

DNP

ANNUAL REPORT 2013





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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 54-63), "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

	2013	2012	2011	Dollars in thousands except per share amounts 2013	change 2013/2012
Statements of Operations (¥ million)				(\$ thousand)	
Net sales	¥ 1,446,607	¥ 1,507,228	¥ 1,589,373	\$ 15,389,436	-4.0%
Operating income	35,780	34,015	67,819	380,638	5.2%
Ordinary income	40,318	36,843	62,786	428,915	9.4%
Income before income taxes	35,152	2,673	52,696	373,957	1,215.1%
Net income (loss)	19,218	(16,356)	25,033	204,447	-
Balance Sheets (¥ million)				(\$ thousand)	
Total net assets	¥ 937,055	¥ 914,213	¥ 952,441	\$ 9,968,670	2.5%
Interest-bearing debt	227,211	229,664	229,140	2,417,117	-1.1%
Total assets	1,578,976	1,608,806	1,649,784	16,797,617	-1.9%
Cash Flow Statements (¥ million)				(\$ thousand)	
Cash flows from operating activities	¥ 100,498	¥ 108,603	¥ 140,053	\$ 1,069,128	-7.5%
Cash flows from investing activities	(72,588)	(80,126)	(82,562)	(772,213)	-
Cash flows from financing activities	(36,236)	(32,833)	15,186	(385,489)	-
Free cash flow*	27,910	28,477	57,491	296,904	-2.0%
Per Share Data** (¥)				(\$)	
Net income (loss)	¥ 29.84	¥ (25.39)	¥ 38.86	\$ 0.32	-
Net assets	1,386.86	1,352.71	1,410.44	14.75	2.5%
Cash dividend	32	32	32	0.34	-
Profit Margins (%)					
Operating income margin	2.47	2.26	4.27	2.47	0.21
EBITDA margin	8.21	6.76	9.65	8.21	1.45
Net income (loss) to net sales	1.33	-1.09	1.57	1.33	2.42
Financial Ratios					
ROE (%)	2.18	-1.84	2.74	2.18	4.02
ROA (%)	1.21	-1.00	1.53	1.21	2.21
D/E ratio (%)	25	26	25	25	-
Interest coverage ratio (times)	11.27	10.95	25.65	11.27	-
Valuations (against share price on March 31)					
PER (times)	29.70	-	26.07	29.70	-
PBR (times)	0.64	0.63	0.72	0.64	-
EV/EBITDA (times)	4.92	5.46	4.29	4.92	-
PCFR (times)	5.74	6.86	5.30	5.74	-
Dividend yield (%)	3.61	3.78	3.16	3.61	-0.17
Return to Shareholders					
Value of shares repurchased (¥ million)	-	-	-	-	-
Dividend payout ratio (%)	107.2	-	82.3	107.2	-
Others					
Long-term credit rating (R&I)	AA	AA	AA	AA	-
Foreign ownership (%)	21.12	23.20	24.54	21.12	-

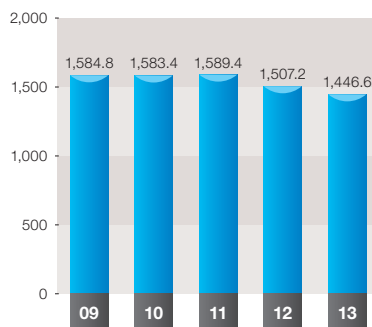
U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥94=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2013.

* Net cash from operating activities - net cash from investing activities ** No diluting securities outstanding

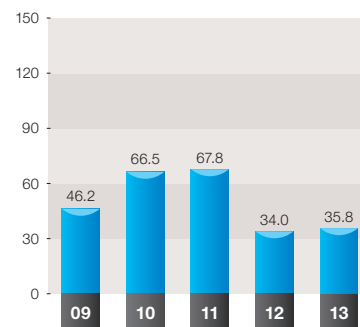
- Operating income rises on higher sales of high-value-added products, lower depreciation, and other factors
- Pursue cost structure reforms mainly in the Electronics segment
- Secure cash flows from operating activities of ¥100.5 billion and free cash flow* of ¥27.9 billion

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

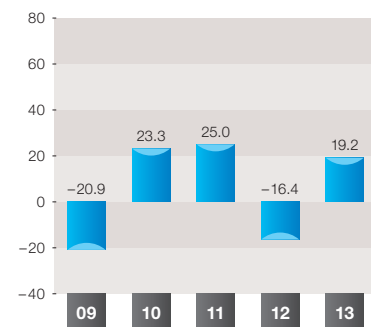
Net Sales
(¥ billion)



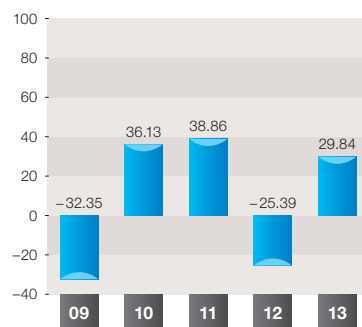
Operating Income
(¥ billion)



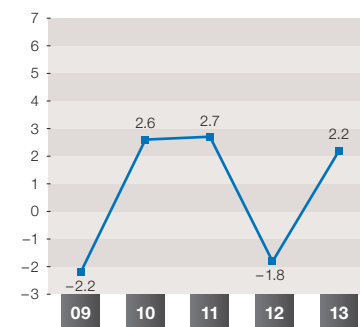
Net Income (Loss)
(¥ billion)



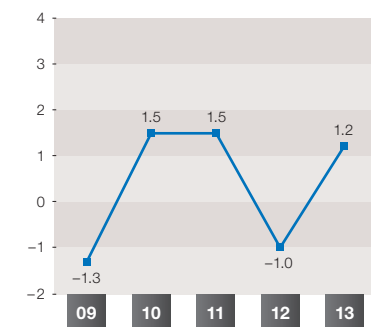
Net Income (Loss) per Share
(¥)



ROE
(%)

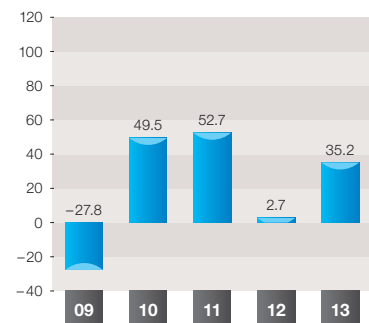


ROA
(%)



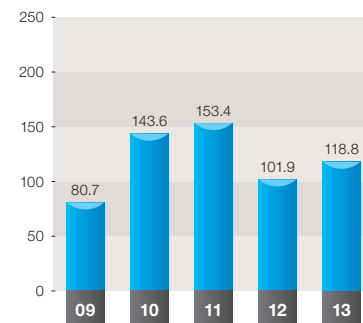
Income (Loss) Before Income Taxes

(¥ billion)



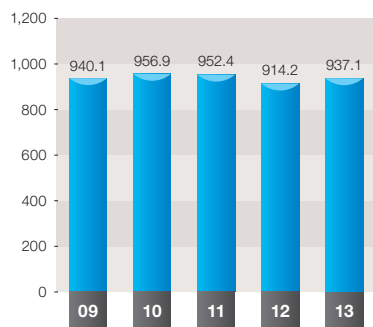
EBITDA

(¥ billion)



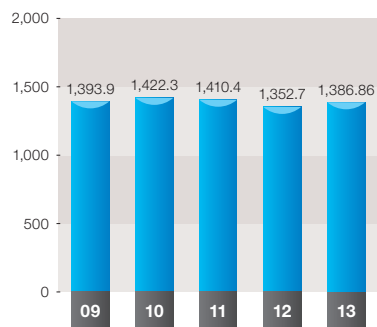
Total Net Assets

(¥ billion)



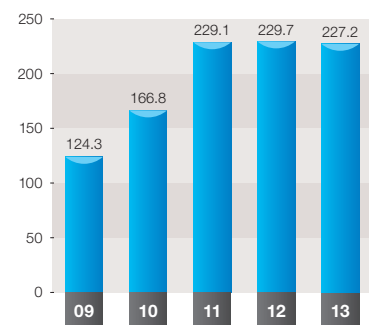
Net Assets per Share

(¥)



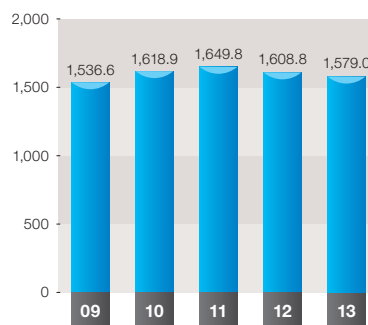
Interest-bearing Debt

(¥ billion)



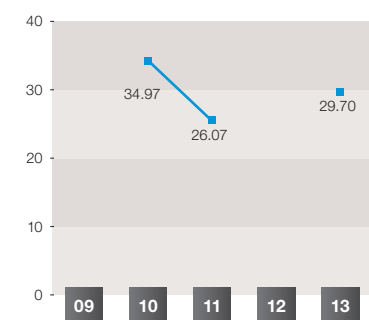
Total Assets

(¥ billion)



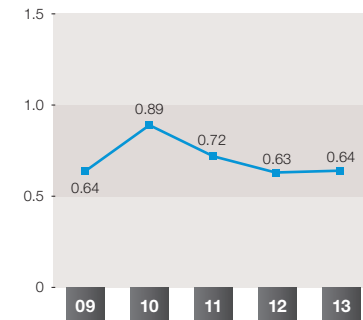
PER (Price Earnings Ratio)*

(times)



PBR (Price Book-value Ratio)

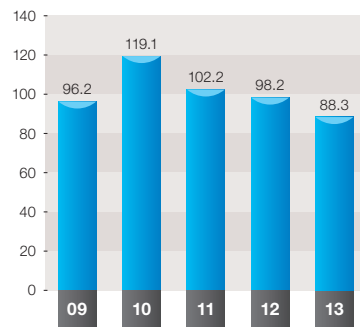
(times)



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

Capital Expenditures*

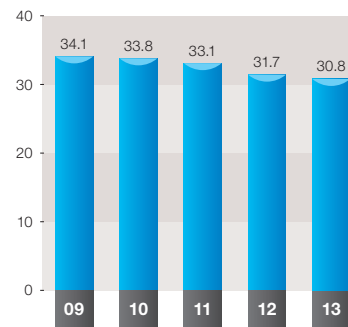
(¥ billion)



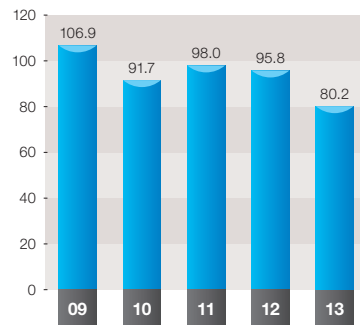
*Figures include capital expenditures for intangible fixed assets.

Research and Development Expenditures

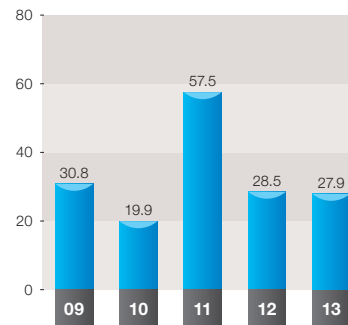
(¥ billion)

**Depreciation Expense**

(¥ billion)

**Free Cash Flow***

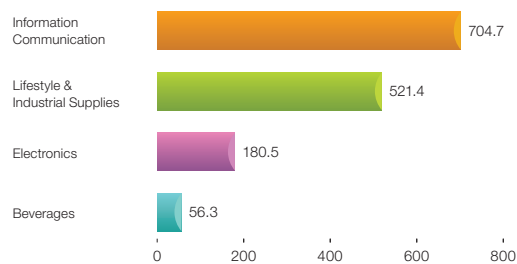
(¥ billion)



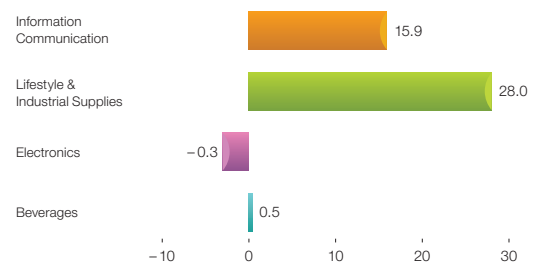
* Free cash flow = net cash from operating activities – net cash from investing activities

Net Sales by Segment (Year ended March 31, 2013)

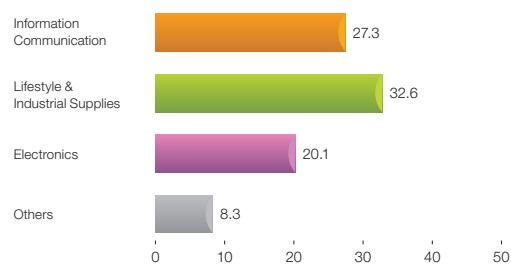
(¥ billion)

**Operating Income (Loss) by Segment** (Year ended March 31, 2013)

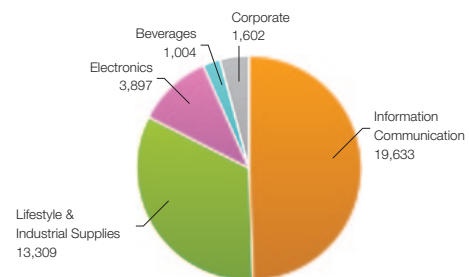
(¥ billion)

**Capital Expenditures by Segment** (Year ended March 31, 2013)

(¥ billion)

**Employees by Segment** (Year ended March 31, 2013)

(persons)



To Our Shareholders

“Today’s Innovation is Tomorrow’s Basic”

Increasing Corporate Value by Contributing to Society’s Development

Today’s society is undergoing dramatic changes, and we need to respond appropriately to the multitude of issues that people face in Japan and around the world. Some say that Japan, in particular, has an increasing need to deal with “ultra-modern problems,” such as improving quality of life in an “ultra-aging” society and finding solutions to energy and environmental preservation issues. Our situation presents an opportunity to be the first country in the world to address these problems and find solutions for them. By being quick to recognize these types of issues and to find effective solutions, DNP aims to contribute to the sustainable development of society and, by extension, to increase our own corporate value.

Today, inspired by our awareness that “Today’s Innovation is Tomorrow’s Basic,” DNP is working on developing new products and services that provide businesses and consumers with solutions to their problems that will allow them to enjoy affluence, safety, and security.

Creating tomorrow’s “basic” means making sure that the products and services that solve people’s problems are always near at hand. The things that we take for granted today are the result of someone in the past having had a vision and taking the steps required to make that vision a reality. DNP is continuously looking

into the future and creating things that people will later come to take for granted—things they will depend on and benefit from even if they are never aware of their existence.

This year we explored and analyzed a variety of topics and defined four areas in which we expect to see major growth and in which we can best take advantage of DNP’s skills and experience.

In the first area, “information distribution,” we aim to improve the convenience with which information is safely and comfortably exchanged with the rest of the world. Through “health and medical care,” we want to improve safety in order to support healthier, higher quality lives. In the area of “environment and energy,” we want to guard the Earth’s environment and sustain our ability to enjoy its blessings, while in the area of “comfortable living,” we will strive to help people cooperate and live healthy, satisfying lives with greater comfort.

We intend to respond appropriately to the needs of domestic and global markets pertaining to these four growth areas and by doing so, to expand our worldwide business. In this way, we will do our very best to contribute to the development of society and earn the trust of our shareholders and other stakeholders.

Yoshitoshi Kitajima
President





Interview with the President



Please start out by telling us about DNP's business performance.



Looking back at the fiscal year ended March 2013, we saw movement toward economic recovery in Japan, partly due to demand related to reconstruction in the aftermath of the Tohoku-Pacific Ocean Earthquake. However, Japan was also affected by fiscal crisis in Europe and economic slowdown in developing countries. In addition, although Internet advertising increased, demand for printed materials was sluggish, and policy changes by electronics manufacturers also had a major impact. In sum, the business environment remained harsh.

Given these conditions, I think we succeeded in executing a major turn toward improving our bottom line. In order to expand our business by combining the strengths we have acquired to date, and in order to boost profitability and efficiency by eliminating waste, we merged the two business units that previously made up our Electronics segments into one, and we merged the three divisions that previously made up our Information Communication segment into one unit. In addition, we worked to boost production efficiency by seeking the most suitable production sites nationwide through a new integrated production control center that serves the Information Communication segment, Packaging Operations, and other manufacturing divisions. At the same time, we worked on enhancing our domestic and overseas production frameworks by selectively closing and/or integrating production plants.

We have also been actively developing new products and services. We launched a joint project with Nihon Unisys, Ltd., with whom we formed a business alliance in August 2012, and as of this writing the project has already made hundreds of joint proposals. In addition to accelerating overseas development of businesses like packaging and information media supplies, we are also focusing on developing new products that take advantage of our strength in EB coating technology and optical films. And we are expanding our “honto” hybrid bookstore network that links physical bookstores, online mail-order sales, and e-book sales services.

In the fiscal term through March 2014, we will continue to implement growth-oriented initiatives and contribute to the development of society by generating new products and services that solve problems faced by corporate clients, consumers, and society. At the same time, we will increase DNP's corporate value.



What are DNP's growth strategies?



In order for the DNP Group to keep growing into the future, we need to continually generate fresh responses to each new era and we must undergo “business structure reform” that will allow us to take the initiative to create new things that people will view as “basic” in the future. And in order to realize that goal, we must implement thorough “cost structure reform” so that we can secure optimal management resources and use them effectively.

Looking first at “**business structure reform**,” we plan to implement the following three initiatives:

(1) Be quick to discover issues by looking at things through consumers' and society's point of view

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 those problems. Since our corporate vision is to be a provider of solutions, it is more important than ever that we be quick to notice all types of changes, propose hypotheses, and keep a step ahead of corporate clients and consumers in making suggestions.

It is also important that when we do this, we look at things from both a “social point of view” that takes a broad view of time and space and distinguishes overall social problems, as well as a “consumer's point of view” that takes in the details of individual realities based on daily life experiences. When every single DNP employee is actively involved in society and in markets from both of these perspectives, we will have more opportunities to discover issues, and this in turn will help us to provide more effective solutions.

(2) Generating new strengths through cooperation and combination

When we work on developing solutions, we must aim for maximum effect and find ways to satisfy our corporate clients and consumers. Toward that end, in addition to mobilizing all of the strengths that we already possess, we must also generate new strengths.

DNP is known for its ability to sell. We also have so much technological strength and production capacity that we were able to develop and apply our printing technologies broadly enough to become one of just a handful of comprehensive printing companies in the world. We have

been acquiring project planning skills for more than 40 years, since we established a division that specializes in project planning in 1968. Now we intend to combine these various strengths in order to generate new strengths. In order to quickly and correctly develop new products and services and establish new business models, we actively incorporate independence and a spirit of innovation into our corporate culture and blend these assets with our existing strengths so that we can generate strengths that never existed before.

(3) Promoting research and development aimed at business creation

Today, as DNP works to develop products and services that will be mainstays of our future business, we position research and development aimed at business creation as one of our major concerns. We will keep working to generate new businesses by thinking outside the box and promoting innovative ideas, and we will take care to properly manage and make use of the intellectual property that results from these efforts.

In October 2012 we established Business Development Center dedicated to ideas that we expected to be able to commercialize within a few years, with the aim of speeding up our research and development. In order to actively generate new businesses, we aim to link the R&D sections of business units that are working on relatively short-term projects with our Research and Development Center, which pursues longer-range projects.

Meanwhile, regarding “cost structure reform,” we will continuously enlist the entire DNP Group in promoting the establishment of production frameworks based on overall optimization. We intend to thoroughly review our existing business processes, construct more efficient production systems, and work on boosting both quality and cost competitiveness. These efforts will include the acceleration of measures like integrating business units and reviewing production locations as we aim to maximize production efficiency.



Please explain what you mean by “Today’s Innovation is Tomorrow’s Basic.”



Our corporate vision is to be a printing and information solutions provider. Based on that goal and the growth strategies that I just described, we use this catchphrase—“**Today’s Innovation is Tomorrow’s Basic**”—to represent our efforts to increase DNP’s corporate value.

We are surrounded by “basic” products and services that solve a variety of problems for us in our daily lives. But if we really think about it, these things are not at all basic—in fact they are very valuable. First someone had to clearly identify a problem and tease out the most appropriate way to solve it. Then someone had to shape it into a product or service, get a large number of people to adopt it, and keep it going in a sustainable way that places minimal burden on the environment. Only after investing effort in all of these steps do we create something “basic” that people will eventually take for granted.

In the process of expanding our fields of business by applying and developing printing technologies, DNP has already created a number of products and services that people now consider to be “basic.” Today there are a large number of problems that await solutions both in Japan and elsewhere, in various fields of business, in people’s personal lives, and in society in general, and we believe we should set about solving those problems from a global point of view.

To start with, we organized problems with greater social significance into categories and established themes to help us find solutions that make good use of DNP’s strengths.

These themes are “information distribution,” “health and medical care,” “environment and energy,” and “comfortable living.” We view these as areas with good growth potential, and we have begun actively engaging in related business activities.

■ **Information distribution:** We aim to improve the convenience of accessing information that safely and comfortably connects us with the rest of the world. Amidst the backdrop of increasingly complex information societies, DNP creates “basic” products and services that allow people to safely and reliably exchange the information that they want, when they want it, and in the format in which they want it.

■ **Health and medical care:** By pursuing safety that underpins healthy, high-quality lifestyles, and by maintaining healthy habits throughout our lives, more people will be able to keep their good health and we can make a vibrant aging society a “basic” reality.

■ **Environment and energy:** In order to protect the Earth’s environment and make our enjoyment of its blessings more sustainable, people are moving forward with the use of renewable sources of energy in place of petroleum and other diminishing resources, thereby creating a “basic” reality in which our planet’s environment is properly protected.

■ **Comfortable living:** We aim to increase the level of comfort with which people work together and live healthy, satisfying lives, i.e. to create a “basic” reality in which people actively participate in their local communities and enjoy “smart” and pleasant lifestyles that are easy on the environment.

We intend to move forward with problem-solving and new business creation related to these four growth areas that we have targeted.



What specific initiatives will each business unit undertake in order to achieve growth?



Our printing business’s three business segments grew out of the development and application of printing technologies. Each segment has different properties, and together they form a well-balanced business portfolio. Together, they can even withstand the impact of dramatic changes in the business environment and allow us to maintain stable overall business performance.

In order to maintain this robust corporate structure, we intend to implement the following measures with an eye toward medium- and long-term growth.

■ Information Communication

This segment goes beyond printing on paper and, as its name suggests, engages in businesses related to every aspect of “information” exchanged between corporations and consumers and every aspect of “communication.” By addressing all types of information communication-related businesses, we can greatly expand our growth potential.

For example, today’s consumer comes in contact with a variety of information media. Increased use of smart phones and other mobile devices has led to more active use of network-based information services and in-store media such as digital signage. One-sided communication has given way to interactive communication as the standard, leading to increasing demand for data centers that can make use of big data while providing complete protection for personal information.

We will maintain an accurate grasp of this evolving situation, and focus on expanding businesses that make use of our strength in providing “hybrid” solutions that involve both paper and electronic media.

■ Lifestyle and Industrial Supplies

This segment is closely involved in corporate clients’ manufacturing processes and provides products that are vital to the daily life of consumers. We will focus on developing new products that respond precisely to the needs of corporate clients and consumers. In addition, we will construct optimal production frameworks in Japan and overseas and develop our businesses on a global scale.

In our packaging business, for example, in addition to optimizing our domestic production framework, we are expanding overseas production by building a new plant in Vietnam and increasing capacity at our plant in Indonesia in response to growth in packaging demand, which is occurring primarily in Southeast Asia. We have already won the top share of Indonesia's packaging products market, and by 2015, we aim to become Southeast Asia's number one packaging provider. One of the steps we are taking toward this goal is to increase overseas sales of packaging products by 50%. Regarding information media supplies, we plan to build a new plant in Malaysia to manufacture photo printing supplies, and to increase capacity at our Pittsburgh plant in the U.S., which makes barcode printing supplies.

At the same time, we will accelerate development of new products, such as optical films based on our original optical design technologies and lifestyle materials that make use of DNP's unique electron beam (EB) coating technology. We will respond to demand for "smart cities" and "smart houses," etc. by increasing cooperation between development teams in our various business units. For example, we will combine our strength in optical films with Energy Systems Operations' strength in making battery components and Lifestyle Materials' strength in interior materials.

■ Electronics

This segment has continued to face a harsh business environment due to stagnation in worldwide demand for liquid crystal displays and electronic devices and the resulting major changes in manufacturers' strategies. In response to this situation, we have taken various steps to improve profitability, including shifting our focus to small- and medium-sized color filters, expanding sales of touch panel sensors and other new products, consolidating manufacturing plants and optimizing production equipment, and integrating business units. As a result, we saw a sharp upturn in this segment's performance in the second half of the fiscal term through March 2013, and we are expecting it to post 7.0 billion yen in operating income in the term through March 2014.

We plan to hold off on major equipment investment for the time being, but we will continue to make active use of our existing facilities and the technologies and expertise that we have accumulated to date in order to develop new products aimed at expanding profits.



What is your approach toward returns to shareholders and corporate governance?



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 enhancement of our financial constitution and strengthening of our management base. We allocate retained earnings primarily to fund investments 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 investments help build corporate value in the medium and long term, and ultimately help us return profits to shareholders.

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

Furthermore, we view corporate governance as an important management responsibility. We intend to build, operate and maintain proper 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 DNP's corporate value through our business activities. We look forward to your continued support and cooperation.



▶ Special Feature:

DNP's Growth
Strategies

“Today's
Innovation is
Tomorrow's
Basic”

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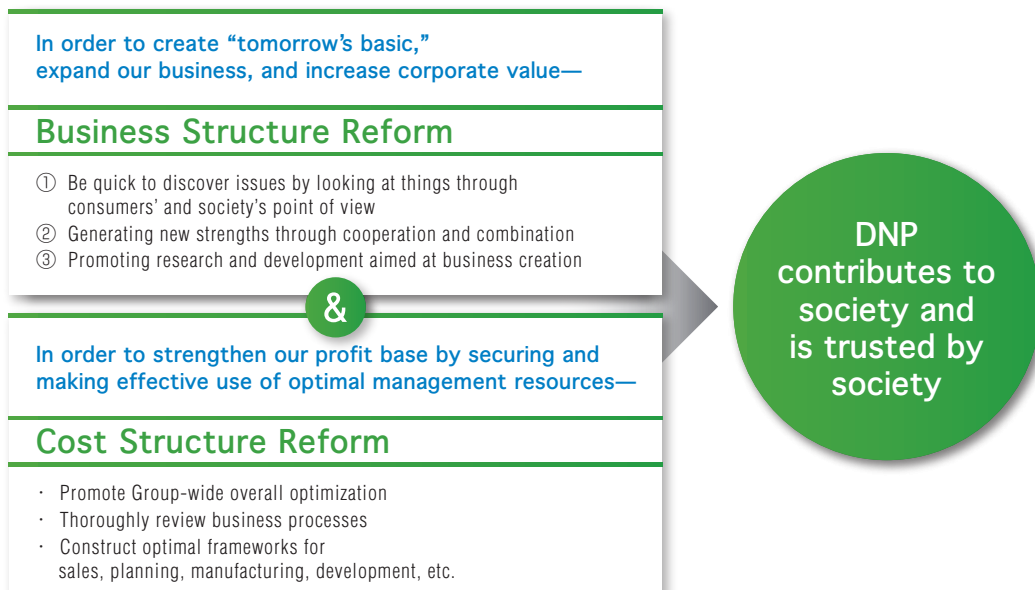
What do we mean by “basic?”

At DNP, we believe it would be wonderful if “basic” meant that everyone—all over the world—can lead a healthy, rich life together with family and friends, safely protected and truly at peace.

Amid the dramatic changes occurring in today’s society, we feel pressured to rethink what we have considered “basic” until now. If it seems that placing heavy burdens on the environment, damaging our health, and taking the comfort out of communication have become “basic,” then we need to change.

Looking at the world from the viewpoint of consumers, society, and the entire planet, DNP classifies and analyzes various problems and depicts “tomorrow’s basics” that would be desirable for humankind. When we do so, we also give full consideration to how we can use our own technologies and expertise to help solve problems, to how we can expect significant growth in our business, and to how this will lead to improving DNP’s corporate value.

At this juncture we have established four areas in which to cultivate “tomorrow’s basic”: information distribution, health and medical care, environment and energy, and comfortable living. DNP will set about creating value in these areas overseas as well as in Japan, i.e. working to develop new products and services that solve problems for businesses, consumers, and society.





Special Feature: **DNP's Growth Strategies**
"Today's Innovation is Tomorrow's Basic"

Four Growth Areas Where DNP Will Concentrate on Creating Value

In order to create "tomorrow's basic," we need to have a clear vision of what people want the future to look like. There are many possible scenarios of what the future might be like, but it's impossible to accurately predict what will actually happen.

At DNP, we believe we can participate in the creation of a desirable future by clearly identifying the problems that consumers, society, and the whole world want solved and by proposing optimal solutions for those problems.

We began the process of creating new value that will be "tomorrow's basic" by sorting and analyzing the problems we face. Next, we focused on fields in which DNP can help solve problems by making use of the technologies and human resources that are our strengths, and we established four growth areas that we feel we should make our first priorities: information distribution, health and medical care, environment and energy, and comfortable living. As these areas influence each other, they will form an even bigger business field.



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 new products and services and innovative systems. DNP's technologies and expertise played important roles in the creation of many products that are taken for granted today, such as weekly magazines, electronic dictionaries, smart cards, and holograms. DNP products and services are also indispensable to a variety of other items that we use in everyday life, including advanced packaging products that protect foods and household items, scratch-resistant wall and floor coverings, and components for devices such as smart phones and tablet PCs.

The company's motto at the time of its founding, "Run a civilized business," expresses the strong desire of DNP's founders to contribute to the development of society. This desire has been passed down to us as what we call the "DNP spirit" that inspires us to continually take on challenges in our daily work.

The diagram below shows how DNP can use its strengths to contribute to value creation in four areas that are expected to grow. Overseas as well as in Japan, DNP intends to continue providing new value for corporate clients, consumers, and society by solving the types of problems mentioned below.





Special Feature: **DNP's Growth Strategies**
"Today's Innovation is Tomorrow's Basic"

Providing comprehensive energy solutions that support the generation, storage, and conservation of energy

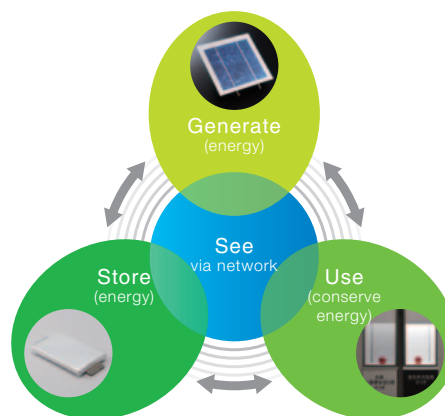


Environmental and energy-related problems are worldwide social problems that need to be solved. DNP will continue to respond by providing comprehensive energy solutions.

We already mass-produce components that increase the conversion efficiency of photovoltaic cells in order to generate energy, and we already mass-produce soft packs for lithium-ion batteries to store energy. We address conserving energy by offering products like decorative materials with outstanding thermal insulation and light blocking performance, which can be used to make efficient use of light, heat, and other forms of energy.

These environment and energy-related solutions can be made even more effective through optimal information management. For example, our information distribution technologies and expertise can be put to effective use in monitoring the status of actual generation, storage, and conservation of energy relative to our goals in order to maximize the effectiveness of our efforts. One example of how we do that is through our "Making Energy Visible" system.

In addition to developing diverse products and services that make use of unique DNP abilities—including optical design technologies, electron beam technology, and information processing technologies—we combine those products and services to offer total systems that meet the needs of corporate clients and consumers.



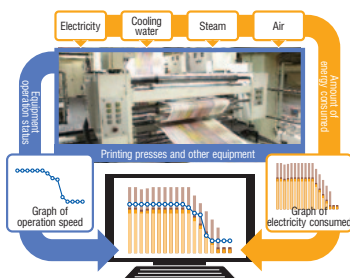
Conserving energy by making consumption "visible"

DNP developed its own real-time energy consumption monitoring system by linking production equipment operation data with energy usage data. We introduced the system to the market in 2009. After introducing the system at our domestic production locations, we achieved reductions in CO₂ emissions. In 2011, we developed our Total Energy Conservation Management System for managing every step of energy conservation at our business locations, from planning and implementation to verification, and we reconfigured our operational frameworks to increase energy conservation.

We also developed an energy conservation system for laser lithography, one of the processes performed on our photomask production lines, and achieved a major reduction in electric power usage. In recognition of this achievement, the Energy Conservation Center, Japan awarded DNP with a special prize for "Excellent Energy Conservation" as part of the Center's Energy Conservation Grand Prize program for the fiscal year ended March 2012.

Energy Monitoring System

The system integrates "equipment operation status" with "amount of energy consumed" and displays the results in an easy-to-understand format.



Start of demonstration test of power peak shift using O2O

DNP is collaborating with FAMILYNET · JAPAN CORPORATION to conduct a demonstration test of a system for shifting power usage to off-peak hours using O2O (Online to Offline) marketing. The test began in July 2013 and is scheduled to run for approximately one year.

For this test, the companies recruited 200 condominium-dwelling households and gave a free tablet PC to each participating household. Participants are encouraged to leave their homes during the hours of peak power consumption. In addition to receiving a tablet PC application that enables them to check their daily power usage, participants receive discount coupons and information about bargains that can be used at commercial facilities during the hours when residential power consumption is expected to peak. The goal is to use O2O information services that draw customers to shops and restaurants to get them out of their homes and shift power consumption to off-peak times.

In the future, we intend to develop a new service that combines O2O with Mansion Energy Management System (MEMS) in order to satisfy both businesses that want to provide information and consumers who want to use their information.



Screenshot of DNP's peak power shifting application on a tablet PC

Improving quality of life



Health and
medical care

Now that the population's average age is rising in Japan and in many other countries, there is a greater need to resolve problems related to medical care and pharmaceutical drugs as well as to improve the quality of life of people in their later years. DNP positions health and medical care as one of our priority growth areas, and we intend to concentrate on creating businesses that make use of our strengths in printing and information technologies.

For example, DNP is working on mass-producing cell culture substrates as part of our active participation in a project aimed at commercializing cell sheets developed by Tokyo Women's Medical University. There are increasing expectations that cell sheets will be useful in regenerative medicine. Additionally, in collaboration with Tokyo Medical and Dental University, we are applying technologies that we acquired through printing, such as color management and 3D image processing, to the research and development of technologies aimed at discovering the causes of pathological myopia and developing early diagnosis and treatment methods.

DNP is working to support the pharmaceutical and health food markets, preventative medicine and other fields related to medical care, and to expand its business into areas like nursing care.

Using image processing technologies to assess iPS cells

In order to enable widespread use of induced pluripotent stem (iPS) cells in regenerative medicine, we must be able to cultivate the cells safely and uniformly. In order to create tissues for transplantation, in addition to properly preparing the cell cultivation environment, we need new methods of determining whether the cells are growing uniformly or not.

Cells form tissues by dividing repeatedly, and it is possible to determine the status of tissue growth by tracking each cell's movements. DNP and Carnegie Mellon University jointly developed a unique image processing technology that makes it possible to precisely track individual cells' movements and cell division status by analyzing microscopic images. We are now working on applying this technology to quality assessment processes related to regenerative medicine. For example, we are engaged in joint research with Osaka University aimed at using the technology in retinal regeneration.

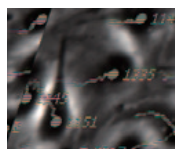
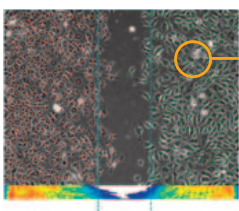


Image processing technology makes it possible to confirm cultivation status by tracking the movements of individual cells

Left: cells are growing from the right and left sides toward the center
Right: the enlarged image makes it possible to distinguish individual cells

"Comfortable living" and business opportunities



Comfortable
living

In every era and every location, there will always be demand for comfortable living, and this demand contains important business opportunities. Currently, for example, people want participation in local communities, "smart," eco-friendly dwelling spaces, products and services that meet the needs of individual consumers, and consideration for "universal design" that makes products and services easy for anyone to use.

Within the growing "comfortable living" field, DNP aims to expand business in such markets as services for the elderly, residential renovation, "smart" communities, and town management. In the process, we will make use of our various special abilities, including expertise in consumer information processing based on advanced security infrastructure, dwelling space and decorative material design, and electron beam technologies, while also strengthening cooperation between business fields.

DNP products are indispensable to comfortable living spaces

DNP's unique electron beam (EB) technology enables the creation of exceptionally durable interior and exterior materials that are highly resistant to scratching and soiling. This technology is indispensable to the creation of comfortable living spaces. For example, because our EB cloth is extremely low in volatile organic compounds (VOCs) and lightweight (40% lighter than DNP's vinyl chloride wall covering), it is easier to work with and has received high marks from the whole supply chain, including consumers, builders, and distributors.

Another example is DNP's line of Ellio products, which are made of directly painted or printed steel plate, stainless steel or aluminum. These products, too, are increasingly popular because they combine highly artistic designs with the fire resistance and other benefits of using metal. In 2012 we introduced a new product called "High-reflective, Light-diffusing Ellio." The product is used on walls and/or ceilings, where it effectively reflects and diffuses natural and artificial light, thereby reducing the amount of energy required to light the room. Since its introduction on the ceilings of Tohoku Shinkansen Hayabusa passenger rail cars, the new product is broadening its market to include office buildings, public facilities, and multi-family housing.

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.





Special Feature: **DNP's Growth Strategies**
"Today's Innovation is Tomorrow's Basic"

Major Initiatives Aimed at Global Expansion

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 who face all kinds of problems in every part of the world.

In particular, we need to resolve social issues like reducing the burden that humans place on the environment, using energy efficiently, and designing products according to universal design principles not just in Japan, but all over the world.

Ever since we opened a Hong Kong office in 1964, we have actively developed our overseas business and expanded our operating locations in Europe, Asia, North America, Australia and elsewhere. In the regions where we operate, we manufacture and sell publications including pop-up and other books, catalogs and other commercial printed matter, packaging and building materials, color and monochrome ink ribbons, photomasks used in semiconductor manufacturing, and other products.

Currently, one of our main policies is to further expand our business in the Asian region, where more marked economic growth is expected. Especially in the ASEAN countries, information media and lifestyles are rapidly changing, giving rise to higher expectations for DNP products and services that boast outstanding functionality and are needed for comfortable living. In order to seize the business opportunities presented there, we established a regional control company in Singapore in June 2012 and have been working to establish optimal business management suited to the various situations found in each part of Asia.

In the fiscal term through March 2013, DNP's overseas sales amounted to 195.6 billion yen, representing 13.5% of the Group's consolidated net sales, up 0.7 point from a year earlier. Of overseas net sales, the Asian region contributed about 70%, or 137.5 billion yen.

Packaging Operations

Bolstering our overseas production bases, primarily in rapidly growing Southeast Asia

DNP founded PT DNP Indonesia in 1972 in order to spread "packaging culture" in Indonesia. By performing a variety of manufacturing processes in-house and supplying high-quality products and services that respond to diverse needs, we have built a solid relationship of trust with our corporate clients. Currently, we have captured the top share in many packaging fields including household items and foods, and we serve as a strategic partner to companies that do business on a global scale by providing them with high-quality packaging.

Today, PT DNP Indonesia aims to expand its production capacity in response to Asia's continuously growing markets; in January 2013 it increased its capacity for producing soft packaging materials by about 20%. Looking ahead, we plan to build a new factory in Indonesia with projected start-up in 2015.

In May 2013, we commenced operation of a new plant in Vietnam, which has drawn attention as a distribution base for all of Indochina and a site of continuing rapid economic growth. Previously we

supplied the nations of Indochina by exporting from Indonesia, but the establishment of our new production location will allow us to shorten delivery times and to spread production capacity and risk as the number of our operating locations in Southeast Asia increases.

As a result of these measures, we aim to become Southeast Asia's leading packaging company and boost our overseas net sales from packaging by about 50%, from roughly 23.0 billion yen currently to around 35.0 billion yen in 2015.



DNP's Vietnamese plant



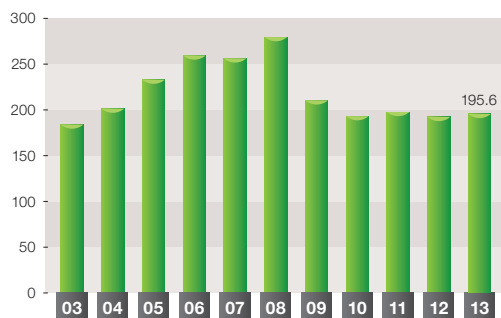
Employees at our Vietnamese plant



Inside DNP's Vietnamese plant

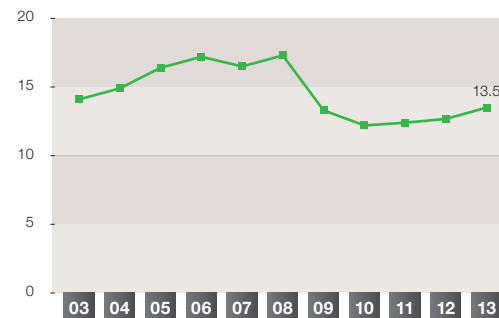
DNP's Overseas Sales

(¥ billion)



Percentage of the Overseas Sales to Overall Sales

(%)



Information Media Supplies

Global expansion of barcode ink ribbon and photo print businesses

DNP began manufacturing and selling thermal resin-type transfer printing media in the early 1980s. Today, these products are the object of increasing demand for printing barcodes at distribution and manufacturing sites. The Americas account for more than 40% of the world barcode market. Since demand in North, Central, and South America is expected to continue to grow, in May 2013 we expanded our Pittsburgh plant's coating facilities for making thermal resin-type transfer printing media used for printing barcodes.

Previously, in addition to Americas-bound products that were coated locally, we had been providing products that were coated in Japan due to production capacity limitations. By roughly doubling the coating capacity at

our Pittsburgh plant, we strengthened our local production framework and achieved a big reduction in lead time.

Meanwhile, due to the spread of digital cameras and smart phones in recent years, there is increasing worldwide demand for printing digital photos using dry methods that do not require developing solution. Photo printing systems that use dye-sublimation type thermal transfer printing media (color ink ribbons and receiver paper) provide much faster printing and much more durable prints, and are acclaimed by the market because the equipment costs less and is easier to maintain than equipment used for silver halide-based printing.

DNP began manufacturing and selling dye-sublimation thermal transfer printing media in the 1980s and currently holds

one of the top shares of the world's market. Especially in Southeast Asia, demand is growing not only for printing regular digital photos but also for printing ID photos and souvenir photos taken at tourist destinations. In order to respond to global photo printing demand, including in Southeast Asian and other developing countries, DNP will establish a new production base in Malaysia in September 2013.

One of DNP's advantages is that we handle product development, manufacturing and sales within a single integrated framework. We intend to expand our global business in response to growing demand for barcode printing in the Americas and for photo printing all over the world, including in developing countries.



Pittsburgh plant



Barcode labels made using thermal resin-type transfer printing media



Digital rendering of planned Malaysian plant



Dye-sublimation type thermal transfer printing media



Promoting Business Structure and Cost Structure Reforms

In order for DNP to create “tomorrow's basic,” we need to pursue both “business structure reform” that responds to major changes and enables us to take on the challenge of expanding our business not only in existing fields but in completely new fields, and “cost structure reform” that enables us to use management resources effectively.

Business structure reform: we will focus on the following three points.

- ① Increasing corporate value by being quick to discover and solve problems from the viewpoints of consumers and society
- ② Increasing collaboration within and outside our corporate group, and combining strengths in order to create new strengths

- ③ Pursuing business creation-oriented research and development and actively taking on the challenge of developing new business fields

Cost structure reform: We will focus on getting the entire DNP Group to work together to promote overall optimization. In the fiscal term through March 2013, we responded to drastic changes in the business environment by merging business units, reviewing production bases, and taking other aggressive steps. We also worked to establish optimal production frameworks, improve quality, and boost cost competitiveness. Going forward, we will conduct thorough reviews of business processes and build optimal frameworks for further increasing cooperation between sales, project planning, manufacturing, product development and other functions.

Information Communication

Launch of “Information Solutions” division aimed at increasing cooperation through merger of business units

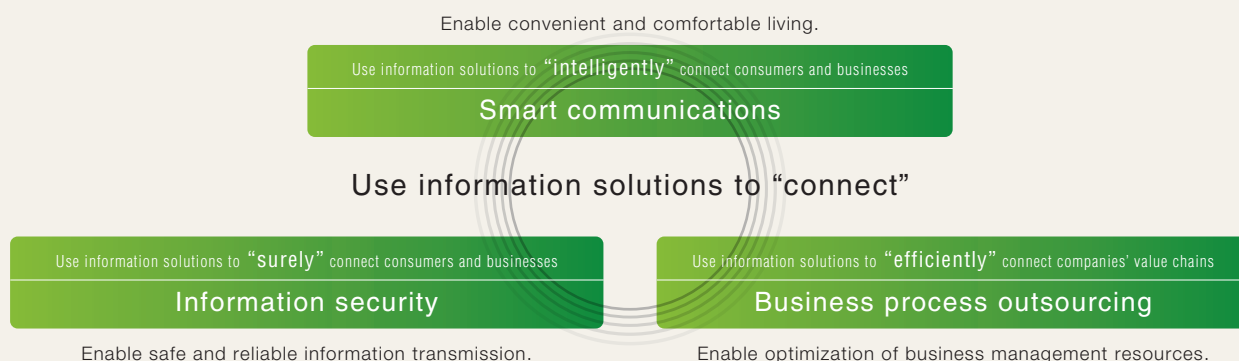
In October 2012, we merged three business units, which mainly handle commercial printing, smart cards and security solutions, in order to further boost the Information Communication segment's competitiveness and ability to respond to customers. The new Information Solutions business unit will work at the global level in partnership with corporate clients and consumers to develop optimal solutions for all types of communication-related issues.

- **Creation of highly original information solutions:** Make use of each area's specialties and the technologies and know-how that they have cultivated, and combine customer bases and other assets in order to develop highly

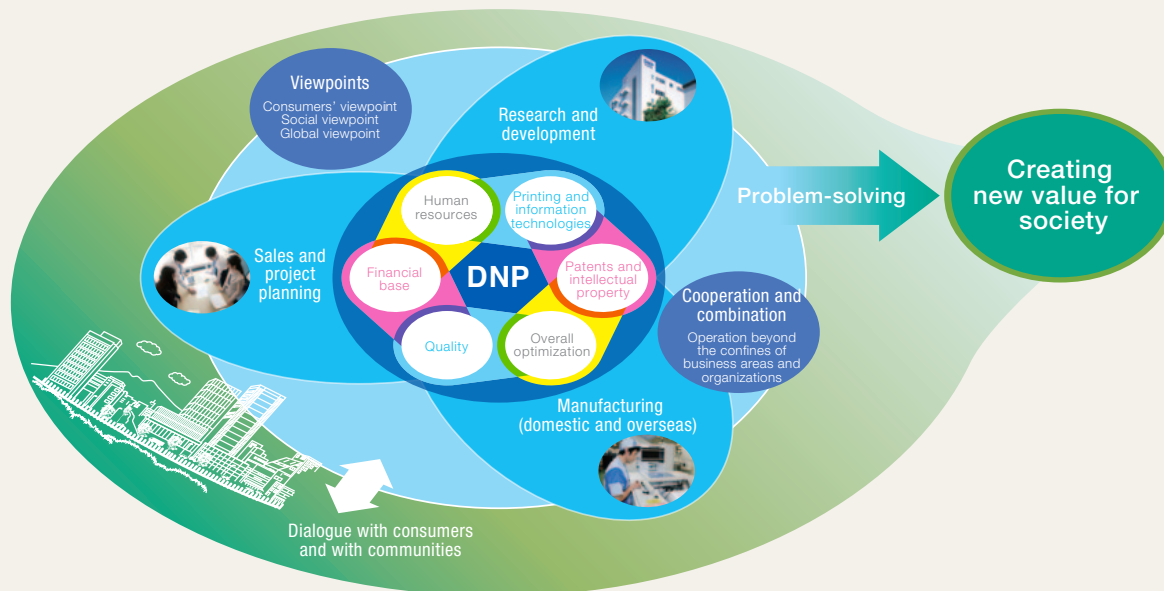
original, more effective solutions.

- **Strengthening of personalized marketing:** Work through various channels including websites and points of sale combined with paper and digital information media in order to stimulate more personalized communication between businesses and consumers.
- **Expanding our Business Process Outsourcing (BPO) business:** Focus on boosting corporate clients' efficiency by performing business processes on their behalf, including operation of customer service centers, campaign offices, and financial institutions' back offices.

■ With resolution of customers' and society's problems as the starting point, develop business around the following three core areas.



■ The Strengths that Enable DNP to Create “Tomorrow’s Basic”



Lifestyle and Industrial Supplies

Reorganization of Packaging Operations’ domestic production framework and increasing competitiveness

DNP has developed a comprehensive packaging business that operates in Japan and abroad, handling project planning, development and manufacturing of paper and plastic containers, flexible packaging, etc. for a wide range of product fields including foods and household goods. In October 2012, we reorganized our domestic production framework in order to increase Packaging Operations’ competitive position and earning power while simultaneously constructing an optimal framework for business continuity.

- Of Packaging Operations’ five group companies, DNP Technopack Co., Ltd. was the surviving company that absorbed the other four—DNP Technopack Yokohama Co., Ltd., DNP Technopack Tokai Co., Ltd., DNP Technopack Kansai Co., Ltd. and DNP Techno Polymer Co., Ltd.

- We reorganized the manufacturing, production control, and technical sections of the packaging divisions of our local operating companies (DNP Hokkaido Co., Ltd., DNP Tohoku Co., Ltd., DNP Chubu Co., Ltd. and DNP Nishi Nippon Co., Ltd.) and integrated those functions into DNP Technopack, resulting in a uniformly managed nationwide packaging production framework.

In addition to continuing to press forward with “cost structure reform” aimed at improving profitability through measures like reducing fixed costs and improving production efficiency, we will continue to implement “business structure reform” with a focus on expanding overseas production bases and developing eco-friendly products and functional packaging products.

Electronics

Promoting the development of touch panel components and other new products

By applying the technologies and production equipment that we have acquired through the manufacture of LCD color filters and shadow masks for CRT televisions, we will continue to develop new products for which there is strong market demand while restraining capital spending.

For example, we responded to growing demand for touch panels by developing cover glass integrated sensors and film-type sensors, and we have already begun shipping this product. Going forward, our main areas of focus will be developing new products that help make information terminals thinner and lighter in weight.

Improving profitability by integrating business units and optimizing production frameworks

In June 2012, by merging two business units that primarily handled display components and electronic devices, we strengthened the Electronics segment’s technological capacity and overall product development capability, improved investment efficiency and promoted market development. In order to optimize our production framework, we transferred the color filter operations at our Sakai plant in Osaka Prefecture to Sakai Display Products Corp. in August 2012, and sold some of the color filter production equipment from our Mihara Plant in Hiroshima Prefecture in February 2013. As a result of these measures, we expect to reduce fixed costs and waste, and improve the profitability of our operations.

DNP's Businesses

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- 32 Business Strategies
- 34 Financial Results
- 36 Presentation of Growth Businesses and Strategic Businesses

40 Lifestyle and Industrial Supplies

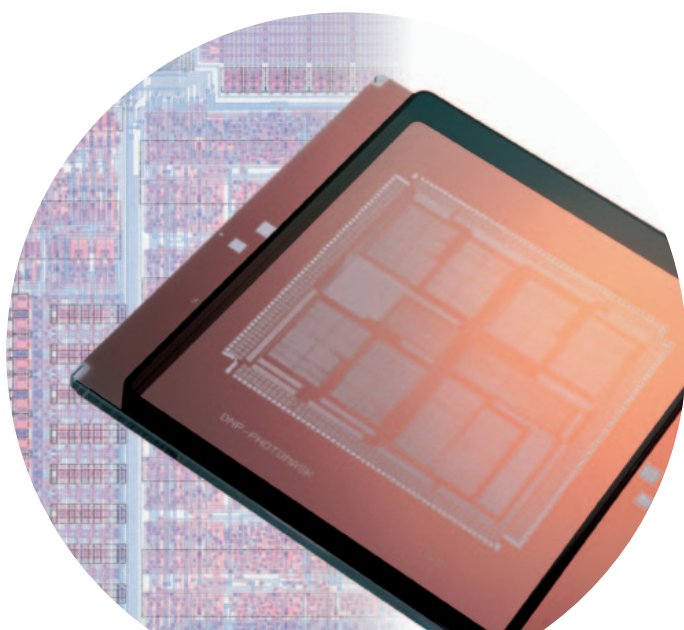
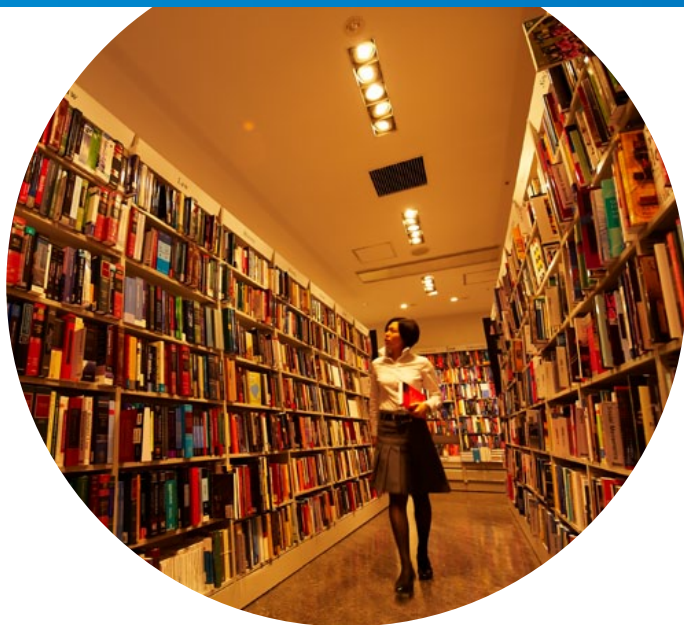
- 40 Business Strategies
- 42 Financial Results
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吾輩は猫である。名前はまだ無い。
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い。ろはにほへし。
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DNP at a Glance

Profile

DNP is a comprehensive printing company; we use our strong skills in printing and information technologies to create things that people will view as “basic” in the future.

DNP is one of the largest comprehensive printing companies in the world. 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 globe. 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 through measures including overall optimization, boosting profitability, and making 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 Group companies.

As of March 31, 2013, the DNP Group employed about 39,445 people. The Group has 48 sales bases and 59 production plants in Japan, 24 sales offices in 15 countries and a region and 12 overseas production plants in 10 countries and a region. Overseas sales contributed 13.5% of the Group's overall net sales in the fiscal year ended March 2013.

Business Portfolio

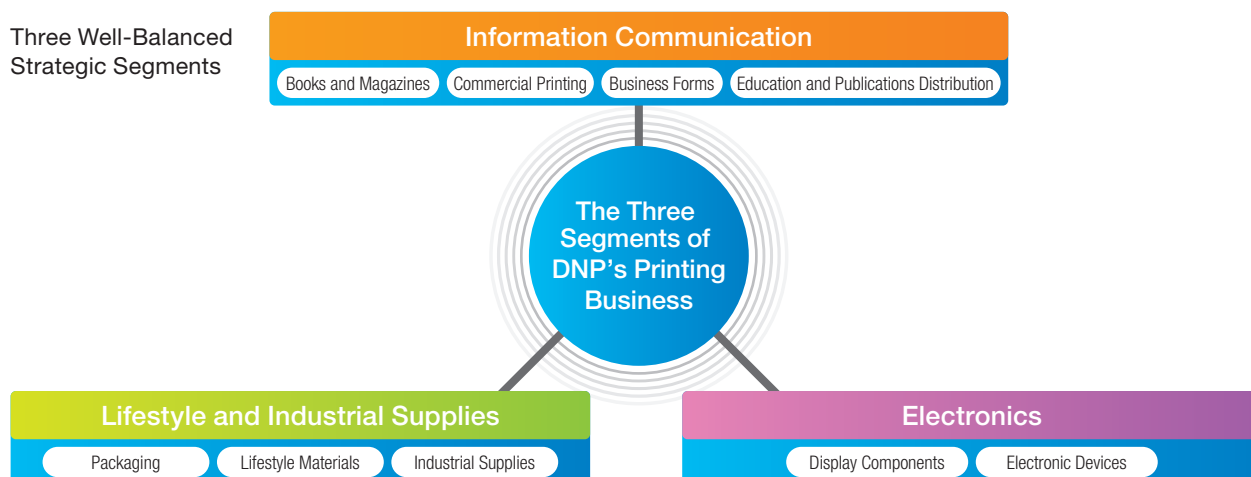
A well-balanced business portfolio from the standpoints of stability, profitability, growth potential and risk

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. 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.

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 Books and Magazines 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 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.

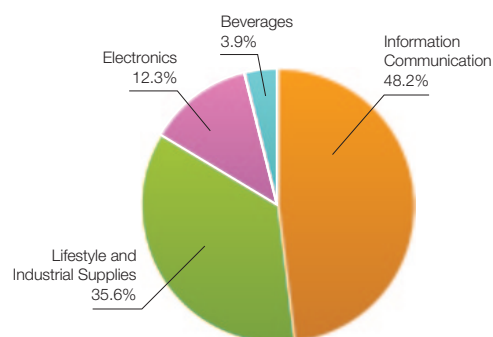
Our Beverages business takes advantage of the Coca-Cola brand strength while also developing original DNP products. We are working on bolstering our beverages business base, for example by promoting production and procurement in liaison with bottlers in other parts of Japan.

Three Well-Balanced
Strategic Segments



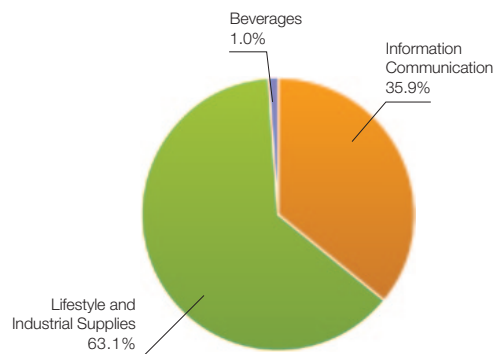
Net Sales

by Segment (Year ended March 31, 2013)



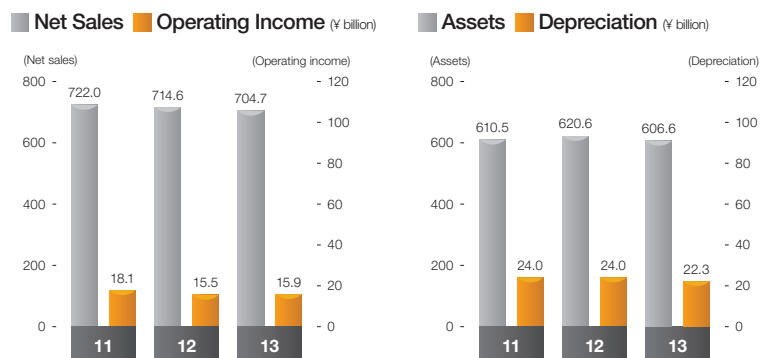
Operating Income

by Segment* (Year ended March 31, 2013)



* Electronics segment recorded operating loss of 0.3 billion yen.

Information Communication

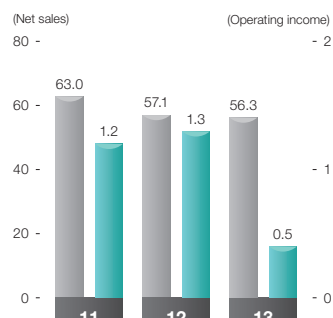


Lifestyle and Industrial Supplies



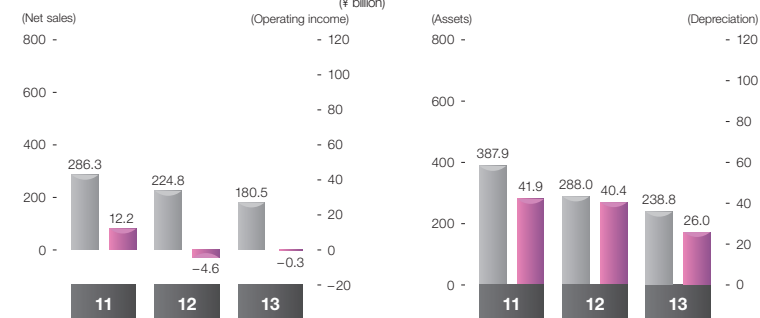
Beverages

Net Sales Operating Income (¥ billion)



Electronics

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



Our Products

Information Communication

• Books and Magazines

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

• Commercial Printing

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

• Business Forms

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

• Education and Publications Distribution

- [14] Maruzen's main bookstore in Tokyo's Marunouchi district



Lifestyle and Industrial Supplies

• Packaging

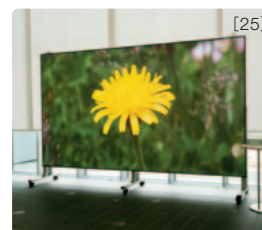
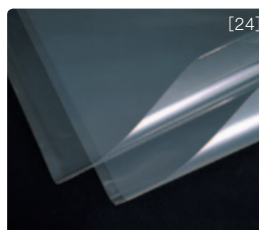
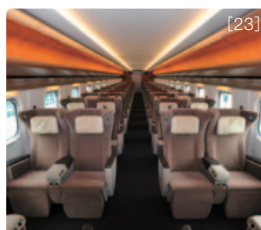
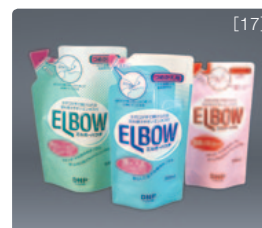
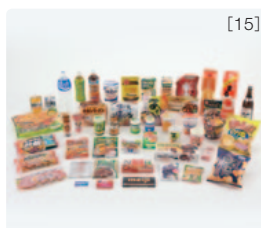
- [15] Packaging for foods [16] Packaging for toiletries and pharmaceutical products [17] Universal design products
- [18] Packages made of IB film [19] PET plastic bottles and preform [20] Aseptic filling systems for PET plastic bottle

• 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] Projection screen
- [26] Soft pack for lithium-ion battery
- [27] Dye-sublimation thermal transfer printing media
- [28] Digital photo printer [29] Barcode labels made using thermal resin-type transfer printing media
- [30] Self print terminal "PrintRush"



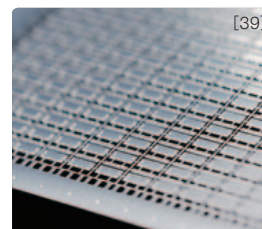
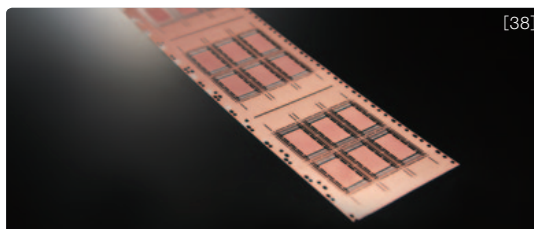
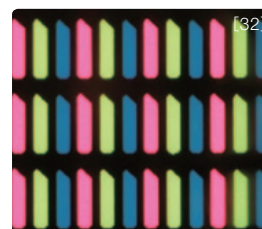
Electronics

• Display Components

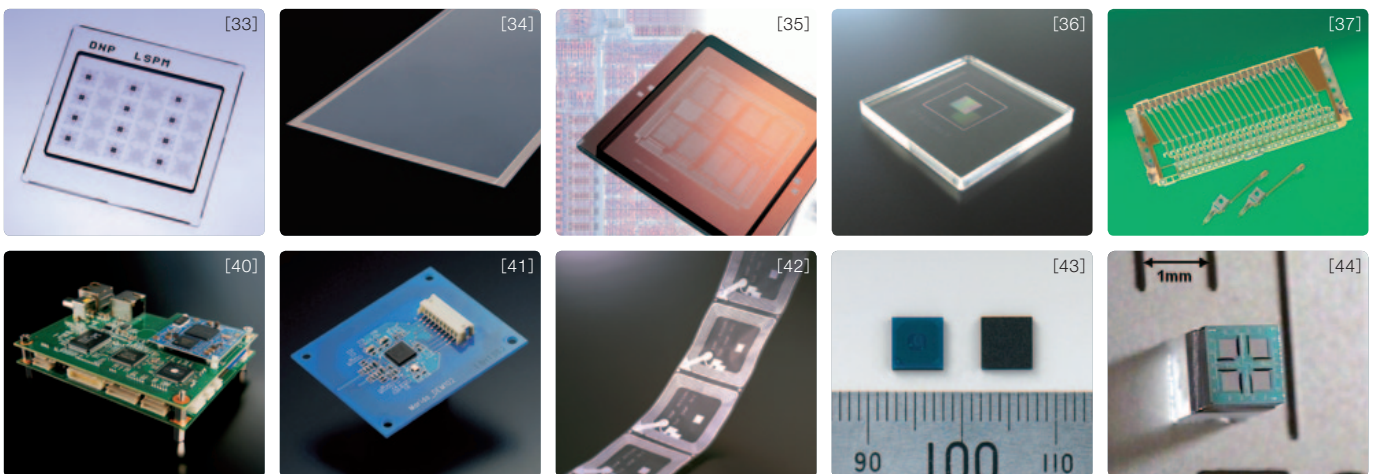
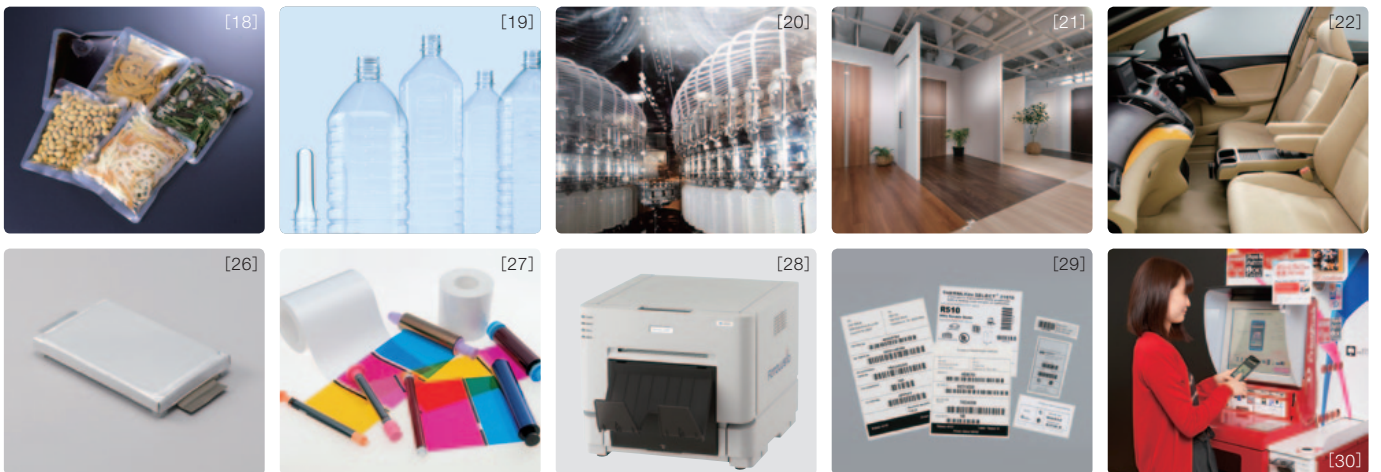
- [31, 32] LCD color filters
- [33] Large-scale photomasks
- [34] Touch panel sensors

• Electronic Devices

- [35] Semiconductor photomasks
- [36] Template for nanoimprinting
- [37] Hard disk drive suspension
- [38] Lead frames for semiconductor packages
- [39] Metal substrate for LED light
- [40] Camera modules
- [41] Reader/writer modules [42] IC tags
- [43] Ultracompact IC tags
- [44] MEMS (micro electro mechanical systems) products



Note: Numbers in square brackets correspond to photographs on p.26-27.



Evolution of DNP's Businesses

1876<Founding>

1950

1960

1970

1980

Printing

- ▶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

- ▶1963 Establishment of Hokkaido Coca-Cola Bottling Co., Ltd.

- ▶1951 Began promoting "expansion printing"

- ▶1944 Launch of DNP's Technical Research Laboratory (now called the Research and Development Center)

Comprehensive Printing

Information Processing

Information Communication

Books and Magazines

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

- ▶1912 Completion of DNP's original Shueitai font

- ▶1925 Received order to print 740,000 copies of the inaugural edition of "King" magazine

- ▶1882 Began sales of printing types

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

- ▶1972 Began development of Computer Typesetting System (CTS)

- ▶1975 Began digital processing of image data

Commercial Printing

- ▶1885 Start of lithographic printing

- ▶1971 Development of scented printing

- ▶1981 Establishment of new video printing system technology

Business Forms

- ▶1898 Began printing of securities

- ▶1945 Began 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 Began mass production of OCR ledgers

- ▶1973-74 Full-scale production of magnetic plastic cards

- ▶1983 Development of smart cards

Lifestyle and Industrial Supplies

Packaging

- ▶1951 Full-scale entry into paper container business

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

- ▶1961 Started production of blow-molded bottles

- ▶1962 Began producing paper cups

- ▶1975 Began producing retort pouches

- ▶1976 Development of aseptic filling system

- ▶1983 Development of technology for drawing on molded plastic goods

- ▶1984 Began producing PET plastic bottles

- ▶1969 Began producing laminated tubes

Lifestyle Materials

- ▶1951 Began developing decorative paper for melamine resin plate

- ▶1961 Began printing directly onto steel plates

- ▶1974 Introduction of Curfit technology for printing on curved surfaces

- ▶1977 Development of stainless decorative sheet

Industrial Supplies

- ▶1983 Started 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 Development of color filters

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

Electronic Devices

- ▶1959 Successful prototyping of photomasks

- ▶1964 Began lead frame production

1990

2000

2010

2013

Information Communication

P&I Solutions

"Today's Innovation is Tomorrow's Basic"

— a philosophy that will lead us to even greater growth —

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

- 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

- Display products: shift emphasis to growth areas and expand new product lineup
- Electronic devices: develop cutting-edge technologies and expand overseas business

- Promote research and development aimed at business creation
- Create value by forming businesses related to four growth areas: information distribution; health and medical care; environment and energy; and comfortable living.

▶1987 Began shifting focus from "expansion printing" to "comprehensive information processing"

▶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

▶2008-10 Alliances with Maruzen Co., Ltd. Junkudo Co., Ltd. and Bunkyo Group Holdings Co., Ltd., etc.

▶2010 Startup of "honto" e-book sales service

▶1989 Construction of global network system

▶1995 Began Internet service "Media Galaxy"

▶1997 Began e-commerce service

▶2001 Began Orikomio! e-flyer service

▶2008 Launch of digital signage project

▶1993 Production of contactless smart cards

▶2004 Began Card Data Management Service (CDMS)

▶1999 Launch of IC tag project

▶2005 Establishment of "SSFC" office security consortium

▶1992 Development of preform method for PET plastic bottles

▶2007 Development of packaging for Japanese-style space food

▶1998 Development of transparent barrier film (IB Film)

▶1996 Began producing sheet with EB coating

▶1996 Establishment of anti-glare film technology for LCDs

▶2004 Development of "JETBLACK" front projection screens

▶2005 Began development of "PrintRush" self-service printing system

▶1985 Development of LCD color filter production technology

▶2001 Development of flexible organic EL displays

▶2003 Development of full-color organic EL panels

▶2006 Mass production of color filters using inkjet method

▶1995 Launched multilayer wiring formation technology

▶1999 Entered semiconductor package substrate field

▶2001 Began MEMS (micro electro mechanical systems) processing under contract

▶2002 Completed production line for "B²it" high-density build-up boards

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

Major Events of this Fiscal Year

2012

Jun.

■ Creation of Fine Electronics Business Operations business unit (▶details on P21)

■ Startup of “honto” hybrid bookstore network service

In cooperation with Maruzen Co., Ltd., Junkudo Co., Ltd., Bunkyo Group Holdings Co., Ltd. and other partners, DNP began operating a joint loyalty point system to serve customers of physical bookstores, e-book sales services, and online mail-order services. Once customers register using a “honto card” issued by a bricks-and-mortar bookstore, they can receive points for purchases whether they buy online or at a physical bookstore. We intend to continue to stimulate both the e-book and paper book markets by developing a variety of additional “hybrid” services.

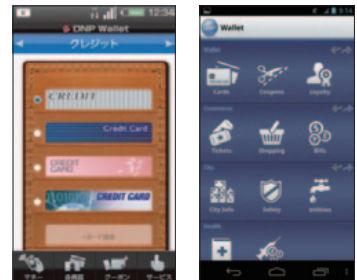


“honto” hybrid bookstore network display

Jul.

■ DNP ties up with C-SAM, Inc. of the U.S. to provide mobile wallet service

DNP concluded a licensing agreement that authorizes it to sell C-SAM's Mobile Transaction Platform (mobile wallet) in Japan. The mobile wallet imitates the functions of a physical wallet in that it allows smart phone users to make electronic payments and enjoy services such as uniform management of coupons and loyalty points. The mobile wallet enables consumers to process payments and coupons simultaneously, and can be linked to other services including banking transactions and loyalty point accumulation. It can also help business operators expand sales by allowing them to distribute coupons and information based on each customer's purchasing history.



Mobile wallet software

Aug.

■ Transfer of our Sakai Plant's LCD color filter operations (▶details on P21)

■ Formation of strategic partnership with Nihon Unisys, Ltd.

In addition to concluding a business alliance agreement with Nihon Unisys, Ltd., one of Japan's leading computer system vendors, DNP acquired common shares in Nihon Unisys (amounting to about 18.90% of shares outstanding or about 22.09% of voting rights) from Mitsui & Co., Ltd. By increasing cooperation in cloud-based business, new platform services, marketing and sales, DNP and Nihon Unisys, Ltd. plan to actively develop new businesses through their strategic partnership.



DNP Executive Vice President Koichi Takanami and Nihon Unisys President Shigeru Kurokawa shake hands at the press conference announcing their partnership

Sept.

■ Business tie-up with Transaction Media Networks Inc. (TMN)

By combining the mobile wallet and other services related to near field communication (NFC) with TMN's thin-client electronic account settlement system, the two companies will be able to offer batch processing on a single terminal that supports multiple services including electronic account settlement and management of coupons, loyalty points, and prepaid services. We plan to market the system primarily to distributors, retailers, and financial institutions.

2013

Oct.

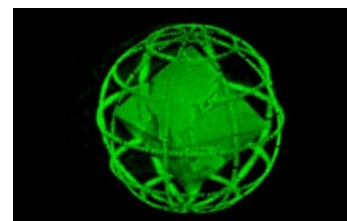
■ Reorganization of domestic Packaging Operations' production framework (▶ details on P21)

■ Launch of Information Solutions Operations business unit (▶ details on P20)

Dec.

■ Establishment of new hologram factory in the Kansai region

DNP inaugurated a new plant in the Kansai region to manufacture holograms, which are used in a wide variety of applications such as preventing forgery of passports, corporate and other ID cards, and credit cards. The new plant produces two types of holograms: "embossed holograms" that are both artistic and counterfeit-resistant, and "Lippmann holograms," which are so difficult to copy that they can only be fabricated by a few companies in the world. We will work on getting holograms to be adopted more widely in products that support social infrastructure, such as paper money, passports, driver licenses, and social insurance cards.



A Lippmann hologram

Jan.

■ Opening of Communication Plaza dot DNP in Tokyo

We opened "Communication Plaza dot DNP," a hands-on showroom in Tokyo's Shinjuku Ward, where we introduce consumers to a wide variety of DNP products and services. The facility includes the "honto Cafe," where visitors can feel free to try reading e-books on tablet PCs made available throughout the shop, a "Digital Picture Book Museum" where parents and children can encounter futuristic picture books, and "Enjoy! Photo Park," where visitors can create personalized photo books and take pictures in a specially designed studio. In addition to introducing DNP products and services to the wider public, Communication Plaza dot DNP allows DNP to directly sense consumers' awareness and values, which we will reflect in future business development.



Communication Plaza dot DNP

■ Expansion of Packaging Operations plant in Indonesia (▶ details on P18)

Mar.

■ Establishment of chemical plant in Utsunomiya, Tochigi Prefecture to make functional materials

DNP Fine Chemicals Fukushima Co., Ltd., a producer of functional materials and active pharmaceutical ingredients based in Minamisouma-shi, Fukushima Prefecture, relocated its business base to Tochigi City, Tochigi Prefecture. In February 2013, the company changed its name to DNP Fine Chemicals Utsunomiya Co., Ltd. and in March of the same year began operating a new factory. Making the most of its organic synthesis technologies, DNP aims to expand production of functional materials that are used as electronic materials in fields like display components and environment and energy, in addition to producing the active pharmaceutical ingredients and intermediate bodies that have been the company's mainstays to date.



Utsunomiya plant

May

■ Startup of Packaging Operations plant in Vietnam (▶ details on P 18)

■ Expansion of Information Media Supplies plant in Pittsburgh (▶ details on P19)

Sept.

■ Completion of Information Media Supplies plant in Malaysia (▶ details on P19)



Vietnamese plant

Information Communication



Business Strategies

Our Information Communication segment is composed mainly of Books and Magazines, Commercial Printing, Business Forms, and Education and Publications Distribution operations. The segment is working hard to develop new services and new businesses that address current trends such as the diversification of consumers' value systems, progress in information technologies, and globalization. In order to increase the segment's competitiveness, in October 2012 we merged three business units that mainly handled commercial printing, smart cards, and security solutions and formed a single business unit called Information Solutions. By combining the specialized strengths that these three business units have cultivated, we intend to increase our ability to solve issues related to the following themes on behalf of corporate clients and consumers:

● Creation of highly original solutions

We will provide highly original, effective solutions by combining the solid customer base that we have cultivated with forward-looking products and services.

● Strengthening of personalized marketing

We will enliven communication between corporations and consumers by offering more personalized information services through the use of diverse information media, including website-based and in-store media.

● Expanding our Business Process Outsourcing (BPO) business

We will focus on BPO-related operations that we can perform on behalf of client companies in order to boost their efficiency; these include operation of customer service centers and sales campaign management offices, and performance of back office functions for financial institutions.

● Boosting cooperation within the DNP Group and between affiliates

By increasing collaboration between highly specialized companies like Maruzen CHI Holdings Co., Ltd. and Nihon Unisys, Ltd., we will strengthen our "honto" hybrid bookstore network and other operations, including data centers and information security.

Main Policies

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

▶ Page 36

In order to stimulate the publications market, DNP focuses not only on our position as a printing company, i.e. a manufacturer, but also on boosting the efficiency of our marketing, sales, and distribution functions and on improving customer service. We are developing a "hybrid bookstore network" that links bricks-and-mortar bookstores with online mail-order bookstores and e-book sales services at the same time that we enhance our framework for providing "hybrid production solutions" that offer one-stop support for the publishing of paper books, electronic content, and on-demand printing.

Cross Media Communications

DNP is reinforcing its cross media business in response to increasing diversification of information media formats, including social media and digital signage, with a focus on content management systems (CMS). For example, we can use our electronic catalog production and distribution system to automate production processes in the construction of optimized databases. In this way, we can reduce production lead time and cut costs while maximizing the synergistic benefits of using both paper and electronic media; in short, we help stimulate communication between companies and consumers.

Development and Expansion of Channels for Communication with Consumers

▶ Page 37

DNP engages in a wide variety of online business enterprises. For example, we operate the "Elne" loyalty point service and "Orikomio!" e-flyer service, and participate in a capital and business alliance with All About, Inc. Going forward, we will focus particularly on the O2O* services that are attracting attention amid increasingly widespread use of smart phones. DNP provides business models for drawing customers to bricks-and-mortar stores by providing consumers with optimized online information at the times they want it, for example through smart phone applications that handle membership authentication, payment, and coupon distribution. By collecting and analyzing consumer information and providing feedback to companies that offer products and services, DNP will continue to provide solutions that benefit both information senders and receivers.

* O2O (Online to Offline): online marketing —through mobile phone applications or the Internet— that draws customers to make purchases at offline (physical) businesses

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

▶ Page 38

DNP is focusing on expanding comprehensive Business Process Outsourcing (BPO) services that address corporate clients' overall business processes. Our BPO services go beyond contracting to print direct mail and notifications, etc. to lighten our customers' workload 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 and NFC

▶ Page 39

DNP leads the Japanese markets for smart card production and issuance and for development of smart card operating systems and applications. We also provide unique security solutions that make use of our smart card-related strengths. We are preparing to meet the international standards for Near Field Communication (NFC) that are likely to be used increasingly widely in smart phones. DNP is developing a variety of services to support safe and secure lifestyles.

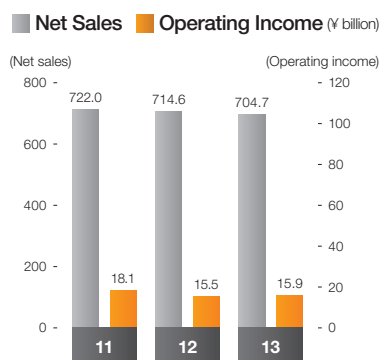
Expanding DNP's Business through Cooperation with Nihon Unisys, Ltd.

DNP has accumulated a great deal of expertise through performing front office operations that deal directly with consumers and corporate clients. Nihon Unisys, Ltd. is one of Japan's top IT system vendors. By linking these two companies across industry lines, we intend to generate new businesses and new services. Specifically, we will work on collaborating in four areas: "marketing and sales cooperation" aimed at boosting both companies' capacity for proposing solutions for customers; "strengthening the service business infrastructure" that is the foundation of both companies' businesses; "joint development of marketing platforms" to help corporate clients meet their customers' needs more quickly and more effectively; and "global development," which is an important issue for both partners. Through these efforts, we aim to achieve 50.0 billion yen in joint sales in the fiscal year through March 2017.

Financial Results

Financial Highlights

	(¥ billion, %)		
	2011.3	2012.3	2013.3
Net sales	¥ 722.0	¥ 714.6	¥ 704.7
Operating income	18.1	15.5	15.9
Operating income margin	2.5%	2.2%	2.3%



Net sales

The environment surrounding the segment as a whole remained harsh due to a lackluster publications market, lack of growth in outlays for non-Internet advertising, and reductions in corporate expense budgets, among other factors. Net sales declined by 1.4%, or 9.9 billion yen, from the previous fiscal term.

Operating income

Operating income increased by 2.9%, or 456 million yen, from the previous term, thanks largely to improved productivity stemming from the integration of business units, reductions in indirect costs, and expansion of strategic products and services including smart cards and Business Process Outsourcing (BPO). The segment's operating income margin increased by 0.1 point, from 2.2% a year earlier to 2.3%.

Fiscal Term through March 2013: Business Environment and Summary of Financial Results

Books and Magazines

The Japanese publications market remained sluggish in the year through March 2013, with publishing industry sales down 4.4% from a year earlier to 1,718.2 billion yen according to Japan's Research Institute for Publications. Big hits were scarce in the book market, where sales declined by 2.9% to 796.9 billion yen. Magazine sales continued their downward trend, falling 5.6% to 921.3 billion yen. In addition to a drop in the number of magazines sold, the number of magazines that ceased publication was greater than the number of new titles. Despite this environment, DNP took advantage of its integrated manufacturing line—which handles everything from printing to binding—to increase sales from book publishing for the third consecutive year. However, magazine sales declined and sales by DNP's overall Books and Magazines business ended slightly below the previous-year level.

Meanwhile, Japan's market for electronic publications in the fiscal term through March 2013 grew by 16% from the previous term's roughly 63.0 billion yen to about 73.0 billion yen. DNP focused on providing services that make consumers "certain to find a book they want to read" and "able to read the book they want in the format they want," primarily through the "honto" hybrid bookstore network that combines electronic book sales, Internet-based mail-order sales, and bricks-and-mortar bookstores. In the fiscal year ended March 2013, we provided readers with greater value, for example by enabling them to use hybrid loyalty points throughout the honto network and to use a hybrid "My Bookshelf" program to manage both electronic and paper book purchases, and by distributing publication rankings and information about bookstore events.

We are also working to improve the functionality of our "Hybrid Production Solutions," which address both paper and electronic media formats. In addition to producing electronic book content, we aim to expand our electronic magazine business by producing content with added video and audio components, by developing search functions and website-linking functions, and by developing overseas businesses that capitalize on magazine brands.

Commercial Printing

Overall, Japanese corporate advertising expenses in the fiscal year ended March 2013 were little changed from the previous year, according to the Ministry of Economy, Trade and Industry. Sales of Internet-based advertising continued to grow while the market for magazine advertising and publication of flyers, etc., was sluggish. Due to the increasing trend toward distributing product catalogs and user manuals via the Internet rather than in paper formats, demand for printed matter continued to decline.

Given this situation, although DNP's Commercial Printing business boosted sales from such services as sales campaign office management and customer service center operation, and from point-of-purchase advertisements, etc., overall sales declined relative to the previous year due to the decrease in printing of pamphlets, flyers, and catalogs.

Based on consumers' point of view, DNP is promoting "cross media communication" business that provides consumers with the information they want at the times when they want it, by means of the most appropriate information media. In addition, we have been integrating business units in order to strengthen cooperation between segments, and are making use of our solid information security infrastructure and diverse information media, including websites and in-store promotional materials, as we focus on personalized marketing based on consumer information. Furthermore, we are expanding our Business Process Outsourcing (BPO) business, whereby we increase the efficiency of clients' businesses by handling various processes on their behalf, including operation of customer service centers and campaign event management offices.

Business Forms

As corporations streamline their organizations and trim expenses, they are ordering fewer types and fewer copies of printed matter. The business environment for this sector remains harsh as all types of notifications that used to be printed on paper and mailed to consumers are increasingly being made available through the Internet instead. On the other hand, there is increasing worldwide demand for information security systems that enable safe and reliable storage and use of sensitive corporate information and consumers' personal information.

By taking advantage of our Business Forms unit's high capacity for developing software and processing information under the protection of DNP's strong security infrastructure, we expanded sales of products like smart cards used for telecommunications, transportation, and electronic money applications. On the other hand, as businesses shift more notifications to the Internet and cut overall costs, we have seen less demand for information processing services (IPS) that handle every step in the production of personal mail and other customer communication, from data

input to printing and mailing. As a result, overall Business Forms sales declined relative to a year earlier.

DNP has always led Japan's market for smart cards 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 develop global services for a wide variety of industries including finance, logistics and manufacturing, using the near field communications (NFC) international standard that is expected to be increasingly widely used in smart phones and other devices.

Education and Publications Distribution Business

Although our Education and Publications Distribution business focused on sales of electronic books, book sales to libraries and education-related businesses were sluggish, and sales declined somewhat compared to a year earlier.

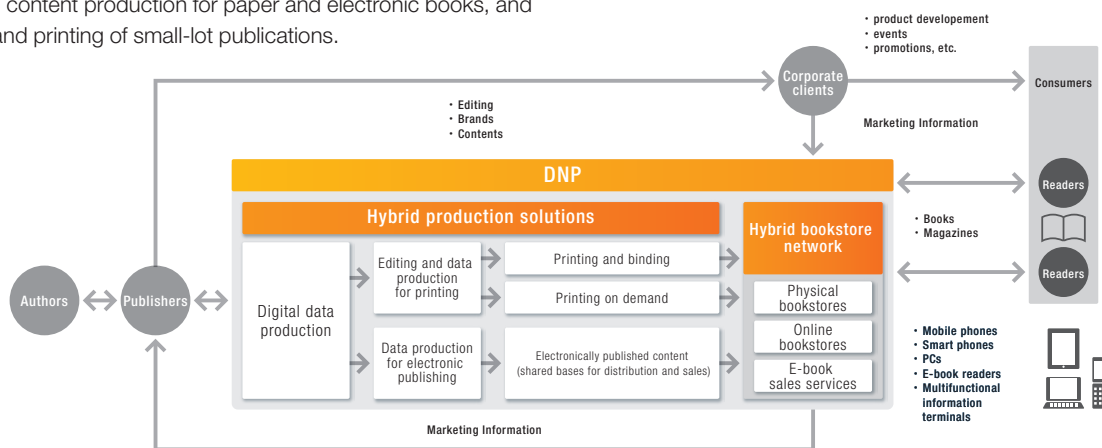
Maruzen CHI Holdings Co., Ltd. performed more contracted services on behalf of libraries and worked on boosting profitability through such steps as closing inefficient stores and trimming its workforce. We tried to boost the sales of Bunkyo Group Holdings Co., Ltd. by opening new stores and renovating existing stores, but sales still fell below the previous-year level.

The publications distribution market is expected to remain difficult, but we aim to expand profits through such initiatives as rebuilding or remodeling bookstores in line with consumer demands and market realities, expanding our hybrid bookstore network that combines electronic and paper books, and improving our distribution services and product lineups.

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

Rather than approaching the market solely from the standpoint of a manufacturer, we offer total support as the Japanese publishing industry's "No. 1 partner." This includes helping with the planning of marketing and sales promotion projects, sales and distribution of both electronic and paper books, and providing customer service. DNP began digitizing printing processes in the early 1970s. Today, we are making the most of the experience that we have accumulated in this field as we focus on "hybrid production solutions" that meet all of our publishing customers' needs, including content production for paper and electronic books, and on-demand printing of small-lot publications.

DNP aims to create a service that makes consumers "sure to find a book they want to read" and "able to read the book they want in the format they want," primarily by developing our "honto" hybrid bookstore network that combines three sales formats: physical bookstores, online mail-order sales, and e-book sales. "honto" sales data is highly reliable marketing information. By providing it to publishers and other companies, we aim to stimulate the publishing market and corporate clients' product development and sales promotions.

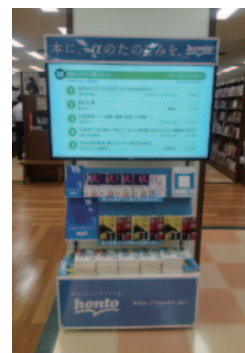


➤ Hybrid promotion linked with physical bookstores, online mail-order sales, and e-book sales service

The strength of DNP's "honto" hybrid bookstore network lies in its linkage of physical bookstores, online mail-order sales, and an e-book sales service. One example of how "honto" actively works to promote sales of both paper and electronic books is a loyalty point service that we launched in June 2012, allowing customers to accumulate "honto" points regardless of what sales format they used for their purchase. Purchasing records and other customer information are used as a basis for distributing targeted information including book recommendations. We also provide a "My Bookshelf" program and smart phone application that allow consumers to keep track of their electronic and paper book purchases in one place.

Our hybrid network takes a variety of initiatives aimed at promoting sales. For example, we advertise bookstore events through the "honto" website and distribute detailed information and videos related to books through "hontovision" digital signage installed at bookstores.

We also operate the "honto Cafe," where customers are free to experience reading e-books on tablet PCs made available throughout the shop. The cafe is located inside Communication Plaza dot DNP, a showroom that we opened in January 2013 in Tokyo's Shinjuku Ward. The showroom also serves as a venue for events to introduce books and magazines, which we organize in cooperation with publishing companies.



hontovision: a type of digital signage installed in the main bookstores of DNP Group subsidiaries Maruzen Co., Ltd. and Junkudo Co., Ltd. Each unit is built into a merchandise display shelf, and can be used for various types of promotions.

Communication Plaza dot DNP: a showroom where consumers can experience a wide range of products and services offered by the DNP Group. The photo at right shows the "honto Cafe" on the first floor.



Developing and Expanding Channels for Communication with Consumers

DNP provides solutions that support consumers' various purchasing activities. By making use of our best technologies to provide a variety of services that consumers can easily appreciate, we continue to create communication services that are beneficial to both consumers and businesses.

▶ Providing a variety of services that help consumers shop “Orikomio!” e-flyer service



Launched in 2001, DNP's “Orikomio!” e-flyer service enables users to access daily information about special offers, either by taking a leisurely look on their home computer, or by checking a smart phone or tablet PC while on the go. In addition to this basic function, we have been developing one function after another that expands opportunities for communication between consumers and businesses, resulting in both more convenience for customers and more opportunities for businesses.

In order to provide greater benefits for consumers, we added a function that allows consumers to create shopping lists of items advertised in the e-flyers that appear on their smart phone. In November 2012, we launched a smart phone service that proposes an ideal menu based on combining foods that the user already has at home with sale items advertised on an e-flyer.

Other services that we initiated in order to lighten the load on businesses while simultaneously helping them expand sales include a service that quickly and cheaply produces and distributes e-flyer smart-phone applications for distribution and retail businesses, and a service that uniformly manages production of e-flyers and paper-based sales promotion tools.

▶ Developing new B to C communication channels “Receipti!” expense log reads cash register receipts

A growing number of “O2O” (Online to Offline) services are inducing “online” consumers, i.e. users of the Internet and/or smart phone applications, to go to bricks-and-mortar stores and buy “off-line” merchandise. DNP is making use of its accumulated expertise in marketing to provide services that increase the timeliness and utility of information distributed by businesses and get consumers to visit stores, make purchases, and pass on the information that they receive.

In June 2013, DNP introduced “Receipti!,” a home budget application that allows users to track daily expenses simply by photographing receipts with their smart phone and even suggests the best recipes based on food items listed on receipts.

The application is also useful for food and beverage manufacturers, distributors and retail stores as it enables them to attract customers and promote sales by distributing promotional information and coupons based on purchasing patterns revealed by reading the receipts. We are developing a menu of solutions that will allow corporate customers to make use of purchasing information stored in our “Receipti!” databases for planning their marketing strategies.



Promoting DNP's Business Process Outsourcing (BPO) Business

Outsourcing of business processing is gradually becoming more commonplace, but most BPO services focus only on increasing efficiency and cutting costs. There are still few examples of BPO being used to improve customer service, increase sales, or expand a company's overall business.

DNP offers comprehensive BPO services that start with analyzing a client company's business challenges and continue with the construction of necessary frameworks or systems and the planning, design and execution of business processes. In this way, we help strengthen each company's corporate structure in line with its particular management strategies, and we support effective, strategic business reform that leads to business expansion. The main features of DNP's BPO business are:

- ① We provide optimal communication between corporations and consumers by using all kinds of information media, from printed matter to networked media.
- ② Because we have built advanced security infrastructure, we can provide safe and reliable information services that meet the rigorous quality standards of all kinds of corporations, including financial institutions.

- ③ Because we have accumulated know-how and constructed frameworks for properly handling large amounts of diverse personal information, we are able to reliably perform the level of mass processing required for large-scale projects such as responding to legal revisions, implementing corporate mergers, or changing organizational formats.

- ④ We solve corporate clients' management issues by reforming their business processes, which we accomplish by taking on the performance of functions like marketing, project planning, IT, and/or office work.

DNP offers two types of BPO services: BPO in the narrow sense of handling sensitive business information, including personal information, while carefully managing information security, and Commerce Process Outsourcing (CPO), which entails handling information related to the trade of goods or services. By addressing both of these areas with meticulous care, we intend to solve the problems of client companies in a wide variety of industries.

➤ Examples of BPO service

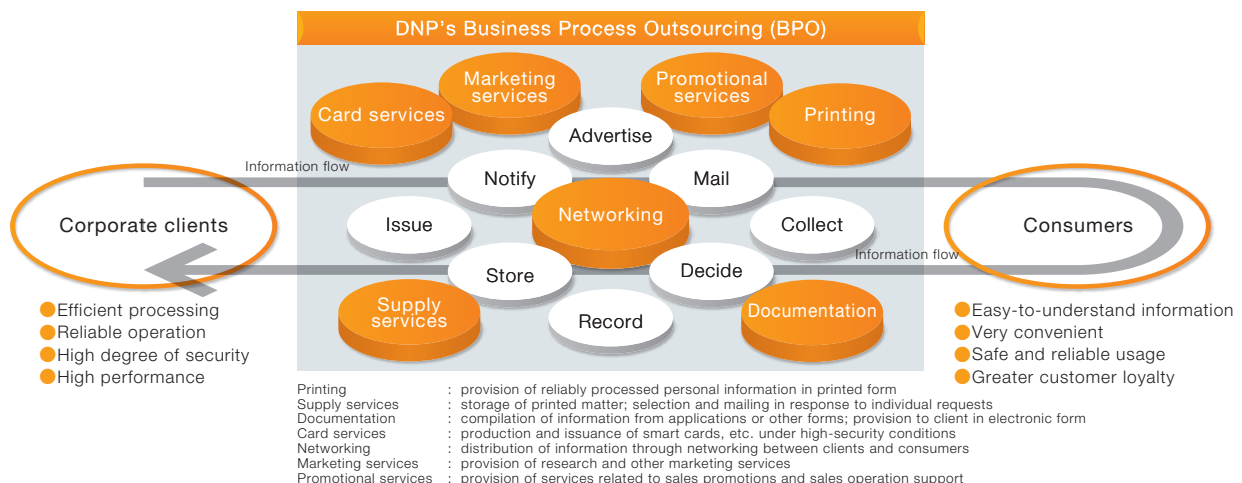
BPO may entail full outsourcing by a wide variety of industry types. Examples include handling of all processes related to new account set-up on behalf of banks, printing of notifications to policyholders on behalf of insurance companies, and processing of applications for credit card issuers and operators of certification examinations or school entrance examinations.

DNP has won high marks for accurate and dependable execution of business processes involving the handling of important information that requires the combination of printing, supply services, documentation, card services, networking and other services.

➤ Examples of CPO service

We support corporate clients' e-commerce through the construction of product or service information databases, integrated management of sales promotion tools, and construction of e-commerce websites. In addition to producing all types of sales tools, our comprehensive service includes point-of-purchase installation and data collection.

We combine marketing services, planning and production of sales promotion tools, customer management, sales operations, distribution and other services in order to accomplish whatever commerce-related tasks our corporate clients need us to do on their behalf.



Security Solutions for Safe and Reliable Communication

In recent years there has been strong demand for safer, more appropriate handling of information, including sensitive corporate information and consumers' personal information. In the more than 30 years since DNP began to develop smart cards in 1981, we have always been the leader in the Japanese smart card market. We have actively promoted the development and use of information network-related systems and of operating systems and application software for smart cards. Recently we have been providing advanced information security using near

field communication (NFC) and machine to machine (M2M) technologies, as well as other forms of telecommunications and equipment management. We are also focusing on developing broader solutions that employ these technologies.

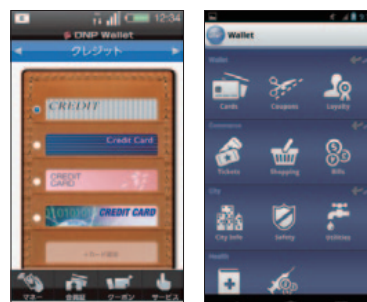
DNP intends to deliver a variety of security solutions worldwide, using both our skills as a manufacturer—for example by developing holograms, printing minute characters, or using ink that changes color—and our skills in information processing, including processing involving smart cards and data centers.

▶ DNP's "Mobile Wallet," Japan's first platform for uniform management of NFC-compatible applications

Near field communication (NFC) is a set of international standards that is starting to be used in a wide variety of devices including exercise machines and home appliances in addition to credit card terminals at retail outlets, electronic money terminals, and loyalty point service terminals. The technology is increasingly viewed as likely to enable basic infrastructure to be shared around the world. Consumers can obtain a wide variety of information simply by holding up an NFC-enabled smart phone near one of various types of NFC-enabled devices.

DNP became Japan's first provider of a mobile wallet platform offering safe, reliable and convenient uniform management of payment processing and other smart phone-based services that have been proliferating as use of NFC has become more widespread. The platform supports "wallet-like" software that manages multiple applications, offering service providers such

services as distribution of software applications and management of authentication, universal updating of personal information, invoice production, coupon distribution, customer loyalty point management, and even healthcare and entertainment-related services.

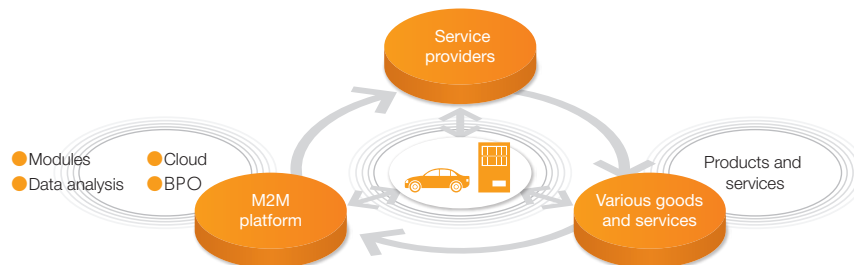


▶ Expanding security solutions through M2M technology

Machine to machine (M2M) technology allows devices connected by a computer network to exchange measurements and other data and to execute control functions with no need for the involvement of a human being. Recent developments in sensors and networking technologies have made it possible to obtain massive amounts of data in real time from a variety of devices.

Based on authentication and other security technologies that we acquired through the development and manufacture of smart cards, DNP has been developing authentication modules to

be built into electronic devices and cloud-based services that can perform functions like data analysis. By combining these elements with data obtained via M2M technology, we intend to build safe and reliable interactive networks of devices that have been verified as legitimate network members in order to monitor each device's status and usage and manage logistics and inventories. We will also link M2M with solutions in areas like payments and marketing, in order to develop even more convenient security solutions.



Lifestyle and Industrial Supplies



Business Strategies

The Lifestyle and Industrial Supplies segment is composed of three business divisions: Packaging, Lifestyle Materials, and Industrial Supplies. The segment plays a vital part in our corporate clients' manufacturing processes and provides many products that are important in the daily life of consumers. The Industrial Supplies division in particular provides many products for which demand is expected to grow, including various types of optical films that prevent glare on the surface of display components, components for photovoltaic cells, and lithium-ion batteries.

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 applying universal design principles to make products and services easy to use for the maximum number of people are all important considerations. The Lifestyle and Industrial Supplies segment will continue to respond precisely to the diverse needs of DNP's corporate clients and consumers as we continue developing a multitude of eco-friendly products endowed with optimal functions for enriching people's lives.

DNP takes a very broad view of the business fields in which printing technologies can be applied. We include areas of social concern, such as environmental preservation, energy and life sciences, as areas in which we endeavor to create new businesses by providing 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 particular capabilities.

Main Policies

Packaging : Expand Global Business with Focus on Advanced, Eco-friendly Products

▶ Page 18,21

We intend to enhance our lineup of eco-friendly and highly functional products in order to realize both a sustainable society and an abundant consumer lifestyle. Also, we aim to develop our businesses not only in Japan, but around the world. We will also concentrate on analyzing consumers' awareness and usage of packaging products 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 packaging of foods and household items, but also for medical and pharmaceutical products and for industrial materials. In addition, we will concentrate on developing packaging products based on universal design and more eco-friendly products like our polyethylene terephthalate (PET) film made from sugar cane-derived material.

Moreover, we will push forward with the development of packaging technologies that enable a high level of safety while placing minimal burden on the environment, with the best example being aseptic filling systems for PET plastic beverage bottles, a market in which DNP is one of the top suppliers.

Lifestyle Materials : Realize Solutions for All Types of “Living Spaces”

▶ Page 44

The Lifestyle Materials division offers comprehensive solutions for 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. We make use of DNP's original EB (electron beam) coating technology to supply abrasion and soil-resistant wall and floor coverings and other products that deliver the durability that is a basic requirement of products used in living spaces.

Lifestyle Materials engages in a wide range of businesses that address the entire living space supply chain. These include design of living spaces, measuring and assessing living environment quality, proposing space designs based on considerations like Kansei (emotional) engineering, and developing easy-to-implement construction techniques. In addition to developing new products like metal paneling that reduces electricity usage by effectively reflecting and diffusing light, we will make use of our global sales network to expand our market share in Europe and developing countries.

Industrial Supplies : Realize Sustainable Growth by Providing a Wide Range of Products

Information Media Supplies:

▶ Page 19,45

We aim to enhance our global manufacturing and sales framework in order to increase the market share of DNP brand products worldwide.

In September 2013, we plan to start up a plant in Malaysia to strengthen our framework for producing dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) in order to meet rapidly growing demand for photo printing in Southeast Asian markets. By enhancing the framework for producing thermal resin-type transfer printing media used for printing barcodes at our Pittsburgh plant in the U.S., we intend to boost DNP's competitiveness throughout the Americas. Furthermore, we will expand our field of business by developing new print media and systems that meet the needs of each country's consumers.

Advanced Optics (Optical Films):

▶ Page 46

DNP is particularly skilled at applying “clean converting” technologies—combinations of DNP's original optical technologies with techniques such as high-precision thin film coating and high-precision molding—which we use to develop a wide variety of optical films. In addition to anti-reflection films for liquid crystal displays, we are developing many new products including films for 3D displays and “Moth Eye®” films that are extremely effective at minimizing the reflection of light.

In the future, we intend to actively respond to trends in display markets, including higher definition, increasing multi-functionality and greater energy efficiency, and to make the most of our solid grasp of the properties of light in order to provide a wide variety of products that only DNP can provide. In addition, we will work more closely with Lifestyle Materials and other business units to focus on developing “smart houses,” “smart cities,” and other products and services that address environmental and energy-related problems.

Energy Systems:

▶ Page 47

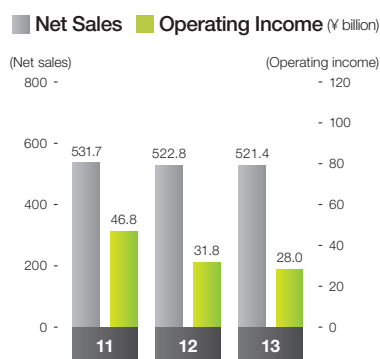
Due to increased demand for clean sources of energy, there is a growing market for products like lithium-ion batteries and photovoltaic cells. DNP uses its original technologies to offer a variety of products that meet this demand.

We are focusing on improving the functionality and lowering the cost of back sheets and encapsulants used in photovoltaic cells while also pursuing the development of new products that will help improve the cells' reliability and conversion efficiency. While DNP is already the world's largest provider of soft packs for lithium-ion batteries used in mobile phones and similar devices, we intend to work harder than ever to expand applications for these types of products to batteries used in larger devices like electric cars and home-use storage batteries.

Financial Results

Financial Highlights

	(¥ billion, %)		
	2011.3	2012.3	2013.3
Net sales	¥ 531.7	¥ 522.8	¥ 521.4
Operating income	46.8	31.8	28.0
Operating income margin	8.8%	6.1%	5.4%



Net sales

Industrial Supplies sales dipped below the previous-year level, largely due to a decline in sales of anti-reflection films resulting from lower prices and heavier competition in the LCD television market. At the same time, sales of aseptic PET plastic bottle filling systems and Lifestyle Materials products increased. As a result, sales by the segment as a whole declined by 0.3%, or 1.4 billion yen, from a year earlier.

Operating income

Affected by factors like lower market prices for photovoltaic cells and decreased sales of optical films, operating income fell by 12.0%, or 3.8 billion yen, from the previous year. The operating income margin declined 0.7 point from the previous year's 6.1%, to 5.4%.

Fiscal Term through March 2013: Business Environment and Summary of Financial Results

Packaging

Because personal consumption was sluggish in the fiscal year ended March 2013, sales of foods and household items were lackluster. Although sales of paper yogurt containers increased, sales of other paper containers and flexible packaging were little changed from the previous year. On the other hand, sales of large-scale aseptic filling systems increased greatly relative to a year earlier, as did packaging sales in Indonesia.

Following the startup of a new plant in Vietnam in May 2013, we also plan to expand our Indonesian plant as we reinforce our overseas manufacturing bases with a focus on Southeast Asia, where demand is robust. Throughout Japan, we reorganized our packaging manufacturing units in order to improve competitiveness by building an optimal production framework and reforming our cost structure.

Lifestyle Materials

Japanese housing starts rose by 6.2% year on year to around 890,000 units, marking a third consecutive year of increase. Reasons for this growth included reconstruction following the Tohoku-Pacific Ocean Earthquake and a rush to complete projects before an expected sales tax increase. Increased demand for eco-friendly products made with DNP's unique EB coating technology as well as solid sales of high-added value products that excel in terms of both aesthetics and functionality also helped this sector exceed the previous year's sales.

We intend to further expand our Lifestyle Materials business in various directions: for example by actively entering the markets for home renovation and elderly housing, by increasing our lineup of external products, by developing our automotive electron beam (EB) coating products on the global market, and by reinforcing sales of Ellio steel plate in response to increasing worldwide demand for railway cars.

Industrial Supplies

Information Media Supplies

In the fiscal term ended March 2013, we maintained sales of dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) at roughly previous-year levels despite sluggish domestic demand for photo prints and the effects of a strong yen during the first half of the term. In the market for thermal resin-type transfer printing media for printing barcodes, there was lackluster demand for Europe-bound products, but U.S. sales were strong.

Looking ahead, we expect to complete construction of our Malaysian factory in September 2013, which will help us respond to robust demand for dye-sublimation thermal transfer printing media in Southeast Asian markets. In addition, we will boost our competitiveness in the market for thermal resin-type transfer printing media for printing barcodes throughout the Americas by adding production equipment at our Pittsburgh plant in the U.S.

Advanced Optics (Optical Films)

The environment surrounding this market was very difficult, due to factors like growth in tablet PCs putting pressure on demand for laptop computers and monitors in addition to the worldwide slump in demand for flat-panel displays, including LCD and PDP (plasma display panel) televisions.

In the year ended March 2013, DNP sold more new products, including films for 3D displays and ultra-low reflection films. However, sales of anti-reflection films used in liquid crystal

displays dropped due to the double impact of sluggish demand and lower unit prices resulting from increased competition. In addition, sales of existing products such as projection screen components and contrast improvement film and other PDP components were generally sluggish and declined relative to the year before.

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 based on DNP's original optical technologies.

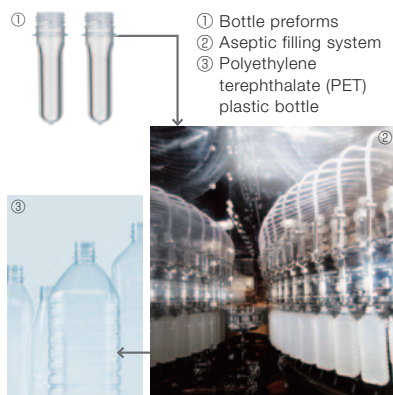
Energy Systems

Here too, the business environment was severe. In the fiscal term ended March 2013, in addition to a sharp drop in worldwide demand for photovoltaic cells due to the European fiscal crisis and other factors, order prices also plunged, largely due to increased competition. DNP's Energy Systems business sold more soft packs for lithium-ion batteries and encapsulants for photovoltaic cells, but sales of back sheets for photovoltaic modules were weak.

In the future, we will develop and market components with better functionality and greater durability, for which demand is expected to increase. Currently there is growing demand for soft packs for lithium-ion batteries used in smart phones and other mobile devices, but in the long term we aim to respond to growing demand for electric car batteries and home-use storage batteries.

TOPICS

Aseptic filling systems: a field with growing potential DNP's comprehensive framework handles every aspect from technological development to equipment manufacture and installation



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

In 1978, DNP became the first Japanese company to develop aseptic packaging when we began working on single-portion containers for coffee whitener. Since then, we have continued to innovate new technologies as packages have become more complex.

In 1994, DNP was the first Japanese company to develop a system for aseptically filling PET plastic beverage bottles with milk-based beverages. In 1997, we started operating a system that aseptically filled small, test tube-like bottle preforms while simultaneously blowing them up into full-size bottles. We expanded this business and today hold one of the largest shares of the Japanese market for aseptic bottle preform-filling systems.

By refining our converting technologies (technologies that change a material's form) and the sterilization techniques that we have been working on for some 40 years, we have built a comprehensive framework for handling every step from technological development to equipment manufacture and installation, and we are now working on market development.

Lifestyle Materials:

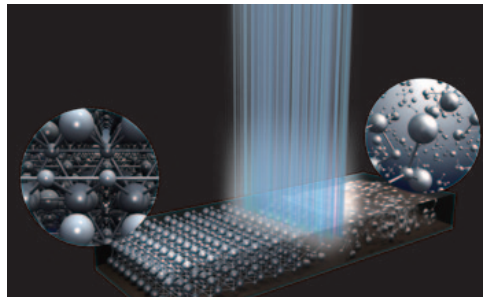
Developing Solutions for All Types of Living Spaces

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," including 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, smart housing and smart cities.

DNP has filed more than 1,000 patent applications related to our proprietary electron beam (EB) coating technology. The advanced, eco-friendly products that we make with this technology have won high praise from corporate clients and consumers and are capturing a growing share of the domestic market for interior and exterior products. One after another, we are creating products like "EB Floor" and "EB Cloth" that generate new value for "dwelling spaces."



Model room showing residential interior using DNP products



Electron Beam (EB) coating



A model lobby with DNP wall and floor coverings

➤ Providing solutions that cover every part of every dwelling space

DNP defines "dwelling space" as any location where people conduct their lives, and we consider all dwelling spaces to be within our field of business. We have continually advanced "dwelling spaces" by increasing "functional value"—primarily through EB technology—and "kansei (emotional) value"—primarily through design. We are actively engaged in new product development aimed at creating dwelling spaces for the future, which will not only meet the expectations of our corporate clients but also enable consumers to enjoy full and comfortable lives.

Our VOX-ART (Beaux-Art) and WORKSHOP lifestyle materials showrooms (in Gotanda, Tokyo; Nanba, Osaka; and Tenjin, Fukuoka) display models of residential living spaces that highlight DNP's unique design ideas. The comprehensive showrooms display DNP interior products covering ceilings, floors, walls, doors, windows and sliding partitions, and Ellio steel plate and other DNP exterior products in front doors and elevators, etc.

The showrooms serve as a meeting place for condominium developers, residential contractors, interior coordinators, and design firms. In addition to introducing each of our decorative

materials, we integrate into our business the viewpoints that we hear in these showrooms from the many stakeholders involved in creating and using residential living spaces.

Based on this information, we envision lifestyle scenarios and propose comprehensive solutions encompassing every step from materials development and living space design to interior coordination, even including construction methods.



DNP's VOX-ART (Beaux-Art) lifestyle materials showroom in the DNP Gotanda Building

Information Media Supplies:

Business Expansion Centered on Photo Printing

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 is among the world's largest providers of both dye-sublimation media (used primarily in photo printers and card printers for printing high-definition, full-color images) and of thermal resin-type media (used mainly in ink ribbons for high-speed barcode printers).

One way in which we expand our worldwide business is by actively pursuing M&As that provide synergistic benefits through the combination of our strengths with those of other companies. In 2006, for example, we acquired the Konica Minolta Group's ID photo business and photography-related product manufacturing and sales businesses. In 2008, we acquired Sony Chemical & Information Device Corp.'s barcode printing business, and in 2011 we acquired Sony Corp.'s commercial-use digital photo printer business.



Dye-sublimation thermal transfer printing media and a digital photo printer (right)



Thermal resin-type transfer printing media

➤ Expanding our business by developing products that meet customers' photo printing needs

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. In tandem with this trend, more people are printing photos using dry methods such as dye-sublimation or inkjet rather than conventional silver halide methods using a developing solution.

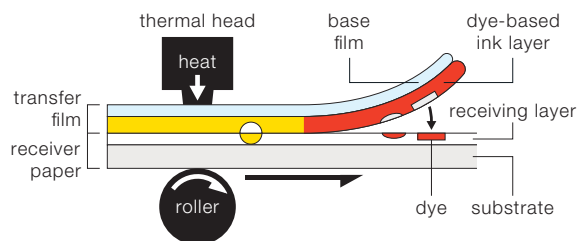
Dye-sublimation printers are gaining popularity in the market as they take up less space, are more affordable to buy, and are easier to maintain than other types of dry printers or photo printers that use silver halides. DNP's dye-sublimation thermal transfer printing media are increasingly appreciated in the market

because they deliver the same smooth color tones and high-quality images as silver halide printing, but the prints come out instantly and are exceptionally durable. In addition to offering printing services at retail outlets, we take advantage of DNP's instant printing system to offer printing services at more and more locations, including event venues and tourist destinations.

In the future, in addition to ongoing development and production of print media, we intend to use our capacity to develop printing systems and software in order to provide convenient products and services for consumers' enjoyment.

How dye-sublimation type thermal transfer printing works

Heat from the printer's thermal head sublimates (vaporizes and hardens) yellow, magenta and cyan dye-based inks that have been thinly coated onto a base film, and transfers each color in turn onto receiver paper, thereby printing a color image. Because the amount of ink transferred is proportional to the amount of heat in the thermal head, the printer can express smooth gradations in color tones and produce finely detailed, beautiful photographs.



Advanced Optics (Optical Films):

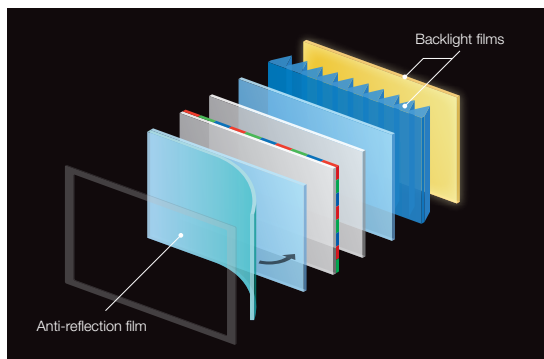
Using “Clean Converting Technologies” to Provide Products and Solutions that Only DNP Can Provide, Based on Our Thorough Knowledge of Optical Properties

By making use of the “clean converting technologies” that we acquired through the design and development of a variety of materials and manufacturing processes based on original optical design technologies, DNP provides optical film products that perform a variety of functions, primarily for flat-panel displays used in devices like televisions, personal computers, and mobile devices.

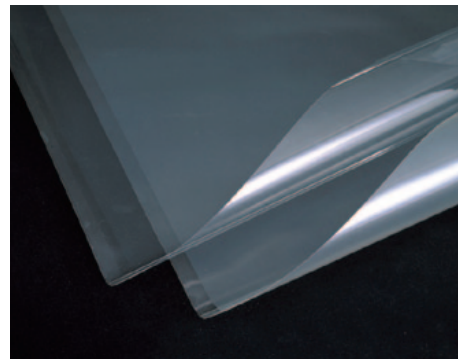
DNP has won the top share of the world market for anti-reflection films, which are used on a display's outermost surface

in order to make the display easier to see by preventing glare from both indoor and outdoor light. We have developed one new product after another, including films for 3D displays, “Moth Eye®” ultra-low reflection films, and optical films for touch panel displays.

In the future, we will make use of our proprietary basic technologies to advance product development from new points of view and to expand our business into a broader market that includes fields like energy and environmental preservation.



DNP optical films used in a liquid crystal display



Anti-reflection film

➤ “Moth Eye®” anti-reflection film reduces light reflection more than ever before



The compound eyes of moths have microscopic conical protrusions that measure a few hundred nanometers in height and form a concavo-convex surface structure called a “moth-eye” structure. Because the protrusions on the surface of a moth’s eye are smaller than the wavelength of light, they block reflection of outside light. This allows the moth to make efficient use of what little light there is at night without exposing its position to an enemy by reflecting light from its eyes.

DNP produces films that imitate the microscopic concavo-convex surface of a moth’s eye using continuous, roll to roll processing that allows us to cover even large surfaces.

By using this ultra-low reflective film on a flat-panel display, glare is significantly reduced compared to existing products on the market, enabling the display of a clearer picture. Going forward, we aim to expand sales of related products beyond the flat-panel display market by developing applications such as display cases used in art galleries and museums and show windows used in commercial facilities.

Display case using “Moth Eye®” anti-reflection film: on the left side, where “Moth Eye®” film is used, a minimal amount of light is reflected.

Energy Systems:

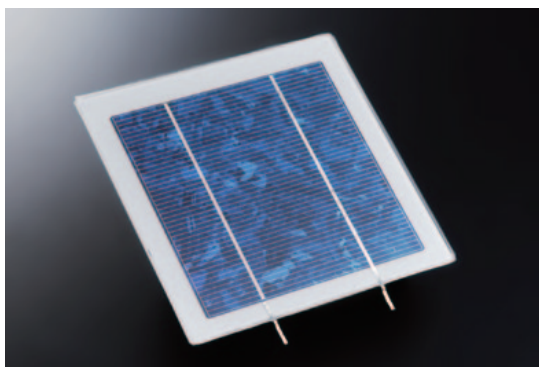
Providing Diverse Products and Services in Response to the Growing Market for Clean Energy

DNP positions environment and energy as one of our strategic businesses as we respond to growing demand for clean sources of energy that can replace fossil fuels, and to growth in related markets.

DNP's main photovoltaic cell-related products are back sheets, which adhere to the back side of photovoltaic panels and keep out wind and rain; encapsulants, which hold photovoltaic cells (power generation elements) and power collection wiring in place and protect them from the outside environment; and bus-line sheet used in rear-contact photovoltaic modules, made by forming electrode circuits on film. We began mass producing in bus-line sheet in 2012. We intend to continue meeting our corporate clients' needs by increasing the functionality of our products and reducing costs.



"Soft pack" covering for a lithium-ion battery



Photovoltaic cell

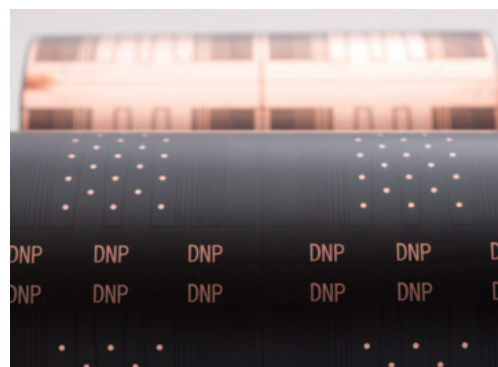
▶ Development of products that improve the power generation efficiency of photovoltaic cells

The photovoltaic cell market seeks high-performance components amid increasing demand for greater durability and power generation efficiency. DNP is meeting these needs by developing high-quality photovoltaic module components that bring together DNP's unique clean converting technologies.

DNP's encapsulants shut out water vapor ten times more effectively than competing products in common use. In addition, because DNP's encapsulants do not generate acidic gas that corrodes wiring or other components, they have attracted attention as outstanding encapsulants that prevent potential induced degradation (PID) in photovoltaic cells subject to high voltage, high temperature and high humidity.

Bus-line sheets reduce shadow loss in photovoltaic cells and contribute to the commercialization of rear-contact photovoltaic modules, which are more efficient power generators than conventional photovoltaic cells. Our corporate clients have given high marks to DNP's bus-line sheets.

Going forward, we will work actively to improve power generation efficiency by developing new products that meet our customers' demands, including an all-in-one bus-line sheet-back sheet combination.



Bus-line sheet used on photovoltaic modules

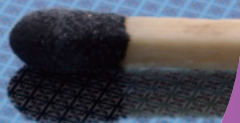
Electronics

Business Strategies

Usage of a wide variety of electronic devices—including household appliances and information devices like smart phones and tablet PCs—is rapidly spreading. When selecting these types of electronic devices, consumers seek convenience and new features based on cutting-edge technologies. At the same time, the needs of corporations and consumers are becoming increasingly diverse and manufacturers must take appropriate action to quickly address these changing needs while also responding to demands for lower costs.

DNP's Electronics segment considers these various market demands as we work hard to develop the newest technologies that respond to the market's diverse needs and to establish optimal supply frameworks. It is against this backdrop that we apply world-class printing technologies, including microfabrication and patterning technologies, in order to provide a wide range of display components and electronic devices such as color filters for liquid crystal displays, photomasks (original plates for making LSI circuits), and touch panel components.

The Electronics segment's basic strategy regarding product development is to keep our eyes on the next generation of electronic products as we work at developing cutting-edge, industry-leading technologies, and to supply high-added value products with superior functionality in line with the market's demands. These cutting-edge products are primarily developed and manufactured at our mother plant in Japan, but we intend to take a global point of view regarding other products as we flexibly consider the best locations for production, including overseas locations. We also intend to actively engage in collaboration with companies that have important strengths in order to speed up our business development.



Main Policies

Display Components:

Shift Focus to Small- and Medium-sized Products and to Increasing Resolution

Now that LCD televisions have transitioned from the growth phase to a mature phase of their product lifecycle, growth in demand for LCD TV-related products has begun to slow on the global market for displays. Worldwide, panel manufacturers have excessive production capacity for panels used in large-screen televisions. Panel prices are falling, and it is becoming increasingly difficult for manufacturers to turn a profit.

Given these circumstances, we are working to stabilize production, largely by shifting our focus from color filters for large-screen televisions that were our previous mainstay to the small- and medium-sized color filters that are expected to be increasingly in demand for use in products like smart phones and tablet PCs. At the same time, we are reforming our business and cost structures. This includes revising our production framework by selling or consolidating equipment. 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 particularly in demand for use in small- and medium-sized devices.

Make Use of Existing Technologies and Equipment to Enhance Product Lineup with New Products like Touch Panel Components

We will work to develop our lineup of new products by making the most of existing technologies and production equipment. Touch panel components in particular are expected to be a growing market, and we intend to expand our share of that market based on the appeal of our advanced technical capabilities. We already supply touch panel sensors and other new products that contribute to the production of thinner, lighter smart phones and tablet PCs, and we intend to continue to focus on product development that meets the needs of manufacturers in Japan and around the world.

Electronic Devices:

Expand Overseas Semiconductor Photomask Business and Develop Cutting-edge Technologies

DNP's semiconductor photomasks have established a solid reputation for outstanding quality and have maintained control of a large share of the global photomask market (excluding in-house production by semiconductor manufacturers). In particular, we have captured one of the top shares of the worldwide market for cutting-edge products with line widths of 45nm*¹ or less, which require particularly advanced technology for their production.

With demand for miniaturizing semiconductor products only expected to increase in the future, DNP aims to use the results of development conducted jointly with corporate clients in order to prepare a framework for developing and supplying cutting-edge photomasks with line widths of 22nm or less. At the same time, we will keep working on commercializing next-generation semiconductor lithography technologies such as extreme ultraviolet (EUV) exposure*² and nanoimprinting.*³

Given the harsh business environment surrounding electronic devices, we will adjust our production framework so that we can actively address demand overseas as well as in Japan. We will make use of overseas photomask production bases that we have established in partnership with major corporate clients in order to supply cutting-edge photomasks to Europe and the Asian region.

Boost Earning Power by Developing New Products

We intend to apply microfabrication, patterning, etching, and other technologies to the active development of a wide range of products including hard disk drive components, metal bases for LEDs, printed wiring boards with embedded components, and MEMS*⁴ products.

By concentrating management resources on areas that promise future growth, such as various types of electronic modules used in image processing, we intend to construct a business framework that will allow us to secure profits despite fluctuations in the semiconductor market.

*¹ nm (nanometer): one billionth of a meter

*² Extreme ultraviolet (EUV) exposure: a technique for using ultraviolet rays with extremely short wavelengths to burn minute circuit patterns onto a wafer

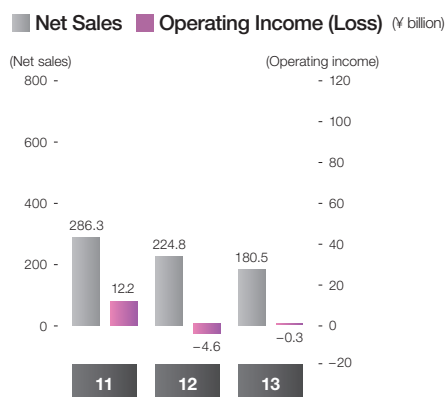
*³ Nanoimprinting: a semiconductor manufacturing technique that entails physically transferring a minute pattern to a resin-coated silicon wafer by pressing a template bearing the pattern against the resin on the wafer

*⁴ MEMS (micro electro mechanical system): a group of minute components made with semiconductor microfabrication technologies

Financial Results

Financial Highlights

	(¥ billion, %)		
	2011.3	2012.3	2013.3
Net sales	¥ 286.3	¥ 224.8	¥ 180.5
Operating income	12.2	(4.6)	(0.3)
Operating income margin	4.3%	—	—



Net sales

Sales of color filters declined relative to the previous fiscal year, mainly because of decreased demand for LCD televisions and the August 2012 transfer of our Sakai plant's color filter business to Sakai Display Products Corp. Sales of electronic devices, including photomasks, were generally slow due to weak demand for personal computers. As a result, sales by the segment as a whole declined by 19.7%, or 44.3 billion yen, from a year earlier.

Operating income

In addition to benefits from reforming the Electronics segment's cost structure, for example by reorganizing production bases and merging the two business units that formerly handled display components and electronic devices separately, operating income was also boosted by revenues from new products like touch panel sensors, which we began mass producing. Compared to the operating loss of 4.6 billion yen posted in the previous fiscal term, we achieved a big improvement in the fiscal year ended March 2013, resulting in the segment's operating loss shrinking by some 4.3 billion yen to 0.3 billion yen.

Fiscal Term through March 2013: Business Environment and Summary of Financial Results

Structural Reform of the Entire Electronics Segment

In June 2012, we merged the two business units that formerly handled display products and electronic devices to form a new Fine Electronics unit. In addition to reducing indirect operations, we set about boosting the Electronics segment's technological and development capabilities by combining the two units' strengths in order to improve investment efficiency and profitability.

Display Components

According to one research company's figures, worldwide shipments of LCD televisions in calendar 2012 declined by 1% year on year to 203 million units. There was continued growth in shipments to emerging countries, including China and Central and South American nations, but the number of units shipped to developed countries decreased. There was an especially sharp year-on-year drop in television shipments in Japan because of the previous year's spike in replacement buying due to broadcasters' shift to digital terrestrial broadcasting in 2011. Shipments of personal computers also declined worldwide, by 3.5% year on year to about 350 million units. Growth in both LCD televisions and personal computers was slowed partly because of the spread of smart phones and tablet PCs. These market trends gave rise to major changes in manufacturers' courses of action, with panel makers implementing production cutbacks and shifting their emphasis from large-size products used in televisions to small- and medium-sized products for smart phones and other mobile devices.

Given this environment, DNP did a brisk business in small- and medium-sized color filters, but larger filters for large-screen televisions were affected by falling LCD television prices and overall Display Components operations posted smaller sales than in the previous year. In response, we downsized by selling some of the color filter manufacturing equipment from our plant in Mihara, Hiroshima Prefecture in February 2013, and by selling our Sakai plant's 10th-generation color filter operations to Sakai Display Products Corporation.

In the future, demand for LCD televisions is expected to grow primarily in newly industrializing countries like India, while in developed countries higher-added value products such as 4K and 3D televisions are expected to grow in popularity. Meanwhile,

the market for small- and medium-sized panels is expected to continue to enjoy solid growth as more people use smart phones and tablet PCs.

DNP will continue to expand production of the small- and medium-sized products that are meeting growing demand. In addition, we will continue to respond to demand for thinner, lighter products and to develop products for flexible displays.

We will also accelerate development of new products that can be made with color filter production equipment, such as capacitive sensors for touch panels and surface covers that protect touch panels from scratching.

Electronic Devices

In the fiscal term through March 2013, the global semiconductor market shrank by 2.2% from the previous year, mainly because of stagnation in demand for personal computers, the European fiscal crisis, and a dampening of demand from China. The market slowed in Japan too, and the fiscal performance of major domestic semiconductor manufacturers declined due to increased international competition.

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 compared to the previous year. In other areas, DNP enjoyed increased sales of electronic modules used in commercial amusement machines, but sales of suspensions and other components for hard disk drives declined, as did sales of lead frames.

We are starting to see signs of a future recovery in the semiconductor market, such as more active investment in the further miniaturizing of semiconductor products used in smart phones, tablet PCs, and other mobile terminals that are the objects of growing demand. As semiconductor products become thinner and higher in density than ever before, increasingly advanced technologies are required to create the ultra-fine circuit lines used in their manufacture.

As miniaturization progresses, we aim to increase DNP's share of the market for products at the cutting edge. At production bases both in Japan and abroad, DNP is moving ahead with mass production of products made with under-32nm line widths. At the same time, we are preparing to support photolithography techniques for making ultra-advanced under-30nm products by combining ArF immersion and double exposure manufacturing methods. In addition, we are working with semiconductor manufacturers to speed up research and development of next-generation semiconductor lithography technologies like extreme ultraviolet (EUV) exposure and nanoimprinting.

Amid growing demand for thin, compact semiconductor packages that can accommodate high-density mounting of

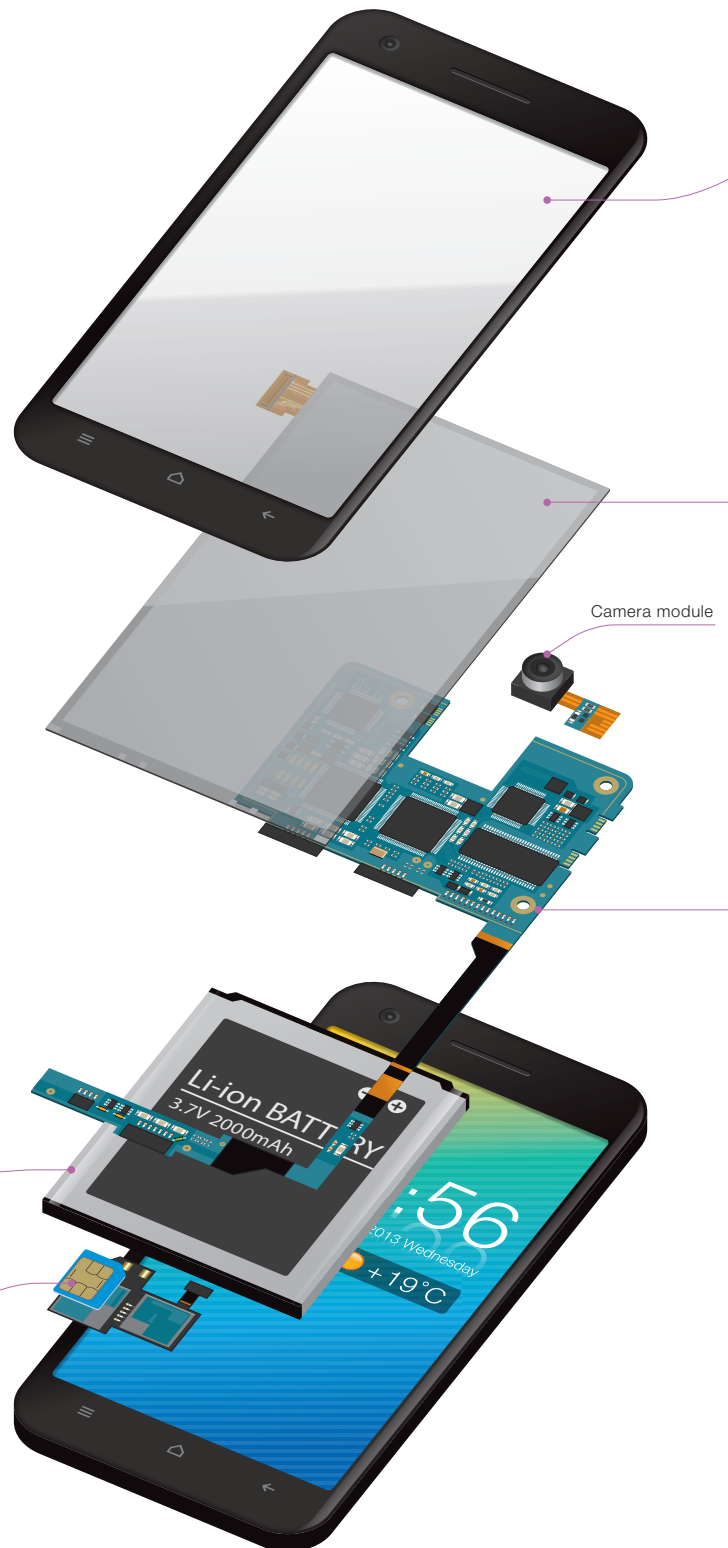
internal components, we aim to expand DNP's share of the market for etched electronic components, backed by such strengths as our unique B²it (pronounced "bee-square-it") buildup board technology. We will also actively pursue development of new products including metal LED substrates, hard disk drive components, electronic modules for image processing and other applications, and MEMS products.

DNP Electronics Products in Everyday Life

DNP Products and Technologies Used in Smart Phones and Tablet PCs

For more than half a century, DNP has been supplying a wide variety of electronic products by applying the photographic plate-making skills that we gained through our printing business, and by refining the photolithography and etching technologies that enable us to make extremely fine patterns.

DNP's various products and systems contribute to improving the operation and functionality of smart phones, tablet PCs and other information terminals. Examples of the products we supply include high-definition color filters for liquid crystal displays, touch panel components, photomasks and lead frames used in cutting-edge semiconductor products, digital camera modules and autofocus springs.



■ "Soft pack" for lithium-ion battery

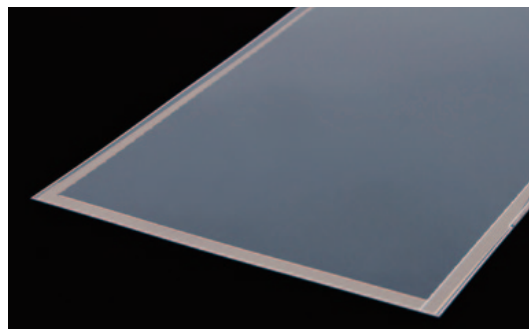
Soft packs are outer coverings made of film-type material; they seal in electrolytes, separators and other battery components. Compared to conventional metal packaging, a soft pack allows greater freedom in designing a battery's shape and dimensions and can help reduce its weight and cost.
(Lifestyle and Industrial Supplies)

■ SIM (Subscriber Identity Module) card

A type of smart card issued by a telecommunications carrier, the SIM card contains information needed for authenticating user identification, as well as telephone numbers and other information.
(Information Communication)

● Touch panel components

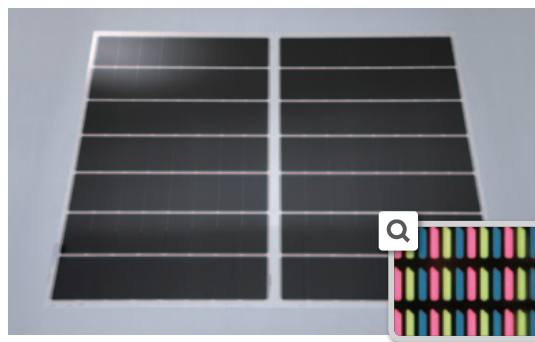
Amid widening use of smart phones, tablet PCs and other mobile terminals, there is increasing demand for touch panel sensors that detect fingertip movement on a display. When building a touch panel function into a display, it is important to avoid increasing the device's thickness or weight. In response to this consideration, DNP has begun mass producing cover glass integrated sensors using tempered glass, and film-type sensors that are processed on both sides of the film. Both of these products enable the production of thinner, lighter mobile terminals.



Touch panel sensor

● High-definition color filters for LCDs

In order to display more beautiful images on the small screens of smart phones and tablet PCs, the displays need to have better resolution and brightness. In our color filter production, we have developed some of DNP's existing proprietary technologies to meet the market's demands for higher-definition, brighter, thinner, lighter displays for smart phones and other mobile terminals, and these efforts have won high praise.



Color filter, with enlarged view at lower right

● Electronic devices

DNP makes use of printing technologies like patterning and etching to provide a large number of products that are essential to the operation of all kinds of electronic devices.

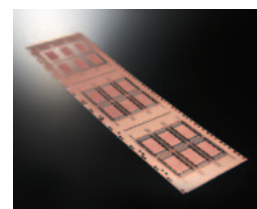
We mass-produce cutting-edge photomasks—masters for making large-scale integrated circuits (LSIs), DRAM semiconductor memories, and other semiconductor products—with line widths of less than 30nm. We also meet our corporate clients' miniaturization needs by working to develop practical applications for next-generation semiconductor lithography technologies like nanoimprinting and extreme ultraviolet (EUV) exposure.

In addition, we supply lead frames (components that hold IC chips onto printed wiring boards and transmit electric signals) for use in ultra-thin semiconductor packages that are only 0.4mm thick, or one eighth the thickness of conventional products.

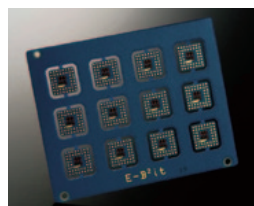
DNP's unique B²it (pronounced "bee-square-it") embedded-component wiring board technology answers demand for more compact, higher-density motherboards. And we use our advanced etching technologies to manufacture autofocus springs that instantaneously adjust the focus of the lens inside a camera module.



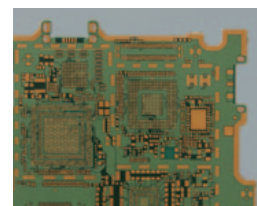
Photomask used for making semiconductors



Lead frame



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



Motherboard for a smart phone



Corporate Governance



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Statutory Auditors and
Corporate Officers



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 twice 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 16 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:

(6) Interests between DNP and its outside directors and outside statutory auditors

DNP has one outside director and three outside statutory auditors. Outside directors and statutory auditors do not have any particular personal relationships, capital relationships, transactional relationships, or other interests with DNP. 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. DNP has also established the following insignificance criteria related to the attributes of independent officers determined to pose no risk of influencing the voting decisions of shareholders.

- Transactions less than 2% of DNP's annual sales during the most recent fiscal year.
- Donations less than the greater of either an annual average during the previous three years of ¥10 million or 2% of the total annual revenues of the donation recipient.

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.

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., and although DNP had a relationship with Dai-ichi Life Insurance in the form of mutual appointments of outside directors or auditors, it does not have such a relationship at the present time.

Outside statutory auditor Makoto Matsuura is designated as an independent officer and can help bolster auditing based on legal expertise as an attorney.

Outside statutory auditor Kuniaki Nomura can help bolster auditing based on legal expertise as an attorney.

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.

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.

(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

■ 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)	1,322	1,167	155	21
Statutory auditors (excluding outside auditors)	75	75	–	2
Outside directors and auditors	87	87	–	4

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)	288	Dai Nippon Printing Co., Ltd.	265	23
Koichi Takanami (Director)	122	Dai Nippon Printing Co., Ltd.	110	12
Masayoshi Yamada (Director)	122	Dai Nippon Printing Co., Ltd.	110	12

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: 416

Total on the balance sheet: 153,469 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	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.

(Current fiscal year)

Stocks held for reasons other than pure investment purposes

Company name	Number of shares	Amount recorded on balance sheet (¥ million)	Holding purpose
The Dai-ichi Life Insurance Co., Ltd.	66,066	8,357	Enhance business relationship
NuFlare Technology, Inc.	10,000	5,830	Strengthen business alliance
Mizuho Financial Group, Inc.	27,134,319	5,399	Enhance business relationship
Taisho Pharmaceutical Co., Ltd.	692,700	4,724	Enhance business relationship
Terumo Corporation	1,101,000	4,459	Enhance business relationship
Asahi Group Holdings, Ltd.	1,860,029	4,183	Enhance business relationship
NISSIN FOODS HOLDINGS CO., LTD.	898,711	3,940	Enhance business relationship
Ezaki Glico Co., Ltd.	3,224,268	3,140	Enhance business relationship
YAMATO HOLDINGS CO., LTD.	1,660,600	2,889	Enhance business relationship
YAKULT HONSHA CO., LTD.	701,000	2,667	Enhance business relationship
Toyo Suisan Kaisha, Ltd.	794,980	2,289	Enhance business relationship
Aica Kogyo Co., Ltd.	1,293,743	2,248	Enhance business relationship
TOSHIBA CORPORATION	4,547,000	2,146	Strengthen business alliance
CALBEE, Inc.	258,200	1,970	Enhance business relationship
Lion Corporation	3,140,665	1,626	Enhance business relationship
Hulic Co., Ltd.	2,040,000	1,576	Enhance business relationship
Mitsubishi Chemical Holdings Corporation	3,598,790	1,565	Strengthen business alliance
Sapporo Holdings Limited	3,796,388	1,499	Enhance business relationship
Mitsubishi UFJ Financial Group, Inc.	2,399,760	1,339	Enhance business relationship
NSK Ltd.	1,814,000	1,297	Strengthen business alliance
FUJIFILM Holdings Corporation	685,965	1,259	Enhance business relationship
Hakuhodo DY Holdings Inc.	172,000	1,233	Enhance business relationship
Meiji Holdings Co., Ltd.	282,200	1,231	Enhance business relationship
Senshukai Co., Ltd.	1,509,663	1,160	Enhance business relationship
Daikin Industries, Ltd.	300,000	1,107	Enhance business relationship
NIPPON STEEL & SUMITOMO METAL CORPORATION	4,594,768	1,079	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	7,818	Hold voting instruction rights for shares in retirement benefit trust
TV Asahi Corporation	4,030,000	7,338	Hold voting instruction rights for shares in retirement benefit trust
Astellas Pharma Inc.	913,770	4,623	Hold voting instruction rights for shares in retirement benefit trust
Japan Tobacco Inc.	1,000,000	3,000	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	126	–	128	–
Total	209	–	211	–

(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 27, 2013)

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

Tetsuji Morino

Kunikazu Akishige

Motoharu Kitajima

Takao Shimizu

Masaki Tsukada

Sakae Hikita

Fujio Yamazaki

Tokuji Kanda

Takashi Saito

Directors

Satoru Inoue

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

Shigemi Furuya

Ryuji Minemura

Masato Koike

Masato Yamaguchi

Morihiro Muramoto

Corporate Officers

Kenji Miya

Toshiki Sugimoto

Kiyotaka Nakagawa

Naohiko Sugimoto

Shuichi Kobayashi

*Outside director or auditors



Yoshinari Kitajima

Koichi Takanami

Yoshitoshi Kitajima

Masayoshi Yamada



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Management's Discussion and Analysis

Operating Results

Business Environment

Japan's economy showed signs of recovery during the current fiscal year, aided by restoration demand following the Tohoku-Pacific Ocean Earthquake, but was also affected by the European financial crisis and economic slowdowns in emerging countries. In the printing industry, despite changes in the business environment for media, including growth in Internet advertising, overall demand was sluggish and the business environment for printing remained challenging.

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 to contract that has persisted since 1997, and estimated sales of publications in Japan fell 4.4% year on year during the year ended March 2013. Book sales declined 2.9% year on year to ¥796.9 billion as a result of fewer major hit titles than last year. Magazine sales also fell 5.6% to ¥921.3 billion, reflecting not only a decline in sales volume, but also a far greater number of discontinued publications than new publications. However, the e-book market grew 16% year on year and sales value rose to about ¥73.0 billion.

In the Commercial Printing business, domestic advertising expenditures increased on growth in Internet advertising in January–March 2013, but held flat for the full year. Demand for printed material was weak as companies accelerated their shift from paper catalogs and instruction manuals to online distribution. 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, progress in efforts to simplify and enable online viewing of invoices, notifications, and other items, and a decline in order prices from stiffer competition.

In the Lifestyle and Industrial Supplies segment, consumer spending on jewelry and other luxury goods was strong in January–March 2013, and department store sales showed signs of recovery by rising above year-ago levels for three consecutive months. However, supermarket sales were lower than the previous year on declines for both foods and daily goods. Convenience store same-store sales have also decreased year on year for 10 consecutive months, since June 2012. Accordingly, consumer spending on foods and other daily goods has continued to stagnate. In the Lifestyle Materials business (includes decorative materials), domestic housing starts grew 6.2% year on year to around 890,000 units during the fiscal year ended March 2013, and have risen above year-ago levels for seven consecutive months, since September 2012.

In the Industrial Supplies business, anti-reflection films faced a difficult business environment. Global LCD TV shipment volume fell 1% to 203.2 million units in January–December 2012, the first year on year decline since the start of data disclosure. Chinese market demand rose from summer 2012 through the end of the year, due partly to public demand stimulus measures, but slowed from February 2013 as a result of slower economic

growth and other factors. The photovoltaic cell market faced increasingly harsh conditions. Despite the launch of a feed-in tariff system for renewable energy in Japan, global demand continued to decline and the world's biggest photovoltaic panel maker in China went bankrupt in March 2013.

In the Electronics segment, in addition to lower shipments of LCD TVs, global PC shipment volume decreased by 3.5% to 352.7 million units in January–December 2012. Mobile phone shipments grew 1.2% to 1.7359 billion units, but expanding demand for smart phones and tablet PCs resulted in lower shipment volume for PCs, and conditions remained quite severe overall.

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. Additionally, DNP worked to secure earnings through the rebuilding of domestic and overseas business structures from the standpoint of overall optimization and actively pursued business expansion from global and social perspectives. Despite these efforts, DNP's consolidated net sales fell 4.0% year on year to ¥1,446,607 million in the year ended March 2013.

In the Information Communication segment, DNP integrated the three business divisions responsible for commercial printing, smart cards, and security solutions into the Information Solutions Operations business unit in October 2012 in an effort to bolster mutual cooperation and establish a structure for developing comprehensive solutions. DNP is also pursuing a business partnership with Nihon Unisys, Ltd. and launched specific initiatives to expand cloud computing and platform service businesses. Sales in this segment decreased as a result of weakness for products other than strong-performing smart cards.

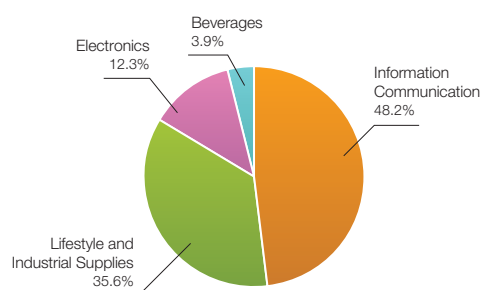
The Lifestyle and Industrial Supplies segment maintained sales on par with the previous year. Sales of anti-reflection films decreased, due partly to a decline in unit prices from a shift toward lower priced LCD TVs and stiffer competition. However, the Packaging business had higher sales of aseptic PET plastic bottle filling systems, and decorative materials were also firm.

In the Electronics segment, to respond to rapid changes in the business environment, DNP sought to improve profitability by integrating the two business divisions responsible for display components and electronic devices in June 2012, and also focused on the development of new products, including touch panel components. Segment sales fell sharply as a result of lower global demand for LCD panels, a decline for LCD color filters on account of transferring operations at the Sakai Plant to Sakai Display Products Corporation in August 2012, and the impact of tough semiconductor market conditions in the Electronic Devices business.

The Beverages segment posted lower sales overall. Mineral waters and tea beverages achieved growth, but carbonated beverages declined.

Consolidated operating income grew 5.2% year on year. Despite the large impact of a slump for anti-reflection films, the company benefited from strong performances for smart cards and decorative materials, the

Net Sales by Segment
(year ended March 2013)



integration of business divisions, and cost structure reforms in the Electronics segment. The consolidated operating income margin was 2.5%, up 0.2 percentage points from the previous year.

Looking at the operating income margins in each business segment, the Information Communication segment rose 0.1 percentage points to 2.3%, whereas the Lifestyle and Industrial Supplies segment declined 0.7 percentage points to 5.4%. The Electronics segment posted an operating loss for a second consecutive year, but the operating loss margin improved 1.9 percentage points to 0.2%. The Beverages segment declined 1.5 percentage points to 0.8%.

	2013.3	2012.3	2011.3
Net sales (¥ million)	¥ 1,446,607	¥ 1,507,228	¥ 1,589,373
Gross margin (%)	18.0%	17.3%	19.0%
Operating income margin (%)	2.5%	2.3%	4.3%
Ordinary income margin (%)	2.8%	2.4%	4.0%
Net income margin (%)	1.3%	—	1.6%
Net income (loss) per share (¥)	¥ 29.84	¥ (25.39)	¥ 38.86

Net sales

Net sales totaled ¥1,446,607 million in the current fiscal year, down 4.0%, or ¥60,621 million, from the previous year.

Information Communication

In the Books and Magazines business, magazine sales decreased amid a continued slump in the publications market, but book sales increased thanks to aggressive sales activities and benefits from integrated production lines. In the Commercial Printing business, sales of flyers, catalogs, and other printed materials decreased, but sales increased for mail-order shipping agency services and point-of-purchase (POP) materials. In the Business Forms business, smart card sales increased, 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, despite focusing on sales of e-books, sales decreased on a decline for education business, including book sales to libraries. As a result, overall segment sales declined 1.4%.

Lifestyle and Industrial Supplies

Packaging business sales increased on growth for paper cups, aseptic PET plastic bottle filling systems, and other products. Lifestyle Materials business sales also increased on growing demand for products that use DNP's proprietary Electron Beam coating technology. In the Industrial Supplies business, energy-related products (including soft packs for lithium-ion batteries) recorded higher sales, but anti-reflection films declined. As a result, overall segment sales declined 0.3%.

Electronics

In the LCD Color Filter business, sales of small- and medium-sized filters were firm throughout the year, but overall sales were down sharply as a result of large TV panel production adjustments at domestic customers, lower capacity utilization from converting to small- and medium-sized products, and lower sales from the transfer of 10th-generation color filter operations at the Sakai Plant in August 2012. Semiconductor photomasks achieved growth overseas, but sales fell below prior-year levels on a downturn in the domestic semiconductor market. Lead frames and other products decreased as a result of weak demand for hard disk products amid weak PC sales. As a result, overall segment sales declined 19.7%.

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," a lightweight PET plastic bottle. As a result, although mineral waters and tea beverages increased, carbonated beverages declined, and overall segment sales fell 1.4%.

Cost of Sales

The cost of sales totaled ¥1,186,558 million, down 4.8%, or ¥60,320 million, from the previous year. The gross margin was 18.0%, up 0.7 percentage points from 17.3%.

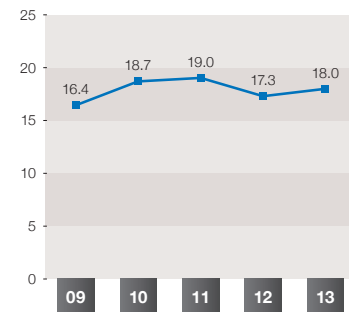
Naphtha prices trended upward at the start of the fiscal year, held steady as crude oil prices fell sharply in summer 2012, and then rose gradually on a yen converted basis due to the weaker yen from the end of 2012. However, the year on year impact was minor. As a result, although higher raw material prices had a ¥1.5 billion impact during the current fiscal year, nearly all of this 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. During the current fiscal year, DNP consolidated manufacturing facilities for Packaging Operations and sought to optimize nationwide production based on integrated production control centers for the Information Communication segment and packaging production control centers for Packaging Operations. DNP also worked to enhance production efficiency, improved yields, and reduce material losses. As a result, DNP cut costs by ¥27.3 billion during the year.

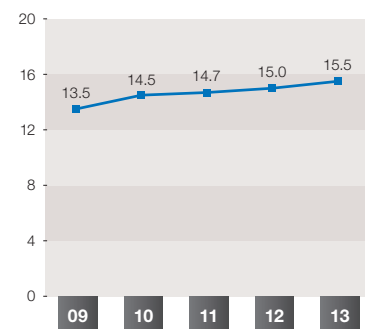
Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥224,269 million, down 0.9%, or ¥2,066 million, from the previous year. However, selling, general and administrative expenses equated to 15.5% of net sales, up 0.5 percentage points from the previous year.

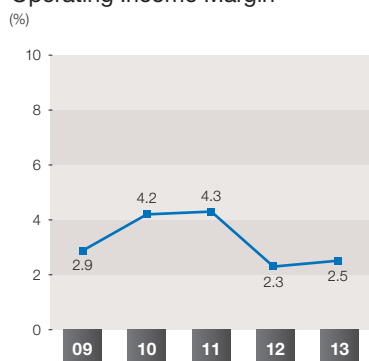
Gross Profit Margin
(%)



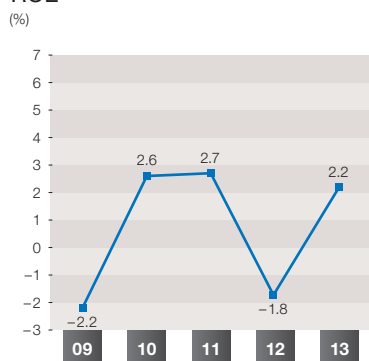
SGA Expenses to Net Sales
(%)



Operating Income Margin



ROE



Operating Income

Operating income totaled ¥35,780 million, up 5.2%, or ¥1,765 million, from the previous year. The operating income margin was 2.5%, up 0.2 percentage points from 2.3% in the previous year.

In the Information Communication segment, in addition to increasing highly profitable business, notably smart cards, DNP worked to reduce overall segment costs through well-located production and other actions led by the production control center. Segment operating income totaled ¥15,944 million, up 2.9%, or ¥456 million, from the previous year.

The Lifestyle and Industrial Supplies segment had operating income of ¥28,029 million, down 12.0%, or ¥3,810 million, from the previous year, due to lower sales of anti-reflection films and deterioration in the profitability of photovoltaic module components on a decline in demand.

The Electronics segment had an operating loss of ¥304 million as a result of weak capacity utilization for large color filter lines during the first half of the fiscal year and a slump for semiconductor photomasks. However, operating losses improved by ¥4,343 million from ¥4,647 million in the previous year thanks to rigorous cost cutting, including production line reforms.

Nonoperating Income (Expenses) and Extraordinary Income (Losses)

Nonoperating income totaled ¥14,833 million, up 34.6%, or ¥3,809 million, from the previous year; and nonoperating expenses totaled ¥10,295 million, up 25.6%, or ¥2,100 million. As a result, net nonoperating income was ¥4,538 million.

Ordinary income totaled ¥40,318 million, up 9.4%, or ¥3,475 million, from the previous year.

For extraordinary items, due to the sale or disposal of property, plant and equipment, losses on sale or disposal of property, plant and equipment increased, but sale gains also rose sharply. As a result, extraordinary income totaled ¥10,187 million, up 4.28 times, or ¥7,808 million, from the previous year. Extraordinary losses totaled ¥15,353 million, down nearly 50%, or ¥21,197 million, from the previous year, due to a sharp decrease in impairment losses, which totaled ¥25,013 million in the previous year. As a result, net extraordinary losses totaled ¥5,166 million, down from ¥34,171 million in the previous year.

As a result of the above, income before income taxes and minority interests totaled ¥35,152 million, up 13.16 times, or ¥32,479 million, from the previous year.

Net Income (Losses)

Net income totaled ¥19,218 million, improving sharply from a loss of ¥16,356 million in the previous year.

Additionally, net income per share was ¥29.84, improving sharply from a loss of ¥25.39 in the previous year.

Liquidity and Capital Resources

DNP seeks to expand its business by increasing cash flow through aggressive operating activities and prioritizing investment in strategic areas. It is also working to bolster its financial position to achieve stable growth over the medium to long term.

Cash Flow

	2013.3	2012.3	2011.3
Cash flow from operating activities	¥ 100,498	¥ 108,603	¥ 140,053
Cash flow from investing activities	(72,588)	(80,126)	(82,562)
Free cash flow	27,910	28,477	57,491

(¥ million)

Net cash provided by operating activities totaled ¥100,498 million, down 7.5% from the previous year.

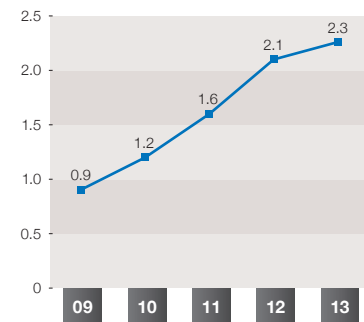
Net cash used in investing activities totaled ¥72,588 million, down 9.4%, or ¥7,538 million, from ¥80,126 million in the previous year.

Net cash used in financing activities totaled ¥36,236 million, up ¥3,403 million, from ¥32,833 million in the previous year.

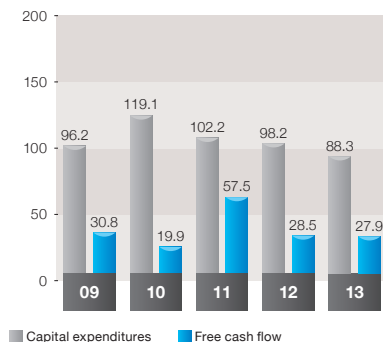
As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled ¥212,062 million, down 1.9%, or ¥4,218 million, from the previous year.

Free cash flow—i.e., net cash provided by operating activities minus net cash used in investing activities—was ¥27,910 million, down ¥567 million from ¥28,477 million in the previous year.

Interest-bearing Debt to Cash Flow Ratio
(times)



Capital Expenditures and Free Cash Flow
(¥ billion)



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

DNP focuses capital expenditures on strategic areas and upgrading existing facilities to enhance its competitive advantages. Capital expenditures this fiscal year totaled ¥88.3 billion, down 10.1%, or ¥9.8 billion, from the previous year. Key capital expenditures included: the opening of the DNP Ichigaya Tamachi Building, expansion of the Sapporo Plant of Hokkaido Coca-Cola Bottling Co., Ltd., development of systems for the hybrid bookstore network, expansion of flexible packaging production lines at the Tanabe Plant in Kyoto Prefecture, and construction of a new building at the Utsunomiya Plant of DNP Fine Chemicals Utsunomiya Co., Ltd. (name changed from DNP Fine Chemicals Fukushima Co., Ltd. on February 1, 2013). By segment, capital expenditures in the Information Communication segment were ¥27.2 billion, down ¥2.6 billion from the previous year and accounting for 31% of total capital expenditures. The Lifestyle and Industrial Supplies segment was ¥32.5 billion, down ¥6.9 billion and accounting for 37%. The Electronics segment was ¥20.1 billion, down ¥3.3 billion and accounting for 23%. Other businesses were ¥8.3 billion, up ¥3.0 billion and accounting for 9%.

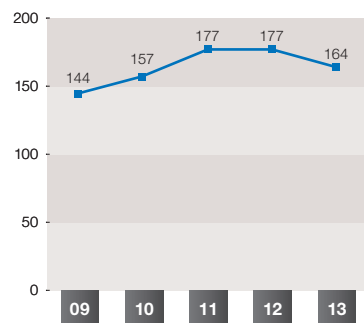
Depreciation totaled ¥80.2 billion, down 16.3%, or ¥15.6 billion, from the previous year. By segment, depreciation in the Information Communication segment was ¥22.2 billion, down ¥1.7 billion from the previous year and accounting for 28% of total depreciation. The Lifestyle and Industrial Supplies segment was ¥26.4 billion, up ¥0.9 billion and accounting for 33%. The Electronics segment was ¥25.9 billion, down ¥1.4 billion and accounting for 32%. Other businesses were ¥5.5 billion, down ¥0.2 billion and accounting for 7%.

Research and development expenditures totaled ¥30.8 billion, down 2.8%, or ¥0.8 billion, from the previous year. DNP focuses on “business creation” research and development to find proper solutions to problems from the standpoint of consumers.

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.

Current Ratio
(%)



	2013.3	2012.3	2011.3
Total assets (¥ million)	¥ 1,578,976	¥ 1,608,806	¥ 1,649,784
Current ratio (%)	164%	177%	177%
Working capital/net sales (%)	20%	23%	22%
Debt-to-equity ratio (%)	25%	26%	25%
Net assets per share (¥)	¥ 1,386.86	¥ 1,352.71	¥ 1,410.44

DNP's total assets at the end of this fiscal year amounted to ¥1,578,976 million, down 1.9%, or ¥29,830 million, from the previous year.

Among current assets, cash and cash equivalents, and time deposits totaled ¥213,630 million, down 1.8%, or ¥3,889 million, from the previous year. Trade receivables totaled ¥367,765 million, down 4.5%, or ¥17,337 million. Inventories of merchandise and finished products, work in process,

raw materials and supplies totaled ¥139,055 million, down 8.0%, or ¥12,064 million. As a result, current assets totaled ¥751,151 million, down 4.1%, or ¥31,806 million.

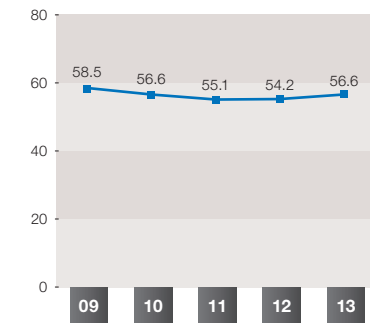
Among long-term assets, property, plant and equipment totaled ¥538,455 million, down 7.1%, or ¥41,112 million, from the previous year. Intangible assets totaled ¥35,480 million, down 6.6%, or ¥2,525 million. Investments and other assets totaled ¥253,890 million, up 22.4%, or ¥46,503 million. As a result, long-term assets totaled ¥827,825 million, up 0.3%, or ¥2,866 million.

Current liabilities totaled ¥457,785 million, up 3.3%, or ¥14,606 million, from the previous year. Long-term liabilities totaled ¥184,136 million, down 26.8%, or ¥67,278 million. As a result, total liabilities amounted to ¥641,921 million, down 7.6%, or ¥52,672 million.

Additionally, net assets totaled ¥937,055 million, up 2.5%, or ¥22,842 million.

DNP repurchased a total of about 112.86 million of its shares through 2008 and retired 59 million treasury shares during this time. As of March 31, 2013, the number of treasury shares totaled 55.94 million shares, or 7.99% 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 14% 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, for example, 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

	2013	2012	2011	2010
Statements of Operations Data (¥ million)				
Net sales	¥ 1,446,607	¥ 1,507,228	¥ 1,589,373	¥ 1,583,383
Cost of sales	1,186,558	1,246,878	1,287,581	1,286,682
Gross profit	260,049	260,350	301,792	296,701
Selling, general and administrative expenses	224,269	226,335	233,973	230,187
Operating income	35,780	34,015	67,819	66,514
Ordinary income	40,318	36,843	62,786	68,841
Income (loss) before income taxes and minority interests	35,152	2,673	52,696	49,496
Net income (loss)	19,218	(16,356)	25,033	23,278
Balance Sheet Data (¥ million)				
Total assets	¥ 1,578,976	¥ 1,608,806	¥ 1,649,784	¥ 1,618,854
Property, plant and equipment—net	538,455	579,567	614,827	616,848
Long-term liabilities	184,136	251,414	249,575	190,045
Total liabilities	641,921	694,593	697,343	661,990
Total stockholders' equity	—	—	—	—
Stockholders' equity	887,194	888,650	925,702	921,775
Total net assets	937,055	914,213	952,441	956,864
Other Selected Data (¥ million)				
Capital expenditures	¥ 88,315	¥ 98,189	¥ 102,173	¥ 119,063
Depreciation expenses	80,200	95,829	97,977	91,695
R&D expenditures	30,820	31,690	33,147	33,850
Common Share Data (¥, shares)				
Earnings (loss) per share—primary	¥ 29.84	¥ (25.39)	¥ 38.86	¥ 36.13
Earnings (loss) per share—fully diluted	29.79	—	—	—
Dividends paid per share	32.00	32.00	32.00	32.00
Book value per share	1,386.86	1,352.71	1,410.44	1,422.34
No. of common shares outstanding (exc. treasury shares)	643,990,364	644,062,928	644,142,530	644,238,930
Financial Ratios (% , times)				
As a percent of net sales:				
Gross profit	17.98%	17.27%	18.99%	18.74%
Selling, general and administrative expenses	15.50	15.02	14.72	14.54
Operating income	2.47	2.26	4.27	4.20
Income (loss) before income taxes and minority interests	2.43	0.18	3.32	3.13
Net income (loss)	1.33	-1.09	1.57	1.47
Return on equity	2.18	-1.84	2.74	2.57
Current ratio	164	177	177	157
D/E ratio	25	26	25	18

2009	2008	2007	2006	2005	2004
¥ 1,584,844	¥ 1,616,053	¥ 1,557,802	¥ 1,507,506	¥ 1,424,943	¥ 1,354,101
1,324,522	1,327,872	1,268,072	1,202,160	1,121,374	1,073,118
260,322	288,181	289,730	305,346	303,569	280,983
214,145	201,077	193,585	184,676	183,041	178,545
46,177	87,104	96,145	120,670	120,528	102,438
47,390	86,502	101,348	124,715	120,485	97,276
(27,842)	88,469	98,950	114,640	107,686	93,137
(20,933)	45,172	54,842	65,188	59,937	52,971
¥ 1,536,557	¥ 1,601,193	¥ 1,700,250	¥ 1,662,377	¥ 1,600,129	¥ 1,513,734
604,904	639,343	635,784	568,966	528,009	513,175
126,671	106,691	118,437	118,287	115,801	119,277
596,471	561,058	600,811	571,170	566,796	510,970
—	—	—	1,063,309	1,007,944	978,736
917,348	990,122	1,027,475	—	—	—
940,086	1,040,135	1,099,439	—	—	—
¥ 96,156	¥ 116,139	¥ 162,886	¥ 136,059	¥ 86,057	¥ 69,834
106,883	109,902	100,161	87,264	80,440	85,182
34,112	35,556	30,113	28,692	26,386	26,050
¥ (32.35)	¥ 67.08	¥ 78.10	¥ 91.23	¥ 82.56	¥ 71.49
—	—	—	—	—	—
32.00	36.00	32.00	26.00	24.00	21.00
1,393.91	1,516.35	1,544.02	1,507.90	1,409.18	1,348.40
644,357,076	661,366,377	694,226,171	704,972,101	715,076,830	725,677,422
16.43%	17.83%	18.60%	20.26%	21.30%	20.75%
13.51	12.44	12.43	12.25	12.85	13.19
2.91	5.39	6.17	8.00	8.46	7.57
-1.76	5.47	6.35	7.60	7.56	6.88
-1.32	2.80	3.52	4.32	4.21	3.91
-2.20	4.35	5.14	6.29	6.03	5.52
144	157	166	178	186	197
14	8	6	6	7	7

Consolidated Financial Statements

Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2013 and 2012	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Assets			
Current assets:			
Cash and cash equivalents (Notes 4 and 16)	¥ 212,062	¥ 216,280	\$ 2,255,979
Time deposits (Note 16)	1,568	1,239	16,681
Trade receivables (Notes 10 and 16)	367,765	385,102	3,912,394
Allowance for doubtful receivables	(2,883)	(3,704)	(30,670)
Inventories (Note 6)	139,055	151,119	1,479,309
Prepaid expenses and other current assets (Notes 10 and 13)	33,584	32,921	357,275
Total current assets	751,151	782,957	7,990,968
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Notes 10 and 16)	33,716	21,186	358,681
Investment securities (Notes 5 and 16)	157,088	118,992	1,671,149
Other (Note 16)	8,992	2,191	95,659
Total investments and advances	199,796	142,369	2,125,489
Property, plant and equipment, at cost (Notes 7 and 14):			
Land	154,005	142,150	1,638,351
Buildings and structures	529,760	542,222	5,635,745
Machinery and equipment	925,341	975,517	9,844,053
Leased assets	32,170	39,107	342,234
Construction in progress	22,922	35,411	243,851
Total	1,664,198	1,734,407	17,704,234
Accumulated depreciation	(1,125,743)	(1,154,840)	(11,975,989)
Net property, plant and equipment	538,455	579,567	5,728,245
Other assets (Notes 7, 13 and 14)	89,574	103,913	952,915
Total assets	¥ 1,578,976	¥ 1,608,806	\$ 16,797,617

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

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2013 and 2012	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Notes 7 and 16)	¥ 47,297	¥ 51,809	\$ 503,160
Current portion of long-term debt (Notes 7 and 16)	57,565	6,308	612,394
Trade payables (Notes 10 and 16)	249,568	276,354	2,654,979
Accrued expenses (Note 10)	36,528	35,560	388,596
Income taxes payable (Note 13)	9,015	8,598	95,904
Other current liabilities (Notes 7, 10 and 13)	57,812	64,550	615,020
Total current liabilities	457,785	443,179	4,870,053
Long-term liabilities:			
Long-term debt (Notes 7 and 16)	122,349	172,208	1,301,585
Liability for retirement benefits (Note 8)	26,442	33,230	281,298
Other long-term liabilities (Notes 7 and 13)	35,345	45,976	376,011
Total long-term liabilities	184,136	251,414	1,958,894
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	1,217,702
Capital surplus (Note 9)	144,898	144,898	1,541,468
Retained earnings (Note 9)	722,058	723,460	7,681,468
Treasury stock, at cost			
56,490,329 shares in 2013 and 56,417,765 shares in 2012 (Note 9)	(94,226)	(94,172)	(1,002,404)
Total stockholders' equity	887,194	888,650	9,438,234
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	18,908	4,370	201,149
Net deferred gains (losses) on hedges	9	(15)	96
Foreign currency translation adjustments	(12,987)	(21,776)	(138,160)
Total accumulated other comprehensive income	5,930	(17,421)	63,085
Stock acquisition rights	16	16	170
Minority interests	43,915	42,968	467,181
Total net assets	937,055	914,213	9,968,670
Total liabilities and net assets	¥ 1,578,976	¥ 1,608,806	\$ 16,797,617

Consolidated Statements of Operations

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2013 and 2012	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Net sales (Note 19)	¥ 1,446,607	¥ 1,507,228	\$ 15,389,436
Cost of sales (Notes 11, 15 and 19)	1,186,558	1,246,878	12,622,957
Gross profit	260,049	260,350	2,766,479
Selling, general and administrative expenses (Notes 11, 15 and 19)	224,269	226,335	2,385,841
Operating income	35,780	34,015	380,638
Other income (expenses) (Note 12):			
Interest and dividends income	3,465	3,469	36,862
Interest expenses	(3,483)	(3,424)	(37,053)
Equity in earnings of affiliates	3,013	345	32,053
Foreign exchange transaction gain (loss)	1,411	(16)	15,011
Net gain (loss) on sale or disposal of property, plant and equipment	2,844	(2,854)	30,255
Net gain on sales of investment securities	140	37	1,489
Loss on devaluation of investment securities	(2,692)	(1,150)	(28,638)
Impairment loss on fixed assets (Note 14)	(3,564)	(25,013)	(37,915)
Other	(1,762)	(2,736)	(18,745)
	(628)	(31,342)	(6,681)
Income before income taxes and minority interests	35,152	2,673	373,957
Income taxes (Note 13):			
Current	17,079	17,210	181,691
Deferred	(314)	2,301	(3,340)
	16,765	19,511	178,351
Net income (loss) before minority interests	18,387	(16,838)	195,606
Minority interests	831	482	8,841
Net income (loss)	¥ 19,218	¥ (16,356)	\$ 204,447

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

Consolidated Statements of Comprehensive Income (Loss)

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2013 and 2012	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Net income (loss) before minority interests	¥ 18,387	¥ (16,838)	\$ 195,606
Other comprehensive income			
Valuation difference on available-for-sale securities	14,290	3,697	152,021
Net deferred gains (losses) on hedges	7	(2)	74
Foreign currency translation adjustments	9,276	(4,196)	98,681
Share of other comprehensive income in associates accounted for using the equity method	162	(1)	1,723
Total other comprehensive income	23,735	(502)	252,499
Comprehensive income (loss)	42,122	(17,340)	448,105
Attributable to:			
Shareholders of parent company	¥ 42,568	¥ (16,596)	\$ 452,850
Minority interests	(446)	(744)	(4,745)

	Yen		U.S. dollars (Note 3)
	2013	2012	2013
Net assets per common share	¥ 1,386.86	¥ 1,352.71	\$ 14.75
Net income (loss) per common share			
primary	¥ 29.84	¥ (25.39)	\$ 0.32
Net income per common share			
fully diluted	¥ 29.79	¥ —	\$ 0.32

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, 2013 and 2012	Millions of yen									
	Number of shares issued (in thousands)	Stockholders' equity				Accumulated other comprehensive income			Stock acquisition rights	Minority interests
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments		
Balance at April 1, 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 gains (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
Changes of items during the period										
Net income	-	-	-	19,218	-	-	-	-	-	-
Cash dividends paid	-	-	-	(20,626)	-	-	-	-	-	-
Changes resulting from change of scope of consolidation	-	-	-	17	(33)	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	(38)	-	-	-	-	-
Disposal of treasury stock	-	-	-	(11)	17	-	-	-	-	-
Changes in valuation difference on available-for-sale securities	-	-	-	-	-	14,538	-	-	-	-
Changes in deferred gains (losses) on hedges	-	-	-	-	-	-	24	-	-	-
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	8,789	-	-
Changes in minority interests	-	-	-	-	-	-	-	-	-	947
Total changes of items during the period	-	-	-	(1,402)	(54)	14,538	24	8,789	-	947
Balance at March 31, 2013	700,480	114,464	144,898	722,058	(94,226)	18,908	9	(12,987)	16	43,915

	Thousands of U.S. dollars (Note 3)									
	Number of shares issued (in thousands)	Stockholders' equity				Accumulated other comprehensive income			Stock acquisition rights	Minority interests
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments		
Balance at April 1, 2012	700,480	1,217,702	1,541,468	7,696,383	(1,001,830)	46,489	(160)	(231,660)	170	457,106
Changes of items during the period										
Net income	-	-	-	204,447	-	-	-	-	-	-
Cash dividends paid	-	-	-	(219,426)	-	-	-	-	-	-
Changes resulting from change of scope of consolidation	-	-	-	181	(351)	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	(404)	-	-	-	-	-
Disposal of treasury stock	-	-	-	(117)	181	-	-	-	-	-
Changes in valuation difference on available-for-sale securities	-	-	-	-	-	154,660	-	-	-	-
Changes in deferred gains (losses) on hedges	-	-	-	-	-	-	256	-	-	-
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	93,500	-	-
Changes in minority interests	-	-	-	-	-	-	-	-	-	10,075
Total changes of items during the period	-	-	-	(14,915)	(574)	154,660	256	93,500	-	10,075
Balance at March 31, 2013	700,480	1,217,702	1,541,468	7,681,468	(1,002,404)	201,149	96	(138,160)	170	467,181

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, 2013 and 2012	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 35,152	¥ 2,673	\$ 373,957
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	80,200	95,829	853,191
Impairment loss on fixed assets	3,564	25,013	37,915
Provision for doubtful receivables (net)	(1,043)	(8,428)	(11,096)
Provision for retirement benefits (net)	(6,695)	(5,449)	(71,223)
Equity in earnings of affiliates	(3,013)	(345)	(32,053)
Amortization of consolidation goodwill (net)	3,020	3,335	32,128
Interest and dividends income	(3,465)	(3,469)	(36,862)
Interest expenses	3,483	3,424	37,053
Net gain on sales of investment securities	(140)	(40)	(1,489)
Loss on devaluation of investment securities	2,692	1,150	28,638
Net loss (gain) on sale or disposal of property, plant and equipment	(2,816)	2,889	(29,957)
Changes in assets and liabilities			
Trade receivables	19,482	18,727	207,255
Inventories	12,295	(11,758)	130,798
Trade payables	(31,665)	2,828	(336,862)
Other assets and liabilities	8,638	2,752	91,894
Sub-total	119,689	129,131	1,273,287
Extra retirement payments	(1,704)	(943)	(18,128)
Payments of income taxes	(17,487)	(19,585)	(186,031)
Net cash provided by operating activities	100,498	108,603	1,069,128
Cash flows from investing activities:			
Net (increase) decrease in time deposits	(276)	539	(2,936)
Payments for purchases of property, plant and equipment	(66,217)	(74,673)	(704,436)
Proceeds from sales of property, plant and equipment	14,719	5,999	156,585
Payments for purchases of investment securities	(14,138)	(2,468)	(150,404)
Proceeds from sales of investment securities	489	277	5,202
Proceeds from transfer of business	8,091	—	86,074
Interest and dividends received	3,971	4,003	42,245
Other investing	(19,227)	(13,803)	(204,543)
Net cash used in investing activities	(72,588)	(80,126)	(772,213)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(5,490)	678	(58,404)
Proceeds from long-term debt	7,450	7,025	79,255
Repayments of long-term debt	(6,438)	(6,260)	(68,489)
Proceeds from stock issuance to minority shareholders	1,882	—	20,021
Proceeds from issuance of debentures	500	1,189	5,319
Payments for redemption of debentures	(660)	(2,603)	(7,021)
Interest paid	(3,494)	(3,270)	(37,170)
Dividends paid	(20,626)	(21,062)	(219,426)
Dividends paid to minority shareholders	(406)	—	(4,319)
Payments for purchases of treasury stocks	(39)	(77)	(415)
Other financing	(8,915)	(8,453)	(94,840)
Net cash used in financing activities	(36,236)	(32,833)	(385,489)
Effect of exchange rate changes on cash and cash equivalents	4,134	(1,717)	43,979
Net decrease in cash and cash equivalents	(4,192)	(6,073)	(44,595)
Cash and cash equivalents at beginning of year	216,280	222,057	2,300,851
Increase (Decrease) in cash and cash equivalents resulting from change of scope of consolidation	(26)	296	(277)
Cash and cash equivalents at end of year	¥ 212,062	¥ 216,280	\$ 2,255,979

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, 2013 and 2012

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. 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 2012 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-eight subsidiaries whose fiscal years end December 31 and twenty-four 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 mainly for 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 and structures	3 to 50 years
Machinery and equipment	2 to 13 years

Assets with an acquisition cost of ¥100,000 (\$1,064) or more per unit and less than ¥200,000 (\$2,128) 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 for internal use included in intangible assets are amortized by the straight-line method over five years.

Impairment of fixed assets

The Company and its subsidiaries review fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Liability for retirement benefits

The Company and several domestic significant consolidated subsidiaries applied the accounting standard for employees' retirement benefits. Under the accounting standard, accrued pension and liability for employees' retirement benefits has been provided based on the estimated amounts of projected pension and severance obligation and fair value of plan assets at the end of the fiscal year. Prior service cost is being amortized as incurred by the straight-line method over the period within the average remaining service periods of the eligible employees. Actuarial gains and losses have been amortized from the following fiscal year by the declining-balance method over the periods within the average remaining service periods of the eligible employees.

Research and development expenses

Research and development expenses are charged to income as incurred.

Income taxes

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

Derivatives and hedging activities

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

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

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

Net assets and income per common share

Net assets per common share were computed based on the number of shares outstanding after deducting treasury stock at March 31, 2013 and 2012, 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.

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 ¥94=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2013. 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, 2013 and 2012 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 212,062	¥ 216,280	\$ 2,255,979

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, 2013 and 2012 were as follows:

	Millions of yen			
March 31, 2013	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 127,246	¥ 35,941	¥ 6,370	¥ 156,817
Others	1,281	6	7	1,280
Total	¥ 128,527	¥ 35,947	¥ 6,377	¥ 158,097

	Thousands of U.S. dollars (Note 3)			
March 31, 2013	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 1,353,681	\$ 382,351	\$ 67,766	\$ 1,668,266
Others	13,627	64	74	13,617
Total	\$ 1,367,308	\$ 382,415	\$ 67,840	\$ 1,681,883

	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

The proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2012 were ¥268 million (\$2,851 thousand) and ¥166 million, respectively. The gross realized gains on these sales for the years ended March 31, 2013 and 2012 were ¥155 million (\$1,649 thousand) and ¥79 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2013 and 2012 were ¥15 million (\$160 thousand) and ¥42 million, respectively.

The redemption schedules for securities with maturities classified as other securities at March 31, 2013 and 2012 were as follows:

	Millions of yen		
March 31, 2013	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	¥ –	¥ 1,030	¥ 100

	Thousands of U.S. dollars (Note 3)		
March 31, 2013	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	\$ –	\$ 10,957	\$ 1,064

	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

6. Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Merchandise and finished products	¥ 91,048	¥ 91,912	\$ 968,596
Work in process	29,030	39,356	308,830
Raw materials and supplies	18,977	19,851	201,883
	¥ 139,055	¥ 151,119	\$ 1,479,309

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

Short-term bank loans at March 31, 2013 and 2012 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 0.72% per annum for 2013 and 0.75% per annum for 2012.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Secured debentures			
1.05% due 2014	¥ 40	¥ 40	\$ 426
1.05% due 2013	—	40	—
Unsecured debentures			
1.358% due 2021	¥ 50,000	¥ 50,000	\$ 531,915
1.705% due 2020	50,000	50,000	531,915
0.400% due 2018	100	—	1,064
0.40~0.79% due 2017	340	240	3,617
0.40~0.79% due 2016	680	580	7,234
0.40~0.79% due 2015	1,680	1,580	17,872
0.40~1.67% due 2014	50,720	50,620	539,574
0.59~1.35% due 2013	—	620	—
Mortgage loans, maturing 2013-2024	11,917	10,613	126,777
Unsecured loans, maturing 2013-2020	14,437	14,183	153,585
	179,914	178,516	1,913,979
Current portion of long-term debt	(57,565)	(6,308)	(612,394)
	¥ 122,349	¥ 172,208	\$ 1,301,585

Finance lease obligations at March 31, 2013 and 2012 which are included in other long-term liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Finance lease obligations	¥ 19,435	¥ 26,165	\$ 206,755
Current portion of lease obligations	(7,684)	(7,987)	(81,745)
	¥ 11,751	¥ 18,178	\$ 125,010

The assets pledged as collateral for the company and its consolidated subsidiaries' indebtedness, such as property, plant and equipment and other assets, were ¥10,238 million (\$108,915 thousand) and ¥7,037 million at March 31, 2013 and 2012, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 0.60% to 2.86% per annum for 2013 and ranged from 1.11% to 2.86% per annum for 2012, while interest rates on unsecured loans ranged from 0.64% to 2.00% per annum for 2013 and from 0.64% to 2.35% per annum for 2012.

The aggregate annual maturities of long-term debt after March 31, 2013 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2014	¥ 57,565	\$ 612,394
2015	11,202	119,170
2016	7,116	75,702
2017	2,444	26,000
2018	1,107	11,777
2019 and thereafter	100,480	1,068,936
	¥ 179,914	\$ 1,913,979

The aggregate annual maturities of finance lease obligations after March 31, 2013 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2014	¥ 7,684	\$ 81,745
2015	5,527	58,798
2016	2,050	21,808
2017	1,032	10,979
2018	673	7,159
2019 and thereafter	2,469	26,266
	¥ 19,435	\$ 206,755

8. Retirement Benefits

The Company and its domestic subsidiaries have several defined benefit retirement plans covering all of their employees, i.e. defined benefit corporate 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, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Projected benefit obligation	¥ 211,159	¥ 191,217	\$ 2,246,372
Fair value of plan assets	(178,478)	(144,647)	(1,898,702)
Unrecognized actuarial gain/loss	(7,337)	(14,341)	(78,053)
Unrecognized prior service cost	(1,689)	(1,918)	(17,968)
Prepaid pension cost	2,787	2,919	29,649
Net liability	¥ 26,442	¥ 33,230	\$ 281,298

The components of net periodic benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Service cost	¥ 10,440	¥ 10,253	\$ 111,064
Interest cost	4,582	4,478	48,745
Expected return on plan assets	(3,580)	(3,297)	(38,085)
Actuarial gain/loss	2,516	3,281	26,766
Amortization of prior service cost	442	574	4,702
Loss on plan assets	-	999	-
Other	163	135	1,734
Net periodic benefit costs	¥ 14,563	¥ 16,423	\$ 154,926

Assumptions used for the years ended March 31, 2013 and 2012 were set forth as follows:

	2013	2012
Attribution method of estimated benefits to periods of services	Straight-line method	Straight-line method
Discount rate	1.6%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Recognition period of actuarial gain/loss	9 years	9 years
Amortization period of prior service cost	6 years	6 years

9. Net Assets

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

(a) Dividends

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

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

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

Cash dividends of ¥16.00 (\$0.2) per share, aggregating ¥10,313 million (\$109,713 thousand) were approved at the general stockholders' meeting held in June 2013 with respect to the year ended March 31, 2013.

(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, 2013 and 2012 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Trade receivables	¥ 7,818	¥ 8,369	\$ 83,170
Other current assets	1,317	450	14,011
Investment securities	32,569	17,712	346,479
Long-term loans	545	2,884	5,798
Other investments	602	640	6,404
Trade payables	6,424	6,060	68,340
Accrued expenses	256	195	2,723
Other current liabilities	777	610	8,266

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Salaries and allowances	¥ 66,708	¥ 67,659	\$ 709,660
Accrued bonuses	5,636	5,265	59,957
Provision for retirement benefits	4,521	4,907	48,096
Depreciation	13,345	12,644	141,968
Research and development expenses	27,976	29,318	297,617
Other	106,083	106,542	1,128,543
	¥ 224,269	¥ 226,335	\$ 2,385,841

Total research and development expenses (including manufacturing costs) amounted to ¥30,821 million (\$327,883 thousand) and ¥31,690 million for 2013 and 2012, respectively.

12. Other Income (Expenses)

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Interest and dividends income	¥ 44	¥ 74	\$ 468
Leasing fees	172	191	1,830
Contributions	(7)	—	(74)

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 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively.

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

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2013 and 2012, respectively.

	2013	2012
Normal effective statutory tax rate	38.0%	40.7%
Expenses not deductible for income tax purposes	6.6	(14.0)
Amortization of consolidation goodwill	2.0	30.8
Change in valuation allowance	4.5	591.5
Special tax credit	(0.2)	(1.7)
The effective income tax rate change	—	155.9
Other	(3.2)	(73.2)
Actual effective tax rate	47.7%	730.0%

Net deferred tax assets at March 31, 2013 and 2012, 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)
	2013	2012	2013
Prepaid expenses and other current assets	¥ 10,278	¥ 8,692	\$ 109,340
Other assets	25,167	34,580	267,734
Other current liabilities	¥ (12)	¥ (19)	\$ (128)
Other long-term liabilities	(2,170)	(1,963)	(23,085)
Net deferred tax assets	¥ 33,263	¥ 41,290	\$ 353,861

Significant components of deferred tax assets at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Deferred tax assets:			
Excess provision for retirement benefits	¥ 13,022	¥ 15,241	\$ 138,532
Loss on devaluation of investment securities	4,559	4,258	48,500
Excess provision for doubtful receivables	1,721	1,928	18,309
Accrued bonuses	6,018	5,659	64,021
Loss on write-down of inventories	1,341	1,437	14,266
Operating loss carryforwards	45,590	45,938	485,000
Impairment loss on fixed assets	13,497	12,910	143,585
Other	17,069	18,398	181,585
Total deferred tax assets	102,817	105,769	1,093,798
Less: valuation allowance	(55,467)	(53,239)	(590,075)
Total	¥ 47,350	¥ 52,530	\$ 503,723
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (10,030)	¥ (1,625)	\$ (106,702)
Reserve for special depreciation	(563)	(3,853)	(5,989)
Undistributed earnings of subsidiaries	(807)	(1,581)	(8,586)
Other	(2,687)	(4,181)	(28,585)
Total	¥ (14,087)	¥ (11,240)	\$ (149,862)
Net deferred tax assets:	¥ 33,263	¥ 41,290	\$ 353,861

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the years ended March 31, 2013 and 2012. 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, 2013 and 2012 were recognized in the amount of ¥3,564 million (\$37,915 thousand) and ¥25,013 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, 2013 and 2012 were as follows.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Buildings and structures	¥ 925	¥ 7,266	\$ 9,840
Machinery and equipment	1,844	8,584	19,617
Others	795	9,163	8,458
Total	¥ 3,564	¥ 25,013	\$ 37,915

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.

Operating leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2013 and 2012 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Future lease payments:			
One year or less	¥ 4,871	¥ 5,658	\$ 51,819
More than one year	22,693	26,869	241,415
Total	¥ 27,564	¥ 32,527	\$ 293,234

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, 2013 and 2012 were as follows.

Millions of yen			
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
March 31, 2013			
(1) Cash and deposits	¥ 213,630	¥ 213,630	¥ -
(2) Trade receivables	367,765	367,765	-
(3) Short-term and long-term investment securities	140,924	144,565	3,641
(4) Long-term loan receivables	9,658	9,541	
Allowance for doubtful receivables ¹	(1,385)		
	8,273	9,541	1,268
Assets	730,592	735,501	4,909
(1) Trade payables	249,568	249,568	-
(2) Short-term bank loans	47,297	47,297	-
(3) Long-term debts	179,914	188,006	8,092
Liabilities	476,779	484,871	8,092
Derivatives ²			
[1]Hedge accounting is not applied	(702)	(702)	-
[2]Hedge accounting is applied	(3)	(42)	(39)
Total	¥ (705)	¥ (744)	¥ (39)

Thousands of U.S. dollars (Note 3)			
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
March 31, 2013			
(1) Cash and deposits	\$ 2,272,660	\$ 2,272,660	\$ -
(2) Trade receivables	3,912,394	3,912,394	-
(3) Short-term and long-term investment securities	1,499,191	1,537,926	38,735
(4) Long-term loan receivables	102,745	101,500	
Allowance for doubtful receivables ¹	(14,734)		
	88,011	101,500	13,489
Assets	7,772,256	7,824,480	52,224
(1) Trade payables	2,654,979	2,654,979	-
(2) Short-term bank loans	503,160	503,160	-
(3) Long-term debts	1,913,979	2,000,064	86,085
Liabilities	5,072,118	5,158,203	86,085
Derivatives ²			
[1]Hedge accounting is not applied	(7,468)	(7,468)	-
[2]Hedge accounting is applied	(32)	(447)	(415)
Total	\$ (7,500)	\$ (7,915)	\$ (415)

Millions of yen			
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
March 31, 2012			
(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)

*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.

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

The information of the fair value for derivatives is included in Note 17.

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

	Millions of yen	Thousands of U.S. dollars (Note 3)
March 31, 2013	Carrying amounts	Carrying amounts
Unlisted equity securities	¥ 48,534	\$ 516,319
Other	209	2,223
	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

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, 2013 and 2012 were as follows:

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

Millions of yen			
March 31, 2013	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S.dollars	¥ 14,682	¥ (683)	¥ (683)
Euro	1,987	(90)	(90)
	¥ 16,669	¥ (773)	¥ (773)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	¥ 900	¥ 70	¥ 70
Currency option contracts			
Buying Euro	¥ 124	¥ (4)	¥ (4)
Selling Euro	124	4	4
	¥ 248	¥ 0	¥ 0

Thousands of U.S. dollars (Note 3)			
March 31, 2013	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S.dollars	\$ 156,191	\$ (7,266)	\$ (7,266)
Euro	21,138	(957)	(957)
	\$ 177,329	\$ (8,223)	\$ (8,223)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	\$ 9,574	\$ 745	\$ 745
Currency option contracts			
Buying Euro	\$ 1,319	\$ (43)	\$ (43)
Selling Euro	1,319	43	43
	\$ 2,638	\$ 0	\$ 0

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)

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

Millions of yen

March 31, 2013	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S.dollars	Trade receivables	¥ 599	¥ (37)
Euro	Trade receivables	241	(1)
Payables:			
U.S.dollars	Trade payables	933	5
Sterling pound	Trade payables	104	0
Euro	Trade payables	204	6
Japanese yen	Trade payables	200	(16)
		¥ 2,281	¥ (43)
Currency swap contracts			
Receive U.S.dollars, and pay Japanese yen:	Long-term loan payables	429	–
		¥ 429	¥ –
Interest rate swaps	Long-term loan payables		
Receive floating and pay fixed	and corporate bonds	¥ 5,558	¥ –

Thousands of U.S. dollars (Note 3)

March 31, 2013	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S.dollars	Trade receivables	\$ 6,372	\$ (394)
Euro	Trade receivables	2,564	(11)
Payables:			
U.S.dollars	Trade payables	9,926	53
Sterling pound	Trade payables	1,106	0
Euro	Trade payables	2,170	64
Japanese yen	Trade payables	2,128	(170)
		\$ 24,266	\$ (458)
Currency swap contracts			
Receive U.S.dollars, and pay Japanese yen:	Long-term loan payables	4,564	–
		\$ 4,564	\$ –
Interest rate swaps	Long-term loan payables		
Receive floating and pay fixed	and corporate bonds	\$ 59,128	\$ –

Millions of yen			
March 31, 2012	Hedged items	Contracted amount	Fair value
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	¥ —

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 is based on information provided by financial institutions at the end of the fiscal year.

Foreign currency forward contracts which are qualified for hedge accounting are 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 ¥34 million (\$362 thousand) and ¥56 million at March 31, 2013 and 2012, 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, 2013 and 2012, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥643 million (\$6,840 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 ¥928 million (\$9,872 thousand) and ¥807 million at March 31, 2013 and 2012, 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 and other items by business segment

	Millions of yen					
	Segment report				Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	
For 2013:						
Net sales and operating income						
Net sales						
Outside customers	¥ 698,362	¥ 511,465	¥ 180,506	¥ 56,274	¥ 1,446,607	¥ –
Intersegment	6,365	9,960	1	3	16,329	(16,329)
Total	704,727	521,425	180,507	56,277	1,462,936	(16,329)
Segment income	15,944	28,029	(304)	471	44,140	(8,360)
Segment assets	¥ 606,572	¥ 583,120	¥ 238,828	¥ 45,888	¥ 1,474,408	¥ 104,568
Others						
Depreciation and amortization	¥ 22,256	¥ 26,467	¥ 25,957	¥ 3,976	¥ 78,656	¥ 1,544
Amortization of goodwill	1,533	1,411	326	0	3,270	–
Impairment loss	705	2,762	10	32	3,509	55
Tangible/intangible fixed assets increased	27,268	32,597	20,128	7,115	87,108	1,207

	Thousands of U.S. dollars					
	Segment report				Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	
For 2013:						
Net sales and operating income						
Net sales						
Outside customers	\$ 7,429,382	\$ 5,441,117	\$ 1,920,277	\$ 598,660	\$ 15,389,436	\$ –
Intersegment	67,713	105,957	11	32	173,713	(173,713)
Total	7,497,095	5,547,074	1,920,288	598,692	15,563,149	(173,713)
Segment income	169,617	298,180	(3,234)	5,011	469,574	(88,936)
Segment assets	\$ 6,452,894	\$ 6,203,404	\$ 2,540,723	\$ 488,170	\$ 15,685,191	\$ 1,112,426
Others						
Depreciation and amortization	\$ 236,766	\$ 281,564	\$ 276,138	\$ 42,298	\$ 836,766	\$ 16,425
Amortization of goodwill	16,308	15,011	3,468	0	34,787	–
Impairment loss	7,500	29,384	106	340	37,330	585
Tangible/intangible fixed assets increased	290,085	346,777	214,128	75,691	926,681	12,840

	Millions of yen					
	Segment report				Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	
For 2012:						
Net sales and operating income						
Net sales						
Outside customers	¥ 708,531	¥ 516,818	¥ 224,810	¥ 57,069	¥ 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)
Segment income	15,488	31,839	(4,647)	1,334	44,014	(9,999)
Segment assets	¥ 620,616	¥ 565,398	¥ 287,957	¥ 45,660	¥ 1,519,631	¥ 89,175
Others						
Depreciation and amortization	¥ 24,041	¥ 25,532	¥ 40,442	¥ 3,436	¥ 93,451	¥ 2,378
Amortization of goodwill	1,586	1,672	168	1	3,427	–
Impairment loss	235	–	24,773	5	25,013	–
Tangible/intangible fixed assets increased	29,905	39,520	23,503	3,865	96,793	1,396

[Relative information]

Information regarding regions

Millions of yen

For 2013 :	Japan	Asia	Other region	Total
Net sales	¥ 1,250,987	¥ 137,538	¥ 58,082	¥ 1,446,607

Thousands of U.S. dollars (Note 3)

For 2013 :	Japan	Asia	Other region	Total
Net sales	\$ 13,308,372	\$ 1,463,170	\$ 617,894	\$ 15,389,436

Millions of yen

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

Independent Auditor's 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, 2013 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, 2013, 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 to the consolidated financial statements. 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, 2013.

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, 2013 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 27, 2013

Investor Information

(as of March 31, 2013)

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):

39,445

Paid-in Capital:

¥114,464 million

Number of Common Stocks:

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

Number of Trading Unit Shareholders (own 1,000 or more shares):

32,480

Stock Exchange Listings:

Tokyo Stock Exchange

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	41,081	6.37
The Dai-ichi Life Insurance Co., Ltd.	30,882	4.79
Japan Trustee Services Bank, Ltd. (Trust A/C)	30,085	4.67
Mizuho Corporate Bank, Ltd.	15,242	2.36
Employees' Shareholding Association	15,157	2.35
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	12,599	1.95
Mizuho Bank, Ltd.	12,471	1.93
Nippon Life Insurance Company	10,762	1.67
The Bank of New York Mellon as Depositary Bank for Depositary Receipts Holders	10,487	1.63
STATE STREET BANK AND TRUST COMPANY 505225	8,491	1.32

Notes: 1. The number of treasury shares (55,942,953) is excluded from the figures above.
2. The ownership stakes are based on the total number of shares outstanding less treasury shares (644,537,740).

Major Stock Indices in which DNP is a Constituent:

Nikkei Stock Average
TOPIX Large70
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:

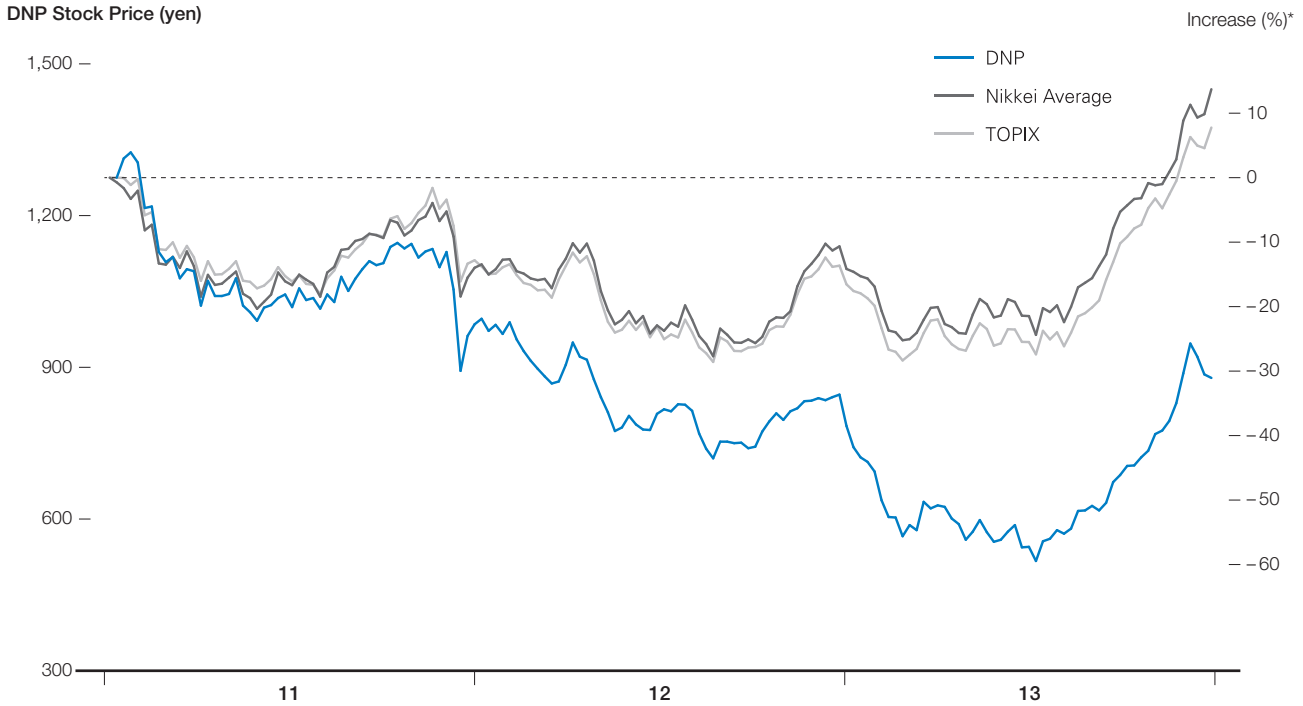
Dai Nippon Printing Co., Ltd.
Corporate Communication Head Office
IR Group, Press and Public Relations
1-1, Ichigaya-Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan
Tel: +81-3-5225-8220
Fax: +81-3-5225-8239

Web Site Address:

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

Share Price Evolution (Tokyo Stock Exchange)

(between April 1, 2010 and March 31, 2013)



Voting Rights

(as of March 31, 2013)

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 held stocks)	Common stocks	55,942,000	—
(treasury stocks, etc.) (Mutually held stocks)	Common stocks	1,085,000	—
Stocks with voting rights (other)	Common stocks	641,241,000	641,240
Stocks with less than trading units	Common stocks	2,212,693	—
Outstanding shares	700,480,693		—
Total voting rights of stockholders	—		641,240

Treasury Stocks

(as of March 31, 2013)

Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	55,942,000	7.99
Kyoiku Shuppan Co., Ltd.	1,085,000	0.15
Total	57,027,000	8.14

Major Subsidiaries and Affiliates

(As of March 31, 2013)

Printing

		Capital (¥ million)	Ownership ratio of voting rights (%)
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.	Offset 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 business; 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.*	Mailing of printed matter etc.	20	100.0
DNP Media Support Co., Ltd.	Production and sale of all types of printing	10	95.0
Others			
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 software	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 membership services	30	95.0
At Table Co., Ltd.*	Research, consulting and planning for production and sales promotions for grocery supermarkets	30	66.7
DNP Social Links Co., Ltd.	Planning, development and operation of online advertising and computer systems	10	100.0
Lifestyle and Industrial Supplies			
Packaging			
LIFESCAPE MARKETING CORPORATION	Survey and provision of various information	430	50.7
DNP Technopack Co., Ltd.	Production, printing and processing of packaging	300	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 Hoso Co., Ltd.	Filling and processing of packages	80	100.0
DNP Field Eyes Co., Ltd.	Survey and provision of various information	50	100.0
PT DNP Indonesia	Production and sale of packaging products	(US\$1,000) 26,000	51.0
DNP Vietnam Co., Ltd.	Production and sale of packaging products	(US\$1,000) 17,500	100.0 (20.0)
Lifestyle Materials			
DNP Lifestyle Materials Marketing Co., Ltd.	Sale of decorative products	300	100.0
DNP Ello Co., Ltd.	Printing and processing of steel, aluminum and other metals	300	50.0
DNP Lifestyle Materials Co., Ltd.	Production, printing, processing of decorative materials	200	100.0
Industrial Supplies			
DNP Fotolusio Co., Ltd.	ID photo business and sale of photo materials and accessories	450	100.0 (33.3)
DNP Dream Page Co., Ltd.	Digital processing and sale of image and text data	400	100.0
DNP Energy Systems Co., Ltd.	Production and sale of coating films, multilayer films, and other films	200	100.0
DNP Photo Imaging Co., Ltd.	Investment in operating companies	100	100.0
DNP IMS Co., Ltd.	Production of ink ribbons for thermal resin-type transfer printers and for dye-sublimation thermal transfer printers	100	100.0
DNP Advanced Optics Co., Ltd.	Manufacturing of optical products	100	100.0
DNP ID System Co., Ltd.	Sale of equipment for making driver licenses and ID photos	60	100.0 (100.0)
DNP Denmark A/S	Production and sale of precision electronic components	(Dkr 1,000) 135,000	100.0
DNP IMS Malaysia Sdn. Bhd.	Production and sale of ink ribbons for dye-sublimation thermal transfer printers	(RM 1,000) 119,000	100.0
DNP IMS America Corporation	Production and sale of ink ribbons for thermal resin-type transfer printers and for dye-sublimation thermal transfer printers	(US\$1,000) 71,980	100.0 (100.0)
DNP Electronics America, LLC	Production 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 dye-sublimation thermal transfer printers	(Euro 1,000) 3,040	23.4
DNP Photo Imaging Europe SAS	Sale of photo-related products	(Euro 1,000) 2,408	100.0 (100.0)
DNP IMS Netherlands B.V.	Production and sale of ink ribbons for thermal resin-type transfer printers and for dye-sublimation thermal transfer printers	(Euro 1,000) 1,000	100.0
Electronics			
Display Components			
DNP Color Techno Kameyama Co., Ltd.	Production and sale of color filters for LCDs	2,500	100.0
DNP Precision Devices Himeji Co., Ltd.	Production of display related components	400	100.0

		Capital (¥ million)	Ownership ratio of voting rights (%)
Electronic Devices			
DT Fine Electronics Co., Ltd.	Production and sale of semiconductor components	490	65.0
DNP Fine Electronics Co., Ltd.	Production of display related and 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 components	40	100.0
DNP Photomask Europe S.p.A.	Production and sale of photomasks	(Euro 1,000) 47,200	80.6
DNP Photomask Technology Taiwan Co., Ltd.	Production and sale of photomasks	(NT 1,000) 5,170,618	100.0 (0.3)
Others			
Nihon Unisys, Ltd.	Development and sale of software; computer system support services	5,483	22.1
2Dfacto, Inc.	Production, agency and sale of digitized books, magazines and other publications	4,340	73.8 (1.0)
Maruzen CHI Holdings Co., Ltd.	Investment in operating companies	3,000	53.0
BOOKOFF CORPORATION LIMITED	Used bookstore operation; development and operation of new used goods businesses; management guidance for affiliated stores	2,564	17.2 (10.3)
SHUFUNOTOMO Co., Ltd.	Publishing	2,111	42.9
BUNKYODO GROUP HOLDINGS CO., LTD.	Sale of books, magazines, CDs, DVDs, stationery, games, hobby-related products, etc.	2,035	51.9 (16.1)
DNP Fine Chemicals Co., Ltd.	Production and sale of chemical products (precision processing materials and specialized industrial materials)	2,000	100.0
All About, Inc.	Operation of website offering lifestyle information from specialists in various areas and Internet advertising	1,169	32.1
DNP Logistics Co., Ltd.	Packing, shipping operations, freight transport 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 and e-book distribution service	497	49.0
VISUAL JAPAN, INC.*	Development, sale, and maintenance of computer software	435	86.8
Toshokan Ryutsu Center Co., Ltd.	Sale of books, creation of data, library operation support, and consulting	266	53.0 (53.0)
DNP Fine Chemicals Utsunomiya Co., Ltd.	Production, procurement and sale of organic and inorganic chemicals	100	100.0 (100.0)
D.N.K. Co., Ltd.	Production, 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
Maruzen Co., Ltd.	Educational and academic business; store operation; academic publishing and interior design, etc.	100	53.0 (53.0)
DNP SP Tech Co., Ltd.	Planning and production of promotional material	80	100.0
Kyoiku Shuppan Co., Ltd.	Editing and sales of textbooks and educational materials	60	48.3
My Earth Projects LLC *	Planning, production and sale of trading cards	50	99.8
Maruzen Bookstores Co., Ltd.	Educational and academic business; store operation; academic publishing and interior design, etc.	50	53.0 (53.0)
MARUZEN PUBLISHING CO., LTD.	Publishing	50	53.0 (53.0)
honto Book Service Co., Ltd.	Production, agency and sale of digitized books, magazines and other publications	50	53.0 (53.0)
Junkudo Co., Ltd.	Sale of books	39	53.0 (53.0)
Yushodo Co., Ltd.	Import and sale of books, magazines, and other publications	35	53.0 (53.0)
DNP Asia Pacific Pte. Ltd.	Coordination of DNP businesses in the Southeast Asia/Oceania region	(S\$1,000) 2,000	100.0
DNP Business Consulting (Shanghai) Co., Ltd.*	Study of Chinese market and business feasibility	(US\$1,000) 420	100.0
Personal Welfare, Facility Service and Others			
DNP Facility Services Co., Ltd.	Building management, cleaning and security; operation of public health and recreation facilities	350	100.0
DNP Information Systems Co., Ltd.	Design, development and maintenance of information systems; production and sale of software	100	100.0
DNP Human Services Co., Ltd.	Planning and management related to personnel plans	90	100.0
Uzumine Country Club Co., Ltd.*	Management of golf courses	32	88.8
DNP Accounting Services Co., Ltd.	Accounting agency 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 Korea Co., Ltd.*	Sale of precision electronic components	(Krw 1,000) 500,000	100.0
DNP Corporation USA	Investment in operating companies	(US\$1,000) 62,164	100.0 (7.2)
DNP Taiwan Co., Ltd.	Sale of precision electronic components	(NT 1,000) 10,000	100.0
DNP International Trading (Shanghai) Co., Ltd.*	Sale of printed matter (commercial printing and packaging materials)	(US\$1,000) 5,400	100.0
DNP Singapore Pte. Ltd.*	Sale of precision electronic components and decorative materials	(S\$1,000) 350	100.0
DNP UK Co., Ltd.*	Sale of decorative materials	(£1,000) 120	100.0
DNP America, LLC	Sale of printed materials, precision electronic components, 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 precision electronic components and decorative materials	(Euro 1,000) 92	100.0
Dai Nippon Printing Co. (Australia) Pty. Ltd.*	Sale of printed materials and decorative materials	(A\$1,000) 70	100.0
Beverages			
Hokkaido Coca-Cola Bottling Co., Ltd.	Production and sale of soft drinks	2,935	60.0 (6.8)

Notes: 1. Ownership ratios of voting rights (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.



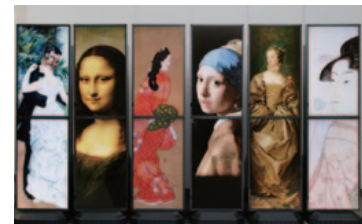
A picture book using augmented reality

■ 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.

■ 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.

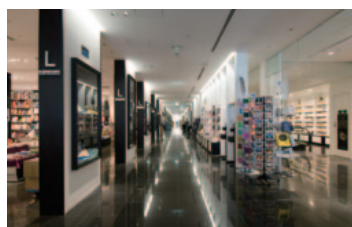


“Tall Vision” display consisting of 12 linked panels

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

■ Hybrid bookstore network “honto”

A service that sells both paper and electronic books by integrating DNP's e-book sales service, online bookstore for printed books, and physical bookstore chain operators Maruzen, Junkudo and Bunkyo-do. 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 June 2012.



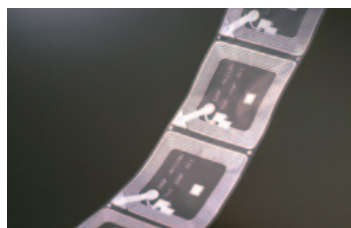
Maruzen's main bookstore in Tokyo's Marunouchi district

■ 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 produces content for personal computers and mobile devices.

■ 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.

■ 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

3. Lifestyle and Industrial Supplies

■ Anti-reflection (AR) film

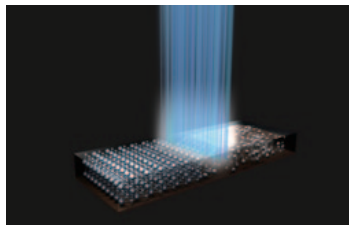
Film applied to the surface of display screens in devices like computers or televisions in order to prevent outside light or interior light from reflecting off the screen. There are various types of AR films including anti-glare (AG) and low reflection (LR) films. DNP supplies a variety of these products by making use of coating and other technologies to apply thin, uniform coatings of light-diffusing materials to rolls of base film.

■ Biomass material

“Biomass” may refer to the total quantity of organisms living in a particular area, or it may mean organic resources derived from living things other than petroleum or other fossil resources. Biomass material is made from resources of biological origin, such as vegetable resins or natural fibers. Biomass material has attracted attention as a material that puts relatively little strain on the environment due to the idea that CO₂ absorbed by plants during their growing process cancels out the CO₂ emitted when the material is burned. Since biomass material is a renewable resource, supplies are expected to be stable.

■ EB (Electron Beam) coating technology

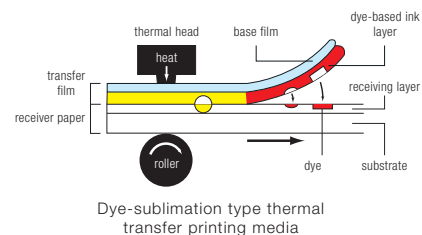
DNP's original technique for hardening a coat of resin by exposing it to electron beams. EB technology makes it possible to form films with greater surface hardness than products coated with urethane or UV-cured resin. It also makes it possible to provide products with superior abrasion and soil resistance,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

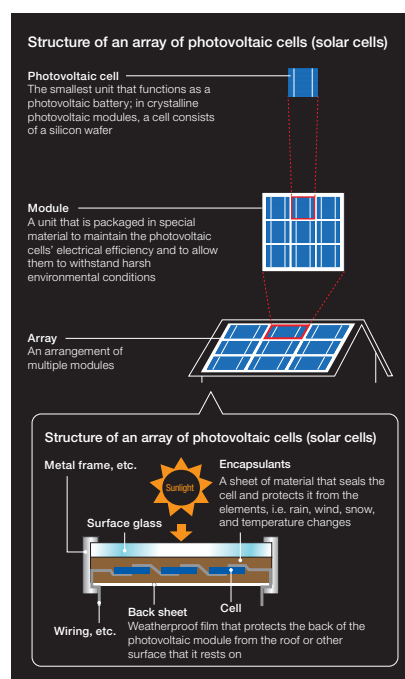
Packaging film made by DNP that is highly impermeable to water vapor and oxygen, highly transparent, and highly heat-resistant. It is used mainly for wrapping foods, medical supplies and pharmaceuticals, and electronic components. IB film is made by forming a thin, uniform coating of a material that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



IB film 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

■ B²it (pronounced “bee-square-it”)

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

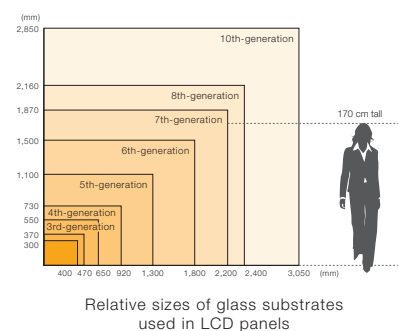
■ Lead frame

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 coloring LCDs. It consists of pigments in the three primary colors of light—red, green, and blue (RGB)—arrayed in a pattern on a glass substrate. Passing light through the color filter causes colored images to be displayed.

There are also different methods of aligning liquid crystal molecules when manufacturing LCD panels: the vertical alignment (VA) method and the InPlane Switching (IPS) method. LCDs display images by using variations in voltage to change the orientation of liquid crystal molecules, thereby controlling the amount of light that passes through. With the VA method, the liquid crystal molecules are arranged vertically, whereas with the IPS method, they are arranged horizontally. DNP provides color filters that suit the characteristics of LCD panels manufactured by both methods.

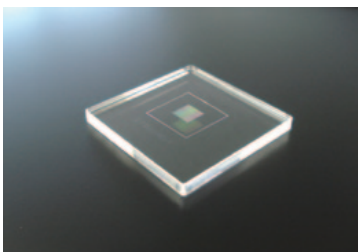


■ MEMS (Micro Electro Mechanical System)

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

■ Nanoimprinting

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.



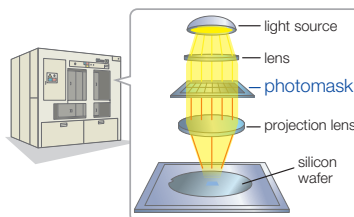
Master template for nanoimprinting

■ 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

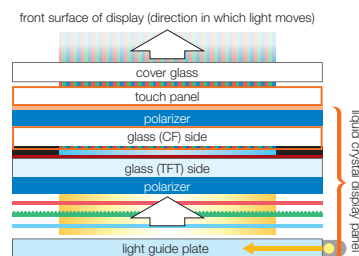
A photomask is a master used for forming semiconductor circuits. It consists of minute circuit patterns drawn on a glass substrate. Semiconductors are made by passing light through a photomask in order to transfer circuit patterns onto a wafer coated with a photosensitive resist, and then using etching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



Photolithography machine for making semiconductors

■ Touch panel sensor

Touch panels are used on devices like smart phones and tablet PCs. They enable intuitive manipulation of data—for example enlarging, shrinking, or “turning pages” by touching the screen with fingertips. Touch panel sensors receive signals indicating the locations where a fingertip has touched the panel. DNP makes a piece of glass or film function as a sensor by forming electrodes on it in a grid pattern, and delivers the final products to touch panel manufacturers. DNP uses its micro patterning technologies in the manufacture of touch panel sensors.



Example of a touch panel combined with a liquid crystal display panel

About the Illustration on the Cover of this Report

The cover of this report matches the cover of “DNP Group CSR Report 2013;” both covers depict various types of seeds rapidly growing and evolving. The covers express DNP’s rich diversity and bright future.

Norito Shinmura, Graphic designer

Born in Yamaguchi Prefecture in 1960. Graduated from Osaka Designers’ College. Founded Shinmura Design Office after working for Shin Matsunaga Design Inc. Notable projects include work for Shiseido Co., Ltd., Muji Campground, McDonald’s Japan, SSP Co., Ltd., Shinmura Fisheries and the Tokyo Olympic bid committee. Major awards include the Japan Graphic Designers Association (JAGDA) New Designer Award, Mainichi Advertising Design Award (Grand Prix), Environmental Advertising Contest Award (Grand Prize), New York Art Directors Club (ADC) Award (Silver Prize), International Biennale of Graphic Design in Brno Award (Gold Prize), and Tokyo Art Directors Club (ADC) Award.



Sources of Information about DNP

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

Our web site introduces our 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.

Publications

■ Annual Report (Japanese and English versions)

Near the end of July every year, we release a Japanese version and an English version. The report contains financial information, explanations of our business strategies, and other relevant information about our business activities during a particular fiscal year.

■ 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 delivered quarterly to all shareholders. Its contents include summaries of financial results, special features about business activities, and introductions to various technologies.

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

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

■ Corporate Information (Japanese and English versions)

This publication introduces each segment's products and services, operating locations in Japan and around the world, company history, a summary of our activities, and other basic information about DNP.



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



"DNP Report" to shareholders



DNP Group CSR Report

Reports

■ "Yuho" Annual Securities Report, etc. (in Japanese)

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

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

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

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

DNP calculated and published the Carbon Footprint Mark of the Japanese edition of this annual report.

A product's carbon footprint (CFP) is the CO₂ equivalent of the amount of greenhouse gases emitted during the product's entire life cycle from raw materials procurement through disposal and recycling. The Carbon Footprint Mark is a format for displaying a product's CFP. DNP has participated in a carbon footprint labeling pilot project run by the Japanese government since the project's inception. In addition to calculating and displaying the CFP of most of its own publications, DNP works to promote widespread participation in the CFP labeling program.



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