DNP

ANNUAL REPORT 2012




P&I Solutions for your life

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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 60-69), "DNP" refers to Dai Nippon Printing Co., Ltd.)

Synopsis of Performance

Grand Summary of Financial Results

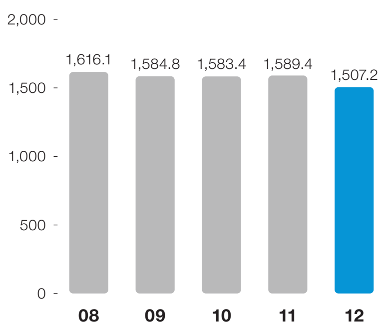
Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries   Years ended March 31

	2012	2011	2010	change 2012/2011
Statements of Operations (¥ million)				
Net sales	**¥ 1,507,228**	¥ 1,589,373	¥ 1,583,383	-5.2%
Operating income	**34,015**	67,819	66,514	-49.8%
Ordinary income	**36,843**	62,786	68,841	-41.3%
Income before income taxes	**2,673**	52,696	49,496	-94.9%
Net income (loss)	**(16,356)**	25,033	23,278	–
Balance Sheets (¥ million)				
Total net assets	**¥ 914,213**	¥ 952,441	¥ 956,864	-4.0%
Interest-bearing debt	**229,664**	229,140	166,751	0.2%
Total assets	**1,608,806**	1,649,784	1,618,854	-2.5%
Cash Flow Statements (¥ million)				
Cash flows from operating activities	**¥ 108,603**	¥ 140,053	¥ 140,574	-22.5%
Cash flows from investing activities	**(80,126)**	(82,562)	(120,684)	–
Cash flows from financing activities	**(32,833)**	15,186	13,126	–
Free cash flow*	**28,477**	57,491	19,890	-50.5%
Per Share Data** (¥)				
Net income (loss)	**¥ (25.39)**	¥ 38.86	¥ 36.13	–
Net assets	**1,352.71**	1,410.44	1,422.34	-4.1%
Cash dividend	**32**	32	32	–
Profit Margins (%)				
Operating income margin	**2.26**	4.27	4.20	-2.01
EBITDA margin	**6.76**	9.65	9.07	-2.89
Net income (loss) to net sales	**-1.09**	1.57	1.47	-2.66
Financial Ratios				
ROE (%)	**-1.84**	2.74	2.57	-4.58
ROA (%)	**-1.00**	1.53	1.48	-2.53
D/E ratio (%)	**26**	25	18	–
Interest coverage ratio (times)	**10.95**	25.65	29.50	–
Valuations (against share price on March 31)				
PER (times)	**–**	26.07	34.97	–
PBR (times)	**0.63**	0.72	0.89	–
EV/EBITDA (times)	**5.46**	4.29	5.77	–
PCFR (times)	**6.86**	5.30	7.08	–
Dividend yield (%)	**3.78**	3.16	2.53	0.62
Return to Shareholders				
Value of shares repurchased (¥ million)	**–**	–	–	–
Dividend payout ratio (%)	**–**	82.3	88.6	–
Others				
Long-term credit rating (R&I)	**AA**	AA	AA	–
Foreign ownership (%)	**23.20**	24.54	25.38	–

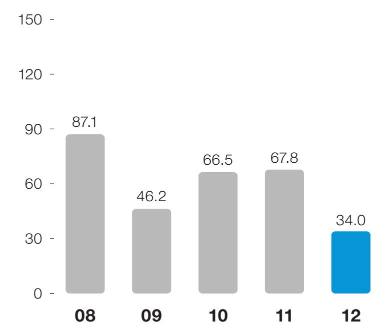
* Cash flows from operating activities - cash flows from investing activities   ** No diluting securities outstanding

- Operating income decreased due to a slump in the advertising market and slowdown in the LCD market.
- We recorded about 24.7 billion yen in impairment losses as part of business structure reforms in the Electronics segment.
- We pursued strategic capital investment and business creation research and development to achieve sustained growth.

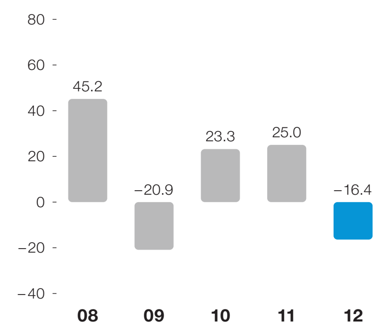
Net Sales
(¥ billion)



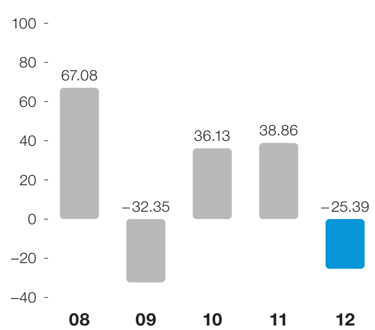
Operating Income
(¥ billion)



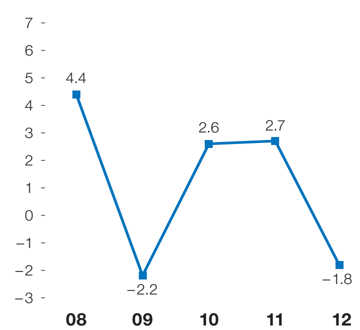
Net Income (Loss)
(¥ billion)



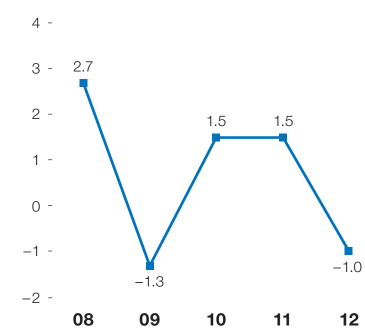
Net Income (Loss) per Share
(¥)



ROE
(%)

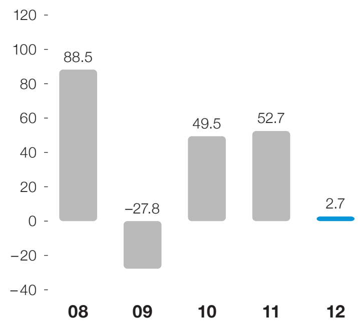


ROA
(%)



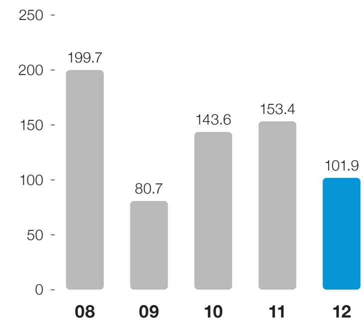
Income (Loss) Before Income Taxes

(¥ billion)



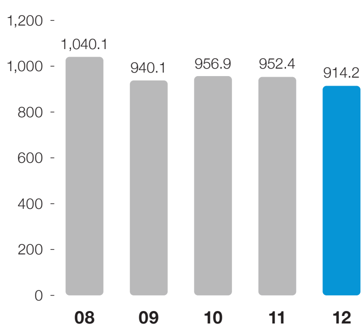
EBITDA

(¥ billion)



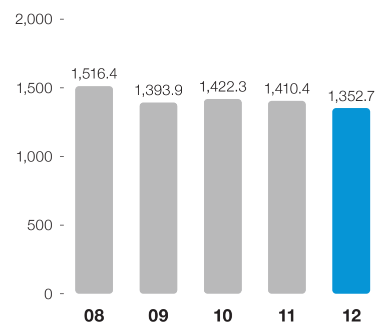
Total Net Assets

(¥ billion)



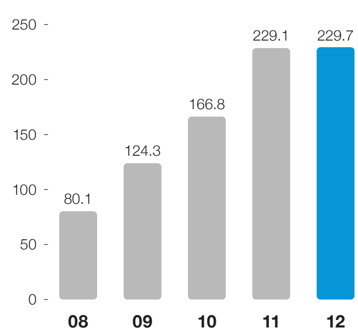
Net Assets per Share

(¥)



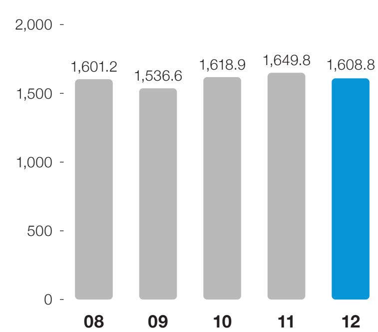
Interest-bearing Debt

(¥ billion)



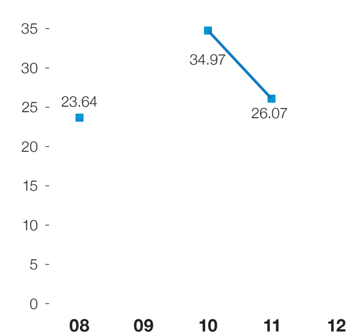
Total Assets

(¥ billion)



PER (Price Earnings Ratio)*

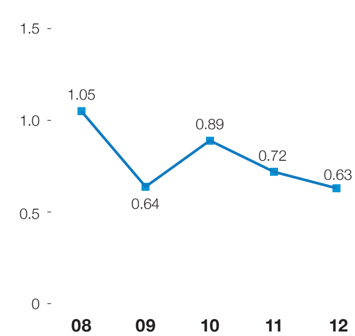
(times)



* Figures for the fiscal years through March 2009 and March 2012 are not shown because there were net losses in these years.

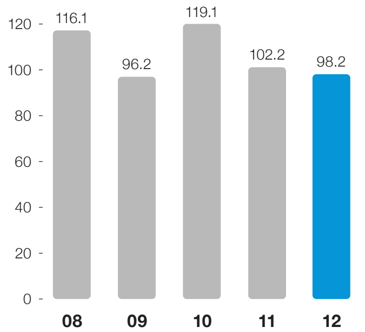
PBR (Price Book-value Ratio)

(times)



Capital Expenditures*

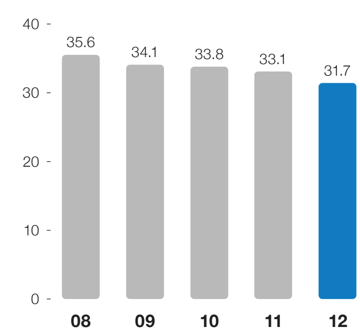
(¥ billion)



*Figures include capital expenditures for intangible fixed assets.

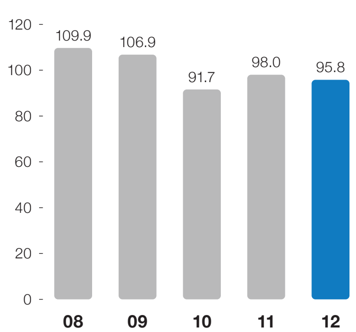
Research and Development Expenditures

(¥ billion)



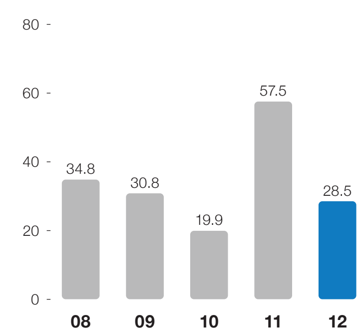
Depreciation Expense

(¥ billion)



Free Cash Flow*

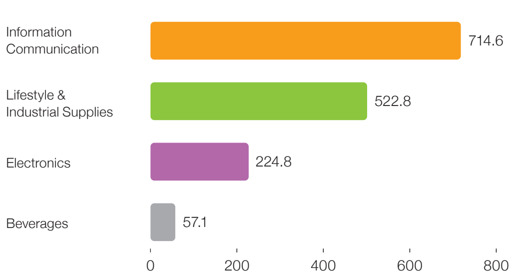
(¥ billion)



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

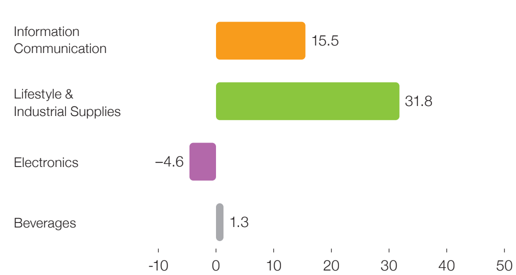
Net Sales by Segment (Year ended March 31, 2012)

(¥ billion)



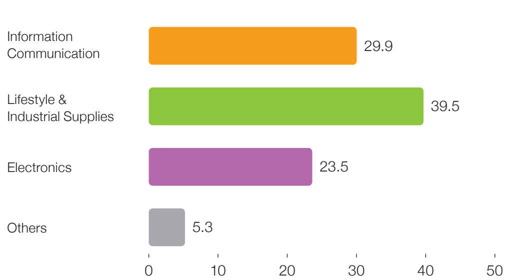
Operating Income (Loss) by Segment (Year ended March 31, 2012)

(¥ billion)



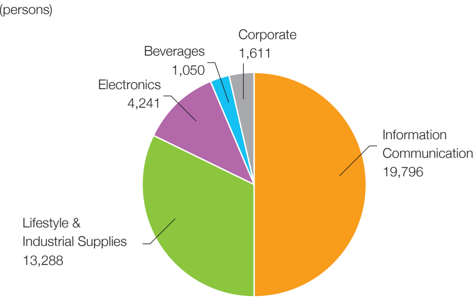
Capital Expenditures by Segment (Year ended March 31, 2012)

(¥ billion)



Employees by Segment (Year ended March 31, 2012)

(persons)



To Our Shareholders

Yoshitoshi Kitajima President

Creating what everyone will take for granted in the future

As we go about our business, we at DNP have always considered how we can contribute to society by asking ourselves, "What can we do to help society? How can we make society better?" Japanese society is currently in the process of recovering from the massive damages caused by the Tohoku-Pacific Ocean Earthquake. At the same time, we face a mountain of ongoing problems at the global level, including stagnant economies and environmental and energy concerns. We believe that the path to growth for both society and DNP lies in squarely confronting each one of these problems and creating new value by offering fitting solutions.

DNP was established in 1876, based on the entrepreneurial spirit of its founders and the most advanced technology of the time — letterpress printing. Ever since, DNP has continued to generate innovative mechanisms and original new products and services that never existed before. The company's original motto, "Run a civilized business," expressed the strong desire of DNP's founders to contribute to the development of society as well as their belief that by contributing to society, DNP, too, would be able to grow. That desire has been passed on to us as what we call "the DNP spirit."

DNP's technologies and expertise were instrumental in the creation of many products that are taken for granted today, such as weekly magazines, electronic dictionaries, smart cards and holograms. DNP products are indispensable to the manufacturing of many items that we use as an integral part of our daily lives, including advanced packages that safely guard food products, wallpaper that is indistinguishable from natural wood grain, scratch-resistant floor coverings, and smart phones with thin, light liquid crystal displays. Our insatiable appetite for challenge has driven us to continually develop our strengths—mainly, innovative printing and information technologies—and apply them to the creation of new things that people come to take for granted.

Most of DNP's business to date has been focused on satisfying the needs of corporate customers, i.e. "business to business" or B to B. In the future, however, we believe it will be important for DNP to play a more direct role in identifying and solving problems on behalf of consumers and society, not only in Japan but throughout the world.

Simply put, the new products and services that we strive to develop are solutions to problems faced by businesses, consumers and society. By providing precisely what individuals and society are seeking, we intend to increase our own profitability and achieve sustainable growth despite today's harsh business environment.

"Create what everyone will take for granted in the future."

As we work steadily to fulfill this mission, society places greater trust in DNP, which increases our corporate value.

Yoshitoshi Kitajima
President


Newton
Newton
Newton

Q & A President Kitajima Explains How DNP Is Working to Achieve Sustainable Growth

Q What do you think of DNP's performance in the past fiscal year?

A In the fiscal year ended March 2012, we took a fresh look at the business activities we had been engaged in so far, and decided to change direction significantly in order to achieve growth. So we can say that this past year was a turning point. Most Japanese businesses became aware of weak links in their international supply chains as a result of the Tohoku-Pacific Ocean Earthquake and the flooding in Thailand, and were forced to reorganize their systems in light of the need for business continuity plans. At DNP, we also set about to thoroughly reform our business structure, to develop new businesses with an eye toward what consumers want and need as well as what is good for society, and to expand our business from a global point of view.

When we look back at the previous fiscal term, we see that the Japanese economy gradually recovered from the effects of the Tohoku-Pacific Ocean Earthquake, but overall the year was still very tough because of factors like the economic slowdown overseas and higher crude oil prices. The printing industry also continued to struggle; our challenges included the slow recovery of advertising budgets, which were cut in the aftermath of the earthquake, sluggish personal spending, and lower unit sale prices.

In particular, LCD color filters and other display products were the object of major production adjustments due to the worldwide slump in sales of LCD televisions. Some of our major customers pared their business down significantly and changed their operating policies, which caused a sharp deterioration in DNP's business environment. In response to this situation, we hurried to shift our focus in two directions: toward the small- and medium-size products used in wildly popular smart phones and tablet PCs, and toward developing new products, especially those aimed at higher-resolution displays. As part of a thorough structural overhaul, we consolidated production bases, reevaluated our color filter production equipment based on projected future cash flow, and posted some 24.7 billion yen in impairment losses.

At the end of the term, consolidated net sales for the fiscal term amounted to 1,507.2 billion yen (down 5.2% from the previous term), consolidated operating income was 34.0 billion yen (down 49.8%), and consolidated ordinary income fell 41.3% year on year to 36.8 billion yen. We posted a consolidated net loss of 16.4 billion yen for the term, compared to net income of 25.0 billion yen a year earlier.

Q What are DNP's medium- and long-term policies aimed at achieving growth?

A The overseas economic slowdown is likely to affect even emerging markets. In Japan, we expect several negative factors to continue to be of concern, including deflation, higher unemployment, unstable electric power supplies, and higher electricity rates. Despite this harsh business environment, our "P&I Solutions" business vision calls for the achievement of continuous growth and increasing corporate value in the medium and long terms. The idea is that if we use our printing technologies, information technologies, and our other skills and strengths to solve problems faced by businesses, consumers and society, society and DNP can grow and develop together.

Based on this vision, we have identified three strategies that we believe will lead us to concrete results: (1) development and promotion of new products and new businesses, (2) acceleration of global expansion, and (3) thorough structural reform of business operations.

We have already generated new businesses in the energy and life science fields by expanding on our printing technologies. As society becomes more digitized and more multi-functionalized, we feel certain that there is limitless potential for developing and applying printing technologies.

Q Please explain the three growth strategies you just mentioned. First of all, in what direction do you intend to take "development of new products and new services"?

A Amidst all the big changes that are taking place in the world these days, we feel it is difficult for companies and consumers to foresee what issues they will face and how to go about solving their problems. Since our corporate vision is to be a provider of solutions, it is important for us to quickly notice all types of changes, propose hypotheses, and stay one step ahead of businesses and consumers in making suggestions.

When we make a point of interacting with society and markets and looking at the world from our own standpoint as consumers, we get an understanding of societal changes that will increase the accuracy of our hypotheses and proposals, and lead to effective solutions for businesses and consumers. Not just sales and project planning departments, but manufacturing, research and development, and every part of the entire DNP Group will emphasize the customer's point of view as we develop new products and services, review existing businesses, and establish and quickly launch new business models.

New products and services that make the most of our existing businesses

DNP's Information Communication segment engages in the optimal expression of information using diverse media formats in line with the needs of corporate clients and consumers, and provides a wide variety of solutions that are integral to our customers' business processes. The segment is building up new types of businesses, including products and services that take advantage of our strong foundation in information security, "hybrid production solutions" that combine paper and electronic media, and a "hybrid bookstore network."

The Lifestyle and Industrial Supplies segment provides products and services that precisely meet the diverse needs of companies and consumers, including products designed with universal design principles and/or environmental conservation in mind. We view areas like energy and life science, where there is strong social need, as suitable areas for DNP to start new businesses, through which we will develop advanced and original products.

Although our Electronics segment faces a harsh business environment, we will continue to respond to rapidly changing markets and customer needs by pursuing thorough cost reductions and developing advanced products backed by our strength in world-class technologies like patterning and microfabrication.

Building up businesses that solve social problems

In 2011, Japan did not have enough electric power to meet demand, so we were forced to set our air-conditioners to higher temperatures during the peak of the hot summer. At that time, we saw many examples of people turning crisis into opportunity, for example by developing energy-efficient household appliances or offering cooling products.

As I said earlier, creating new products and services that are good for society is one of DNP's priorities. So in the future, we will also concentrate on developing socially oriented businesses related to themes like environment, energy, education, aging society, and universal design.

Promoting research and development aimed at business creation

At DNP, we have expanded our business by developing and applying printing technologies. We intend to work harder than ever at the development of new products and services, which will continue to be DNP's mainstay. In light of the rapid changes that mark today's society, we attach special importance to research and development aimed at creating new businesses that provide clear-cut solutions based on approaching problems from consumers' point of view. We will keep thinking outside the box and working to generate new businesses through products, services and innovative business models based on fresh ideas, and we will take care to properly manage and make use of the intellectual property that is created through these efforts.

Q

What are the aims of your next strategy, "global development"?

A

Ever since we opened an office in Hong Kong in 1964, we have been actively developing our overseas business with the aim of meeting local demand. Our focus as we promote DNP's global strategy is to "make the most of our strengths." We are not just going overseas because that's what other companies are doing. What's important is our desire to use DNP's strengths to solve problems faced by businesses and consumers not only in Japan, but all over the world. In recent years, DNP products and services have drawn higher praise than ever in overseas markets, and our business has become brisk throughout the world. In order to further accelerate this trend and successfully develop our overseas business, in April 2012 we created a new organization to oversee DNP's overseas businesses.

Under this new framework, we aim to optimize product manufacturing, sales, and development according to the needs of each region. Optimization of qualities and functions in line with the needs of various localities is particularly important in categories like packaging, decorative materials, information media supplies, and other businesses handled by our Lifestyle and Industrial Supplies segment. Since DNP has worked hard to provide the high degree of convenience and comfort required for satisfying the exacting demands of Japanese consumers, we can provide products that consumers all over the world really need.

In 1972, DNP's Packaging Operations established a production base in Indonesia amid expectations for growth in Southeast Asian markets. Ever since, we have continued to work at providing appropriate solutions for local markets, and have increased our share of sales in those markets. DNP Indonesia has grown to be Indonesia's No. 1 packaging company. We intend to build on our success there by opening another plant in Vietnam in April 2013. We aim to expand our business by providing high-quality products to global companies in response to growing demand for packaging for foods and household goods.

Q Your third strategy is structural reform of operations. How are you going about that?

A We intend to boost efficiency and minimize costs by reviewing our business processes in order to establish strongly profit-oriented production systems. In the fiscal year through March 2012, we worked on improving profitability through such means as posting impairment losses—largely on color filter production equipment—and consolidating operating locations.

For example, in April 2011 we combined divisions that handled manufacturing and sales in Japan's Chubu region (centered around Aichi Prefecture) to form DNP Chubu Co., Ltd. Our aim is to improve productivity, in addition to expanding our business by responding meticulously to local needs and further strengthening ties to local communities. In October 2011, we consolidated four Group companies that handle prepress operations in order to streamline plate making operations, even out workflow between locations, consolidate redundant functions, and improve productivity through sharing of technologies and expertise.

In addition to the Production 21 activities that we have continued since 2002, we will work to boost product quality and cost competitiveness by building efficient, waste-free production systems based on the concept of "overall optimization," i.e. smoothing the flow of operations between business processes and units, at every step from order intake to delivery. As part of this effort, during the fiscal year through March 2012 we established a production control center for the Information Communication segment, and another for Packaging operations, in order to optimize production locations so as to make the most effective use of DNP's production equipment throughout Japan.

We also adopted the "DNP Group Basic Code for Disaster Response" and began implementing disaster prevention and preparedness measures on a daily basis in order to make the DNP Group as "disaster-proof" as possible. After the Tohoku-Pacific Ocean Earthquake, we reviewed our business continuity plans (BCPs) and worked to minimize the effects a disaster might have on DNP's business operations by redistributing production bases in Japan and overseas, and by organizing logistics and alternative producers with an eye toward disaster-proofing our overall supply chain. In order to deal with power shortages and higher electric power costs, we took steps like reducing power consumption wherever possible and installing in-house power generators.

Q How do you plan to return profits to shareholders?

A We view the return of profits to shareholders as an important management policy. Our basic approach is to distribute profits to shareholders through stable dividend payments, with consideration for business performance, dividend payout ratio, and other relevant factors. At the same time, we support future business development by applying retained earnings to the enhancement of our financial constitution and strengthening of our management base.

We allocate retained earnings to fund investment in research and development of new products and technologies, capital investment in the development of new businesses, and strategic alliances and M&As.

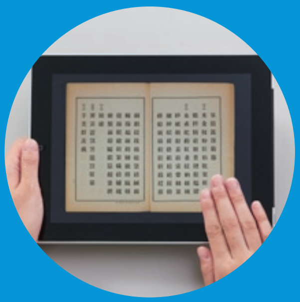
We believe that these types of investment help build corporate value in the medium and long terms, and ultimately help us return profits to shareholders.

DNP values *taiwa** with all of our various stakeholders. In order to stimulate livelier *taiwa* through which we can discover and resolve new issues, we disclose appropriate information in a timely fashion and work hard to achieve accountability.

Furthermore, we view 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.

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



Special Feature

"Creating What Everyone will Take for Granted in the Future"

DNP's Growth Strategies

Currently, DNP is mainly pursuing three growth strategies: (1) development and promotion of new products and new businesses, (2) acceleration of global expansion, and (3) thorough structural reform of business operations. We believe that by pursuing these initiatives, we can generate a variety of devices, products, and services that society will seek in the future, and that we can solve a large number of problems faced by companies, consumers, and society.

For example, in Japan and in the world, there is still plenty of room for improvement in mechanisms for facilitating pleasant communication, convenient and easy-to-understand systems that support next-generation education, universal design products that are easy for everyone to use, social systems that contribute to improving quality of life even as society ages, and other aspects of modern life.

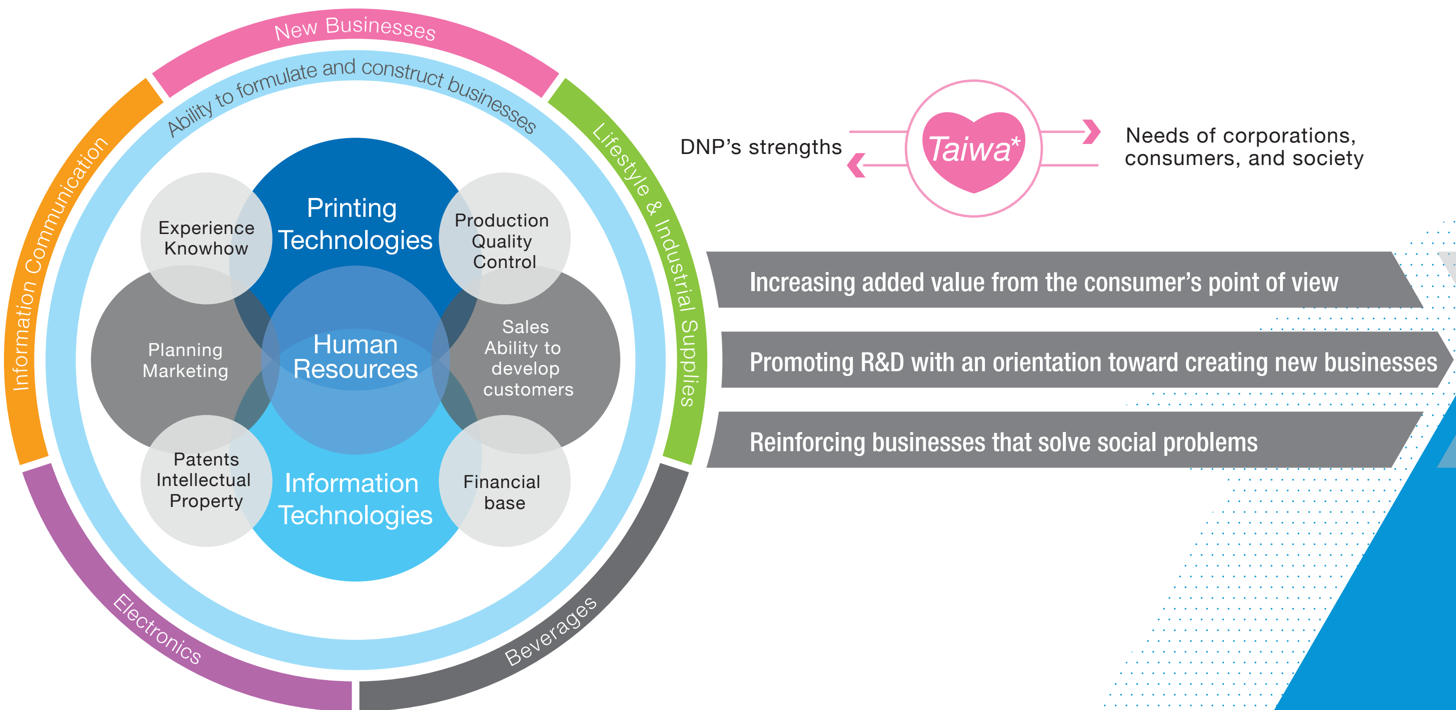
We believe that society and modern life will be enriched only when these kinds of products, services, and systems are readily available for everyone to use freely—in other words only when people come to take their availability for granted.

We express this idea through the phrase "creating what everyone will take for granted in the future." We believe that creating this kind of future and extending it to the entire world will contribute to the development of a sustainable society and lead to DNP's own growth.

CONTENTS

DNP's Growth Strategies

01 Development and Promotion of New Products and New Businesses



02 Acceleration of Global Expansion

- Taking a global point of view, DNP will use its strengths to solve the problems of corporations, consumers, and society in general, whether in Japan or abroad.
- In April 2012, we prepared a new system for promoting overseas businesses, in order to accelerate DNP's global expansion.

03 Thorough Structural Reform of Business Operations

- Establishment of production frameworks based on a strong awareness of profitability
- Thorough elimination of waste as a step toward overall optimization
- Realization of a "disaster-proof DNP Group" through our business continuity plan (BCP)

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

“Creating What Everyone will Take for Granted in the Future”

Contribute to society through our corporate activities.

[Problems that need to be solved]

Pleasant communication
Optimal content, media, and information security

Solve corporations' problems.

Solve consumers' problems.

Solve society's problems.

Education; cultivation of a new generation
to whom we can entrust our future

Sustainable
environment and clean energy

Universal design products
that are easy for everyone to use

Solve problems at the global level.

Quality-of-life improvements
that are helpful even in an aging society

Global development
of meticulous problem resolution

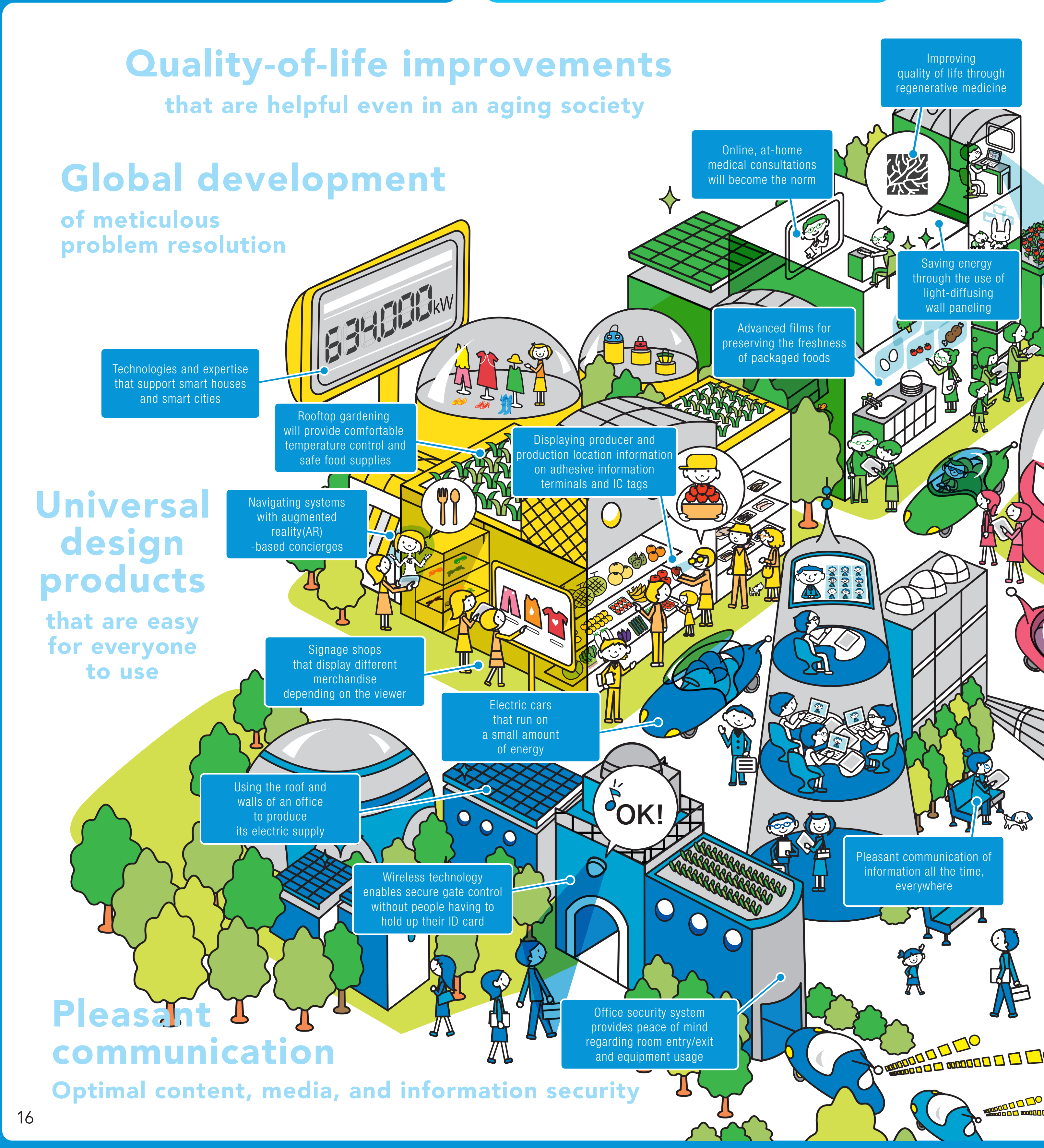
Establish a solid management base.

Becoming a trusted company
that fulfills its social responsibilities

“Creating What Everyone will Take for Granted in the Future”

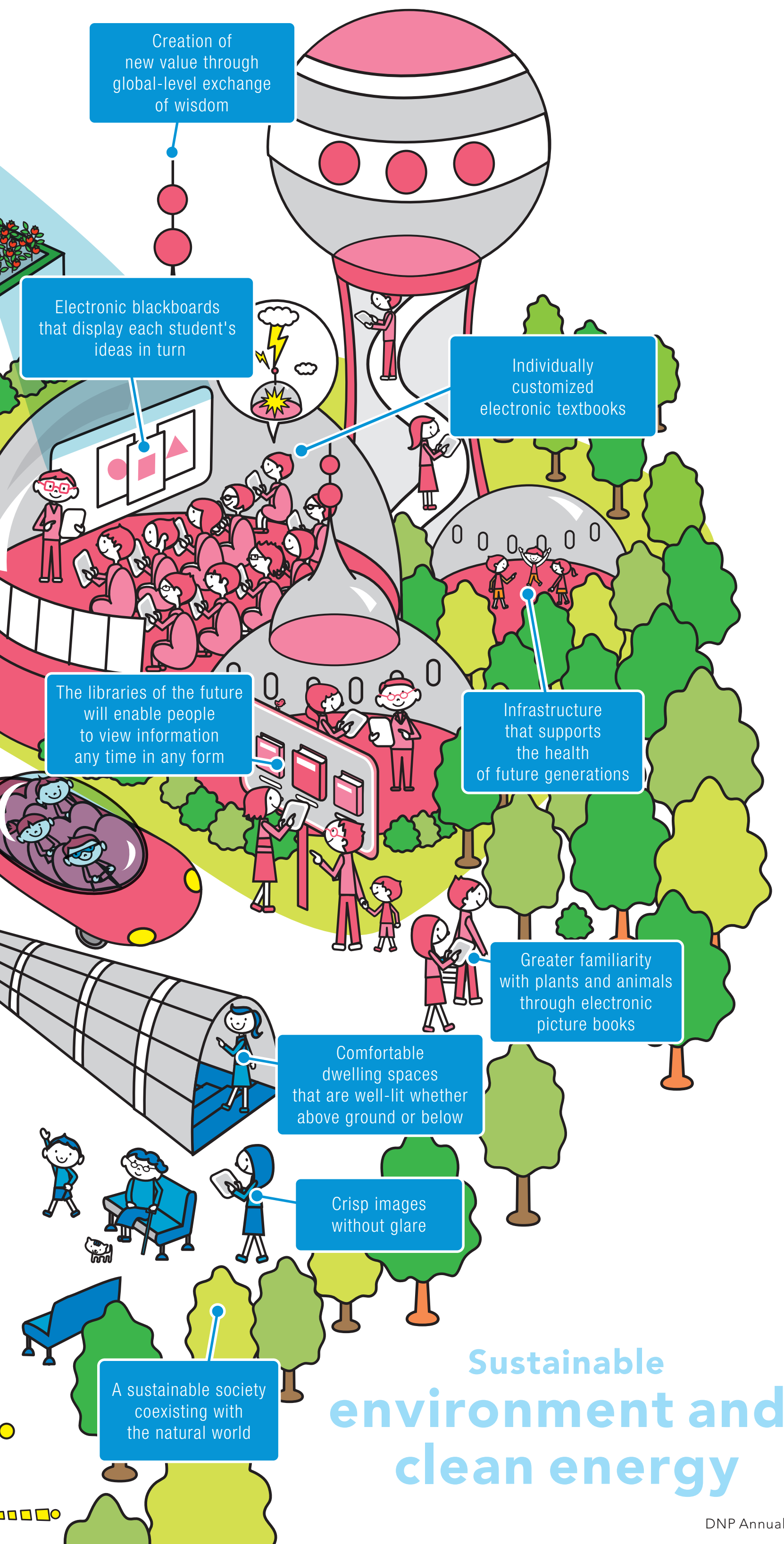
Imagine and Create

“what everyone will take for granted in the future”



Education;

cultivation of a new generation to whom we can entrust our future



Sustainable environment and clean energy

There are so many possible scenarios of what the future might be like; it's impossible to predict the future exactly. However, we can look at the world and identify problems from the standpoint of consumers, a particular society, or the world as a whole. By coming up with proper solutions to those problems, we can realize the kind of future that many people look forward to, and we ourselves can have a share in the future.

DNP is currently exploring the nature of "what everyone will take for granted in the future" and focusing on applying and developing our strengths in printing technologies and other areas in order to create that future. As part of that process, we have established some central themes like the ones below, in order to increase the effectiveness of the various solutions that we find.

Pleasant communication
Optimal content, media, and information security

Education;
cultivation of a new generation to whom we can entrust our future

Sustainable
environment and clean energy

Universal design products
that are easy for everyone to use

Quality-of-life improvements
that are helpful even in an aging society

Global development
of meticulous problem resolution

The illustration to the left is just one possible scenario from among the many versions of the future that we can imagine. For example, as Japanese people live longer and have fewer children, we might see increased demand for regenerative medicine and remote diagnosis as well as for enhanced educational environments for cultivating global human resources. Universal design products that can be used without strain by the maximum number of people, and advanced information security measures that allow safe and worry-free exchange of information will also be indispensable. So that people can continue to lead fulfilling lives all over the world, we must not neglect to take care of our planet's environment or to strive to lighten the burdens that we place on it through energy consumption.

By making the most of its strengths, DNP can offer optimal solutions to these problems and others like them. Besides the books and magazines that have long been taken for granted, DNP has continuously provided products and services that have already become taken for granted in our modern world, including smart cards, holograms, safe packaging for foods and household items, and interior and exterior decorative materials for comfortable homes and offices. Going forward, we will continue to contribute to society by creating "necessities" that everyone will come to take for granted in various arenas of business and personal life.

"Creating What Everyone will Take for Granted in the Future"

Main Themes

for Realizing "What Everyone will Take for Granted in the Future"

Pleasant communication

Optimal content, media, and information security

As social network services become more widely used, a growing number of consumers are more frequently dispatching information, and international exchange of information has become very lively. There is increasing demand on the part of both consumers and corporations for the ability to exchange desirable content safely and securely via the most appropriate information media.

DNP facilitates pleasant communication by making use of our ability to accommodate "hybrid" paper and digital media and content, as well as the strengths that we have cultivated in information security through making related products like smart cards and holograms.

Smart card with Lippmann hologram

DNP makes a smart card even more difficult to counterfeit by inserting a Lippmann hologram, which can only be made with specialized materials and manufacturing processes.

Education;

cultivation of a new generation to whom we can entrust our future

Cultivation of the young people who will lead in the next generation is an important topic in every generation, but today's children in particular will need to acquire skills and strengths that will enable them to survive in an environment of global competition. At the same time, as our society progressively grows older, high-quality lifelong education has become more important.

DNP offers a variety of educational solutions including personalized textbooks made by digitizing learning materials and adapting them to the level of individual students. We intend to continue offering a wide range of tools to support the education of future generations, including electronic library services that make use of our network, in addition to digital pens and electronic blackboards.

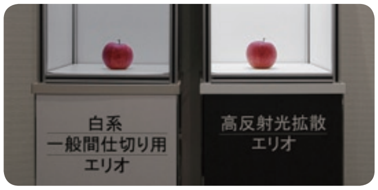
Electronic library services

We serve the educational and academic markets–i.e. public and university libraries–by providing hybrid publications distribution, including electronic book content distribution and sales.

Sustainable environment and clean energy

Amid efforts to reduce energy consumption along with increasing demand for alternatives to fossil fuels, it is becoming more important than ever to reduce the burden that we humans place on our planet's environment.

As a manufacturer, DNP is always thinking about how to coexist with the Earth's environment. Besides striving to minimize the burden that we place on the environment through manufacturing, we will also continue to provide eco-friendly products in a number of product categories. In addition, we will continue to make components for photovoltaic cells and lithium-ion batteries and use decorative materials, etc., that can be adapted for use in smart cities and smart houses, etc.



Highly antireflective, light-diffusing panels

A special matte treatment applied to wall surfaces diffuses light from fluorescent or LED light sources and delivers light to every corner of a room, thereby saving energy.

Printing Technologies that Support "What Everyone will Take for Granted in the Future"

DNP stands for Dai Nippon Printing. But the "Printing" in our name does not refer only to the kind of printing that entails attaching ink to paper. The printing technologies that have driven DNP's business expansion hold broad possibilities for application. Based on our great capacity for developing those possibilities, we have generated a large number of products and services that are indispensable to the daily lives of consumers and the business processes of our corporate clients.

For example, expanding the range of materials on which we print, from paper to plastic film and metals, allowed us to participate in industries like packaging and decorative materials, through which we have been responding to strong demand in recent years for eco-friendly products with advanced functionality.

DNP is one of the world's very few "comprehensive printing companies" that have expanded their field of business extremely broadly from a base of core printing technologies. In the future, we intend to continue solving a variety of problems as we expand our field of business even further, into areas like battery components and other energy-related products, and materials used in regenerative medicine and other bioscience-related areas.

Universal design products
that are easy for everyone to use

In a society that recognizes diversity, we need to create environments where different types of people can live in safety and comfort. It other words, we must adopt universal design principles.

DNP has established "Five Universal Design Principles," such as "clear, easy-to-understand expression of required information" and "simple, intuitive utility."

We always consider how we can enable the largest number and the most types of people to safely and easily use DNP's products and services. For example, we use color universal design principles in recognition of the different ways people perceive color, and we make packages that are easy to open for people with little physical strength.

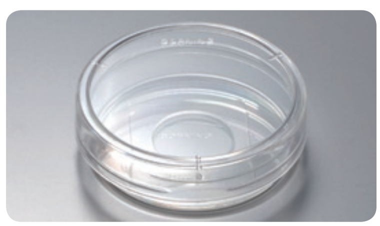
Next-generation digital signage

DNP's original, next-generation digital signage display based on universal design principles enables touch-screen operation by people in wheelchairs.

Quality-of-life
improvements that are helpful even in an aging society

Not only in Japan, but in many countries the average age is rising. At the same time, explosive population growth is expected in developing countries. Beginning with health and medical issues, improving quality of life is becoming increasingly important all over the world.

DNP makes use of its technologies such as the information technologies it has cultivated in order to provide solutions that support new types of medical care, including electronic clinical chart maintenance systems and remote diagnosis. We are also expanding into the field of life science through businesses like capillary vessel regeneration and cell patterning culture substrates.



CytoGraph technology

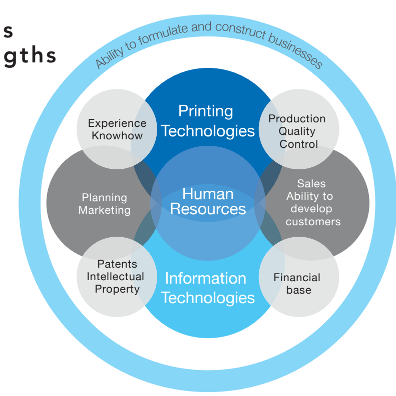
CytoGraph cell pattern culturing film applies printing technologies to the field of regenerative medicine. The product is made by forming patterns on a glass surface using material that does not allow cells to adhere to the glass, thereby controlling cell reproduction.

Global development
of meticulous problem resolution

All of the issues that we mentioned to the left are important issues that await resolution not only in Japan, but in the rest of the world as well. Moreover, there is a need for solutions that properly fit the various circumstances found in different regions.

DNP has operating locations around the world. Through *taiwa*, we intend to identify the specific needs of people in various locations and provide them with products and services of optimized quality and functionality. In April 2012, we strengthened our framework for promoting overseas problem resolution by establishing Global Strategic Business Planning and Control Division. In the future, we will actively develop and expand our global business, for example by strengthening our packaging operations in Southeast Asia, where the rate of growth has been remarkable.

DNP's strengths



"Expansion printing" describes how we continually expand our field of business by applying and developing printing and other technologies as we contribute to society by resolving the problems of corporations, consumers, and society based on our corporate vision of becoming a provider of "P&I Solutions."

Resolving the problems of corporations, consumers, and society

“Creating What Everyone will Take for Granted in the Future”

Achievements and Growth Strategies

for “what everyone will take for granted in the future”

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

Information Communication

Books and Magazines

▶1877 Produced first Western-style book in Japan, revised edition of “Self-Help” by Samuel Smiles

▶1882 Begin sales of printing types

▶1912 Completion of DNP’s original Shueitai font

▶1925 Receive order to print 740,000 copies of the inaugural edition of “King” magazine

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

▶1972 Begin digitalization of text and images (CTS)

Commercial Printing

▶1885 Start of lithographic printing

▶1971 Development of scented printing

▶1981 Establishment of new video printing system technology

Business Forms

▶1898 Begin printing of securities

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

▶1954 Start of carbon-backed ledger printing

▶1965 Begin mass production of OCR ledgers

▶1974 Full-scale production of magnetic plastic cards

▶1983 Development of smart card

Lifestyle and Industrial Supplies

Packaging

▶1951 Full-scale entry into paper container business

▶1951 Begin printing on vinyl and other non-paper materials

▶1961 Start production of blow-molded bottles

▶1962 Begin producing paper cups

▶1969 Begin producing laminated tubes

▶1975 Begin producing retort pouches

▶1983 Development of technology for drawing on molded plastic goods

▶1984 Begin producing PET plastic bottles

Lifestyle Materials

▶1951 Begin developing decorative paper for melamine resin plate

▶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 thermal transfer printing media

Electronics

Display Components

▶1958 Successful prototyping of shadowmasks

▶1973 Begin research and development of color filters

▶1978 Development of new type of shadowmasks (flat masks)

Electronic Devices

▶1959 Successful prototyping of photomasks

▶1964 Begin lead frame production

DNP's Growth Strategies

- Develop and promote new products and businesses
- Accelerate global expansion
- Thorough structural reform of business operations

Growth strategies of each business that will create "what everyone will take for granted in the future"

1990 | 2000 | 2010

Information Communication ❯ P&I Solutions

▶2001 Announcement of DNP Group Vision for the 21st Century (125th anniversary of DNP's founding)

▶1985 Development of world's first electronic dictionary on CD-ROM
▶1992 Development of Shueitai True Type font
▶1997 Start of online publishing business
▶2008 Alliances with Maruzen Co., Ltd., Junkudo Co., Ltd. and Bunkyodo Group Holdings Co., Ltd.
▶2010 Startup of "honto" e-book sales service

▶1989 Construction of global network system
▶1995 Begin Internet service "Media Galaxy"
▶1997 Begin e-commerce service
▶2001 Begin Orikomio! e-flyer service
▶2007 Launching of digital signage project

▶1993 Production of contactless smart cards
▶1999 Launch of IC tag project
▶2004 Card Data Management Service (CDMS)
▶2005 Establishment of "SSFC" office security consortium

- Hybrid production solutions
- Hybrid bookstore network
- DNP-brand B to C business
- Cross media communications business
- Promotion of BPO business
- Expansion of security solutions

▶1992 Development of aseptic plastic bottle filling system and preform method
▶1998 Development of transparent barrier film (IB Film)
▶2007 Development of packaging for Japanese-style space food

▶1995 Begin producing sheet with EB coating

▶1996 Establishment of anti-glare film technology for LCDs
▶2004 Development of "JETBLACK" front projection screens
▶2005 Begin development of "PrintRush" self-service printing system

- Expand eco-friendly products
- Develop new products using materials with more advanced functionality
- Expand safe, reliable packaging, a variety of living space solutions, and industrial materials businesses worldwide

▶1985 Development of LCD color filter production technology (production started 1987)
▶2002 Development of flexible organic EL displays
▶2003 Development of full-color organic EL panels
▶2006 Mass production of color filters using inkjet method

▶1995 Launch multilayer wiring formation technology
▶1999 Enter semiconductor package substrate field
▶2001 Begin MEMS (micro electro mechanical systems) processing under contract
▶2002 Complete production line for "B²it" high-density build-up boards

- Display products: shift to areas with greater growth potential; provide higher resolution and more advanced functionality
- Electronic devices: concentrate on high-end products and expand overseas business

New Businesses

Energy Systems

▶1999 Commercialization of "soft packs" for lithium-ion batteries
▶2003 Development of photovoltaic module components
▶2005 Development of fuel cell components
▶2007 Development of printed organic photovoltaic cells

Life Science (Regenerative Medicine, etc.)

▶2004 Successful formation of capillary patterns
▶2008 Development of cell pattern culture substrates
▶2008 Development of cell sheet culture film

- Promote business creation-oriented research and development
- Reinforce businesses that solve social problems; especially develop businesses related to themes like: environment and energy; aging society; education; universal design.

“Creating What Everyone will Take for Granted in the Future”

Going Global with This Idea

Using our strengths to solve global problems

DNP sees the entire world as its target market. We aim to "make the most of our strengths" in order to provide products and services that precisely meet the needs of people in different areas.

In particular, challenges like reducing the burden that we place on the environment, using energy efficiently, and designing products according to universal design principles are important all over the world.

Rather than taking products designed for the Japanese market overseas and trying to sell them just as they are, we use plenty of *taiwa* to clarify the issues faced by people in various regions. We aim to expand our business by optimizing the functions and qualities sought by people in various locations, in order to solve their problems.

DNP's half-century of overseas development

Ever since DNP opened an office in Hong Kong in 1964, we have been actively developing our overseas business. Currently, the DNP group has 13 overseas manufacturing plants and 24 overseas offices staffed by a total of some 5,000 employees, mainly in Europe, Asia, North America and Australia. We manufacture and sell a wide variety of products in these regions, including pop-up and other books, magazines, flyers, catalogs, and other commercial printed matter, packaging and building materials, optical films used in electronic displays, color ink ribbons for printing photos, and photomasks used for manufacturing semiconductors.

In recent years, we have focused on expanding our business in Southeast Asia, which is a growing market. After establishing representative offices in Ho Chi Minh City and Bangkok, in April 2012 we established a company in the suburb of Ho Chi Minh City to manufacture and sell soft packaging. Our information media supplies business, which primarily makes color ink ribbons, took over Sony Corp.'s digital photo printing business, thereby gaining us a global sales network that takes advantage of operating locations in places like the United States, France, and the Netherlands.

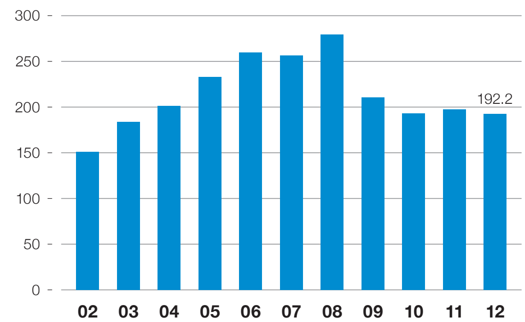
In the fiscal term through March 2012, overseas sales amounted to 192.2 billion yen, representing 12.8% of DNP's consolidated net sales, up 0.4 point from a year earlier. Of these overseas net sales, the Asian region contributed 69%, or 133.4 billion yen.

PT DNP Indonesia

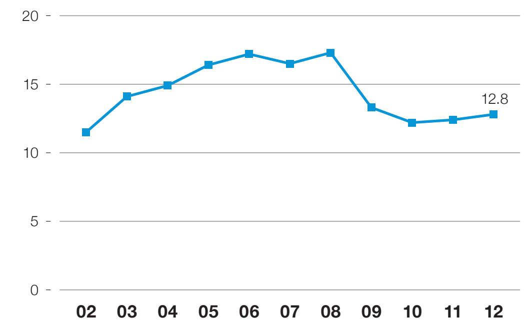
DNP Electronics America, LLC

DNP IMS Netherlands B.V.

DNP's Overseas Sales
(¥ billion)



DNP's Overseas Sales to Net Sales
(%)



Future initiatives and issues

One of our strategies for future overseas business expansion is to make our main target the Asian region, which is expected to experience remarkable economic growth. Rising incomes in Southeast Asia and newly industrializing countries like India are accompanied by rapid changes in information media and lifestyles, which spell great potential for the products and services that DNP provides. In order to quickly seize this growing business opportunity, we established a regional control company in Singapore in June 2012. This is our third regional control company, following the establishment of DNP Corporation USA and DNP Business Consulting (Shanghai) Co., Ltd., which oversee business in the US and China respectively. In addition to promoting business expansion in Southeast Asia, DNP Singapore aims to boost the efficiency of DNP's Southeast Asian businesses by standardizing accounting operations, and to increase added value by optimally allocating human resources within the region.

In addition, in April 2012 we established Global Strategic Business Planning and Control Division, in order to formulate an overall medium- to long-term plan for DNP's overseas businesses, to coordinate new product development, and to control overseas management risks. This office will cooperate with regional control companies and promote optimal management suited to the situation in each region. We are determined to achieve sustainable growth by formulating and implementing global strategies that make the most of DNP's various technological developments and other strengths.

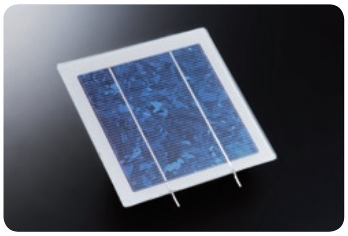
Global Development Timeline

1964	Establishment of Hong Kong representative office
1968	Establishment of New York representative office
1969	Establishment of representative offices in Sydney and Frankfurt
1970	Establishment of DNP Europe GmbH in Germany, to sell decorative materials and packaging products
1972	Establishment of PT DNP Indonesia to manufacture and sell mainly packaging products in Indonesia
1974	Establishment of DNP Corporation America to sell books, commercial printed matter, building materials, and electronics-related components
1989	Establishment of DNP Denmark A/S to manufacture and sell rear projection screens, etc.
1990	Acquisition of management rights to Tien Wah Press (Pte.) Ltd. (Singapore), which manufactures and sells books and commercial printed matter for the Singapore market
	Establishment of DNP Singapore Pte. Ltd., which sells mainly decorative materials and electronics-related components
1991	Establishment of DNP UK Co., Ltd. to sell decorative materials
1994	Establishment of DNP IMS America Corporation to produce and sell ink ribbons for thermal transfer printers and for thermal-resin type printers
1998	Establishment of DNP Taiwan Co., Ltd., which sells electronics-related components
2000	Establishment of DNP Korea Co., Ltd., which sells electronics-related components
2001	Establishment of DNP Electronics America, LLC to manufacture and sell precision electronic components
2002	Establishment of photomask manufacturing company DNP Photomask Europe S.p.A. in Italy
2005	Establishment of DNP International Trading (Shanghai) Co., Ltd. to sell commercial printed matter in Shanghai and the rest of China
2006	Establishment of photomask manufacturing company, DNP Photomask Technology Taiwan Co., Ltd.
2008	Establishment of DNP IMS Netherlands B.V. to manufacture thermal-resin transfer ink ribbons
2010	Establishment of Ho Chi Minh representative office
2011	Establishment of Bangkok representative office
2012	Creation of Global Strategic Business Planning and Control Division
	Establishment of Singapore regional control company
2013	(Planned) Establishment of soft packaging plant in the suburb of Ho Chi Minh City, Vietnam

"Creating What Everyone will Take for Granted in the Future"

Major Events of this Fiscal Year

Specific efforts for "what everyone will take for granted in the future"



Photovoltaic cell

New building of Tanabe Plant

Mihara Plant

DS-RX1 digital photo printer

Cultivating fields with growth potential through active investment

● Startup of "mother plant" for energy-related components .... [April 2011]

DNP controls the No. 1 share of the world market for soft packs used in lithium-ion batteries. In April 2011, we started up a new plant in Kitakyushu, Fukuoka Prefecture, for making soft packs along with photovoltaic cell components such as back sheets and encapsulants. Amid growing demand for non-fossil fuel energy sources, this new "mother plant" triples DNP's conventional capacity for producing energy-related components. Its products will be supplied to manufacturers all over the world, including China and other developing countries, and Europe.

● Startup of eco-friendly plant for producing advanced packaging products ...... [November 2011]

In November 2011, DNP started up a new facility for making packages from highly functional film, using designs optimized for foods, household items, and medical products, etc. The new facility is on the grounds of DNP's paper container plant in Kyotanabe, Kyoto Prefecture. The eco-friendly new plant makes efficient use of thermal energy and recycles solvents. In addition to paper products, DNP is developing "hybrid products" that combine the advantages of both paper and film.

● Expanding new product output by increasing production capacity for advanced optical films .... [November 2011]

In November 2011, we inaugurated a new facility and new production lines at our plant in Mihara, Hiroshima Prefecture, where we make high-performance anti-reflection films for use in flat-panel displays. In addition to working to improve quality and productivity by automating production processes, we will actively develop and manufacture a variety of new products related to advanced optical films, such as components for 3D displays and touch panels.

Business development through collaboration with other companies

● Expansion of photo print operations through acquisition of Sony's business .... [April 2011]

In order to strengthen our digital photo print business, in April 2011 we took over Sony Corp.'s commercial-use digital photo printer business. This meant also taking over Sony's worldwide customer base. We intend to increase the volume of dye-sublimation thermal transfer media supplies (color ink ribbons and receiver paper) that we supply to instant photo print systems and ID photo printers installed by Sony.

TOPICS

New soft packaging plant in Vietnam .... [Startup scheduled for April 2013]

Concept drawing of Vietnamese plant

DNP plans to build a factory in the suburb of Ho Chi Minh City, Vietnam, for the production of soft packages, including pouches and tubes made of film for foods and household items, with startup scheduled for April 2013.

DNP has experience in Southeast Asia through PT DNP Indonesia, which it established in 1972. By supplying products that meticulously respond to local needs, DNP Indonesia has become the No. 1 packaging manufacturer and sales company in the region, and we have been exporting packaging products to Vietnam from Indonesia. As a result of continuous strong economic growth, Vietnam has attracted attention as a distribution hub of the Indochina Peninsula. Establishing a new production base there will allow us to shorten delivery times and disperse risk by having more than one production base. We will work on expanding our business by using the new plant to provide high-quality products, mostly to global companies.

● Collaboration with ASKUL Corp. providing online mail-order printing service for small- and medium-size businesses [November 2011]

DNP has joined forces with ASKUL Corp., which operates an Internet-based mail-order printing service, to offer comprehensive printing services including planning and production of promotional materials, such as flyers, pamphlets, and posters. By combining ASKUL's customer base of small- and medium-size businesses with DNP's printing technologies, production framework, and other strengths, the two companies intend to reap synergistic benefits and expand the business by uncovering latent demand.

"All About"

● Capital and business tie up with All About, Inc. [December 2011]

In December 2011, DNP formed a capital and business alliance with All About, Inc., which operates a general information website called "All About" that answers a variety of consumer information needs. The All About website distributes more than 100,000 articles written by experts referred to on the site as "guides." The site attracts about 18 million visitors and 120 million page views per month. Through the alliance, DNP aims to strengthen its own media services aimed at consumers, such as the "honto" hybrid bookstore network and Orikomio! e-flyer distribution service.

"honto" hybrid bookstore network web page

Structural reforms aimed at improving profitability

● Reorganization of businesses in the central part of Honshu, Japan; launch of DNP Chubu Co., Ltd. [April 2011]

In April 2011, DNP integrated manufacturing and sales divisions that handle business in Japan's Chubu region, and established DNP Chubu Co., Ltd. The new company will work to improve productivity and to increase business by cooperating more closely than ever with local customers and responding meticulously to their individual needs.

"Orikomio!" e-flyer service

● Strengthening our competitive edge by merging prepress divisions [October 2011]

In October 2011, we merged four Group companies in the Information Communication segment that handle pre-press operations such as data production and plate making. The idea is to increase competitiveness by boosting operational efficiency, evening out workflows, consolidating redundant equipment, and sharing technologies and expertise. The new company will promote optimization of production equipment, optimal assignment of specialized human resources, and other forms of optimization.

● Transfer of Sakai plant's color filter business to Sharp subsidiary

In the fiscal year through March 2013, we plan to transfer the LCD color filter business at our Sakai plant to Sharp Corp. subsidiary Sakai Display Products Corp. (SDP). SDP's integrated production system handles every step from component procurement to assembly of finished LCD panels. The company intends to improve its international competitiveness by achieving stable production and reducing costs. DNP aims to boost the competitiveness of its color filter business by taking a 9.54% stake in SDP.

TOPICS

Aiming to maximize profits through "overall optimization" [Fiscal year through March 2012]

Based on the idea of "overall optimization" of its manufacturing bases throughout the world, DNP intends to improve "vertical work flow" from project planning to manufacturing and delivery, and "horizontal cooperation" among multiple operating locations to allow us to boost production efficiency and in-house production rates.

In order to optimize "vertical work flow," we will work on emphasizing "designing profit," improving cooperation between manufacturing, sales, and planning divisions, and streamlining business processes. In addition, we will smooth flows between processes and between divisions, and construct efficient production systems that thoroughly eliminate waste.

Regarding "horizontal cooperation," we established a general production control center for the Information Communication segment and a packaging production control center for our Packaging operations, in order to optimize production locations so that we can make efficient use of production equipment throughout Japan. For example, if a client wants a flyer to be distributed nationwide, we would boost efficiency by receiving the entire order in Tokyo and distributing production of the products to plants in each region, close to delivery points. By making efficient use of production equipment throughout the country, we will increase our in-house production rate and boost profits.

DNP's Businesses

CONTENTS


CARD

DNP at a Glance

01 Profile

We solve the problems of businesses, consumers, and society in order to create what everyone will take for granted in the future.

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, 2012, the DNP Group employed 39,986 people. The Group had 47 sales bases and 60 production plants in Japan, 24 offices in 15 countries and a region, and 13 overseas production plants in 10 countries and a region. Overseas sales contributed 12.8% of the Group's overall net sales in the fiscal year through March 2012. 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.

02 Business Portfolio

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

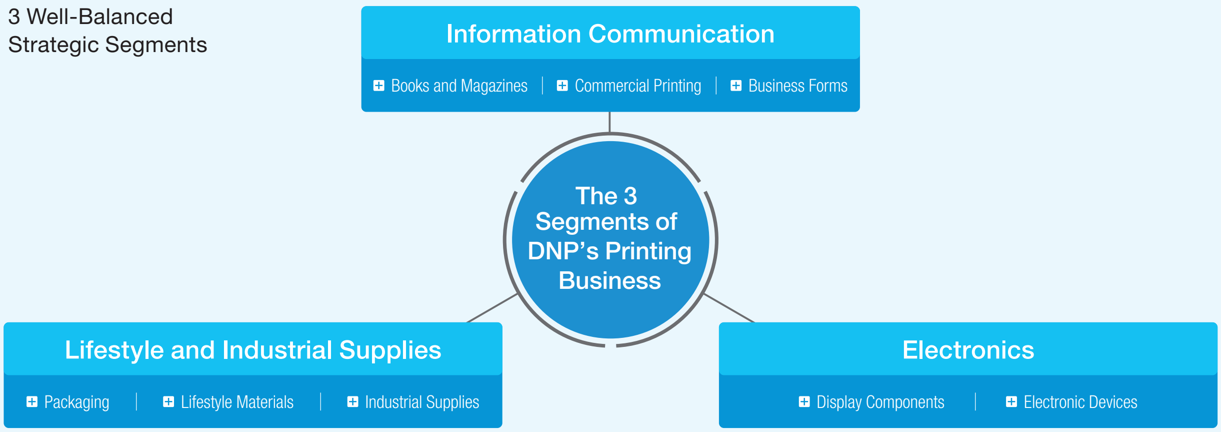
DNP has two main businesses: Printing, which contributes about 96% of consolidated net sales, and Beverages, which generates about 4% of the Group's sales through Hokkaido Coca-Cola Bottling Co., Ltd.

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.

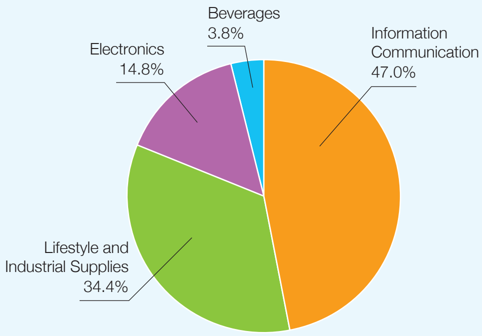
Our Beverages business takes advantage of the strength of the Coca Cola brand while also developing original DNP products. We are working on bolstering our beverages business base, for example by promoting production and procurement in liaison with bottlers in other parts of Japan.

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.

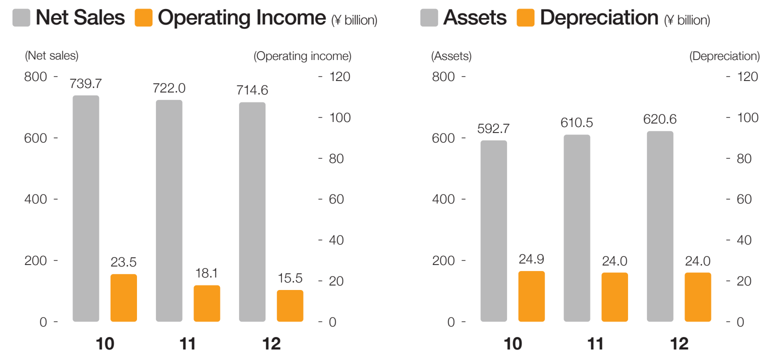
3 Well-Balanced Strategic Segments



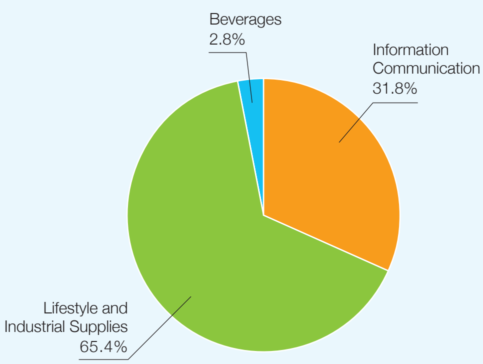
Net Sales by Segment (Year ended March 31, 2012)



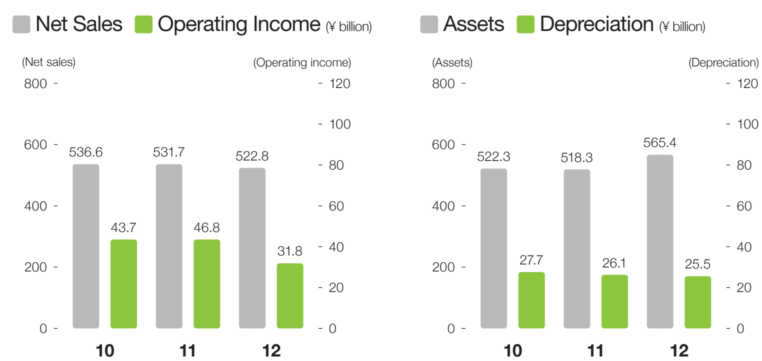
Information Communication



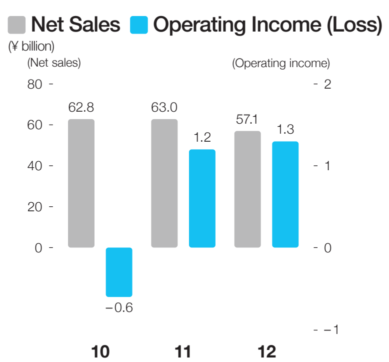
Operating Income by Segment (Year ended March 31, 2012)



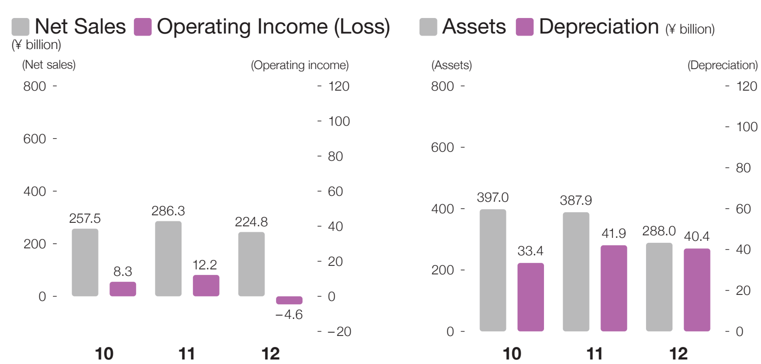
Lifestyle and Industrial Supplies



Beverages



Electronics



Our Products

Information Communication

- **Books and Magazines**

[1] Magazines [2] Books (Pop-up books) [3] Dictionaries
[4] Hybrid bookstore network "honto" membership card (left); "My Bookshelf" display (right)

- **Commercial Printing**

[5] Catalogs [6] Calendars
[7] Augmented reality (AR)
[8] Orikomio! e-flyer service
[9] Digital signage (integrated into furniture) "Monitana"

- **Business Forms**

[10] Personalized mail
[11] Smart cards
[12] SIM cards [13] Lippmann hologram
[14] OpenSTAGE™ digital pen-based presentation system


[1]


[2]

[3]


[8]


[9]


[10]

Lifestyle and Industrial Supplies

- **Packaging**

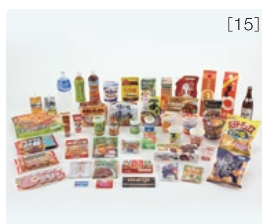
[15] Packaging for foods [16] Packaging for toiletries and pharmaceutical products [17] Universal design products
[18] Packages made of IB film
[19] PET plastic bottles and preform
[20] Aseptic filling systems for PET plastic bottle

- **Lifestyle Materials**

[21] Residential interior materials [22] Automotive interior materials [23] Interior coverings for railway cars (Tohoku Shinkansen Hayabusa Reserved "Green" Car)

- **Industrial Supplies**

[24] Optical film for displays [25] Projector screens
[26] Soft pack for lithium-ion battery
[27] Dye-sublimation thermal transfer printing media
[28] Barcode label
[29] Self print terminal "PrintRush"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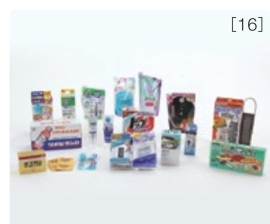
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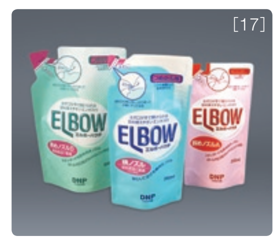

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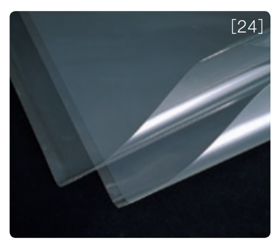
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[25]

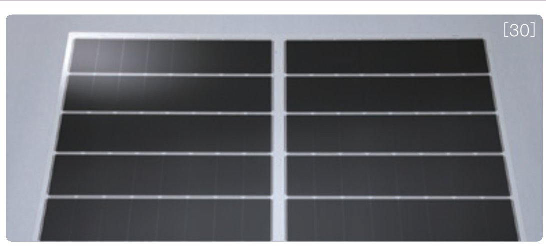
Electronics

- **Display Components**

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

- **Electronic Devices**

[34] Semiconductor photomasks
[35] Template for nanoimprinting
[36] Hard disk drive suspension
[37] Lead frames for semiconductor packages
[38] Metal substrate for LED light
[39] Camera modules
[40] Reader/writer modules [41] IC tags
[42] Ultracompact IC tags
[43] MEMS (micro electro mechanical systems) products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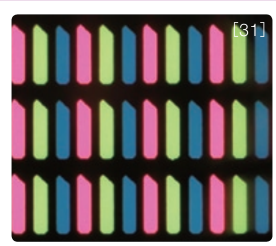
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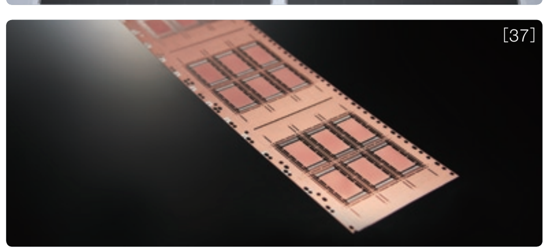
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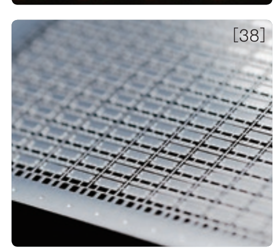
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Note: Numbers in square brackets correspond to photographs on p.30-31.

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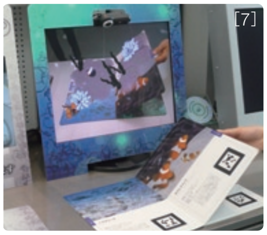
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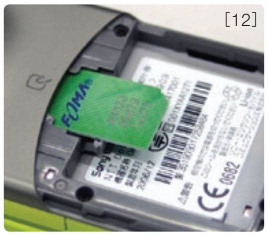
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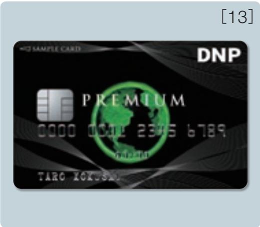

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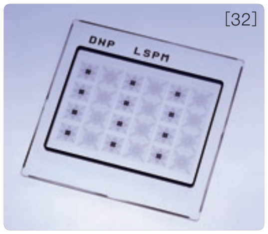

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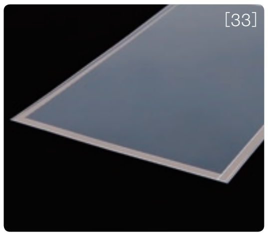
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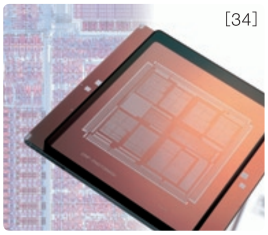
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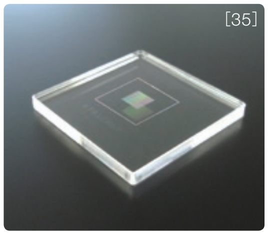
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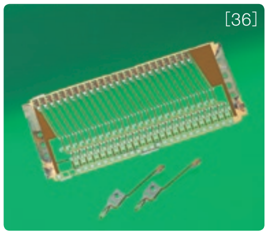
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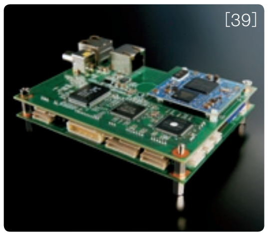
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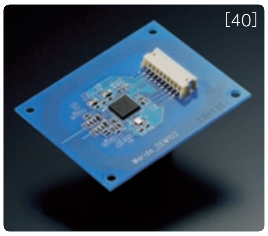
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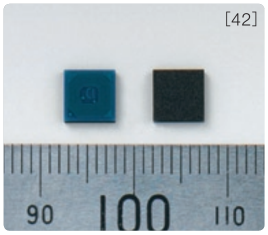

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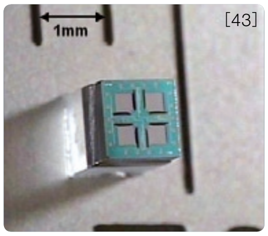


[43]

Information Communication

Business Strategies

Our Information Communication segment is composed mainly of Books and Magazines, Commercial Printing, Business Forms, and Education and Publication Distribution. The segment combines individual strengths to solve communication-related problems for businesses and consumers.

Progress in digitalization and networking technologies is creating new opportunities for expanding our businesses worldwide. With the printing technologies as our core strengths, we will continue to take the customer's point of view as we develop diverse businesses across various boundaries, including those related to information media and business processes, regions and languages, people and organizations.

Basic Strategies

In order to enable consumers to enjoy abundant and pleasant communication, we will continue to create new, consumer-oriented business opportunities by combining the strengths that we have cultivated through our various businesses.

For example, we can use published content to add value to sales campaigns and catalogs. Also, we apply advanced information security techniques that we developed for our Business Forms operations to the improvement of customer confidence in other areas, such as customer information management in B to C businesses and market research. By making use of strengths like these that we have cultivated over the course of many years, we can continue providing original products and services that no one else can offer. Furthermore, by increasing cooperation with Group-affiliated bookstores, we can use consumer preferences and behavior as a basis for implementing more effective measures that will induce readers to come into bookstores and create opportunities for them to come into contact with books

DNP's focus is on solving problems in order to increase the comfort, safety, reliability, and global reach of communication from one business to another, between businesses and consumers, and from consumer to consumer.

Main Policies

Hybrid Production Solutions and Hybrid Bookstore Networks

Page 36

In order to vitalize the publishing market, DNP does not limit its viewpoint to that of a manufacturer (i.e. a printing company) but also focuses on such areas as improving efficiency in marketing, sales, and distribution, and on bolstering customer service. We are promoting "hybrid production solutions" that integrate the production of various formats such as paper books, electronic book content, and print-on-demand books, and a "hybrid bookstore network" that links physical bookstore chains with an online bookstore that sells printed books and an online e-book retail service.

Develop Cross Media Communications Businesses

Page 37

We are reinforcing cross media communications businesses that respond to the increasing diversification of information media, including the rapidly growing areas of social media and digital signage. In the case of our electronic catalog production/distribution system, DNP is increasing the synergistic benefits of handling both paper and electronic media by constructing optimized data bases and automating production processes so as to shorten lead times and reduce costs.

Develop and Expand Unique DNP Communication Channels

Page 38

DNP is reinforcing information services that directly approach the consumer. In addition to operating "Elne" customer loyalty point service and "Orikomio!" e-flyer service, in December 2011 we formed a capital and business tie-up with All About, Inc. DNP compiles and analyzes consumer information on its own and links this information to corporate customers' products and services to offer solutions that are beneficial to both the senders and receivers of information.

Business Process Outsourcing (BPO) Businesses

Page 40

DNP is focusing on winning comprehensive orders for providing the entire spectrum of corporate business processes. Our goal is to use the technologies and knowhow that we cultivated through the handling of personal media like direct mail and notifications in order to lighten our customers' load in such areas as on-demand printing and all types of back-office operations including market research, planning and development, content production, operation of data centers and customer service centers, and promotional material envelope-stuffing and mailing.

Security Solutions including NFC

Page 41

DNP leads the market in many security-related areas, such as smartcard production and issuance, and the development of smartcard operating systems and applications. We intend to enhance our unique security solutions, which make use of our strength in smartcards. We are stepping up our involvement with the international standards for Near Field Communication (NFC) that are likely to be used increasingly widely in smart phones. DNP aims to join forces with various companies and offer a growing number of NFC-based services, as part of our broader goal of supporting safe and secure lifestyles by providing advanced information security solutions.

Structural Reforms

Boost competitiveness through such measures as consolidation of pre-press units

In October of 2011, we consolidated four Group companies that handle pre-press operations like data production and plate making. We will boost our competitiveness through increasing each plant's operational efficiency and evening out its work volume, integrating redundant functions, and achieving synergistic benefits by sharing technologies and expertise. In addition, we will optimize the allocation of production equipment and specialized human resources as needed.

Boost profitability through optimization of production control systems

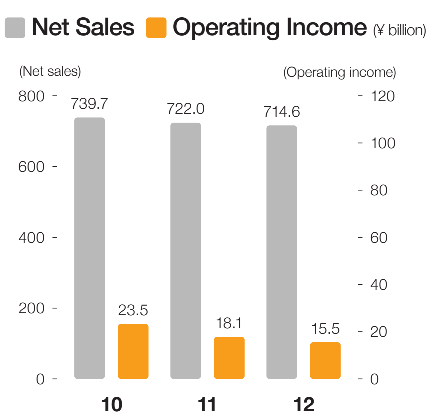
Aiming for overall optimization, we will work on optimizing our "vertical work flow" by addressing every operation from planning and production to delivery, at Information and Communication production bases throughout Japan. We aim to improve efficiency, boost in-house production rates, and increase profitability by optimizing production sites through such steps as reinforcing the functioning of our production control center, which provides comprehensive oversight for production systems throughout the DNP Group, and uniformly managing the allotment and/or concentration of production jobs according to each plant's capabilities and conditions.

Financial Results

Financial Highlights

(¥ billion, %)

	2010.3	2011.3	2012.3
Net sales	¥ 739.7	¥ 722.0	¥ 714.6
Operating income	23.5	18.1	15.5
Operating income margin	3.2%	2.5%	2.2%



Fiscal Term through March 2012: Business Environment and Summary of Financial Results

DNP's Books and Magazines business was affected by the ongoing slump in the publishing market. Magazines were hit particularly hard, with sales falling below 1 trillion yen in the fiscal year ended March 2012. DNP made the most of its integrated manufacturing line and succeeded in increasing book sales for the second year in a row. Magazine sales, however, declined.

Commercial Printing was affected by big drops in corporate advertising budgets in the wake of the Tohoku–Pacific Ocean Earthquake. Recovery was slow, and companies were reluctant to hold sales promotion campaigns or events out of consideration for victims of the disaster. Overall, sales of pamphlets, flyers, and catalogs, etc. were lackluster.

Our Business Forms division enjoyed increased sales of smart cards and other products used in telecommunications, transportation, and electric money applications. On the other hand, as businesses send more of their notifications electronically and make headway toward reducing costs, we have seen less demand for information processing services (IPS) that handle every step of customer communication from data input of personalized mail to printing and mailing.

Our Education and Publications Distribution business posted higher net sales, thanks largely to the previous term's addition of Bunkyodo Group Holdings Co., Ltd. as a consolidated subsidiary, and thanks to measures that made good use of Japan's largest book-selling network.

Overall, the business environment surrounding the Information Communication segment remained harsh, with sluggish personal consumption leading to more intense competition and lower unit prices. The segment posted 714.6 billion yen in net sales, which was down by 7.3 billion yen, or 1.0%, from the previous term. Operating income was 15.5 billion yen, reflecting a drop of 2.7 billion yen or 14.6%. The operating income margin decreased by 0.3 point, from 2.5% in the previous term to 2.2%.

Portrait of Divisions

Books and Magazines

As the slump in the publications market continued, domestic sales of books and magazines in the fiscal term ended March 2012 declined by 3.2% from a year earlier, to 1,797.2 billion yen (according to the Research Institute for Publications). Although book sales were very close to the previous-year level (820.7 billion yen) thanks to the release of a large number of strong sellers, magazine sales dropped by 5.9%, falling below the 1-trillion level to 976.5 billion yen. Not only was there a drop in the number of magazines sold, but the number of magazines that ceased publication far outstripped the number of new titles.

Meanwhile, now that the Japanese market for electronic publications has grown to 63 billion yen per year, a Japanese government body called Innovation Network Corporation of Japan joined forces with some 300 major publishing and printing companies to form Digital Publishing Initiatives Japan Co., Ltd. in April 2012. This represents the establishment of a framework necessary for the promotion of electronic publishing businesses such as digitalizing published materials, distributing them to electronic book stores, managing copyrights, etc. DNP intends to cooperate with these moves towards digitalization and will promote the spread of electronic books. In May 2012, we began operating a "hybrid bookstore network" that links physical bookstores chains including Maruzen CHI Holdings Co., Ltd., Junkudo Co., Ltd. and Bunkyodo Group Holdings Co., Ltd., with our "honto" e-book sales service and "bk1," an Internet-based mail-order bookstore. We are working to revitalize the long-languishing magazine industry by producing electronic magazine content and developing various types of systems, and by using magazine brands to cultivate business overseas.

Commercial Printing

Japanese advertising expenses declined in the fiscal term ended March 2012 due to the effects of the Tohoku-Pacific Ocean Earthquake. Advertising outlays recovered for a while around the summer, but slumped again and failed to reach full recovery due to slowdowns in overseas economies, a stronger yen, major flooding in Thailand, and other factors.

Sales by DNP's Commercial Printing business also declined relative to the previous year, but began to steadily recover in the second half of the term. Amidst this environment, we are promoting a "cross media communication" business that uses a variety of media formats to give consumers the information they want at the times when they want it.

Furthermore, we are strengthening cooperation between business units and addressing digital signage and social media in addition to paper media as we focus on winning orders for business process outsourcing (BPO) whereby we handle a full range of business services on customers' behalf, including marketing and content production, operation of data centers, and performance of back office functions.

Business Forms

The environment surrounding business forms was grim given that corporations were cutting expenses, shifting customer notifications to the Internet, and seeking smaller numbers and fewer types of products in this category. On the bright side, the need for information security is increasing, not only in Japan but all over the world.

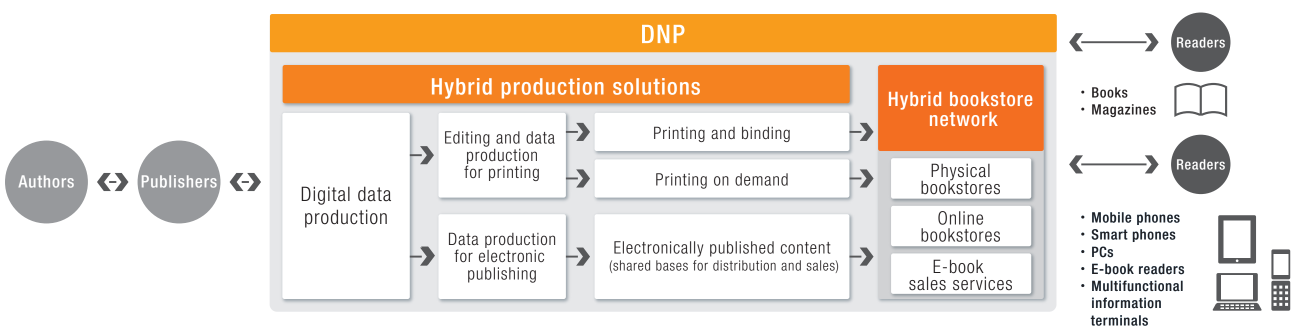
DNP has long led the market in smart card technology and authentication technologies. We combine this advantage with our strength as a manufacturer of products like holograms in order to develop safe, reliable and convenient security solutions. We also intend to cooperate with relevant companies in order to expand services using the near field communications (NFC) international standard that is expected to be increasingly widely used in smart phones and other devices. Now that information networks reach beyond national borders, DNP will also promote its security-related businesses worldwide.

01 Expanding Hybrid Production Solutions and DNP's "Hybrid Bookstore Network"

Rather than approaching the market only from the standpoint of a manufacturer, DNP offers total support as the Japanese publishing industry's "No.1 partner." This includes helping with the planning of marketing projects, sales and distribution of both electronic and paper books, and customer service. DNP began digitizing its printing processes as far back as the early 1970s. Our aim is to make the most of our wealth of experience as we focus on hybrid production solutions that offer one-stop service related to content production for paper and electronic books, and on-demand printing of small lots of publications.

We are also developing a "hybrid bookstore network" that combines three sales formats: an e-book sales service, Internet-based mail-order bookstore, and physical bookstores. In 2010, DNP launched "honto," an e-book sales service that delivers content to smart phones and tablet PCs, offering Japan's largest selection of e-book titles in a variety of genres including comic books, literature, and nonfiction. In 2012, we integrated our online bookstore, "bk1," and began serving as a genuine hybrid bookstore network with links to physical bookstores.

Partly in response to growth in the market for electronic books, DNP aims to create a service that makes consumers "certain to find a book they want to read" and "able to read the book they want in the format they want."

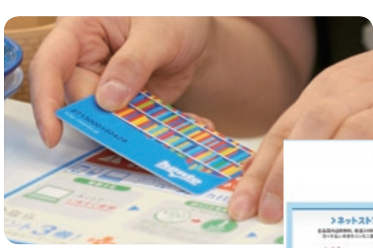


Examples ❯ Starting up a full-fledged hybrid bookstore network

In June 2012, 2DFacto Inc., a joint-venture company established by DNP, NTT DoCoMo, Inc. and Maruzen CHI Holdings Co., Ltd., launched a common point service for customers of its "honto" hybrid bookstore network and physical bookstores operated by Junkudo Co., Ltd., Maruzen Co., Ltd., and Bunkyodo Group Holdings Co., Ltd. The result of the integration of Japan's largest physical bookstore network, which is operated by the DNP Group, with honto, which sells both electronic and paper books online, is Japan's first full-fledged hybrid bookstore service.

By offering the following services, we intend to bolster both the electronic and paper publishing markets.

① "Hybrid point service" that enables customers to receive customer loyalty points whether they buy through the honto website or at a physical bookstore
② Hybrid "My Bookshelf" program that automatically records customers' purchases whether they are made through honto or a physical bookstore
③ "Hybrid Bestseller List," Japan's largest sales trend tracking service, combines results from honto and physical bookstores
④ E-mailed information about each customer's favorite bookstores; "honto" website information on book reviews by bookstore employees and point-of-purchase displays at the physical bookstores


honto point card

Home page of DNP's "honto" e-book sales service's website


Maruzen's main bookstore in Tokyo's Marunouchi district

02 Cross Media Communications Business

DNP's Commercial Printing business produces promotional materials including flyers, catalogs, websites, point-of-purchase advertising, and event and campaign-related materials. The business environment surrounding this field has changed dramatically due to Japanese demographic trends (such as increasing average age and decreasing birth rate), the shift from mass media to Internet-based corporate advertising, and other factors. At the same time, information media has become more diverse while use of highly interactive social media has spread rapidly, resulting in much more active communication from consumers' side.

DNP uses multiple, diverse communication channels to develop its "Cross Media Communications Business," which provides consumers with optimal content at optimal timing. By combining information media including printed matter (paper), websites, and digital signage, we improved the efficiency and lowered the cost of delivering high-quality business-to-consumer communication.

Examples DNP's new "Mikata" system efficiently produces and distributes electronic catalogs by taking advantage of DTP data formatted for printing

In recent years, we have seen growing demand from manufacturers and distributors for the production of electronic catalogs that are easily searchable, offer voice and video explanations, and can be downloaded to devices like smart phones and personal computers. However, the adoption of electronic catalogs was hindered by the high cost and technical challenges involved in constructing huge product databases and developing convenient features such as easy searchability and management of browsing history.

DNP has applied the expertise and original information technologies that we cultivated in our long years of catalog production to the development of our "Mikata" system for efficiently producing and distributing electronic catalogs. Mikata makes it possible to efficiently produce both paper and electronic catalogs by automatically creating a database of product information—text and images—during the production of desktop publishing (DTP) data used for printing on paper.

Mikata automatically generates meta-tags that facilitate management of various types of merchandise-related content, such as text, images, video and audio files, used in the production of all kinds of promotional tools. By assigning the same meta-tags for data used in both DTP files and electronic catalog files, catalogs can be produced in half the time required when using conventional methods, and costs can be reduced by about one third.

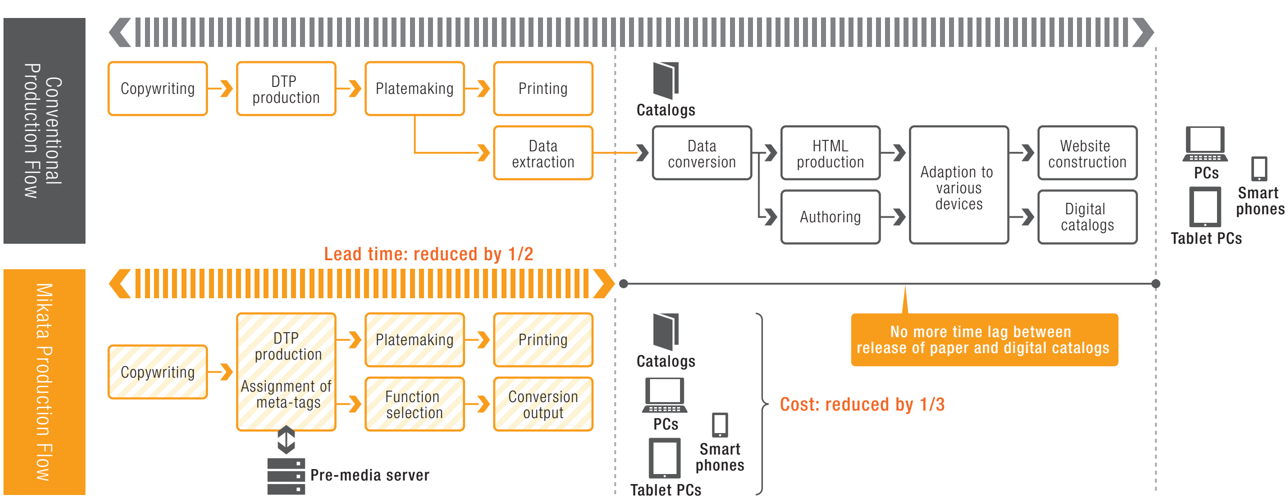
Corporate clients can use DNP's cloud service for distributing electronic catalogs via the Internet, which relieves them of the need to set up their own server, thereby reducing initial costs. Other features include a multi-functional viewer that supports multiple devices (e.g. for viewing on smart phones or tablet PCs) and various sales support functions that link catalog data to corporate ordering systems.

DNP will continue to use Mikata to develop its electronic catalog business as part of our Cross Media Communications Business, which combines paper and digital media to deliver optimized content with optimized timing.

left:
Multi-functional viewer support multiple devices

right:
Orders can be placed directly from page view

Advantages of using DNP's "Mikata" system for producing and distributing electronic catalogs



03 Development and Expansion of Unique DNP Communication Channels

Among DNP's media businesses are an Internet-based point service "Elne," an information site "OTOJO.JP" that provides off-line experiences for women in their twenties and thirties, and a shopping support service "Orikomio!" that mainly provides information from advertising flyers. In December 2011, DNP formed a capital and business alliance with All About, Inc. and began enhancing services offered through its "All About" web-based general information service. The site offers authoritative content provided by "guides" who have specialized information and experience related to a variety of topics.

DNP views these services as channels for communication with consumers. Given the continual appearance of new types of information media and the spread of social network services and other forms of communication, it has become very difficult for corporations to know how consumers are contacting information. DNP makes use of its various communication channels to increase communication with consumers, allowing us to promote more effective marketing and to partner with corporations in deepening our understanding of consumers.

In the future, we will develop comprehensive solutions that combine Internet-based services with printed matter and other forms of content as well as in-store events and other sales promotional activities.

Elne is a "point service" website operated by DNP affiliate DNP Social Link Co., Ltd. that is used by over 1.3 million members. Elne-linked smart phone applications have been appearing in rapid succession.

"All About" is a comprehensive information site that debuted in 2001. While Internet services place great value on word-of-mouth information, this site offers authoritative content provided by "guides" who have specialized information and experience. It has proven to be popular with consumers and businesses.

"OTOJO.JP" information site for women in their twenties and thirties supports corporate marketing efforts by organizing off-line events.

Example » Orikomio! shopping support service mainly provides information from advertising flyers via the Internet

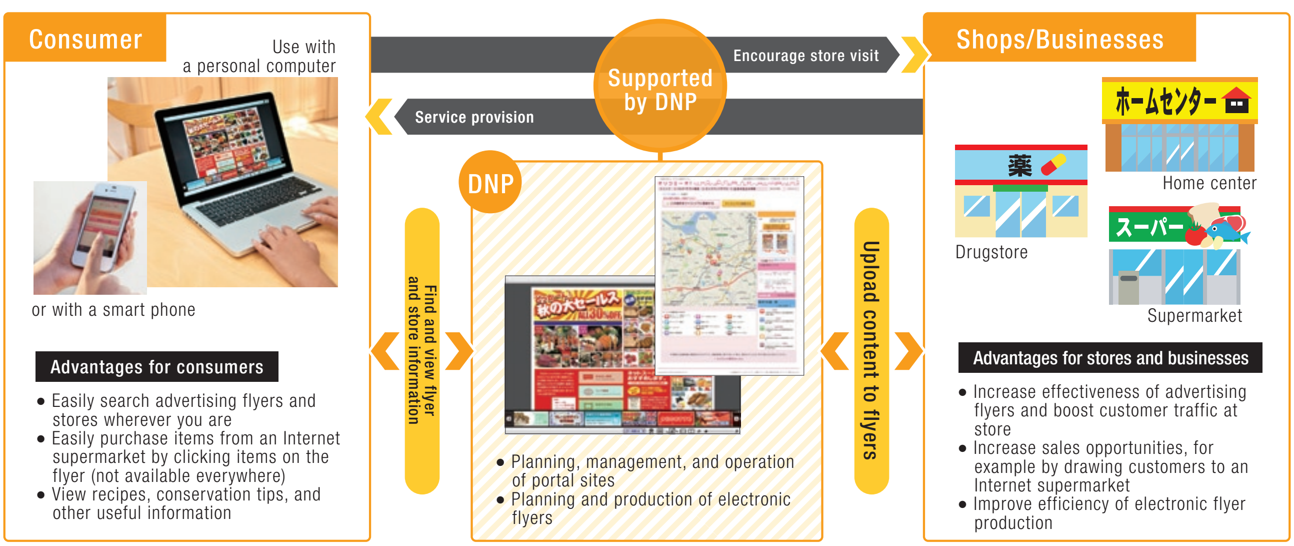
DNP's advertising flyer service, which offers flyer content in both electronic form via the Internet and in stores, in addition to conventional paper flyers, is meeting increasing demand from shops and other businesses that seek cost-effective sales promotion tools. Since DNP launched it in 2001, Orikomio! meets that demand by helping consumers with their shopping, mainly by allowing them to use the Internet to easily search and view information from advertising flyers from all over Japan.

By simply entering a ZIP code, consumers can access information from flyers from the nearest supermarkets, drugstores, home centers and appliance stores. In September 2011, we launched a "Shopping Link Flyer" service that allows users to easily purchase an item viewed in an Internet flyer by clicking on the item, thereby opening a link to an Internet supermarket. In the past, it was necessary to either go to a physical store or log on to a mail-order site in order to purchase an item viewed in an Internet flyer. By allowing users to purchase items directly from a flyer, "Shopping Link Flyer" brings consumers and businesses closer together.

Orikomio! is compatible not only with personal computers but also with rapidly spreading smart phones and other mobile devices, and DNP has developed an application that enables use of the service outside the home or office. The application uses the GPS function on a smart phone or other mobile device to search for stores near the consumer's current location and deliver their flyer content with directions for each store. We have also added convenient features that allow users to register "favorite shops" and to easily access shops that came up in recent searches.

We intend to keep improving Orikomio! to make it even easier and more pleasant to use, and to add features that support consumers' shopping. For example, we will coordinate with physical stores to offer new services and provide forums through which users can exchange information with each other.

Orikomio! shopping support service



Simple and easy-to-use electronic advertising flyer viewer works with smart phones and other mobile devices as well as personal computers

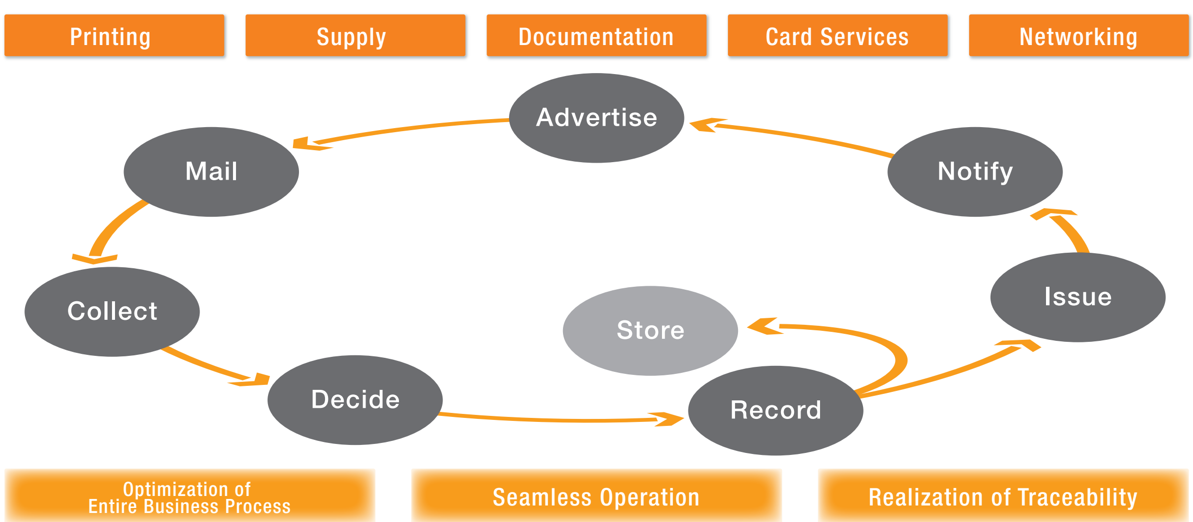
04 Expanding Business Process Outsourcing (BPO) —a Business Based on Corporate Clients' Trust in DNP

As points of contact with consumers have expanded, companies have come to handle an enormous amount of information, including personal information. This information must be appropriately managed and output in optimal formats. DNP seeks to meet these needs by offering comprehensive business process outsourcing (BPO) services that take on a portion of corporate clients' business processes. By making the most of DNP's comprehensive corporate strength, we can provide companies with a full complement of indispensable services including processing of massive amounts of data, production of output in various formats, envelope-stuffing, mailing, and customer service center operation.

We are expanding DNP's BPO business mainly by combining the following five types of service:

① Printing: providing personal information in printed form
② Supply: storing printed matter; selecting material and mailing in response to individual requests
③ Documentation: collecting and digitizing consumer information from application forms, etc., and providing it to businesses
④ Card services: producing and issuing smart cards in a highly secure environment
⑤ Networking: supporting communication between businesses and consumers, as well as information-sharing within a single business

DNP can meet the rigorous quality standards that are especially important to financial institutions including banks, insurance companies, and credit card companies, as well as telecommunications companies and distribution companies. We aim to expand our BPO business on the strength of the track record that we have established by producing large lots and many orders of direct mail, monthly statements, and other personalized media.



Example ›› Insurance Company: Full outsourcing of printing operations

Insurance companies are saddled with an obligation that grows heavier year by year—to produce and mail massive amounts of printed matter that is personalized for each policyholder, such as insurance certificates and policies. More and more companies are choosing full outsourcing to DNP in order to make these operations more efficient and less costly. DNP's BPO services have received high marks for offering good quality and advanced information security based on DNP's cutting-edge technologies, along with the same degree of flexibility that an insurance company would have if it handled these operations in-house.

Example ›› Bank: Outsourcing of all processes related to opening new accounts

A growing number of banks are outsourcing to DNP the full range of operations needed for opening new accounts without interfacing with a bank teller. This full range of services includes everything from mailing blank application forms in response to a consumer's request, receiving completed application forms and checking identity, etc., entering data from application forms and issuing and mailing cash cards, all the way to operating customer call centers. By having one provider for all the entire process, an applicant's traceability can be verified before opening the account.

05 Security Solutions and Near Field Communication (NFC)

Recent years have seen strong demand for safer, more appropriate handling of sensitive corporate information and consumers' personal information. DNP began to develop smart cards more than 30 years ago, in 1981, and has always been the leader in the Japanese smart card market. We have actively promoted the development and use of operating systems and application software for smart cards, data encrypting and authentication systems, and other information network-related systems.

We have also worked to strengthen security from the manufacturing side, primarily through secure printing of holograms and other devices aimed at preventing counterfeiting of valuable items such as stock certificates, vouchers, and various 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.

DNP's unique "hard" (manufacturing-related) and "soft" (information processing-related) technologies help us develop better security solutions for Japan, Asia, Europe, and the rest of the world.

Example › Using NFC* to provide smart card/smart phone hybrid services

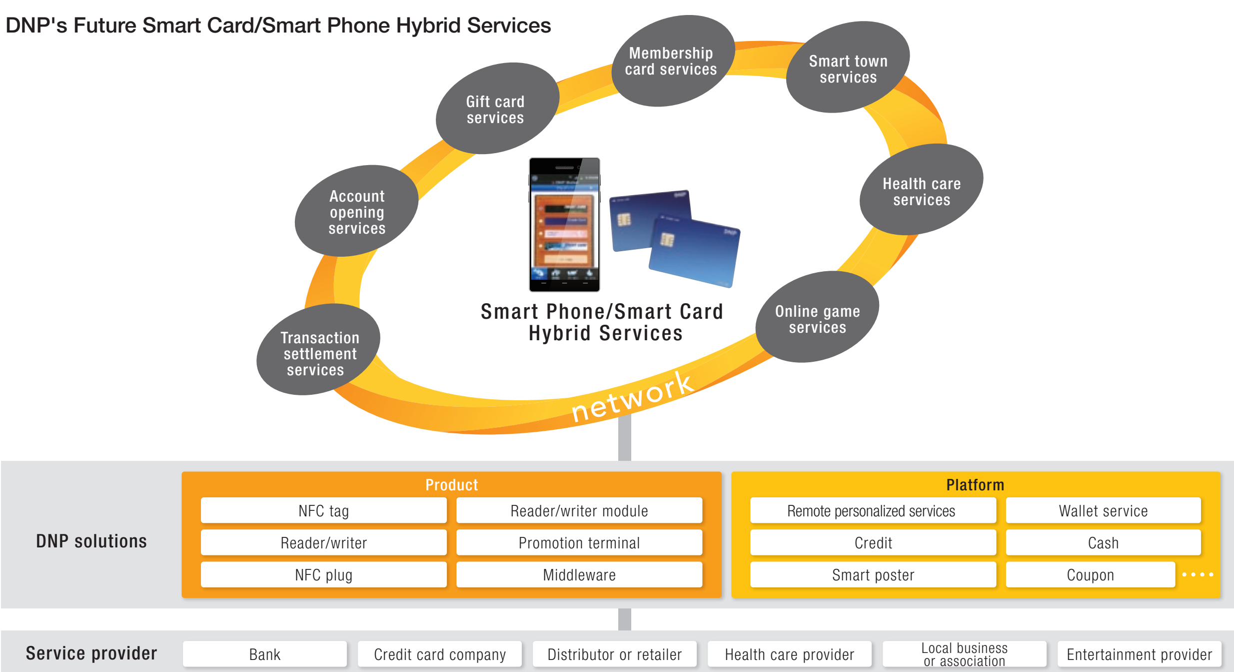
Near Field Communication (NFC) is an international standard that is expected to be used increasingly widely in Japan and elsewhere. Use of smart phones is spreading rapidly, and now that more smart phones have NFC functionality, we expect that the infrastructure for using NFC will be put in place within a short time. In addition to electronic transaction settlement, NFC-enabled smart phones can be used for various types of promotional and marketing purposes.

DNP intends to make the most of the technologies and expertise that we gained through our smart card business, along with our strength in NFC technology, to provide consumers with smart card/smart phone hybrid services. For example, by holding an NFC-enabled smart phone near a poster or digital signage on the street or in a store, a consumer can obtain relevant coupons or information about bargains. We also offer uniform management of a variety of services such as smart phone-based transaction settlement, including application of coupons and loyalty points, and we are developing platform services that support related operations.

At home, refrigerators, televisions, health appliances and other devices can be fitted with NFC reader/writers so that consumers can obtain useful information by holding their smart phone up to the device. For example, when an NFC-enabled smart phone is held near an NFC tag (contactless IC tag) attached to a refrigerator, it can read information from the tag, access relevant websites, and receive maintenance service.

DNP will team up with telecommunications carriers, credit card companies, and other relevant parties to develop NFC-based services and related business in Japan and abroad.

DNP's Future Smart Card/Smart Phone Hybrid Services



* Near Field Communication (NFC) is an ISO (International Standards Organization) standard which defines a technology for enabling wireless communication that operates at 13.56 MHz over short distances. It is compatible with the FeliCa technology that is widely used in Japan for electronic money and transportation cards, etc., Japanese smart cards, ISO/IEC14443 Type A/B proximity cards that are widely used for governmental applications in Japan and abroad, including Japanese identity cards and driver licenses.

Lifestyle and Industrial Supplies






Business Strategies

The Lifestyle and Industrial Supplies segment is composed of three business divisions: Packaging, Lifestyle Materials, and Industrial Supplies (which is further divided into Information Media Supplies, Advanced Optics, and Energy Systems). The segment plays a vital part in our corporate clients' manufacturing processes and provides products that are important in the daily life of consumers. DNP will continue to apply and develop printing technologies in order to work on developing new fields like environmental preservation, energy, and life sciences, which have the potential to help resolve social problems.

Basic Strategies

In recent years, consumers have become concerned that their lifestyles be environmentally friendly, at the same time that they insist on safety and peace of mind regarding their food, clothing, and housing. Conservation of energy and resources, supporting clean energy, and adopting universal design principles that make products easy to use for the maximum number of people are all important considerations. 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 supplies throughout each product's life cycle, including manufacture, use, and disposal.

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 relevant strengths.

Main Policies

Packaging:
Expand global business with focus on advanced, eco-friendly products

Page 46

Aiming to realize a sustainable society along with an abundant consumer lifestyle, we intend to enhance our lineup of eco-friendly and highly functional products, and to develop our businesses not only in Japan but around the world. We will also concentrate on analyzing consumers' awareness and usage of packaging for foods and household items in order to continue creating the value that consumers demand.

We consider our Innovative Barrier (IB) film, a transparent film with excellent barrier properties, to be a strategic product that we will develop not only for food packaging, but also for medical and pharmaceutical products as well as for industrial materials. In addition, we will concentrate on developing other eco-friendly products, like the world's first polyethylene terephthalate (PET) film made from sugar cane-derived material, which we introduced in 2011, and products that are sensitive to other types of social awareness, such as packaging products based on universal design.

Lifestyle Materials:
Realize solutions for all types of "living spaces"

Page 48

The Lifestyle Materials division addresses every type of "living space" where people conduct their lives, including homes, offices, medical and nursing care facilities, commercial facilities, hotels, automobiles, and trains, etc., for which we offer comprehensive solutions. With DNP's original EB (electron beam) coating technology among its strengths, the division strives to realize the durability that is a basic function of living spaces. In other words, it works to improve ease of maintenance and deliver long-lasting beauty.

Lifestyle Materials pursues a wide range of businesses that address the entire living space supply chain from the design phase. These include measuring and assessing living environment quality, analyzing, evaluating, and proposing space designs based on considerations like *Kansei* (emotional) engineering, and developing original construction techniques. In addition to developing new products such as metal paneling that reduces electricity usage by effectively reflecting and diffusing light, we will also make use of our global sales network to promote expansion of our businesses overseas, especially to Europe and developing countries.

Industrial Supplies:
Realize sustainable growth by providing diverse products

Information Media Supplies : Page 50

We aim to broadly expand this sector with a focus on photo print-related businesses. In dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper), we want to use our coherent global framework for manufacturing and sales to boost sales of DNP brand products and to 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.

Advanced Optics (Optical Films): Page 52

Advanced Optics provides products with diverse functions, with a special focus on anti-reflection films for LCD and other optical films for flat-panel displays. The division's core technology is optical design. It provides a wide range of products and solutions for controlling optical properties by using "clean converting" technologies that are made possible by the application and development of techniques such as patterning or high-precision, thin film coating.

In response to recent trends in the display market, such as increasing resolution, multi-functionality, and energy efficiency, we have been focusing on developing new products with greater added value, such as 3D display components and ultra-low reflection film.

Energy Systems: Page 53

Due to increased demand for clean sources of energy, there is a growing market for lithium-ion batteries, photovoltaic cells, and similar products. DNP is actively promoting its energy-related business in the world market.

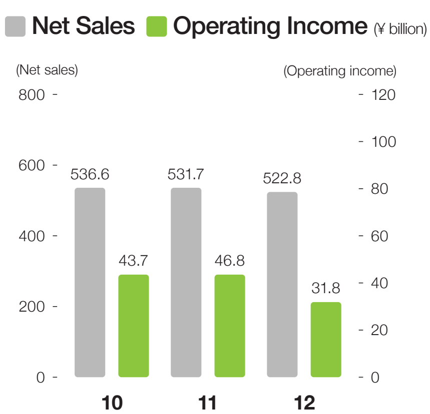
In April 2011, we opened a plant in Kitakyushu, Fukuoka Prefecture, where we make soft packs for lithium-ion batteries and photovoltaic module components, thereby tripling our conventional production capacity for these products. We are working on improving the functionality and lowering the cost of back sheets and encapsulants used in photovoltaic cells. Although DNP is already the world's largest provider of soft packs for lithium-ion batteries, we intend to expand our business by supplying more components for batteries used in mobile devices, electric cars, and home-use storage batteries.

Financial Results

Financial Highlights

(¥ billion, %)

	2010.3	2011.3	2012.3
Net sales	¥ 536.6	¥ 531.7	¥ 522.8
Operating income	43.7	46.8	31.8
Operating income margin	8.1%	8.8%	6.1%



Fiscal Term through March 2012: Business Environment and Summary of Financial Results

In the fiscal year ended March 2012, we still saw significant impact from the Tohoku–Pacific Ocean Earthquake despite a gradual recovery in personal consumption. Market conditions remained severe, due to factors like concerns about the reliability of power supplies, higher prices for films and other raw materials, deflation, and a strong yen.

Our Packaging business gave priority to supplying daily-use items like foods and household items, while tending to refrain from launching new products. Demand for paper containers and cups declined. On the other hand, we saw increased demand in some areas, such as aseptic PET plastic bottle filling systems, the bottle preforms used in such systems, and packaging made with functional films.

Lifestyle Materials got a boost from a second consecutive year of growth in housing starts. In addition, increased demand for eco-friendly products made with DNP's unique EB coating technology helped this sector exceed the previous year's sales.

Industrial Supplies saw growth in sales of energy-related products, such as soft packs for lithium-ion batteries and back sheets for photovoltaic modules, and in dye-sublimation thermal transfer recording media (color ink ribbons and receiver paper) for photo printers. Because of a worldwide slump in sales of large LCDs used primarily in televisions and resulting production adjustments by LCD panel makers, we registered a big drop in sales of anti-reflection films used on displays.

Net sales for the Lifestyle and Industrial Supplies segment as a whole declined by 1.7%, or 8.9 billion yen, from the previous fiscal year to 522.8 billion yen. Operating income for the segment fell by 15.0 billion yen or 32.0% from the previous term to 31.8 billion yen. This was due to higher prices for raw materials—especially petroleum products like films and resins—in addition to the drop in sales of optical films. The operating income margin fell 2.7 points from the previous year's 8.8%, to 6.1%.

Portrait of Divisions

Packaging

In Japan and abroad, consumers are becoming more aware of issues like the endangered environment, shrinking energy supplies, food safety, health, and medical care. There is strong demand for eco-friendly, healthful, and very safe products, and we expect this trend to become even more pronounced in the future.

DNP was quick to respond to this trend, and we will continue to concentrate on developing eco-friendly products like biomass plastic packaging made with plant-derived material, as well as products that incorporate universal design principles. The new environmentally friendly plant building that we started up in Tanabe, Kyoto Prefecture in November 2011 uses heat pump technology to reduce CO_2 emissions and energy usage. Together with our plant in Fukushima Prefecture, we will continue to strengthen our supply system, including consideration for business continuity plans.

Lifestyle Materials

Helped by tax incentives and other government policies that led to increased sales of Tokyo-area condominiums, housing starts in the year ended March 2012 increased 2.7% year on year to around 840,000 units, marking a second consecutive year of growth. There is growing demand for eco-friendly, health-friendly decorative materials and other high-added value products with excellent design and functional properties.

Amid this business environment, DNP will continue to develop and expand its share of the market for floor and wall coverings, room dividers, residential equipment, entry doors, exterior products, and other high-added value products. We intend to further expand our Lifestyle Materials business by entering the market of housing for the elderly, actively developing the home-improvement market, adding to our lineup of external products, taking our automotive electron beam (EB) coating products to the global market, and reinforcing sales of Ellio steel plate for railway cars.

Industrial Supplies

Information Media Supplies

In the fiscal term through March 2012, this business was affected by a downturn in domestic demand for photo prints and by the yen's appreciation on world currency markets, which hampered exports. Nevertheless, sales of dye-sublimation thermal transfer printing media increased relative to the previous fiscal term, partly thanks to our acquisition of Sony Corp.'s commercial printer business. Demand also increased for exports of monochrome ribbons for printing bar codes (thermal resin-type transfer printing media). Going forward, we will expand this business by using our global, uniform framework for developing, producing, and selling media and systems in order to solve problems for corporate clients and consumers.

Advanced Optics (Optical Films)

The environment surrounding these products remained harsh, with a worldwide slump in demand for flat-panel displays, including LCD and PDP (plasma display panel) televisions, leading to prolonged production adjustments by LCD panel makers. The fiscal term through March 2012 was marked by sluggish demand for display-related products in general, including anti-reflection films for LCDs, contrast improvement films for PDPs, and projection screen components, and sales fell below previous-year levels. In the future, in addition to maintaining our large market share on the strength of outstanding technology, we will focus on developing new products that make use of clean converting techniques, with original optical design methods as our core technology.

Energy Systems

Government subsidies led to increased demand for photovoltaic cells, and we sold more photovoltaic module components to both domestic and Chinese manufacturers. Sales of soft packs for lithium-ion batteries remained solid, with demand growing mainly for smart phones and other mobile products. In the future, we expect increasing demand for electric cars. We will take the consumer's viewpoint of energy-related issues and continue to develop products and applications aimed at resolving problems faced by corporate clients, consumers, and society as a whole.

01 Packaging: Creating New Value Centered around Environmental Preservation and Advanced Functionality

DNP participates from the earliest stages of planning all kinds of packaging products, and actively provides ideas for designing packages with various qualities such as ease of use, good label legibility, durability, protection of contents, and ability to attract attention on a store shelf. DNP's comprehensive packaging business makes use of our flexible manufacturing framework with production bases in Japan and overseas to supply products on a just-in-time basis, to design and manufacture aseptic filling systems, and even to develop functional films and other specialized materials.

Manufacturers of foods, beverages, medical supplies, pharmaceuticals, electronic components—and any other company that has "things to wrap"—are all potential customers. We are expanding this business by making products easy for consumers to use and by meticulously meeting the needs of client companies.

Examples of DNP's packaging products (left: for the Japanese market, right: for non-Japanese markets)

Focus › Take advantage of the opportunities presented by changing lifestyles

In Japan and elsewhere, recent years have brought major changes in people's awareness and behavior in their daily lives. Manufacturers and distributors are faced with the urgent task of responding to these changes. DNP offers a variety of services—like our "Shoku-MAP"system of analyzing marketplace trends by monitoring consumers' actual eating habits—that analyze consumer behavior and awareness as a basis for formulating product and marketing strategies. Since we base our engagement in every aspect of the packaging business, from planning and design to research, development and production, on findings from these analyses, changes in consumer lifestyles represent major opportunities to expand our business.

In our development of packaging products, we aim for advanced functionality in areas like content preservation and durability, and at the same time we take care to provide optimal functionality that meets the needs of people in each country and locality where the products will be used. We also focus on applying "universal design" principles in order to make products comfortable and easy to use for as many people as possible, and on minimizing the burden that our packaging products place on the environment.

On the "advanced functionality" front, we are working to expand the market for our Innovative Barrier (IB) film®, a transparent vapor deposition film that prevents the permeation of moisture and oxygen. Concerning universal design, we have established our own guidelines and are working on product development that may lead to the formation of industry standards. We have also been very successful in commercializing aseptic packaging systems that can preserve package contents for long periods of time without damaging their flavor or aroma, as well as eco-friendly products like packaging material made of biomass (plant-derived) plastic.

Going forward, we will speed up development of packaging applications that respond to Japan's increasingly aging society, such as packaging for medical and pharmaceutical products with consideration for functionality, universal design, and environmental impact. We will also build on our success in making our local DNP subsidiary, the No. 1 packaging manufacturer in Indonesia, in order to accurately grasp the needs of developing markets and respond to their growing demand, primarily in Asia.

Biomatek® packaging products made with material derived from plants

Packages made with IB film®, a material that serves as an excellent barrier against oxygen and moisture

Start up of a new cutting-edge, eco-friendly soft packaging plant in Kyoto

Focus also on developing paper and film hybrid products that take advantage of the best qualities of both materials

At the new plant that we started up in Tanabe, Kyoto Prefecture in November 2011, we have begun manufacturing "soft packaging" made of film with outstanding functional properties. Because DNP's soft packaging prevents the permeation of moisture and oxygen and safely preserves contents for a long time, it is widely used for packaging toiletries, daily household items, and medical and pharmaceutical products in addition to juices, sake, and other beverages, and foods including snacks, ice cream, and instant foods.

DNP has long manufactured paper containers for solids and liquids at the Tanabe Plant. With the opening of the new facility in Tanabe, we will be using paper and film at the same site, which will allow us to efficiently provide the best quality products. While DNP was already making drink packs that require technologies for both paper containers and soft packaging, the new production framework will allow us to focus on making "hybrid products" that offer the best properties of both paper and film.

New factory in Kyoto Prefecture

Reducing CO_2 emissions, energy consumption, and other forms of negative environmental impact

As consumers become more concerned with protecting the Earth's environment, DNP has formulated a concrete plan and is taking active steps to preserve the environment. As part of that effort, our new plant uses heat pump*[1] technology as a source of thermal energy. By integrating thermal media produced by heat pumps into drying equipment that DNP designed and manufactured itself, we were able to reduce usage of petroleum, natural gas, and electric power at the plant, leading to significant reductions in CO_2 emissions. This is the first case of heat pump technology being applied to drying equipment on printing machines in Japan.


Cutting-edge production equipment in the new factory

Aiming for a recycling-oriented factory, we also adopted cutting-edge equipment for collecting and reusing volatile organic compounds released by solvents during the printing process. We use some of the collected chemicals as fuel, which we burn in a special boiler that allows us to recycle the heat that it produces. This is one example of how we aim to minimize the burden that our business activities place on the environment, including from the standpoint of Life Cycle Assessment.*[2]

The establishment of this new plant gives us a major base in western Japan for the production of paper containers, including paper containers for liquid, and soft packaging. We made a business continuity plan (BCP) to strengthen our supply system in coordination with our plants in Izumisaki, Fukushima Prefecture, and elsewhere.

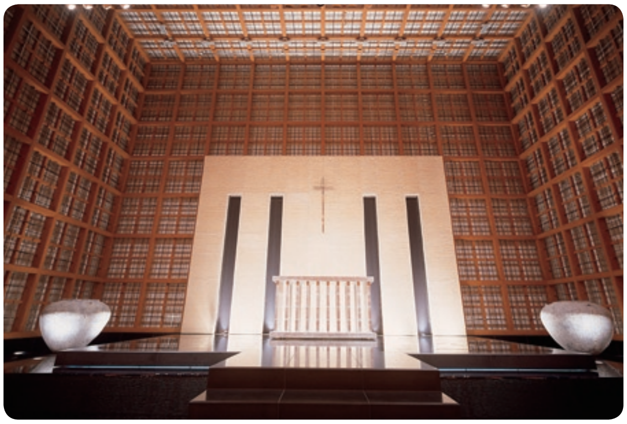
*1: Heat pump: a device commonly used in refrigerators and air conditioners; heat pumps extract naturally occurring thermal energy as if by pumping, i.e. by repeating "evaporate→ compress → condense → expand cycles
*2: Life Cycle Assessment: a method of assessing an industrial product's environmental impact by measuring resource consumption and waste volume at every phase of its life cycle, including production, usage, and disposal

DNP's Businesses

02 Lifestyle Materials: Developing Solutions for Every Kind of Living Space

DNP's Lifestyle Materials Operations develops and supplies a wide range of products and services for any company, whether in Japan or abroad, that deals in "dwelling spaces," which includes homes, offices, medical or nursing care facilities, automobiles and railroad cars. As we develop this business, we keep in mind a number of concepts that are indispensable to the development of living styles and living spaces for the future. These include environmental and energy conservation, safety and security, health and comfort, aging, dependability, computerization, and online connectedness.

DNP has filed more than 900 patent applications related to our proprietary EB (electron beam) coating technology, and the advanced, eco-friendly products that we make with this technology have inspired high praise from both corporate clients and consumers. By networking with a large number of firms involved in living spaces, we provide total solutions that address every step from living space design to evaluation and inspection, as well as development and problem resolution related to construction methods and systems.



Hotel interior decor using Ellio products

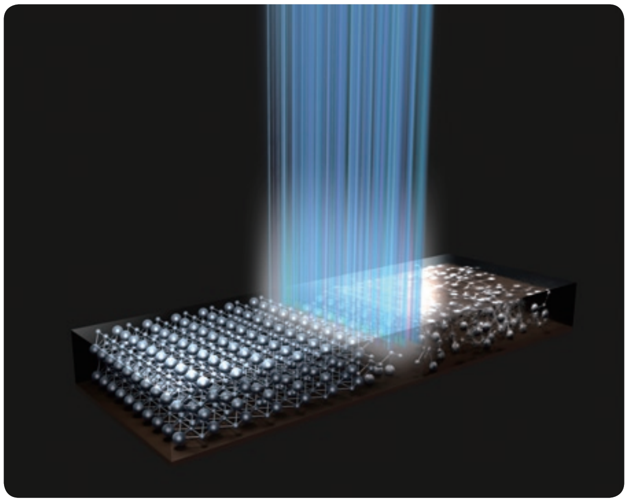
Residential interior using DNP products

Focus Developing highly reliable products

DNP's EB products have been greatly appreciated in the marketplace for their overwhelmingly superiority in many respects, including scratch resistance, soil resistance, outstanding durability, and ease of maintenance. They have set a new de facto standard for interior materials including wall and floor coverings.

In February 2011, we began full-fledged sales of "EB cloth" wall covering by emphasizing its many advantages. Besides the superior scratch and soil resistance that all EB-coated products share, EB cloth's particular advantages include ultra-low content of volatile organic compound (VOCs) and easy workability due to light weight (40% lighter than DNP's vinyl chloride wall coverings). In addition, EB cloth strongly resists cracking even when the wall beneath it moves. The new material has won high praise from throughout the supply chain, including consumers, builders, and distributors, and has already been established as a new genre of wall coverings.

We have also applied EB coating technology to the development of air-cleaning products that promote health and comfort, and energy-saving products like "High-reflective, Light-diffusing Ellio" material that efficiently reflects and diffuses natural and artificial light. DNP views today's increased concerns about the global environment and energy supplies as opportunities to be seized as we expand our Lifestyle Materials-related business fields in Japan and overseas.



EB (Electron Beam) coating technology
EB coating technology uses the safe, environmentally friendly energy of electron beam exposure to impart enduring functionality to resin. The technology makes it possible to provide products with superior abrasion and soil resistance, photo-resistance, durability, and stability. EB coating is an eco-friendly, next-generation technology that, during the production process, uses relatively little energy, reduces CO_2 emissions, and produces coatings without the use of solvents.

"Ellio" coated steel plates, stainless, and aluminum products by direct printing are gaining popularity

Ellio metal products that bestow design and functional benefits

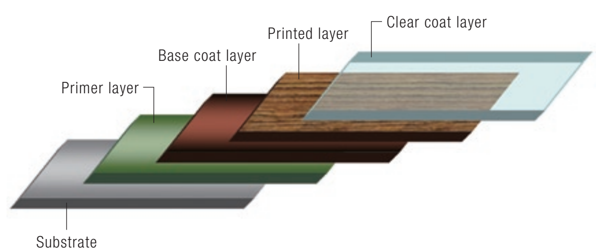
Ellio products—part of the wide assortment of DNP products that contribute to comfortable dwelling spaces—are the result of combining special steel plate developed by Nippon Steel Corporation with DNP's printing technologies. In addition to steel plate, Ellio produces a variety of directly printed metal products including stainless steel and aluminum.

These products display authentic-looking wood or other textures with a luxurious feel, while preserving the fire resistance and other benefits of metal. Ellio decorative metal products have come to be used in a wide variety of applications including residential front doors, kitchen and modular bath wall panels, decorative interiors for hotels, office buildings and elevators, railway interiors in Japan and overseas, and exterior panels for refrigerators and furniture.

Examples of Ellio products in use

Upper left: Interior of reserved ("Green") car on Tohoku Shinkansen Hayabusa bullet train; upper right: entrance door; bottom: building exterior

Structure of a typical Ellio product



Improving product development by fusing substrate (metal sheet) development with advanced printing technologies
We use DNP's proprietary methods of directly coating/printing on steel plate, stainless steel, aluminum and other metals to develop and manufacture products with high added value.

New energy-saving products

In recent years, office buildings and other large public buildings have been designed to be increasingly active in their use of natural light as a way of reducing the amount of energy required for lighting. In response to demand for energy conservation, DNP developed functional metal paneling that we began marketing in June 2012 as "High-reflective, Light-diffusing Ellio." The product is used on walls and/or ceilings where it effectively reflects natural or artificial light and diffuses this indirect light to every corner of a space, thereby reducing the amount of energy required to produce sufficient illumination.

In the future, we intend to make efficient use of the sun's light and heat and other sources of natural energy to develop decorative materials that provide excellent insulation from heat and light.

High-reflective, Light-diffusing Ellio (right) compared with standard room divider Ellio (left)
By scattering indirect light into every corner of a space, a greater degree of illumination can be achieved under the same lighting conditions.

03 Information Media Supplies:
Global Expansion Centered around Photo Print Business

DNP began manufacturing and selling information media supplies in the 1980s, after applying coating technologies that we cultivated through our printing business to the successful development of two types of thermal transfer printing media—dye-sublimation and thermal resin. DNP holds the largest share of world markets for both dye-sublimation media (primarily color ink ribbons for photo printers, card printers, etc.) and for thermal resin-type media (mainly monochrome ribbons for printing barcodes).

We have been expanding DNP's worldwide Information Media Supplies business, partly by actively pursuing M&As that provide synergistic benefits through the combination of our own strengths with those of other companies. In 2006, we acquired the Konica Minolta Group's ID photo business and photography-related product manufacturing and sales businesses. In July 2008, we acquired Sony Chemical & Information Device Corp.'s barcode printing business, and in April 2011 we acquired Sony Corp.'s commercial-use digital photo printer business, as part of the global expansion of our business.


Dye-sublimation thermal transfer printing media


Thermal resin-type transfer printing media

Focus » We are actively expanding this business by making the most of our worldwide, integrated production and sales framework

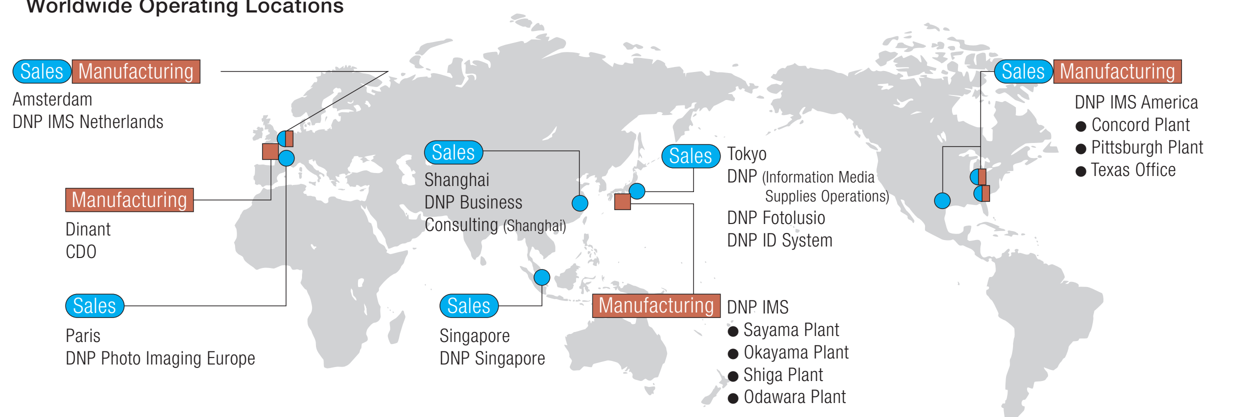
Due to the increasing popularity of smart phones and digital cameras, there has been a dramatic increase in the number of photos taken by consumers. As a result, demand for photo printing has been growing. Both at home and at print kiosks in retail stores, photo printers that use dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) have won high praise for their excellent speed and the durable prints that they produce. This type of printer is also more affordable to buy and maintain compared to photo printers that use silver halide.

Based on our "more than just a photo" concept, we are working to expand our photo print business primarily by applying and developing technologies and by creating new markets.

The market for barcodes is also expected to gradually expand. In order to build up business in this area, we are working on increasing our solutions-based business in addition to providing products and services by making the most of our overseas production bases.

In order to meet growing worldwide demand for both photo printing and barcodes, including in emerging markets, DNP intends to continue to respond meticulously to the needs of corporate clients and consumers by taking advantage of our uniform, global framework for developing, manufacturing, and selling related products and services.

DNP's Information Media Supplies Group Worldwide Operating Locations



The development of printing systems

In response to demand for photo printing in emerging markets marked by rapid economic growth, we developed the DS-RX1 printer, which offers the same characteristics as dye-sublimation thermal transfer printers at a far lower cost. We also developed media especially for use with this printer, and began selling the printer and dedicated media in May 2011.

The DS-RX1 can use dedicated software and a dedicated input terminal that allow it to output ID-sized photos and all types of photos that meet the needs of emerging markets.

DNP will develop sales of its DS-RX1 not only in emerging markets, but also in other markets around the world.

DS-RX1

DS-RX1 Features

- High resolution, high cost performance
- 30% reduction in electric power usage during printing (compared to existing printers)
- Dedicated software for use by multi-print services can add frames, make collages, produce ID photos, etc.
- Can be used with dedicated order terminal

We launched two Snap Lab photo printers, each with 10 interface languages

In October 2011, DNP began selling two models of Snap Lab photo printers that make photo printing a snap, not only at camera shops but at event venues and a variety of other locations.

Snap Lab's compact size makes it easy to install anywhere. This multifunctional digital photo printer can quickly handle every step from reception of image data and instructions to delivery of output with no need for connection to a computer. Its 10 interface languages include Japanese, English, French, German, and Chinese. Users can choose print sizes according to how they plan to use their photos. We intend to establish a market for this easy-to-use, high-quality photo printing service mainly in North America, Europe, and Japan, by gradually introducing the machines to amusement facilities, event venues, major appliance stores, and supermarkets, etc., in addition to camera shops.

Snap Lab DS-SL10

Snap Lab DS-SL20

Snap Lab Features: Models DS-SL10 and DS-SL20

- One compact, simple-to-operate unit handles every step from order-taking to output
- Multiple print size options
- Operable in 10 languages: Japanese, English, French, German, Italian, Spanish, Turkish, Greek, Chinese (simplified characters) and Korean. A maximum of six of these languages can be offered on the screen at any given time.
- Image correction feature enables automatic correction of facial complexion to natural skin tones
- Full selection of added-value prints, including matte finish, watermark, etc.

Easily print images from smart phones and tablet PCs

DNP now enables consumers in Japan to instantly print images from their smart phone or tablet PC, using PrintRush self-service printing systems generally found at major appliance stores and other retail stores. In addition to accepting data from conventional recording media, and by means of infrared or other wireless transmissions, since April 2011 PrintRush systems have been able to receive image data transmissions from devices that use iOS (iPhone and iPad), and since November 2011, they can also receive from smart phones using an Android OS. Smart phone users can download a free application developed by DNP that allows them to easily print photos from their phone using PrintRush. The application for iOS devices is available from Apple Inc.'s App Store, and the Android version is available from Google Inc.'s Google Play.

DNP will continue to work to introduce printing systems that offer new added value and greater convenience.

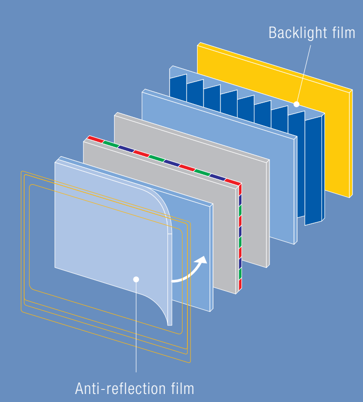
*iOS: The operating system used in mobile terminals made by Apple Inc., including iPhone, iPad, and iPod touch.
*Android OS: The operating system used in mobile phones first released by Google Inc. in November 2007.

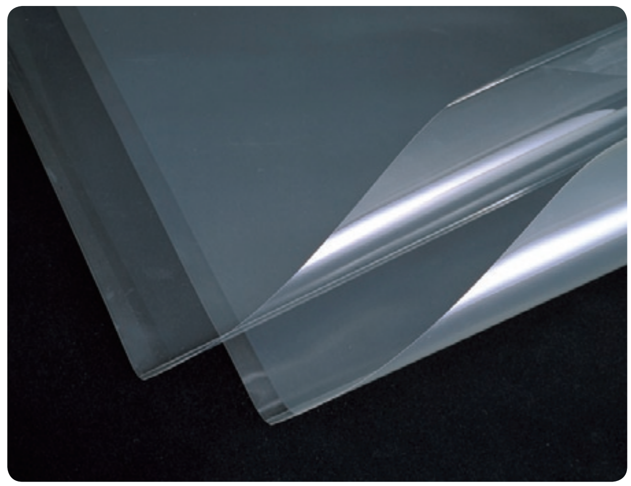
PrintRush self-service printing system

04 Advanced Optics (Optical Films): Providing Products and Solutions for Controlling Optical Properties through the Use of "Clean Converting Technologies"

DNP provides all types of optical films for use in flat-panel displays built into televisions, personal computers, and mobile terminals, etc. These films make use of clean converting technologies, particularly optical design technologies, that we cultivated through the design and development of a variety of materials and manufacturing processes. DNP controls the largest share of the worldwide market for anti-reflection films used on the outermost surface of electronic displays to guard against reflections from both interior and external light and thus make the displays easier to see. In the future, we intend to further expand our display-related business and make use of DNP's extensive manufacturing know-how and proprietary technology, etc. to develop new products and branch out into even wider fields of business.

DNP optical films used in a liquid crystal display





Anti-reflection films

Focus ❯ Entering a variety of markets by developing products from a new perspective

While flat-panel display prices have been falling in recent years, there is growing demand for higher definition, better picture quality, multi-functionality including touch panels and 3D image displays, and energy-saving models. In answer to this demand, we built a new facility at our Mihara Plant in Hiroshima Prefecture, which we began operating in November 2011.

In addition to using a new production line to produce high-performance anti-reflection films that enable the display of sharper images, the new facility also manufacturers film components for 3D displays, for which there is increasing demand, and a variety of advanced optical films including highly scratch-resistant and soil-resistant optical films for touch panels.

We intend to continue making good use of the original DNP optical designs that we have accumulated, as well as precision thin-film coating, patterning, and other technologies in order to provide people-friendly components and solutions in a variety of markets, starting with environment and energy.

Mihara Plant in Hiroshima Prefecture

● History of DNP's Production Bases for Anti-reflection Film

October	2001	Opened Okayama Plant
February	2004	Added production lines to Okayama Plant
May	2005	Added production lines to Okayama Plant
October	2006	Opened Mihara Plant
May	2009	Added production lines to Okayama Plant
November	**2011**	**Added production lines to Mihara Plant**

05

Energy Systems: Providing Diverse Products and Services in Response to the Growing Market for Clean Energy

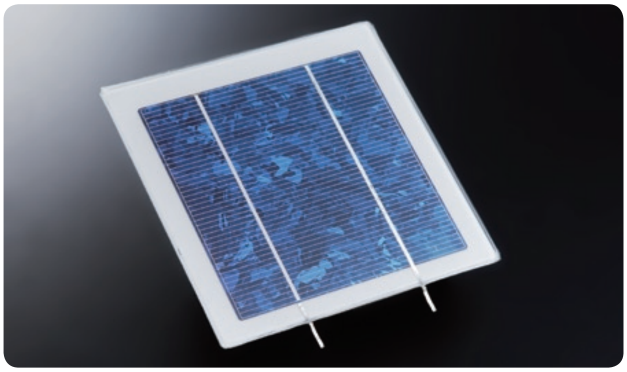
DNP positions energy as one of its new mainstay businesses in response to growing demand for clean sources of energy that replace fossil fuels, and in response to expansion in related markets.

DNP's main photovoltaic cell-related products are back sheets that prevent wind and rain from penetrating photovoltaic panels, and encapsulants that secure photovoltaic cells (power generation elements) and power collection wiring, and protect them from the outside environment. Our focus is on product development that will satisfy our clients' needs by advancing functionality and reducing costs.

We also offer lightweight, exceptionally durable "soft pack" external coverings for lithium-ion batteries made with flexible, easy-to-process multiplex film. These products have already captured the top share of world markets, and we intend to further expand this business through such applications as smart phones, tablet PCs, and other mobile devices, battery-assisted bicycles, electric cars, and home-use storage batteries.

In April 2011, we tripled our capacity to produce battery-related products by opening a new plant in Kitakyushu, Fukuoka Prefecture. By creating a very clean environment at the new plant, we increased the reliability of our products, and because we manufacture soft packs and photovoltaic cell components on the same production lines, we can flexibly adjust production in line with demand trends.

Soft pack used in lithium-ion batteries; lithium-ion battery module



Photovoltaic cell

Focus › Development of new products that improve the power generation efficiency of photovoltaic cells

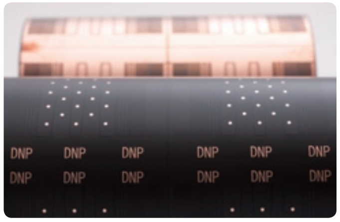
The problem with solar power generation is that it is so much more expensive than combustion and other conventional methods. This problem can be solved by improving power generation efficiency, and one way to do that is to use rear-contact photovoltaic cells, which are designed with all of the electrodes on the back of the unit. Conventional photovoltaic cells have power-collecting electrodes on both the front and back. Concentrating them on the back side of the cell increases the area available for sunlight reception, thus improving power generation efficiency.

In order to resolve the difficulties involved in forming tiny electrodes on the back side of each photovoltaic cell, DNP has been producing "bus-line sheet" by forming electrode circuits on film for use in rear-contact photovoltaic modules. After reviewing our production framework, we increased the production of bus-line sheet in July 2012. This simplifies the production process for photovoltaic module manufacturers, allowing them to form electrodes by simply applying bus-line sheet to an array of cells lined up to fit the size of the module.

Meanwhile, another problem that has been in the spotlight is potential-induced degradation (PID), which causes a type of degradation in power generation performance. PID can occur when improved power generation efficiency leads to the generation of higher voltages and a leakage current is generated under hot and humid conditions. The properties of the encapsulants used in photovoltaic modules, especially moisture permeability and gas generation, are said to affect the modules' susceptibility to PID.

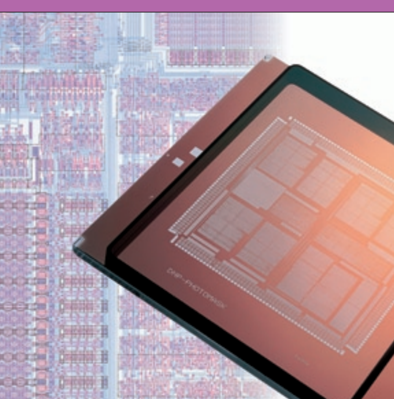
The water vapor barrier properties of DNP encapsulants have long been about ten times as strong as those of standard products on the market. For this reason and because DNP's encapsulants do not generate acidic gas, they have been attracting attention as outstanding encapsulants for preventing PID.

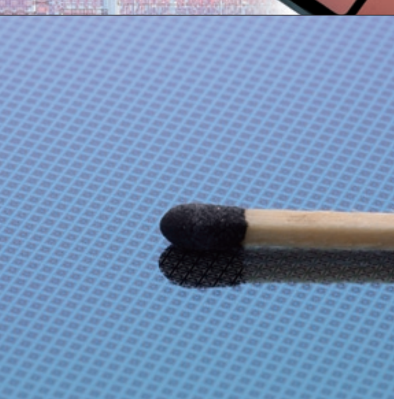
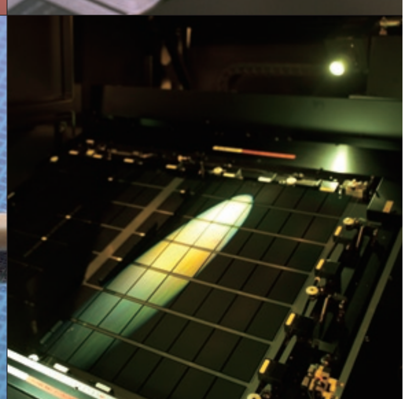
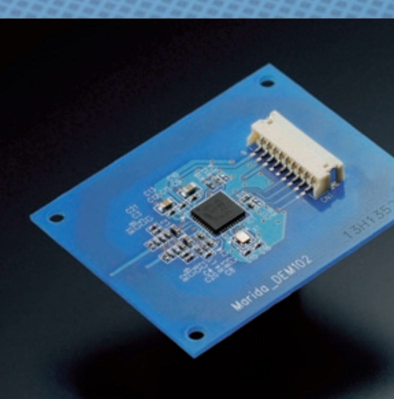
For the future, we will work actively to improve power generation efficiency by developing products like an all-in-one bus-line sheet and back sheet combination, and other products that meet the market's demands.



Bus-line sheet

Electronics




Business Strategies

The Electronics segment applies the most advanced printing technologies in the world, including microfabrication and patterning technologies, in order to provide a variety of key components for display products and electronic devices that sustain today's information society. We will carefully watch the rapidly changing business environment and construct optimized systems in order to develop products that meet the needs of clients and consumers in such product categories as color filters for liquid crystal displays (LCDs), photomasks (masters for making LSI circuits), and multilayer wiring boards.

Basic Strategies

A variety of household appliances and information devices like smart phones and tablet PCs have become widely used in today's world. When selecting these types of electronic devices, consumers seek convenience and new features based on cutting-edge technologies, so it is important for manufacturers to develop the newest technologies in response to the market's needs, and to establish stable supply frameworks.

The Electronics segment's basic strategy regarding product development is to work at developing new technologies with an eye toward next-generation products, and to supply the market with high-added value products with superior functionality. These cutting-edge products will primarily be developed and manufactured at our mother plant in Japan, but we will take a global point of view and flexibly consider the best locations, including overseas locations, for production of other products. We will also actively engage in collaboration with companies that have particular strengths in order to speed up our business development.

*1: nm (nanometer): one billionth of a meter
*2: Extreme ultra-violet (EUV) exposure: a technique for using ultraviolet rays with extremely short wavelengths to burn minute circuit patterns onto a wafer
*3: Nano-imprinting: a semiconductor manufacturing process that entails physically transferring a minute, nanometer-level pattern by pressing a template against a resin-coated silicon wafer
*4: MEMS (Micro Electro Mechanical System): a group of minute components made with semiconductor device microfabrication technologies

Main Policies

Display Components

Concentrate on the growing market for small- and medium-sized products, and on higher resolution
In the LCD market, LCD televisions have transitioned from the growth phase to a mature phase of their product lifecycle, so we can no longer expect the kind of major growth in this market that we saw in the past. Especially in the case of large-screen televisions, there is a strong feeling that panel production capacity is excessive. Prices have been falling, and the profit picture has been getting grimmer. At the same time, demand is still increasing for displays used in smart phones and tablet PCs, so we will continue to shift our color filter business toward small- and medium-sized products. We will make the most of the technical strengths and customer trust that we have cultivated over the years as we work to stabilize our business by focusing on providing the high resolution, high-quality products that are in demand for use in small- and medium-sized devices.

Enhance product lineup with entries like touch panel components
We will make the most of DNP's strengths as we promote the development of organic EL displays and other new products for markets where growth is likely. DNP already enjoys a large share of the market for metal masks used in the production of organic EL displays. We will also focus on developing new products, for example by providing touch panel sensors that contribute to the production of thinner, lighter smart phones and other devices.

Optimize production systems related to color filters
In order to stabilize our display-related business, we will continue to work on optimizing production systems, which includes consolidation of production bases. Specifically, we will strengthen our profit base by moving color filter production equipment from our plant in Otone, Saitama Prefecture, to our Mihara Plant in Hiroshima Prefecture, thereby concentrating production of small- and medium-sized products at the Mihara Plant.

In the fiscal year through March 2013, we plan to integrate the color filter business at our Sakai Plant in Hyogo Prefecture into Sakai Display Products Corp. (SDP). By creating a coherent production framework that will handle everything from components to complete LCD panels, SDP will stabilize production, lower costs, and improve its international competitiveness.

Electronic Devices

Expand overseas semiconductor photomask business and develop cutting-edge technologies
DNP's semiconductor photomasks have established a reputation for outstanding quality and have continuously controlled a large share of the global photomask market. More than half of DNP's photomask sales come from cutting-edge products with line widths of 45nm or less.*1 DNP's excellent capacity for technological development has earned us the solid trust of our customers, and we will focus on expanding this business in line with future demand for miniaturization.

Given the harsh market environment surrounding electronic devices, we will actively address demand overseas as well as in Japan. As overseas photomask production bases, we built a factory in Italy, where we have a business alliance with a major customer, followed by the opening of a new overseas plant in Taiwan during the fiscal term ended March 2011. We are increasing production in Taiwan, which will serve as our base for supplying advanced photomasks to the entire Asian region.

In response to increasing miniaturization of semiconductor products, we aim to make the most of our industry-leading technology development capabilities and the results of joint development with corporate clients in order to prepare a framework for developing and supplying cutting-edge photomasks with line widths of 22nm or less. We will also keep working on commercializing next-generation semiconductor lithography technologies such as extreme ultraviolet (EUV) exposure*2 and nano-imprinting.*3

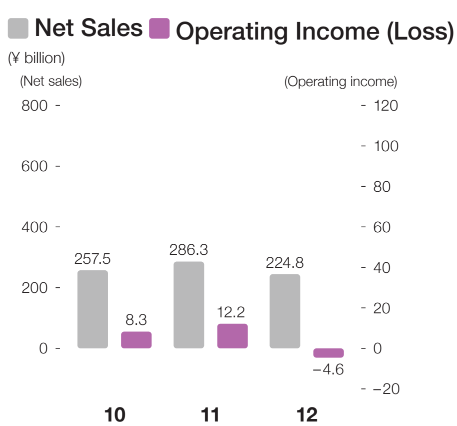
Strengthen our business constitution by developing new products
We intend to apply microfabrication, patterning, etching, and other technologies to the active development of a wide range of products in addition to photomasks, including components for hard disk drives, metal bases for LEDs, printed wiring boards with embedded components, and MEMS*4 products. Our aim is to identify and concentrate management resources on future growth areas, such as various types of electronic modules used in image processing, in order to construct a business framework that will allow us to secure profits regardless of fluctuations in the semiconductor market.

Financial Results

Financial Highlights

(¥ billion, %)

	2010.3	2011.3	2012.3
Net sales	¥ 257.5	¥ 286.3	¥ 224.8
Operating income	8.3	12.2	-4.6
Operating income margin	3.2%	4.3%	–



Fiscal Term through March 2012: Business Environment and Summary of Financial Results

According to one research company's figures for worldwide shipments of electronic devices in calendar 2011, shipments of LCD televisions to emerging countries such as China and Central and South America continued to grow, but the number of units shipped to developed countries decreased. In Japan, there was an especially sharp drop from the previous year due to the end of the government's "eco-point" program for promoting eco-friendly appliances and a winding down of replacement buying as part of the shift toward digital terrestrial broadcasting. Personal computer shipments inched up by 0.5% year on year, to 350 million units, while shipments of mobile phones increased 11% over the previous year, mainly due to the popularity of smart phones.

Given these trends, large LCD panels used in televisions remained in oversupply, leading to decreased profits for Japanese panel makers who were forced to implement large cutbacks in production. Although DNP continued to enjoy strong sales of small- and medium-sized color filters for smart phones and tablet PCs, there were big drops in value and unit price for large-size products used in televisions, as panel makers reduced production and LCD television prices declined.

Meanwhile, growth in the semiconductor market in the year ended March 2012 was limited to 0.4% from the previous year—a sharp decrease from the previous year's 32% growth—due to such factors as the Tohoku–Pacific Ocean Earthquake, major flooding in Thailand, and a downturn in the world economy. In Japan, the situation was exacerbated by a sharp rise in the yen's value, and sales declined relative to a year earlier.

DNP's Electronic Devices business worked hard to increase its share of the domestic market and to take advantage of overseas demand, but net sales of photomasks declined from the previous year. Sales of high-density build-up wiring boards used in devices such as smart phones increased, but partly due to supply chain disruptions resulting from flooding in Thailand, there were declines in sales of suspensions and other hard disk drive components, and lead frames, etc.

As a result, the Electronics segment's net sales amounted to 224.8 billion yen, representing a decrease of 21.5 % (61.5 billion yen) from a year earlier. The segment posted an operating loss of 4.6 billion yen, a drop of 16.9 billion yen compared to the previous year's operating income of 12.2 billion yen.

Portrait of Divisions

Display Components

Demand for LCD televisions is expected to continue to grow, particularly in developing countries, and LED-backlit televisions and 3D models are expected to become more widely used. However, downward pressure on retail prices is increasing, and growth rates are slowing. On the other hand, the market for small- and medium-sized panels is expected to continue its smooth growth, supported by the spread of smart phones and tablet PCs. In the small- and medium-sized market, it is essential to keep up with demand not only for greater production volume, but also for higher definition. In view of demand for new technologies like touch panels and organic EL displays, the market is counting on Japanese LCD panel manufacturers' excellent capacity for technological development. Panel manufacturers in Korea, Taiwan, and China, as well as in Japan, are stepping up efforts to adjust production so as to optimize the supply-demand balance for LCD panels of all sizes.

DNP's color filter business is concentrating on the growing market for small- and medium-sized displays. We will continue to respond with cutting-edge technologies to meet demand for higher definition, greater brightness, and thinner displays, etc.

Regarding our manufacturing framework, we consolidated operating locations through measures like relocating production equipment from our Otone Plant in Saitama Prefecture to the Mihara Plant in Hiroshima Prefecture. Among other structural reforms, we integrated the color filter business at our plant in Sakai, Osaka Prefecture into Sakai Display Products Corp.

We are also working to stabilize our display products business by enhancing our lineup of display products besides color filters. Specifically, we are concentrating on developing new products like metal masks used in organic EL display production and static electricity sensors for touch panels.

Electronic Devices

The semiconductor market is expected to see gradual recovery as manufacturers implement structural reforms and step up investment in further miniaturization. In recent years, as electronic devices have become more compact and sophisticated, ever more advanced technologies are required for creating the extremely fine circuit lines needed in the manufacture of today's semiconductors.

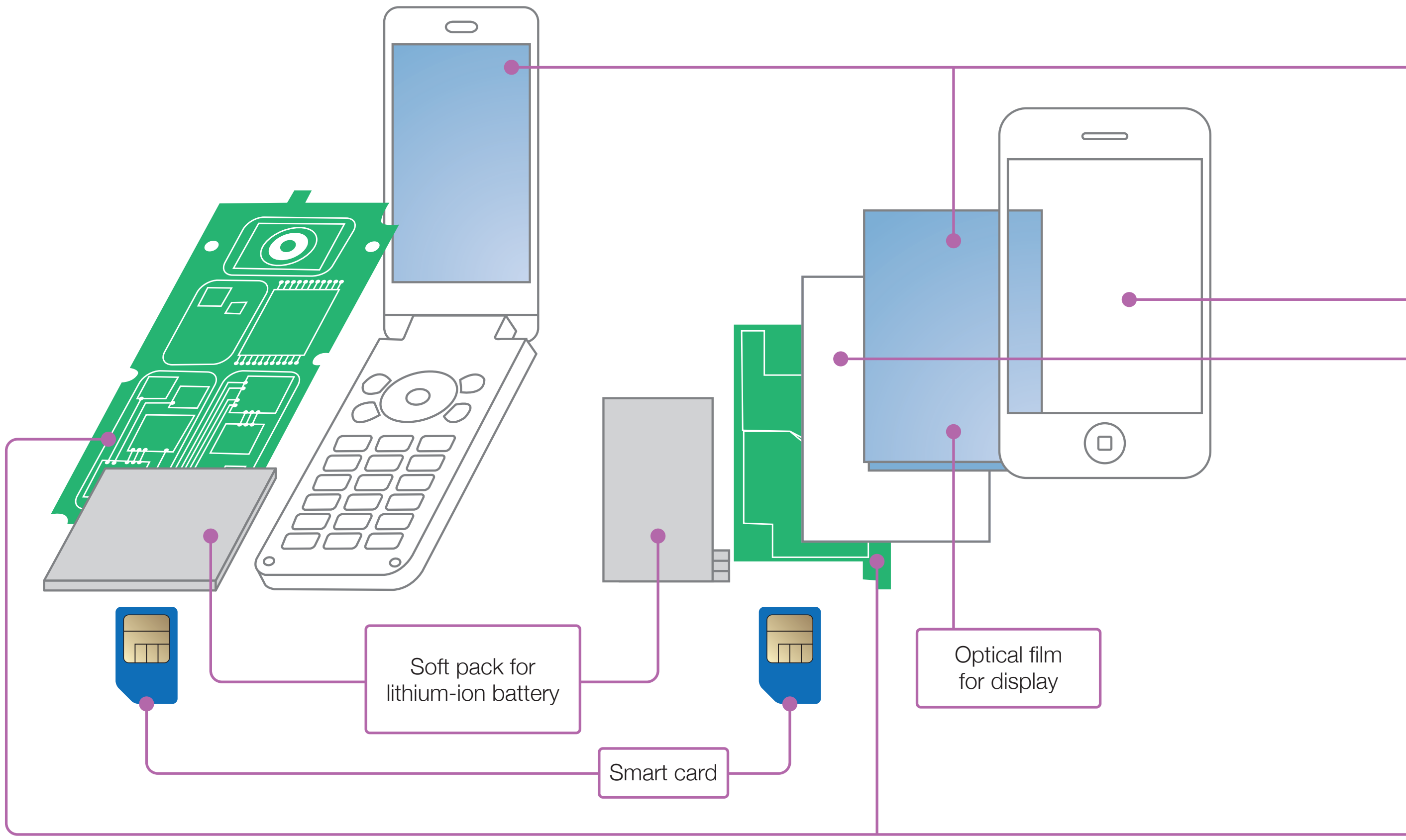
As line widths decrease, we aim to increase our share of the market for cutting-edge photomasks used for producing semiconductors, not only in Japan but also at our Taiwanese plant and other overseas operating locations. Besides moving ahead with mass production of 45nm products, which are the targets of increasing demand, we will also support photolithography techniques for making ultra-advanced under-40nm and under-30nm products, including a method that combines double patterning and ArF immersion. In addition, we are working with semiconductor manufacturers to speed up research and development of next-generation semiconductor lithography technologies like extreme ultraviolet (EUV) lithography and nano-imprinting.

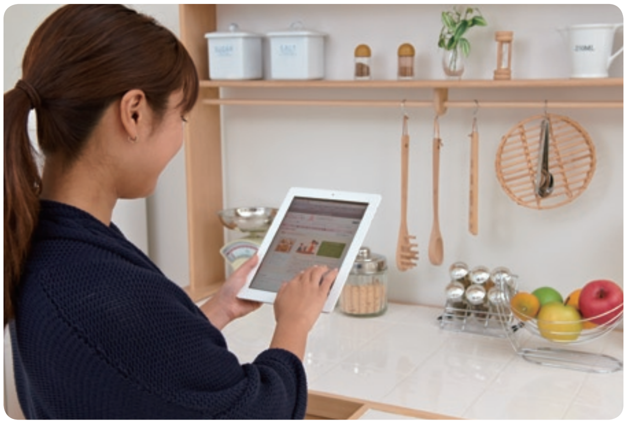
Amid growing demand for thin, compact semiconductor packages that enable high-density mounting of internal components, we aim to expand DNP's share of the market for etched electronic components, backed by such strengths as our unique B^{2}it buildup board technology. We will also actively pursue development of new products including metal LED substrates, hard disk drive components, electronic modules for image processing and other applications, and MEMS products.

DNP Electronics Products—a Part of Everyone's Everyday Life
DNP Products and Technologies Support Smart Phones and Tablet PCs

For more than half a century, DNP has been supplying a wide variety of electronic products, backed by our strength in printing technologies like photolithography and etching. DNP products and systems support many of the smart phones that have rapidly become popular in recent years, as well as other information devices that we consider to be a vital part of our lives.

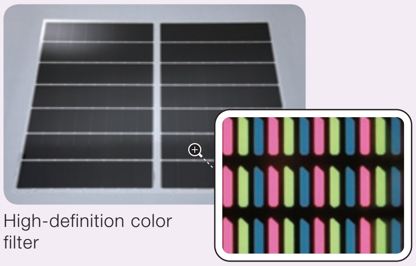
DNP's various products and systems contribute to improving the operation and functionality of all types of devices. For example, we supply high-definition color filters for small- and medium-sized liquid crystal displays, touch panel components, metal masks used in the manufacture of organic EL displays, photomasks and lead frames used in cutting-edge semiconductor products, and modules used in digital cameras.





High-definition color filters for small- and medium-sized LCDs

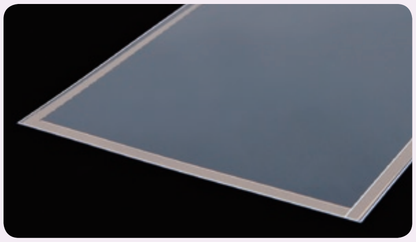
In order to display more beautiful images on the small screens of smart phones and tablet PCs, it is necessary to improve display resolution and brightness. DNP's color filters meet the market's demands for higher-definition, brighter, thinner, lighter displays, and the color filters we have supplied for smart phones and similar devices are winning high praise. Going forward, we will continue to provide high-performance color filters in response to increasing demand for portable information terminals and other small and medium size devices.



High-definition color filter

Touch panel components

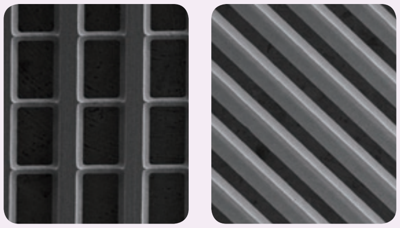
Because a growing number of information terminals use touch panels that can be operated by touching the screen with a finger, there is increasing demand for touch panel sensors that sense finger movement. As information terminals take on increasingly sophisticated functions, keeping them thin and light has become more of a challenge. DNP's touch panel sensors contribute to the production of thinner, lighter devices by dispensing with the usual glass or film substrate, thereby limiting its thickness and weight.



Touch panel sensor

Metal masks for manufacturing organic EL (electroluminescent) displays

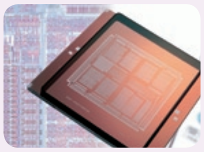
Organic EL displays, which offer advantages like a wider viewing angle and higher contrast, are being used increasingly widely, primarily in smart phones and other portable information devices. DNP supplies metal masks used in the vapor deposition method of manufacturing EL displays. DNP controls a large share of the market for the metal masks, which are indispensable to the vapor deposition process wherein colored organic EL elements (for example, RGB or red/green/blue) are applied separately.



Enlarged photo of metal masks used for making organic EL displays

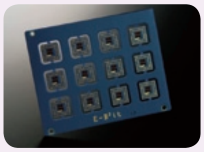
Electronic devices

DNP makes use of printing technologies like microfabrication, patterning, and etching to provide a variety of products that meet the market's demand for thinner, more compact communication devices with improved functionality. Photomasks are masters for making system LSIs, flash memories, and other semiconductor products. In addition to producing cutting-edge 20nm photomasks, we are focusing on developing nanoimprinting and other next-generation technologies. We have also developed lead frames, which hold IC chips onto printed wiring boards and transmit electric signals, that are only 0.15mm thick, or one twentieth the thickness of conventional products. And we use DNP's unique B^{2}it (pronounced B-square-it) technology to realize even more compact, even higher-density printed wiring boards with embedded components for use in camera modules, motherboards, and other electronic devices.

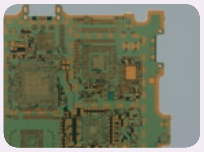


Photomask used for making semiconductors

Lead frame



Printed wiring board with embedded components (for camera module, etc.)



Motherboard for a smart phone

Corporate Governance

CONTENTS

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 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**
  Senior partners and managing partners
  Hirofumi Nikaido, Kazuhiko Terada,
  Tsuguhiro Tsukakoshi, Junko Shima
- **Audit firm**
  Meiji Audit Corporation
- **Number of accounting audit assistants**
  11 certified public accountants, 9 others

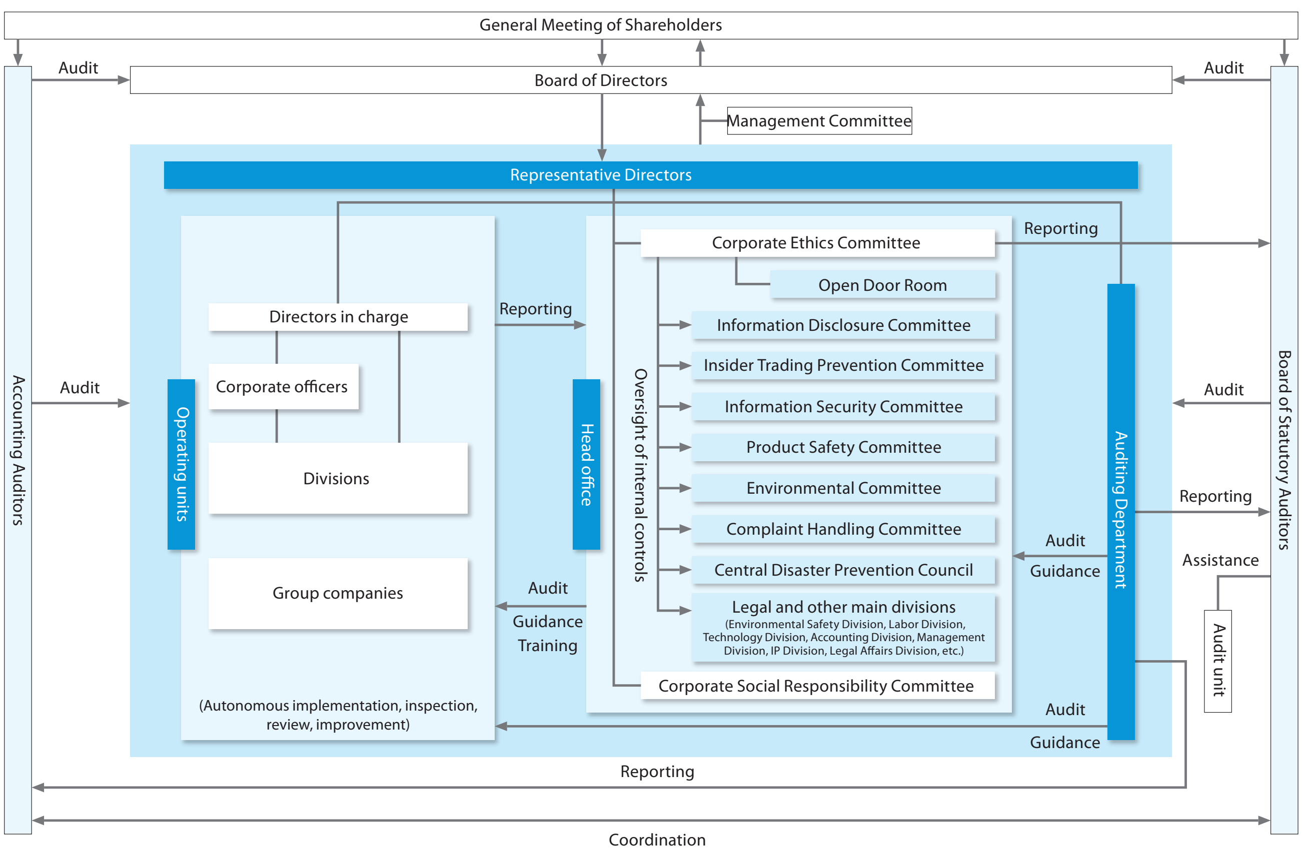
(3) Development of a risk management structure

To manage risks related to compliance, information security, the environment, disasters, product safety, insider trading and export management, the Corporate Ethics Committee, other special committees, and other head office divisions develop rules and conduct training as part of risk-related preemptive efforts, and respond promptly to avert or minimize losses to the DNP Group. Certain divisions and directors are promptly established and appointed for responding to risks that have newly developed.

(4) Progress on other corporate governance measures

DNP set down the DNP Group Code of Conduct for employees to follow, so as to contribute to the prosperity and solid development of society, promote fair and appropriate corporate activity, protect the environment, contribute to society, and establish a free and lively corporate culture. Among the stipulations is that DNP, as an emergently evolving company that does not do business with antisocial elements, fulfill its corporate responsibilities to society, 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 directors and outside statutory auditors

DNP has one outside director and three outside statutory auditors. The role of outside directors is to supervise inside directors and 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.

DNP does not have any standards of independence for appointing outside directors and outside statutory auditors, but to avoid conflicts of interest with general shareholders, it references the standards of independence for independent officers as stipulated by financial instruments exchanges.

Outside director Tadao Tsukada is designated as an independent officer and can apply his expertise as an academic to the business activities of DNP and participate in management decision making from an objective standpoint as an outside director. Mr. Tsukada owns 2,000 shares of DNP stock. Mr. Tsukada was a professor at Meiji University. DNP contributes to support the research of Meiji University and is contracted by Meiji University to produce printed material and other items. However, in light of the limited scale and nature of this business and the limited frequency and amount of these contributions, DNP believes that independence is not affected and that there is no risk of affecting the decisions of shareholders and investors.

Outside statutory auditor Shin-ichi Ikeda is designated as an independent officer and can help bolster auditing based on a broad knowledge gained from business experience at other companies. Mr. Ikeda owns 2,000 shares of DNP stock. Mr. Ikeda was previously employed at The Dai-ichi Life Insurance Co., Ltd. DNP is contracted by The Dai-ichi Life Insurance Co., Ltd. to produce printed material and other items, but in light of the scale and nature of this business, DNP believes that independence is not affected and that there is no risk of affecting the decisions of shareholders and investors.

Outside statutory auditor Makoto Matsuura is designated as an independent officer and can help bolster auditing based on legal expertise as an attorney. Mr. Matsuura was previously affiliated with the National Offenders Rehabilitation Commission, and although DNP does business with the Japanese government, it does not have a business relationship with the commission and Mr. Matsuura does not have any direct interests. Consequently, DNP believes that independence is not affected and that there is no risk of affecting the decisions of shareholders and investors.

Outside statutory auditor Kuniaki Nomura can help bolster auditing based on legal expertise as an attorney. DNP pays advisory and other fees to a law firm to which Mr. Nomura previously belonged (currently, Yanagida & Partners), but as Mr. Nomura does not have any direct interests and in light of the nature of this business, DNP believes that there is no risk of affecting the decisions of shareholders and investors.

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)	1,397	1,247	150	23
Statutory auditors (excluding outside auditors)	77	77	–	3
Outside directors and auditors	89	89	–	6

Notes: 1. Bonuses are provisions for bonuses for directors and statutory auditors for the fiscal year.
2. There were 19 internal directors, two internal statutory auditors, one outside director and three outside 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)	287	Dai Nippon Printing Co., Ltd.	266	21
Koichi Takanami (Director)	122	Dai Nippon Printing Co., Ltd.	110	11
Satoshi Saruwatari (Director)	121	Dai Nippon Printing Co., Ltd.	109	11
Masayoshi Yamada (Director)	122	Dai Nippon Printing Co., Ltd.	110	11

Notes: 1. Total compensation is shown only for those with compensation of at least 100 million yen.
2. 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.

Compensation for each director 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 statutory auditor is determined based on discussions with the statutory auditor.

Stockholdings

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

No. of stocks: 424

Total on the balance sheet: 115,632 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
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.

(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	7,551	Enhance business relationship
NuFlare Technology, Inc.	10,000	4,870	Strengthen business alliance
Taisho Pharmaceutical Co., Ltd.	692,700	4,648	Enhance business relationship
Terumo Corporation	1,101,000	4,354	Enhance business relationship
Mizuho Financial Group, Inc.	27,134,319	3,663	Enhance business relationship
Asahi Breweries, Ltd.	1,860,029	3,409	Enhance business relationship
Ezaki Glico Co., Ltd.	3,221,314	3,198	Enhance business relationship
Nissin Foods Holdings Co., Ltd.	898,711	2,781	Enhance business relationship
Yamato Holdings Co., Ltd.	1,660,600	2,123	Enhance business relationship
Toyo Suisan Kaisha, Ltd.	794,980	1,708	Enhance business relationship
Toshiba Corporation	4,547,000	1,655	Strengthen business alliance
Mitsubishi Chemical Holdings Corporation	3,598,790	1,590	Strengthen business alliance
Aica Kogyo Co., Ltd.	1,293,743	1,536	Enhance business relationship
Lion Corporation	3,140,665	1,488	Enhance business relationship
Fujifilm Holdings Corporation	685,965	1,331	Enhance business relationship
Sapporo Holdings Limited	3,796,388	1,161	Enhance business relationship
NSK Ltd.	1,814,000	1,155	Strengthen business alliance
Yakult Honsha Co., Ltd.	393,000	1,118	Enhance business relationship
ROHM Co., Ltd.	266,501	1,088	Enhance business relationship
CALBEE, Inc.	258,200	1,088	Enhance business relationship
Nippon Steel Corporation	4,594,768	1,043	Strengthen business alliance
Meiji Holdings Co., Ltd.	282,200	1,020	Enhance business relationship
Mitsubishi UFJ Financial Group, Inc.	2,399,760	988	Enhance business relationship
Shiseido Co., Ltd.	677,619	967	Enhance business relationship
Mitsubishi Electric Corporation	1,300,000	951	Enhance business relationship
SMK Corporation	3,200,000	918	Enhance business relationship

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	7,635	Hold voting instruction rights for shares in retirement benefit trust
TV Asahi Corporation	40,300	5,436	Hold voting instruction rights for shares in retirement benefit trust
Astellas Pharma Inc.	913,770	3,106	Hold voting instruction rights for shares in retirement benefit trust
Japan Tobacco Inc.	5,000	2,330	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 Auditors

(1) Compensation paid to accounting auditors

	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.	83	–	83	–
Consolidated subsidiaries	130	–	126	–
Total	213	–	209	–

(2) Other material compensation details

None

(3) Compensation paid to accounting auditors 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 28, 2012)

President
Yoshitoshi Kitajima

Executive Vice Presidents
Koichi Takanami
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
Motoharu Kitajima
Takao Shimizu
Yoshiki Nozaka
Masaki Tsukada
Sakae Hikita
Fujio Yamazaki
Tokuji Kanda

Director
Tadao Tsukada*

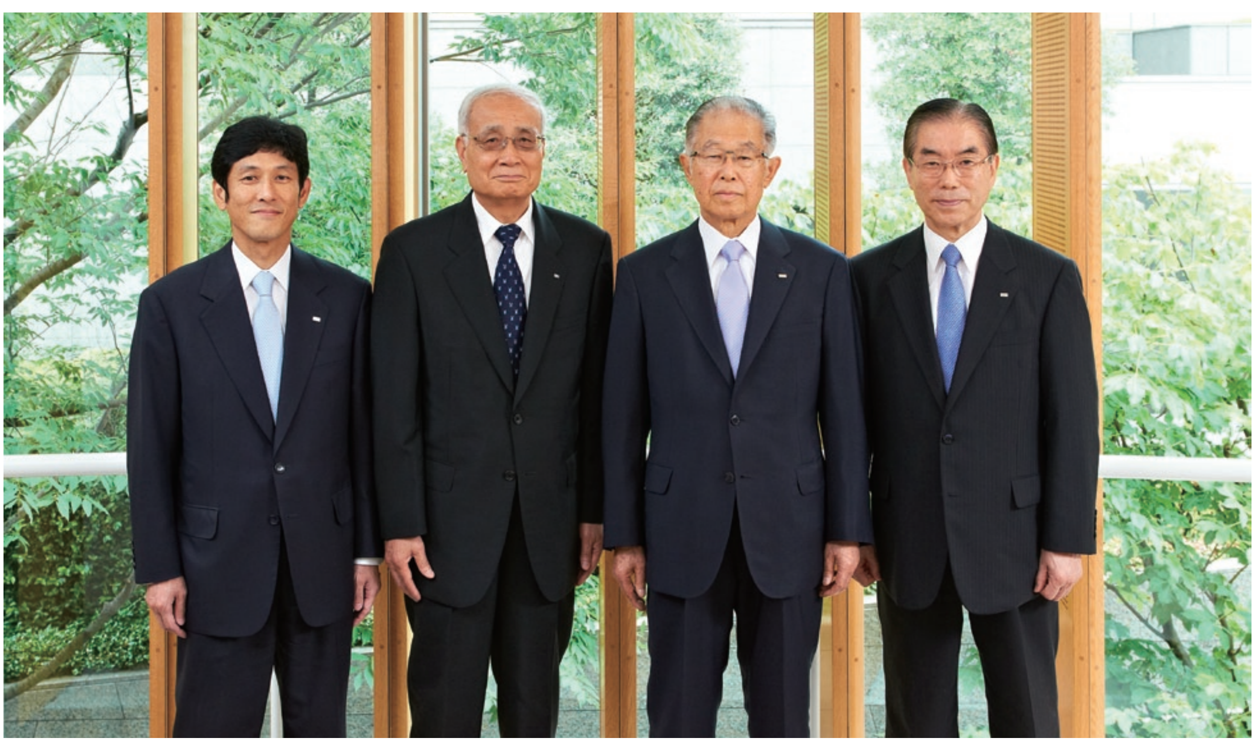
Standing Statutory Auditors
Kenji Noguchi
Minoru Yoneda
Shin-ichi Ikeda*

Statutory Auditors
Makoto Matsuura*
Kuniaki Nomura*

Senior Corporate Officers
Tatsuya Nishimura
Tatsuo Komaki
Tatsuro Kitayuguchi
Takashi Saito
Shigemi Furuya
Ryuji Minemura
Masato Koike
Masato Yamaguchi

Corporate Officers
Yasuo Takeda
Morihiro Muramoto
Kenji Miya
Yoshio Ogawa
Toshiki Sugimoto

*Outside director or auditors



Yoshinari Kitajima   Koichi Takanami   Yoshitoshi Kitajima   Masayoshi Yamada

How DNP Works to Achieve Sustainable Development

CONTENTS

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 do so, in addition to developing products and services, we strive to increase corporate value while keeping in mind a number of important themes such as research and development, creation of intellectual property, compliance with the law and social ethics, ensuring the safety and quality of products and services, information security, ensuring business continuity, human resource development, environmental preservation, and brand management. 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 2012.

- Dow Jones Sustainability Indexes
- FTSE4Good
- ETHIBEL PIONEER & EXCELLENCE
- Morningstar Socially Responsible Investment Index

Research and Development / Intellectual Property

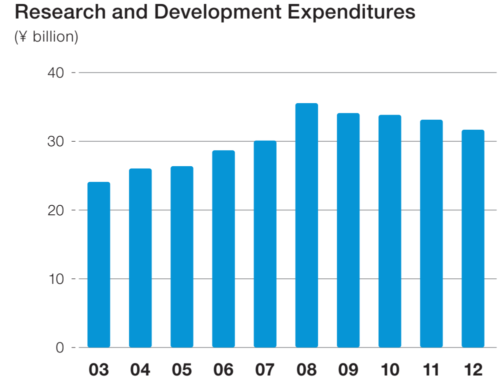
Research and development are extremely important for DNP since our business vision entails providing P&I Solutions and expanding our business by applying and developing printing and information technologies. Especially in today's rapidly changing world, we need to take a consumers' point of view, look 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 2012, DNP invested 31.7 billion yen (compared to 33.1 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



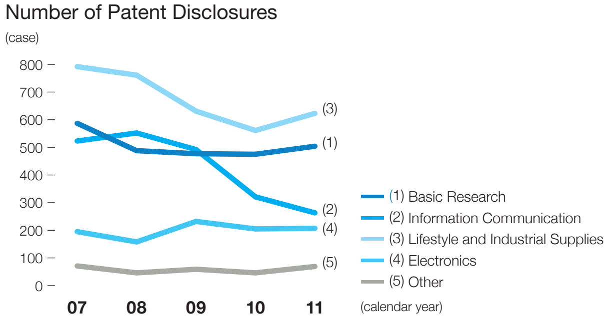
Intellectual Property Strategies

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. At the same time that we promote the acquisition of our own strong rights, we foster a corporate culture of fairness that also respects the rights of others, and a corporate climate of compliance with legal regulations and social ethics.

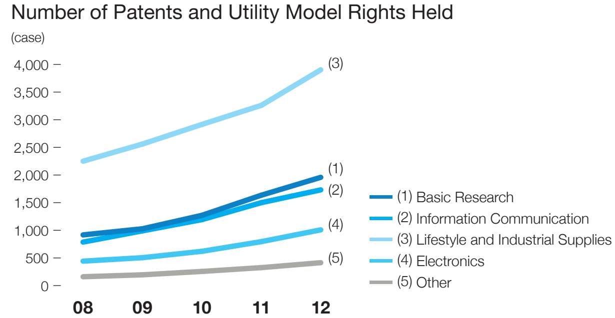
Among other efforts aimed at increasing the value of intellectual property to DNP's business, we work to enhance DNP's patent portfolio, pursue the strategic filing of patent applications, improve the quality of patent specifications, and fulfill relevant legal obligations.

In addition to sending representatives to an intellectual property-related association where we actively make proposals, DNP also offers proactive support to our clients through such activities as sponsoring seminars or proposing projects related to copyrights, premiums and representations, and/or trademark laws, etc.

Number of Patent Disclosures



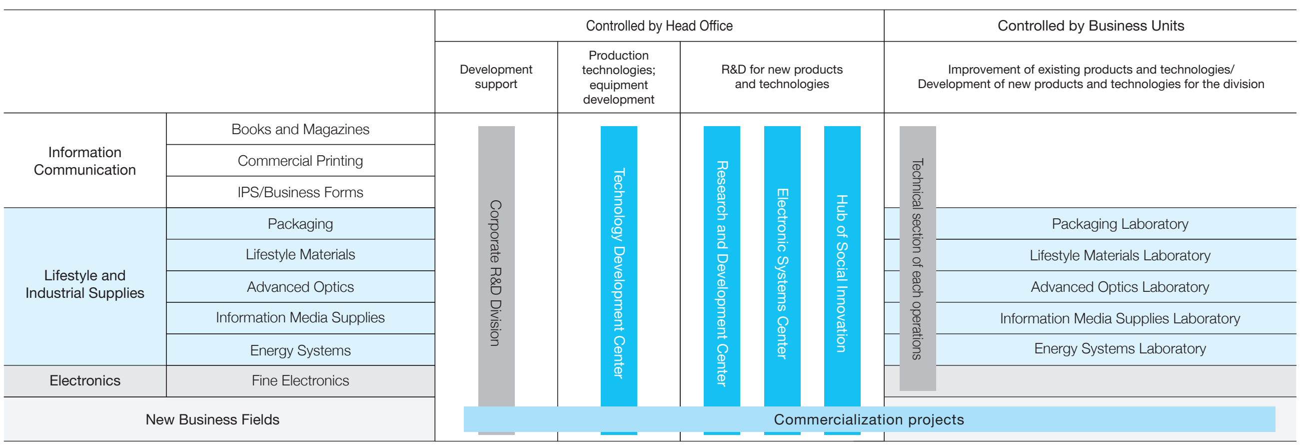
Number of Patents and Utility Model Rights Held



Framework for 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.

Specifically, this framework consists mainly of four laboratories of DNP's head office: Research and Development Center, Electronic Systems Center, Technology Development Center, and Hub of Social Innovation. In their effort to create new value, the laboratories cooperate closely not only with laboratories and technical units within each operating segment, but also with sales, planning, and manufacturing units.



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 Systems Center	Develops technologies, products and services related to electronic systems		
	Hub of Social Innovation	Research and development of value-creating businesses that will lead to solving social problems		
	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)
	Lifestyle Materials Laboratory	Researches and develops surface materials for interior and exterior building décor		
	Advanced Optics Laboratory	Researches and develops optical materials		
	Information Media Supplies Laboratory	Researches and develops all kinds of information media		
	Energy Systems Laboratory	Researches and develops energy-related components		

Compliance with Law and Social Ethics

Over the years, the DNP Group has cultivated a reputation for reliability and integrity in the communities that surround it. In order to establish that reputation even more solidly, we make a point of constantly reviewing and steadily implementing initiatives aimed at maintaining corporate ethics.

Each and every employee's conscientious behavior makes it possible for DNP to win the trust of the surrounding society. We impress upon our employees the importance of corporate ethics and urge them to take responsibility for their own actions from a positive perspective, by emphasizing that the DNP Group can develop in a sustainable manner only if it is trusted.

The entire DNP Group shares the same basic stance toward maintaining corporate ethics, a stance that is expressed in three simple terms: continuity, autonomy, and positivity.

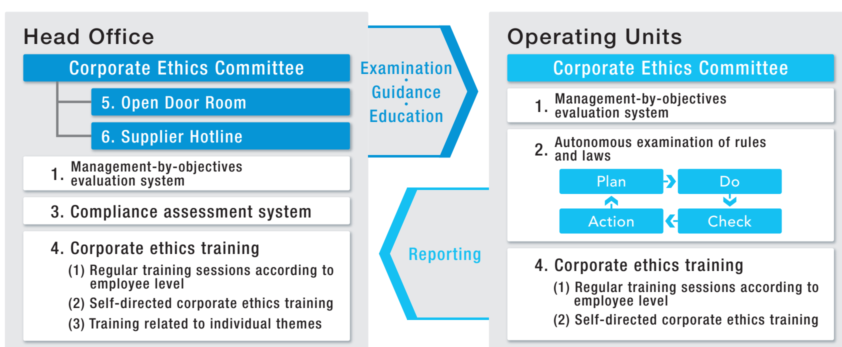
Key concepts underlying DNP's compliance-related activities

Continuity	Legal and ethical compliance is part of the fabric of our normal business operations; something we keep working at every day
Autonomy	Compliance is not "someone else's problem"; each one of us actively takes upon ourselves responsibility for legal and ethical action
Positivity	In order to be trusted by society, we take a positive, active stance toward legal and ethical behavior, which we view as essential to our corporate Group

DNP has established a "Corporate Ethics Committee," composed of Directors and executive officers in charge of our head office and each business unit. This committee is in charge of disseminating and instilling corporate ethics throughout the DNP Group.

Each business unit and Group company also has its own corporate ethics committee, so that the entire Group can work together to promote ethical corporate behavior.

Systems for Promoting Absolute Corporate Ethics



1 Management-by-objectives evaluation system	In order to increase the awareness of each and every employee, we included corporate ethics as one of the self-assessment categories in our "management-by-objectives evaluation system" (evaluation-based compensation system).
2 Autonomous examination of rules and laws	Each business unit and Group company does its own examination and assessment according to a checklist prepared by the relevant section of the head office, and devises its own improvement measures as needed. We have been using this system since 1997, based on the idea that people should guard their own organization by themselves.
3 Compliance assessment system	In 2005 we adopted a system whereby the relevant section of the head office evaluates each business unit and Group company according to standards shared by the entire DNP Group. These evaluations are conducted regularly, twice a year.
4 Corporate ethics training	We believe that our corporate ethics initiatives will be more certain to succeed when each and every employee has a strong awareness and correct understanding of the issues involved. Therefore, we organize various occasions for education and training.
5 Open Door Room	We established the Open Door Room in 2002 as a way for employees to bring questions and reports related to corporate ethics. We established "DNP Group Open Door Room Operating Standards" to ensure that employees can consult and report without fear of repercussions.
6 Supplier Hotline	In 2009, we established our "Supplier Hotline" to give suppliers an avenue for providing information in the event that in their dealings with the DNP Group, they become aware of any illicit acts (or behavior that suggests the possibility of illicit action) on the part of an employee or someone else connected with DNP.

Safety and Quality Assurance of Products and Services

Because DNP is responsible for the quality and safety of the goods and services that we supply to society, we are aware of the importance of measures that ensure quality and safety. The entire DNP corporate group works together to provide society with products and services that are safe and easy for consumers to use.

Quality Improvement Measures

The DNP Group provides safe and reliable products and services that meet the world's highest standards for quality. In order to maintain and improve the quality of our products and services, DNP established a "Quality Policy" in 2005.

DNP Group Quality Policy

1. Based on the catchphrase, "P&I Solutions DNP," we combine printing technologies and information technologies to provide products and services of world-class quality that solve our customers' problems. By maintaining and improving the quality of our products and services, we gain our customers' trust.
2. We make it our mission to provide products and services that are safe to use and gentle on the environment. Through a variety of corporate activities, we aim to minimize the burden that we place on the environment.
3. We develop the world's most advanced manufacturing technologies and construct production systems that meet the world's highest standards for efficiency.
4. In order to meet these goals, all of our employees work together and engage in regular *taiwa*, both with each other and with people outside the Company. By "looking carefully, listening carefully, and thinking carefully," we intend to maintain and continuously improve the quality assurance systems that enable us to satisfy our customers on an ongoing basis.

Production 21 Activities

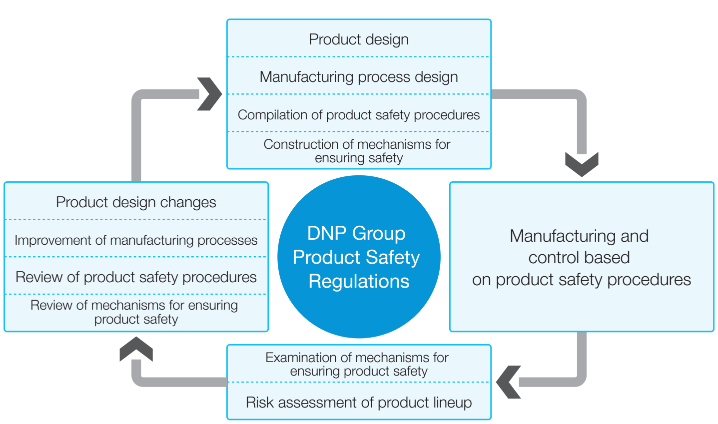
Every employee in every DNP Group business unit participates in "Production 21 Activities" in order to create a lean, tough manufacturing constitution capable of adapting to structural market changes. By quantifying goals related to quality, cost, turnaround time, environmental activities, and performance indicators, and by communicating these numerical goals to every employee, we aim to eliminate waste and achieve our goals.

At the same time that we encourage activities aimed at improving manufacturing, we aim for overall optimization of the customer's experience, from order placement to delivery. To achieve this, we focus on improving every business unit, from those that receive input from customers (planning and development, sales, etc.) to those that deliver output (manufacturing, logistics, etc.), always basing our activities on the customer's point of view.

Measures to Ensure Product Safety

DNP Group Product Safety Policy

We established the DNP Group Product Safety Policy in 1994, in order to provide products that exceed our customers' expectations for product safety, and we have been working ever since to ensure the safety of our products.



Product Safety Control System

The DNP Group Product Safety Committee establishes rules and guidelines concerning product safety, and informs the Group about them. The Product Safety Committees in each operation and Group company then establish product safety control systems based upon these rules and guidelines, and conduct safety efforts.

Given the importance of continuous product safety efforts, we conduct regular (twice annual) checks of the product safety systems, and risk evaluations of all product lines. Based upon the results, we make revisions to the control system, alter product design, or make improvements to the manufacturing processes, so as to ensure a greater level of safety.

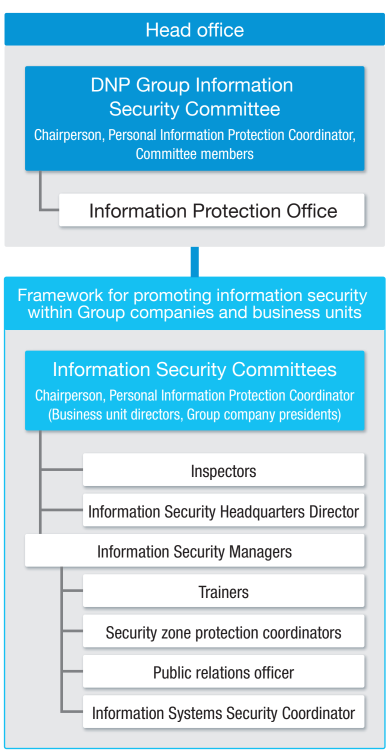
Information Security

It goes without saying that 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 continuous and strict control over information assets.

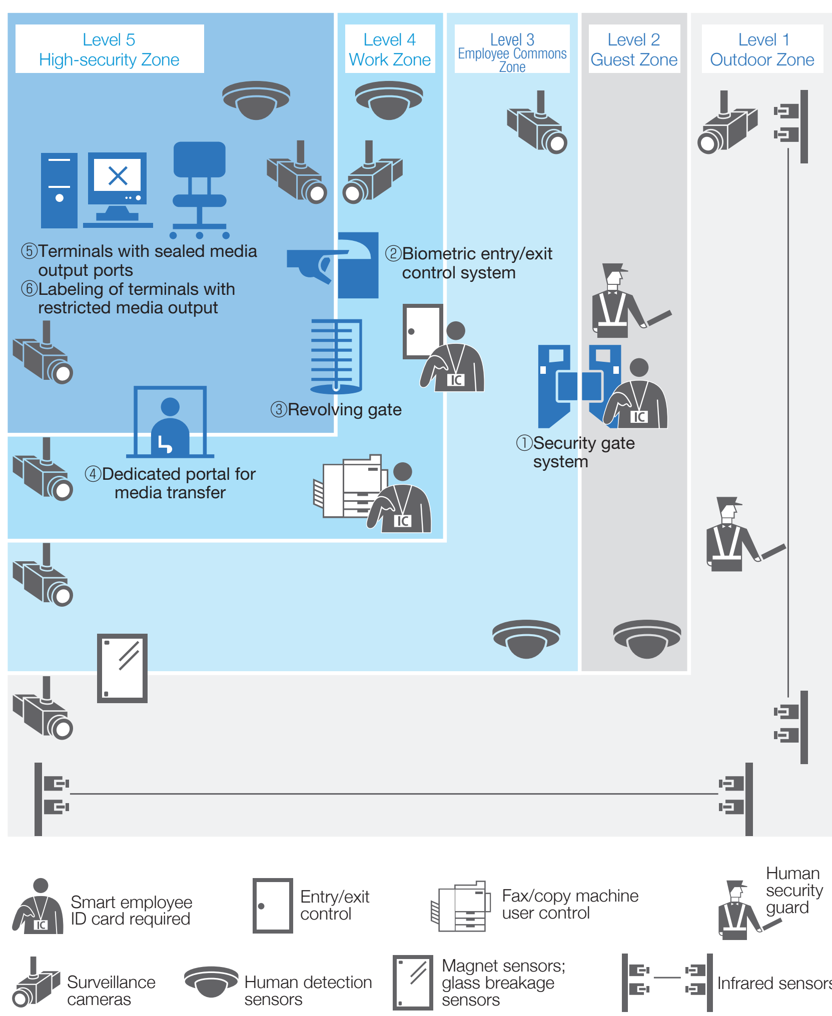
As a framework for managing information security, the DNP Group Information Security Committee in our head office created a Personal Information Protection Office and had each operating unit (business unit or Group company) establish its own information security committee. DNP has also been active in 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 Privacy Mark certification for workplaces that handle sensitive information. In addition to organizing group training sessions and online courses to teach each one of our employees to be more aware of security maintenance, DNP also actively employs cutting-edge security equipment to guard information. For example, we have introduced security gates that work with smart employee ID cards, as well as access control systems that use those same smart employee ID cards to control access to personal computers.

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

Information Security Management System



The Most Up-To-Date Security Equipment



Business Continuity

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.

Basic Approach and Organization

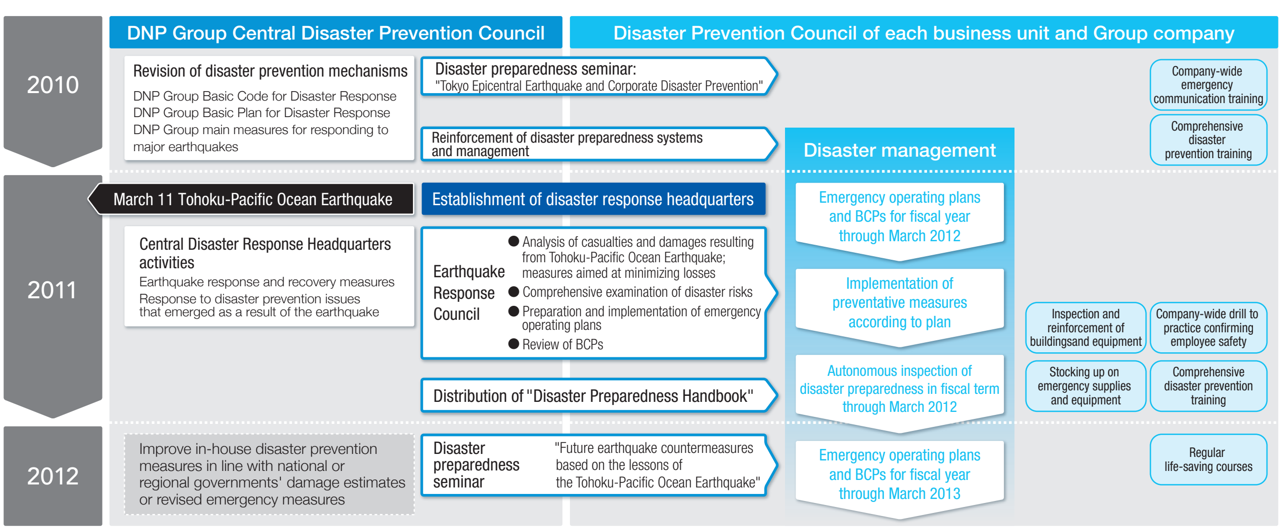
We established the DNP Group Central Disaster Prevention Council to create and promote basic disaster prevention measures for the entire DNP Group. Each business unit and Group company has established its own disaster prevention council to promote measures that suit its own particular characteristics and circumstances. We also established regional disaster councils to promote cooperative measures within each geographical region. Each of these councils has prepared plans and measures for coping with emergency situations.

Our experiences with the Tohoku-Pacific Ocean Earthquake renewed our awareness of the importance of having up-to-date business continuity plans (BCPs). In the course of our daily operations, we take appropriate preventative measures based on a correct awareness of the possibility that disaster could strike. Our basic approach is (1) to give priority to measures aimed at ensuring human safety in the event of an emergency, and (2) to increase the company's ability to cope with and recover from disastrous events.

Review and Improvement

In the aftermath of the Tohoku-Pacific Ocean Earthquake, we took a fresh look at how to ensure the safety of DNP employees, secure stable supplies of electrical power, and maintain business continuity, etc. As a result, we took the following steps in 2011.

Enhanced emergency response systems	● Confirmed existence of disaster response headquarters ● Put in place satellite telephones or other methods of emergency communication and systems for confirming the safety of DNP employees	● Reviewed each disaster response headquarters' action plan
Preventive measures	● Inspection and reinforcement of buildings and equipment ● Secured emergency power supplies; promoted the use of emergency earthquake warnings, etc.	● Stocked up on equipment and supplies, including helmets, emergency food, and drinking water ● Backed up information systems and IT networks; prepared alternative systems, etc.
Improved education and training	● Distributed disaster preparedness handbooks for both workplace and home use ● Conducted all types of emergency drills at each workplace ● Held disaster preparedness seminars, with participation from about 650 employees	● Practiced using an "emergency call system" for confirming the safety of each employee



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 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'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 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, books, commercial printed matter and business forms, 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.

President

DNP Group Environmental Committee 13 members	(1) Determines Group-wide environmental policies, goals, and plans (2) Approves policies, goals, and plans made by each business unit's environmental committee (3) Monitors implementation of plans and achievement of goals by each business unit's environmental committee
Promotion Office 27 members	(1) Proposes environmental policies, goals, and plans for the DNP Group; reports to the Committee (2) Communicates the environmental policies, goals, and plans determined by the DNP Group Environmental Committee to each business unit's environmental committee; monitors each unit's progress and supports their activities (3) Reports to the DNP Group Environmental Committee regarding progress (results, implementation of policies, etc.) achieved by each business unit's environmental committee
Each business unit's environmental committee 298 members	(1) Discusses and determines the business unit's own environmental policies, goals, and plans (2) Monitors implementation of the business unit's own plans and achievement of its goals (3) Convenes regular committee meetings
Promotion Office 142 members	(1) Drafts environmental policies, targets, and plans and submits them to the business unit's environmental committee (2) Communicates environmental policies, goals, and plans determined by the committee to all workplaces; monitors implementation (3) Reports to its committee regarding progress (results, progress of the measures, etc.) being achieved by all workplaces

- Technical / Production Group
  - Eco-friendly Product Development Group
  - Environmental Preservation / VOC Group
  - Industrial Waste Reduction Group
  - Energy-Saving Group
- Regional Action Group
- Office / Working Environment Group

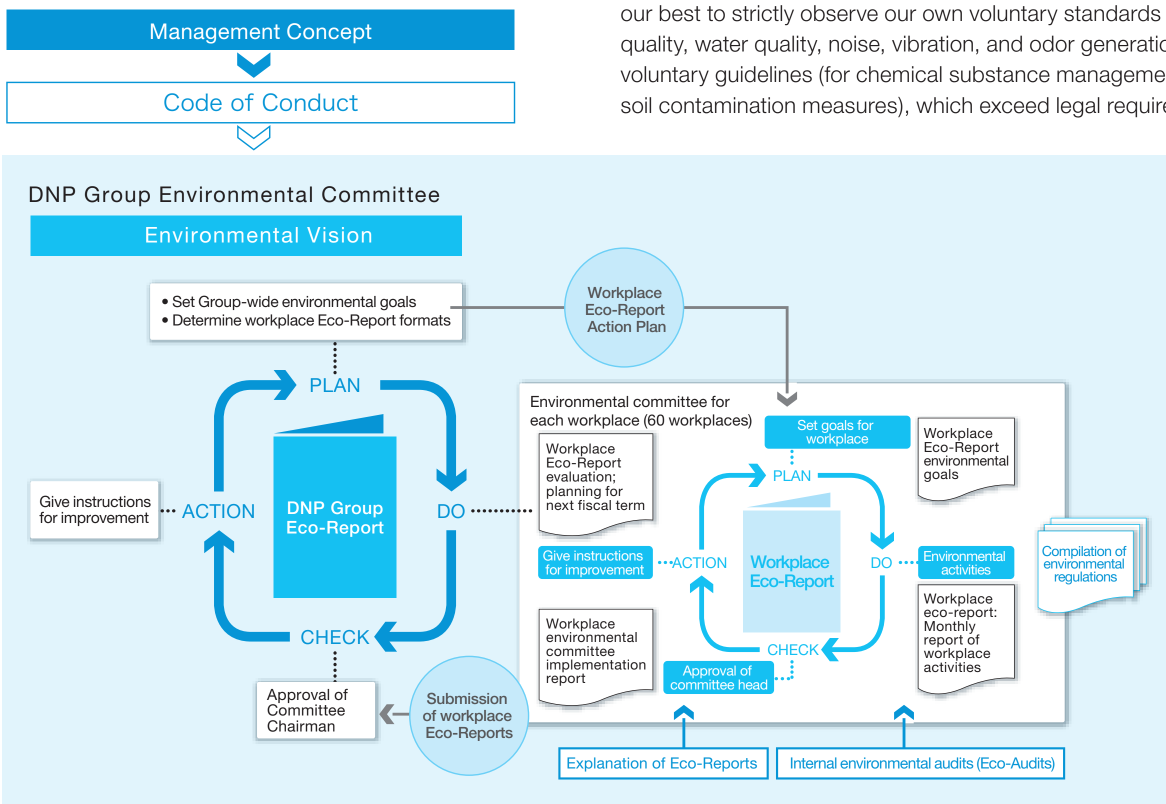
Each business unit's workplaces

Total: 964 members

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 the fiscal year ended March 2012, we gave new thought to the connection between biodiversity and all of our business activities, including product development, materials procurement, manufacturing, sales, and even the usage and disposal of DNP products by customers. As a result, we designated "workplace greening" and "procuring raw materials" as important themes that are highly dependent on, and at the same time have a significant impact on, ecological systems, and we are taking concrete steps to address these areas.

Conserving Energy by Making Consumption "Visible"

DNP has helped make energy consumption "visible" by means of a system that we introduced in 2009. As part of our efforts to reduce the amount of energy consumed through production activities, to extract energy wastage and to optimize manufacturing conditions, DNP has installed devices for monitoring power usage by production equipment at about 70 of its operating locations throughout Japan.

We used the results that we had achieved as of August 2011 to develop a comprehensive energy consumption management system that covers every step from planning an operating location's energy-saving measures to verifying the effectiveness of adopted measures. The system is designed to support Plan-Do-Check-Action (PDCA) cycles for improving energy-saving activities. By implementing more effective measures at each operating location, we constructed a system for efficiently promoting energy conservation.

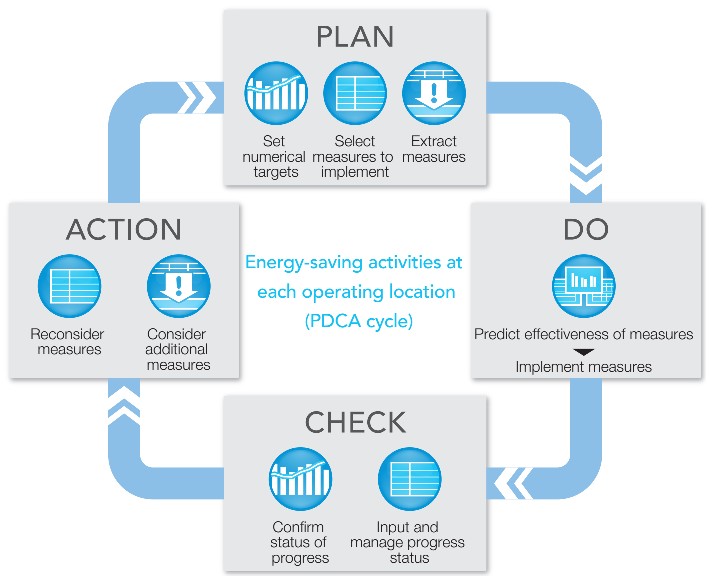
DNP's Total Energy Conservation Management System: Four Subsystems

Management Displays 350 energy-saving measures in order of their effectiveness; management is implemented by selecting appropriate measures and inputting progress at relevant intervals

Analysis Identifies energy wastage points based on analysis (measurement, etc.) of energy consumption; suggests optimal countermeasures tailored to each factory or piece of production equipment

Visibility Compiles energy usage data gathered from monitoring devices installed on production equipment; analyzes results in relation to operating conditions, etc.

Simulation Calculates the effectiveness of various measures, such as switching to more efficient machinery or changing operating conditions, and determines which are most appropriate



Fiscal year ended March 2012: DNP receives a special award as part of the Energy Conservation Grand Prize

The Energy Conservation Center, Japan sponsors an Energy Conservation Grand Prize whereby each year it recognizes companies, governments, schools and other institutions for outstanding energy conservation activities or advances in energy-saving products based on technological developments, etc.

DNP achieved major reductions in energy usage after developing a system for reducing energy consumption in laser lithography, one of the processes used on the semiconductor photomask production lines at our Kamifukuoka Plant in Fujimi, Saitama Prefecture. In recognition of this achievement, we were awarded a special prize for Excellent Energy Conservation activities as part of the Energy Conservation Grand Prize program for the fiscal year ended March 2012.

DNP will apply this award-winning energy-saving system to its other photomask production plants, and will continue to actively engage in minimizing energy consumption.

Development of Environmentally Conscious Products

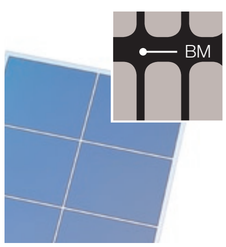
DNP is working to reduce the burden that our products place on the environment in every phase of their life cycle: from design and development to manufacturing, distribution, consumption, disposal, and recycling. In the fiscal year through March 2012, sales of products developed according to DNP's "Environmentally Conscious Product Development Guidelines" amounted to 336.0 billion yen, compared with 318.0 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 Use of sustainable materials

Sustainable use of natural resources

Example ● Biomatek PET, PE

Part of the raw material in this product is derived from plants. In addition to helping reduce emissions of CO_2, which is a greenhouse gas, it can also reduce usage of petroleum, which is an exhaustible resource.

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 use in carpentry work including home fittings such as door and window frames provides a solution to consumers' need for healthy, clean, safe living spaces.

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.

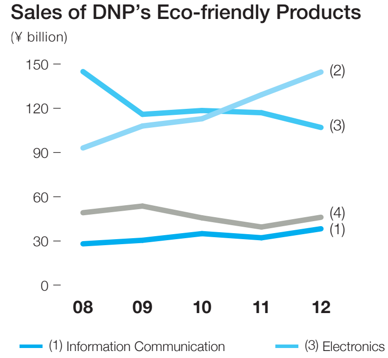
8 Ease of processing and disposal

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



Brand Management

Improving Corporate Value by Making the Most of Branding

DNP operates businesses in Japan and abroad, based on our corporate vision of providing "P&I Solutions." In addition to selling to corporate clients, we also engage in "B to C" business that involves communicating directly with consumers. Therefore it has become increasingly important to increase the value of the DNP corporate brand as well as the brands of products and services that we offer. We will continue to work to strategically cultivate DNP's brand strength, based on our belief that building brands that are supported by corporate clients and consumers will result in increased corporate value.

Examples of DNP's B to C Businesses

"honto" hybrid bookstore network	"Orikomio!" e-flyer service	Internet-based point service "Elne"	Photobook compilation service "DreamPages"	Self-service printing systems "PrintRush"

DNP's Corporate Brand and "DNPenguin"

The DNP corporate brand applies to every business activity that we engage in. In order to increase the value of the products and services that we offer, the DNP brand must make its way into the awareness of corporations and consumers.

We launched a new corporate mascot called "DNPenguin," with the goal of increasing contact with consumers and raising our corporate brand value. We will make effective use of this character in newspaper and television advertising, on our website, and elsewhere, in an effort to express the appeal of our DNP corporate brand.

Launched a corporate image advertising campaign featuring a friendly new mascot (May 2012)

A friendly new mascot that we call "DNPenguin" (dee en penguin), which introduces DNP's products, services, and corporate activities in easy-to-understand terms. Besides using this character in newspaper and television advertising, DNPenguin will introduce "DNP Topics" on our website, and will amuse consumers through original products like DNPenguin wallpaper.

Further Initiatives

We devised four "brand policies" aimed at winning support from corporate clients and consumers to help DNP continue growing in the long term.

- Enhance brand management
- Create category brands applied horizontally across business divisions
- Identify criteria for bestowing brands
- Develop brand-related communication

Based on these policies, we intend to increase the value of our corporate brand, and that of brands attached to our products and services.

Topics

DNP Supports Graphic Design Development through "Close Encounters" —25th Anniversary of Opening of ggg

In our view, advanced printing technologies are new creative techniques that contribute to the development of arts and cultures. DNP engages in highly original cultural activities, primarily focused on supporting graphic art.

What is ggg?

A place where people can experience the mysterious result of collaboration: printing x graphic design

Since graphic design is expressed through posters, pamphlets, books, magazines, and other printed materials, it is an inseparable partner of printing. Printing technologies evolve in response to the imaginative ideas of designers, and those evolved printing technologies further stimulate designers' creativity. Products that are born of the interchange between a generation's most advanced sensibilities with its most advanced technology garner high praise as works of art.

Out of our desire to have people look at genuine examples of this type of outstanding work and experience the greatness of graphic design, in 1986 DNP established Japan's first gallery devoted solely to graphic design in Tokyo's Ginza district. We call it "ggg (Ginza Graphic Gallery, pronounced 'three-gee')." By continuing to provide a broad array of opportunities and forums where people can meet artists and creative, diverse works from any country and any time period, we want to contribute to the cultivation of sensitive people who accept diverse cultures.

ggg's 25th anniversary

what we have valued for 25 years what we want to pass on in the next 25 years

In 2011, ggg celebrated the 25th anniversary of its founding. To date, we have held more than 300 original exhibitions, generally at the rate of one per month, and have welcomed a total of more than 1 million visitors.

ggg has organized a variety of activities related to themes like "Close Encounters with Graphic Design" or "Preserving and Passing on the Sensibilities of a Generation." Exhibitions that allow one to feel the power of an entire room full of original works, or to relish the precision of details viewed from up close; "gallery talks" (also broadcast via the Internet) that reveal an artist's personal points of view; more than 100 gggBooks collections (paper and e-books) of the works of single artists, each brimming with originality. In addition to these types of projects, we feel that an important aspect of ggg's mission is to collect, and to preserve as cultural assets for the future, works that express a particular era or artist. Besides offering the public opportunities to re-experience these works, we will pass them on to future generations.

From Shigeo Fukuda Exhibition: "ILLUSTRICK 412," 1986

From Ikko Tanaka Exhibition: "Graphic Art Botanical Garden," 1990

From "Shueitai 100," 2011

From Alexander Rodchenko Exhibition: "Innovator of the Russian Avant-Garde," 2012

Posters can offer a taste of different eras; those above were designed by (from left) Shigeo Fukuda, Ikko Tanaka, Dainippon Type Organization, Kijuro Yahagi

Financial Section

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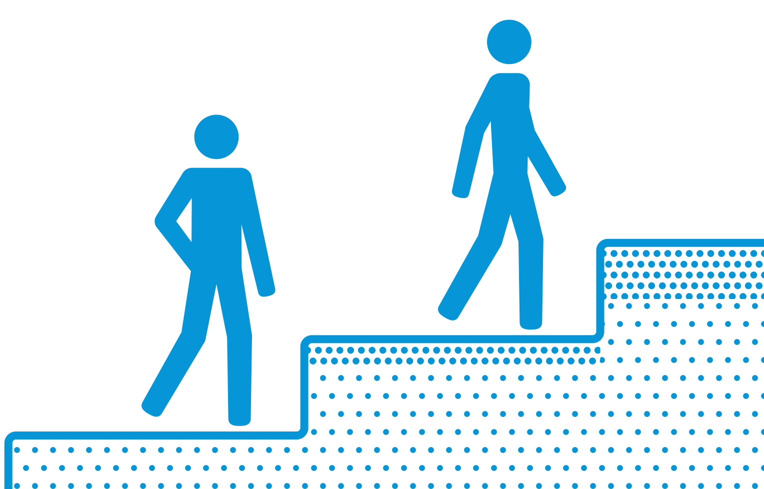


Management's Discussion and Analysis

Operating Results

Business Environment

Economic conditions in Japan remained challenging during the current fiscal year. Despite a gradual recovery from the impact of the Tohoku–Pacific Ocean Earthquake, the economy was affected by overseas economic downturns, higher crude oil prices, and concerns about worsening domestic employment conditions. The printing industry continued to face a difficult business environment. Corporate advertising expenditures were slow to recover from a sharp drop after the earthquake, consumer spending was sluggish, and order prices declined as a result of stiffer competition.

A discussion of the business environment affecting each of DNP's business segments during the current fiscal year is provided below.

In the Information Communication segment, the books and magazines market has continued a downward trend since 1997, with estimated sales of publications in Japan falling 3.2% year on year during the year ended March 2012. In particular, magazine sales dropped 5.9% year on year as the number of discontinued publications was far higher than the number of new publications. However, book sales benefitted from many hit titles and were on par with the previous year, and the electronic publishing market expanded to around ¥63 billion. In the Commercial Printing business, domestic advertising expenditures were low throughout the year due to a slow recovery in corporate earnings, affected by the earthquake, overseas economic slowdowns, and strong yen. Sales at advertising-related companies rose 1.7% year on year in the year ended March 2012. Internet advertising rose 10.8% and direct mailing was up 3.1%, but television advertising edged down 0.5%, newspaper advertising fell 1.5%, and magazine advertising dropped 5.6%. Conditions in the Business Forms business remained difficult, affected by the production of fewer forms and decrease in circulation due to cutbacks in corporate expenditures, and by a shift to online notifications.

In the Lifestyle and Industrial Supplies segment, the Packaging business was firm as demand for foods, beverages, and daily goods recovered from a temporary decline caused by the earthquake. In the Lifestyle Materials business (includes decorative materials), sales rose 2.7% year on year as domestic housing starts totaled roughly 840,000 between April 2011 and March 2012. However, in the Industrial Supplies business, demand for anti-reflection films and other LCD-related products was weak, affected by sluggish global sales of LCD TVs and production cutbacks by panel makers. The photovoltaic cell market faced tough conditions. Although sales volume increased, prices fell sharply as a result of stiffer global competition.

In the Electronics segment, for worldwide LCD shipment volume, LCD TVs surpassed 200 million units in 2011, and PC shipments totaled 350 million units, recording only modest growth. However, mobile phone shipments rose 11% year on year, due partly to growth for smart phones. Nevertheless, the domestic LCD TV market contracted sharply during the second half of the fiscal year, reversing demand growth through the first half driven by the switch to terrestrial digital broadcasting. Panel maker earnings fell sharply, due partly to stiffer competition with overseas companies, and although domestic panel makers moved forward with production cutbacks and business structure reforms, conditions were extremely difficult. Electronic devices were weak, as evidenced by a decline in hard disk production due to the impact of flooding in Thailand.

Overview

DNP sought to aggressively develop its business and deliver products and services tailored to the needs of its customers, based on its P&I Solutions business vision. It also pursued Production 21 activities to establish a robust production structure in all facets of production, including quality, cost, and delivery time, and it worked to secure earnings.

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

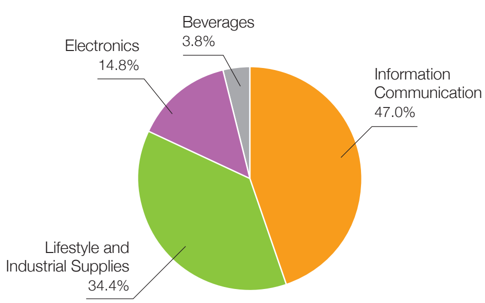
Display-related product earnings have deteriorated sharply, seriously affected by changes in business policies at main customers, including substantial production cutbacks in response to weak global LCD TV sales and surplus inventories at panel makers, as well as a decrease in the scale of production. To quickly respond to these changes in the order environment, DNP has pursued business structure reforms for LCD color filters and other display-related products, including the consolidation of production facilities and shift to products with growth potential. It also revalued these facilities based on future cash flow and recorded impairment losses of around ¥24.7 billion.

As a result, DNP's consolidated net sales fell 5.2% year on year to ¥1,507.2 billion in the year ended March 2012. Sales in the Information Communication segment fell 1.0%, due partly to a slump in the publications market and to lower sales of flyers, catalogs, and information processing services as a result of cutbacks in corporate expenditures and advertising. In the Lifestyle and Industrial Supplies segment, packaging sales rose above year-ago levels on higher sales of aseptic filling bottling systems for PET bottles, and decorative materials increased on a boost from firm housing starts. However, optical films for flat-panel displays fell sharply, resulting in overall segment sales declining 1.7%. Electronics segment sales dropped 21.5% on a sharp decline for color filters caused by the earthquake and global slump in LCD TV sales, and declines for photomasks and lead frames on account of weakness in the semiconductor market and the impact of flooding in Thailand. In the Beverages segment, although mineral waters increased, overall sales fell 9.5%.

Consolidated operating income fell 49.8% year on year, affected by substantially lower sales for display-related products on a sharp downturn in the business environment, and by a decrease in order prices and increase in raw material prices in all business segments. The consolidated operating income margin was 2.3%, down 2.0 percentage points. The consolidated ordinary income margin was 2.4%, down 1.6 percentage points. DNP incurred a net loss of ¥16.3 billion due partly to impairment losses on display-related product manufacturing equipment and other items.

Looking at the operating income margins in each business segment, the Information Communication segment was 2.2%, down 0.3 percentage points, as lower sales and unit prices eroded profitability. The Lifestyle and Industrial Supplies segment was 6.1%, down 2.7 percentage points, due to higher prices for films, resins, and other raw materials and lower sales of anti-reflection films for flat-panel displays. The Electronics segment posted an operating loss as a result of lower LCD color filter volume and decrease in unit prices. The Beverages segment was 2.3%, up 0.3 percentage points.

Net Sales by Segment
(year ended March 2012)



	2012.3	2011.3	2010.3
Net sales (¥ million)	**¥ 1,507,228**	¥ 1,589,373	¥ 1,583,383
Gross margin (%)	**17.3%**	19.0%	18.7%
Operating income margin (%)	**2.3%**	4.3%	4.2%
Ordinary income margin (%)	**2.4%**	4.0%	4.3%
Net income margin (%)	**–**	1.6%	1.5%
Net income (loss) per share (¥)	**¥ (25.39)**	¥ 38.86	¥ 36.13

Net sales

Net sales totaled ¥1,507.2 billion in the current fiscal year, down 5.2%, or ¥82.1 billion, from the previous year.

Information Communication

In the Books and Magazines business, the publications market continued to slump, and although book sales increased on a contribution from bolstering book production lines, magazine sales decreased. In the Commercial Printing business, sales decreased year on year as a slow recovery in corporate advertising expenditures resulted in generally weak sales of flyers, pamphlets, catalogs, and other products. In the Business Forms business, smart card sales were strong, including SIM cards, transportation cards, and electronic money, but overall sales decreased year on year on a decline for information processing services (ranging from data entry to printing and shipment of personal mail and other items). In the Education and Publications Distribution business, sales rose above year-ago levels, due partly to making Bunkyodo Group Holdings Co., Ltd. and Yushodo Co., Ltd. consolidated subsidiaries during the previous fiscal year. As a result, overall segment sales declined 1.0%.

Lifestyle and Industrial Supplies

In the Packaging business, sales increased year on year, driven by growth for PET bottle aseptic filling systems, PET bottle preforms, and flexible packaging that uses high-performance films. In the Lifestyle Materials business (includes decorative materials), sales increased year on year on growth for eco-friendly products that use DNP's proprietary Electron Beam coating technology.
In the Industrial Supplies business, despite growth for energy-related products, including lithium-ion battery soft packages and photovoltaic module back sheets, and for dye-sublimation thermal transfer printing media

for photo printers (color ink ribbons and receiver paper), overall sales decreased year on year on a decline for anti-reflection films used in flat-panel displays. As a result, overall segment sales declined 1.7%.

Electronics

In the LCD color filter business, sales of small and medium-sized filters for smart phones and tablets were strong, but overall sales were down sharply year on year as both volume and unit prices decreased for large filters used in TVs, due to a global slump in the LCD TV market. In the Electronic Devices business, amid tough conditions in the global semiconductor market, sales increased for high-density build-up wiring boards, but decreased for etched products, including photomasks and hard drive suspensions. As a result, overall segment sales declined 21.5%.

Beverages

Amid tough market conditions, characterized by weak consumer spending and stiffer sales competition, DNP worked to expand sales of Coca-Cola and Georgia, both core products, and I LOHAS, a brand of mineral water that uses "ecoru Bottle Shiboru," Japan's lightest PET bottle. As a result, although mineral waters increased, coffees and other products declined, and overall segment sales fell 9.5%.

Cost of Sales

The cost of sales totaled ¥1,246.9 billion, down 3.2%, or ¥40.7 billion, from the previous year. The gross margin was 17.3%, down 1.7 percentage points from 19.0%.

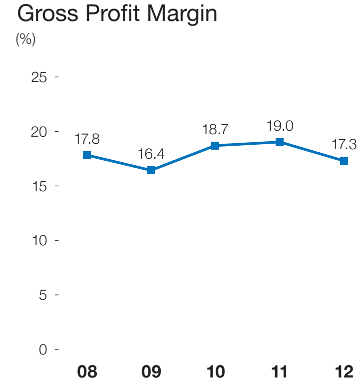
Naphtha prices rose by about 30% year on year due to a surge in crude oil prices from the outset of 2011, and prices increased sharply for petrochemical products, including films, resins, inks, and solvents. Consequently, higher prices for raw materials, mainly petrochemical products, had a ¥6.9 billion impact during the year. About 50% of this impact was passed through to product prices based on negotiations with customers.

The entire DNP Group has also been pursuing Production 21 activities since April 2002, working to reduce manufacturing costs while prioritizing efforts to enhance production efficiency, improve yields, reduce material losses, and shorten production preparation and lead times. As a result, DNP cut costs by ¥27.9 billion during the year.

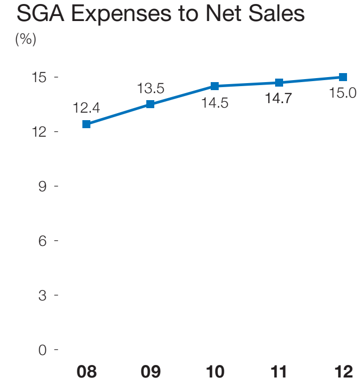
Selling, General and Administrative Expenses

DNP worked to reduce variable costs during the year by using information technology to enhance efficiency and by strengthening budget management. As selling costs also decreased as a result of lower sales, selling, general and administrative expenses totaled ¥226.3 billion, down 3.3%, or ¥7.6 billion, from the previous year. However, selling, general and administrative expenses accounted for 15.0% of net sales, up 0.3 percentage points from the previous year.

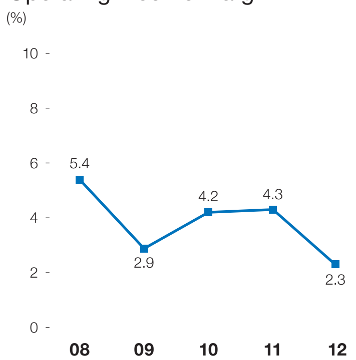
Gross Profit Margin



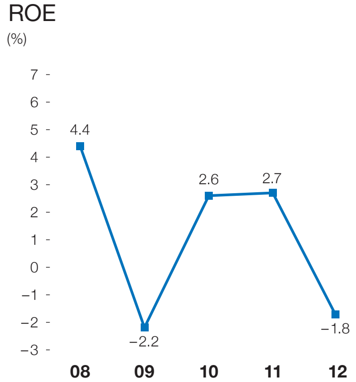
SGA Expenses to Net Sales



Operating Income Margin



ROE



Operating Income

Operating income totaled ¥34.0 billion, down 49.8%, or ¥33.8 billion, from the previous year, affected by sharply lower profits in the Lifestyle and Industrial Supplies segment and the Electronics segment due to a slump in the LCD market. The operating income margin was 2.3%, down 2.0 percentage points from 4.3% in the previous year.

The Information Communication segment had operating income of ¥15.5 billion, down 14.6%, or ¥2.7 billion, from the previous year, due to lower sales and unit prices on a decline in corporate advertising expenditures.
The Lifestyle and Industrial Supplies segment had operating income of ¥31.8 billion, down 32.0%, or ¥15.0 billion, due to higher prices for films, resins, and other raw materials and lower sales of anti-reflection films for flat-panel displays. The Electronics segment had an operating loss of ¥4.6 billion, down ¥16.9 billion, due to lower volume and unit prices for color filters on deterioration in the market environment.

Nonoperating Income (Expenses) and Extraordinary Income (Losses)

Nonoperating income totaled ¥11.0 billion, up 14.0%, or ¥1.4 billion, from the previous year; and nonoperating expenses totaled ¥8.2 billion, down 44.3%, or ¥6.6 billion. As a result, net nonoperating income was ¥2.8 billion.

Ordinary income totaled ¥36.8 billion, down 41.3%, or ¥25.9 billion, from the previous year.

Extraordinary income totaled ¥2.4 billion, down 46.1%, or ¥2.0 billion, from the previous year; and extraordinary losses totaled ¥36.6 billion, up 152.0%, or ¥22.0 billion, due partly to recording impairment losses of ¥24.7 billion, mainly for display-related product manufacturing equipment. As a result, net extraordinary losses totaled ¥34.2 billion, versus losses of ¥10.1 billion in the previous year.

As a result of the above, income before income taxes and minority interests totaled ¥2.7 billion, down 94.9%, or ¥50.0 billion, from the previous year.

Net Income (Losses)

As a result of the above, net losses totaled ¥16.4 billion, down ¥41.4 billion from income of ¥25.0 billion in the previous year.

Net losses per share were ¥25.39.

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

	2012.3	2011.3	2010.3
Cash flow from operating activities	¥ **108,603**	¥ 140,053	¥ 140,574
Cash flow from investing activities	**(80,126)**	(82,562)	(120,684)
Free cash flow	**28,477**	57,491	19,890

(¥ million)

Net cash provided by operating activities totaled ¥108.6 billion, down 22.5% from the previous year.

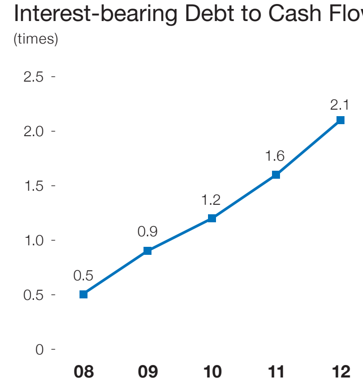
Net cash used in investing activities totaled ¥80.1 billion, down 2.9%, or ¥2.4 billion, from ¥82.6 billion in the previous year.

Net cash used in financing activities totaled ¥32.8 billion, down ¥48.0 billion from net cash provided of ¥15.2 billion in the previous year, due partly to a decline in proceeds from the issuance of unsecured debentures of ¥52.5 billion.

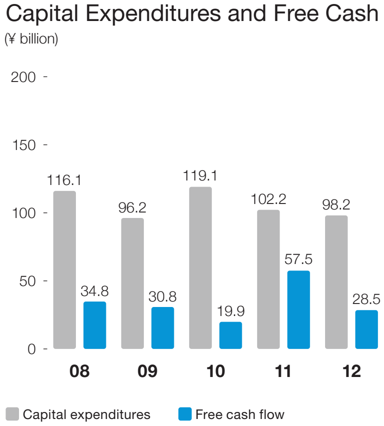
As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled ¥216.3 billion, down 2.6%, or ¥5.8 billion, from the previous year.

Free cash flow—i.e., net cash provided by operating activities minus net cash used in investing activities—was ¥28.5 billion, down ¥29.0 billion from ¥57.5 billion in the previous year.

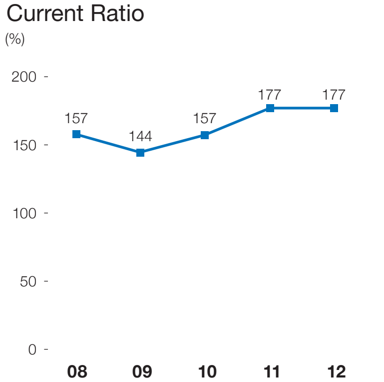
Interest-bearing Debt to Cash Flow Ratio



Capital Expenditures and Free Cash Flow



Current Ratio



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

DNP focuses capital expenditures on strategic areas and upgrading existing facilities to ensure competitive advantages. Capital expenditures this fiscal year totaled ¥98.2 billion, down 3.9%, or ¥4.0 billion, from the previous year. Key capital expenditures included construction of: the Tobata Plant in Fukuoka Prefecture to make lithium-ion battery soft packages, photovoltaic module back sheets, and other energy-related products;
the Tanabe Plant in Kyoto Prefecture to make high-performance packaging; and a new building at the Mihara Plant in Hiroshima Prefecture for flat-panel display surface films. By segment, capital expenditures in the Information Communication segment were ¥29.9 billion, up ¥9.0 billion from the previous year and accounting for 31% of total capital expenditures. The Lifestyle and Industrial Supplies segment was ¥39.5 billion, up ¥19.5 billion and accounting for 40%. The Electronics segment was ¥23.5 billion, down ¥33.0 billion and accounting for 24%. Other businesses were ¥5.3 billion, up ¥0.6 billion and accounting for 5%.

Depreciation totaled ¥95.8 billion, down 2.2%, or ¥2.1 billion, from the previous year. By segment, depreciation in the Information Communication segment was ¥24.0 billion, roughly on par with the pervious year and accounting for 25% of total depreciation. The Lifestyle and Industrial Supplies segment was ¥25.5 billion, down ¥0.5 billion and accounting for 27%.
The Electronics segment was ¥40.4 billion, down ¥1.4 billion and accounting for 42%. Other businesses were ¥5.8 billion, down ¥0.2 billion and accounting for 6%.

Research and development expenditures totaled ¥31.7 billion, down 4.4%, or ¥1.5 billion, from the previous year. DNP focuses on "business creation" research and development to find proper solutions to problems from the standpoint of consumers and pursues appropriate management of these results as intellectual property.

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.

	2012.3	2011.3	2010.3
Total assets (¥ million)	**¥1,608,806**	¥ 1,649,784	¥ 1,618,854
Current ratio (%)	**177%**	177%	157%
Working capital/net sales (%)	**23%**	22%	17%
Debt-to-equity ratio (%)	**26%**	25%	18%
Net assets per share (¥)	**¥ 1,352.71**	¥ 1,410.44	¥ 1,422.34

DNP's total assets at the end of this fiscal year amounted to ¥1,608.8 billion, down 2.5%, or ¥41.0 billion, from the previous year.

Among current assets, cash, cash equivalents, and time deposits totaled ¥217.5 billion, down 2.8%, or ¥6.3 billion, from the previous year. Trade receivables totaled ¥385.1 billion, down 4.7%, or ¥18.9 billion. Inventories of finished products, work in process, raw materials, and supplies totaled ¥151.1

billion, up 9.0%, or ¥12.5 billion. As a result, current assets totaled ¥783.0 billion, down 1.0%, or ¥8.0 billion.

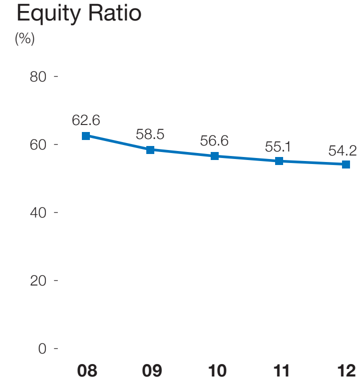
Among long-term assets, property, plant and equipment totaled ¥579.6 billion, down 5.7%, or ¥35.3 billion, from the previous year. Intangible assets totaled ¥38.0 billion, up 5.9%, or ¥2.1 billion. Investments and other assets totaled ¥207.4 billion, up 0.3%, or ¥0.5 billion. As a result, long-term assets totaled ¥825.0 billion, down 3.8%, or ¥32.6 billion.

Current liabilities totaled ¥443.2 billion, down 1.0%, or ¥4.6 billion, from the previous year. Long-term liabilities totaled ¥251.4 billion, up 0.7%, or ¥1.8 billion. As a result, total liabilities amounted to ¥694.6 billion, down 0.4%, or ¥2.8 billion.

Additionally, net assets totaled ¥914.2 billion, down 4.0%, or ¥38.2 billion.

DNP repurchased about 112.86 million of its shares between February 2003 and June 2008 and retired 59 million treasury shares during the five years from 2004 to 2008. As a result, as of March 31, 2012, the number of treasury shares totaled 55.89 million shares, or 7.98% of total shares outstanding of 700,480,693 shares.

Equity Ratio



Business Risks

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

The Company considers the following factors to be key risks, as of the publication date of this annual report.

The Japanese economy and consumption trends

DNP engages in a wide range of businesses with an extremely large number of customers. It conducts business so as not to be overly dependent on specific customers. The Company does most of its business in the Japanese market and overseas sales account for about 13% 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 is a strategic segment and the Company aims to secure stable profits by focusing on creating business strategies based on rigorous data collection, establishing a highly profitable production structure, and developing high-value-added products that are competitive in the market. However, it is possible that earnings in this segment could be affected by changes in the global markets for display and semiconductor products, including sharp fluctuations in demand and declines 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

DNP uses its printing and information technologies to develop and provide to a broad range of industries products, technologies, and services that meet the needs of corporate 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's business conduct is based on strict compliance with the law and social ethics. Both in Japan and overseas, our business is subject to a wide variety of laws and restrictions, including regulations related to product liability, monopolies, protection of personal information, patents, taxes, and international trade. It is possible that in the future, these regulations may become even more restrictive than they are now. At the same time, we expect that in some areas deregulation will lead to dramatic changes in markets and industry trends. Whether regulations are tightened or loosened, DNP's business activities may be affected by direct and/or indirect costs resulting from the need to adapt to such changes.

Environmental protection and stricter regulations

The Company 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 security and protection of personal information

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 Company 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

	2012	2011	2010	2009
Statements of Operations Data (¥ million)				
Net sales	¥ 1,507,228	¥ 1,589,373	¥ 1,583,383	¥ 1,584,844
Cost of sales	1,246,878	1,287,581	1,286,682	1,324,522
Gross profit	260,350	301,792	296,701	260,322
Selling, general and administrative expenses	226,335	233,973	230,187	214,145
Operating income	34,015	67,819	66,514	46,177
Ordinary income	36,843	62,786	68,841	47,390
Income (loss) before income taxes and minority interests	2,673	52,696	49,496	(27,842)
Net income (loss)	(16,356)	25,033	23,278	(20,933)
Balance Sheet Data (¥ million)				
Total assets	¥ 1,608,806	¥ 1,649,784	¥ 1,618,854	¥ 1,536,557
Property, plant and equipment – net	579,567	614,827	616,848	604,904
Long-term liabilities	251,414	249,575	190,045	126,671
Total liabilities	694,593	697,343	661,990	596,471
Total stockholders' equity	–	–	–	–
Stockholders' equity	888,650	925,702	921,775	917,348
Total net assets	914,213	952,441	956,864	940,086
Other Selected Data (¥ million)				
Capital expenditures	¥ 98,189	¥ 102,173	¥ 119,063	¥ 96,156
Depreciation expenses	95,829	97,977	91,695	106,883
R&D expenditures	31,690	33,147	33,850	34,112
Common Share Data (¥, shares)				
Earnings (loss) per share—primary	¥ (25.39)	¥ 38.86	¥ 36.13	¥ (32.35)
Earnings (loss) per share—fully diluted	–	–	–	–
Dividends paid per share	32.00	32.00	32.00	32.00
Book value per share	1,352.71	1,410.44	1,422.34	1,393.91
No. of common shares outstanding (exc. treasury shares)	644,062,928	644,142,530	644,238,930	644,357,076
Financial Ratios (%, times)				
As a percent of net sales:				
Gross profit	17.27%	18.99%	18.74%	16.43%
Selling, general and administrative expenses	15.02	14.72	14.54	13.51
Operating income	2.26	4.27	4.20	2.91
Income (loss) before income taxes and minority interests	0.18	3.32	3.13	-1.76
Net income (loss)	-1.09	1.57	1.47	-1.32
Return on equity	-1.84	2.74	2.57	-2.20
Current ratio	177	177	157	144
D/E ratio	26	25	18	14

2008	2007	2006	2005	2004	2003
¥ 1,616,053	¥ 1,557,802	¥ 1,507,506	¥ 1,424,943	¥ 1,354,101	¥ 1,309,002
1,327,872	1,268,072	1,202,160	1,121,374	1,073,118	1,043,456
288,181	289,730	305,346	303,569	280,983	265,546
201,077	193,585	184,676	183,041	178,545	175,665
87,104	96,145	120,670	120,528	102,438	89,881
86,502	101,348	124,715	120,485	97,276	88,177
88,469	98,950	114,640	107,686	93,137	42,244
45,172	54,842	65,188	59,937	52,971	28,774
¥ 1,601,193	¥ 1,700,250	¥ 1,662,377	¥ 1,600,129	¥ 1,513,734	¥ 1,450,027
639,343	635,784	568,966	528,009	513,175	540,874
106,691	118,437	118,287	115,801	119,277	66,821
561,058	600,811	571,170	566,796	510,970	484,581
–	–	1,063,309	1,007,944	978,736	942,083
990,122	1,027,475	–	–	–	–
1,040,135	1,099,439	–	–	–	–
¥ 116,139	¥ 162,886	¥ 136,059	¥ 86,057	¥ 69,834	¥ 73,789
109,902	100,161	87,264	80,440	85,182	89,239
35,556	30,113	28,692	26,386	26,050	24,097
¥ 67.08	¥ 78.10	¥ 91.23	¥ 82.56	¥ 71.49	¥ 37.80
–	–	–	–	–	37.67
36.00	32.00	26.00	24.00	21.00	19.00
1,516.35	1,544.02	1,507.90	1,409.18	1,348.40	1,270.81
661,366,377	694,226,171	704,972,101	715,076,830	725,677,422	741,161,150
17.83%	18.60%	20.26%	21.30%	20.75%	20.29%
12.44	12.43	12.25	12.85	13.19	13.42
5.39	6.17	8.00	8.46	7.57	6.87
5.47	6.35	7.60	7.56	6.88	3.23
2.80	3.52	4.32	4.21	3.91	2.20
4.35	5.14	6.29	6.03	5.52	3.02
157	166	178	186	197	171
8	6	6	7	7	6

Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Assets			
Current assets:			
Cash and cash equivalents (Notes 4 and 16)	¥ 216,280	¥ ¥222,057	$ 2,637,561
Time deposits (Note 16)	1,239	1,791	15,110
Trade receivables (Notes 10 and 16)	385,102	403,986	4,696,366
Allowance for doubtful receivables	(3,704)	(6,995)	(45,171)
Inventories (Note 6)	151,119	138,607	1,842,915
Prepaid expenses and other current assets (Notes 10 and 13)	32,921	31,497	401,475
Total current assets	782,957	790,943	9,548,256
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Notes 10 and 16)	21,186	22,104	258,366
Investment securities (Notes 5 and 16)	118,992	114,438	1,451,122
Other (Notes 10 and 16)	2,191	2,334	26,719
Total investments and advances	142,369	138,876	1,736,207
Property, plant and equipment, at cost (Notes 7 and 14):			
Land	142,150	138,650	1,733,537
Buildings	542,222	531,440	6,612,463
Machinery and equipment	975,517	1,028,119	11,896,549
Leased assets	39,107	33,516	476,915
Construction in progress	35,411	47,037	431,841
Total	1,734,407	1,778,762	21,151,305
Accumulated depreciation	(1,154,840)	(1,163,935)	(14,083,415)
Net property, plant and equipment	579,567	614,827	7,067,890
Other assets (Notes 7, 13, 14 and 16)	103,913	105,138	1,267,232
Total assets	¥ 1,608,806	¥ 1,649,784	$ 19,619,585

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

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Notes 7 and 16)	¥ 51,809	¥ 51,403	$ 631,817
Current portion of long-term debt (Notes 7 and 16)	6,308	11,019	76,927
Trade payables (Notes 10 and 16)	276,354	275,525	3,370,171
Accrued expenses (Note 10)	35,560	37,952	433,659
Income taxes payable (Note 13)	8,598	10,487	104,854
Other current liabilities (Notes 7, 10 and 13)	64,550	61,382	787,194
Total current liabilities	443,179	447,768	5,404,622
Long-term liabilities:			
Long-term debt (Notes 7, 10 and 16)	172,208	168,323	2,100,098
Liability for retirement benefits (Note 8)	33,230	39,261	405,244
Other long-term liabilities (Notes 7 and 13)	45,976	41,991	560,682
Total long-term liabilities	251,414	249,575	3,066,024
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	1,395,902
Capital surplus (Note 9)	144,898	144,898	1,767,049
Retained earnings (Note 9)	723,460	760,453	8,822,683
Treasury stock, at cost			
56,417,765 shares in 2012 and 56,338,163 shares in 2011 (Note 9)	(94,172)	(94,113)	(1,148,439)
Total stockholders' equity	888,650	925,702	10,837,195
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,370	833	53,293
Net deferred losses on hedges	(15)	(12)	(183)
Foreign currency translation adjustments	(21,776)	(18,000)	(265,561)
Total accumulated other comprehensive income	(17,421)	(17,179)	(212,451)
Share acquisition rights	16	16	195
Minority interests	42,968	43,902	524,000
Total net assets	914,213	952,441	11,148,939
Total liabilities and net assets	¥ 1,608,806	¥ 1,649,784	$ 19,619,585

Consolidated Statements of Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Net sales (Note 19)	¥ 1,507,228	¥ 1,589,373	$ 18,380,829
Cost of sales (Notes 11, 15 and 19)	1,246,878	1,287,581	15,205,829
Gross profit	260,350	301,792	3,175,000
Selling, general and administrative expenses (Notes 11, 15 and 19)	226,335	233,973	2,760,183
Operating income	34,015	67,819	414,817
Other income (expenses) (Note 12):			
Interest and dividend income	3,469	3,353	42,305
Interest expenses	(3,424)	(2,775)	(41,756)
Equity in earnings (losses) of affiliates	345	(413)	4,207
Foreign exchange transaction loss	(16)	(1,672)	(195)
Net loss on disposal of property, plant and equipment	(2,854)	(904)	(34,805)
Net gain on sales of investment securities	37	694	451
Loss on devaluation of investment securities	(1,150)	(436)	(14,024)
Impairment loss on fixed assets (Note 14)	(25,013)	(1,685)	(305,037)
Other	(2,736)	(11,285)	(33,365)
	(31,342)	(15,123)	(382,219)
Income before income taxes and minority interests	2,673	52,696	32,598
Income taxes (Note 13):			
Current	17,210	20,027	209,878
Deferred	2,301	8,003	28,061
	19,511	28,030	237,939
Net income (loss) before minority interests	(16,838)	24,666	(205,341)
Minority interests	482	367	5,878
Net income (loss)	¥ (16,356)	¥ 25,033	$ (199,463)

	Yen		U.S. dollars (Note 3)
	2012	2011	2012
Net assets per common share	¥ 1,352.71	¥ 1,410.44	$ 16.50
Net income (loss) per common share			
primary	¥ (25.39)	¥ 38.86	$ (0.31)

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Net income (loss) before minority interests	¥ (16,838)	¥ 24,666	$ (205,341)
Other comprehensive income			
Valuation difference on available-for-sale securities	3,697	(7,108)	45,085
Net deferred losses on hedges	(2)	(2)	(24)
Foreign currency translation adjustments	(4,196)	(5,023)	(51,171)
Share of other comprehensive income in associates accounted for using the equity method	(1)	(59)	(12)
Total other comprehensive income	(502)	(12,192)	(6,122)
Comprehensive income	(17,340)	12,474	(211,463)
Attributable to:			
Shareholders of parent company	¥ (16,596)	¥ 13,302	$ (202,390)
Minority interests	(744)	(828)	(9,073)

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, 2012 and 2011

		Millions of yen								
		Stockholders' equity				Accumulated other comprehensive income				
	Number of shares issued (in thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred losses on hedges	Foreign currency translation adjustments	Share acquisition rights	Minority interests
Balance at April 1, 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 valuation difference on available-for-sale securities	–	–	–	–	–	(7,227)	–	–	–	–
Changes in deferred losses on hedges	–	–	–	–	–	–	(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
Changes of items during the period										
Net loss	–	–	–	(16,356)	–	–	–	–	–	–
Cash dividends paid	–	–	–	(20,629)	–	–	–	–	–	–
Purchases of treasury stock	–	–	–	–	(76)	–	–	–	–	–
Disposal of treasury stock	–	–	–	(8)	17	–	–	–	–	–
Changes in valuation difference on available-for-sale securities	–	–	–	–	–	3,537	–	–	–	–
Changes in deferred losses on hedges	–	–	–	–	–	–	(3)	–	–	–
Changes in foreign currency translation adjustments	–	–	–	–	–	–	–	(3,776)	–	–
Changes in minority interests	–	–	–	–	–	–	–	–	–	(934)
Total changes of items during the period	–	–	–	(36,993)	(59)	3,537	(3)	(3,776)	–	(934)
Balance at March 31, 2012	700,480	114,464	144,898	723,460	(94,172)	4,370	(15)	(21,776)	16	42,968

		Thousands of U.S. dollars (Note 3)								
		Stockholders' equity				Accumulated other comprehensive income				
	Number of shares issued (in thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred losses on hedges	Foreign currency translation adjustments	Share acquisition rights	Minority interests
Balance at April 1, 2011	700,480	1,395,902	1,767,049	9,273,817	(1,147,720)	10,159	(146)	(219,512)	195	535,390
Changes of items during the period										
Net loss	–	–	–	(199,463)	–	–	–	–	–	–
Cash dividends paid	–	–	–	(251,573)	–	–	–	–	–	–
Purchases of treasury stock	–	–	–	–	(927)	–	–	–	–	–
Disposal of treasury stock	–	–	–	(98)	208	–	–	–	–	–
Changes in valuation difference on available-for-sale securities	–	–	–	–	–	43,134	–	–	–	–
Changes in deferred losses on hedges	–	–	–	–	–	–	(37)	–	–	–
Changes in foreign currency translation adjustments	–	–	–	–	–	–	–	(46,049)	–	–
Changes in minority interests	–	–	–	–	–	–	–	–	–	(11,390)
Total changes of items during the period	–	–	–	(451,134)	(719)	43,134	(37)	(46,049)	–	(11,390)
Balance at March 31, 2012	700,480	1,395,902	1,767,049	8,822,683	(1,148,439)	53,293	(183)	(265,561)	195	524,000

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,673	¥ 52,696	$ 32,598
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	95,829	97,978	1,168,646
Impairment loss on fixed assets	25,013	1,685	305,037
Provision for doubtful receivables (net)	(8,428)	1,146	(102,781)
Provision for retirement benefits (net)	(5,449)	(4,177)	(66,451)
Equity in (earnings) losses of affiliates	(345)	413	(4,208)
Amortization of consolidation goodwill (net)	3,335	2,554	40,671
Interest and dividend income	(3,469)	(3,353)	(42,305)
Interest expenses	3,424	2,775	41,756
Net gain on sales of investment securities	(40)	(694)	(488)
Loss on devaluation of investment securities	1,150	436	14,024
Net loss on disposal of property, plant and equipment	2,889	904	35,232
Decrease in trade receivables	18,727	48,851	228,378
(Increase) in inventories	(11,758)	(7,135)	(143,390)
Increase (decrease) in trade payables	2,828	(36,477)	34,488
Other	2,752	4,781	33,561
Sub-total	129,131	162,383	1,574,768
Payments of extra retirement payments	(943)	–	(11,500)
Payments of income taxes	(19,585)	(22,330)	(238,841)
Net cash provided by operating activities	108,603	140,053	1,324,427
Cash flows from investing activities:			
Net (increase) decrease in time deposits	539	(171)	6,573
Payments for purchases of property, plant and equipment	(74,673)	(89,846)	(910,646)
Proceeds from sales of property, plant and equipment	5,999	7,059	73,159
Payments for purchases of investment securities	(2,468)	(2,156)	(30,098)
Proceeds from sales of investment securities	277	11,095	3,378
Interest and dividend received	4,003	3,502	48,817
Other	(13,803)	(12,045)	(168,329)
Net cash used in investing activities	(80,126)	(82,562)	(977,146)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	678	(12,447)	8,268
Proceeds from long-term debt	7,025	14,699	85,671
Repayments of long-term debt	(6,260)	(9,786)	(76,341)
Proceeds from issuance of unsecured debentures	1,189	53,700	14,500
Payments for redemption of unsecured debentures	(2,603)	(306)	(31,744)
Interest paid	(3,270)	(2,660)	(39,878)
Dividend paid	(21,062)	(21,094)	(256,854)
Payments for purchases of treasury stocks	(77)	(118)	(939)
Other	(8,453)	(6,802)	(103,085)
Net cash provided by financing activities	(32,833)	15,186	(400,402)
Effect of exchange rate changes on cash and cash equivalents	(1,717)	(2,458)	(20,940)
Net increase (decrease) in cash and cash equivalents	(6,073)	70,219	(74,061)
Cash and cash equivalents at beginning of year	222,057	151,710	2,708,012
Cash and cash equivalents of newly consolidated subsidiaries	296	–	3,610
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	–	128	–
Cash and cash equivalents at end of year	¥ 216,280	¥ 222,057	$ 2,637,561

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, 2012 and 2011

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 statements 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 statements of changes in net assets. In addition, "net income before minority interests" is disclosed in the consolidated statements 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 2011 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. Eight subsidiaries whose fiscal years end August 31, one subsidiary whose fiscal year ends June 30 and one subsidiary whose fiscal year ends September 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 ($1,220) or more per unit and less than ¥200,000 ($2,439) 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 have 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.

Change of deferred tax assets and deferred tax liability by the change of effective statutory tax rate

"Act on the Partial Revision of the Income Tax Act for the Establishment of a Taxation System Responding to Structural Transformation of Economy and Society" and "Act on Special Measures for Securing Financial Resources Needed to Implement Measures to Recover From the Great East Japan Earthquake" were promulgated on December 2, 2011. By these acts, the effective statutory tax rate, which is used to calculate deferred tax assets and liabilities for the current year was changed from 40.7%, which was used as of March 31, 2011, to reduced rates. The new effective tax rates will be as follows, depending when the temporary difference will be realized.

From April 1, 2012 to March 31, 2015:	38.0%
On and after April 1, 2015:	35.6%

By this change, deferred tax assets net of deferred liability decreased by 3,823 million, deferred income taxes increased by 4,165 million and net unrealized gains on available-for-sale securities increased by 342 million, respectively.

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, 2012 and 2011, 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 of net loss in 2012.

Change in accounting policies

Application of "Accounting Standard for Accounting Changes and Error Corrections"

The Company applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, December 4, 2009) to accounting changes and corrections of prior period errors made on and after the beginning of the year ended March 31, 2012.

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 ¥82=U.S. $1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2012. 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, 2012 and 2011 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 216,280	¥ 222,057	$ 2,637,561

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, 2012 and 2011 were as follows:

Millions of yen

March 31, 2012	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 111,684	¥ 20,196	¥ 13,263	¥ 118,617
Others	392	1	9	384
Total	¥ 112,076	¥ 20,197	¥ 13,272	¥ 119,001

Thousands of U.S. dollars (Note 3)

March 31, 2012	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	$ 1,362,000	$ 246,293	$ 161,744	$ 1,446,549
Others	4,781	12	110	4,683
Total	$ 1,366,781	$ 246,305	$ 161,854	$ 1,451,232

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

The proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2011 were ¥166 million ($2,024 thousand) and ¥946 million, respectively. The gross realized gains on these sales for the years ended March 31, 2012 and 2011 were ¥79 million ($963 thousand) and ¥696 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2012 and 2011 were ¥42 million ($512 thousand) and ¥2 million, respectively.

The redemption schedules for securities with maturities classified as other securities at March 31, 2012 and 2011 were as follows:

Millions of yen

March 31, 2012	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	¥ 150	¥ 30	¥ 100

Thousands of U.S. dollars (Note 3)

March 31, 2012	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	$ 1,829	$ 366	$ 1,220

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

6. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 3) 2012
Finished products	¥ 91,912	¥ 87,446	$ 1,120,878
Work in process	39,356	31,585	479,951
Raw materials	19,851	19,576	242,086
	¥ 151,119	¥ 138,607	$ 1,842,915

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

Short-term bank loans at March 31, 2012 and 2011 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 0.75% per annum for 2012 and 0.74% per annum for 2011.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 3) 2012
Secured debentures			
1.05% due 2014	¥ 40	¥ 40	$ 488
1.05% due 2013	40	40	488
0.66~1.13% due 2012	–	87	–
Unsecured debentures			
1.358% due 2021	¥ 50,000	¥ 50,000	$ 609,756
1.705% due 2020	50,000	50,000	609,756
0.59~0.79% due 2017	240	–	2,927
0.59~0.79% due 2016	580	340	7,073
0.55~0.79% due 2015	1,580	1,340	19,268
0.59~1.67% due 2014	50,620	51,380	617,317
0.59~1.35% due 2013	620	380	7,561
0.65~1.75% due 2012	–	1,516	–
Mortgage loans, maturing 2012-2024	10,613	3,262	129,427
Unsecured loans, maturing 2012-2018	14,183	20,957	172,964
	178,516	179,342	2,177,025
Current portion of long-term debt	(6,308)	(11,019)	(76,927)
	¥ 172,208	¥ 168,323	$ 2,100,098

Finance lease obligations at March 31, 2012 and 2011 which are included in other long-term liabilities consisted of the following:

	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 3) 2012
Finance lease obligations	¥ 26,165	¥ 23,120	$ 319,085
Current portion of lease obligations	(7,987)	(7,662)	(97,402)
	¥ 18,178	¥ 15,458	$ 221,683

Mortgage loans were secured by property, plant and equipment and other assets amounting to ¥7,037 million ($85,817 thousand) and ¥14,985 million at March 31, 2012 and 2011, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 1.11% to 2.86% per annum for 2012 and ranged from 1.34% to 2.25% per annum for 2011, while interest rates on unsecured loans ranged from 0.64% to 2.35% per annum for 2012 and from 0.64% to 2.35% per annum for 2011.

The aggregate annual maturities of long-term debt after March 31, 2012 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2013	¥ 6,308	$ 76,926
2014	55,794	680,415
2015	10,162	123,927
2016	4,616	56,293
2017	1,054	12,854
2018 and thereafter	100,582	1,226,610
	¥ 178,516	$ 2,177,025

The aggregate annual maturities of finance lease obligations after March 31, 2012 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2013	¥ 7,987	$ 97,402
2014	5,953	72,598
2015	3,567	43,500
2016	1,251	15,256
2017	848	10,341
2018 and thereafter	6,559	79,988
	¥ 26,165	$ 319,085

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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	**2012**
Projected benefit obligation	¥ **191,217**	¥ 186,008	$ **2,331,915**
Fair value of plan assets	**(144,647)**	(132,698)	**(1,763,988)**
Unrecognized actuarial gain/loss	**(14,341)**	(16,010)	**(174,890)**
Unrecognized prior service cost	**(1,918)**	(1,526)	**(23,391)**
Prepaid pension cost	**2,919**	3,487	**35,598**
Net liability	¥ **33,230**	¥ 39,261	$ **405,244**

The components of net periodic benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	**2012**
Service cost	¥ **10,253**	¥ 10,227	$ **125,036**
Interest cost	**4,478**	4,291	**54,610**
Expected return on plan assets	**(3,297)**	(3,177)	**(40,207)**
Actuarial gain/loss	**3,281**	2,084	**40,012**
Amortization of prior service cost	**574**	2,147	**7,000**
Loss on plan assets	**999**	–	**12,183**
Other	**135**	142	**1,646**
Net periodic benefit costs	¥ **16,423**	¥ 15,714	$ **200,280**

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

	2012	2011
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 (expect 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 ¥10,313 million ($125,768 thousand) were approved at the general stockholders' meeting held in June 2012 with respect to the year ended March 31, 2012.

(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, 2012 and 2011 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Trade receivables	¥ **8,369**	¥ 5,396	$ **102,061**
Other current assets	**450**	538	**5,488**
Investment securities (stock)	**17,712**	16,355	**216,000**
Long-term loans	**2,884**	5,159	**35,171**
Other investments	**640**	590	**7,805**
Trade payables	**6,060**	4,102	**73,902**
Accrued expenses	**195**	269	**2,378**
Other current liabilities	**610**	724	**7,439**

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Salaries and allowances	¥ 67,659	¥ 66,754	$ 825,110
Accrued bonuses	5,265	5,980	64,207
Provision for retirement benefits	4,907	4,515	59,841
Depreciation	12,644	11,213	154,195
Research and development expenses	29,318	30,619	357,537
Other	106,542	114,892	1,299,293
	¥ 226,335	¥ 233,973	$ 2,760,183

Total research and development expenses (including manufacturing costs) amounted to ¥31,690 million ($386,463 thousand) and ¥33,147 million for 2012 and 2011, 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)
	2012	2011	2012
Interest and dividend income	¥ 74	¥ 103	$ 902
Leasing fees	191	203	2,329

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, 2012 and 2011, respectively.

In addition, the statutory tax rate would change from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015 and to 35.6% afterwards. These changes were caused by the revision of Income Tax Act in 2011. (Refer to 2. Significant Accounting Policies: Income taxes)

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, 2012 and 2011, respectively.

	2012	2011
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	(14.0)	(0.7)
Amortization of consolidation goodwill	30.8	1.3
Change in valuation allowance	591.5	11.7
Special tax credit	(1.7)	1.6
The effective income tax rate change	155.9	–
Other	(73.2)	(1.4)
Actual effective tax rate	730.0%	53.2%

Net deferred tax assets at March 31, 2012 and 2011, 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)
	2012	2011	2012
Prepaid expenses and other current assets	¥ 8,692	¥ 10,415	$ 106,000
Other assets	34,580	37,196	421,707
Other current liabilities	¥ (19)	¥ (8)	$ (232)
Other long-term liabilities	(1,963)	(2,628)	(23,939)
Net deferred tax assets	¥ 41,290	¥ 44,975	$ 503,536

Significant components of deferred tax assets at March 31, 2012 and 2011 were as follows :

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2012
Deferred tax assets:			
Excess provision for retirement benefits	¥ 15,241	¥ 18,919	$ 185,866
Loss on devaluation of investment securities	4,258	5,883	51,927
Excess provision for doubtful receivables	1,928	5,955	23,512
Accrued bonuses	5,659	6,686	69,012
Loss on write-down of inventories	1,437	986	17,524
Operating loss carryforwards	45,938	36,949	560,220
Impairment loss on fixed assets	12,910	9,641	157,439
Other	18,398	18,078	224,365
Total deferred tax assets	105,769	103,097	1,289,865
Less: valuation allowance	(53,239)	(45,929)	(649,255)
Total	¥ 52,530	¥ 57,168	$ 640,610
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (1,625)	¥ (329)	$ (19,817)
Reserve for special depreciation	(3,853)	(5,142)	(46,988)
Undistributed earnings of subsidiaries	(1,581)	(1,610)	(19,281)
Other	(4,181)	(5,112)	(50,988)
Total	¥ (11,240)	¥ (12,193)	$ (137,074)
Net deferred tax assets:	¥ 41,290	¥ 44,975	$ 503,536

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the years ended March 31, 2012 and 2011. 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, 2012 and 2011 were recognized in the amount of ¥25,013 million ($305,037 thousand) and ¥1,685 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 flows. The discount rate was mainly 10%. The recoverable amounts of the idle assets were measured at the net selling value. The carrying amounts of the idle assets were devalued to the nominal amount since calculation of its net selling value was difficult to measure and its future cash flows were negative. The losses on impairment of fixed assets for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2012
Buildings and structures	¥ 7,266	¥ 1,575	$ 88,610
Machinery and equipment	8,584	–	104,683
Construction in progress	8,987	–	109,598
Others	176	110	2,146
Total	¥ 25,013	¥ 1,685	$ 305,037

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 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2012
Acquisition cost	¥ 11,075	¥ 20,526	$ 135,061
Accumulated depreciation	(8,716)	(15,785)	(106,293)
Accumulated impairment losses	(325)	(235)	(3,963)
Net book value	¥ 2,034	¥ 4,506	$ 24,805

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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Lease expenses	¥ 2,147	¥ 4,041	$ 26,183
Reversal of allowance for impairment loss on leased assets	102	113	1,244
Lease impairment losses	6	2	73

The amounts of outstanding future payments under such finance leases due on March 31, 2012 and 2011, including the portion of interest thereon, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Future lease payments:			
One year or less	¥ 1,017	¥ 2,153	$ 12,403
More than one year	1,155	2,589	14,085
	¥ 2,172	¥ 4,742	$ 26,488

Operating Leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2012 and 2011 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Future lease payments:			
One year or less	¥ 5,658	¥ 3,935	$ 69,000
More than one year	26,869	16,865	327,671
	¥ 32,527	¥ 20,800	$ 396,671

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, 2012 and 2011 were as follows:

Millions of yen

March 31, 2012	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 217,519	¥ 217,519	¥ –
(2) Trade receivables	385,102	385,102	–
(3) Short-term and long-term investment securities	100,805	100,806	1
(4) Long-term loan receivables	1,765	1,606	
Allowance for doubtful receivables*1	(219)		
	1,546	1,606	60
Assets	704,972	705,033	61
(1) Trade payables	276,354	276,354	–
(2) Short-term bank loans	51,809	51,809	–
(3) Long-term debts	178,516	184,233	5,717
Liabilities	506,679	512,396	5,717
Derivatives*2			
[1]Hedge accounting is not applied	(514)	(514)	–
[2]Hedge accounting is applied	(20)	(81)	(61)
Total	¥ (534)	¥ (595)	¥ (61)

Thousands of U.S. dollars (Note 3)

March 31, 2012	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	$ 2,652,671	$ 2,652,671	$ –
(2) Trade receivables	4,696,366	4,696,366	–
(3) Short-term and long-term investment securities	1,229,329	1,229,341	12
(4) Long-term loan receivables	21,525	19,585	
Allowance for doubtful receivables*1	(2,671)		
	18,854	19,585	731
Assets	8,597,220	8,597,963	743
(1) Trade payables	3,370,171	3,370,171	–
(2) Short-term bank loans	631,817	631,817	–
(3) Long-term debts	2,177,025	2,246,744	(69,719)
Liabilities	6,179,013	6,248,732	(69,719)
Derivatives*2			
[1]Hedge accounting is not applied	(6,268)	(6,268)	–
[2]Hedge accounting is applied	(244)	(988)	(744)
Total	$ (6,512)	$ (7,256)	$ (744)

Millions of yen

March 31, 2011	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
(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)

*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, 2012	Carrying amounts	Carrying amounts
Unlisted equity securities	**¥ 18,024**	**$ 219,805**
Other	**172**	**2,098**

	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

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, 2012 and 2011 were as follows:

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

	Millions of yen		
March 31, 2012	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 7,405	¥ (268)	¥ (268)
Euro	2,044	(100)	(100)
	¥ 9,449	¥ (368)	¥ (368)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	¥ 1,200	¥ (124)	¥ (124)
Currency option contracts			
Buying Euro	¥ 169	¥ (7)	¥ (7)
Selling Euro	169	(14)	(14)
	¥ 338	¥ (21)	¥ (21)

	Thousands of U.S. dollars (Note 3)		
March 31, 2012	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	$ 90,305	$ (3,268)	$ (3,268)
Euro	24,927	(1,219)	(1,219)
	$ 115,232	$ (4,487)	$ (4,487)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	$ 14,634	$ (1,512)	$ (1,512)
Currency option contracts			
Buying Euro	$ 2,061	$ (85)	$ (85)
Selling Euro	2,061	(171)	(171)
	$ 4,122	$ (256)	$ (256)

	Millions of yen		
March 31, 2011	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 6,114	¥ (61)	¥ (61)
Euro	1,836	(85)	(85)
	¥ 7,950	¥ (146)	¥ (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)

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

March 31, 2012	Hedged items	Contracted amount (Millions of yen)	Fair value (Millions of yen)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	¥ 1,048	¥ (47)
Euro	Trade receivables	562	(31)
Payables:			
U.S. dollars	Trade payables	44	0
Japanese yen	Trade payables	233	(8)
		¥ 1,887	¥ (86)
Currency swap contracts			
Receive Japanese yen, and pay Danish krone:	Trade payables	¥ 43	¥ 3
Receive U.S. dollars, and pay Japanese yen:	Long-term loan payables	585	–
		¥ 628	¥ 3
Currency option contracts			
Buying U.S. dollars:	Trade receivables	¥ 42	¥ 2
Selling U.S. dollars:	Trade receivables	53	(1)
		¥ 95	¥ 1
Interest rate swaps	Long-term loan payables		
Receive floating and pay fixed	and corporate bonds	¥ 4,275	¥ –

March 31, 2012	Hedged items	Contracted amount (Thousands of U.S. dollars (Note 3))	Fair value (Thousands of U.S. dollars (Note 3))
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	$ 12,781	$ (573)
Euro	Trade receivables	6,854	(378)
Payables:			
U.S. dollars	Trade payables	537	0
Japanese yen	Trade payables	2,841	(98)
		$ 23,013	$ (1,049)
Currency swap contracts			
Receive Japanese yen, and pay Danish krone:	Trade payables	$ 524	$ 37
Receive U.S. dollars, and pay Japanese yen:	Long-term loan payables	7,134	–
		$ 7,658	$ 37
Currency option contracts			
Buying U.S. dollars:	Trade receivables	$ 512	$ 24
Selling U.S. dollars:	Trade receivables	646	(12)
		$ 1,158	$ 12
Interest rate swaps	Long-term loan payables		
Receive floating and pay fixed	and corporate bonds	$ 52,134	$ –

March 31, 2011	Hedged items	Contracted amount	Fair value
		Millions of yen	
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	¥ 1,175	¥ 0
Euro	Trade receivables	454	(24)
Payables:			
U.S. dollars	Trade payables	11	0
Japanese yen	Trade payables	32	(2)
		¥ 1,672	¥ (26)
Interest rate swaps	Long-term loan payables		
Receive floating and pay fixed	and corporate bonds	¥ 4,425	¥ –

The fair values of currency swap contracts subject to alternative method and interest rate swaps subject to exceptional accrual method are included in the fair values of hedged items, long-term debts, because such hedging instruments are embedded in the corresponding hedged items.

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 ¥56 million ($683 thousand) and ¥75 million at March 31, 2012 and 2011, 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, 2012 and 2011, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥704 million ($8,585 thousand) and ¥704 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 ¥807 million ($9,841 thousand) and ¥891 million at March 31, 2012 and 2011, 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						
	Segment report						
For 2012:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	Adjustment	Consolidated
Net sales and operating income							
Net sales							
Outside customers	¥ 708,531	¥ 516,818	¥ 224,810	¥ 57,069	¥ 1,507,228	¥ –	¥ 1,507,228
Intersegment	6,106	6,025	2	3	12,136	(12,136)	–
Total	714,637	522,843	224,812	57,072	1,519,364	(12,136)	1,507,228
Segment income	15,488	31,839	(4,647)	1,334	44,014	(9,999)	34,015
Segment assets	¥ 620,616	¥ 565,398	¥ 287,957	¥ 45,660	¥ 1,519,631	¥ 89,175	¥ 1,608,806
Others							
Depreciation and amortization	¥ 24,041	¥ 25,532	¥ 40,442	¥ 3,436	¥ 93,451	¥ 2,378	¥ 95,829
Amortization of goodwill	1,586	1,672	168	1	3,427	–	3,427
Impairment loss	235	–	24,773	5	25,013	–	25,013
Tangible/intangible fixed assets increased	29,905	39,520	23,503	3,865	96,793	1,396	98,189

	Thousands of U.S. dollars						
	Segment report						
For 2012:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	Adjustment	Consolidated
Net sales and operating income							
Net sales							
Outside customers	$8,640,622	$6,302,659	$2,741,585	$ 695,963	$18,380,829	$ –	$18,380,829
Intersegment	74,463	73,476	24	37	148,000	(148,000)	–
Total	8,715,085	6,376,135	2,741,609	696,000	18,528,829	(148,000)	18,380,829
Segment income	188,878	388,281	(56,671)	16,268	536,756	(121,939)	414,817
Segment assets	$7,568,488	$6,895,098	$3,511,671	$ 556,828	$18,532,085	$1,087,500	$19,619,585
Others							
Depreciation and amortization	$ 293,183	$ 311,366	$ 493,195	$ 41,902	$ 1,139,646	$ 29,000	$ 1,168,646
Amortization of goodwill	19,342	20,390	2,049	12	41,793	–	41,793
Impairment loss	2,866	–	302,110	61	305,037	–	305,037
Tangible/intangible fixed assets increased	364,695	481,951	286,622	47,134	1,180,402	17,025	1,197,427

	Millions of yen						
	Segment report						
For 2011:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	Adjustment	Consolidated
Net sales and operating income							
Net sales							
Outside customers	¥ 715,519	¥ 524,529	¥ 286,286	¥ 63,039	¥ 1,589,373	¥ –	¥ 1,589,373
Intersegment	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

(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 2012 : Net sales	Japan	Asia	Other region	Total
	¥ 1,314,934	¥ 133,477	¥ 58,817	¥ 1,507,228

Thousands of U.S. dollars (Note 3)

For 2012 : Net sales	Japan	Asia	Other region	Total
	$ 16,035,780	$ 1,627,768	$ 717,281	$ 18,380,829

Millions of yen

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

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2012 and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (all expressed in Japanese yen).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Report on Internal Control

We have audited management's report on internal control over financial reporting of the consolidated financial statements of Dai Nippon Printing Co., Ltd. as of March 31, 2012.

Management's Responsibility for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our audit. We conducted our internal control audit in conformity 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 management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Dai Nippon Printing Co., Ltd. as of March 31, 2012 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Meiji Audit Corporation

MEIJI AUDIT CORPORATION

Tokyo, Japan
June 28, 2012

Investor Information

(as of March 31, 2012)

Dai Nippon Printing Co., Ltd.

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

Established:
1876

Number of Employees (consolidated):
39,986

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):
25,254

Stock Exchange Listings:
Tokyo Stock Exchange

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	40,123	6.22
Japan Trustee Services Bank, Ltd. (Trust A/C)	31,244	4.85
The Dai-ichi Life Insurance Co., Ltd.	30,882	4.79
The Bank of New York Mellon as Depositary Bank for Depositary Receipts Holders	26,788	4.16
Mizuho Corporate Bank, Ltd.	15,242	2.36
Nippon Life Insurance Co.	14,349	2.23
Employees' Shareholding Association	13,646	2.12
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	12,843	1.99
Mizuho Bank, Ltd.	12,471	1.93
Japan Trustee Services Bank, Ltd. (Trust A/C 9)	7,437	1.15

Notes: 1. The number of treasury shares (55,894,120) is excluded from the figures above.
2. The ownership stakes are based on the total number of shares outstanding less treasury shares (644,586,573).

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
ETHIBEL PIONEER & EXCELLENCE
Morningstar Socially Responsible Investment Index

Stock Code:
7912

Administrator of Shareholder Register:
Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku,
Tokyo 103-8670, Japan

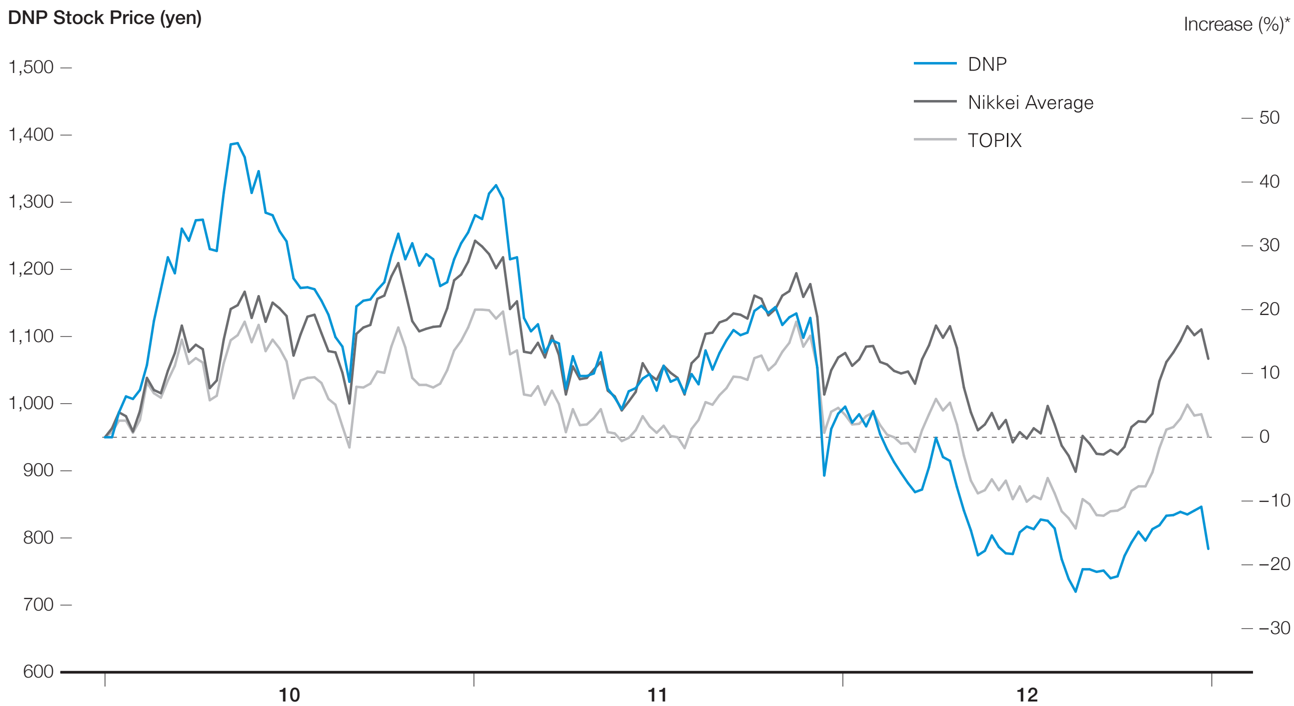
American Depositary Receipts:
Ratio (ADR:ORD): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: DNPLY
CUSIP: 233806306
Depositary:
The Bank of New York Mellon
101 Barclay Street, 22 West, New York,
NY 10286, U.S.A.
Telephone: (201) 680-6825
U.S. toll free: 888-269-2377 (888-BNY-ADRS)
URL: http://www.adrbnymellon.com/

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.
Corporate Communication Head Office
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, 2009 and March 31, 2012)



*Index 100 = March 31, 2009

Voting Rights

(as of March 31, 2012)

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	56,979,000	–
Stocks with voting rights (other)	Common stocks	641,288,000	641,287
Stocks with less than trading units	Common stocks	2,213,693	–
Outstanding shares		700,480,693	–
Total voting rights of stockholders		–	641,287

Treasury Stocks

(as of March 31, 2012)

Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	55,849,000	7.98
Kyoiku Shuppan Co., Ltd.	1,085,000	0.15
Total	56,979,000	8.13

Major Subsidiaries and Affiliates

(As of March 31, 2012)

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 Chubu Co., Ltd.	Film making, printing, bookbinding; production and sale of packaging	350	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
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, production 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
NBC Co., Ltd.*	Shipping	20	100.0 (100.0)
DNP Media Support Co., Ltd.	Production and sale of business forms	10	95.0
Others			
DNP Dream Pages Co., Ltd.	Production and sale of photobooks	400	100.0
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
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	51.0
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
FREPS Co., Ltd.*	Advertizing	25	98.0
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
Industrial Supplies			
DNP Photo Imaging Co., Ltd.	Investment in operating companies	100	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 Energy Systems 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	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 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
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

		Capital (¥ million)	Ownership ratio (%)
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			
Maruzen CHI Holdings Co., Ltd.	Investment in operating companies	3,000	53.0
Maruzen Co., Ltd.	Sale of books, magazines and stationery	4,821	53.0 (53.0)
Maruzen Bookstores Co., Ltd.	Sale of books, magazines and stationery	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 Book Services 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)
All About, Inc.	Operation of general information website and Internet advertising	1,169	32.1
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
mobilebook.jp, Inc.	Electronic publishing and distribution platform services (agency)	497	49.0
2Dfacto, Inc.	Development of e-books and terminals	490	60.0 (9.0)
VISUAL JAPAN. INC.*	Development, sale, and maintenance of computer softwares	435	86.8
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
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 softwares	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 materiais, 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

1.Terms Related to the DNP Group

■ Management Concept

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

■ Business Vision "P&I Solutions DNP"

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

Actions DNP should take in order to achieve our business vision and realize our management concept

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.

■ The DNP Group Code of Conduct

A set of codes underlying all types of activities that express DNP's corporate ethics. All DNP Group employees must obey these codes.

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

■ DNP Group's CSR

CSR (Corporate Social Responsibility) is generally defined as "the responsibilities of a corporation to society," but we at the DNP Group go further, viewing CSR as "being a company that is trusted by society."

By simultaneously meeting the three vital corporate responsibilities—"Value Creation," "Integrity In Conduct," and "Transparency (Accountability)"— we seek to continue being a trusted company.

1. Value Creation:
   Providing new value to society
2. Integrity in Conduct:
   Practicing fairness and impartiality in the value creation processes
3. Transparency (Accountability):
   Being a company that is accountable and highly transparent

2.Information Communication

■ 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 images or identification codes along with images of the surrounding environment, all of which are synthesized and displayed together with preregistered information such as 3D computer graphics.

A picture book using augmented reality

■ 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.

■ 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.

■ 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.

"Tall Vision" display consisting of 12 linked panels

Hybrid bookstore network

A service that sells both paper and electronic books by integrating DNP's "honto," e-book sales service, "bk1" online bookstore for printed books, and physical bookstore chain operators Maruzen, Junkudo and Bunkyodo. The service provides such features as a "recommend function" that suggests products a customer might like based on their previous purchase history from all three sales formats, a shared customer loyalty "point service" that allows customers to accumulate hybrid points regardless of which sales format they use, and an "electronic book shelf function" that displays all of the paper books and e-books a particular customer has purchased. The service has been fully operating since May 2012.

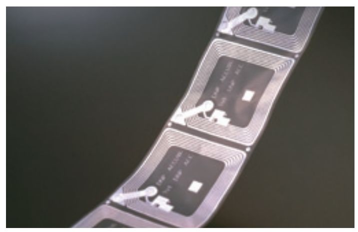
Maruzen's main bookstore in Tokyo's Marunouchi district

Hybrid production solutions

Comprehensive services, mainly aimed at publishing companies, including printing of paper books, print on demand (POD) of small-lot publications, and production of content for electronic publishing and distribution. These services make use of the technologies and expertise that DNP has accumulated as a company that began digitizing printing production processes in the early 1970s, produced the world's first electronic dictionary on CD-ROM in 1985, and currently porduces content for personal computers and mobile phones.

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.



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.

Personalized mail

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.

Near Field Communication (NFC)

A set of international standards for short-range wireless communication technology that is expected to be adopted in infrastructure which will be used in many countries. NFC is compatible with IC tags (ISO 15693) as well as three types of contactless communication: FeliCa type which has been widely used in Japan for some time, Type B which is used for Japanese government-issued ID cards, and Mifare (Type A) which is most widely used worldwide. Because of the possibility for two-way communication between devices that both have NFC capability, NFC is expected to be widely used in the future.

■ Pre-press

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 pre-press 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 post-press.

■ 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.

■ 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.

Smart card using Lippmann hologram

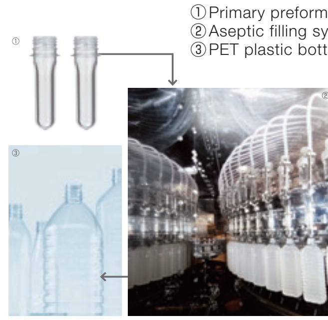
3.Lifestyle and Industrial Supplies

■ 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.



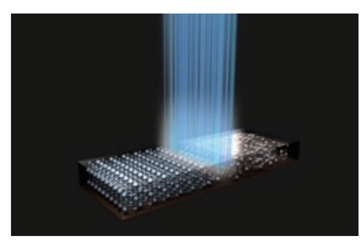
①Primary preform
②Aseptic filling system
③PET plastic bottle

■ 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 CO_2 absorbed by plants during their growing process cancels out the CO_2 emitted when the material is burned. Since biomass material is a renewable resource, supplies are expected to be stable.

■ EB (Electron Beam) coating technology

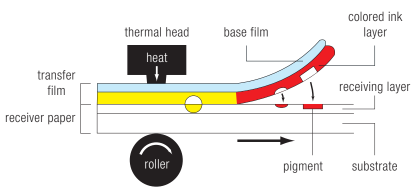
DNP's original technique for hardening a coat of resin by exposing it to electron beams. EB technology makes it possible to form films with greater surface hardness than products coated with urethane or UV-cured resin. It also makes it possible to provide products with superior abrasion and soil resistance, 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.



EB Coating (an image)

Ink ribbon

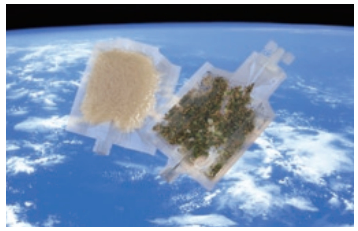
A rolled strip of film to which a thin, uniform layer of ink has been applied; used in thermal transfer printers. There are two types of thermal transfer printers. Heat from the thermal head of a thermal-resin type printer transfers ink from the ribbon by melting it, while dye-sublimation-type printers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



Dye-sublimation type thermal transfer printing media

IB (Innovative Barrier) film

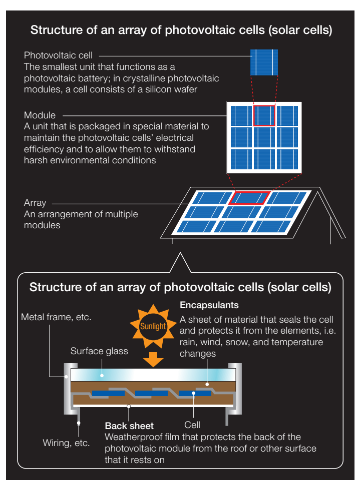
Packaging film made by DNP that is highly impermeable to water vapor and oxygen, highly transparent, and highly heat-resistant. It is used mainly for wrapping foods, medical supplies and pharmaceuticals, and electronic components. IB film is made by forming a thin, uniform coating of a material that 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.



Space food packaging

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.



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.

"Soft pack" for lithium-ion 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.

4.Electronics

B^{2}it (pronounced "bee-square-it")

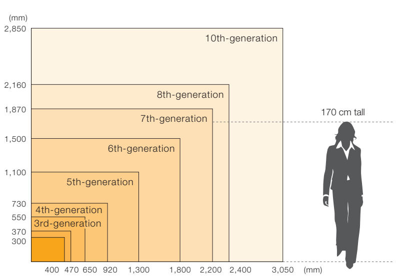
DNP's proprietary technology for connecting layers in a buildup board by using bumps of conductive paste formed by means of screen printing. A buildup board is a printed board made by alternating insulating layers and wiring layers.

Lead frame

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

■ Liquid crystal display (LCD) color filter

A component needed for colorizing 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.
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.



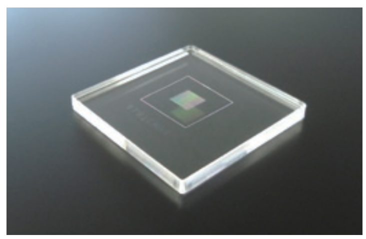
Relative sizes of glass substrates used in LCD panels

■ 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

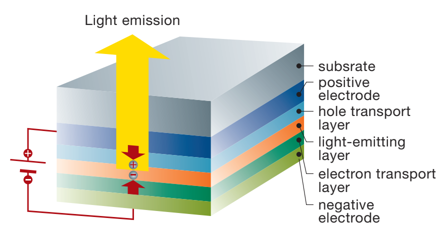
Nanoimprinting is a manufacturing process used to make next-generation semiconductor products. Making semiconductors by nanoimprinting entails pressing a template against a resin-coated silicon wafer so that the minute, nanometer-level pattern on the template is physically transferred to the resin. Because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



Master template for nano-imprinting

■ 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, because of its wider viewing angle and greater contrast.



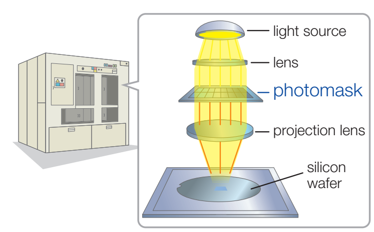
An example of basic structure of organic EL display

■ 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 masters 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 the next-generation photolithography techniques using extreme ultraviolet (EUV) rays as a new light source.

■ Semiconductor photomask

A photomask is a master 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.



Photolithography machine for making semiconductors

About the Illustration on the Cover of this Report

Lots of color and diversity is a good way to sum up a year's worth of DNP's business activities. I wrote "ANNUAL REPORT" in letters made of simple shapes broken up by a variety of colors. The design reflects DNP's current stance: looking back on the past year and at the same time pushing forward into a new round of day-to-day business.

Kenjiro Sano, Art Director

Born in Tokyo in 1972. Became Creative Director of Mr. Design Inc. after working for major Japanese advertising company Hakuhodo Inc. Notable works include the design of television commercials and graphic art for Toyota Motor Corp.'s "ReBORN Doraemon" series of commercials and Suntory Holdings Ltd.'s "Green Dakara" beverages and BOSS "Zero no Choten" canned coffee, character design promoting "LISMO!" music service for mobile phones by telecommunications carrier au by KDDI Corporation, "T Boo S!" for major broadcaster Tokyo Broadcasting System Television, Inc., and "Nyan Mage" for Edo Wonderland, and packaging for Mizkan Group Corp.'s "Torommame" brand of natto fermented soybeans.

www.mr-design.jp

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 Report" to shareholders

■ 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.

DNP Group CSR Report

■ 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.

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 CO_2 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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