yearly report about DNP's corporate social responsibilities. We also have been issuing an annual "Eco-Report" since the first issue appeared in 1998.
- **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.



"DNP Report" to shareholders



DNP Group CSR Report

Reports

- **"Yuho" Annual Securities Report, etc. (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 financial statements, we report on the status of sales, etc.

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DNP calculated and displayed the carbon footprint of the Japanese edition of this annual report. A product's carbon footprint (CFP) is the CO₂ equivalent of the amount of greenhouse gases emitted during the product's entire life cycle from raw materials procurement through disposal and recycling. The Carbon Footprint Mark is an easy-to-understand format for displaying a product's CFP. DNP is one of the first companies to participate in the Japanese government's carbon footprint labeling system. In addition to calculating and displaying the CFP of its own publications, DNP works to promote widespread participation in the CFP labeling program.



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