

DNP

ANNUAL REPORT 2014





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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 52-61), "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

	2014	2013	2012	Dollars in thousands except per share amounts 2014	change 2014/2013
Statements of Operations (¥ million) (\$ thousand)					
Net sales	¥ 1,448,550	¥ 1,446,607	¥ 1,507,228	\$ 14,063,592	0.1%
Operating income	50,099	35,780	34,015	486,398	40.0%
Ordinary income	53,285	40,318	36,843	517,330	32.2%
Income before income taxes	48,608	35,152	2,673	471,922	38.3%
Net income (loss)	25,642	19,218	(16,356)	248,951	33.4%
Balance Sheets (¥ million) (\$ thousand)					
Total net assets	¥ 976,385	¥ 937,055	¥ 914,213	\$ 9,479,466	4.2%
Interest-bearing debt	182,597	227,211	229,664	1,772,786	-19.6%
Total assets	1,574,754	1,578,976	1,608,806	15,288,874	-0.3%
Cash Flow Statements (¥ million) (\$ thousand)					
Cash flow from operating activities	¥ 120,109	¥ 100,498	¥ 108,603	\$ 1,166,107	19.5%
Cash flow from investing activities	(58,371)	(72,588)	(80,126)	(566,709)	–
Cash flow from financing activities	(80,038)	(36,236)	(32,833)	(777,068)	–
Free cash flow*	61,738	27,910	28,477	599,398	121.2%
Per Share Data** (¥) (\$)					
Net income (loss)	¥ 39.82	¥ 29.84	¥ (25.39)	\$ 0.39	33.4%
Net assets	1,447.96	1,386.86	1,352.71	14.06	4.4%
Cash dividend	32	32	32	0.31	–
Profit Margins (%)					
Operating income margin	3.46	2.47	2.26	3.46	0.99
EBITDA margin	8.63	8.21	6.76	8.63	0.42
Net income (loss) to net sales	1.77	1.33	-1.09	1.77	0.44
Financial Ratios					
ROE (%)	2.81	2.18	-1.84	2.81	0.63
ROA (%)	1.63	1.21	-1.00	1.63	0.42
D/E ratio (%)	20	25	26	20	–
Interest coverage ratio (times)	18.47	11.27	10.95	18.47	–
Valuations (against share price on March 31)					
PER (times)	24.84	29.70	–	24.84	–
PBR (times)	0.68	0.64	0.63	0.68	–
EV/EBITDA (times)	4.93	4.92	5.46	5.10	–
PCFR (times)	6.43	5.74	6.86	6.43	–
Dividend yield (%)	3.24	3.61	3.78	3.24	-0.37
Return to Shareholders					
Value of shares repurchased (¥ million)	–	–	–	–	–
Dividend payout ratio (%)	80.4	107.2	–	80.4	–
Others					
Long-term credit rating (R&I)	AA	AA	AA	AA	–
Foreign ownership (%)	24.41	21.12	23.20	24.41	–

U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥103=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2014.

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

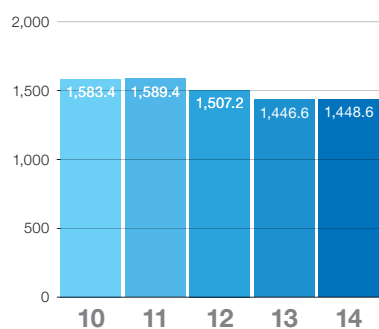
Achieved income growth for second consecutive fiscal year
Major improvement in financial constitution

Growth in products such as decorative materials, thermal transfer media
for printing photographs, and optical films

Expansion of overseas production bases, especially in Southeast Asia

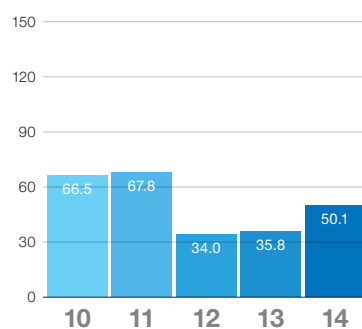
Net Sales

(¥ billion)



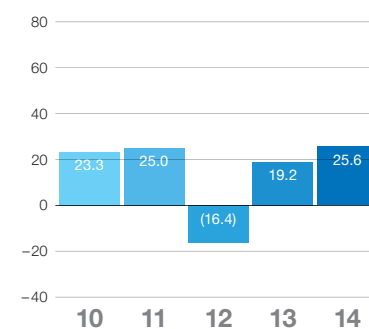
Operating Income

(¥ billion)



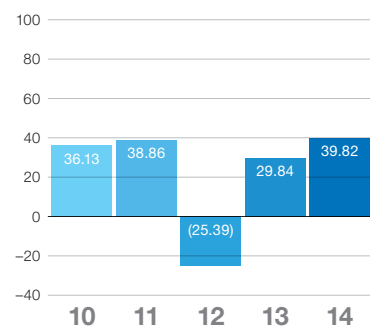
Net Income (Loss)

(¥ billion)



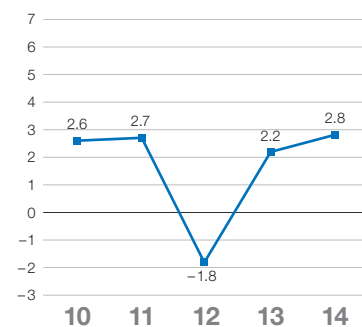
Net Income (Loss) per Share

(¥)



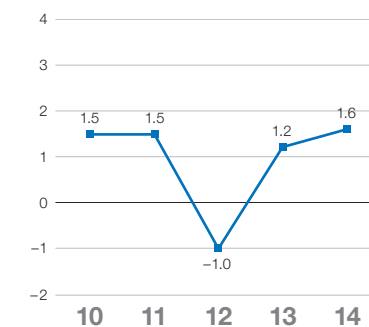
ROE

(%)



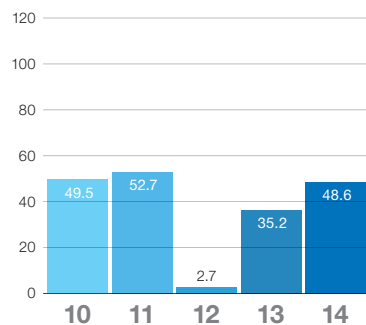
ROA

(%)



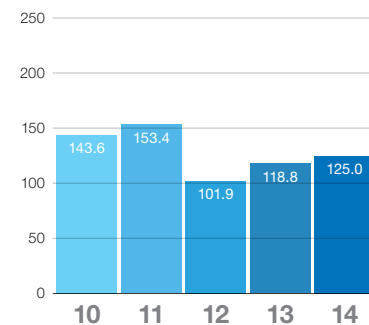
Income Before Income Taxes

(¥ billion)



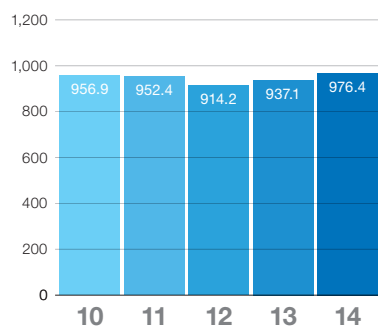
EBITDA

(¥ billion)



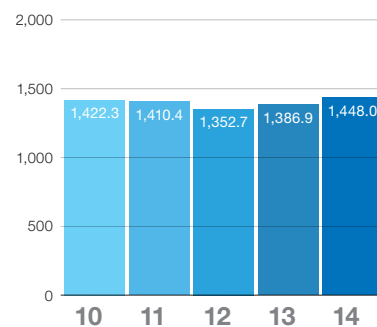
Total Net Assets

(¥ billion)



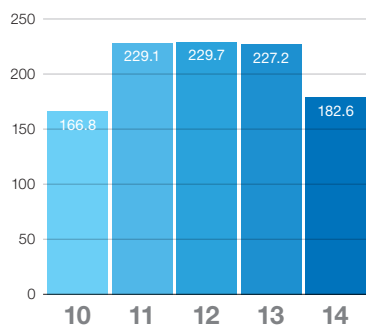
Net Assets per Share

(¥)



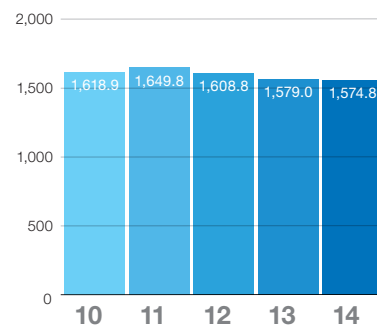
Interest-bearing Debt

(¥ billion)



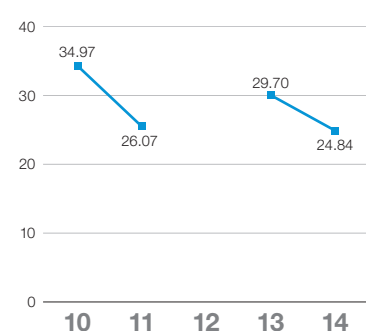
Total Assets

(¥ billion)



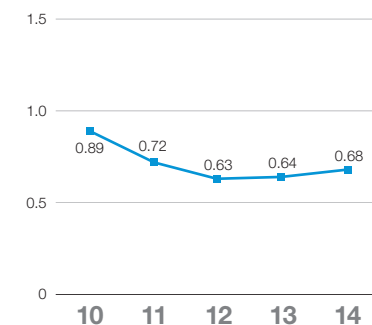
PER (Price Earnings Ratio)*

(times)



PBR (Price Book-value Ratio)

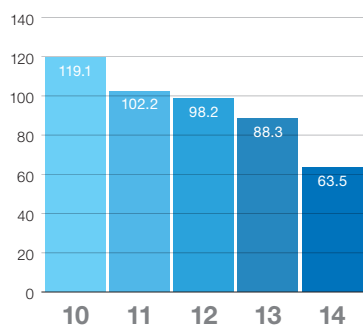
(times)



* Figure for the fiscal year through March 2012 is not shown because net loss was recorded for the year.

Capital Expenditures*

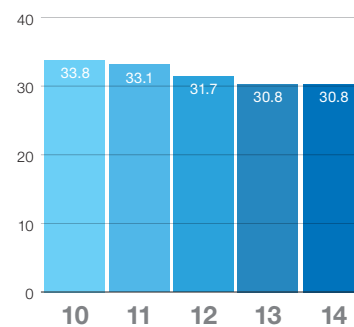
(¥ billion)



*Figures include capital expenditures for intangible fixed assets.

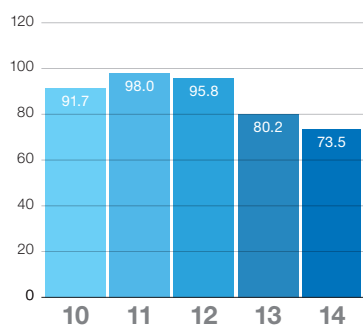
Research and Development Expenditures

(¥ billion)



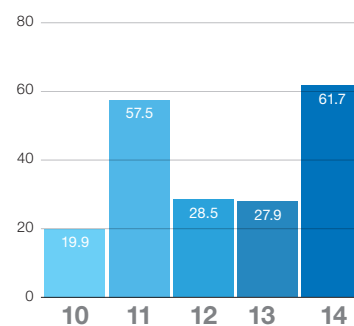
Depreciation Expense

(¥ billion)



Free Cash Flow*

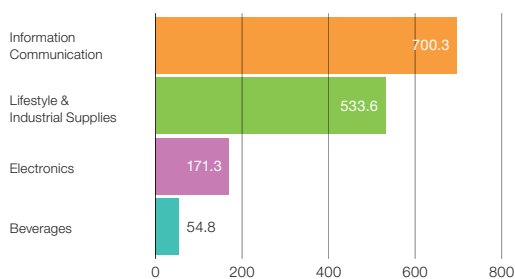
(¥ billion)



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

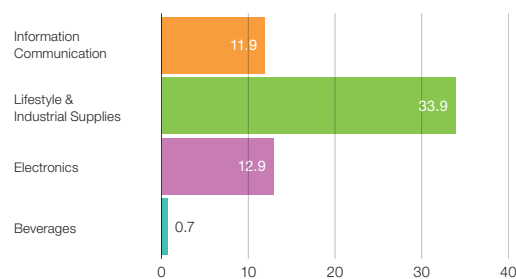
Net Sales by Segment (Year ended March 31, 2014)

(¥ billion)



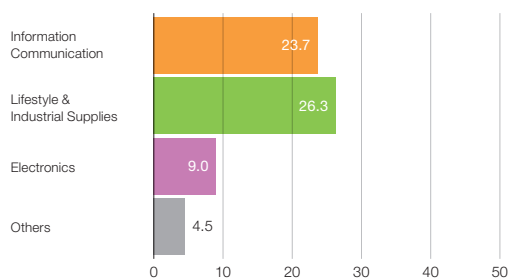
Operating Income by Segment (Year ended March 31, 2014)

(¥ billion)



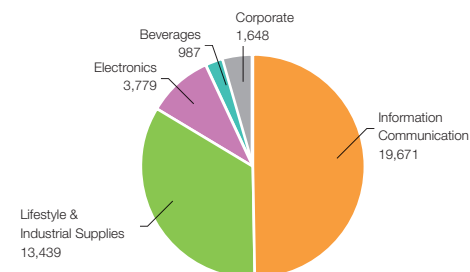
Capital Expenditures by Segment (Year ended March 31, 2014)

(¥ billion)



Employees by Segment (Year ended March 31, 2014)

(persons)



“Today’s Innovation is Tomorrow’s Basic”

DNP Increases Corporate Value by Contributing to Society’s Development

“Today’s Innovation is Tomorrow’s Basic”—this is how DNP expresses its firm commitment to continue contributing to the future development of society.

Contributing to society means solving social problems in a variety of areas, including environment and energy, education and training of the next generation, medical care and health, food and agriculture, and improving quality of life in our aging society. DNP is already working on the innovations that will allow us to accomplish our mission.

Many of the problems that we face today cannot be solved by existing methods, so if we get caught up in old methods, we won’t be able to find the answers we need.

We must first sharpen our awareness of the fact that we are the ones who must take the initiative and actively take on the job of solving problems. DNP has always tried to respond

to the needs of its corporate clients. However, amid dramatic changes in the global business environment and changes in consumers’ awareness, it has become more difficult for companies to identify for themselves the problems that they need to solve. That is why it has become important for us to take the lead and actively get a grasp of the status of society, organize its problems, analyze them, and chart a course toward resolving them.

When we take the lead and set out to solve society’s problems, it is important to be sure that we are moving in the right direction. We must always confirm that we are viewing things from the consumer’s point of view and from society’s point of view. We must look within our own country and outside as well, and always steer DNP in the proper direction.

Information Communication, which includes Books and Magazines and Commercial Printing,



is the principal business in which we have engaged since our founding. Amid a global trend toward digitization, the information media that consumers handle have undergone great changes. In response to these changes, in July 2014 we will unify the Information Communication segment's sales, planning, and manufacturing units throughout Japan. We intend to reconstruct this segment in order to increase its efficiency and strengthen its revenue base. DNP's Lifestyle and Industrial Supplies segment provides products and services that are vital to consumers' daily lives. In order to promote its global development, we will enhance its manufacturing bases in Southeast Asia and North America. DNP already holds the top share of world markets for many products. We respond precisely to the needs of people in each country and each region in order to offer them things that they take for granted—things they

feel they cannot live without. DNP's Electronics segment is now reaping the benefits of the cost structure reforms it has been implementing for the past few years. The segment will concentrate on technological innovation and more efficient production, with a focus on developing new products.

As we ourselves also evolve, we will continue to innovate "Tomorrow's Basic." By doing so, we will contribute to the development of society, and we will do our very best to earn the trust of our shareholders and other stakeholders.

We ask our shareholders for their continued guidance and support as we move forward.

Yoshitoshi Kitajima
President

A handwritten signature in black ink, reading "Y. Kitajima".

Management Interview

Increasing Corporate Value through “Today’s Innovation is Tomorrow’s Basic”

Q ■ What do you mean by “Today’s Innovation is Tomorrow’s Basic”?

President Yoshitoshi Kitajima: DNP’s management concept is to contribute to the development of society. When we think about social contribution, it means solving society’s various problems. Consumers also want to have products and services that solve their problems so readily available that they can come to take them for granted.

They want to be able to count on finding books and magazines on bookstore shelves, and to feel perfectly secure using smart cards to pay for everyday purchases. In addition to supplying hygienic, easy-to-use packaging, highly aesthetic wall coverings, soil-resistant, scratch-resistant floor coverings, photo prints and albums, DNP provides electronic components that are indispensable to the manufacture of smartphones and tablet PCs.

We want to continue making products and services that enrich people’s lives to the extent that they cannot imagine life without them. That’s what we mean when we say “Today’s Innovation is Tomorrow’s Basic.”



Q ■ Are you satisfied with the progress you are making toward achieving that goal?

Kitajima: That’s an interesting question. Since there are innumerable issues to address, I don’t suppose we will ever be able to say we have reached our goal. We are currently implementing a variety of measures aimed at setting ourselves on a track that will enable us to continue creating “Tomorrow’s Basic.”

We have been reforming our business structure with an eye toward starting new businesses, and we are also implementing cost structure reforms to strengthen our revenue base. These reforms are progressing nicely.

Q ■ What are some of the specific measures you are taking?

Kitajima: Among the business structure and cost structure reforms that we are implementing is the construction of a business base in the field of information services. In order for a company to provide high-added value products or services today, it must be able to reflect consumers’ opinions into what it has to offer. It is extremely important to be able to safely use “big data,” including purchasing trends and characteristics of members who are registered with a particular company, etc., for marketing and other purposes. In December 2013, we opened the DNP Kashiwa Data Center to serve as our infrastructure for that purpose. We equipped it with very strong protections against data leakage, earthquakes, and fire and adopted the cloud technology of Nihon Unisys, Ltd., with whom we have capital ties. We also connected the new data center to the existing data centers of both DNP and Nihon Unisys, thereby creating one of Japan’s largest service networks.

Q ■ What other new initiatives has DNP begun?

Kitajima: In Lifestyle and Industrial Supplies, we have been focusing on strengthening our production framework with an eye toward global markets. For example, in May 2013 we established a new packaging plant in Vietnam. DNP’s Packaging Operations have focused on Indonesia since we established a plant there in 1972. Today we hold the top share of that market for packaging products in many fields, including food products and household goods. We intend to take advantage of our track record in Southeast Asia and our new production base in Vietnam—

a location that is attracting attention as a logistics base for the Indochina Peninsula—to provide high-added value solutions for Japanese-affiliated companies expanding overseas and for other global companies.

In Imaging Communication, we completed construction of a factory in Malaysia in December 2013, in order to produce dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) to meet growing Southeast Asian demand for printing ID photos and other pictures. In the US, we responded to growth in the market for barcodes used in manufacturing and logistics by augmenting the production equipment at our thermal resin-type transfer printing media plant in Pittsburgh in May 2013.

Our Electronics segment has been working to improve revenues amid a dramatically changing market by reviewing its product lineup, consolidating manufacturing bases, and reconstructing its organizational framework.

By Combining the Strengths of Our Various Businesses, We Will Generate Even More Value

Q. DNP is involved in a wide variety of businesses. Please explain your strategies for future growth.

Kitajima: As I've said before, we believe that generating the innovations that will become "Tomorrow's Basic" will lead to medium- and long-term growth. In order to achieve that, we analyzed problems from society's point of view and identified four areas in which DNP can make use of its strengths to offer solutions. DNP has already begun actively engaging in business activities in these areas, which are: information distribution, health and medical care, environment and energy, and comfortable living.

However, we must not let ourselves be caught up in our existing business framework as we approach these themes. DNP's printing business contains three segments that engage in different types of business. They have all withstood dramatic changes in their business environment and managed to achieve stable growth by expanding on their various areas of specialization. In the future, however, they will have to reach beyond the boundaries of each unit and combine their various strengths in order to make use of their collective capabilities.

Q. Could you give an example?

Kitajima: Earlier I mentioned the new DNP Kashiwa Data Center. Since it serves as a basis for providing information services, you might think that it belongs only to the Information Communication segment. But it also addresses the need for better communication between consumers and companies in all kinds of industries. In all likelihood our Lifestyle and Industrial Supplies segment will be using the data center to provide services for customers who manufacture foods, beverages, decorative materials or residential facilities, and for customers involved in photo printing. The same is true for our Electronics segment, which is closely related to electronic device manufacturers.

Of course, DNP's Business Process Outsourcing (BPO) operations also serve clients in a wide variety of industries, so we expect the data center to be useful in a wide variety of ways.

Q. It's important to use management resources effectively, isn't it?

Kitajima: Absolutely. The entire DNP Group is currently working on overall optimization. This includes optimal placement of human resources and reviewing our organizational structure.

As an example, in April 2014 we merged the business unit in charge of products like display components and semiconductor photomasks with the business unit in charge of surface films and other optical films used in liquid crystal displays. Both of these business units serve the same main markets, such as electronic devices. Now that they can combine their technologies and expertise, we plan to accelerate the development of touch panel-related products and other new products.

Here is another example, concerning commercial printing, business forms, and packaging. In response to changes in consumers' values and lifestyles and to globalization and progress in information technology, we implemented a nationwide organizational restructuring in July 2014 with two goals: to provide the same level of service to customers throughout Japan without limitation by time or space, and to improve profitability and capital efficiency.

Q. What kinds of new products, new services, or new businesses are you developing?

Kitajima: In the development of new products and services, too, it is most important that we generate new strengths by combining our various existing strengths. We should be able to respond to future demand for smart houses and smart cities by combining products and technologies from various fields—perhaps components of photovoltaic cells and lithium-ion rechargeable batteries from our energy-related business with optical films or residential interior or exterior materials, for example.

Aside from that, in July 2013 DNP Fine Chemicals Utsunomiya Co., Ltd. completed construction of its new plant, where it is manufacturing products like active pharmaceutical ingredients and functional materials that use organic synthesis technologies, which represents a new area of challenge for DNP. These functional materials transcend the boundaries of our existing business units since they are used for both environment and energy applications, and as electronic materials for the display components field. Regarding DNP's existing production of active pharmaceutical ingredients and intermediate agents, we intend to build highly reliable production facilities that meet the quality assurance standards of all the countries where we do business and to improve our cost competitiveness by optimizing chemosynthetic processes.

In the life science arena, also, we aim to use our image processing technologies to offer cell movement tracking and the world's first analysis of 3D MRI images, and to apply technologies like patterning and mass production to offer new products and services in the field of regenerative medicine.

We Will Increase the Precision of Our Solutions by Adopting the Consumer's Point of View and Society's Point of View.

Q. It seems that DNP has become more active in the "B to C" (business to consumer) sector.

Kitajima: Our society is now undergoing enormous changes. These changes are occurring quickly and on a global scale, which makes it difficult to discern what

problems need to be solved. Rather than continuing to respond only to our corporate clients' needs, i.e. as a "B to B" (business to business) enterprise, we have to have a solid awareness of the consumer who is our corporate clients' client. That is why each member of DNP works hard to "take the consumer's point of view" and respond proactively, with sensitivity to social changes.

We are also focusing on actively developing our own "B to C" enterprises through which we interact directly with consumers, like our "honto" hybrid bookstore network, "Elne" online customer loyalty point service, "Receipi!" household budget-tracking application and "DreamPages" photo print production service.

Q. Isn't it difficult to take the consumer's point of view?

Kitajima: We ourselves are consumers who live everyday lives, so we can look at DNP's business from a variety of perspectives.

In order to get a better grasp of consumers' point of view, in 2013 we established two venues for direct communication with consumers, one in eastern Japan and one in western Japan.

In January 2013, we established Communication Plaza "dot DNP", our experiential showroom in Tokyo's Ichigaya district, to enable visitors to experience reading electronic books and to become familiar with products like digital photos and digital picture books. Now we have many fans coming back for repeat visits, and we have received a great deal of feedback regarding electronic books and other topics.

In April 2013, we opened a communication cafe called "The Lab. CAFE Lab." within Knowledge Capital, a core facility of Grand Front Osaka. Knowledge Capital is a cross disciplinary facility where many corporations, academic institutions, and other entities pursue joint research that transcends any one particular area. As one of the supporters of Knowledge Capital, DNP is working hard to generate new products and services in collaboration with other industries.

Q. Many people are talking about the importance of "ESG"—environmental, social, and corporate governance-related issues.

Kitajima: Concerning the environment and society, it is certainly important to create a sustainable society that exists in harmony with nature. DNP built its own environmental management system. We work actively at

initiatives like preventing global warming, aiming for zero emissions, preserving biodiversity, exercising strict caution in the handling of volatile organic solvents and other chemical substances, and green purchasing.

In the fiscal year ended March 2014, DNP calculated its Scope 3 emissions, including not only emissions from our own manufacturing processes, but also indirect greenhouse gas emissions occurring throughout our supply chain—both domestic and overseas—and began taking action to reduce greenhouse gas emissions on a global scale. We also established goals for water usage in our own manufacturing processes and began taking initiatives aimed at using less water. The use of paper for printing has a major impact on the Earth's ecosystems. DNP established paper procurement guidelines aimed at preserving sustainable forest resources, and we intend to continue to work with suppliers to achieve that goal.

Our approach to diversity is another important issue. We are also concentrating on initiatives that change the way we work in order to support women in taking more active roles.

Q. Lastly, what are your views regarding corporate governance and returns to shareholders?

Kitajima: We view corporate governance as an important management policy. At our June 2014 general shareholders' meeting, we reduced the number

of members on our Board of Directors from 20 to 18 and increased the number of independent outside directors from one to two. In the future, we intend to enhance our corporate governance so as to build an adequate supervisory framework and continue to employ appropriate monitoring systems in order to support prompt decision-making and business execution.

Of course, returning profits to our shareholders is another important management responsibility. Our basic approach is to distribute profits to shareholders through stable dividend payments, with consideration for business performance, dividend payout ratio, and other relevant factors. At the same time, we support future business development by applying retained earnings to the enhancement of our financial constitution and strengthening of our management base. We allocate retained earnings primarily to investment in research and development of new technologies and businesses, capital spending, 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.

Because DNP values *taiwa* (dialogue) with all of our various stakeholders, we disclose appropriate information in a timely fashion and work hard to achieve accountability.

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.



Special
Feature

“Today’s Innovation is Tomorrow’s Basic”



At DNP, we take an active approach to business, based on our awareness that “Today’s Innovation is Tomorrow’s Basic.” We work hard to expand our businesses in the medium and long terms.

As societies around the world undergo major changes, including changes to consumers’ lifestyles, the problems we need to solve are becoming more complex and more diverse. Especially in Japan, there is increasing demand for better quality of life in our “ultra-aging” society, for the nurturing of children who will carry future generations, and for answers to problems such as how to find ample supplies of clean, renewable energy and how to preserve our global environment. This situation presents an opportunity to lead the world in addressing these problems and offering solutions for them.

DNP intends to make the most of this opportunity. We will combine our printing technologies and other strengths in seeking solutions to these problems, and we will generate many products and services that consumers will want to have near at hand as “basic” aspects of their daily lives. We aim to help create a pleasant, abundant future in which the world’s many problems have been solved.

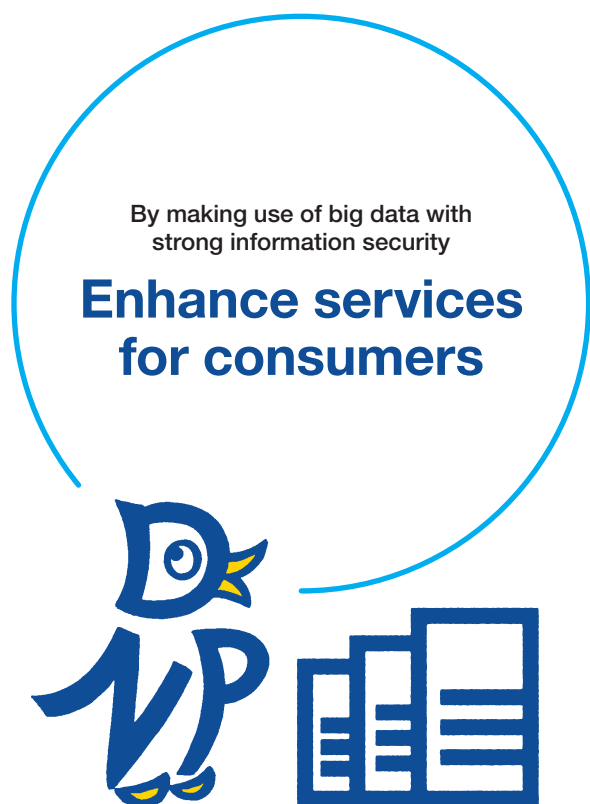
CONTENTS

- 14** **Making Use of Big Data**
New cutting-edge data center allows secure and reliable use of personal information and other sensitive data
 - 16** **DNP’s Global Development**
Working to solve a variety of problems for the whole world
 - 18** **Creating Homes for the Future**
Contributing to healthy and comfortable living
 - 20** **Life Science Business Development**
For a healthier tomorrow
-

“DNPenguin” is an original character formed from the letters “D, N, and P.” We make use of this character to introduce DNP’s products, services, and corporate activities in ways that are easy for the public to understand: in our showrooms, in newspaper and television advertising, on our websites and at exhibitions, etc. “DNPenguin” was born in May 2012, in order to add a point of contact between DNP and consumers, and to increase our corporate brand value.

Making Use of Big Data

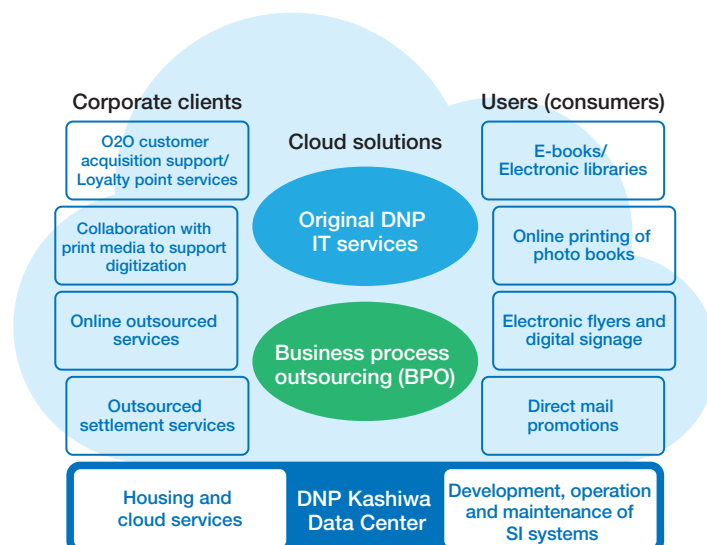
New cutting-edge data center allows secure and reliable use of personal information and other sensitive data



*Market size: Economic impact of big data usage on retailing estimated at roughly 1 trillion yen in the fiscal year through March 2017 (according to data from the Development Bank of Japan)

In December 2013, we began operating our new DNP Kashiwa Data Center as the basis for safe and reliable operation of our consumer-oriented services, such as our e-book stores, electronic library services, and photo book production services, as well as services aimed at DNP's corporate customers. The new center is equipped with strong protections against data leakage, earthquakes, and fire.

By adopting the cloud technology of Nihon Unisys, Ltd., we intend to use this new facility to appropriately manage “big data,” including consumers’ service usage and purchasing histories, in order to increase the business value of DNP’s information services.



DNP's electronic library service improves convenience for both libraries and their users

In April 2014, DNP began offering—in collaboration with Nihon Unisys, Ltd., Toshokan Ryutsu Center Co., Ltd. (TRC), and Maruzen Co., Ltd.—a cloud-based electronic library service that makes use of its new data center.

The service provides public and university libraries with e-books and the system tools they need in order to construct and operate electronic libraries. By using our data center with its high degree of information security and flexible expandability, DNP can identify the preferences of each library user based on stored borrowing histories, and use that information to recommend electronic books.

We can provide about 10,000 titles from a variety of fields including art and literature, business, language learning, and

specialized fields, and we are continuing to expand our lineup. Because DNP handles everything from content transmission to purchasing management, we can lighten the management burden on libraries and sell e-books at the same time.

DNP planned and designed the overall electronic library service, while Nihon Unisys handles design and development of the necessary systems and provides the cloud environment. Mobilebook.jp Inc., a DNP group company, procures most of the e-books. TRC provides the service to public libraries while Maruzen provides it to university libraries. We will continue to enhance the service in line with requests from consumers and library operators as we aim to sign up 300 libraries within five years.

Total support for pleasant shopping experiences

DNP helps consumers enjoy pleasant and satisfying shopping experiences by providing optimized information services based on understanding each consumer's individual lifestyle through product search histories and purchase histories, etc. DNP makes shopping more convenient for consumers and supports the sales promotion efforts of corporate clients by offering devices that make consumers want to go to certain stores, incentives that induce them to purchase once in the store, and services that increase communication with consumers in a variety of venues.

Building new infrastructure for communicating with consumers

"Recepi!" is DNP's original household budget-tracking application, which allows users to easily create a record of household expenses by simply photographing cash register receipts with a smartphone. Not only does "Recepi!" allow users to manage their daily expenses, but it proposes recipes that use the foods they purchase and distributes information about discounts, etc., tailored to each user's purchasing information. We are working on developing new communication services that link consumers with distributors and manufacturers, for example through a data tie-up between "Recepi!" and the e-receipt system developed by Toshiba Tec Corporation. During the year from July 2013, when we began distributing the application, to June 2014, the application was downloaded more than 800,000 times and 20 million receipts were registered, indicating that many consumers are using the application on a daily basis.

The core idea of "Recepi!" is a sales promotion model that follows consumers' buying habits, and we plan to continue developing it in tandem with the Orikomio! e-flyer service that we started in 2001. DNP's idea of web-based sales promotion is not mass distribution of the same information to a large number of consumers indiscriminately, but rather to customize the most appropriate information and provide it in accordance with each person's buying history. Going forward, we will continue to respond in detail to consumers' specific needs.



In March 2014, we used our "Recepi!" technology to release an application called "Recepre" that enables users to respond to special offers simply by using their smartphone to scan their sales receipt. The application makes it easy to apply for prizes offered only to purchasers of a specific product, unlike in the past when consumers had to affix their receipt to a postcard and send it in by mail. The system has already been adopted by major food manufacturers and sporting goods makers, and its use is spreading.

Store-brand O2O smartphone applications

Recently we have seen an increase in smartphone-based O2O (Online to Offline) services that send customers to stores or encourage them to buy. DNP has developed a cloud-based O2O service called "PASSMART," which it began providing in November 2013.

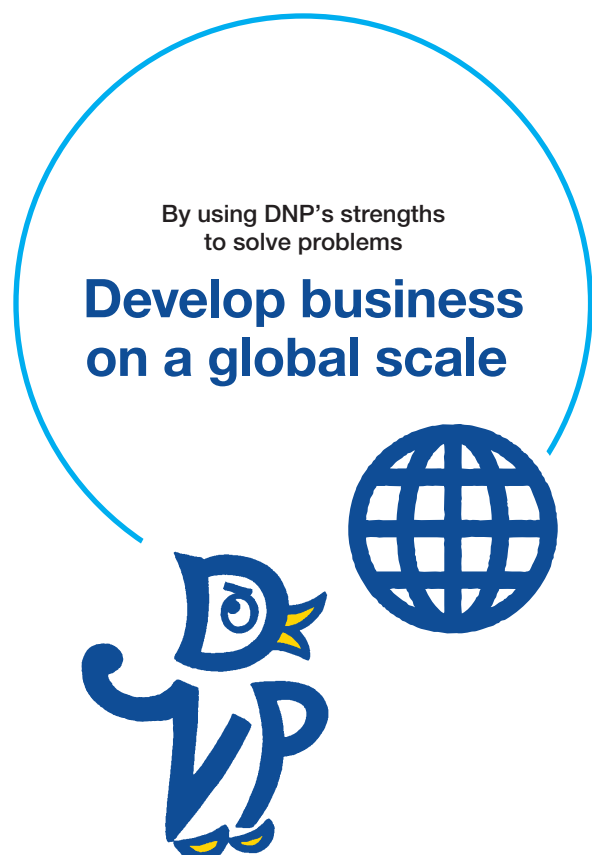
Companies can use "PASSMART" to quickly build their own smartphone application for consumers to use. The companies can update the news, coupons, membership cards and online flyers that they distribute through their application at any time, making it easier for consumers to keep track of these benefits. The service includes usage logs and functions that help measure the effectiveness of sales promotions.

"PASSMART" is being used by a variety of industries, including supermarkets, drug stores, specialty shops and other retail businesses. In the future, we intend to form links with other services—both inside and outside DNP—and expand this service to serve as a mode of interactive communication between companies and consumers.



DNP’s Global Development

Working to solve a variety of problems for the whole world



*Market size: Average GDP growth in Asia in 2015 forecast at +6.4% (according to the Asian Development Bank's "Asian Economic Outlook 2014," covering 45 Asia-Pacific countries and regions excluding Japan, Australia and New Zealand)

Today, the whole world seeks solutions to social issues like minimizing the burdens that humans place on the environment, using energy efficiently, ensuring the safety and reliability of food, clothing and shelter, and adopting universal design. DNP looks beyond Japan to the entire world as we seek to “make the best use of our strengths” in our thorough responses to problems shared by the whole world as well as to problems specific to certain regions.

Ever since we opened a Hong Kong office in 1964—half a century ago—we have actively developed our overseas business and expanded our operating locations in Europe, Asia, North America, Australia and elsewhere. Lifestyles of people in the ASEAN countries are changing especially rapidly today, giving rise to higher expectations for DNP goods and services that are needed for comfortable living and that deliver outstanding functionality. Below are some examples of global initiatives we undertook in the year ended March 2014 in response to the needs of these markets.

Packaging

Increasing production capacity, mainly in Southeast Asia

In 1972, DNP perceived a business opportunity amid the lifestyle changes and social changes that were taking place in Indonesia. Aiming to spread Japan’s “packaging culture,” we established PT DNP Indonesia that year. By firmly establishing ourselves in the region and providing high-quality, cost-competitive products and services that meet diverse needs, we built solid relationships of trust with manufacturers that do business worldwide, and with other corporate clients. Especially in the area of high-added value film packages, including barrier films for wrapping foods and household items, we captured more than half of the Indonesian market.

In May 2013, we commenced operation of a new film packaging plant in Vietnam, where economic growth remains strong. By improving packaging functionality and reducing environmental burdens at the same time, we expect this plant to post 5.0 billion yen in sales in the fiscal year through March 2017. DNP aims to be a packaging manufacturer that plays an integral

role in the region by having the new plant and PT DNP Indonesia cooperate to develop products and services that are suited to the climate and lifestyles of the Indochina and surrounding countries.



Examples of DNP packages made outside Japan

Imaging Communication

Using DNP's global make-up systems to actively develop business

In the 1980s, DNP applied coating and other technologies cultivated through its printing business to the development of two types of thermal transfer printing media: dye-sublimation and thermal resin. Today, DNP is among the top suppliers of both of these types of products worldwide.

In recent years, there has been a worldwide shift in the photo printing market from using wet methods involving developing solutions to dry methods that do not require liquids developers. Among the dry methods, dye-sublimation systems have won praise for producing virtually instantaneous prints, and because the necessary equipment costs less and is easier to maintain compared to wet methods.

Demand for ID photos, souvenir photos at tourist destinations, and other instant photo printing is growing especially quickly in Southeast Asia. In December 2013, DNP completed construction of a plant in Malaysia to produce dye-sublimation materials for photo printing in order to meet this demand, particularly in emerging countries. The new plant uses an integrated production system to perform every process from coating to packaging in-house, in order to better respond to customers requirements and deadlines. We aim for net sales of about 4.0 billion yen in the fiscal year through March 2017. Going forward, we will use our capacity for developing printing systems and software, in addition to development and production of print media, in order to provide convenient products and services for consumers' enjoyment.

Meanwhile, most growth in demand for thermal resin-type

media is related to printing barcodes, which are used mainly in manufacturing and logistics control. More than 40% of worldwide demand for these products comes from North, Central and South America. In order to strengthen our supply framework to meet this demand, in May 2013 we augmented the production equipment at our Pittsburgh thermal resin-type media plant in order to greatly reduce lead time and expand our business.



Malaysian plant



Dye-sublimation thermal transfer printing media



Barcodes printed with thermal resin-type printing media

Smart Cards

Boosting the competitiveness of DNP's smart card business in Southeast Asia

In 1981, DNP became one of the first companies in Japan to manufacture, issue, and develop software for smart cards. Ever since, we have continued to lead the Japanese market as we provide smart card-related solutions in a variety of fields including finance, communications, distribution, and transportation.

Recent years have seen soaring smart card usage in Southeast Asia, for applications such as credit cards, prepaid cards, SIM cards for mobile phones, transport tickets and electronic toll collection (ETC). In response to this growth in demand, DNP agreed to form a business and capital tie up with MK Smart Joint Stock Company (MKS), Vietnam's leading company in manufacturing and sales of smart cards, and in March 2014 we acquired shares in MKS.

MKS is the only company in Vietnam that is authorized to manufacture and issue global brand prepaid cards, and it supplies all types of smart cards as Vietnam's top manufacturer. In the future, DNP and MKS will increase their competitiveness in the world market by making use of DNP's advanced smart card-

related technological abilities, and will provide smart cards to the whole world with a focus on Southeast Asia. Also, as Vietnamese demand for BPO services is expected to increase, DNP will use the expertise it has cultivated in Japan to accelerate BPO development in Vietnam.



MK Smart's Hanoi plant

Creating Homes for the Future

Contributing to healthy and comfortable living



*Market size: The Japanese government's goal for the existing home distribution and renovation market by 2020: 20 trillion yen (from the "Comprehensive Plan for Existing Housing and Renovation" by Japan's Ministry of Land, Infrastructure, Transport and Tourism)

Regardless of how times change, consumers' persistent desire for healthy, fulfilling and comfortable lifestyles continues to present major business opportunities. In our view, one of the most important elements of a comfortable life is a home.

Home is where we spend a great deal of our time. When we buy a home, it is a major purchase. Most people probably choose their home with an eye toward the future; for example they consider how it will affect their children's growth, their family life, work, and life after retirement. Thinking about one's home means thinking about one's future.

In 1951, DNP became the first company in Japan to succeed at continuous printing of wood-grain decorative materials which could be installed with highly inconspicuous seams. Ever since, we have continued to provide a variety of products that lend color to residential spaces. Allow us to introduce DNP solutions that contribute to comfortable living so that homes can remain comfortable even as times change in the future.

“Living Space” solutions centered around EB technologies

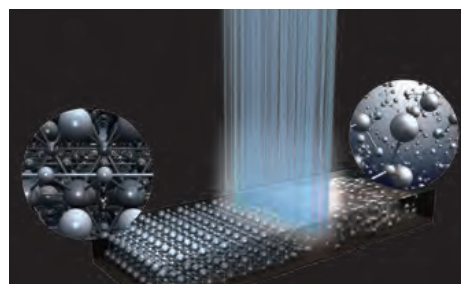
DNP views homes, offices, medical and nursing care facilities, automobiles, railroad passenger cars and anywhere else where humans spend time as “living spaces.” We develop and provide many types of products and services aimed at the various “living spaces-related” companies that are our clients. As we develop our business, we keep in mind a number of concepts that are indispensable to the development of living spaces, including environmental and energy conservation, safety and reliability, health and comfort, and compatibility with an aging society, smart homes, and smart cities.

Electron beam (EB) technology is the core proprietary technology that supports DNP's comprehensive “living space solutions.” DNP has applied for more than 1,000 patents related to this technology. By incorporating EB exposure in the manufacturing processes of all kinds of surface materials such as floor, wall and door coverings, the functionality of the surface is instantly increased. Not only does the product become more resistant to abrasion, deterioration and fading, it also becomes easier to maintain since dirt can be easily wiped away. Compared to conventional methods using thermosetting, EB technology-based manufacturing processes use less energy, entail less emission of greenhouse gases, and do not involve any of the 13 substances regulated by the Japanese Ministry of Health, Labor and Welfare as causes of sick house syndrome. In other words, EB technology is a next-generation technology that is friendly to

consumers and to the environment.

In Japan, growth in the home renovation market is expected to outpace growth in new home construction as existing homes become outdated while family composition and lifestyles continue to change. This being the case, we expect to see increasing demand for interior and exterior materials that are outstandingly durable and functional, friendly to both inhabitants and the environment, beautiful and comfortable to live with.

DNP offers total solutions encompassing everything from materials development to space design, coordination, installation and construction method development. Our aim is to create living spaces for a future in which consumers can enjoy comfortable lifestyles based on “functional value” mainly provided by EB technology, and “emotional value” mainly resulting from good design.



Conceptual illustration of electron beam (EB) technology

Broadening our lineup of Ellio products made by coating and printing directly on steel plates

Products in DNP's Ellio series, developed in cooperation with Nippon Steel & Sumitomo Metal Corporation, are made by directly coating and printing on steel plate, stainless steel, aluminum or other metal base materials developed by Nippon Steel & Sumitomo Metal. These products combine the fire resistance and other benefits of metal with authentic-feeling, luxurious textures. They are used in a wide range of applications including front entrance doors, bathroom unit wall panels, hotel and office building exteriors, elevator interiors and train car interiors (overseas as well as in Japan), and exterior panels for

refrigerators and other electric appliances.

In 2012, we developed "High-reflective, Light-diffusing Ellio," which effectively reflects natural and artificial light, thereby brightening the space where it is installed by diffusing indirect light into every corner. Using this material on walls and ceilings helps reduce the amount of energy required to light the space. In addition to making efficient use of solar light and heat and other natural energy sources, DNP will continue to focus on developing eco-friendly lifestyle materials that provide excellent thermal insulation and light-blocking functions.



Ellio exterior product on a train platform waiting room

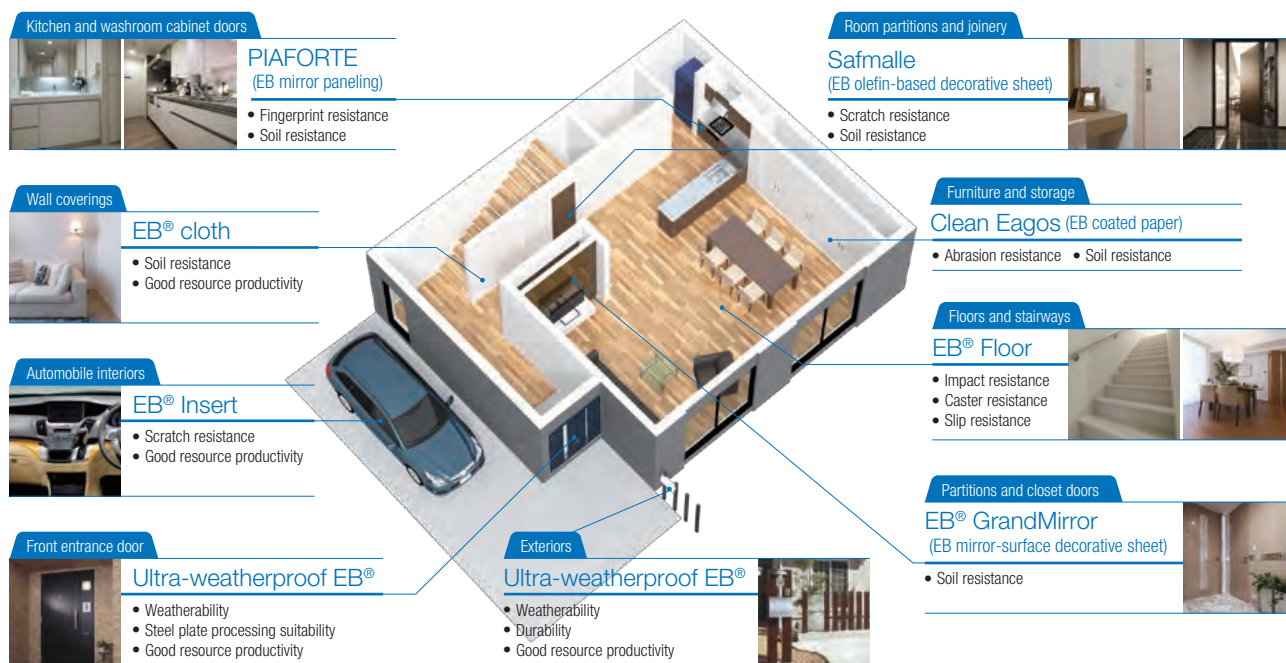


Ellio in a hotel interior application



Ellio applied to the exterior wall of a condominium building

EB Solutions for Living Spaces



Life Science Business Development

For a healthier tomorrow



*Market size: Global market for industries related to regenerative medicine is expected to reach 1.1 trillion yen in 2020 (according to a report on commercialization and industrialization of regenerative medicine by Japan's Ministry of Economy, Trade and Industry)

As populations age in many countries around the world, people are looking for better quality of life as well as for solutions related to medical care and pharmaceuticals. DNP views these types of business as part of its “Life Science” field, where it is concentrating on generating businesses that make use of its strengths in printing and information technologies.

In 1985, DNP applied its technology for making ink out of enzymes and technology for precisely transcribing minute patterns to the production of products such as urine testing paper. In 2004, in collaboration with Tokyo Medical and Dental University, we succeeded in forming capillary patterns on substrates. Building on this success, in 2008 we launched CytoGraph™, the world's first commercial cell culture substrates that enable the cultivation of cells in a variety of patterns and sizes.

Meanwhile, DNP has cultivated color management and 3-D image processing as basic printing techniques, along with information technologies including database system construction and management. These technologies are being used in a wide variety of fields, including cell evaluation for regenerative medicine and diagnostic support.

We intend to develop the field of life science into a new mainstay business for DNP.

Development of the world's first eye-shaped diagnostic system based on 3D MRI image analysis

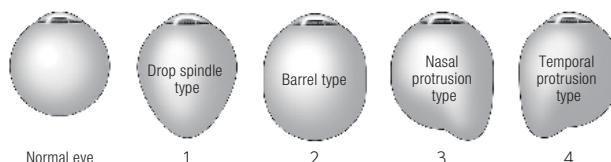
Nearsightedness (myopia) has been generally believed to be caused when the eye's crystalline lens fails to focus correctly, but recent research has shown that one reason for this failure is distortion of the eye globe.

In myopia involving this type of distortion, called “pathological myopia,” distortion of the eye globe itself affects structures such as the retina or optic nerve. It can also lead to problems that make it difficult to correct vision through eyeglasses or contact lenses, such as retinal detachment, glaucoma, or optic nerve damage. Pathological myopia is the number five cause of blindness. Since some 5% of people over 40 years old develop the disease, the number of cases will likely increase in the future.

Four patterns of eye globe deformity commonly found among Japanese with pathological myopia

There are four types of eye globe deformities associated with pathological myopia. (All of the images below are of the right eye globe viewed from below.)

1. Tapered in back, right-left symmetrical (called drop spindle or strawberry type)
2. Blunted edges, right-left symmetrical (barrel type)
3. Asymmetrical between right and left, with protrusion on the side facing the nose (nasal protrusion type)
4. Asymmetrical between right and left, with protrusion on the side facing the temple (temporal protrusion type)

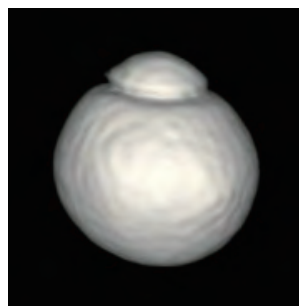


DNP collaborated with Tokyo Medical and Dental University on research into the causes of pathological myopia and development of technologies that can lead to early discovery and treatment. As a result, we developed the world's first eye globe shaped diagnostic system based on 3D MRI image analysis. This system, which was introduced at an academic conference in 2012, makes it possible to get a three-dimensional view of an eye globe and ascertain when distortion entails a high risk of leading to pathological myopia.

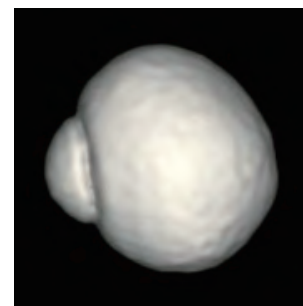
The diagnostic system makes it possible to accurately grasp the shape of an eye globe to allow more precise diagnosis. We expect this ability to lead to the development of a completely new treatment method whereby patients at high risk of developing pathological myopia will be detected early on so that the course of the disease can be curbed.

3D MRI image of an eye globe used in this recent study

A normal eye globe looks good from any angle.



Eye globe viewed from below



Eye globe viewed from nose side

Marketing of embryo culture dishes to fertility clinics

More than 240,000 in-vitro fertilizations were performed in Japan in 2010, as the procedure is becoming an increasingly common treatment for infertility. However it remains expensive, and the success rate declines as the age of the prospective mother increases, giving rise to demand for improved technologies for cultivating embryos fertilized outside the womb.

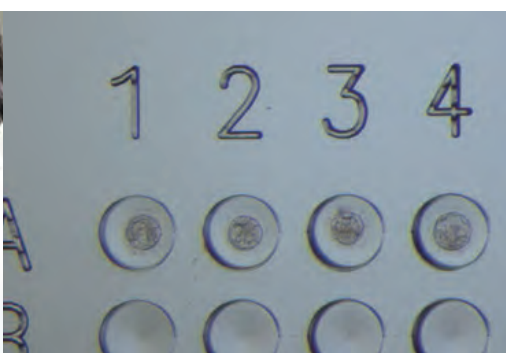
In 2011, while working with the University of Tokyo and the National Livestock Breeding Center on a collaborative study aimed at determining whether or not individual embryos were growing normally, DNP developed a culture dish with micro-wells for tracking individual embryos separately from others in the same dish. The dish was brought to market after thoroughly verifying its usefulness through testing using livestock embryos.

Based on the expertise that we gained through this project, we designed a new version for use by fertility clinics and succeeded in producing a dish that increases the likelihood of successful impregnation. After testing for various safety issues, including controls against bacteria and endotoxins, we completed development of the "WOW (Well-of-the-Well) Culture Dish" that makes it easier to observe and manipulate individual embryos within a group at fertility clinics. In cooperation with MM Yume Clinic, a fertility clinic in Yokohama, DNP tested the performance of its dish against that of the droplet culture method

currently used for in-vitro fertilization. Based on the dish's good performance in terms of embryonic development and blastocyst production, DNP decided to start full-scale marketing of the dish to fertility clinics.

The "WOW Culture Dish" makes it possible to individually manage embryos while cultivating them as a group by placing each embryo in its own minute depression, or micro-well. DNP began marketing it to fertility clinics in October 2013.

	New product	Droplet culture method	
	Culture medium Embryo Oil	Individual embryos	Multiple embryos
Individual management	○	○	×
Group culture	○	×	○
Ease of control	○	△	△



DNP's Businesses

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DNP at a Glance

Profile

A comprehensive printing company that creates “Tomorrow’s Basic” based on strengths resulting from the fusion of printing and information technologies

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, 2014, the DNP Group employed about 39,524 people. The Group has 46 sales bases and 58 production plants in Japan, 24 sales offices in 15 countries and a region and 13 overseas production plants in 10 countries and a region. Overseas sales contributed 14.9% of the Group’s overall net sales in the fiscal year ended March 2014.

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.

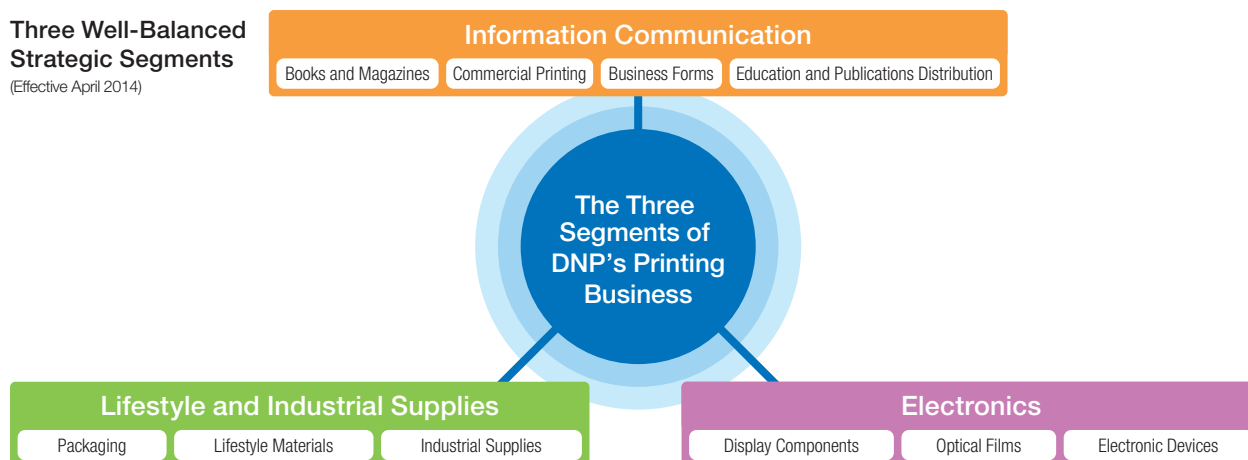
Printing consists of an assortment of businesses through which DNP applies and develops printing and information technologies in order to solve problems for consumers, and for client companies who operate in all types of business fields and in diverse formats. We divide our Printing business into three 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.

*Effective April 2014, Optical Films operations were transferred to the Electronics segment.

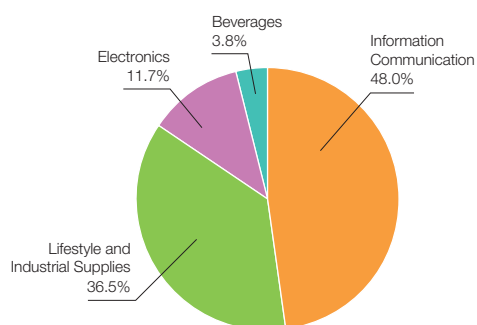
Three Well-Balanced Strategic Segments

(Effective April 2014)

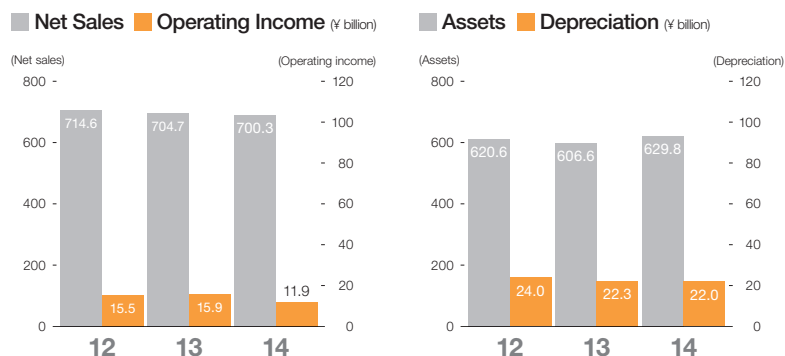


Net Sales

by Segment (Year ended March 31, 2014)

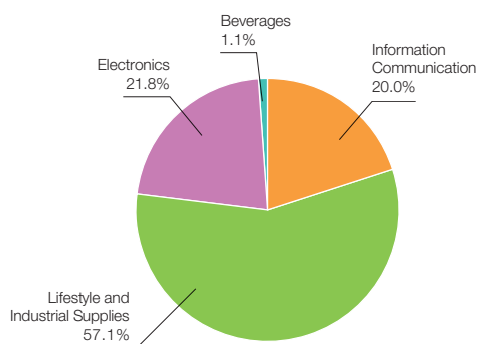


Information Communication



Operating Income

by Segment (Year ended March 31, 2014)



Lifestyle and Industrial Supplies



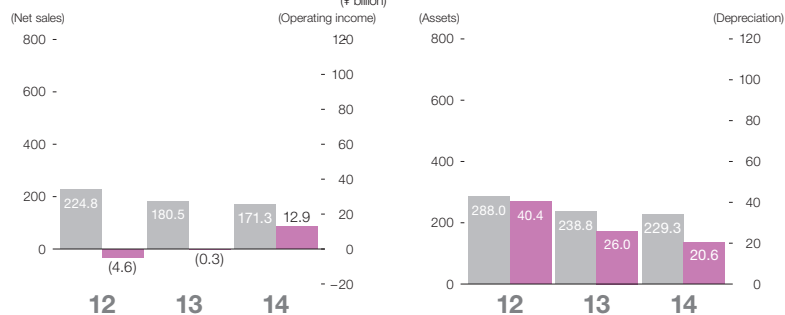
Beverages

Net Sales Operating Income (¥ billion)



Electronics

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



Our Products and Services

Information Communication

• Books and Magazines

[1] Books and magazines [2] Dictionaries [3] E-books
[4] Hybrid bookstore network "honto" loyalty point card (left);
"My Bookshelf" display (right)

• Commercial Printing

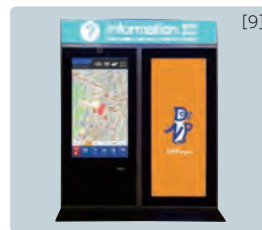
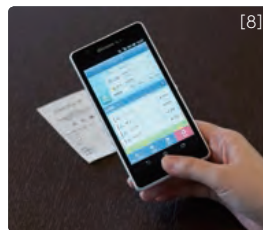
[5] Catalogs, calendars [6] Augmented reality (AR)
[7] Orikomi! e-flyer service
[8] Screen shot of "Receipt!" household budget application
[9] "Will Smart" touch-screen digital signage
[10] Personalized mail

• Business Forms

[11] Smart cards [12] SIM card
[13] Lippmann hologram [14] IC tags

• Education and Publications Distribution

[15] Maruzen & Junkudo Bookstore in Shibuya (Tokyo)



Lifestyle and Industrial Supplies

• Packaging

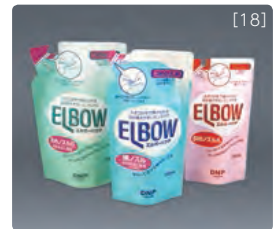
[16] Packaging for foods [17] Packaging for toiletries and
pharmaceutical products [18] Universal design products
[19] Packages made of IB film [20] PET plastic bottles and preform
[21] Aseptic filling systems for PET plastic bottle

• Lifestyle Materials

[22] Residential interior materials [23] Exterior materials for buildings
[24] Automotive interior materials [25] Interior coverings for railway
cars (Tohoku Shinkansen Hayabusa Reserved "Green" Car)

• Industrial Supplies

[26] Bus line sheet used in photovoltaic cells
[27] Soft pack for lithium-ion battery
[28] Dye-sublimation thermal transfer printing media
[29] Digital photo printer [30] Barcode labels made using thermal
resin-type transfer printing media
[31] Self print terminal "PrintRush"



Electronics

• Display Components

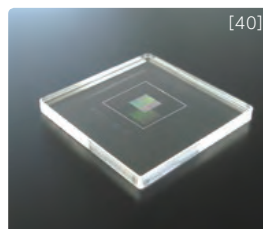
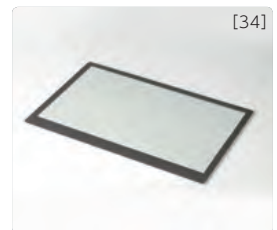
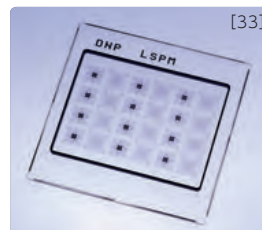
[32] Color filter for liquid crystal display
[33] Large-scale photomasks [34] Touch panel sensors

• Optical Films*

[35] Optical films used for displays
[36] Projection screen [37] Transparent screen
[38] Moth-eye® anti-reflection film (left side of the glass)

• Electronic Devices

[39] Semiconductor photomask
[40] Master template for nano-imprinting
[41] Hard disk drive suspension
[42] Lead frame for compact semiconductor package
[43] Metal substrate for LED light
[44] Recorder for security camera
[45] NFC (near field communication) module
[46] Electronic paper display system
[47] MEMS (micro electro mechanical systems) products



Note: Numbers in square brackets correspond to photographs on pp. 26-27. * Effective April 2014, Optical Films was transferred into the Electronics segment.



Evolution of DNP's Businesses

1876 <Founding>

1950

1960

1970

1980

Printing

Comprehensive Printing

Information Processing

▶1876 Founding of Shueisha, DNP's predecessor; start of letterpress printing

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

▶1949 Listed shares on Tokyo Stock Exchange

▶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)

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

▶1972 Began development of Computer Typesetting System (CTS)

▶1975 Began digital processing of image data

▶1882 Began sales of printing types

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

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 and magnetic passbooks

▶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 beverage 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

▶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

Optical Films

▶1983 Started producing projection screens

1990

2000

2010

2014

Information Communication

P&I Solutions

▶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)

"Today's Innovation is Tomorrow's Basic"

— Growth Strategies —

- Hybrid publishing solutions
- Hybrid bookstore network "honto"
- Businesses that make use of big data
- Cross media communications business
- Promotion of BPO business
- Expansion of security solutions

▶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

▶1999 Launch of IC tag project

▶2004 Began Card Data Management Service (CDMS)

▶2005 Establishment of "SSFC" office security consortium

▶1992 Development of preform method for PET plastic bottles

▶1998 Development of transparent "innovative barrier film (IB Film)"

▶2007 Development of packaging for Japanese-style space food

▶1996 Began producing sheet with EB coating

▶1999 Commercialization of "soft packs" for lithium-ion batteries

▶2003 Development of photovoltaic module components

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

▶2005 Development of fuel cell components

▶2007 Development of printed organic photovoltaic cells

▶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

▶1996 Establishment of anti-glare film technology for LCDs

▶2004 Development of "JETBLACK" front projection screens

New Businesses

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

- 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

Optical films:
used basic technologies to expand into new markets

Effective April 2014, Optical Films was transferred into the Electronics segment.

- Promote research and development aimed at business creation

Major Events of this Fiscal Year

2013

Apr.

○ Opening of Osaka cafe aimed at increasing communication with consumers

DNP teamed up with Pronto Corporation and Knowledge Capital, a facility in Osaka that supports collaboration between corporations, universities, research institutes and other entities, to open “the Lab. CAFE Lab.” The new “communication cafe” is located within Knowledge Capital. Its shelves hold books that were carefully selected by the cafe staff, and customers are free to read e-books using the tablet PCs found on each table. DNP will make use of the cafe in future business development, for example by organizing workshops with consumer participation.



The Lab. CAFE Lab.

May

○ Startup of packaging plant in Vietnam (details on P 16)

○ Expansion of production equipment at Pittsburgh plant, which makes thermal resin-type transfer printing media for printing barcodes (details on P 17)

○ Tie-up with Will Smart on digital signage business

DNP and Will Smart Co., Ltd., a subsidiary of Zenrin DataCom Co., Ltd., formed a capital and operational alliance primarily in order to jointly promote a content and advertising transmission business that will make use of digital signage. The partnership will introduce Will Smart touch-screen digital signage in public places such as train stations, airports, and shopping malls in order to provide maps and tourist information in multiple languages, mainly for foreign tourists.

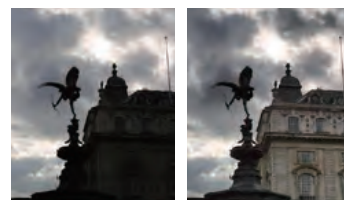


“Will Smart” touch-screen digital signage

Jun.

○ DNP and Quanta Computer jointly develop color management LSI

DNP and Quanta Computer Inc., a major contract manufacturer of notebook computers and tablet terminals, began working together to develop a large-scale integrated circuit (LSI) that can correct uneven color tones for an entire display. DNP is handling development and manufacturing of the color management LSIs while Quanta Computer is handling development, manufacturing, and sales of the terminals that make use of them. The LSI uses contrast correction technology developed by Apical Ltd. (U.K.) combined with DNP’s unique image-based noise reduction technology to express realistic and aesthetically pleasing images



Before contrast correction (left)

After contrast correction (right)

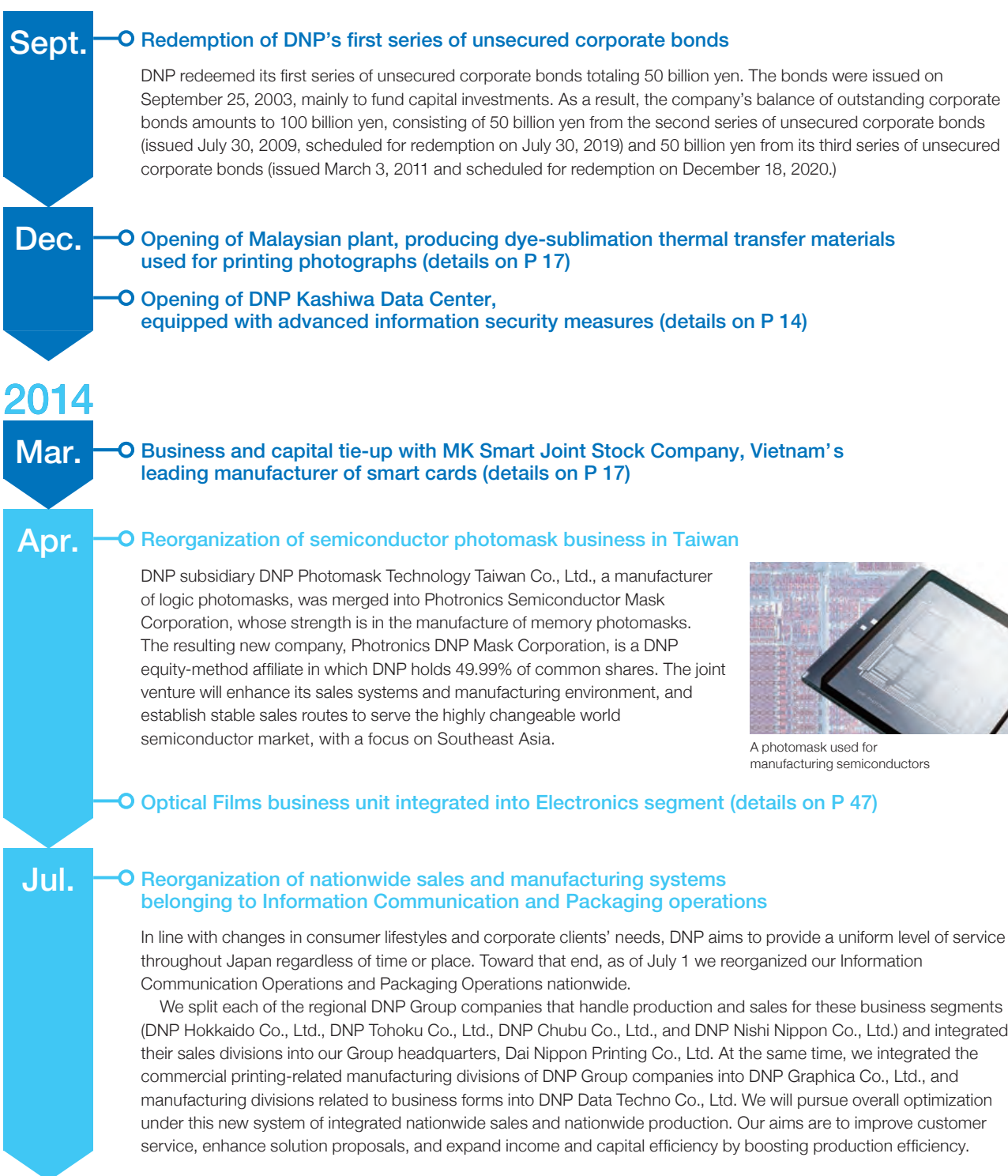
Jul.

○ Full-scale startup of operations at Utsunomiya factory making functional materials and active pharmaceutical ingredients

DNP Fine Chemicals Utsunomiya Co., Ltd. (formerly called DNP Fine Chemicals Fukushima Co., Ltd.) began full-scale operation of its Utsunomiya plant. The new plant capitalizes on DNP’s excellent organic synthesis technology. Besides manufacturing active pharmaceutical ingredients and intermediates, it will expand into the new business of producing functional materials used in electronic materials, such as ultraviolet curable resins and color resists used in displays.



Utsunomiya plant



Information Communication

Business Strategies

As the information media used by consumers become increasingly diverse and a global network environment is taking shape, our customers need pleasant channels of communication that are protected by strong information security. DNP's Information Communication segment addresses this need by developing optimal forms of content expression and diverse information media to provide broad solutions that are closely linked to our customers' business processes.

We are working to expand our business by focusing on a variety of solutions. For example, we offer services such as marketing-based consulting, "hybrid" publishing in both paper and electronic formats, cross media solutions, online flyers, and e-commerce support, as well as business process outsourcing (BPO).

In order to strengthen the foundation of these businesses, in December 2013 we opened the DNP Kashiwa Data Center, which has achieved a high degree of information security. In addition to adopting the cloud technology of Nihon Unisys, Ltd., with whom DNP has capital ties, we linked the new center with existing data centers operated by DNP and Nihon Unisys to form one of the largest service networks in Japan.

In July 2014, we merged the sales, planning, and manufacturing functions of Commercial Printing and Business Forms in order to increase capital efficiency and profitability by improving customer service, proposing better solutions, and raising production efficiency. This merger will help us promote overall optimization and provide a uniform level of service throughout Japan, regardless of time or place.

Our Information Communication segment is composed mainly of Books and Magazines, Commercial Printing, Business Forms, and Education and Publications Distribution operations. Fusing the specialized strengths of these various units will help us to solve problems faced by corporate clients and consumers.



Above: Electronic dictionary application

Below: Maruzen's main bookstore in Tokyo's Marunouchi district

Main Policies

Expand hybrid publishing solutions and DNP's "Hybrid Bookstore Network" business

▶ P 36

- Rather than serving solely as a manufacturer of printed materials, provide total support for stimulation of the publications market, including through marketing and customer service.
- Make the most of the strengths that we gained through our involvement in digitalization of printing processes since the early 1970s, and take a comprehensive approach to businesses such as production of paper books and e-books, and printing on demand.
- Promote our "honto" hybrid bookstore network that links physical bookstores, online mail-order sales, and e-book sales.

Promote business process outsourcing (BPO) business

▶ P 37

- Focus on BPO operations that provide comprehensive support for corporate clients' overall business processes.
- Build on our track record from the introduction of the Nippon Individual Savings Account (NISA) system in the fiscal year ended March 2014, in order to expand BPO business.
- Offer a variety of solutions, including analysis of operational issues, design of market research and business processes, operation of data centers and customer service centers, production and shipment of sales promotion tools, and printing on demand.

Total security solutions that protect businesses and organizations

▶ P 38

- Establish security infrastructure for reliably protecting sensitive corporate information and consumers' personal information.
- Collaborate with business partners to offer total security solutions that guard both physical locations and online, virtual spaces.

Initiatives aimed at developing comprehensive payment services

▶ P 39

- Building on our track record as leader of the Japanese smart card market since the 1980s, in 2013 we created an international brand prepaid system.
- Become a "comprehensive payment service business" by expanding settlement-related solutions such as BPO operations, card-linked offers (CLO: payment history-based advertising services), and servicing of settlement terminals that handle multiple types of cards.

Expand business that makes use of big data and consumers' point of view

▶ P 15

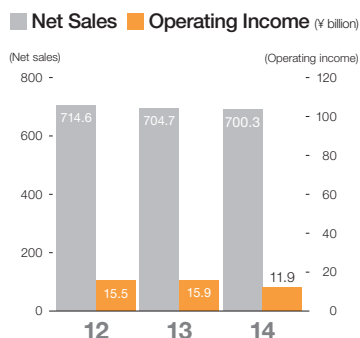
- Focus on developing communication channels that connect corporations and consumers.
- Expand services aimed directly at consumers, such as DNP's "Receipti!" household budget-tracking application, "Elne" loyalty point service, and "Orikomio!" e-flyer service.
- Develop an O2O (Online to Offline) service for inducing customers with whom we formed relationships online, for example through a mobile application, to come to physical stores and buy products.

Financial Results

Financial Highlights

(¥ billion, %)

	2012.3	2013.3	2014.3
Net sales	¥ 714.6	¥ 704.7	¥ 700.3
Operating income	15.5	15.9	11.9
Operating income margin	2.2%	2.3%	1.7%



Net sales

The overall environment surrounding the segment remained harsh amid a lackluster publications market, decreased demand for flyers, catalogs and other commercial printed matter, and cutbacks in corporate expenses, among other factors. Net sales amounted to 4.4 billion yen, or 0.6% less than the previous fiscal term.

Operating income

On the positive side were growth in smart cards and business process outsourcing (BPO), starting with financial institutions' printing-related operations, along with segment-wide cost-cutting measures such as increasing the ratio of in-house production. However, due to factors like intensified competition pushing down unit prices, higher raw material costs and expenses related to development of e-book and other businesses, operating income declined by 25.4% or 4.0 billion yen from the previous term. The segment's operating income margin decreased by 0.6 point, from 2.3% a year earlier to 1.7%.

Fiscal Term through March 2014: Business Environment and Summary of Financial Results

Books and Magazines

The Japanese publications market has continued to shrink since reaching its peak of 2,656.3 billion yen in 1996. In the year through March 2014, publishing industry sales declined by 3.4% from the previous fiscal year to 1,658.9 billion yen according to Japan's Research Institute for Publications. Overall publications sales were lackluster, declining 2.7% from a year earlier to 775.6 billion yen. Magazine sales were also sluggish. In addition to a drop in the number of magazines sold, many magazines suspended publication, resulting in a 4.1% year-on-year decline in sales to 883.3 billion yen.

Despite this environment, Books and Magazines increased sales from book publishing for the fourth year in a row, thanks to proactive sales efforts. However, magazine sales declined, and the business's overall sales ended below the previous-year level.

Meanwhile, according to Impress Research Institute, Ltd., Japan's e-book market grew a sharp 28.3% in the fiscal term through March 2014, to 93.6 billion yen. Combined with electronic magazines, the overall market for electronic publications amounted to 101.3 billion yen, topping 100 billion yen for the first time. 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 bricks-and-mortar bookstores, online mail-order sales, and e-book stores. We issued point cards shared throughout the "honto" network and worked hard to gain members. We also offered coupon distribution services, ran various types of sales campaigns, and worked on enhancing communications with customers. At Communication Plaza dot DNP, our experiential showroom in Tokyo's Ichigaya district, we have been operating the "honto Cafe," where visitors can experience reading e-books free of charge, and we have organized various campaigns in cooperation with publishing companies. Since July 2013, we have been publishing both electronic and paper versions of a PR magazine called "honto+ (plus)" as part of our drive to further expand "honto."

Commercial Printing

Japanese corporate advertising expenses in the fiscal year ended March 2014 grew by 4% from the previous year according to the Ministry of Economy Trade and Industry, reflecting increased personal consumption and improvement in corporate profits. Internet advertising grew by 8.9% and sales campaign/event-related outlays increased 6.6%, but newspaper inserts, direct mail, and other printed paper promotional items declined by 1.1% from a year earlier. Demand for printed material continues to decline amid a growing trend toward providing product catalogs and user manuals online.

DNP's BPO business, including services like sales campaign office management and customer service center operation, grew despite this trend. In addition, DNP's Commercial Printing benefited from a rush of demand right before the latest national consumption tax hike took effect on April 1, 2014. But with sales of catalogs, pamphlets, and other printed materials weak throughout the year, overall sales declined year on year.

Based on consumers' point of view, DNP is promoting a "cross media communication" business that provides consumers with the information they want at the times they want it, by means of the most appropriate information media. We are also pursuing electronic flyers and other online businesses by actively proposing solutions. We will also work to expand businesses that take advantage of our strengths, including the DNP Kashiwa Data Center that we started up in December 2013 and DNP's cooperative ties with Nihon Unisys, Ltd.

Business Forms

As corporations streamline their organizations and trim expenses, various types of notices that used to be printed on paper and mailed to each consumer are now being displayed on corporate websites instead. Due to trends like these, demand for printing is declining and the business environment surrounding this sector remains harsh. 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 strengths, including our Business Forms unit's high capacity for developing software and processing information under the protection of DNP's strong information security infrastructure, we expanded sales of products like smart cards used by financial institutions and prepaid electronic money applications. Because we won BPO contracts for corporate accounting and other operations related to the

introduction of the Nippon Individual Savings Account (NISA) system, we were pleased with the performance of Information Processing Services (IPS) that handle every aspect of personal mail production, from data input to printing and mailing.

DNP has always led Japan's smart card market, in manufacturing, issuing, and development of operating systems and applications. We are taking advantage of this strength to expand our original security solutions businesses. We also intend to develop domestic and global services that use the Near Field Communication (NFC) international standard that is expected to be widely used in smartphones and other devices. In January 2016, the Japanese government is scheduled to start using citizen ID numbers (nicknamed the "My Number" system) for tracking social security and taxation. DNP is getting ready to seek related business, for example by taking on the job of issuing smart cards or informing individuals and corporations of their numbers.

Education and Publications Distribution Business

Amid the market trends discussed above on page 34, we worked hard to expand our "honto" hybrid bookstore network, but sales at bricks-and-mortar bookstores declined, bringing down overall sales compared to the previous year.

Maruzen CHI Holdings Co., Ltd. performed more contracted operations on behalf of libraries and worked on boosting profitability through steps like closing unprofitable stores and increasing operational efficiency. Bunkyo Group Holdings Co., Ltd. worked to expand sales, for example by opening new stores and remodeling existing stores.

Although we expect the publications distribution market to remain difficult, we will promote business reforms and work on sales promotion and attracting customers, primarily by enhancing market strategies and sales promotion projects with a focus on the "honto" hybrid network. We will also focus on reducing expenses, consolidation of facilities and rebuilding of outdated ones, enhancing our bookstores' distribution network, and other ways to improve the profitability of our bricks-and-mortar and online sales businesses.

Expanding Hybrid Publishing Solutions and DNP's "Hybrid Bookstore Network" Business

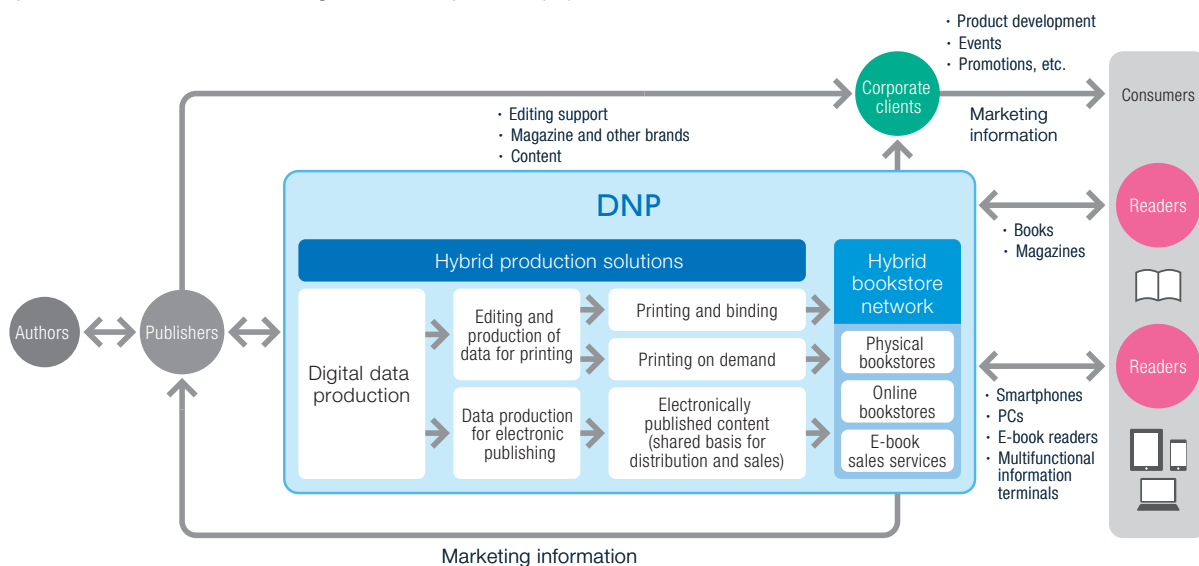
Providing hybrid publishing solutions as the Japanese publishing industry's "No. 1 partner"

DNP does not just manufacture printed materials. Rather, as the Japanese publishing industry's "No. 1 partner," we offer a comprehensive menu of publishing support services that we call "hybrid publishing solutions." These solutions may include marketing, sales promotion planning, distribution and sales of e-books and paper books, and customer service.

They also include "hybrid production solutions," which make use of the strengths that DNP has gained through our involvement in the digitization of printing processes since the early 1970s. These include boosting the efficiency of both paper

book and e-book production, building optimal manufacturing systems, and supporting on-demand printing of small-lot publications. We also offer "inventory control solutions," whereby we optimize inventory levels by independently analyzing store sales data and warehouse turnover rates.

In addition, we offer a variety of "editing and production solutions" that lighten the workload of publishing companies and increase the efficiency of various operations including magazine and comic book editing and production. For example, DNP's fully digital comic book production system creates databases of DTP data to allow easy secondary use of content.



DNP's "honto" hybrid bookstore network links multiple sales formats

DNP aims to create services that make consumers "sure to find a book they want to read" and "able to read the book they want in the format they want," primarily through our "honto" hybrid bookstore network that combines three sales formats: physical bookstores, online mail-order sales, and e-book sales.

We promote "honto" by issuing "honto" loyalty point cards that work with all three sales formats, and by promoting sales in all three formats through loyalty point and coupon offers. At Communication Plaza dot DNP, DNP's showroom in Tokyo's Shinjuku Ward, we invite visitors to try reading e-books for free, and we organize various types of campaigns in conjunction with publishers. In July 2013, we launched "honto+ (plus)," a PR magazine published in both electronic and paper versions. Other initiatives include a hybrid "My Bookshelf" program and smartphone application that allow consumers to keep track of their electronic and paper book purchases in one place.

Through these various activities, we compile and analyze consumer needs and purchasing trends. We provide this highly reliable marketing information to publishers and other corporate clients in order to help stimulate the publishing market.



PR magazine "honto" in electronic and paper formats (above)
A "honto" loyalty point card (below)

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

Promoting Our Business Process Outsourcing (BPO) Business

DNP is focusing on expanding its business process outsourcing (BPO), which provides comprehensive support for clients' business processes. We offer much more than simple outsourced operations. Rather, we take a broad view of the field of business process outsourcing and offer a variety of solutions ranging from analysis of operational challenges and construction of necessary frameworks and systems to planning, design, and actual execution of business processes. As a result, we work as a business partner in the medium or long term in line with each client company's management strategies to strengthen each client's business constitution and to support effective and strategic operational reforms that lead to actual business expansion.

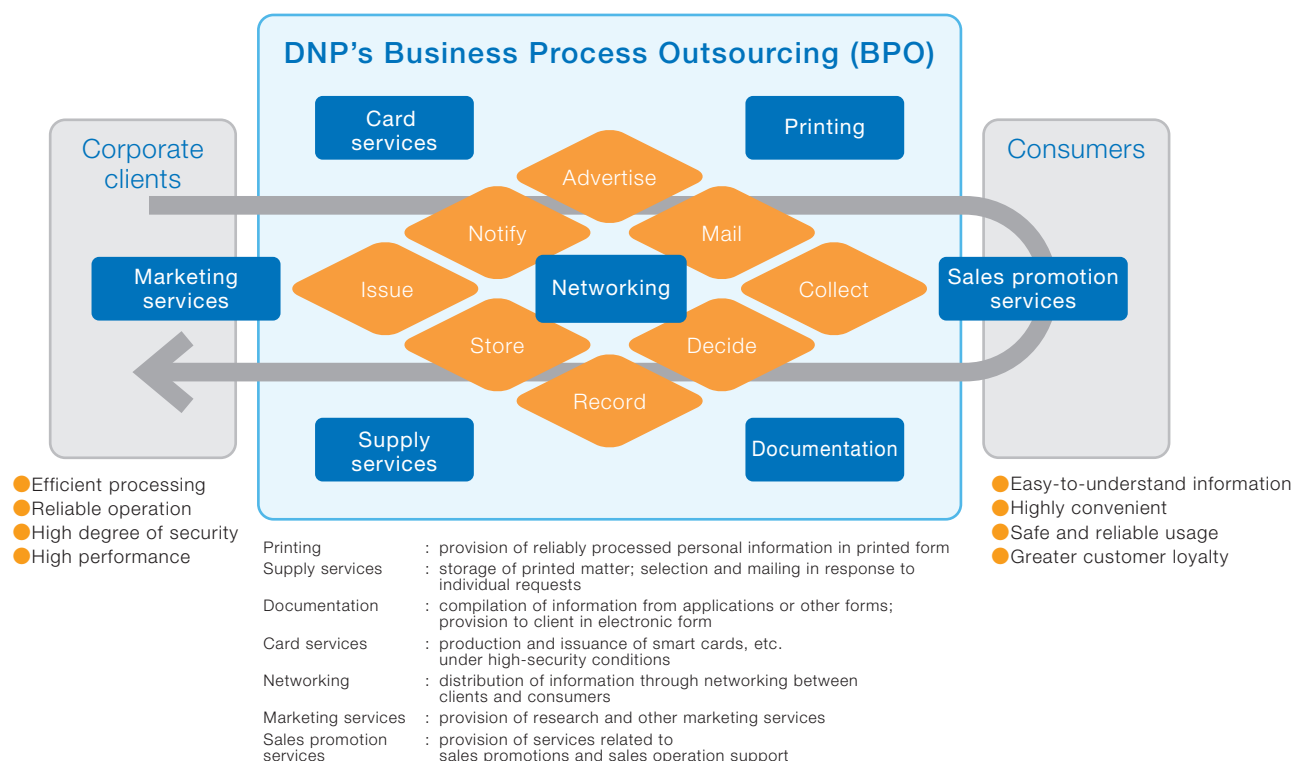
Our BPO business requires that we handle sensitive information, including corporate and personal information, under strictly secure conditions. In December 2013, we built the DNP Kashiwa Data Center for that purpose. We use the new data center and other facilities as bases for performing routine operations such as setting up new accounts for banks or receiving and sending policyholder information for insurance companies, and have achieved greater efficiency and stability in the operations of a wide variety of industries and business types. With the introduction of NISA (Nippon Individual Savings Account) tax-exempt accounts in the fiscal term through March 31, 2014, we successfully met large-scale demand for processing of new accounts.

DNP divides its BPO business into two categories: business process outsourcing (BPO) by the narrow definition, which involves strict control of business information, including personal information used for processes like issuing smart cards or various types of ledger sheets, and commerce process outsourcing (CPO), which mainly handles information related to commercial transactions involving products or services. We provide more precisely tailored solutions by responding with sensitivity to the different characteristics of these two types of process outsourcing.

On the CPO side, in addition to offering centralized execution of tasks like databasing information about products and/or services, managing large batches of sales promotion tools, and building e-commerce websites, we also have a great deal of experience in successfully operating sales campaign offices and customer service centers.

The main features of DNP's BPO business are:

- (1) Capacity and track record for offering a full range of business processes, from generation to collection of information
- (2) Execution of processes using the latest and best information technologies
- (3) Nationwide business continuity plan (BCP) centered around production bases in the Tokyo and Kansai areas
- (4) A high-security operating environment for handling sensitive information
- (5) A high level of credibility that can hold up over many years of business execution

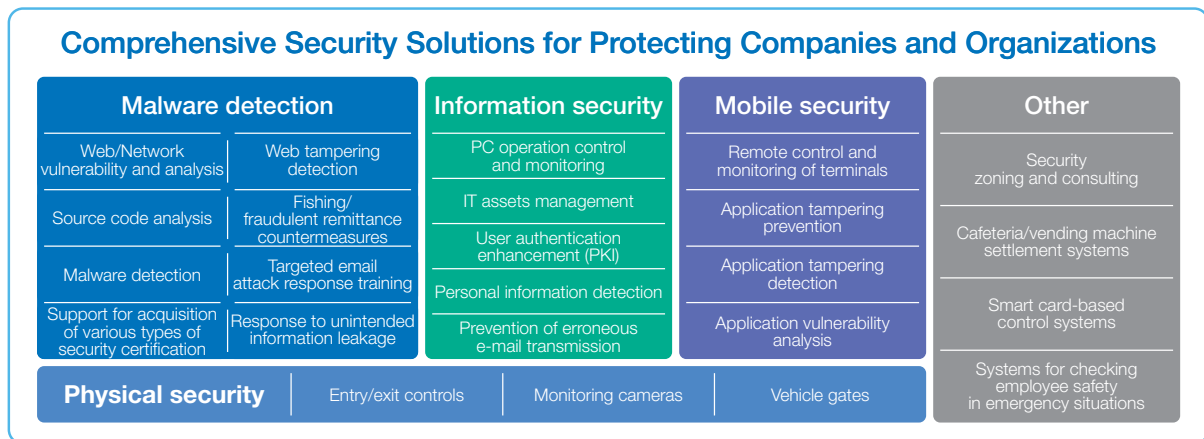


DNP Security Solutions: Protecting Information, People and Organizations

Cyber attacks have become more sophisticated in recent years, making it necessary to use stronger-than-ever information security techniques to guard against them. DNP provides a variety of security solutions for a large number of companies, mainly financial institutions. We integrate strengths from both inside and outside the DNP Group to provide analysis of website vulnerabilities, network analysis tools, and source code vulnerability detection tools, etc.

The state-of-the-art security solutions provided by DNP

address both virtual (online) space and physical (office, etc.) spaces. For example, we offer solutions for managing paper documents, USB drives, and other information media that can easily lead to information leakage; management of smartphones and tablet computers, whose loss can have a devastating effect on a business; and monitoring cameras and room entry/exit control systems to prevent criminal actions by employees as well as intrusion by outsiders.



DNP's smart sensing services provide new value

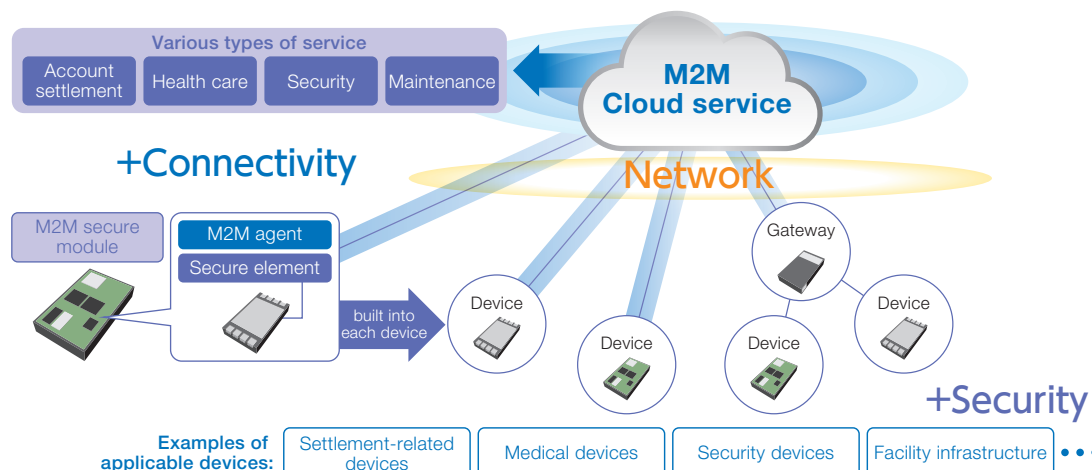
Smart sensing is a system whereby sensors and other devices connected to a network exchange data with each other and perform functions such as measurement and control. DNP contributes to improving productivity and other aspects of a business's performance by safely and reliably connecting a variety of sensors and devices so that they transmit and process information in real time.

In addition to using smart card and SIM*1 card information security technologies together with issuing and authentication technologies to develop a Machine-to-Machine (M2M*2) secure

module that safely and reliably connects networked devices, DNP's other security-related projects include development of biosensors using IC tag automatic recognition and wireless technologies. DNP is also working on services that use big data to generate new value by analyzing data obtained through smart sensing.

*1 SIM (Subscriber Identity Module): a smart card that contains identifying information specific to a mobile phone number

*2 M2M (Machine to Machine): communication between devices linked to a common network



Initiatives Aimed at Developing Comprehensive Payment Services

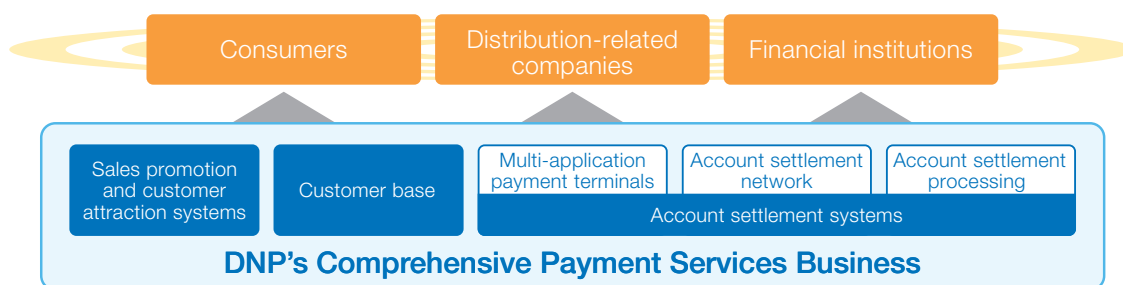
In 2013, a global brand prepaid service was launched as a new method of account settlement. This payment service offers the convenience of being usable at any business that has an account with a global brand like Visa or MasterCard, together with the sense of security resulting from the fact that it can be used only up to a predetermined amount. The service is expected to be popular as a payment method used by a wide variety of consumers, including young people and active seniors.

Also in 2013, DNP responded to the introduction of this service by constructing its own global brand prepaid system, which it began providing to card-issuing companies. Making use of the experience and knowledge it has acquired through

its smart card business, DNP created a system that meets the strict information security (PCI DSS authentication*) and usefulness standards required of a finance-related system.

Several companies that use global brand prepaid services have already adopted the system, for which DNP will provide a full range of services including card manufacturing and issuance, application data entry, and sales promotion-related services. Going forward, in addition to providing the system, DNP aims to develop a comprehensive payment service business that will include business process outsourcing, card-linked offers (payment history-based advertising services), and mobile wallet service, with a focus on peripheral payment services such as multi-type settlement terminals.

* PCI DSS (Payment Card Industry Data Security Standards) authentication: credit card industry security standards established to ensure that stores and service providers safely handle credit card member information. The standards are implemented and managed by the Payment Card Industry Security Standards Council (PCI SSC), which was established jointly by five global card brands: American Express, Discover, JCB, MasterCard and Visa.



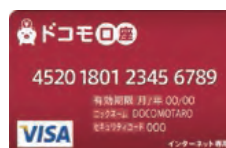
Examples of international-brand prepaid services using DNP's services:



JACCS Co., Ltd.'s
Visa TravelMoney "Gonna"



Credit Saison Co., Ltd.'s
COCOKARA CLUB CARD



NTT DoCoMo, Inc.'s Docomo
Prepaid Visa
*A virtual card displayed on
the screen of a mobile device

Mobile Wallet Service makes shopping more pleasant and convenient for consumers

Amid increasingly widespread use of "wallet services" that use smartphones for intelligent management of payment-related services, we are hearing more news about consumers wanting to conveniently and efficiently manage multiple applications besides payment. In addition to providing credit and prepaid settlement services, DNP's mobile wallet service platform can be used to efficiently manage a variety of other services including loyalty point tracking and coupon distribution, member information management, and provision of information about subjects such as healthcare or travel. We can provide a variety of new services by also linking the service to the collection of big data: for example, improving member loyalty to businesses, and devising effective marketing strategies based on analysis of consumer behavior.

In February, 2014, DNP launched the "Salon de Wallet" smartphone application in partnership with HyperSoft Co., Ltd., which provides 2,300 beauty salons throughout Japan with its "Salon de Net" point-of-sale system. (right)



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. Packaging Operations creates many of the packages that consumers actually use, including packaging for foods and beverages and for pharmaceutical products. Lifestyle Materials is involved in a wide variety of products that create the spaces in which consumers live, such as floor and wall coverings, residential exterior products, and automotive interior products. Examples of the products provided by Industrial Supplies include dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) used for printing photographs, and components of photovoltaic cells and lithium-ion batteries.

Products and services that are indispensable to comfortable living must also contribute to people's safety and sense of security. They must be designed with consideration for universal design principles that make products and services easy to use for most consumers. In our product development and manufacturing, DNP strives to conserve energy, use cleaner energy sources, and dispose of waste material in ways that are least damaging to the environment. This segment's basic business strategy is to accurately respond to the diverse needs of corporations and consumers and develop a large number of products that have optimal functions for enriching people's lives, while adhering to all of the above requirements.

We take an active approach toward developing new products and businesses, and provide customers in Japan and abroad with advanced, original products in fields like environment, energy, and life science. We will speed up the development of these new businesses by making use of DNP's original technologies and by actively forming alliances with companies and research institutes that have special capabilities.

In April 2014, the Optical Films unit, which makes various types of optical films including anti-reflection films used on liquid crystal displays, was transferred to the Electronics segment, with which it shares its main markets. Going forward, Optical Films will combine its technologies and talent with those of the Electronics segment to accelerate the development of new products.



Above: "Party Print" mobile event application
Below: Ellio products applied to exterior of the DNP Emergent Evolution Forest: The Hakone Training Center

Main Policies

Packaging

Develop eco-friendly, advanced packaging products worldwide

▶ P 44

- Actively develop eco-friendly products that reduce environmental load, and support biodiversity and use of sustainable resources.
- Enhance lineup of advanced products that offer outstanding preservation and durability.
 - Innovative Barrier (IB) film: transparent packaging film with excellent barrier properties to keep out oxygen and moisture
 - “Biomatech PET” series of plastic films using plant-based materials
- Promote global packaging business using overseas production bases.
- Analyze consumers’ awareness of packaging-related issues and actual usage patterns.
- Develop packages that are easy for anyone to use, following universal design principles.

Lifestyle Materials

Provide solutions for the spaces in which people live their lives

▶ P 18-19

- Develop products using DNP’s original electron beam (EB) coating technology.
 - Scratch and soil-resistant wall and floor coverings; exterior products with outstanding weatherability, etc.
- Develop businesses that address the entire living space supply chain, such as living space design (including proposals based on special considerations such as Kansei (emotional) engineering), living environment assessment, and development of easier construction methods.
- Develop new products needed for the realization of smart cities and smart houses.
 - Metal panels and other materials that save energy by effectively reflecting and/or diffusing light
- Expand market share in Europe, the Americas and emerging countries by making use of DNP’s global business networks.

Industrial Supplies

Realize sustainable growth by providing diverse products

▶ P 45

Imaging Communication

- Reinforce global manufacturing and sales systems; expand field of business into everything related to “imaging,” without being limited to existing markets.
- Dye-sublimation thermal transfer printing media: Supply the global photo imaging market with photo printing systems that meet consumers’ needs and added-value services such as online photo book production.
- Thermal resin-type transfer printing media: Increase market share by expanding lineup of outstandingly durable products, mainly for barcode use, and by strengthening our sales networks.

Advanced Materials

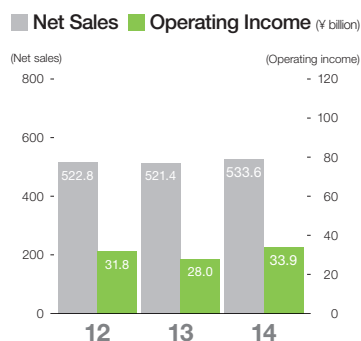
- Supply corporate clients in Japan and overseas with advanced products that solve problems in fields like environment and energy by making use of DNP’s original converting (material processing) technologies.
- Photovoltaic cell components: Reduce costs and increase functionality of back sheets and encapsulants; develop new products that contribute to improvement in reliability of photovoltaic cells and their conversion efficiency.
- “Soft packs” for lithium-ion batteries: Take advantage of our strength as the world’s number one supplier to expand applications beyond mobile devices to include, for example, electric vehicles and household-use storage batteries.
- Focus on developing new products, such as products that control light and heat, and high-added value barrier films for medical care or industrial applications.

Financial Results

Financial Highlights

(¥ billion, %)

	2012.3	2013.3	2014.3
Net sales	¥ 522.8	¥ 521.4	¥ 533.6
Operating income	31.8	28.0	33.9
Operating income margin	6.1%	5.4%	6.4%



Net sales

Although sales of aseptic PET plastic bottle filling systems declined, we enjoyed good sales of decorative materials and other Lifestyle Materials thanks to an increase in domestic housing starts and our larger share of the market. We also sold more Industrial Supplies, including optical films used in flat-panel displays and information media supplies used for printing photographs. Overall segment sales increased by 12.2 billion yen, or 2.3% from the previous term.

Operating income

Operating income grew by 5.9 billion yen or 21.0% year on year despite higher prices of raw materials for films and resins and lower unit prices resulting from increased competition. Our success was due largely to increased sales and the effects of the weakened yen. The operating income margin increased 1.0 point from the previous year's 5.4%, to 6.4%.

Fiscal Term through March 2014: Business Environment and Summary of Financial Results

Packaging

In the year through March 2014, Packaging Operations enjoyed strong sales overseas, especially in Indonesia. Worldwide sales of soft packaging and paper cups grew from year-earlier levels, but overall sales declined relative to the previous term, partly due to the slump in sales of large-scale aseptic PET plastic bottle filling systems, which declined relative to the year before.

Overseas, we are expanding our manufacturing bases in response to robust demand in Southeast Asia, where economic growth continues. In May 2013 we built a factory in Vietnam.

We continue to reform our cost structure. In 2012 we reorganized our domestic manufacturing units to create a more efficient system. In July 2014 we have integrated our sales organizations into a new system that coordinates them nationwide as we aim for even greater competitiveness and overall optimization.

Lifestyle Materials

Japanese housing starts in the fiscal term through March 2014 grew by 10.6% year on year to about 980,000 units, increasing for the fourth consecutive year. Among the factors behind the increase were a rush to build before the April 2014 consumption tax hike, increased optimism about the economy, availability of low-interest housing loans, and expectations of rising construction material costs. DNP's eco-friendly products made with our unique EB coating technology, along with other high-added value DNP products that excel in terms of both aesthetics and functionality, won praise from client companies and consumers and captured a larger share of the market, helping Lifestyle Materials to exceed its previous-year sales.

We intend to continue to develop various applications and respond to markets around the world. For example, in addition to focusing on the markets for home renovation and elderly housing, we will expand our lineup of exterior and interior decorative products and develop automotive products using electron beam (EB) coating and railway car products using Ellio steel plates.

Industrial Supplies

Information Media Supplies

Worldwide, there was increased demand for dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper), which work without the use of a developing solution. There were also solid sales of thermal resin-type transfer printing media used for logistics and production control. In light of increasing worldwide demand, in May 2013 we expanded the thermal resin-type transfer printing media production facilities at our Pittsburgh plant in the US. In December 2013, we completed construction of a plant in Malaysia for making dye-sublimation thermal transfer printing media, thereby increasing production capacity. Thanks to the increased production at these overseas bases along with the effects of the yen's depreciation, sales for the fiscal year through March 2014 increased over the previous year.

We intend to supply dye-sublimation thermal transfer printing media in response to increasing demand for photo printing in the global "imaging market," which includes emerging markets. We will provide consumers with new ways to enjoy photographs, greater convenience, and services that support rich communication through products like Ki-Re-i photo ID kiosks and PrintRush systems installed at retail outlets where users can instantly print photos from digital data.

Regarding thermal resin-type transfer printing media, we will enhance our lineup of high-performance products that offer greater durability. We will also reinforce our sales network in emerging countries in order to boost our market share.

Advanced Optics (Optical Films)

Worldwide demand for LCD displays used in large-screen televisions was lackluster, and demand for displays used in laptop computers and computer monitors declined. However, demand for displays used in smartphones and tablet PCs remained strong. Amid these trends, in the year ended March 2014 DNP increased sales of new products including films for 3D displays and touch panel displays. Sales of anti-reflection films for cutting-edge LCDs also grew from a year earlier. On the other hand, sales of other products, including contrast improvement film used for plasma display panels and projection screen components, declined.

In April 2014, the business units that handle products related to optical films were merged with units in charge of display components and semiconductor photomasks to form a new unit within the Electronics segment. Going forward, members of the new unit will fuse the technologies and expertise that they have cultivated to date and promote the development of new businesses and new products. They will also work to improve the functionality of existing products, implement thorough cost reductions, and improve investment efficiency, thereby giving DNP an even greater competitive edge. (Refer to P 47.)

Energy Systems

The market for photovoltaic cells, which had long been led by Europe, has been sluggish due to the effects of a financial crisis there. In July 2012, Japan introduced a program for buying excess energy generated from renewable sources at a fixed price. This spurred demand for both residential-use and industrial-use solar panels, prompting greater sales of DNP's photovoltaic cell components. There has been solid demand for soft packs used in lithium-ion rechargeable batteries for smartphones and tablet PCs, but not so much for the electric vehicles that had been expected to become more widespread. Overall, the market for these products has been lackluster.

In the future, we will focus on the development and sale of higher-performance, more durable components for which demand is expected to increase. Also, we plan to expand our advanced materials business, for example by using our proprietary converting (materials processing) technologies to make products that control light and heat, and high-added value barrier films for medical and industrial applications.

Expanding Global Business with a Focus on Advanced, Eco-friendly Products

DNP provides all types of packaging, including paper containers, flexible wrapping materials, and plastic containers, for use in a wide variety of fields such as foods, beverages, and household items. Starting from the product planning stage, we design packages with consideration for many factors including preservation of content, durability, ease of use, clear labeling, and universal design. We are also actively developing eye-catching designs to attract attention on store shelves. DNP's comprehensive packaging business makes use of our flexible manufacturing framework with production bases in Japan and overseas to supply products on a timely basis, to develop functional films and other specialized materials, and to design and manufacture aseptic filling systems.

In October 2012, we reorganized our domestic manufacturing, production control, and technology sections to create a uniformly controlled production system with the aims

of increasing competitiveness and earning power and building optimal systems to support our business continuity plan (BCP). In July 2014, we will integrate all of our domestic sales units and focus on enhancing solution proposals and increasing production efficiency.

Overseas, one of our main policies is to expand our business in the Asian region. Since 1972, DNP has been supplying packaging products in Indonesia, where we have captured the top market share in many fields including household items and food products. Building on this success, in May 2013 we built a packaging factory in Vietnam. In addition to continued strong economic growth, Vietnam has also attracted attention as a distribution base for all of Indochina. From this production base we will supply high-added value products and services to Japanese companies doing business overseas and to other global companies.



Examples of DNP packages made in Japan



Examples of DNP packages made outside Japan

Expanding packaging materials that use plant-derived material

DNP is developing many types of packaging that contain sustainable resources. As part of that effort, we are focusing on increasing usage of packaging materials made of "biomass" plastics that contain plant-derived materials and place less effect on the environment. In May 2011, DNP became the first company in the world to develop "Biomatech PET" polyethylene terephthalate (PET) film containing material taken from sugar cane. Later, we developed "Biomatech IB-PET film," which functions as a barrier against moisture and oxygen. By combining it with our plant-derived polyethylene film "Biomatech PE," we can create packaging products that have outstanding barrier properties but emit up to 50% less CO₂ when burned than existing petroleum-derived films.

In May 2014, DNP and J-Oil Mills, Inc. received the Japan Packaging Institute's 38th Kinoshita Prize New Creation Award, for their standing "UD eco-pouch" made of Biomatech IB-PET film. The prize is given in honor of remarkable achievements in areas such as research and development of packaging technology or streamlining of production. In this instance, the recipients earned high praise for reducing environmental pollution by using plant-derived PET film.

DNP is expanding its Biomatech series, for example by developing Biomatech PET film that makes use of aluminum vapor deposition. We will promote use of these products in a wide variety of fields, including foods and beverages, household items, and pharmaceutical products. We will also develop a wide variety of formats such as paper containers and molded plastic goods.



UD eco-pouch made with biomass material, for "Sara-sara Canola Oil"

Our Expanded Business Includes Everything to Do with the Imaging Market

Based on the concept of “building a future that connects people to the rest of the world through imaging,” we are expanding our imaging communication business to cover the entire “imaging market,” including everything from taking photos and data processing to photo printing and content sales.

At the core of imaging communication are dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) used in photo printers and card printers for printing full-color high-resolution images, which DNP began developing in the 1980s. With the recent spread of smartphones added to existing digital cameras, opportunities for picture-taking have greatly increased, and this in turn has sparked an increase in worldwide demand for photo printing. DNP’s dye-sublimation thermal transfer materials are increasingly popular in the marketplace because, besides delivering the same high-quality images and smooth color tones as conventional silver halide printing, printing is instantaneous and initial equipment investment costs are lower.

Going forward, as we continue to develop and produce print media, we will also use our capacity for printing system and software development in order to provide convenient products and services for consumers’ enjoyment.



Photo books and dye-sublimation thermal transfer printing media (upper right)

Self-service printers deployed throughout Japan

Throughout Japan, DNP Fotolusio Co., Ltd. has installed some 3,000 “PrintRush” self-service systems containing dye-sublimation type printers, and about 7,000 “Ki-Re-i” photo ID kiosks. These systems are receiving high praise from consumers, mainly for offering high-quality images and ease of use. Both systems are among the top players in their respective markets in Japan. As examples of how we keep these products and services in tune with market needs, we improved PrintRush’s smartphone compatibility and launched a “with smartphone” service that enables Ki-Re-i users to store image data on their smartphones.



“PrintRush” self-service photo printing system



“Ki-Re-i” ID photo booth

DNP leads the growing market for photo books

DNP’s “DreamPages” photo book production service offers a website that enables customers to easily design and order books and albums of their original photos. By simply arranging digital images on each page and inserting text where desired, customers can produce their own high-quality, completely unique photo book, printed by a six-color digital printer. In November 2013, we launched “DreamPages+ (plus),” which offers a free, dedicated application allowing customers to produce photo books with a high degree of freedom of design.

DNP has also introduced “PrintRush PhotoBook” self-service photo book machines that allow users to produce their own original photo books at electric appliance chain stores and other retail outlets in Japan. The system’s automatic layout function makes it easy to design a photo book, and the instant printing

afforded by the dye-sublimation thermal transfer method makes it possible to complete a book in as little as five minutes.



A photo book made with “DreamPages+ (plus)”

Electronics

Business Strategies

Corporate clients and consumers alike place many demands on the wide assortment of electronic devices on the market today, which includes smartphones, tablet PCs and other mobile information terminals, high-definition display products, and digital household appliances. In the face of increasingly diverse demands for new functions made possible by the latest technologies and for greater ease of use, along with an accelerating rate of change, electronic equipment manufacturers must be forward-looking in their technology development and capital spending, detailed in their analysis of information, and correct in their conclusions.

In response to this situation, in April 2014 DNP merged its Optical Films business, which had previously been part of the Lifestyle and Industrial Supplies segment, into the section of our Electronics segment that handles products such as display components and semiconductor photomasks. Both of these business units serve the same major markets, including the market for electronic devices. By combining their technologies and expertise, the resulting, expanded section can develop new products more quickly.

In particular, this section will apply world-class printing technologies like fine patterning and ultrafine etching techniques in its response to the diverse needs of corporate clients and consumers. Concerning existing products, we will work on increasing the production efficiency and earning power of our wide variety of display components and electronic devices, including color filters for liquid crystal displays, anti-glare films, 3D display films and other optical films, semiconductor photomasks, and touch panel components. As we develop new products, we will keep our eyes on the next generation of electronic products and work hard to provide outstandingly functional, high-added value products that meet marketplace needs. As we do so, we will also work proactively to engage in collaboration with companies that have important strengths, in order to speed up business development.

Furthermore, we will move ahead with thorough cost reductions and investment efficiency improvements, for example by making good use of our mother plant in Japan and overseas production bases, and by optimally locating production from a global standpoint.



Above: Tablet PC using DNP components

Below: A photomask used for manufacturing semiconductor

Main Policies

Display Components

Assess changes in the market environment and develop new, competitive products

- Focus on small- and medium-size liquid crystal color filters, and on higher-definition products.
 - Focus color filter production on the still-growing markets for small- and medium-size displays used in smartphones, tablet PCs and similar devices.
 - Promote cost structure reforms such as equipment optimization and rethinking of production and development systems.
 - Make use of the technologies that we have cultivated, with a special focus on developing high-definition, high-quality products needed for small- and medium-size devices in order to stabilize our business.
- Make use of our strongest technologies and existing facilities in order to develop new products.
 - Make effective use of our strongest technologies and existing production equipment and focus on developing new products related to areas like touch panels, organic EL, and LEDs.
 - In anticipation of further growth in demand for sensors and other touch panel components, increase our share of this market by responding to demand for both film and glass type components.

Optical Films

Develop new markets and synergistic effects of business units' merger

- Realize synergistic benefits from shared markets such as domestic and overseas electric device manufacturers. (In April 2014, Optical Films operations were transferred from the Lifestyle and Industrial Supplies segment to Electronics.)
 - Develop a wide range of types of optical films by combining DNP's original optical technologies with clean converting technologies, such as those used for applying precision thin-film coatings in a clean environment.
 - Develop new products to address trends toward higher-definition, more functional displays and energy conservation. Examples include optical films for 3D displays, and "Moth Eye®" ultra-low reflection film.
 - Focus on developing products and services that solve problems related to the environment and energy, such as smart houses and smart cities.

Electronic Devices

Respond on a global scale and generate new business models

- Meet global demand for semiconductor photomasks and develop cutting-edge technologies.
 - Acquire one of the world's top market shares, with a focus on the most advanced products (those with line widths of 28nm^{*1}).
 - Respond to demand for miniaturization by developing cutting-edge products with line widths of 15-16nm, and prepare frameworks for supplying them.
 - Focus on commercializing next-generation microfabrication technologies such as nanoimprinting^{*2} and extreme ultraviolet (EUV) exposure^{*3}.
 - Make use of overseas production bases to actively take up global demand.
- Boost earning power by developing new products.
 - Develop products that make use of microfabrication technologies, such as components for hard disk drives, LED modules, printed wiring boards with embedded components, and MEMS (micro electro mechanical systems)^{*4} products.
 - Reinforce new product development by cooperating with other segments, for example in the development of image processing modules.

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

^{*2} Nanoimprinting: a semiconductor manufacturing technique that entails physically transferring a pattern to a resin-coated silicon wafer by pressing a template bearing a minute pattern against the wafer

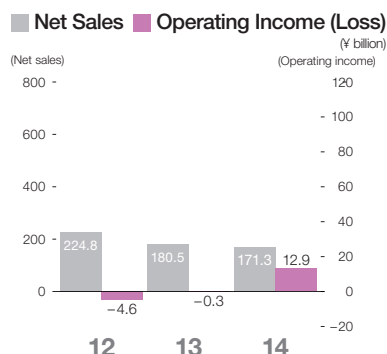
^{*3} Extreme ultra-violet (EUV) exposure: a technique for using ultraviolet rays with extremely short wavelengths to burn minute circuit patterns onto wafers

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

Financial Results

Financial Highlights

	(¥ billion, %)		
	2012.3	2013.3	2014.3
Net sales	¥ 224.8	¥ 180.5	¥ 171.3
Operating income	(4.6)	(0.3)	12.9
Operating income margin	—	—	7.5%



Net sales

Small- and medium-size color filters used in smartphones and tablet PCs sold well, while demand for laptop computers and monitors declined. Overall sales declined, partly due to the transfer of our Sakai plant's color filter business to Sakai Display Products Corp. in August 2012. Sales of semiconductor photomasks increased over the previous year due to greater demand by overseas customers. Overall, Electronics sales declined by 9.2 billion yen, or 5.1%.

Operating income

The Electronics segment benefited from cost structure reforms such as the transfer of our no-longer-profitable Sakai plant and the sale of surplus equipment, and from the contributions of new products like the touch panel sensors that we began mass producing. Compared to the operating loss of 0.3 billion yen posted last term, operating income increased by 13.2 billion yen to 12.9 billion yen.

Fiscal Term through March 2014: Business Environment and Summary of Financial Results

Display Components

The market for mobile devices continued to grow. According to one research company's figures, worldwide shipments of smartphones in calendar 2013 increased by 38% over the previous year, exceeding one billion units for the first time, while shipments of tablet PCs shot up by 51% to about 220 million units. Meanwhile, the popularity of tablet PCs dampened shipments of personal computers, which declined 10% year on year to about 320 million units. Although shipments of LCD televisions resumed growing after shrinking in 2012, demand was lackluster due to economic slowdowns in emerging countries. Shipments grew by just 2%, to about 208 million units.

Amid these trends, DNP's color filter business also enjoyed solid sales of small- and medium-sized products for use in smartphones and tablet PCs, while sales of products used in personal computers declined. Sales were also affected by changes to the Electronics segment's manufacturing scheme, including the transfer of the Sakai plant and the sale in February 2013 of some of the color filter production equipment from our Mihara Plant in Hiroshima Prefecture. The unit's sales declined relative to the previous year.

In the future, demand for LCD television displays is expected to grow primarily in Africa, India and other emerging countries. In industrialized countries, we expect to see wider use of 4K televisions and other higher-definition products. Among small- and medium-sized panels, we foresee slower growth of high-end smartphones and tablet PCs but greater demand for lower-priced products, especially from emerging countries.

Going forward, DNP will continue to expand production mainly in the growing category of small- and medium-size products. 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 static electricity sensors for touch panels and surface covers that protect touch panels from scratching.

Electronic Devices

In calendar 2013, the global semiconductor market grew by 4.8% from the previous year, mainly thanks to greater demand for smartphones and tablet PC memories as well as increased demand for semiconductors that are indispensable to the improvement of automobile safety and fuel economy. In the Japanese market, domestic semiconductor manufacturers' performance was lackluster in the face of heightened worldwide competition.

DNP's Electronic Devices business focused on taking advantage of overseas demand and increasing its share of the domestic market. Photomask sales exceeded those of the previous term. While DNP enjoyed increased sales of electronic modules used in commercial amusement machines and lead frames for compact semiconductor packages, sales of suspensions and other hard disk drive components declined.

We expect the semiconductor market to remain solid in the future amid continued growth in demand, primarily for mobile terminals such as smartphones and tablet PCs, and amid more active investment in further miniaturization of line widths to support the trend toward thinner, denser semiconductor products. As miniaturization progresses, we aim to increase DNP's share of the market for cutting-edge products by working to improve our photolithography techniques and by accelerating research and development of next-generation semiconductor lithography technologies such as nanoimprinting and extreme ultraviolet (EUV) exposure.

We reviewed our presence in Taiwan in light of the fact that while demand is growing in the global market, competition is also increasing. In order to enhance our sales and production frameworks and to establish stable sales channels, in April 2014 we merged a DNP subsidiary that specialized in photomasks for logic products, DNP Photomask Technology Taiwan Co., Ltd., with a company that specialized in semiconductors for memory products, Photronics Semiconductor Mask Corporation, to establish a joint venture called Photronics DNP Mask Corporation. The new company became an equity-method affiliate of DNP, with DNP owning 49.99% of its common shares.

Regarding electronic products that make use of etching and similar technologies, we will focus on expanding our share of three markets: lead frames for making the thin, compact semiconductor packages often used in smartphones and tablet PCs, etc.; autofocus springs used in camera modules built into mobile devices; and printed wiring boards with embedded components.

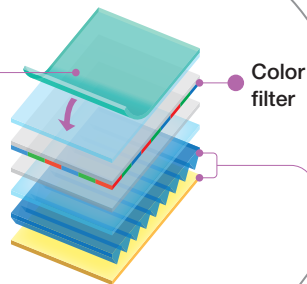
We will also actively promote development of new products like MEMS (Micro Electro Mechanical Systems) devices and various types of electronic modules for image processing and other functions, including metal substrates for LED lights and hard disk drive components.

DNP Electronics Products in Everyday Life

DNP Products and Technologies Used in Smartphones 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 ease of use and functionality of smartphones, tablet PCs and other information terminals.

Structure of a liquid crystal display (LCD) panel



Antireflective film for LCDs

When affixed to the surface of an LCD or the back side of a touch panel, antireflective film reduces glare from both indoor and outdoor light, making the screen easier to see and enabling brighter displays.

This product is based around original DNP optical design technology. It is mass produced using "clean converting technologies" that we cultivated through the design and development of a variety of materials and manufacturing processes. DNP holds the top share of the world market for this type of product.

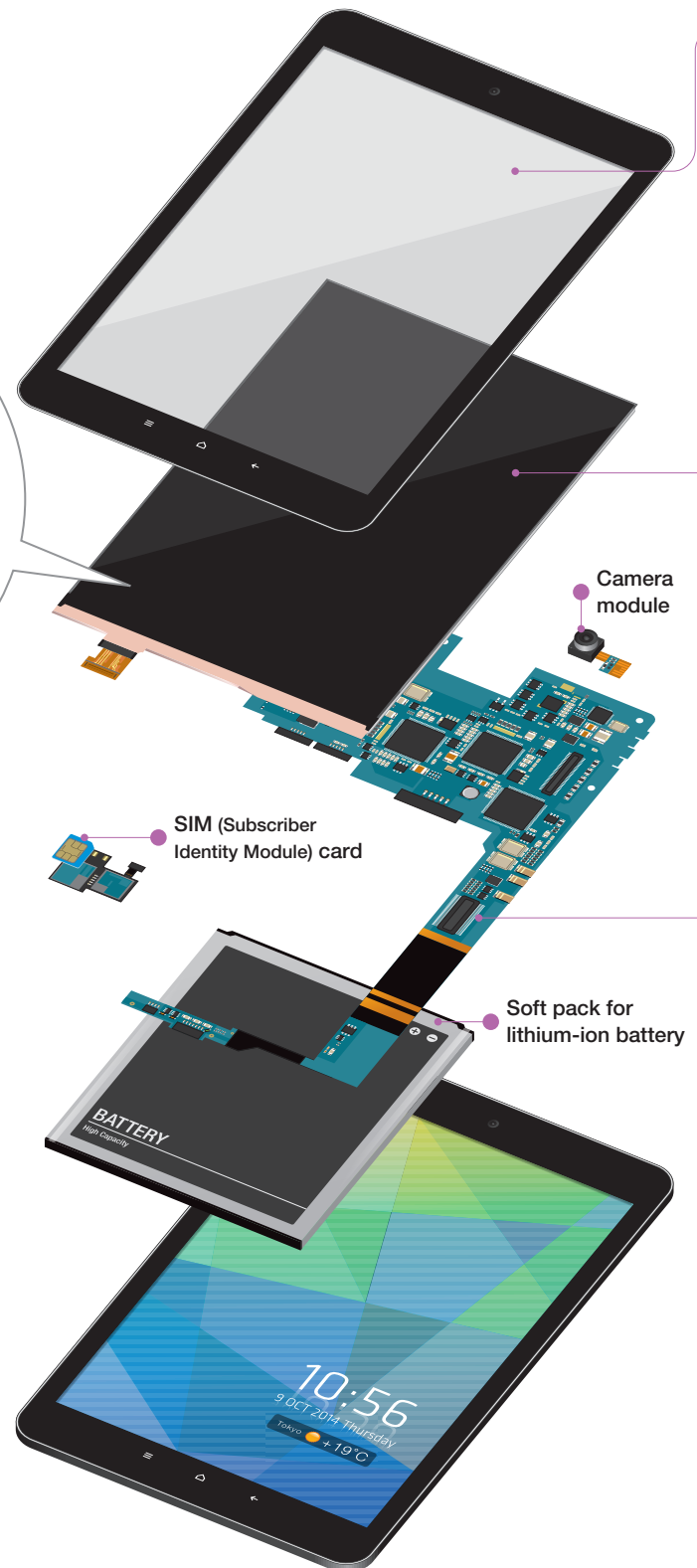
In order to respond to demand for even clearer screen displays, we are developing films with even lower reflection rates, which we intend to market commercially.

LCD backlight components

In order to extend the lifespan of tablet PC batteries, it is necessary to make effective use of the light emitted from the backlight.

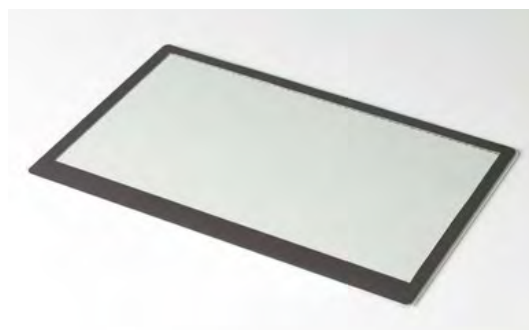
We have developed optical components that greatly improve brightness by using "fine embossing," one of DNP's proprietary technologies, and we are working on bringing these products to market.

In addition to increasing light usage efficiency and reducing power usage, the product makes it possible to reduce the number of components in a backlight, thus helping to make it thinner and lighter.



Sensors and other touch panel components

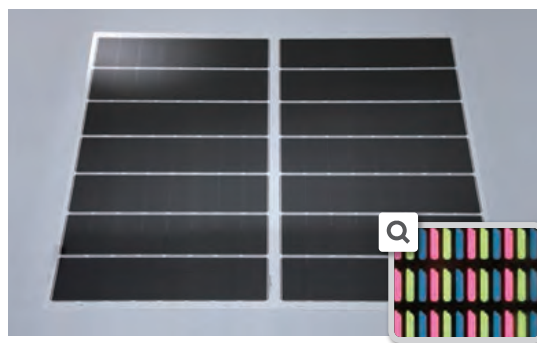
Amid widening use of smartphones, tablet PCs and other mobile terminals, there is increasing demand for touch panel sensors that detect fingertip movement on a display. When building a touch panel function into a display, it is important to avoid increasing the device's thickness or weight. In response 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, the small screens of smartphones and tablet PCs need to have better resolution and brightness than the display of a conventional television or computer monitor. 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 smartphones 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 20nm. 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 a wide variety of lead frames for use in the compact semiconductor packages that are widely used in smartphones, tablet PCs, and other mobile terminals. We supply, for use in built-in camera modules, printed wiring boards with embedded components—made with DNP's unique B²it (pronounced “bee-square-it”) technology—and autofocus springs that enable instant lens focusing. We also supply metal substrates for LEDs used in the LED packages that provide the light to liquid crystal panels, and other products. We intend to continue working hard to develop even more new products.



Photomask used for making semiconductors

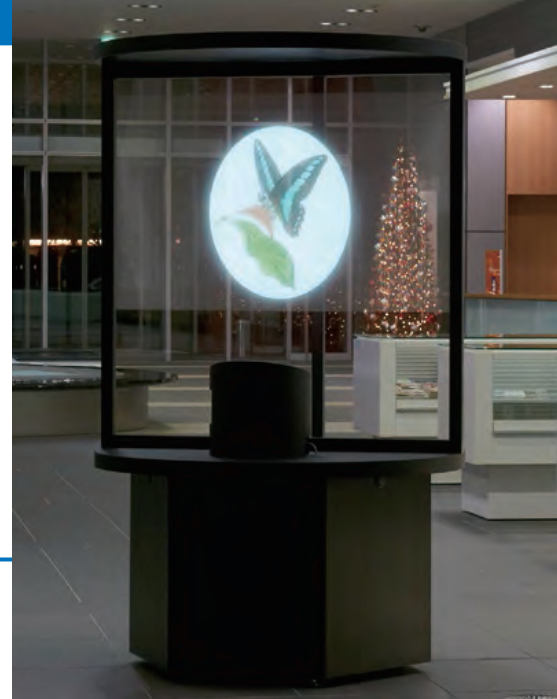


Lead frame

Corporate Governance

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Corporate Governance

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

1 Corporate Governance

Fundamental Philosophy

DNP has established a management concept of contributing to the emergently evolving society of the 21st century. As an emergently evolving corporation of the 21st century, we recognize that we will only be able to increase our competitiveness in the future if we fulfill our corporate social responsibilities and win the trust of shareholders, customers, consumers, employees and other stakeholders. Toward this end, we regard the enhancement of corporate governance as a top management priority. In addition to establishing and operating systems that enable precise managerial decision-making and prompt and appropriate execution of the decisions we make, we conduct thorough training and education in order to improve each employee's awareness of compliance issues and strive to improve our overall corporate governance.

Progress on Corporate Governance Measures

(1) Corporate governance structure

DNP's organization is designed to allow 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. Independent outside directors also participate in decision-making in order to facilitate prompt and precise management decisions and smooth execution of those decisions, and to further strengthen proper supervisory functions. Corporate officers named by the Board of Directors execute the decisions made by the Board of Directors, and have the responsibility and authority to decide upon and carry out those matters delegated by the Board. Working in close communication with the directors and in close proximity to the workplace, their function is to ensure that the views of those on the front lines are reflected in management.

In order to nimbly construct optimal management systems for responding to changes in the business environment, and to further clarify management responsibility for each fiscal year, we set the term of office for directors at one year.

The Board of Directors consists of 18 directors including two independent outside directors. In principle, the Board meets once a month. Based on the Company's Board of Directors Regulations, the directors ensure that meetings are appropriately run and supervise each other in 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.

We believe that by adopting this type of corporate governance structure, we ensure that 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 regarding management conditions. In addition, the Auditing Department (consisting of 15 employees) ensures the propriety of operations by conducting accounting and operational audits based on internal audit regulations and by providing progress reports to the statutory auditors and the accounting auditor.

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

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

- **Certified public accountants who performed the accounting audits**

Senior partners and managing partners
Jun Sasayama, Tsuguhiro Tsukakoshi,
Junko Shima, Yurika Kimura

- **Audit firm**

Meiji Audit Corporation

- **Number of accounting audit assistants**

12 certified public accountants, 5 others

(3) Development of a risk management structure

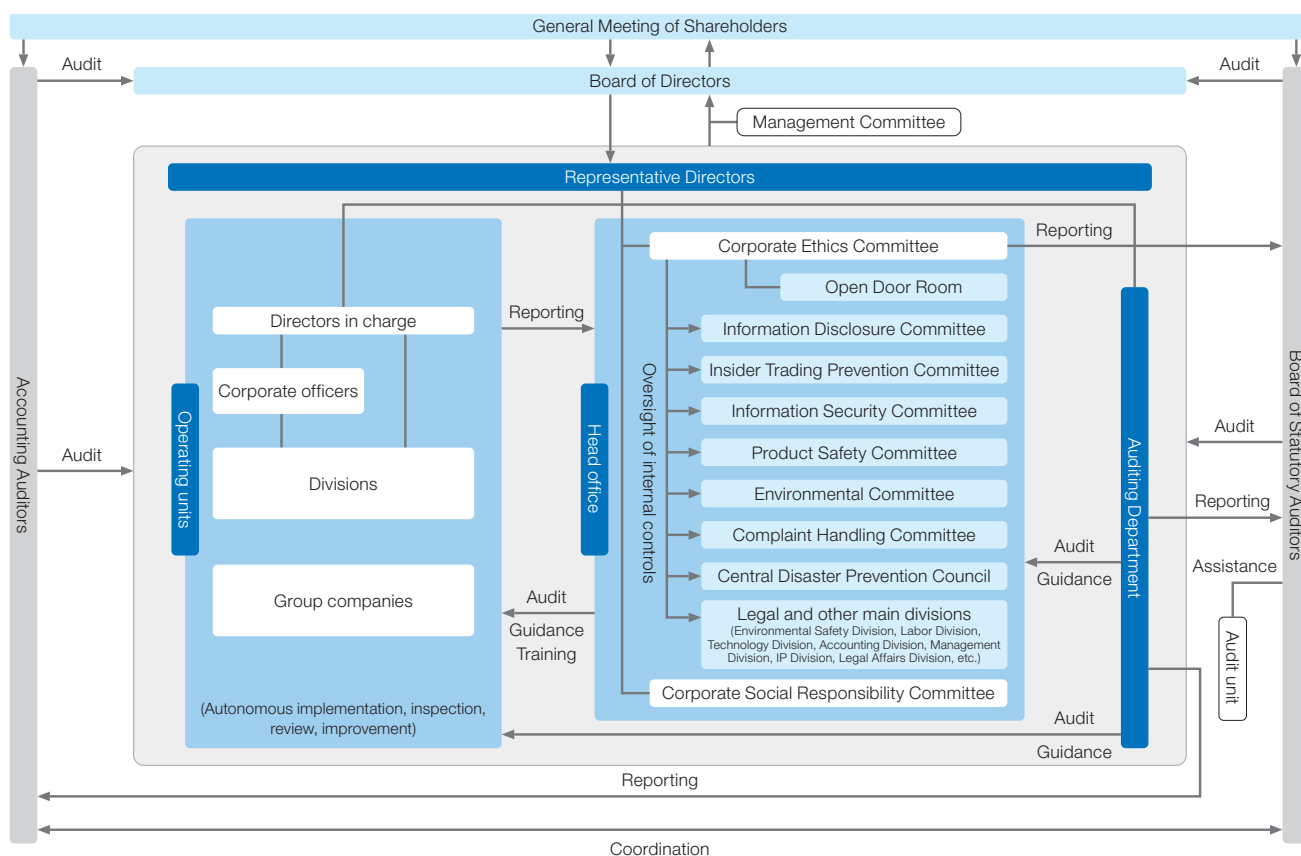
To manage risks related to compliance, information security, the environment, disasters, product safety, insider trading and export management, the Corporate Ethics Committee, other special committees, and other head office divisions develop rules and conduct training as part of risk-related preemptive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

minimize losses to the DNP Group. When new risks arise, we promptly appoint specific divisions and directors to take responsibility for responding.

(4) Progress on other corporate governance measures

DNP set down the DNP Group Code of Conduct for employees to follow, so as to contribute to the prosperity and steady development of society, promote fair and appropriate corporate activity, protect the environment, contribute to society, and establish a free and lively corporate culture. In addition to stating that DNP does not do business with antisocial elements, the Code states that DNP, as an emergently evolving company, will fulfill its corporate social responsibilities to society, respect shareholders, customers, consumers, employees and other stakeholders, and act in ways that earn trust.

(5) DNP's Corporate Governance Structure



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

DNP has two outside directors 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 worth less than 2% of DNP's annual sales during the most recent fiscal year.
- Donations of 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 we believe he can provide useful advice to DNP's management based on a deep knowledge and wealth of experience related mainly to mechanical engineering and play a role in supervising management from an objective standpoint. Mr. Tsukada owns 2,000 shares of DNP stock.

Outside director Tsukasa Miyajima is designated as an independent officer, and we believe he can provide useful advice to DNP's management based on a deep knowledge and wealth of experience related mainly to jurisprudence and play a role in supervising management from an objective standpoint.

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.

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

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

DNP and its outside directors and outside statutory

auditors have concluded agreements that limit the directors' and auditors' liability for damages within the parameters set forth in Article 423, Paragraph 1 of Japan's Companies Act, so long as they execute their duties in good faith and without serious negligence.

(7) Number of directors

DNP's Articles of Incorporation specify that the number of regular members on the Board of Directors shall be no more than 20.

(8) Requirements for shareholder approval of director nominees

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

(9) Matters to be resolved at the meeting of shareholders that can be resolved by the Board of Directors

1) Share buybacks

DNP's Articles of Incorporation specify that the Company may buy back its shares in the open market, in accordance with Article 165, Paragraph 1 of Japan's Companies Act, upon approval by the Board of Directors, in accordance with Article 165, Paragraph 2 of Japan's Companies Act, to allow the Company to use capital more efficiently and implement a flexible capital structure policy in response to changes in business conditions.

2) Exemption of directors from liability

DNP's Articles of Incorporation specify that directors (including former directors) may, by a resolution of the Board of Directors, in accordance with Article 426, Paragraph 1 of Japan's Companies Act, be exempted from liabilities in Article 423, Paragraph 1 of Japan's Companies Act so that the directors can sufficiently carry out their expected responsibilities.

3) Exemption of auditors from liability

DNP's Articles of Incorporation specify that statutory auditors (including former statutory auditors) may, by a resolution of the Board of Directors, in accordance with Article 426, Paragraph 1 of Japan's Companies Act, be exempted from liabilities in Article 423, Paragraph 1 of Japan's Companies Act so that the statutory auditors can sufficiently carry out their expected responsibilities.

4) Interim dividend

DNP's Articles of Incorporation specify that the Company may, by a resolution of the Board of Directors, pay a monetary dividend stipulated in Article 454, Paragraph 5 of Japan's Companies Act to shareholders of record as of September 30 of each year and shareholders with actual stock certificates, so that profits can be flexibly passed on to shareholders.

(10) Requirements for shareholder approval of special resolutions

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

Compensation Paid to Directors and Statutory Auditors

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

Category of director/ statutory auditor	Total compensation (¥ million)	Total compensation by type (¥ million)		Number of directors and statutory auditors covered
		Base compensation	Bonus	
Directors (excluding outside directors)	1,344	1,166	178	21
Statutory auditors (excluding outside auditors)	77	77	–	2
Outside directors and auditors	91	91	–	4

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

2. There were 19 internal directors, two internal statutory auditors and four outside directors 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)	297	Dai Nippon Printing Co., Ltd.	271	26
Koichi Takanami (Director)	126	Dai Nippon Printing Co., Ltd.	111	14
Masayoshi Yamada (Director)	126	Dai Nippon Printing Co., Ltd.	111	14

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: 403

Total on the balance sheet: 180,061 million yen

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

(Previous fiscal year)

Stocks held for reasons other than pure investment purposes

Company name	Number of shares	Amount recorded on balance sheet (¥ million)	Holding purpose
The Dai-ichi Life Insurance Co., Ltd.	66,066	8,357	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 Holdings 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.

(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.	6,606,600	9,909	Enhance business relationship
NuFlare Technology, Inc.	1,000,000	6,820	Strengthen business alliance
Taisho Pharmaceutical Holdings Co., Ltd.	692,700	5,756	Enhance business relationship
Mizuho Financial Group, Inc.	27,134,319	5,535	Enhance business relationship
Asahi Group Holdings, Ltd.	1,860,029	5,373	Enhance business relationship
Terumo Corporation	1,101,000	4,961	Enhance business relationship
Ezaki Glico Co., Ltd.	3,226,766	4,410	Enhance business relationship
NISSIN FOODS HOLDINGS CO., LTD.	898,711	4,183	Enhance business relationship
YAMATO HOLDINGS CO., LTD.	1,660,600	3,693	Enhance business relationship
YAKULT HONSHA CO., LTD.	701,000	3,631	Enhance business relationship
Aica Kogyo Co., Ltd.	1,293,743	2,974	Enhance business relationship
Hulic Co., Ltd.	2,040,000	2,884	Enhance business relationship
Toyo Suisan Kaisha, Ltd.	794,980	2,738	Enhance business relationship
CALBEE, Inc.	1,032,800	2,508	Enhance business relationship
TOSHIBA CORPORATION	4,547,000	1,987	Strengthen business alliance
NSK Ltd.	1,814,000	1,926	Strengthen business alliance
Lion Corporation	3,140,665	1,918	Enhance business relationship
FUJIFILM Holdings Corporation	685,965	1,900	Enhance business relationship
Meiji Holdings Co., Ltd.	282,200	1,837	Enhance business relationship
Daikin Industries, Ltd.	300,000	1,734	Enhance business relationship
Mitsubishi Chemical Holdings Corporation	3,598,790	1,543	Strengthen business alliance
Sapporo Holdings Limited	3,796,388	1,541	Enhance business relationship
Mitsubishi Electric Corporation	1,300,000	1,510	Enhance business relationship
Eidai Co., Ltd.	2,237,000	1,386	Enhance business relationship
Mitsubishi UFJ Financial Group, Inc.	2,399,760	1,360	Enhance business relationship
Senshukai Co., Ltd.	1,509,663	1,271	Enhance business relationship
SMK Corporation	3,200,000	1,244	Enhance business relationship
Hakuhodo DY Holdings Inc.	1,720,000	1,238	Enhance business relationship
ROHM Co., Ltd.	268,366	1,235	Enhance business relationship
Shiseido Co., Ltd.	677,619	1,230	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	8,698	Hold voting instruction rights for shares in retirement benefit trust
TV Asahi Corporation	4,030,000	7,536	Hold voting instruction rights for shares in retirement benefit trust
Astellas Pharma Inc.	913,770	5,592	Hold voting instruction rights for shares in retirement benefit trust
Japan Tobacco Inc.	1,000,000	3,240	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	–	92	–
Consolidated subsidiaries	128	–	121	–
Total	211	–	213	–

(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, 2014)

President

Yoshitoshi Kitajima

Executive Vice Presidents

Koichi Takanami

Masayoshi Yamada

Yoshinari Kitajima

Senior Managing Directors

Mitsuhiko Hakii

Masahiko Wada

Tetsuji Morino

Managing Directors

Kunikazu Akishige

Motoharu Kitajima

Masaki Tsukada

Sakae Hikita

Fujio Yamazaki

Tokuji Kanda

Takashi Saito

Kouichi Hashimoto

Directors

Satoru Inoue

Tadao Tsukada*

Tsukasa Miyajima*

Standing Statutory Auditors

Kenji Noguchi

Minoru Yoneda

Shin-ichi Ikeda*

Statutory Auditors

Makoto Matsuura*

Kuniaki Nomura*

Senior Corporate Officers

Shigemi Furuya

Ryuji Minemura

Masato Koike

Masato Yamaguchi

Morihiro Muramoto

Kenji Miya

Toshiki Sugimoto

Corporate Officers

Kiyotaka Nakagawa

Naohiko Sugimoto

Shuichi Kobayashi

Kazuhiko Takada

Ryota Chiba

Nobuyuki Asaba

Mitsuru Tsuchiya

*Outside directors or auditors



Yoshinari Kitajima

Koichi Takanami

Yoshitoshi Kitajima

Masayoshi Yamada

Financial Section

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Management's Discussion and Analysis

Operating Results

Business Environment

Japan's economy showed some positive signs during the current fiscal year, including growth in consumer spending and improvement in corporate earnings, aided by a series of government economic policies. However, higher energy prices and slower economic growth in emerging countries helped keep the economy from entering a full-fledged recovery. The printing industry faced a continued tough business environment as a result of sluggish demand, higher raw material costs, and decline in order prices from stiffer competition. A discussion of the business environment affecting each of DNP's business segments during the current fiscal year is provided below.

Information Communication

- In the Books and Magazines business and the Education and Publications Distribution business, publication industry sales fell 3.4% year on year to ¥1,658.9 billion during the fiscal year ended March 2014, continuing a downward trend from a peak of ¥2,656.3 billion in 1996. Book sales slowed overall, declining by 2.7% to ¥775.6 billion. Magazine sales also fell by 4.1% to ¥883.3 billion as circulation decreased and the number of discontinued publications continued to far outpace the number of new publications. However, the e-book market grew by a robust 28.3% to ¥93.6 billion, and adding e-magazines, the overall electronic publishing market totaled ¥101.3 billion, surpassing ¥100 billion for the first time in Japan (according to Impress Research Institute, Ltd.). A growing number of new books are being simultaneously released in both paper and electronic formats, and a variety of genres of e-books and e-magazines have emerged. We expect the market to expand further as use of smartphones and tablet PCs spreads.
- Corporate advertising expenditures have a large impact on the Commercial Printing business, and they grew by 4% year on year during the fiscal year ended March 2014 (according to the Ministry of Economy, Trade and Industry). Internet advertising rose by 8.9% and campaign and event spending increased by 6.6%, but expenditures for sales promotions, which consist mainly of flyers, direct mail, and other printed paper materials, decreased by 1.1%. Moreover, more companies are switching from printed materials to the Internet as the main method of providing product catalogs and instruction manuals, and demand for printed materials continues to decline.
- In the Business Forms business, corporate streamlining and cost cutting are contributing to the discontinuation of printed material publication and a decline in circulation, and to the simplification and website viewing of invoices and notifications. Order prices have also fallen as a result of stiffer competition, resulting in a continued difficult business environment. However, the market for Business Process Outsourcing (BPO; e.g. handling account opening procedures for securities companies and banks, and policyholder notification printing services for insurance companies) has grown favorably, especially for financial institutions.

Lifestyle and Industrial Supplies

- In the Packaging business, consumer spending was relatively firm as a result of bulk buying demand ahead of the consumption tax hike in April 2014 and a recovery in business confidence. Domestic supermarket sales rose 0.8% year on year, rising above prior-year levels for the first time in the 17 years since the fiscal year ended March 1997. Moreover, the market continued to expand for private brand products that are independently planned, developed, and sold by supermarkets, convenience stores, and other retailers, and demand increased for high-value-added private brand products.
- In the Lifestyle Materials business (including decorative materials), domestic housing starts grew 10.6% year on year to around 980,000 units during the fiscal year ended March 2014, rising for a fourth consecutive year due to front-loaded demand ahead of the consumption tax hike, improvement in business confidence, low-interest mortgage loans, and an expected rise in construction material costs.
- For optical films in the Industrial Supplies business, the LCD panel market had favorable growth in demand for small- and medium-sized panels in January–December 2013, with tablet panel shipment volume up 60% year on year and smartphone panels up 30%. In contrast, large TV panel shipments were sluggish worldwide, rising just 1%. Additionally, although large production cutbacks at panel makers were a source of concern throughout the fiscal year ended March 2014, capacity utilization was relatively high despite future uncertainty, due partly to prospects for higher demand in emerging countries in Africa and elsewhere, where sales conditions are hard to gauge. TV panel prices trended downward throughout the fiscal year as a result of continued surplus supply, but there were signs of prices bottoming out for 30-inch models, which are a main source of demand.
- In the Imaging Communication business (including thermal transfer printing media for photo printing), there was a shift from conventional silver halide methods that use a developing solution to dry methods that do not use a developing solution.

Electronics

- In the Display Components business and Electronic Devices business, global smartphone shipments grew by 38% year on year in January–December 2013 and surpassed 1 billion units for the first time. Tablet PCs shipments also grew by 51% to around 220 million units, as the mobile device market continued to expand. However, PCs fell 10% to around 320 million units, as shipments slumped under pressure from the spread of tablet PCs. LCD TVs broke free from negative growth in the previous year, but rose by just 2% to around 208 million units on sluggish demand amid slower economic growth in emerging countries.
- The global semiconductor market grew by 4.8% on rising demand for memory installed in smartphones and tablet PCs and high demand for automotive semiconductors, which are essential for enhancing safety and reducing fuel consumption.

Overview

DNP aggressively pursued business activities with the concept “Today's Innovation is Tomorrow's Basic,” based on its business vision “P&I Solution.” It also worked to quickly identify problems confronting consumers and society, to create new value by solving these problems, and to deliver products, services, and various solutions tailored to the needs of companies and consumers. As a result, DNP's consolidated net sales grew by 0.1% year on year to ¥1,448,550 million in the fiscal year ended March 2014.

Operating income grew by 40.0% year on year. Despite the impact of higher raw material costs, price declines and sluggish performance in the Information Communication segment, DNP achieved growth thanks to cost structure reforms in the Electronics segment and business growth for lifestyle materials, thermal transfer printing media for photo printing, and optical films in the Lifestyle and Industrial Supplies segment. The operating income margin rose by 1.0 percentage points to 3.5%.

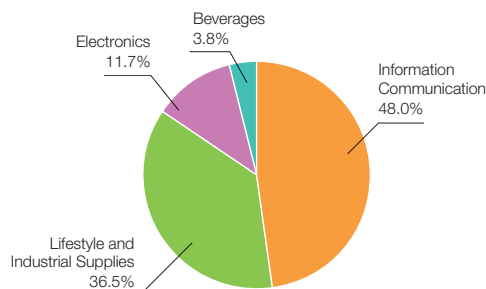
The operating income margin decreased by 0.6 percentage points to 1.7% in the Information Communication segment, but increased by 1.0 percentage points to 6.4% in the Lifestyle and Industrial Supplies segment. The Electronics segment had an operating income margin of 7.5%, improving by 7.7 percentage points from a negative margin of 0.2% in the previous year. The Beverages segment also rose by 0.4 percentage point to 1.2%.

	2014.3	2013.3	2012.3
Net sales (¥ million)	¥ 1,448,550	¥ 1,446,607	¥ 1,507,228
Gross profit margin (%)	18.8%	18.0%	17.3%
Operating income margin (%)	3.5%	2.5%	2.3%
Ordinary income margin (%)	3.7%	2.8%	2.4%
Net income margin (%)	1.8%	1.3%	–
Net income (loss) per share (¥)	¥ 39.82	¥ 29.84	¥ (25.39)

Net Sales

Net sales totaled ¥1,448,550 million in the current fiscal year, up 0.1%, or ¥1,943 million, from the previous year.

Net Sales by Segment
(year ended March 2014)



Information Communication

In the Books and Magazines business, book sales increased thanks in part to hit titles, but magazines declined and overall sales decreased. In the Commercial Printing business, despite growth for BPO services (e.g. operation of campaign offices and customer centers) and front-loaded demand ahead of the consumption tax hike, overall sales decreased on weak sales of catalogs, pamphlets, and other printed materials. In the Business Forms business, sales increased on a strong performance by smart cards and growth in Information Processing Services (IPS, ranging from data entry to printing and shipment of personalized mail and other items) with the start of account opening services for the Nippon Individual Savings Account (NISA)

program. In the Education and Publications Distribution business, sales decreased on a decline in bookstore sales. As a result, overall segment sales declined by 0.6%.

Lifestyle and Industrial Supplies

In the Packaging business, sales of PET bottle preforms and flexible packaging increased, but overall sales were down on declines in PET bottle aseptic filling systems and other products. The Lifestyle Materials business performed well due to increased domestic housing starts and greater demand for products that use Electron Beam technology. In the Industrial Supplies business, sales of soft packs for lithium-ion batteries decreased, but overall sales rose above prior-year levels thanks to growth in optical films for flat-panel displays, thermal resin-type transfer printing media for barcodes, and dye-sublimation thermal transfer printing media for photo printing. As a result, overall segment sales grew by 2.3%.

Electronics

In the Display Components business, sales of small- and medium-sized LCD color filters for smartphones and tablet PCs were firm, but overall sales decreased due to lower demand for laptop PC and monitor filters and the transfer of the Sakai plant color filter business to Sakai Display Products Corporation in August 2012. Semiconductor photomask sales rose above prior-year levels on strong sales to overseas companies, but overall segment sales (including Display Components) decreased by 5.1%.

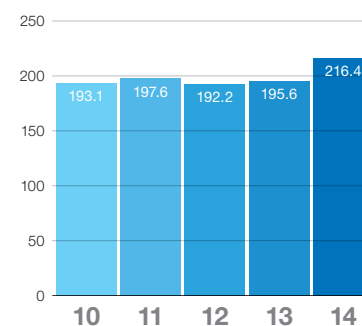
Beverages

Amid a weak soft drink market and stiffer sales competition, DNP worked to expand sales by conducting major sales promotions, including the Zero Limit Promotion and the Coca-Cola Music Promotion. As a result, despite growth for I LOHAS, a brand of mineral water that uses a lightweight eco-friendly PET plastic bottle, overall segment sales fell by 2.6% on declines in sales of coffees and other products.

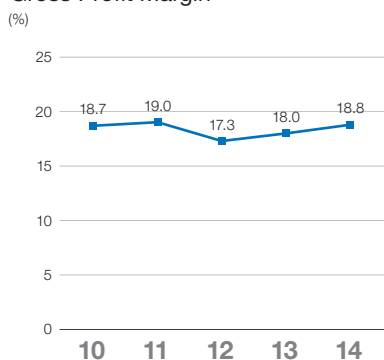
Overseas sales totaled ¥216,457 million in the current fiscal year, up 10.6%, or ¥20,837 million, from the previous year. As a result, the ratio to overall sales was 14.9%, up 1.4 percentage points from 13.5%. By region, sales in Asia (including Indonesia and Taiwan) were up 10.9% from the previous term at ¥152,501 million, and other regions (including the US and France) were up 10.1% at ¥63,956 million.

DNP's Overseas Sales

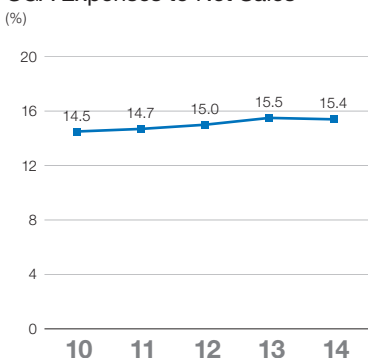
(¥ billion)



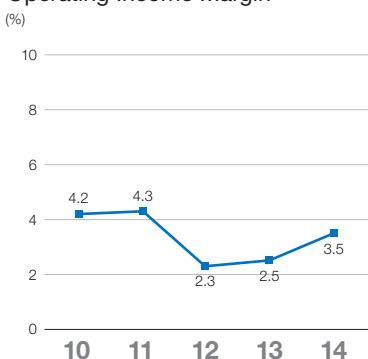
Gross Profit Margin



SGA Expenses to Net Sales



Operating Income Margin



Cost of Sales

The cost of sales totaled ¥1,176,077 million, down 0.9%, or ¥10,480 million, from the previous year. The gross margin was 18.8%, up 0.8 percentage points from 18.0%.

Naphtha prices rose during the current fiscal year due to the weaker yen, and prices for resins, films, and other petrochemical products increased. Printing paper prices were also higher as the supply and demand balance tightened on a decline in imported paper due to the weaker yen and production cutbacks at domestic papermakers. As a result, higher raw material costs had a ¥6.3 billion impact in the current fiscal year, far greater than the ¥1.5 billion impact in the previous year. Additionally, while DNP was able to negotiate with customers to pass nearly the full amount of cost increases through to product prices in the previous fiscal year, the pass-through rate was just around 40% during the current year, partly because raw material costs increased several times.

DNP pursued several cost-cutting initiatives including improving production efficiency based on integrated production control centers in the Information Communication segment and Packaging Operations, significantly curbing production costs through efforts to improve yields and reduce variable costs (including material losses), cutting personnel costs mainly by restraining overtime, and lowering equipment costs through the consolidation of production plants. As a result, DNP cut costs by ¥32.3 billion during the current fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥222,374 million, down by 0.8%, or ¥1,895 million, from the previous year. Selling, general and administrative expenses equated to 15.4% of net sales, down 0.1 percentage points from the previous year.

Operating Income

Operating income totaled ¥50,099 million, up 40.0%, or ¥14,319 million, from the previous year. The operating income margin was 3.5%, up 1.0 percentage points from 2.5% in the previous year.

Information Communication

In the Information Communication segment, DNP worked to expand businesses with relatively high profitability such as smart cards and BPO services (e.g., print processing for financial institutions), and to reduce segment-wide costs by raising the ratio of internal production based on integrated production control centers. Despite these efforts, segment operating income totaled ¥11,901 million, down 25.4%, or ¥4,043 million, from the previous year, as a result of price declines caused by stiffer competition, higher raw material costs, and increased outlays for developing e-books and other new businesses.

Lifestyle and Industrial Supplies

DNP was affected by higher costs for films, resins, and other raw materials and by price reductions caused by stiffer competition. Nevertheless, segment operating income totaled ¥33,910 million, up 21.0%, or ¥5,881 million, from the previous year, due to higher sales of strong-performing products and overseas business expansion driven by the weaker yen. The operating income margin was 6.4%, up 1.0 percentage points from 5.4% in the previous year.

Electronics

Segment operating income totaled ¥12,931 million, up ¥13,235 million from a loss of ¥304 million in the previous year, aided by cost structure reforms, including the transfer of operations at the Sakai plant after a downturn in profitability in 2012 and the subsequent sale of surplus equipment, and by a contribution from new products, including touch panel sensors for which mass production has recently commenced.

Beverages

Segment operating income totaled ¥652 million, up 38.5%, or ¥181 million, from the previous year, due to reductions in production and distribution costs from increasing the ratio of internal production and to a review of advertising and sales promotion costs.

Nonoperating Income (Expenses) and Extraordinary Income (Losses)

Nonoperating income totaled ¥10,507 million, down 29.2%, or ¥4,326 million, from the previous year; and nonoperating expenses totaled ¥7,320 million, down 28.9%, or ¥2,975 million. As a result, net nonoperating income was ¥3,187 million.

Ordinary income totaled ¥53,285 million, up 32.2%, or ¥12,967 million, from the previous year.

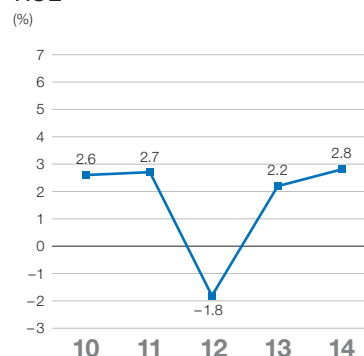
Extraordinary income totaled ¥2,318 million, down ¥7,869 million from the previous year, reflecting a large decline in gains on the sale of property, plant and equipment relative to large sales or disposals of property, plant and equipment in the previous fiscal year. Extraordinary losses totaled ¥6,995 million, down ¥8,358 million from the previous year, due to lower losses on the sale or disposal of property, plant and equipment and lower impairment losses. As a result, net extraordinary losses totaled ¥4,677 million, down from ¥5,166 million in the previous year.

As a result of the above, income before income taxes and minority interests totaled ¥48,608 million, up ¥13,456 million from the previous year.

Net Income

Net income totaled ¥25,642 million, up 33.4%, or ¥6,424 million, from the previous year. Net income per share was ¥39.82, up ¥9.98.

ROE



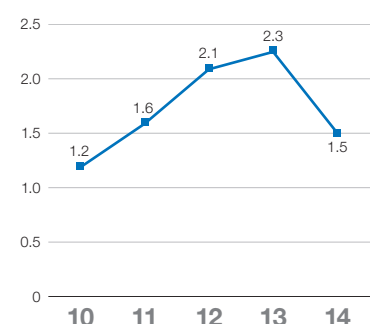
Liquidity and Capital Resources

Cash Flow

	2014.3	2013.3	2012.3
Cash flow from operating activities	¥ 120,109	¥ 100,498	¥ 108,603
Cash flow from investing activities	(58,371)	(72,588)	(80,126)
Free cash flow	61,738	27,910	28,477

(¥ million)

Interest-bearing Debt to Cash Flow Ratio
(times)



Net cash provided by operating activities totaled ¥120,109 million, up 19.5% from the previous year.

Net cash used in investing activities totaled ¥58,371 million, down 19.6%, or ¥14,217 million, from ¥72,588 million in the previous year.

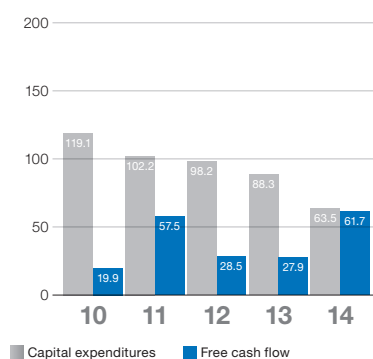
Net cash used in financing activities totaled ¥80,038 million, up ¥43,802 million, from ¥36,236 million in the previous year.

As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled ¥199,813 million, down 5.7%, or ¥12,249 million, from the previous year.

Free cash flow—i.e. net cash provided by operating activities minus net cash used in investing activities—was ¥61,738 million, up ¥33,828 million from ¥27,910 million in the previous year.

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

Capital Expenditures and Free Cash Flow
(¥ billion)



Capital expenditures this fiscal year were mainly invested in streamlining, and totaled ¥63.5 billion, down 28.1%, or ¥24.9 billion, from the previous year. By segment, capital expenditures in Information Communication were ¥23.7 billion, down ¥3.6 billion from the previous year, and accounted for 37% of total capital expenditures. Investment in Lifestyle and Industrial Supplies was ¥26.3 billion, down ¥6.3 billion, and 42% of the total, while investment in Electronics was ¥9.0 billion, down ¥11.1 billion and accounting for 14%. Capital expenditures on other businesses totaled ¥4.5 billion, down ¥3.8 billion and accounting for 7%.

Depreciation totaled ¥73.5 billion, down 8.4%, or ¥6.7 billion from the previous year. By segment, depreciation in the Information Communication segment was ¥22.0 billion, down ¥0.3 billion from the previous year and accounting for 30% of total depreciation. The Lifestyle and Industrial Supplies segment was ¥25.5 billion, down ¥0.9 billion and accounting for 35%. The Electronics segment was ¥20.6 billion, down ¥5.3 billion and accounting for 28%. Other businesses were ¥5.3 billion, down ¥0.2 billion and accounting for 7%.

Research and development expenditures totaled ¥30.8 billion, unchanged from the previous year.

The Balance Sheet

	2014.3	2013.3	2012.3
Total assets (¥ million)	¥ 1,574,754	¥ 1,578,976	¥ 1,608,806
Current ratio (%)	175%	164%	177%
Working capital/net sales (%)	22%	20%	23%
Debt-to-equity ratio (%)	20%	25%	26%
Net assets per share (¥)	¥ 1,447.96	¥ 1,386.86	¥ 1,352.71

DNP's total assets at the end of this fiscal year amounted to ¥1,574,754 million, down 0.3%, or ¥4,222 million from the previous year.

Among current assets, cash and cash equivalents, and time deposits totaled ¥203,212 million, down 4.9%, or ¥10,418 million from the previous year. Trade receivables totaled ¥356,981 million, down 2.9%, or ¥10,784 million. Inventories of merchandise and finished products, work in process, raw materials and supplies totaled ¥139,656 million, up 0.4%, or ¥601 million. As a result, current assets totaled ¥733,054 million, down 2.4%, or ¥18,097 million.

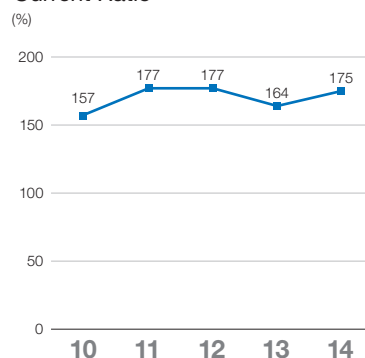
Among long-term assets, property, plant and equipment totaled ¥528,538 million, down 1.8%, or ¥9,917 million from the previous year. Intangible assets totaled ¥31,751 million, down 10.5%, or ¥3,729 million. Investments and other assets totaled ¥281,409 million, up 10.8%, or ¥27,519 million. As a result, long-term assets totaled ¥841,700 million, up 1.7%, or ¥13,875 million.

Current liabilities totaled ¥418,423 million, down 8.6%, or ¥39,362 million, from the previous year. Long-term liabilities totaled ¥179,946 million, down 2.3%, or ¥4,190 million. As a result, total liabilities amounted to ¥598,369 million, down 6.8%, or ¥43,552 million.

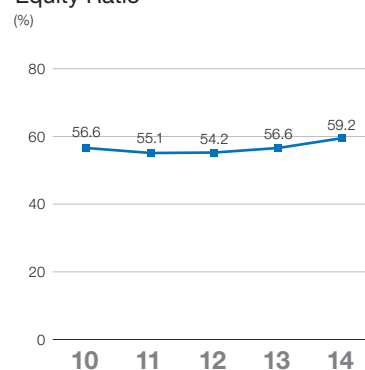
Additionally, net assets totaled ¥976,385 million, up 4.2%, or ¥39,330 million.

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, 2014, the number of treasury shares totaled 56,586,830, or 8.08% of total shares outstanding of 700,480,693 shares. The number of treasury shares increased by 96,501 shares from the previous year due to the purchase and sale of odd-lot shares.

Current Ratio



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 DNP 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 and overseas economies and consumption trends

DNP engages in a wide range of businesses with an extremely large number of corporate customers, and conducts its business stably, so as not to overly depend on specific customers. DNP does most of its business in the Japanese market, but if consumer spending and other components of domestic demand slump, owing to domestic economic weakness in sympathy with global economic trends, declines in order volume and unit prices may affect its corporate performance.

Additionally, DNP could be directly or indirectly affected by market trends in various industries in Japan or overseas. In particular, electronics-related industries are susceptible to global declines in unit prices caused by expansion of production in emerging countries and changes in demand, and DNP's performance could be affected by major changes in market trends.

Overseas business activities

DNP conducts overseas business activities in the Americas, Europe, Southeast Asia, and elsewhere, and these activities face risks including social and political turmoil caused not only by economic factors, such as unexpected changes in laws and regulations, fragility of industrial infrastructure, and difficulty of hiring and securing personnel, but also by terrorism, war, and other factors. DNP's performance could be affected if its overseas business activities are obstructed as a result of these risks materializing.

Development of new products and services

DNP uses its printing and information technologies to develop and provide to a broad range of industries products and services that solve problems facing companies, consumers, and society. The pace of technological innovation in these areas has been accelerating, and customers' needs have been rapidly diversifying. We believe that in the future, competition

in the area of product development will become more intense than ever before in Japan and overseas, 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.

Strategic business and capital alliances and corporate acquisitions

DNP engages in strategic business and capital alliances and corporate acquisitions, and its performance could be affected if it is unable to achieve initially expected results and synergies as a result of deterioration in the business environment affecting the companies and businesses involved in these alliances and acquisitions.

Fluctuations in raw material procurement

We work hard to secure stable supplies and maintain optimal price by procuring raw materials such as printing paper and film from multiple suppliers in Japan and overseas. However, there is some potential for temporary imbalances between supply and demand due to sharp fluctuations in petroleum prices, sudden surges in demand from emerging markets, and the impact of major disasters. DNP will respond during such times by negotiating with client companies and business partners, but its performance could be affected if raw materials procurement becomes extremely difficult or if purchasing prices rise sharply.

Currency fluctuations

Particularly in fields such as Lifestyle and Industrial Supplies, and Electronics, we are expanding our dealings in products and services with overseas customers. Because we expect the effects of currency rates to gradually become more important, we use such means as foreign exchange forward contracts to hedge the risks of currency fluctuations. Nevertheless, it is possible that radical swings in currency values could have a more serious effect on DNP's performance.

Environmental protection and stricter environmental regulations

DNP is affected by legal regulations in Japan and other countries related to energy conservation, climate change prevention (e.g. reduction of greenhouse gas emissions), reduction of the use of harmful substances, air pollution prevention, water quality protection, waste treatment, and product recycling. These regulations could possibly be strengthened or changed in the future. In addition, DNP's business could be substantially affected if faced with a situation in which soil is contaminated by harmful substances and it is held responsible for assessment and cleanup.

Information security and personal information protection

Computer networks and information systems have become essential tools for conducting business, and there are now greater risks of software and hardware defects, computer virus infections, and personal data leaks. DNP 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.

Response to changes in legal regulations, etc.

We conduct our business based on strict compliance with the law and social ethics. Wherever we operate, in Japan or overseas, we are subject to a wide variety of legal regulations and restrictions, including laws related to product liability, monopoly prohibitions, the protection of personal information, patents, taxes, imports and exports, etc. We can imagine that in the future such regulations could become even more restrictive. On the other hand, market and industry trends may change substantially as a result of deregulation. If that should occur, it is possible that DNP's business performance could be affected by limitations on its business activities, the burden of responding to regulatory changes, or increased costs.

Disasters

DNP takes steps to protect production equipment and other major facilities from fires and earthquakes, seeks to disperse production facilities, and works to minimize production shutdowns and product supply disruptions caused by disasters. We also use various types of insurance to transfer risk. Nevertheless, DNP's performance could be substantially affected in the event of major earthquakes, natural disasters such as heavy rainfall or flooding caused by climate change, disease outbreaks, or other unexpected events that cause production shutdowns or significantly damage or impair social infrastructure.

Lawsuits and fines

DNP works to establish corporate ethics throughout the group and earn the trust of society by having each and every employee comply with laws and regulations in conducting business activities, maintaining higher ethical standards than required by society, and contributing to maintaining and advancing orderly and freely competitive markets with a consistently fair attitude. Nevertheless, DNP's performance could be affected in the event of being subject to lawsuits and resulting fines in Japan or overseas.

Selected Financial Data (unaudited)

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

	2014	2013	2012	2011
Statements of Operations Data (¥ million)				
Net sales	¥ 1,448,550	¥ 1,446,607	¥ 1,507,228	¥ 1,589,373
Cost of sales	1,176,077	1,186,558	1,246,878	1,287,581
Gross profit	272,473	260,049	260,350	301,792
Selling, general and administrative expenses	222,374	224,269	226,335	233,973
Operating income	50,099	35,780	34,015	67,819
Ordinary income	53,285	40,318	36,843	62,786
Income (loss) before income taxes and minority interests	48,608	35,152	2,673	52,696
Net income (loss)	25,642	19,218	(16,356)	25,033
Balance Sheet Data (¥ million)				
Total assets	¥ 1,574,754	¥ 1,578,976	¥ 1,608,806	¥ 1,649,784
Property, plant and equipment—net	528,538	538,455	579,567	614,827
Long-term liabilities	179,946	184,136	251,414	249,575
Total liabilities	598,369	641,921	694,593	697,343
Total stockholders' equity	—	—	—	—
Stockholders' equity	892,110	887,194	888,650	925,702
Total net assets	976,385	937,055	914,213	952,441
Other Selected Data (¥ million)				
Capital expenditures	¥ 63,465	¥ 88,315	¥ 98,189	¥ 102,173
Depreciation expenses	73,459	80,200	95,829	97,977
R&D expenditures	30,820	30,820	31,690	33,147
Common Share Data (¥, shares)				
Earnings (loss) per share—primary	¥ 39.82	¥ 29.84	¥ (25.39)	¥ 38.86
Earnings (loss) per share—fully diluted	39.65	29.79	—	—
Dividends paid per share	32.00	32.00	32.00	32.00
Book value per share	1,447.96	1,386.86	1,352.71	1,410.44
No. of common shares outstanding (exc. treasury shares)	643,893,863	643,990,364	644,062,928	644,142,530
Financial Ratios (% , times)				
As a percent of net sales:				
Gross profit	18.81%	17.98%	17.27%	18.99%
Selling, general and administrative expenses	15.35	15.50	15.02	14.72
Operating income	3.46	2.47	2.26	4.27
Income (loss) before income taxes and minority interests	3.36	2.43	0.18	3.32
Net income (loss)	1.77	1.33	-1.09	1.57
Return on equity	2.81	2.18	-1.84	2.74
Current ratio	175	164	177	177
D/E ratio	20	25	26	25

2010	2009	2008	2007	2006	2005
¥ 1,583,383	¥ 1,584,844	¥ 1,616,053	¥ 1,557,802	¥ 1,507,506	¥ 1,424,943
1,286,682	1,324,522	1,327,872	1,268,072	1,202,160	1,121,374
296,701	260,322	288,181	289,730	305,346	303,569
230,187	214,145	201,077	193,585	184,676	183,041
66,514	46,177	87,104	96,145	120,670	120,528
68,841	47,390	86,502	101,348	124,715	120,485
49,496	(27,842)	88,469	98,950	114,640	107,686
23,278	(20,933)	45,172	54,842	65,188	59,937
¥ 1,618,854	¥ 1,536,557	¥ 1,601,193	¥ 1,700,250	¥ 1,662,377	¥ 1,600,129
616,848	604,904	639,343	635,784	568,966	528,009
190,045	126,671	106,691	118,437	118,287	115,801
661,990	596,471	561,058	600,811	571,170	566,796
–	–	–	–	1,063,309	1,007,944
921,775	917,348	990,122	1,027,475	–	–
956,864	940,086	1,040,135	1,099,439	–	–
¥ 119,063	¥ 96,156	¥ 116,139	¥ 162,886	¥ 136,059	¥ 86,057
91,695	106,883	109,902	100,161	87,264	80,440
33,850	34,112	35,556	30,113	28,692	26,386
¥ 36.13	¥ (32.35)	¥ 67.08	¥ 78.10	¥ 91.23	¥ 82.56
–	–	–	–	–	–
32.00	32.00	36.00	32.00	26.00	24.00
1,422.34	1,393.91	1,516.35	1,544.02	1,507.90	1,409.18
644,238,930	644,357,076	661,366,377	694,226,171	704,972,101	715,076,830
18.74%	16.43%	17.83%	18.60%	20.26%	21.30%
14.54	13.51	12.44	12.43	12.25	12.85
4.20	2.91	5.39	6.17	8.00	8.46
3.13	-1.76	5.47	6.35	7.60	7.56
1.47	-1.32	2.80	3.52	4.32	4.21
2.57	-2.20	4.35	5.14	6.29	6.03
157	144	157	166	178	186
18	14	8	6	6	7

Consolidated Financial Statements

Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2014 and 2013	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Assets			
Current assets:			
Cash and cash equivalents (Notes 4 and 16)	¥ 199,813	¥ 212,062	\$ 1,939,932
Time deposits (Note 16)	3,399	1,568	33,000
Trade receivables (Notes 10 and 16)	356,981	367,765	3,465,835
Allowance for doubtful receivables	(2,791)	(2,883)	(27,097)
Inventories (Note 6)	139,656	139,055	1,355,883
Prepaid expenses and other current assets (Notes 10 and 13)	35,996	33,584	349,476
Total current assets	733,054	751,151	7,117,029
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Notes 10 and 16)	33,935	33,716	329,466
Investment securities (Notes 5 and 16)	183,877	157,088	1,785,214
Other (Note 16)	8,634	8,992	83,825
Total investments and advances	226,446	199,796	2,198,505
Property, plant and equipment, at cost (Notes 7 and 14) :			
Land	153,160	154,005	1,486,990
Buildings and structures	536,979	529,760	5,213,388
Machinery and equipment	894,767	925,341	8,687,058
Leased assets	31,393	32,170	304,787
Construction in progress	27,577	22,922	267,738
Total	1,643,876	1,664,198	15,959,961
Accumulated depreciation	(1,115,338)	(1,125,743)	(10,828,524)
Net property, plant and equipment	528,538	538,455	5,131,437
Other assets (Notes 7, 8, 13 and 14)	86,716	89,574	841,903
Total assets	¥ 1,574,754	¥ 1,578,976	\$ 15,288,874

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2014 and 2013	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Notes 7 and 16)	¥ 48,962	¥ 47,297	\$ 475,359
Current portion of long-term debt (Notes 7 and 16)	14,330	57,565	139,126
Trade payables (Notes 10 and 16)	249,605	249,568	2,423,350
Accrued expenses (Note 10)	38,656	36,528	375,301
Income taxes payable (Note 13)	8,942	9,015	86,816
Other current liabilities (Notes 7, 10 and 13)	57,928	57,812	562,407
Total current liabilities	418,423	457,785	4,062,359
Long-term liabilities:			
Long-term debt (Notes 7 and 16)	119,305	122,349	1,158,301
Liability for retirement benefits (Note 8)	—	26,442	—
Net defined benefit liability (Note 8)	29,550	—	286,893
Other long-term liabilities (Notes 7 and 13)	31,091	35,345	301,855
Total long-term liabilities	179,946	184,136	1,747,049
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	1,111,301
Capital surplus (Note 9)	144,898	144,898	1,406,777
Retained earnings (Note 9)	727,070	722,058	7,058,932
Treasury stock, at cost			
56,586,830 shares in 2014 and 56,490,329 shares in 2013 (Note 9)	(94,322)	(94,226)	(915,748)
Total stockholders' equity	892,110	887,194	8,661,262
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	34,598	18,908	335,903
Net deferred gains on hedges	3	9	29
Foreign currency translation adjustments	145	(12,987)	1,408
Remeasurements of defined benefit plans (Note 8)	5,473	—	53,136
Total accumulated other comprehensive income	40,219	5,930	390,476
Stock acquisition rights	16	16	155
Minority interests	44,040	43,915	427,573
Total net assets	976,385	937,055	9,479,466
Total liabilities and net assets	¥ 1,574,754	¥ 1,578,976	\$ 15,288,874

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

Consolidated Statements of Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2014 and 2013	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Net sales (Note 19)	¥ 1,448,550	¥ 1,446,607	\$ 14,063,592
Cost of sales (Notes 11 and 19)	1,176,077	1,186,558	11,418,223
Gross profit	272,473	260,049	2,645,369
Selling, general and administrative expenses (Notes 11 and 19)	222,374	224,269	2,158,971
Operating income	50,099	35,780	486,398
Other income (expenses) (Note 12):			
Interest and dividends income	3,738	3,465	36,291
Interest expenses	(2,914)	(3,483)	(28,291)
Equity in earnings of affiliates	743	3,013	7,214
Foreign exchange transaction gain	1,068	1,411	10,369
Net (loss) gain on sale or disposal of property, plant and equipment	(3,861)	2,844	(37,486)
Net gain on sales of investment securities	385	140	3,738
Loss on devaluation of investment securities	(489)	(2,692)	(4,748)
Impairment loss on fixed assets (Note 14)	(140)	(3,564)	(1,359)
Other	(21)	(1,762)	(204)
	(1,491)	(628)	(14,476)
Income before income taxes and minority interests	48,608	35,152	471,922
Income taxes (Note 13):			
Current	14,589	17,079	141,640
Deferred	7,224	(314)	70,136
	21,813	16,765	211,776
Net income before minority interests	26,795	18,387	260,146
Minority interests	(1,153)	831	(11,195)
Net income	¥ 25,642	¥ 19,218	\$ 248,951

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

Consolidated Statements of Comprehensive Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2014 and 2013	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Net income before minority interests	¥ 26,795	¥ 18,387	\$ 260,146
Other comprehensive income			
Valuation difference on available-for-sale securities	15,125	14,290	146,844
Net deferred gains on hedges	1	7	10
Foreign currency translation adjustments	13,099	9,276	127,175
Share of other comprehensive income in associates accounted for using the equity method	698	162	6,777
Total other comprehensive income	28,923	23,735	280,806
Comprehensive income	55,718	42,122	540,952
Attributable to:			
Shareholders of parent company	¥ 54,457	¥ 42,568	\$ 528,709
Minority interests	1,261	(446)	12,243

	Yen		U.S. dollars (Note 3)
	2014	2013	2014
Net assets per common share	¥ 1,447.96	¥ 1,386.86	\$ 14.06
Net income per common share			
primary	¥ 39.82	¥ 29.84	\$ 0.39
Net income per common share			
fully diluted	¥ 39.65	¥ 29.79	\$ 0.38

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, 2014 and 2013	Millions of yen										
	Number of shares issued (in thousands)	Stockholders' equity				Accumulated other comprehensive income					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	Remeasure- ments of defined benefit plans	Stock acquisition rights	
Balance at April 1, 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 in 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
Changes of items during the period											
Net income	—	—	—	25,642	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(20,625)	—	—	—	—	—	—	—
Changes in resulting from change of scope of equity method	—	—	—	(4)	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(97)	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	(1)	1	—	—	—	—	—	—
Changes in valuation difference on available-for-sale securities	—	—	—	—	—	15,690	—	—	—	—	—
Changes in deferred gains (losses) on hedges	—	—	—	—	—	—	(6)	—	—	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	13,132	—	—	—
Changes in remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	5,473	—	—
Changes in minority interests	—	—	—	—	—	—	—	—	—	—	125
Total changes of items during the period	—	—	—	5,012	(96)	15,690	(6)	13,132	5,473	—	125
Balance at March 31, 2014	700,480	114,464	144,898	727,070	(94,322)	34,598	3	145	5,473	16	44,040

	Thousands of U.S. dollars (Note 3)										
	Number of shares issued (in thousands)	Stockholders' equity				Accumulated other comprehensive income					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	Remeasure- ments of defined benefit plans	Stock acquisition rights	
Balance at April 1, 2013	700,480	1,111,301	1,406,777	7,010,272	(914,816)	183,573	87	(126,087)	—	155	426,359
Changes of items during the period											
Net income	—	—	—	248,951	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(200,243)	—	—	—	—	—	—	—
Changes in resulting from change of scope of equity method	—	—	—	(39)	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(942)	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	(9)	10	—	—	—	—	—	—
Changes in valuation difference on available-for-sale securities	—	—	—	—	—	152,330	—	—	—	—	—
Changes in deferred gains (losses) on hedges	—	—	—	—	—	—	(58)	—	—	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	127,495	—	—	—
Changes in remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	53,136	—	—
Changes in minority interests	—	—	—	—	—	—	—	—	—	—	1,214
Total changes of items during the period	—	—	—	48,660	(932)	152,330	(58)	127,495	53,136	—	1,214
Balance at March 31, 2014	700,480	1,111,301	1,406,777	7,058,932	(915,748)	335,903	29	1,408	53,136	155	427,573

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, 2014 and 2013	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 48,608	¥ 35,152	\$ 471,922
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	73,459	80,200	713,194
Impairment loss on fixed assets	140	3,564	1,359
Provision for doubtful receivables (net)	(516)	(1,043)	(5,010)
Provision for retirement benefits (net)	—	(6,695)	—
Net defined benefit asset (net)	(7,478)	—	(72,602)
Net defined benefit liability (net)	719	—	6,981
Equity in earnings of affiliates	(743)	(3,013)	(7,214)
Amortization of consolidation goodwill (net)	3,648	3,020	35,418
Interest and dividends income	(3,738)	(3,465)	(36,291)
Interest expenses	2,914	3,483	28,291
Net gain on sales of investment securities	(385)	(140)	(3,738)
Loss on devaluation of investment securities	489	2,692	4,748
Net loss (gain) on sale or disposal of property, plant and equipment	3,899	(2,816)	37,854
Changes in assets and liabilities			
Trade receivables	15,085	19,482	146,457
Inventories	3,042	12,295	29,534
Trade payables	(6,147)	(31,665)	(59,680)
Other assets and liabilities	1,703	8,638	16,534
Sub-total	134,699	119,689	1,307,757
Extra retirement payments	(249)	(1,704)	(2,417)
Payments of income taxes	(14,341)	(17,487)	(139,233)
Net cash provided by operating activities	120,109	100,498	1,166,107
Cash flows from investing activities:			
Net increase in time deposits	(1,484)	(276)	(14,408)
Payments for purchases of property, plant and equipment	(54,876)	(66,217)	(532,777)
Proceeds from sales of property, plant and equipment	7,168	14,719	69,592
Payments for purchases of investment securities	(7,922)	(14,138)	(76,912)
Proceeds from sales of investment securities	1,232	489	11,961
Proceeds from transfer of business	—	8,091	—
Proceeds from acquisition of subsidiaries' shares, resulting in consolidation scope change	796	—	7,728
Interest and dividends received	5,127	3,971	49,777
Other investing	(8,412)	(19,227)	(81,670)
Net cash used in investing activities	(58,371)	(72,588)	(566,709)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	168	(5,490)	1,631
Proceeds from long-term debt	9,227	7,450	89,583
Repayments of long-term debt	(7,453)	(6,438)	(72,359)
Proceeds from stock issuance to minority shareholders	—	1,882	—
Proceeds from issuance of debentures	850	500	8,252
Payments for redemption of debentures	(50,760)	(660)	(492,816)
Interest paid	(2,956)	(3,494)	(28,699)
Dividends paid	(20,625)	(20,626)	(200,243)
Dividends paid to minority shareholders	(440)	(406)	(4,272)
Payments for purchases of treasury stocks	(99)	(39)	(961)
Other financing	(7,950)	(8,915)	(77,184)
Net cash used in financing activities	(80,038)	(36,236)	(777,068)
Effect of exchange rate changes on cash and cash equivalents	6,051	4,134	58,748
Net decrease in cash and cash equivalents	(12,249)	(4,192)	(118,922)
Cash and cash equivalents at beginning of year	212,062	216,280	2,058,854
Decrease in cash and cash equivalents resulting from change of scope of consolidation	—	(26)	—
Cash and cash equivalents at end of year	¥ 199,813	¥ 212,062	\$ 1,939,932

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, 2014 and 2013

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 2013 financial statements to conform with current classifications. In addition, the notes to the consolidated financial statements include additional information which is 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.

Consolidated financial statements include the accounts of the Company and 119 consolidated subsidiaries. Some subsidiaries are consolidated with their fiscal year ends that differ from that of the Company. Significant transactions that took place between their fiscal year ends and the Company's fiscal year end are reflected in the consolidated financial statements.

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

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

The differences between costs and underlying net assets at the date of investment in consolidated subsidiaries are included in other assets or other long-term liabilities and are amortized over a period 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 (\$971) or more per unit and less than ¥200,000 (\$1,942) per unit are depreciated over three years on a straight-line basis, whereby one-third of such acquisition cost may be taken as depreciation expense each year.

Leased assets

Finance leases which do not transfer ownership were accounted for as operating leases prior to April 1, 2008 but are capitalized since then. 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 is 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.

Employees' 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.

The amounts of deferred tax assets and deferred tax liabilities were changed due to the Act on Partial Revision of the Income Tax Act (Act No.10 of 2014) which was enacted into law on March 31, 2014. Accordingly, the statutory effective tax rate was reduced from 38.0% to 35.6% used for calculating deferred tax assets and deferred tax liabilities which are expected to be realized in the fiscal year beginning April 1, 2014. This change in the tax rate had the effect of reducing deferred tax assets (net of deferred tax liabilities) by ¥671 million (\$6,515 thousand), with income taxes-deferred increasing by the same amount.

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, 2014 and 2013, respectively.

Net income per share was computed based on the average number of shares of common stock outstanding after deducting treasury stocks during each year. Necessary adjustments were made on the net income or the number of shares for diluted net income per share in order to reflect dilutive effects.

Change in accounting policies

Application of "Accounting Standard for Retirement Benefits"

Effective from the end of the current fiscal year, the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, issued May 17, 2012; hereinafter, the Accounting Standard) and the Guidance on the Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, issued May 17, 2012; hereinafter, the Guidance) have been applied (however, excluding the rules provided in

paragraph 35 of the Accounting Standard and provided in paragraph 67 of the Guidance). Accordingly, the Company has switched to the method of posting the amount by subtracting pension assets from retirement benefit obligations under net defined benefit liability or net defined benefit asset, and posted unrecognized actuarial gains/losses and unrecognized prior service costs as net defined benefit liability and net defined benefit asset.

The Accounting Standard, etc., have been applied in a transitional manner as provided in paragraph 37 of the Accounting Standard, and the effects from the change have been reflected in remeasurements of defined benefit plans of the total accumulated other comprehensive income at the end of the current fiscal year.

Consequently, net defined benefit assets of ¥19,234 million (\$186,738 thousand) and net defined benefit liabilities of ¥29,550 million (\$286,893 thousand) have been posted at the end of the current fiscal year. Accumulated other comprehensive income also increased by ¥5,473 million (\$53,136 thousand).

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with accounting principles generally accepted in Japan. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the readers, at the rate of ¥103=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2014. 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, 2014 and 2013 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2014	2013	2014	
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 199,813	¥ 212,062	\$ 1,939,932	

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, 2014 and 2013 were as follows:

	Millions of yen			
March 31, 2014	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 132,605	¥ 53,160	¥ 2,121	¥ 183,644
Others	262	10	0	272
Total	¥ 132,867	¥ 53,170	¥ 2,121	¥ 183,916

	Thousands of U.S. dollars (Note 3)			
March 31, 2014	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 1,287,427	\$ 516,116	\$ 20,592	\$ 1,782,951
Others	2,544	97	0	2,641
Total	\$ 1,289,971	\$ 516,213	\$ 20,592	\$ 1,785,592

	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

The proceeds from sales of available-for-sale securities for the years ended March 31, 2014 and 2013 were ¥1,140 million (\$11,068 thousand) and ¥268 million, respectively. The gross realized gains on these sales for the years ended March 31, 2014 and 2013 were ¥348 million (\$3,379 thousand) and ¥155 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2014 and 2013 were ¥25 million (\$243 thousand) and ¥15 million, respectively.

The redemption schedules for securities with maturities classified as other securities at March 31, 2014 and 2013 were as follows:

Millions of yen			
	Due in one year or less	Due after one year through five years	Over five years
March 31, 2014			
Corporate bonds	¥ 30	¥ –	¥ 150

Thousands of U.S. dollars (Note 3)			
	Due in one year or less	Due after one year through five years	Over five years
March 31, 2014			
Corporate bonds	\$ 291	\$ –	\$ 1,456

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

6. Inventories

Inventories at March 31, 2014 and 2013 consisted of the following:

Millions of yen		Thousands of U.S. dollars (Note 3)	
	2014	2013	2014
Merchandise and finished products	¥ 91,682	¥ 91,048	\$ 890,116
Work in process	28,509	29,030	276,786
Raw materials and supplies	19,465	18,977	188,981
	¥ 139,656	¥ 139,055	\$ 1,355,883

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

Short-term bank loans at March 31, 2014 and 2013 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 0.67 % per annum for 2014 and 0.72 % per annum for 2013.

Long-term debt at March 31, 2014 and 2013 consisted of the following:

Millions of yen		Thousands of U.S. dollars (Note 3)	
	2014	2013	2014
Secured debentures			
1.05% due 2014	¥ –	¥ 40	\$ –
Unsecured debentures			
1.358% due 2021	¥ 50,000	¥ 50,000	\$ 485,437
1.705% due 2020	50,000	50,000	485,437
0.47~0.54% due 2019	170	–	1,651
0.40~0.54% due 2018	270	100	2,621
0.40~0.79% due 2017	510	340	4,952
0.40~0.79% due 2016	850	680	8,252
0.40~0.79% due 2015	1,850	1,680	17,961
0.40~1.67% due 2014	–	50,720	–
Mortgage loans, maturing 2014~2030	13,767	11,917	133,660
Unsecured loans, maturing 2014~2020	16,218	14,437	157,456
	133,635	179,914	1,297,427
Current portion of long-term debt	(14,330)	(57,565)	(139,126)
	¥ 119,305	¥ 122,349	\$ 1,158,301

Finance lease obligations at March 31, 2014 and 2013 which are included in other long-term liabilities consisted of the following:

Millions of yen		Thousands of U.S. dollars (Note 3)	
	2014	2013	2014
Finance lease obligations	¥ 16,285	¥ 19,435	\$ 158,107
Current portion of lease obligations	(6,670)	(7,684)	(64,757)
	¥ 9,615	¥ 11,751	\$ 93,350

The assets pledged as collateral for the company and its consolidated subsidiaries' indebtedness, such as property, plant and equipment and other assets, were ¥11,233 million (\$109,058 thousand) and ¥10,238 million at March 31, 2014 and 2013, respectively. With minor exceptions, interest rates on mortgage loans ranged from 0.60 % to 2.86 % per annum for 2014 and 2013, while interest rates on unsecured loans ranged from 0.54 % to 2.00 % per annum for 2014 and from 0.64 % to 2.00 % per annum for 2013.

The aggregate annual maturities of long-term debt after March 31, 2014 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2015	¥ 14,330	\$ 139,126
2016	8,891	86,320
2017	5,122	49,728
2018	3,151	30,592
2019	1,478	14,350
2020 and thereafter	100,663	977,311
	¥ 133,635	\$ 1,297,427

The aggregate annual maturities of finance lease obligations after March 31, 2014 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2015	¥ 6,670	\$ 64,757
2016	3,219	31,253
2017	1,985	19,272
2018	1,204	11,689
2019	756	7,340
2020 and thereafter	2,451	23,796
	¥ 16,285	\$ 158,107

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 most of the retirement benefit liability of the Company is covered by the employees' pension fund.

The reconciliation of beginning and ending balance of the projected benefit obligation at March 31, 2014 was as follows:

Change in projected benefit obligation:	Millions of yen	Thousands of U.S. dollars (Note 3)
Balance at April 1, 2013	¥ 211,159	\$ 2,050,087
Service cost	11,154	108,291
Interest cost	3,758	36,486
Actuarial gain/loss	(1,018)	(9,883)
Benefits paid	(6,737)	(65,408)
Prior service cost	(13)	(126)
Change of scope of consolidation	1,051	10,204
Other	(32)	(311)
Balance at March 31, 2014	¥ 219,322	\$ 2,129,340

The reconciliation of beginning and ending balance of the plan assets at March 31, 2014 was as follows:

Change in plan assets:	Millions of yen	Thousands of U.S. dollars (Note 3)
Balance at April 1, 2013	¥ 178,478	\$ 1,732,796
Expected return on plan assets	4,435	43,058
Actuarial gain/loss	14,105	136,942
Contributions by the employer	17,187	166,864
Contributions by employees	64	621
Benefits paid	(5,268)	(51,146)
Other	5	49
Balance at March 31, 2014	¥ 209,006	\$ 2,029,184

The reconciliation of projected benefit obligation and plan assets to net defined benefit liability and asset recognized in the consolidated balance sheet as of March 31, 2014 was as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Funded projected benefit obligation	¥ 190,468	\$ 1,849,204
Plan assets	(209,006)	(2,029,185)
	(18,538)	(179,981)
Unfunded projected benefit obligation	28,854	280,136
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 10,316	\$ 100,155
Net defined benefit liability	29,550	286,893
Net defined benefit asset	(19,234)	(186,738)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 10,316	\$ 100,155

The components of net periodic benefit costs for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Service cost	¥ 11,090	\$ 107,670
Interest cost	3,758	36,485
Expected return on plan assets	(4,435)	(43,058)
Actuarial gain/loss	1,038	10,078
Amortization of prior service cost	445	4,320
Net periodic benefit costs of the defined benefit plan	¥ 11,896	\$ 115,495

Remeasurements of defined benefit plans, before income-tax effect, at March 31, 2014 consisted of:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Unrecognized actuarial gain/loss	¥ 8,761	\$ 85,058
Unrecognized prior service cost	(1,231)	(11,951)
Total	¥ 7,530	\$ 73,107

The major categories of plan assets as of March 31, 2014 were as follows:

Bonds	25%
Stocks	47%
Other	28%
Total	100%

Assumptions used for the year ended March 31, 2014 were set forth as follows:

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

The liability for employees' retirement benefits at March 31, 2013 consisted of the following:

	Millions of yen
Projected benefit obligation	¥ 211,159
Fair value of plan assets	(178,478)
Unrecognized actuarial gain/loss	(7,337)
Unrecognized prior service cost	(1,689)
Prepaid pension cost	2,787
Net liability	¥ 26,442

The components of net periodic benefit costs for the year ended March 31, 2013 were as follows:

	Millions of yen	
Service cost	¥	10,440
Interest cost		4,582
Expected return on plan assets		(3,580)
Actuarial gain/loss		2,516
Amortization of prior service cost		442
Other		163
Net periodic benefit costs	¥	14,563

Assumptions used for the year ended March 31, 2013 were set forth as follows:

Attribution method of estimated benefits to periods of services	Straight-line method
Discount rate	1.6%
Expected rate of return on plan assets	2.5%
Recognition period of actuarial gain/loss	9 years
Amortization period of prior service cost	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 ¥10,311 million (\$100,107 thousand) were approved at the general stockholders' meeting held in June 2014 with respect to the year ended March 31, 2014.

(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, 2014 and 2013 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Trade receivables	¥ 4,913	¥ 7,818	\$ 47,699
Other current assets	1,468	1,317	14,252
Investment securities	33,183	32,569	322,165
Long-term loans	150	545	1,456
Other investments	602	602	5,845
Trade payables	5,436	6,424	52,777
Accrued expenses	233	256	2,262
Other current liabilities	1,396	777	13,553

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Salaries and allowances	¥ 66,297	¥ 66,708	\$ 643,660
Accrued bonuses	5,940	5,636	57,670
Provision for retirement benefits	3,194	4,521	31,010
Depreciation	13,393	13,345	130,029
Research and development expenses	28,715	27,976	278,786
Other	104,835	106,083	1,017,816
	¥ 222,374	¥ 224,269	\$ 2,158,971

Total research and development expenses (including manufacturing costs) amounted to ¥30,820 million (\$299,223 thousand) and ¥30,821 million for 2014 and 2013, 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)
	2014	2013	2014
Interest and dividends income	¥ 62	¥ 44	\$ 602
Leasing fees	165	172	1,602
Contributions	—	(7)	—

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% for the years ended March 31, 2014 and 2013, respectively.

In addition, the statutory tax rate was reduced from approximately 38.0% to 35.6% effective for the fiscal years beginning on or after April 1, 2014. This change was caused by the revision of the Income Tax Act in 2014. (Refer to 2. Significant Accounting Policies: Income Taxes)

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

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2014 and 2013, respectively.

	2014	2013
Normal effective statutory tax rate	38.0%	38.0%
Expenses not deductible for income tax purposes	0.7	6.6
Amortization of consolidation goodwill	2.2	2.0
Change in valuation allowance	3.6	4.5
The effective income tax rate change	1.4	—
Other	(1.0)	(3.4)
Actual effective tax rate	44.9%	47.7%

Net deferred tax assets at March 31, 2014 and 2013, 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)
	2014	2013	2014
Prepaid expenses and other current assets	¥ 8,677	¥ 10,278	\$ 84,243
Other assets	11,083	25,167	107,602
Other current liabilities	¥ (84)	¥ (12)	\$ (816)
Other long-term liabilities	(2,232)	(2,170)	(21,670)
Net deferred tax assets	¥ 17,444	¥ 33,263	\$ 169,359

Significant components of deferred tax assets at March 31, 2014 and 2013 were as follows :

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Deferred tax assets:			
Excess provision for retirement benefits	¥ –	¥ 13,022	\$ –
Net defined benefit liability	12,948	–	125,709
Loss on devaluation of investment securities	4,073	4,559	39,544
Excess provision for doubtful receivables	1,829	1,721	17,757
Accrued bonuses	6,078	6,018	59,010
Loss on write-down of inventories	1,176	1,341	11,417
Operating loss carryforwards	46,185	45,590	448,398
Impairment loss on fixed assets	13,059	13,497	126,786
Other	15,207	17,069	147,641
Total deferred tax assets	100,555	102,817	976,262
Less: valuation allowance	(56,871)	(55,467)	(552,146)
Total	¥ 43,684	¥ 47,350	\$ 424,116
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (16,459)	¥ (10,030)	\$ (159,796)
Reserve for special depreciation	(17)	(563)	(165)
Undistributed earnings of subsidiaries	(818)	(807)	(7,942)
Prepaid pension cost	–	(969)	–
Net defined benefit asset	(6,850)	–	(66,505)
Other	(2,096)	(1,718)	(20,349)
Total	¥ (26,240)	¥ (14,087)	\$ (254,757)
Net deferred tax assets :	¥ 17,444	¥ 33,263	\$ 169,359

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the years ended March 31, 2014 and 2013. 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, 2014 and 2013 were recognized in the amount of ¥140 million (\$1,359 thousand) and ¥3,564 million, respectively due to a significant decline in profitability.

15. Leases

Finance leases

Effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions." Under this standard, finance lease transactions without ownership-transfer whose inception date is on or before March 31, 2008 are still allowed to be accounted for as operating leases.

Operating leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2014 and 2013 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Future lease payments:			
One year or less	¥ 4,987	¥ 4,871	\$ 48,417
More than one year	21,199	22,693	205,816
	¥ 26,186	¥ 27,564	\$ 254,233

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, 2014 and 2013 were as follows.

	Millions of yen		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
March 31, 2014			
(1) Cash and deposits	¥ 203,212	¥ 203,212	¥ -
(2) Trade receivables	356,981	356,981	-
(3) Short-term and long-term investment securities	161,755	168,928	7,173
(4) Long-term loan receivables	9,079	9,046	
Allowance for doubtful receivables ^{*1}	(1,524)		
	7,555	9,046	1,491
Assets	729,503	738,167	8,664
(1) Trade payables	249,605	249,605	-
(2) Short-term bank loans	48,962	48,962	-
(3) Long-term debts	133,635	140,274	6,639
Liabilities	432,202	438,841	6,639
Derivatives ^{*2}			
[1]Hedge accounting is not applied	15	15	-
[2]Hedge accounting is applied	(5)	(5)	-
Total	10	10	-

	Thousands of U.S. dollars (Note 3)		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
March 31, 2014			
(1) Cash and deposits	\$ 1,972,932	\$ 1,972,932	\$ -
(2) Trade receivables	3,465,835	3,465,835	-
(3) Short-term and long-term investment securities	1,570,437	1,640,078	69,641
(4) Long-term loan receivables	88,146	87,825	
Allowance for doubtful receivables ^{*1}	(14,796)		
	73,350	87,825	14,475
Assets	7,082,554	7,166,670	84,116
(1) Trade payables	2,423,350	2,423,350	-
(2) Short-term bank loans	475,359	475,359	-
(3) Long-term debts	1,297,427	1,361,883	64,456
Liabilities	4,196,136	4,260,592	64,456
Derivatives ^{*2}			
[1]Hedge accounting is not applied	146	146	-
[2]Hedge accounting is applied	(49)	(49)	-
Total	97	97	-

March 31, 2013	Millions of yen		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Difference
(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)

*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

March 31, 2014	Millions of yen		Thousands of U.S. dollars (Note 3)	
	Carrying amounts		Carrying amounts	
Unlisted equity securities	¥	55,139	\$	535,330
Other		204		1,981

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

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, 2014 and 2013 were as follows:

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

Millions of yen			
March 31, 2014	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 16,176	¥ (90)	¥ (90)
Euro	1,812	(27)	(27)
Payables:			
U.S. dollars	123	(1)	(1)
	¥ 18,111	¥ (118)	¥ (118)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	¥ 600	¥ 133	¥ 133

Thousands of U.S. dollars (Note 3)			
March 31, 2014	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	\$ 157,049	\$ (874)	\$ (874)
Euro	17,592	(262)	(262)
Payables:			
U.S. dollars	1,194	(10)	(10)
	\$ 175,835	\$ (1,146)	\$ (1,146)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	\$ 5,825	\$ 1,291	\$ 1,291

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

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

Millions of yen			
March 31, 2014	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	¥ 449	¥ 0
Euro	Trade receivables	59	–
Payables:			
U.S. dollars	Trade payables	920	5
Sterling pound	Trade payables	89	0
Euro	Trade payables	162	(2)
Japanese yen	Trade payables	90	0
		¥ 1,769	¥ 3
Currency swap contracts			
Receive Japanese yen, and pay Danish krone:	Trade payables	¥ 62	¥ (8)
Receive U.S. dollars, and pay Japanese yen:	Long-term loan payables	273	–
		¥ 335	¥ (8)
Interest rate swaps			
Receive floating and pay fixed	Long-term loan payables	¥ 5,730	¥ –

Thousands of U.S. dollars (Note 3)			
March 31, 2014	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	\$ 4,359	\$ 0
Euro	Trade receivables	573	–
Payables:			
U.S. dollars	Trade payables	8,932	48
Sterling pound	Trade payables	864	0
Euro	Trade payables	1,573	(19)
Japanese yen	Trade payables	874	0
		\$ 17,175	\$ 29
Currency swap contracts			
Receive Japanese yen, and pay Danish krone:	Trade payables	\$ 602	\$ (78)
Receive U.S. dollars, and pay Japanese yen:	Long-term loan payables	2,650	–
		\$ 3,252	\$ (78)
Interest rate swaps			
Receive floating and pay fixed	Long-term loan payables	\$ 55,631	\$ –

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	¥ —

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 ¥33 million (\$320 thousand) and ¥34 million at March 31, 2014 and 2013, 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, 2014 and 2013, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥665 million (\$6,456 thousand) and ¥643 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 ¥1,720 million (\$16,699 thousand) and ¥928 million at March 31, 2014 and 2013, 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
For 2014:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales and operating income							
Net sales							
Outside customers	¥ 694,948	¥ 527,457	¥ 171,340	¥ 54,805	¥ 1,448,550	¥ –	¥ 1,448,550
Intersegment	5,356	6,122	1	3	11,482	(11,482)	–
Total	700,304	533,579	171,341	54,808	1,460,032	(11,482)	1,448,550
Segment income	11,901	33,910	12,931	652	59,394	(9,295)	50,099
Segment assets	¥ 629,818	¥ 599,910	¥ 229,266	¥ 45,471	¥ 1,504,465	¥ 70,289	¥ 1,574,754
Others							
Depreciation and amortization	¥ 21,957	¥ 25,534	¥ 20,623	¥ 3,910	¥ 72,024	¥ 1,435	¥ 73,459
Amortization of goodwill	2,666	1,101	101	1	3,869	–	3,869
Impairment loss	134	–	–	6	140	–	140
Tangible/intangible fixed assets increased	23,681	26,288	9,002	3,559	62,530	935	63,465

	Thousands of U.S. dollars (Note 3)						
	Segment report					Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
For 2014:							
Net sales and operating income							
Net sales							
Outside customers	\$ 6,747,068	\$ 5,120,942	\$ 1,663,495	\$ 532,087	\$14,063,592	\$ –	\$ 14,063,592
Intersegment	52,000	59,437	10	29	111,476	(111,476)	–
Total	6,799,068	5,180,379	1,663,505	532,116	14,175,068	(111,476)	14,063,592
Segment income	115,544	329,223	125,544	6,330	576,641	(90,243)	486,398
Segment assets	\$ 6,114,738	\$ 5,824,369	\$ 2,225,883	\$ 441,466	\$14,606,456	\$ 682,418	\$ 15,288,874
Others							
Depreciation and amortization	\$ 213,175	\$ 247,903	\$ 200,223	\$ 37,961	\$ 699,262	\$ 13,932	\$ 713,194
Amortization of goodwill	25,883	10,689	981	10	37,563	–	37,563
Impairment loss	1,301	–	–	58	1,359	–	1,359
Tangible/intangible fixed assets increased	229,913	255,223	87,398	34,553	607,087	9,078	616,165

	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	¥ –	¥ 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)	1,446,607
Segment income (loss)	15,944	28,029	(304)	471	44,140	(8,360)	35,780
Segment assets	¥ 606,572	¥ 583,120	¥ 238,828	¥ 45,888	¥ 1,474,408	¥ 104,568	¥ 1,578,976
Others							
Depreciation and amortization	¥ 22,256	¥ 26,467	¥ 25,957	¥ 3,976	¥ 78,656	¥ 1,544	¥ 80,200
Amortization of goodwill	1,533	1,411	326	0	3,270	–	3,270
Impairment loss	705	2,762	10	32	3,509	55	3,564
Tangible/intangible fixed assets increased	27,268	32,597	20,128	7,115	87,108	1,207	88,315

[Relative information]

Information regarding regions

Millions of yen

For 2014 :	Japan	Asia	Other region	Total
Net sales	¥ 1,232,093	¥ 152,501	¥ 63,956	¥ 1,448,550

Thousands of U.S. dollars (Note 3)

For 2014 :	Japan	Asia	Other region	Total
Net sales	\$ 11,962,068	\$ 1,480,592	\$ 620,932	\$ 14,063,592

Millions of yen

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

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, 2014 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, 2014, 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, 2014.

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, 2014 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, 2014

Investor Information

(as of March 31, 2014)

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):

39,524

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):

28,001

Stock Exchange Listings:

Tokyo Stock Exchange

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	41,175	6.39
Japan Trustee Services Bank, Ltd. (Trust A/C)	31,419	4.88
The Dai-ichi Life Insurance Co., Ltd.	30,882	4.79
Mizuho Bank, Ltd.	21,913	3.40
Employees' Shareholding Association	15,691	2.43
Nippon Life Insurance Company	10,116	1.57
The Bank of New York Mellon as Depositary Bank for Depositary Receipts Holders	8,109	1.26
STATE STREET BANK AND TRUST COMPANY 505225	7,752	1.20
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	6,658	1.03
The Bank of New York Mellon SANV 10	6,413	1.00

Notes: 1. The number of treasury shares (56,039,454) is excluded from the figures above.
2. The ownership stakes are based on the total number of shares outstanding less treasury shares (644,441,239).

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:

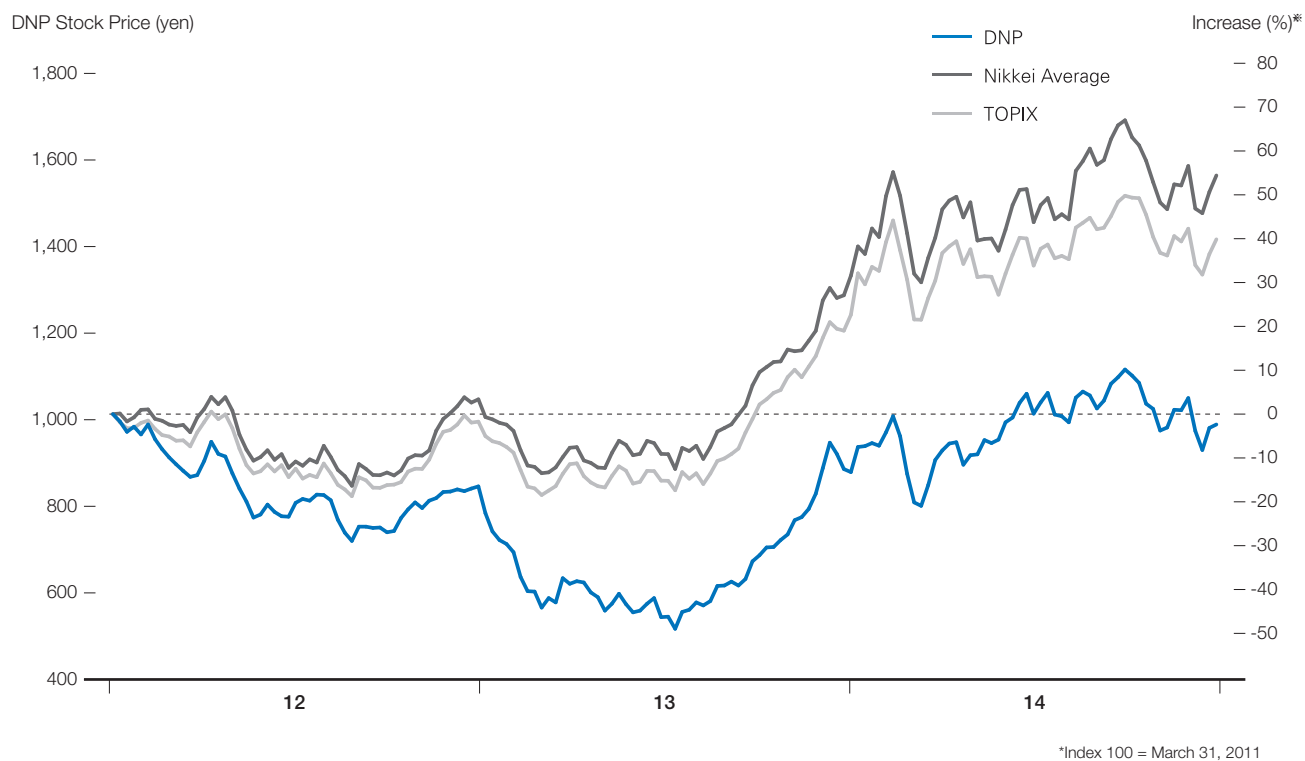
Dai Nippon Printing Co., Ltd.
Corporate Communication Division
IR Group, Press and Public Relations
1-1, Ichigaya-Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan
Tel: +81-3-5225-8220
Fax: +81-3-5225-8239

Web Site:

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

Share Price Evolution (Tokyo Stock Exchange)

(between April 1, 2011 and March 31, 2014)



Voting Rights

(as of March 31, 2014)

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	56,039,000	—
(treasury stocks, etc.) (Mutually held stocks)	Common stocks	1,085,000	—
Stocks with voting rights (other)	Common stocks	641,277,000	641,276
Stocks with less than trading units	Common stocks	2,079,693	—
Outstanding shares	700,480,693		—
Total voting rights of stockholders	—		641,276

Treasury Stocks

(as of March 31, 2014)

Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	56,039,000	8.00
Kyoiku Shuppan Co., Ltd.	1,085,000	0.15
Total	57,124,000	8.15

Major Subsidiaries and Affiliates

(As of March 31, 2014)

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	50	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	844	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 printed matter	10	95.0
Other			
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 concerning production and sales promotions for 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	Surveys and provision of various information	430	84.0
DNP Technopack Co., Ltd.	Production, printing and processing of packaging materials	300	100.0
Sagami Yoki Co., Ltd.	Production of laminated tubes	200	90.0
Aseptic Systems Co., Ltd.	Production, 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.	Surveys 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) 24,000	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 Dream Pages Co., Ltd.	Computerized processing of image and text data; sales of processed 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 Fotolusio Co., Ltd.	ID photo business and sale of photo materials and accessories	100	100.0 (33.3)
DNP ID System Co., Ltd.	Sale of equipment for making driver licenses and ID photos	60	100.0 (100.0)
DNP IMS Malaysia Sdn. Bhd.	Production and sale of ink ribbons for dye-sublimation thermal transfer printers	(RM 1,000) 190,000	100.0
DNP Denmark A/S	Production and sale of precision electronic components	(Dkr 1,000) 135,000	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.	Design 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 Technology Taiwan Co., Ltd.	Production and sale of photomasks	(NT 1,000)	100.0
		6,480,618	(0.3)DNP
Photomask Europe S.p.A.	Production and sale of photomasks	(Euro 1,000)	80.6
		47,200	
Other			
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
Toshokan Ryutsu Center Co., Ltd.	Sale of books, creation of data, library operation support, and consulting	266	53.0 (53.0)
Maruzen Co., Ltd.	Educational and academic business; store operation; academic publishing and interior design, etc.	100	53.0 (53.0)
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)
SHUFUNOTOMO Co., Ltd.	Publishing	2,611	99.6
BOOKOFF CORPORATION LIMITED	Used bookstore operation; development and operation of new used goods businesses; management guidance for affiliated stores	2,564	18.3 (11.0)
BUNKYODO GROUP HOLDINGS CO., LTD.	Sale of books, magazines, CDs, DVDs, stationery, games, hobby-related products, etc.	2,036	51.9 (16.1)
DNP Fine Chemicals Co., Ltd.	Production and sale of chemical products	2,000	100.0
DNP Fine Chemicals Utsunomiya Co., Ltd.	Production, procurement and sale of organic and inorganic chemicals	100	100.0 (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
VISUAL JAPAN, INC.*	Development, sale, and maintenance of computer software	435	86.8
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
MobileBook.jp, Inc.	Electronic publishing and distribution platform services and e-book distribution service	100	63.5
DNP SP Tech Co., Ltd.	Planning and production of promotional materials	80	100.0
Kyoiku Shuppan Co., Ltd.	Editing and sale of textbooks and educational materials	60	48.3
My Earth Projects LLC *	Planning, production and sale of trading cards	50	99.8
DNP Asia Pacific Pte. Ltd.	Coordination of DNP businesses in the Southeast Asia/Oceania region	(S\$1,000)	100.0
		2,000	
DNP Business Consulting (Shanghai) Co., Ltd.*	Study of Chinese market and business feasibility	(US\$1,000)	100.0
		420	
Personal Welfare, Facility Service and Others			
DNP Facility Services Co., Ltd.	Building management, cleaning and security; operation of public health and recreation facilities	350	100.0
DNP Information Systems Co., Ltd.	Design, development and maintenance of information systems; production and sale of software	100	100.0
DNP Human Services Co., Ltd.	Planning and management related to personnel plans	90	100.0
Uzumine Country Club Co., Ltd.*	Management of golf courses	33	88.8
DNP Accounting Services Co., Ltd.	Accounting 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)	100.0
		500,000	
DNP Corporation USA	Investment in operating companies	(US\$1,000)	100.0
		62,164	(7.2)
DNP Taiwan Co., Ltd.	Sale of precision electronic components	(NT 1,000)	100.0
		10,000	
DNP International Trading (Shanghai) Co., Ltd.*	Sale of printed matter (commercial printing and packaging materials)	(US\$1,000)	100.0
		5,400	
DNP Singapore Pte. Ltd.*	Sale of precision electronic components and decorative materials	(S\$1,000)	100.0
		350	
DNP UK Co., Ltd.*	Sale of decorative materials	(£1,000)	100.0
		120	
DNP America, LLC	Sale of printed materials, precision electronic components, and decorative materials	(US\$1,000)	100.0
		100	(100.0)
DNP Holding USA Corporation	Investment in operating companies	(US\$1,000)	100.0
		100	(100.0)
DNP Europa GmbH*	Sale of precision electronic components and decorative materials	(Euro 1,000)	100.0
		92	
Dai Nippon Printing Co. (Australia) Pty. Ltd.*	Sale of printed materials and decorative materials	(A\$1,000)	100.0
		70	
Beverages			
Hokkaido Coca-Cola Bottling Co., Ltd.	Production and sale of soft drinks	2,935	60.0 (6.8)

Notes: 1. Voting rights ownership ratios (in brackets) indicate the percentage of shares owned through DNP's subsidiaries or affiliates.
2. Companies with an asterisk are neither consolidated nor accounted for by the equity method.

Glossary

1. Terms Related to the DNP Group

■ Management Concept

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

■ Business Vision “P&I Solutions DNP”

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

■ Guiding Principles

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

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

■ The DNP Group Code of Conduct

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

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

■ DNP Group's CSR

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

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

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

2. Information Communication

■ Augmented reality (AR)

A technology for synthesizing images, text, or other virtual information with an actual scene or object in the physical presence of the user, so as to create a rich expression that augments the experience of reality. For example, a webcam 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

■ Big data

Massive amounts of data of varying types, such as trends in consumer usage of information services, merchandise purchasing records, or global climate changes. In recent years, big data has attracted attention as a source of important information for companies, including consumer preferences, and indicators for predicting buying patterns. Big data can be used by businesses more effectively now that smartphones and other information terminals are more widely used along with social networking and other information services.

■ 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.

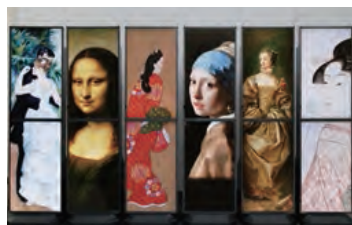
* *Taiwa* is a process that entails identifying problems and finding solutions through the exchange of viewpoints and ideas.

■ The cloud

A nickname for cloud computing. Cloud computing makes it possible to share and use software and data via Internet or some other network of remote servers, rather than using individual computers to manage and use the software and data, as was done in the past. Some say it is called cloud computing because the system is represented by a cloud in diagrams depicting the network structure. Cloud computing saves users money because they don't need to set up their own system. It saves time and trouble because users do not need to purchase and install software or back up their own data.

■ Digital signage

An advertising medium that uses large, flat-panel displays linked to an information network in order to broadcast up-to-the-minute, localized information in stores, train stations, or other public spaces. Digital signage can be made to function interactively, so that consumers can display the specific information they need by using a touch panel or mobile phone, etc.



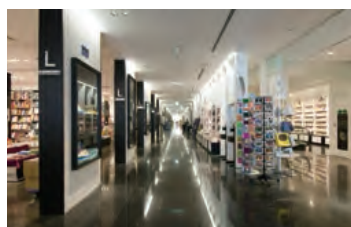
"Tall Vision" display consisting of 12 linked panels

■ Electronic library

A service that lends electronic books to libraries by providing them via the Internet after receiving permission from the publisher. As of July 2014, about 20 Japanese libraries were participating. The system is expected to provide new opportunities for the sale of published content.

■ 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. 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

■ 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 and safely transmitting massive amounts of personal information and other data, editing and processing, printing, producing, mailing and/or transmitting invoices, usage 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 production requires special equipment. These holograms have garnered praise around the world for providing a high level of security and potential for outstanding designs.



■ 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

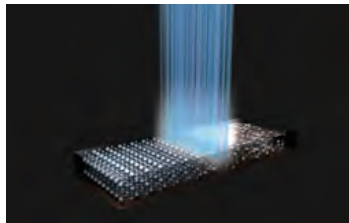
Film applied to the surface of display screens in devices like computers or televisions in order to prevent outside light or interior light from reflecting off the screen. There are various types of AR films including anti-glare (AG) and low reflection (LR) films. DNP supplies a variety of these products 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

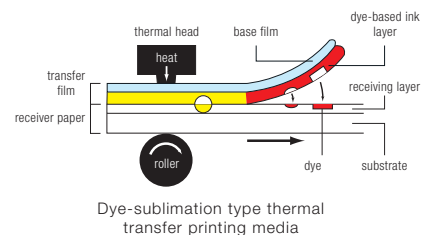
DNP's original technique for hardening a coat of resin by exposing it to electron beams. EB technology makes it possible to form films with harder surface than products coated with urethane or UV-cured resin. It also makes it possible to provide products with superior abrasion and soil resistance, photo-resistance,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



■ IB (Innovative Barrier) film

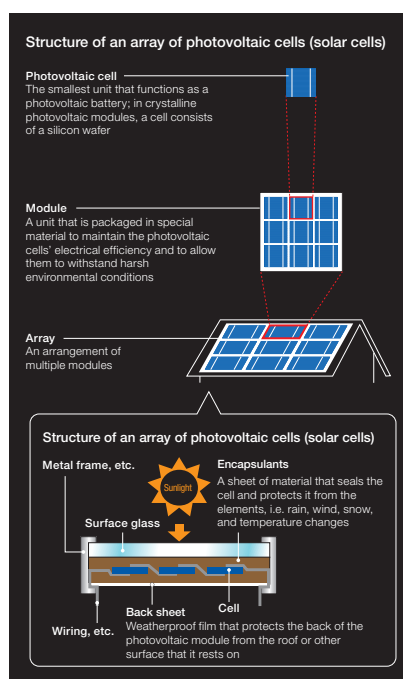
Packaging film made by DNP that is highly impermeable to water vapor and oxygen, highly transparent, and highly heat-resistant. It is used mainly for wrapping foods, medical supplies and pharmaceuticals, and electronic components. IB film is made by forming a thin, uniform coating of a material that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



IB film packages

■ 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”)

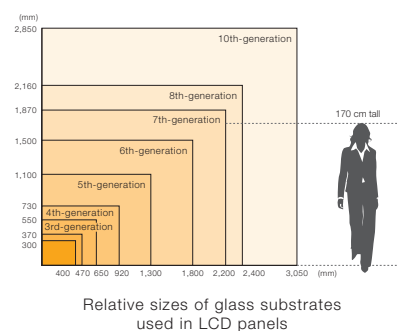
DNP's proprietary technology for connecting layers in a buildup board by using bumps of conductive paste formed by means of screen printing. A buildup board is a printed board made by alternating insulating layers and wiring layers.

■ 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 In Plane 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.

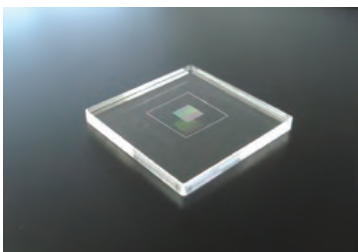


■ MEMS (Micro Electro Mechanical System)

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.



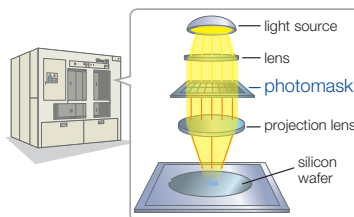
Master template for nanoimprinting

■ 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

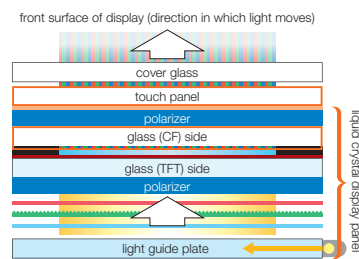
A photomask is a master used for forming semiconductor circuits. It consists of minute circuit patterns drawn on a glass substrate. Semiconductors are made by passing light through a photomask in order to transfer circuit patterns onto a wafer coated with a photosensitive resist, and then using etching 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 smartphones 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 motif on last year's Annual Report cover was sprouting seeds, symbolizing DNP's rich diversity and bright future. Those seeds grew into plants that flowered for the sake of the Earth's future. Our diverse human resources and technologies are like flowers; when we combine their strengths, they form bouquets. We want them to keep on contributing to the development of society.

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.



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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 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 report about DNP's corporate social responsibilities. We also have been issuing an annual "Eco-Report" since the first issue appeared in 1998.

■ DNP Corporate Profile (Corporate Brochure: 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.

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