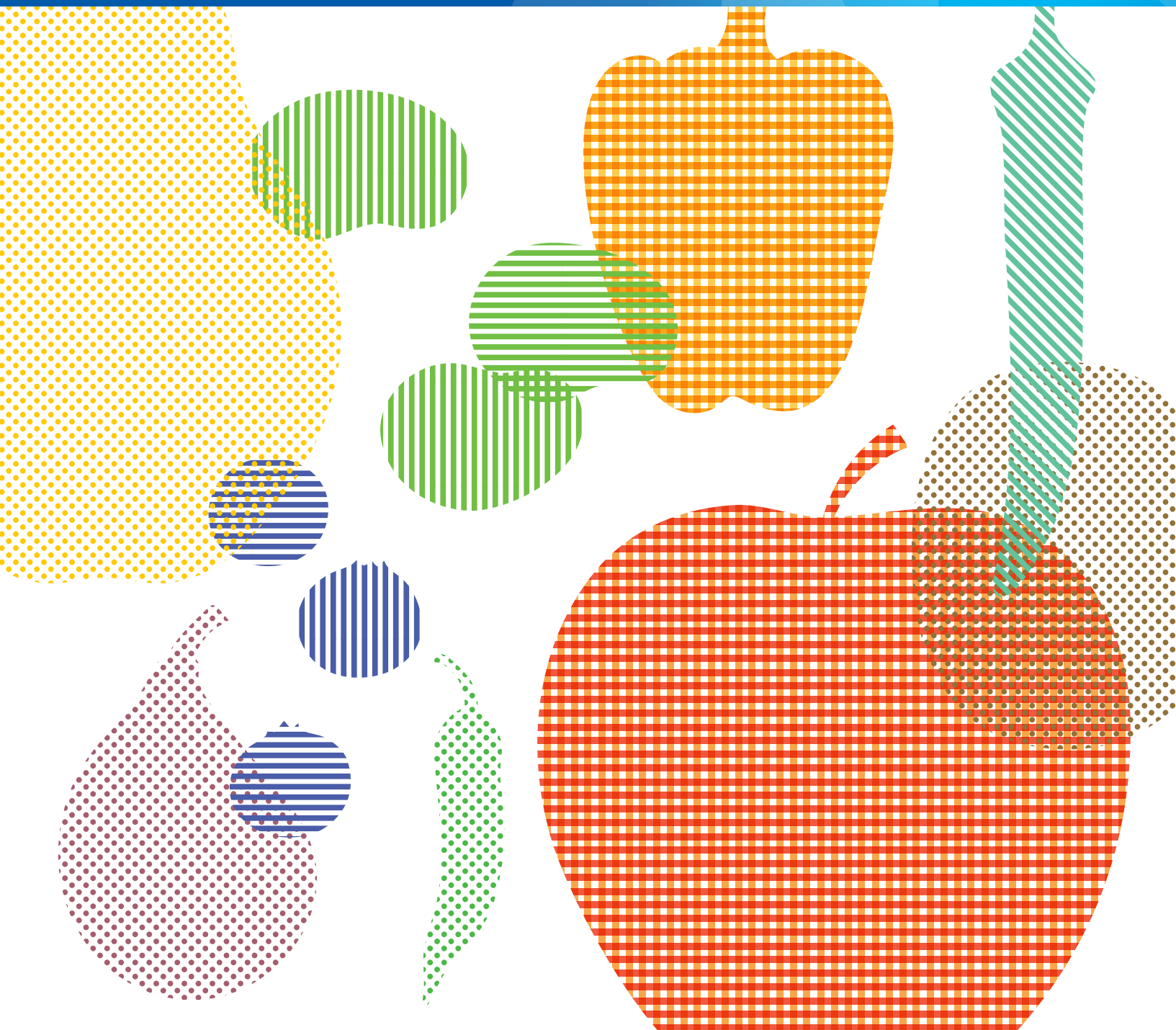
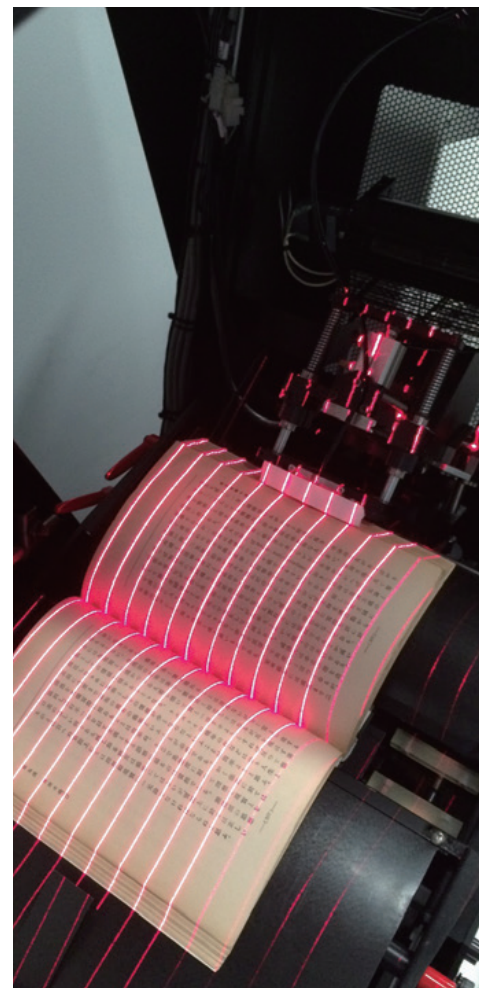
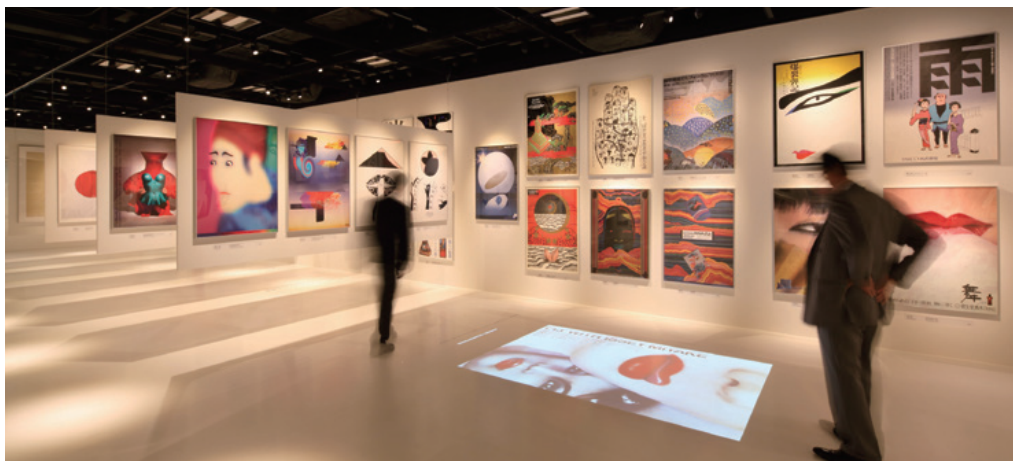


DNP

ANNUAL REPORT 2015





DNP Annual Report 2015

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This annual report is aimed at providing information about DNP's businesses, management vision, and business results. Opinions and forecasts contained in the report were based on the best judgment of management at the time the report was prepared, so we cannot guarantee that all information contained in the report is completely infallible. In this annual report, "DNP" refers to the entire DNP Group, and "we" refers to DNP or the DNP management team. (In the section on Corporate Governance (pp 66-72), "DNP" refers to Dai Nippon Printing Co., Ltd.)

To Our Shareholders

By consolidating the strengths of our entire corporate Group
to address four growth areas,

DNP will create “Tomorrow’s Basic” value.



Yoshitoshi Kitajima, President

At DNP, we are expanding our business in order to create “Tomorrow’s Basic.” When we say, “create ‘Tomorrow’s Basic,’” we mean developing products and services that solve challenges for businesses, consumers, and society in ways that make people always want to have those solutions close at hand. In order to realize this goal, each member of DNP needs to view situations from the consumer’s standpoint, be quick to grasp challenges not only in Japan but all over the world, and do his or her utmost to find solutions. This year we identified the following four growth areas in order to make maximum use of the advanced printing and information technologies that are DNP’s strengths to more effectively generate products, services and infrastructure that are indispensable to consumers and businesses.

In “knowledge and communication,” we aim to achieve safe and comfortable communication in the context of an advanced information society, and to foster cultural development. With “food and healthcare,” we want to improve quality of life for members of our “ultra-aging” society, and support lifelong health maintenance. Through “environment and energy,” we seek to enable society to grow economically while at the same time protecting the Earth’s natural environment. And the aim of “lifestyle and mobility” is to provide a high degree of comfort in all of the various types of spaces in which consumers spend their time.

We intend to create value in all of these areas, including by starting up new businesses. The cumulative results of our efforts will lead to increased corporate value and accordingly, to increased value for our shareholders, investors and other stakeholders. In addition to returning profits to shareholders and other stakeholders, we will use the fruits of our efforts as a basis for creating even more new businesses.

Furthermore, in order to make this growth sustainable, we will maintain our awareness of the need to strengthen our corporate governance and enhance *taiwa* (dialogue) with stakeholders. In addition to implementing internal controls even more thoroughly than in the past, we will make use of active communication with stakeholders.

We, the management of DNP, will work hard to achieve sustainable growth through our business activities and continue to build DNP’s corporate value so as to earn the trust of our shareholders and all stakeholders.

Yoshitoshi Kitajima
President



“Today’s Innovation is Tomorrow’s Basic” initiatives for the fiscal year through March 2015

Currently DNP’s focus is on creating “Tomorrow’s Basic”—solutions to challenges faced by businesses, consumers and society—which we arrive at by giving priority to the consumer’s viewpoint. In the year through March 2015, we faced a harsh business environment. Due to factors such as lackluster personal consumption and a surge in import prices due to the weak yen, Japan’s economy failed to achieve a full recovery. Challenges to the printing industry included sluggish demand, lower unit prices, and higher materials prices. Amid this environment, we took many steps to increase DNP’s corporate value.

First of all, in March 2014 we formed an operational and capital tie-up with MK Smart Joint Stock Company, Vietnam’s largest smart card manufacturer, in order to boost our business’s competitive position and accelerate expansion of our global smart card business with a focus on Southeast Asia. Then in December 2014, we acquired Foto Fantasy, Inc., which operates photo printing systems in the U.S., thereby speeding up the global expansion of DNP’s photo printing media business. In April 2014, we transferred our Optical Films business (which mainly makes surface films for liquid crystal displays) from Lifestyle and Industrial Supplies to our Electronics segment as part of our effort to boost earning power through measures including strengthening new product development, reviewing production lines, and reconfiguring production frameworks.

In order to develop businesses faster and more appropriately, we integrated organizations belonging to Information Communication and Packaging nationwide so as to construct comprehensive frameworks for sales, planning, and manufacturing. We also focused on expanding our production bases in response to increased demand overseas. We built new plants and/or expanded existing ones for photo printing media (ink ribbons, etc.) in the U.S. and Malaysia, and for film packaging products in Vietnam. In addition, we are working on various structural reforms, such as boosting efficiency and mobilizing our overall strengths in existing fields while preparing operating bases for cultivating and expanding businesses in new growth areas.

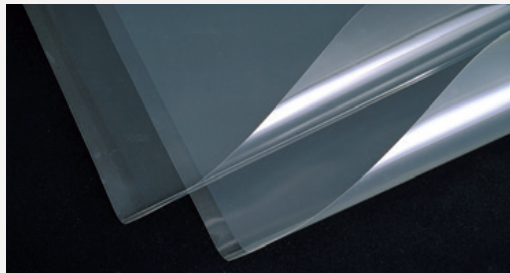
In order to improve capital efficiency, DNP also acquires and cancels treasury shares. For seven consecutive years, from 2003 to 2009, we repurchased DNP shares. From May to August 2015, we plan to purchase up to 18 million shares from the market at a maximum cost of 20.0 billion yen. On May 28, 2015 we retired 20 million treasury shares. In the future we intend to continue to implement flexible capital policies in response to changes in the business environment.



Smart cards



Photo printing media



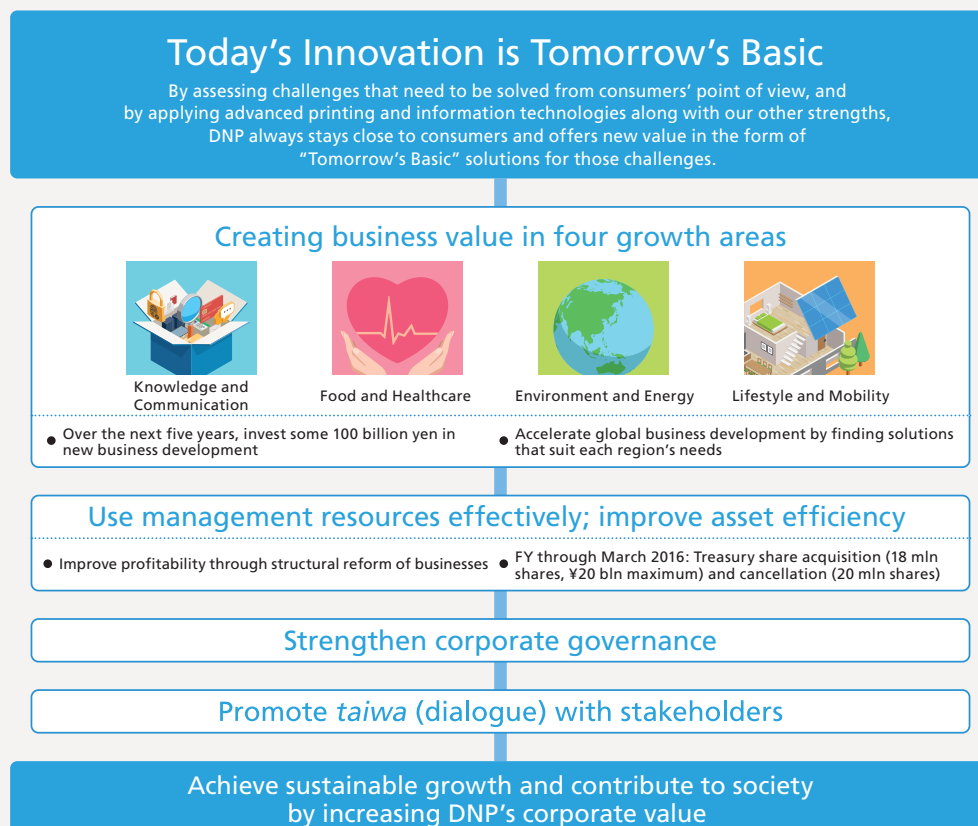
Optical films



DNP Kashiwa Data Center

Focusing on four growth areas

DNP always stays close to consumers and provides new value in the form of “Tomorrow’s Basics” that solve consumers’ challenges. In order to continue to do so, we plan to invest a total of some 100 billion yen over the next five years in the development of new businesses in the following four growth areas:



- In the area of “knowledge and communication,” we will promote initiatives that help people in their daily lives and develop culture through safe and reliable exchange of information in advanced information societies. Rather than simply producing information media and content, we will also take part in the creation of mechanisms that support interactive communication, and provide information platforms that will allow people to exchange the information they want, when they want, in the most appropriate formats.

As a specific example, we will offer sales promotion services that make use of settlement information in response to the diversification of payment services in our increasingly cashless society. We are also working hard to expand business related to Japanese government planned introduction of the “My Number” citizen ID numbering system, to reinforce our “honto” hybrid paper and e-book sales service, and to develop educational information and communication technology (ICT) services including digital textbooks. In addition, we will expand businesses that respond to the needs of the increasing number of foreign visitors to Japan and Japanese traveling overseas by providing multilingual tourist information and shopping support solutions, etc.

- Concerning “food and healthcare,” we are developing products and services that support lifelong health maintenance and safe, high-quality lifestyles to address the pronounced trend toward “ultra-aging” in Japanese society. In addition to packaging for foods, beverages and pharmaceutical products, we are providing components with diverse functionality and branching out into fields like agriculture and life science, starting with regenerative medicine.

For example, we are developing technologies for analyzing MRI brain and eye scans and other medical images in order to determine the causes of diseases and/or aid in early disease detection and treatment. In April 2015, DNP formed an operational tie-up with PSP Corporation, a major developer of medical image management systems that make it possible for images taken at a hospital to be accessed by any of the hospital’s departments. Together, DNP and PSP plan to develop diagnostic support and other services based on image analysis.

In agriculture, DNP applied laminating and other technologies that we cultivated through our packaging business in order to develop “DNP Agri Film (reflective, moisture preserving film),” which increases the efficiency of light reflection and makes it possible to maintain optimal moisture levels. The product’s moisture-retaining property makes it effective for crop cultivation and it is durable enough to hold up over long-term use. We plan to market the film both in Japan and overseas.

- In the arena of “environment and energy,” DNP is working to achieve an eco-friendly society that combines both economic growth and environmental preservation. We will continue to develop eco-friendly products that help conserve resources and energy and preserve biodiversity, as well as to provide energy management solutions that make it easy to monitor energy consumption.

As an example from our packaging operations, in 2012 we developed “Biomatech” packaging film containing plant-based materials. We went on to develop plant-derived aluminum vapor deposition film and paper beverage containers consisting of 98% biomass, and we continue to work on expanding our eco-friendly product lineup.

We are also focusing on developing more products and services to manage and reduce energy consumption. We have already developed a film that, when applied to windows, shuts out the sun’s light and heat in summer but admits an appropriate amount of light and heat in winter, as well as metal paneling for walls and ceilings of railroad cars and homes, which effectively reflects and diffuses sunlight and artificial light to reduce the need for the latter. We also plan to offer marketing and consulting services for the growing number of electric power retailers expected to be entering the Japanese power market.

- Concerning “lifestyle and mobility,” as consumers’ values become more diverse, people seek a high degree of comfort in all of the spaces they occupy including workplaces, public spaces, spaces shared with family and friends, and private spaces. DNP views homes, offices, medical and nursing care facilities, automobiles, railroad passenger cars and anywhere else where people spend time as “living spaces” for which we develop and provide many types of products and services.

Besides focusing on developing products that use DNP’s original electron beam (EB) coating technology, we also sell, in Japan and overseas, aluminum panels and other decorative products for interior and exterior use that provide a luxurious feel by expressing textures that resemble wood, stone or other materials.

In addition, we plan to make use of our information technologies to provide smart sensing and other services that offer comfort control by exchanging data between various networked sensors and devices, in order to bring about a smart society that exercises comprehensive control over various types of infrastructure.

Toward sustainable growth

Enhancing corporate governance and *taiwa* (dialogue) with stakeholders

DNP will strive to generate value in its four designated growth areas, including by starting new businesses. As we increase DNP's corporate value by building a portfolio of successes, it is important to strengthen our corporate governance and enhance *taiwa* with stakeholders.

Exercising corporate governance is one of the DNP management's important tasks, and we are working on complying with the new corporate governance code that went into effect in June 2015. We are also increasing our understanding of the Japanese Stewardship Code that has been adopted by many institutional investors and we are working hard to enhance dialogue with all of our shareholders and investors.

Sustainable growth through reducing burdens on the environment

Linking business expansion to coexistence with nature is another important prerequisite to achieving sustainable growth. DNP has built its own environmental management system and is actively working to prevent global warming, to achieve zero emissions, to reduce water usage, to protect biodiversity, to thoroughly control use of volatile organic solvents (VOS) and other chemical substances, to develop eco-friendly products, and to pursue green purchasing among other efforts to preserve the environment.

For example, we estimated the volume of greenhouse gas emissions (Scope 3) from our entire supply chain including in-house manufacturing, in Japan and worldwide. In addition to setting about to reduce those emissions, we established a goal for the fiscal year through March 2031 with the aim of preventing global warming. We are promoting various measures to preserve biodiversity. For example, because printing paper is closely related to climate change and the destruction of forest resources, we established guidelines for procuring this type of paper and have gained suppliers' cooperation in following those guidelines. We are also creating green belts around our corporate sites to provide living things with space to coexist. In recognition of these types of initiatives, DNP was selected as a "Forests sector leader" by CDP (formerly, the Carbon Disclosure Project), an organization that is drawing attention from global institutional investors.

Diversity management

In order to build corporate value, it is also important to promote workplace reforms aimed at maximizing employee participation. In the fiscal year through March 2015, the Ministry of Economy, Trade and Industry (METI) selected DNP for its "Diversity Management Selection 100" list. The list honors companies that have achieved outstanding results by promoting the use of abilities of various human resources including women, people from overseas, the elderly, and people with disabilities.

DNP was recognized for implementing a number of training and other programs aimed at supporting women's active participation, and for other programs including a "Reform How We Work" activity to increase the value added to work by using time resources more effectively. Among the examples of DNP "best practices" that were introduced in connection with the METI citation were the adoption of female engineers' ideas for developing packaging products that make foods and beverages easier to prepare and/or use, and for producing packages made from eco-friendly materials.

Returns to shareholders and creation of new businesses

In addition to returning profits to shareholders, we will use the fruits of our efforts to give back to other stakeholders and as a basis for creating even more new businesses.

Our basic policy toward shareholder returns is to pay stable dividends that are calculated with consideration for such factors as business performance and dividend payout ratio. At the same time, we support future business development by applying retained earnings to the enhancement of our financial constitution and the strengthening of our management base. We allocate retained earnings primarily for investment in research and development of new technologies and businesses, capital spending, and strategic alliances and M&As.

In order to earn the trust of all of DNP's stakeholders, we will do our best to achieve sustainable growth in the medium and long terms through the activities described above, and we will continue to strive to build DNP's corporate value.

DNP in Brief

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Synopsis of Performance

Grand Summary of Financial Results

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

	2015	2014	2013	Dollars in thousands except per share amounts 2015	change 2015/2014
Statements of Operations (¥ million) (\$ thousand)					
Net sales	¥ 1,462,118	¥ 1,448,550	¥ 1,446,607	\$ 12,184,317	0.9%
Operating income	48,174	50,099	35,780	401,450	-3.8%
Ordinary income	53,759	53,285	40,318	447,992	0.9%
Income before income taxes	51,062	48,608	35,152	425,517	5.0%
Net income	26,924	25,642	19,218	224,367	5.0%
Balance Sheets (¥ million) (\$ thousand)					
Total net assets	¥ 1,124,092	¥ 976,385	¥ 937,055	\$ 9,367,434	15.1%
Interest-bearing debt	187,946	182,597	227,211	1,566,217	2.9%
Total assets	1,809,462	1,574,754	1,578,976	15,078,850	14.9%
Cash Flow Statements (¥ million) (\$ thousand)					
Cash flow from operating activities	¥ 85,731	¥ 120,109	¥ 100,498	\$ 714,425	-28.6%
Cash flow from investing activities	(50,540)	(58,371)	(72,588)	(421,166)	–
Cash flow from financing activities	(23,865)	(80,038)	(36,236)	(198,875)	–
Free cash flow*	35,191	61,738	27,910	293,258	-43.0%
Per Share Data** (¥) (\$)					
Net income	¥ 41.82	¥ 39.82	¥ 29.84	\$ 0.35	5.0%
Net assets	1,675.63	1,447.96	1,386.86	13.96	15.7%
Cash dividend	32	32	32	0.27	–
Profit Margins (%)					
Operating income margin	3.29	3.46	2.47	3.29	-0.17
EBITDA margin	8.24	8.63	8.21	8.24	-0.39
Net income to net sales	1.84	1.77	1.33	1.84	0.07
Financial Ratios					
ROE (%)	2.67	2.81	2.18	2.67	-0.14
ROA (%)	1.59	1.63	1.21	1.59	-0.04
D/E ratio (%)	17	20	25	17	–
Interest coverage ratio (times)	21.32	18.47	11.27	21.32	–
Valuations (against share price on March 31)					
PER (times)	27.94	24.84	29.70	27.94	–
PBR (times)	0.70	0.68	0.64	0.70	–
EV/EBITDA (times)	6.01	4.93	4.92	6.01	–
PCFR (times)	8.00	6.43	5.74	8.00	–
Dividend yield (%)	2.74	3.24	3.61	2.74	-0.50
Return to Shareholders					
Value of shares repurchased (¥ million)	–	–	–	–	–
Dividend payout ratio (%)	76.50	80.4	107.2	76.50	–
Others					
Long-term credit rating (R&I)	AA–	AA	AA	AA–	–
Foreign ownership (%)	25.54	24.41	21.12	25.54	–

U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2015.

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

Growth in products such as smart cards, thermal transfer media for printing photographs, and optical films

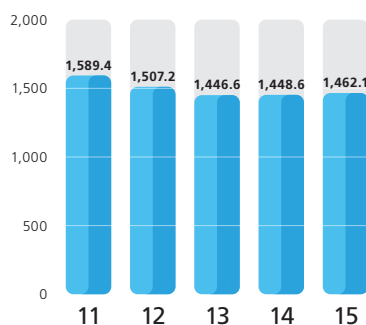
Secured operating cash flow of ¥85.7 billion and free cash flow* of ¥35.2 billion

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

Develop new businesses in four growth fields; aim for return on equity ratio (ROE) of 5.0% in the fiscal term through March 2018

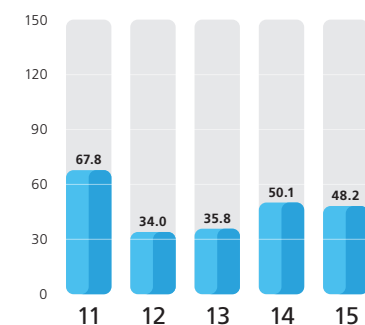
Net Sales

(¥ billion)



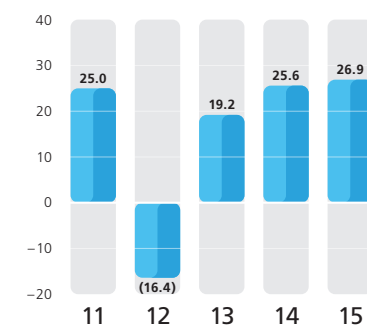
Operating Income

(¥ billion)



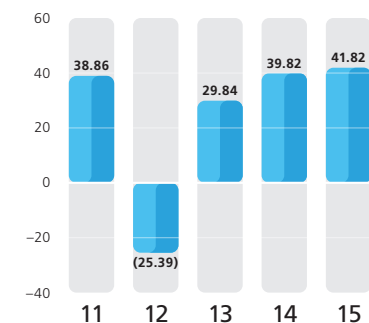
Net Income (Loss)

(¥ billion)



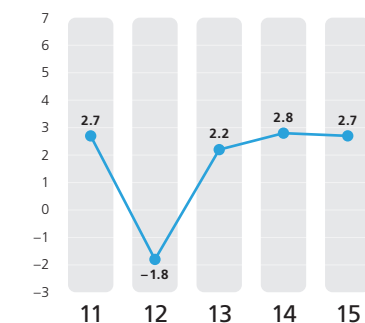
Net Income (Loss) per Share

(¥)



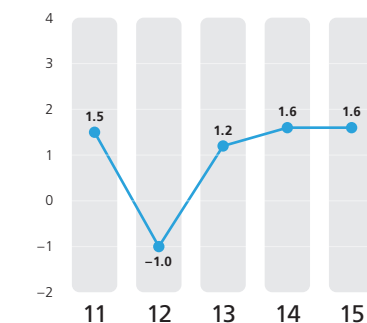
ROE

(%)



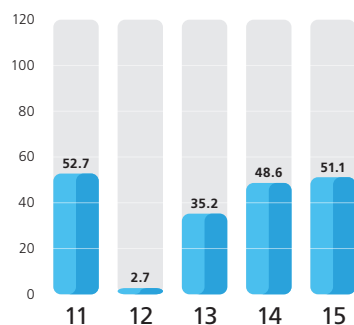
ROA

(%)



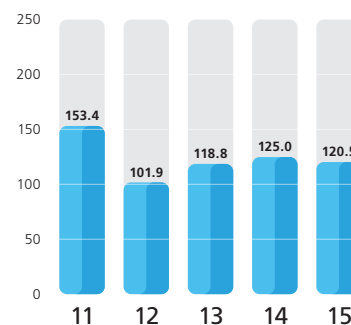
Income Before Income Taxes

(¥ billion)



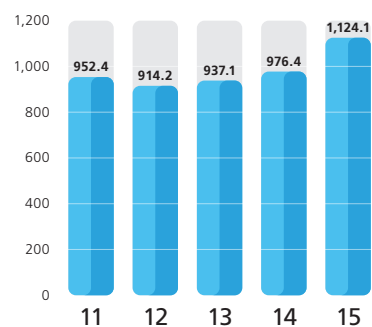
EBITDA

(¥ billion)



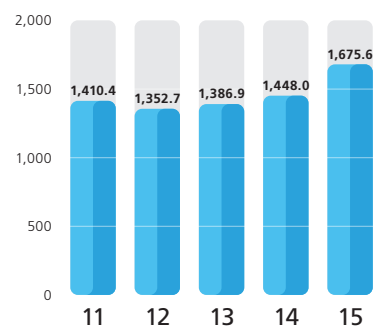
Total Net Assets

(¥ billion)



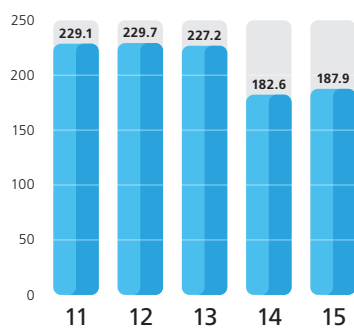
Net Assets per Share

(¥)



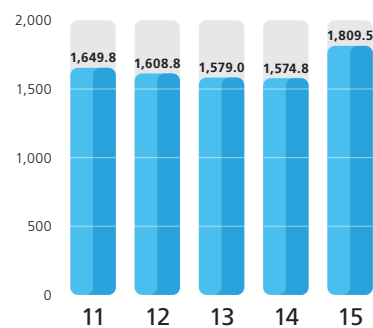
Interest-bearing Debt

(¥ billion)



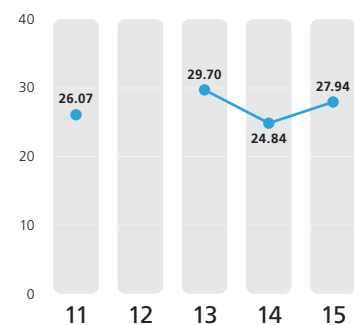
Total Assets

(¥ billion)



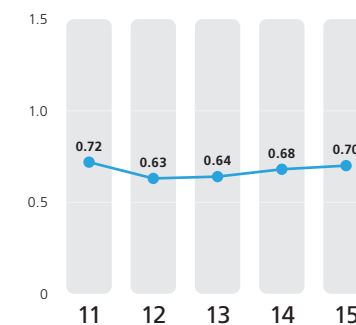
PER (Price Earnings Ratio)*

(times)



PBR (Price Book-value Ratio)

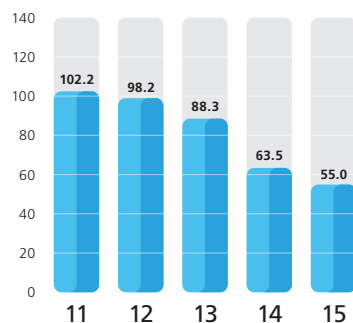
(times)



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

Capital Expenditures*

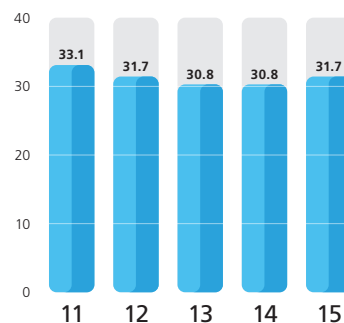
(¥ billion)



*Figures include capital expenditures for intangible fixed assets.

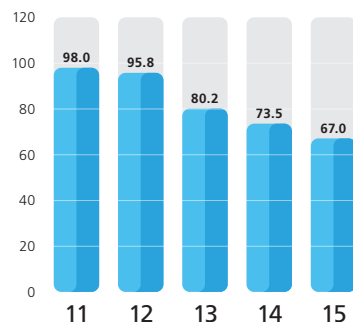
Research and Development Expenditures

(¥ billion)



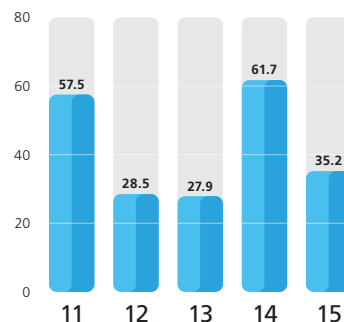
Depreciation Expense

(¥ billion)



Free Cash Flow*

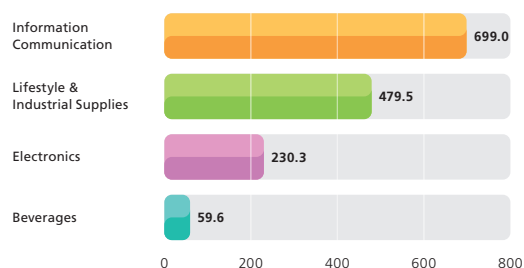
(¥ billion)



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

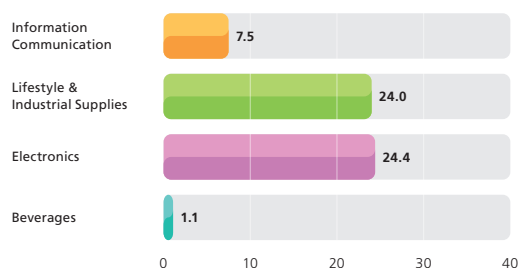
Net Sales by Segment (Year ended March 31, 2015)

(¥ billion)



Operating Income by Segment (Year ended March 31, 2015)

(¥ billion)



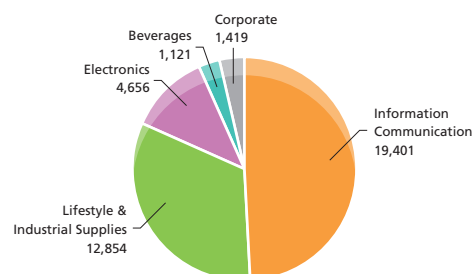
Capital Expenditures by Segment (Year ended March 31, 2015)

(¥ billion)



Employees by Segment (Year ended March 31, 2015)

(persons)



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

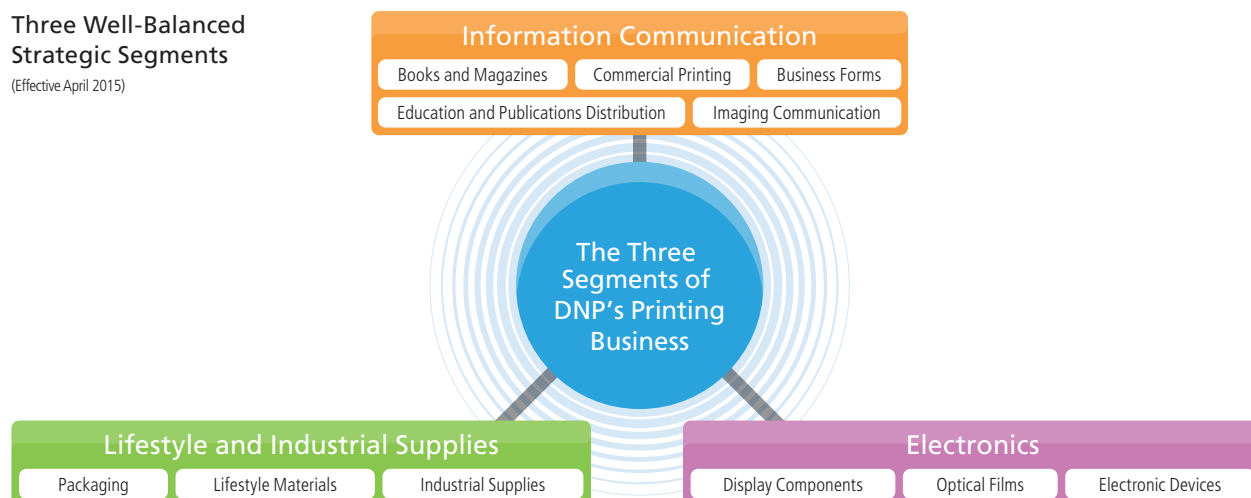
DNP is one of the largest comprehensive printing companies in the world. We provide a variety of products and services in a wide range of business fields to consumers and some 30,000 corporate clients in Japan and around the globe. DNP's main strengths are the printing and information technologies that it has cultivated since its founding in 1876. The Company has branched out from publishing and commercial printing into other fields including packaging, decorative materials, display components, and electronic devices, and has developed many products for which it holds the world's top market share. Today, DNP focuses on creating "Tomorrow's Basic," i.e. new value that solves problems faced by consumers and society. DNP has identified four growth areas in which we will continue to take up the challenge of developing new businesses: knowledge and communication; food and healthcare; environment and energy; and lifestyle and mobility.

From early in its development, DNP set about boosting the efficiency of the overall Group's management through measures including overall optimization, increasing 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, 2015, the DNP Group employed 39,451 people. The Group has 42 sales bases and 56 production plants in Japan, 24 sales offices in 15 countries and a region, and 15 overseas production plants in eight countries and a region. Overseas sales contributed 15.7% of the Group's overall net sales in the fiscal year ended March 2015.

Three Well-Balanced Strategic Segments

(Effective April 2015)



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:

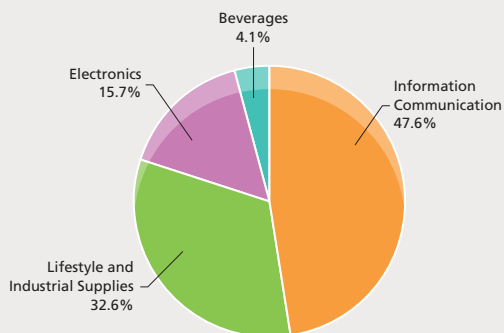
(1) Information Communication, which includes the books and magazines printing business where DNP got its start, along with other businesses including commercial printing, smart cards, and Imaging Communication*, which focuses on photographs and other images, (2) Lifestyle and Industrial Supplies, which supplies a wide range of products including packaging products, decorative materials, and energy-related components, and (3) Electronics, which supplies display components, optical films, 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.

* Imaging Communication, which handles all types of images, was transferred to the Information Communication segment in April 2015.

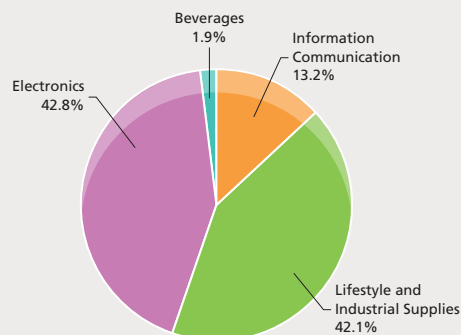
Net Sales

by Segment (Year ended March 31, 2015)



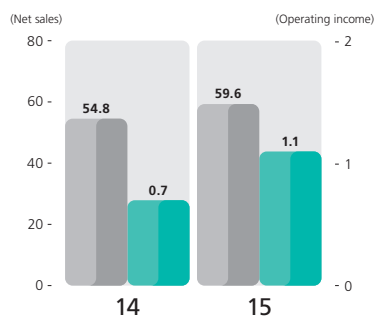
Operating Income

by Segment (Year ended March 31, 2015)



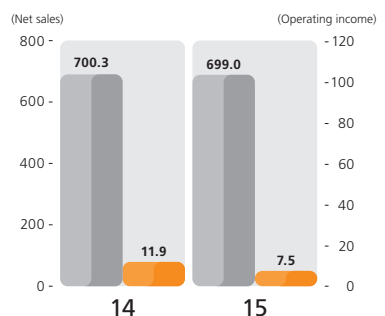
Beverages

Net Sales Operating Income (¥ billion)

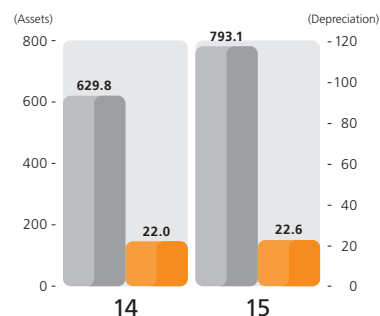


Information Communication

Net Sales Operating Income (¥ billion)

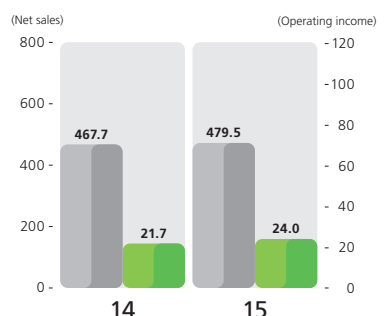


Assets Depreciation (¥ billion)

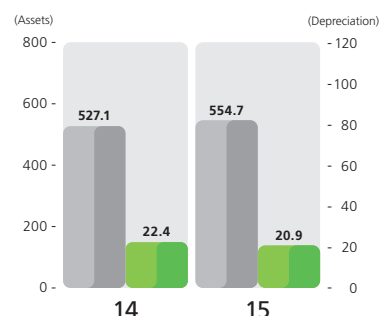


Lifestyle and Industrial Supplies

Net Sales Operating Income (¥ billion)

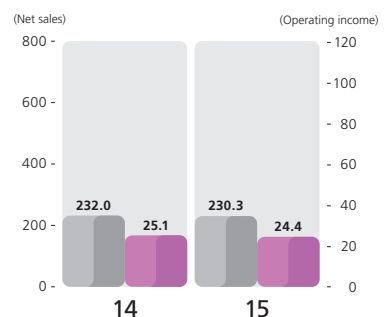


Assets Depreciation (¥ billion)

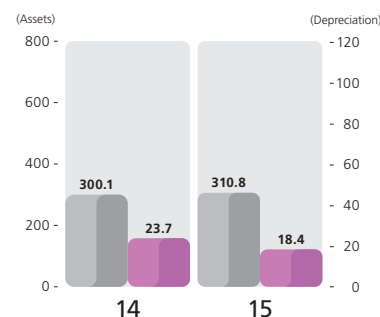


Electronics

Net Sales Operating Income (¥ billion)



Assets Depreciation (¥ billion)



* In April 2014, DNP's optical film business was transferred from Lifestyle and Industrial Supplies to the Electronics segment. Figures for the term ended March 2014 in the chart above have been adjusted to reflect the new configuration of the Lifestyle and Industrial Supplies and Electronics segment.

Our Products and Services

Information Communication

• Books and Magazines

- [1] Books and magazines [2] Dictionaries [3] E-book readers
- [4] Hybrid bookstore network "honto"

• Commercial Printing

- [5] Catalogs, calendars [6] E-flyer service
- [7] Household budget-tracking application
- [8] Energy-efficient digital signage

• Business Forms

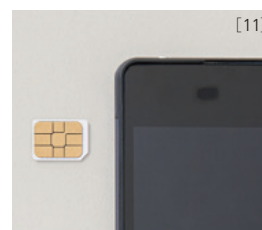
- [9] Personalized mail [10] Smart cards
- [11] SIM card [12] Transparent hologram ribbon

• Education and Publications Distribution

- [13] Maruzen & Junkudo Bookstore in Shibuya (Tokyo)

• Imaging Communication*

- [14] Dye-sublimation thermal transfer printing media
- [15] Double-sided dye-sublimation printer
- [16] Barcode labels made using thermal resin-type transfer printing media



Lifestyle and Industrial Supplies

• Packaging

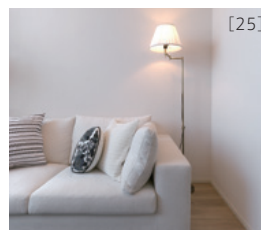
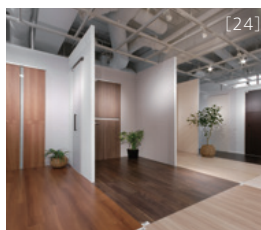
- [17] Packaging
- [18] Universal design products
- [19] Barrier film for packages
- [20] Biomass plastic packaging
- [21] PET plastic bottles and preform (left in the photo)
- [22] Aseptic filling systems for PET plastic bottle
- [23] Culture film for bacterial testing

• Lifestyle Materials

- [24] Residential interior materials (floor coverings)
- [25] Residential interior materials (wall coverings)
- [26] Exterior materials for buildings
- [27] Automotive interior materials
- [28] Interior coverings for railway cars (Hokuriku Shinkansen)

• Industrial Supplies

- [29] Photovoltaic module components
- [30] Bus line sheet used in photovoltaic cells
- [31] Soft pack for lithium-ion battery



Electronics

• Display Components

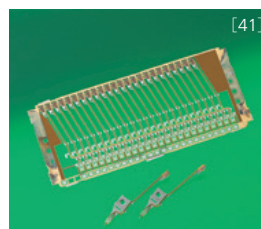
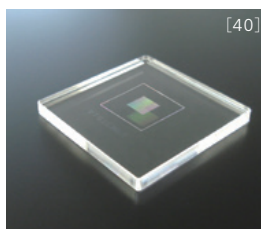
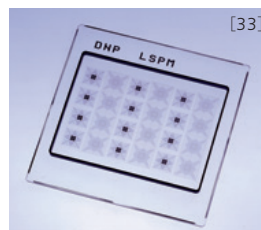
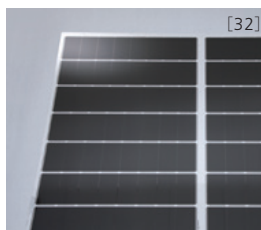
- [32] Color filter for liquid crystal display
- [33] Large-scale photomasks [34] Touch panel sensors

• 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)

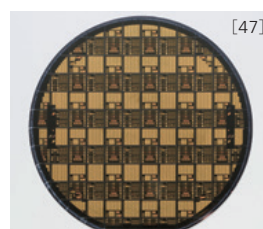
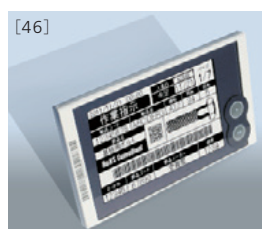
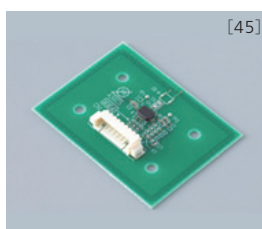
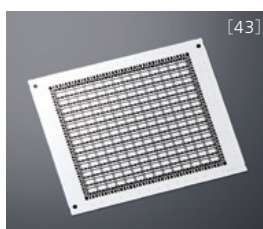
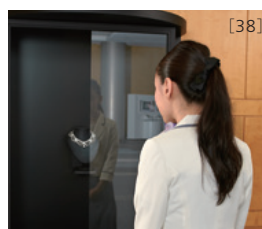
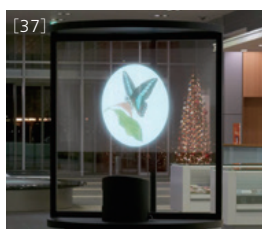
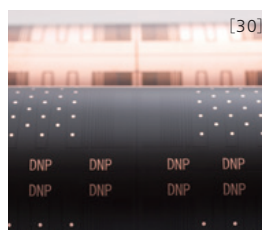
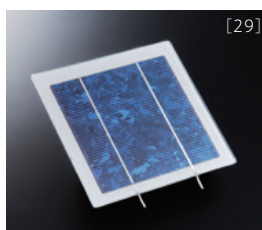
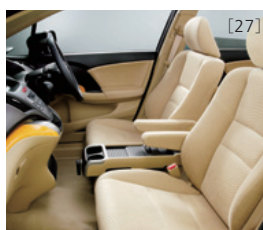
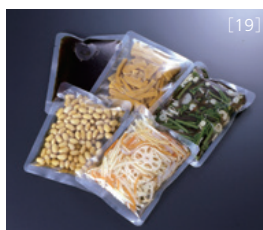
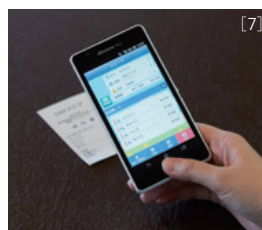
• Electronic Devices

- [39] Semiconductor photomask
- [40] Master template for nano-imprinting
- [41] Hard disk drive suspension
- [42] Lead frame for compact semiconductor packages
- [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

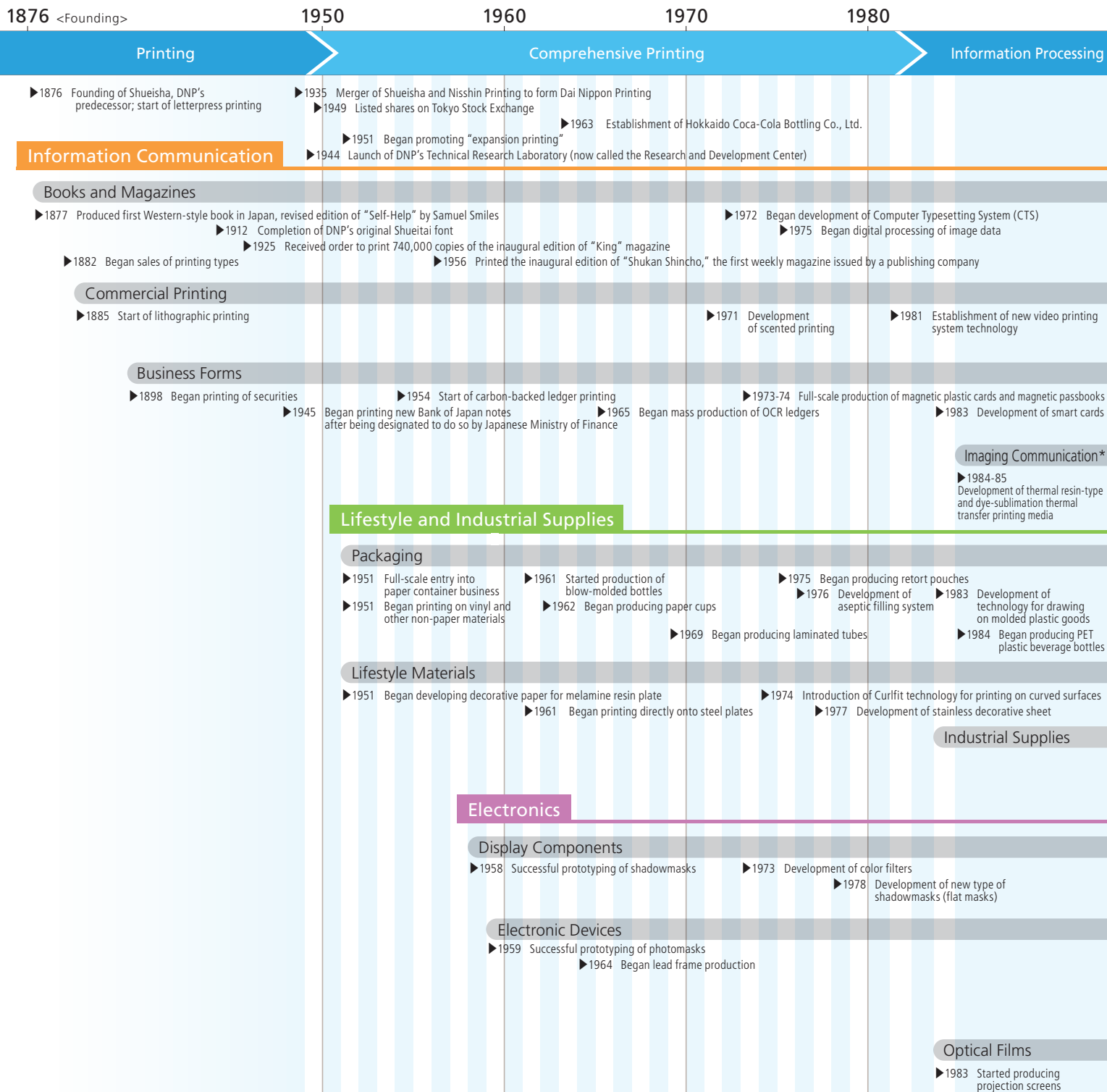


Note: Numbers in square brackets correspond to photographs on pp. 16-17.

*Effective April 2015, Imaging Communication was transferred into the Information Communication segment from the Lifestyle and Industrial Supplies segment.



Evolution of DNP's Businesses



1990

2000

2010

2015

Information Communication

P&I Solutions

"Today's Innovation is Tomorrow's Basic"

— Growth Strategies —

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

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

►1985 Development of world's first electronic dictionary on CD-ROM

►1992 Development of Shueitai True Type font

►1997 Start of online publishing business

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

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

►1989 Construction of global network system

►2001 Began Orikomio! e-flyer service

►1995 Began Internet service "Media Galaxy"

►1997 Began e-commerce service

►2008 Launch of digital signage project

►1993 Production of contactless smart cards

►2004 Began Card Data Management Service (CDMS)

►1999 Launch of IC tag project

►2005 Establishment of "SSFC" office security consortium

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

►1992 Development of preform method for PET plastic bottles

►2007 Development of packaging for Japanese-style space food

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

►1996 Began producing sheet with EB coating

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

►2003 Development of photovoltaic module components

►2005 Development of fuel cell components

►2007 Development of printed organic photovoltaic cells

►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

►2011 Development of the world's thinnest (0.28mm) printed board

►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

- Hybrid publishing solutions
- Hybrid bookstore network "honto"
- Businesses that make use of big data
- Settlement-linked marketing
- Promotion of BPO business
- Expansion of total security solutions
- Expansion of the imaging market

★ Effective April 2015, Imaging Communication was transferred into the Information Communication segment from the Lifestyle and Industrial Supplies segment.

- 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: use basic technologies to expand into new markets

- Promote research and development aimed at business creation

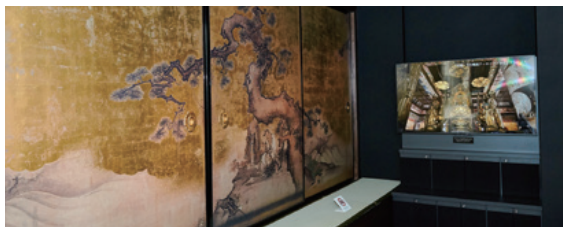
Major Events of this Fiscal Year



October 2014

Opening of new cultural activities venues in Uzumasa, Kyoto Prefecture

DNP has opened the "Kyoto ddd Gallery" and "DNP Kyoto Uzumasa Cultural Heritage Gallery" as venues for original DNP cultural activities. DNP opened the ddd Gallery in Osaka in 1991 as a gallery that specialized in displaying graphic design, which is closely related to printing. Now the gallery has moved to Kyoto and undergone a major renewal. The DNP Kyoto Uzumasa Cultural Heritage Gallery introduces the aims and results of the Louvre-DNP Museum Lab, a joint project of DNP and the Louvre art museum, and of the Kyoto Cultural Heritage Archive Project, which has built a high-definition digital archive of 17 shrines, temples and castles that have been registered as UNESCO world heritage sites, including Kamigamo Shrine and Kiyomizu-dera in Kyoto.



A "Denshoubi" high-definition digital image (right) and high-precision replica of a cultural heritage piece (left)

Dec.

December 2014

Acquisition of leading U.S. photo booth maker Foto Fantasy

DNP Imagingcomm America Corporation (a U.S. subsidiary of DNP) acquired Foto Fantasy, Inc., one of the largest players in the U.S. market for self-service, automated photo print systems (photo booths). DNP plans to blend its own strengths in high-quality photo printing technologies and dye-sublimation thermal transfer printing media with Foto Fantasy's expertise in making and operating photo booths, and further build on those synergistic effects in order to expand its "fun photo" business. For example, DNP will enable consumers to combine the

photos they take at a photo booth with digital characters and other features made available on-site.



Self-service photo booth

Apr.

April 2015

New joint venture with Kinokuniya: Publishing Marketing Innovation Japan Co., Ltd.

DNP and Kinokuniya Company Ltd. have established a joint venture aimed at stimulating the publications distribution market and creating new business models. The new company will engage in market surveys and other research, devise market stimulation measures, and propose new business models. The two companies already operate businesses that link physical bookstores with online book sales. By sharing their expertise in this field, they will work to resolve problems affecting the overall publications distribution market.



Kinokuniya President Masashi Takai (left) and DNP Managing Director Motoharu Kitajima (right) announcing joint venture

Investor Information

(as of March 31, 2015)

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):

39,451

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):

25,208

Stock Exchange Listing:

Tokyo Stock Exchange

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	43,540	6.76
The Dai-ichi Life Insurance Co., Ltd.	30,882	4.79
Japan Trustee Services Bank, Ltd. (Trust A/C)	29,752	4.62
Mizuho Bank, Ltd.	18,413	2.86
Employees' Shareholding Association	15,924	2.47
Nippon Life Insurance Company	9,471	1.47
The Bank of New York Mellon SA/NV 10	8,023	1.25
State Street Bank And Trust Company 505225	7,655	1.19
The Bank of New York Mellon as Depositary Bank for Depositary Receipts Holders	7,304	1.13
State Street Bank West Client - Treaty 505234	6,767	1.05

Notes: 1. The number of treasury shares (56,100,380) is excluded from the figures above.
2. The ownership stakes are based on the total number of shares outstanding less treasury shares (644,380,313).

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:

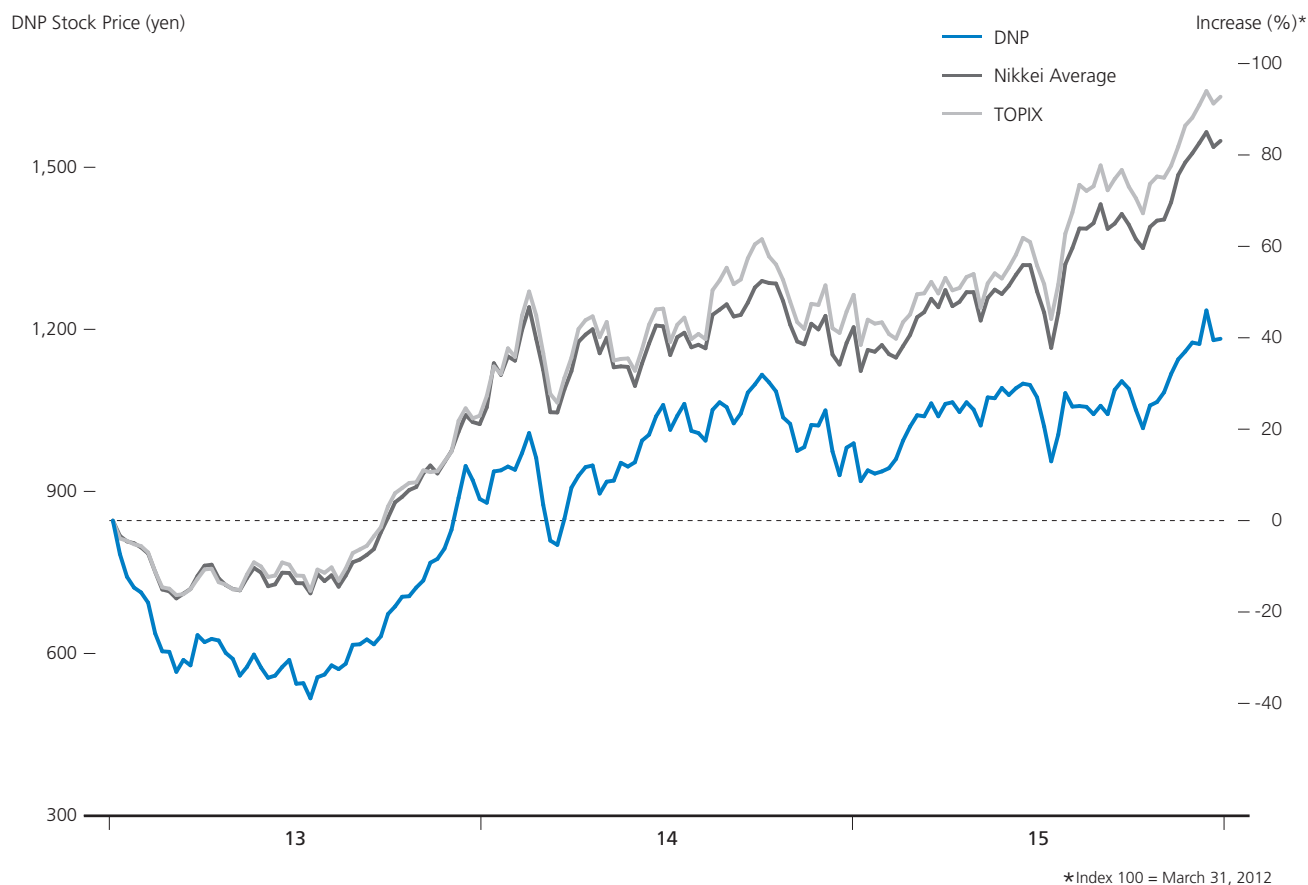
Dai Nippon Printing Co., Ltd.
Corporate Communication Division
IR Group, Press and Public Relations
1-1, Ichigaya-Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan
Tel: +81-3-6735-0101
Fax: +81-3-5225-8239

Web Site:

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

Share Price Evolution (Tokyo Stock Exchange)

(between April 1, 2012 and March 31, 2015)



Voting Rights

(as of March 31, 2015)

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	56,100,000	—
(treasury stocks, etc.) (Mutually held stocks)	Common stocks	1,085,000	—
Stocks with voting rights (other)	Common stocks	641,299,000	641,298
Stocks with less than trading units	Common stocks	1,996,693	—
Outstanding shares		700,480,693	—
Total voting rights of stockholders		—	641,298

Treasury Stocks

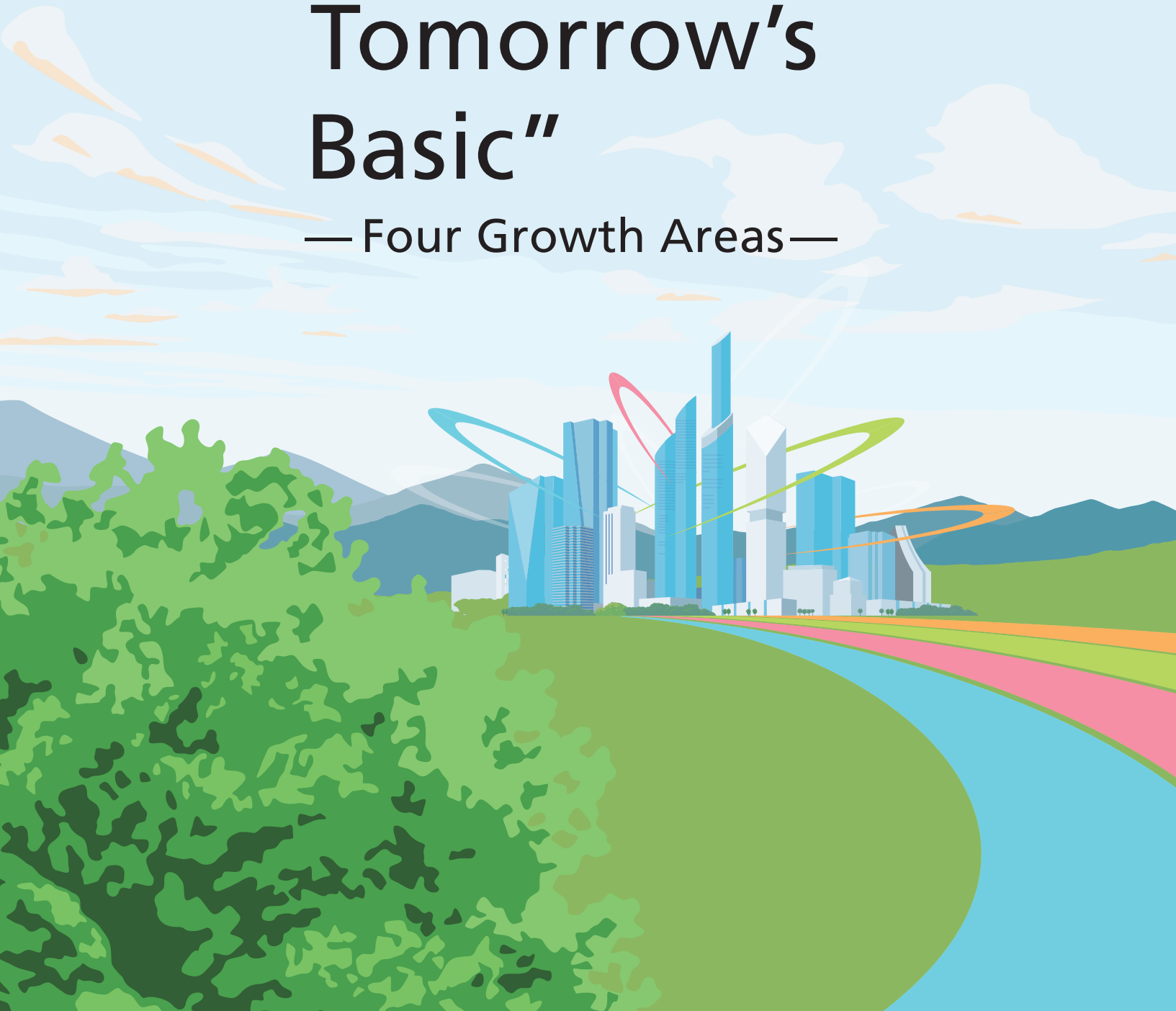
(as of March 31, 2015)


Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	56,100,000	8.01
Kyoiku Shuppan Co., Ltd.	1,085,000	0.15
Total	57,185,000	8.16

Special Feature:

"Today's Innovation is Tomorrow's Basic"

— Four Growth Areas —





DNP's goal today is to create "Tomorrow's Basic." When we talk about creating "Tomorrow's Basic," we mean developing products and services that solve challenges for corporate clients, consumers and society whereby the solutions become such an intimate part of our lives that we can't imagine living without them. Our approach to this endeavor is not to wonder what kind of future will happen upon us, but rather to envision the kind of future we want to create. We must identify issues that need to be resolved in order to build the future we want, and DNP must continue to play a central role in the challenging work of resolving those issues along with our many partners.

For example, given that we are already becoming an "ultra-aging," advanced information society, we need to create a sustainable society in which people accept each other's differences. If we could draw close to people who live in the kind of society we want, we would hear them saying, "We want to deepen communication while protecting our valuable information," "We want to continue eating foods whose safety and quality we can rely on," "We want to impose less of a burden on the environment," "We want to cultivate the next generation by enhancing education and passing on knowledge," "We want to live healthy lives amid advancing and more widely available medical care," and "We want to live comfortably in safe living spaces." These are the kinds of things we mean by "Tomorrow's Basics."

At DNP, we want to combine our own strengths with those of our partners and offer effective solutions even before people become aware of desires like these. Recently we established four growth areas in which we intend to offer "Tomorrow's Basic" value: knowledge and communication, food and healthcare, environment and energy, and lifestyle and mobility. In addition to creating new businesses in these fields, we will also work on improving asset efficiency, capital efficiency, and effective use of all management resources. Three years from now, in the fiscal term through March 2018, we plan to boost our return on equity ratio (ROE) to 5.0% and operating income to 80.0 billion yen.

By continuing to create value that every consumer feels is so "basic" that he or she cannot live without it, we aim to contribute to the society of the future as we grow as a company.

CONTENTS

- 26 Knowledge and Communication
- 28 Food and Healthcare
- 30 Environment and Energy
- 32 Lifestyle and Mobility

Growth Area

Knowledge and Communication

DNP is moving forward with projects aimed at fostering culture and enhancing people's lives through lively, safe and reliable communication in the context of an advanced information society. Rather than simply producing information media and content, we also create frameworks for the interactive exchange of information and provide consumers with the information they want, when they want it, in the optimal format for them.

Some of the ways that we do this include promoting DNP's "honto" hybrid bookstore network, which broadens consumers' experience of reading paper and electronic books; developing our educational ICT service, which uses digital textbooks as well as other teaching materials to strengthen ties between teachers and students; stimulating multilingual communication as more people travel outside of their own country or region; and by enhancing services that support the secure exchange of personal information, settlement information, and other sensitive information. DNP expands its businesses by broadening pleasant communication between people and by addressing a variety of themes that cultivate knowledge.

Major themes connected to markets in which DNP can make the most of its strengths



Settlement-linked services in a cashless society

Compared to Europe and North America, cash settlement is more commonly used in Japan. In preparation for hosting the 2020 Olympic and Paralympic games in Tokyo, one of the growth strategies endorsed by the Japanese government is to improve the convenience and efficiency of transaction settlements by promoting cashless payment. We expect to see increasingly rapid development of Japan's settlement infrastructure so that visitors from abroad will be able to make cashless purchases.

DNP views this movement as an opportunity, and we are taking advantage of it to promote our cashless solutions, for example by enhancing related infrastructure. By making the most of the strengths that enable us to maintain the top share of the Japanese smart card business, we will continue to support the use of "omni-channels" that allow consumers to purchase products through diverse sales channels including physical stores and online shopping, the introduction of prepaid cards that are expected to be used by a broad sector of the population, and debit cards being promoted by regional banks in order to stimulate local economies.

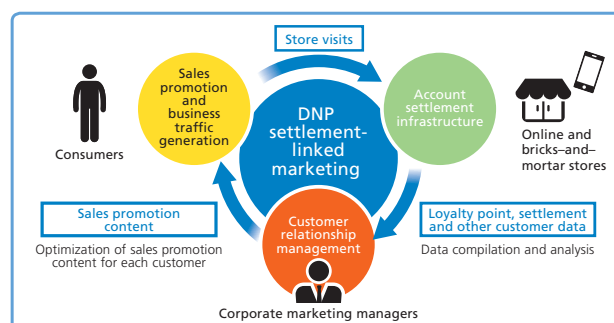
In the fall of 2015, we plan to launch a settlement-related marketing business that will organically tie together settlement, sales promotions, business traffic generation and customer relationship management. We will combine and analyze data from credit card, prepaid card or other settlement services with all types of purchasing data and other customer information, and offer services like planning sales promotions tailored to individual customers and guiding customers to physical stores.

DNP will also focus on handling international brand prepaid cards that can be used with payment terminals that accept VISA,

MasterCard, JCB and other international brand credit cards. For example, DNP provides a variety of solutions that support KDDI's "au WALLET" international brand prepaid card. Within two months of the card's launch in May 2014, more than three million applications were received.

We are considering using historical data accumulated through these types of settlement services as a basis for analyzing consumers' purchasing habits and providing card-linked offer (CLO) services that assist clients in making offers that are appropriate for specific card members and optimally timed. By linking settlement data with data from members stores' cash registers (sales receipt details), we can even make offers related to specific products, allowing us to develop a range of marketing measures.

Furthermore, we propose and provide comprehensive support for all types of sales promotions. For example, in addition to directing business traffic to physical stores and e-commerce websites, it will design stores, websites, and POP promotions to encourage customers to actually buy products.



Growth Area

Food and Healthcare

Population dynamics are changing dramatically all over the world, and Japan is already becoming an “ultra-aging society.” DNP is responding first of all by taking on the development of products and services that support safe and high-quality lifestyles and lifelong health maintenance. Going forward, we foresee demand for resolving similar types of challenges on a global scale. We will work to expand our businesses as we respond to that demand while paying careful attention to the needs of each country and region.

For example, we support people’s food supply and health by providing safe, hygienic packages for foods and beverages, household items and pharmaceutical products. We are actively developing advanced products, image processing systems, and other endeavors that make use of printing and information technologies in new fields such as regenerative medicine and other areas of life science, and agriculture.



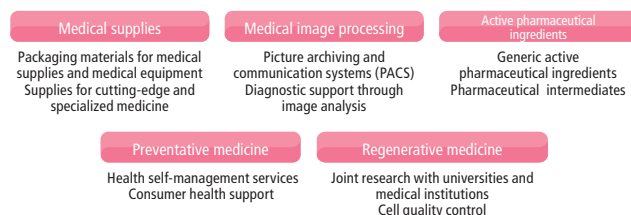
Major themes connected to markets in which DNP can make the most of its strengths



Developing life science businesses

DNP aims to develop full-fledged businesses related to life science by grasping the requirements of cutting-edge medical research institutes and companies and building cooperative relationships. By combining biotechnologies and other new technologies with proprietary core technologies that DNP has cultivated through our printing business, we aim to help improve people’s quality of life by developing five new life science-related businesses.

■ The five life science businesses that DNP is developing

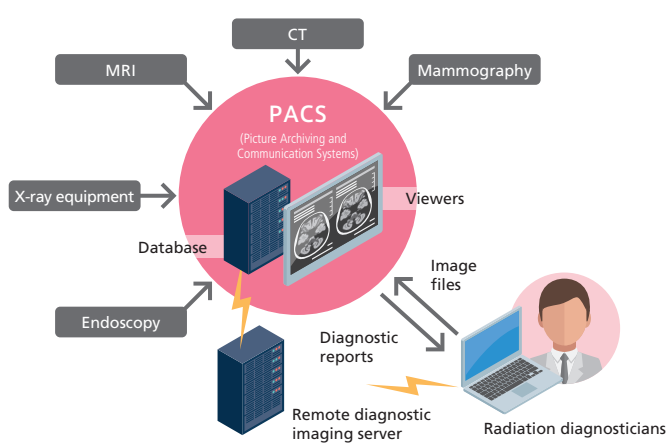


In the regenerative medicine field, there is demand for specialized Petri dishes that make it possible to cultivate cells uniformly or in specific patterns, and to peel off the cultivated cells in sheets. Tokyo Women’s Medical University had developed cell sheets that showed promise for stimulating regeneration when applied to the surface of an injured cornea, esophagus, periodontal membrane or heart muscle, etc. However, it was difficult to maintain their sheet form when peeling the sheets off of the dishes in which they were cultivated. While participating in a university-led project, DNP found a way to use microfabrication and other techniques that it had cultivated through its printing business to treat the surface of the Petri dishes in such a way that they meet the needs of university hospitals and other research facilities. Regenerative medicine is

currently moving from the research phase toward commercialization. In addition to providing medical supplies, DNP uses information technologies like color management and 3D image processing to establish cell cultivation processes that do not depend on the human eye.

In recent years, there has been growing awareness in Japan of the idea of a “healthy lifespan,” referring to the length of time that a person can live independently and enjoy good health. Since preventative medicine is important for extending healthy lifespans, DNP has teamed up with university hospitals and businesses to commercialize mechanisms that support health self-management, and to develop other related businesses.

Regarding medical image processing, we formed an operational tie up with PSP Corporation, a major developer of picture archiving and communication systems (PACS). PACS performs uniform management of all of the digital images recorded in a hospital, whether by x-ray, CT, MRI or other equipment, and makes the images available to all of the hospital’s departments. To date, technologies that DNP has developed by using the image processing technologies that are among its strong suits include an original tablet PC that excels at reproducing natural colors, a fish-eye monitoring camera that self-corrects image distortion, and image analysis technology that can help determine the cause of pathologies by analyzing MRI images of eye globes. We plan to further develop these technologies and add to PACS an image analysis support function that facilitates diagnosis of breast cancer and other conditions. In addition, DNP and PSP are jointly promoting a service that will link local hospitals and clinics to a computer network in order to allow specialized physicians to perform remote diagnostic imaging.



Printing expands into agriculture

DNP branched out into the packaging business the early 1950s. Among the products that we have developed since then are universal design-based packages that are easy for anyone to use, packages made of functional films that block the passage of oxygen and moisture, and eco-friendly packages made of plant-derived materials.

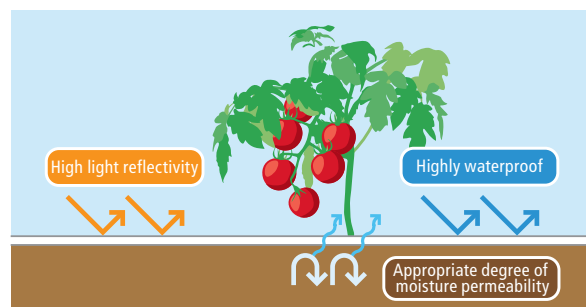
In 2015, we applied technologies and expertise that we gained through our packaging business to develop “DNP Agri Film (reflective, moisture preserving film)” for fruit and vegetable cultivation. In order to increase crop yields, boost sugar content, and otherwise improve results, farmers have come to use a variety of agricultural films that prevent weed growth, hold down soil temperature and reflect light. DNP Agri Film is highly reflective—it

can reflect 95% of visible light. The film helps make up for insufficient light in open culture, greenhouses and vegetable factories, thereby efficiently promoting photosynthesis. The film is durable enough to be used for a long time. In addition to keeping soil from heating up by insulating against light-generated heat, due to its appropriate moisture retention qualities the film not only preserves the moisture level needed for crop growth but can also prevent evaporation of sprayed fertilizers.

In experimental cultivation of tomatoes in 2014, tomatoes grown with the new DNP film produced about twice as much fruit as vines grown with conventional films.

DNP plans to actively expand into the agricultural sector in Japan and overseas. One product that it intends to add to its lineup is a highly water-permeable, soil-resistant version called “DNP Agri Film (reflective, moisture preserving film), water-permeable,” which can be used on pathways between crops to prevent puddle formation.

■ Characteristics of DNP Agri Film (reflective, moisture preserving film)





Knowledge and
Communication



Food and
Healthcare



Environment and
Energy



Lifestyle and
Mobility

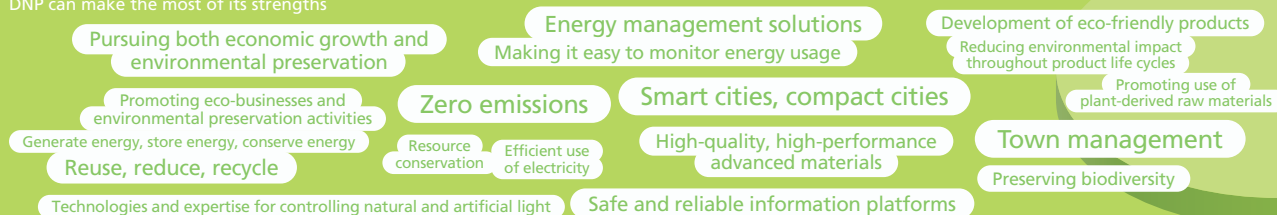
Growth Area

Environment and Energy

Does it seem to you that the economic growth of past years has destroyed much of our natural world and has negatively affected the Earth's environment in many ways? At DNP, we believe it is essential to pursue both economic growth and environmental preservation at the same time. Toward that end, we are working to realize a society that minimizes the burdens that it places on the environment.

DNP works in many ways to coexist with the Earth's natural environment and to preserve biodiversity. For example, rather than simply reducing power consumption, we work to generate, store and conserve energy, to participate in efforts to create smart cities that conserve resources partly through effective use of electric power, and to help create "compact cities." We develop products that place less burden on the environment throughout their life cycle, from raw material procurement and manufacturing through use, disposal and recycling. We provide films that take in and/or control light in order to make the most effective use of natural light.

Major themes connected to markets in which
DNP can make the most of its strengths



Developing businesses that support generation, storage, and conservation of energy

To support energy generation, DNP has developed components that increase the conversion efficiency of photovoltaic cells. For energy storage, we developed soft packs for lithium-ion rechargeable batteries, among other products. Compared to the metal cases that were commonly used before DNP developed its soft packs, our soft packs are easier to form into a desired shape and size, and help reduce product weight and cost. DNP has captured a large share of the market for these products.

We have also worked hard to develop products that help conserve energy. For example, our light-control window film blocks the heat and light of the sun in summer but lets in an appropriate amount in winter, thereby reducing the amount of energy required for heating and cooling. We also developed digital signage powered by a natural energy system that combines solar power, wind power and storage batteries. This product can be used to transmit information in emergency conditions when the normal power supply has been disrupted.

DNP is also actively developing energy management solutions for overall management of energy generation, storage and conservation. For example, we developed an in-house energy monitoring system that links production equipment operation data and energy consumption data in real time and displays the information on a computer screen. We began using this system in 2009. In addition to displaying the quantities of electric power, cooling water and steam being consumed, the system converts the data so that users can see at a glance energy costs and CO₂ emissions. DNP will continue to use the experience we

have gained from our own company's operations in order to help government bodies, companies involved in smart houses or smart cities and other interested parties to appropriately manage their energy usage.

In addition, in response to a Japanese legal reform that allows new players to enter the electric power market, in August 2014 we began providing marketing and business consulting services to help new power supply companies based on research and analysis of consumer needs.



Energy-efficient digital signage
using natural energy



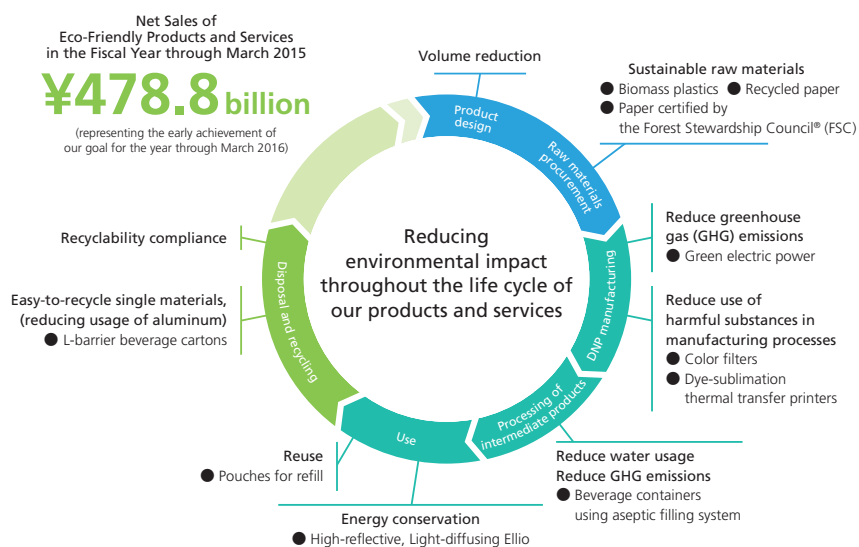
Expanding our line up of eco-friendly products

In addition to working to reduce emissions of CO₂ and volatile organic compounds (VOCs) in our manufacturing processes, we strive to minimize the burden that our products place on the environment throughout their life cycles, including during usage and disposal. In 2000 we established Guidelines for Developing Eco-friendly Products and Services and we have continued to work at protecting biodiversity and making it easy to monitor environmental impact.

One example of our eco-friendly products is “Biomatech PET” plastic film containing plant-derived materials, which we developed in 2012. Since then, we have been working to expand our product lineup by developing products like plant-derived (biomass) aluminum vapor deposition film and paper beverage containers made of paper combined with biomass plastic.

In May 2015, DNP became the first packaging company to develop microwavable packaging made from plant-derived materials. By using plant-derived material in every film layer, we achieved a maximum biomass plastics ratio* of about 60% for the entire container. We succeeded in reducing CO₂ emissions over the product’s entire life cycle by a maximum of about 14% compared to conventional petroleum-derived products.

Going forward, DNP’s policy is to switch to using biomass as the raw material for packaging materials that we supply to



manufacturers of foods, beverages, household items and other products. Overseas manufacturers have also expressed strong interest in packaging materials made from biomass plastics, and we intend to link that interest to expansion of this business in overseas markets.

* Biomass plastic ratio: the percentage (by weight) of biomass-derived content relative to the total weight of biomass plastic contained in a raw material or finished product.



Knowledge and
Communication



Food and
Healthcare



Environment and
Energy



Lifestyle and
Mobility

Growth Area

Lifestyle and Mobility

As consumers' values become increasingly diverse, we are seeing demand for a high degree of comfort in spaces shared with family and friends, in workplaces and public spaces, in personal spaces and elsewhere. At DNP, we believe it is important to be able to provide optimal responses to these demands so that everyone can always be comfortable everywhere.

DNP views homes, offices, medical and nursing care facilities, automobiles, railroad passenger cars and anywhere else where people spend time as "living spaces" for which we develop and provide many types of products and services. In our daily lives, we enter and leave these spaces and exchange various types of information. We are promoting business activities aimed at achieving a "smart society" in which various types of lifestyle infrastructure are managed so as to promote safety and reliability. We expect to see increasing use of portable information terminals and wearable devices, and further development of machine to machine (M2M) communication based on the use of an assortment of sensors as well as further development of the "Internet of things (IoT)."



Major themes connected to markets in which DNP can make the most of its strengths

Making all living spaces comfortable and pleasant

Pleasant spaces for families, friends, and private time

Barrier-free, accessible to elderly, etc.

Universal design makes products and services easy to understand and to use

High-quality, high-performance advanced materials

Advanced lifestyle materials and detailed solutions

Comfort in automobiles, railroad cars and other moving spaces

"Functional value" mainly from EB technology; "emotional value" mainly from aesthetic design

Safe and reliable information platforms

Convenient and safe information equipment and networks

Sensor-based machine-to-machine communication; smart sensing

"Internet of things (IoT)" connecting everything to the Internet

Actualization of smart society

Information services that can be used anytime, anywhere

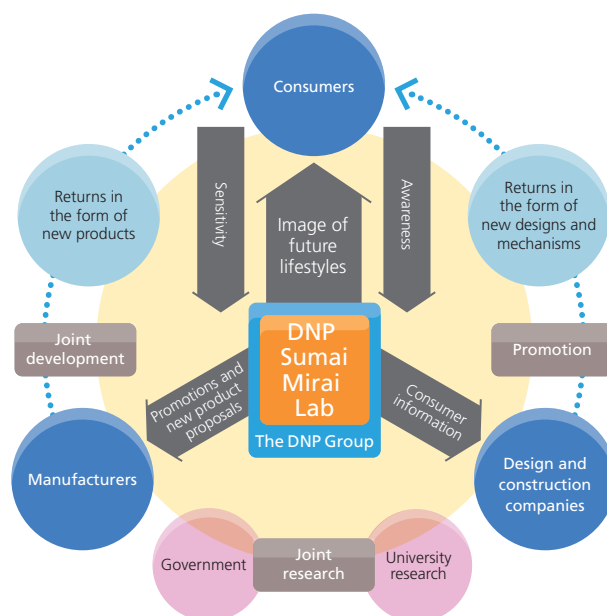
Thinking about the future of homes

In the course of our daily lives, we place ourselves in multiple spaces. In our living room and in our own bedroom, in vehicles on the way to work or school, public spaces like workplaces and schools, places to relax like shopping malls and tourist attractions... By making these spaces comfortable and pleasant, and by organically linking them with consumers' movements, they become more convenient and gain added value.

Looking first at the homes we live in, in addition to homes becoming outdated, in modern Japan family structures and lifestyles are changing so that in the future we expect the home renovation market to grow faster than the new home construction market. Given this situation, DNP is focusing on using its special proprietary electron beam (EB) technology to develop interior and exterior materials that have outstanding durability and functionality as well as pleasant designs and aesthetic appeal. Based on consideration for the consumer's standpoint, rather than just developing products, DNP offers total solutions encompassing everything from the development of pleasant materials to space design, consulting, and construction method development.

In October 2014, we reinforced these activities by opening the DNP Sumai Mirai Lab. The lab uses databases and other tools that compile information about changes in consumers'

values and preferences and analyzes them from DNP's unique standpoint. We then work with manufacturers, designers, construction companies and other partners to promote the development of the kind of products and services that will be needed in the homes of the future.





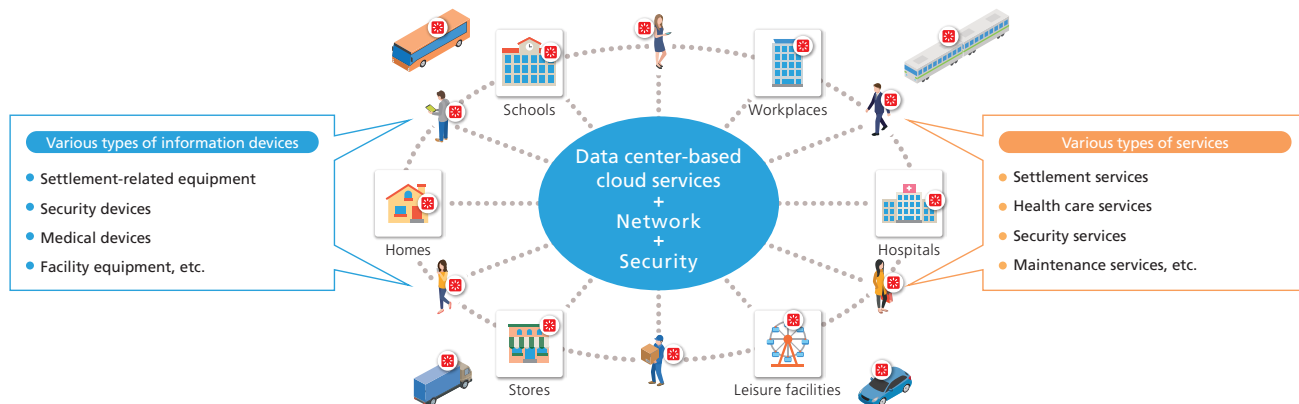
Actualizing a smart society that comfortably connects all kinds of spaces

As people share information both at home and outside the home, they increasingly want to receive individually tailored services that they expect to be available any time, anywhere. In order to link a variety of spaces and increase the added value of its services, DNP uses its data center as a basis for advanced information security and provides products like smart tag-based automatic authentication and wireless technology-based biosensors as well as security modules that safely and reliably connect “smart sensing” devices which measure and share a variety of types of data.

We are also working on a big data service that compiles data acquired from smart sensors and other devices, combines it with consumer information and other information and analyzes it to generate new value. By taking advantage of the strengths that

have allowed us to secure the largest share of the Japanese smart card market, information security-related technologies and expertise, and the comprehensive business framework that enables us to offer a full range of services, we will continue to succeed in transmitting and processing huge amounts of information in real time. In partnership with Nihon Unisys, Ltd. and IBM Japan, Ltd., we will also develop marketing support services that make use of the customer information that businesses hold as well as other forms of big data.

In recent years, amid progress in machine to machine (M2M) communication and the “Internet of things (IoT)” in Japan and overseas, DNP will contribute to the realization of a “smart society” that implements comprehensive management and optimal control of social infrastructure including electric power, gas and water supply, and transportation and medical care.



Segment Information

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Information Communication



Top right: Photo books
Above, from left: E-book reader, Maruzen's main store in Tokyo's Marunouchi district,
Opening an account using DNP's smartphone app

Business Strategies

As information becomes increasingly digitized and networked, and information media become increasingly diverse, major changes are occurring in consumers' values and lifestyles. Against this backdrop, DNP makes use of its strengths in printing and information technologies to develop a wide range of businesses that "deliver the information that consumers want, at the time they want it and in the media format they want."

In addition to its existing businesses—books and magazines, commercial printing, business forms, and education and publications distribution—as of April 2015 the Information Communication segment also includes the Imaging Communication business that was transferred from DNP's Lifestyle and Industrial Supplies segment. The Imaging Communication unit addresses the entire "imaging market" as its business field. Information Communication will work more closely with Imaging Communication and combine text, images, video, audio and other content with various forms of information media in order to develop and provide services that lead to more dynamic communication for consumers and businesses.

DNP will continue to offer products and services that solve problems in today's advanced information society, including marketing consulting, the "honto" hybrid bookstore network and publishing solutions that handle both paper and electronic media, electronic flyers, smartphone applications, e-commerce websites, and shopping support services. DNP is also one of the largest manufacturers/issuers of smart cards in Japan. In December 2013, DNP began operating its Kashiwa Data Center as a base from which to provide advanced information security. In addition to utilizing its various strengths to offer total security solutions that allow consumers and businesses to enjoy safety and reliability in the management of their vital information, DNP will endeavor to expand its Business Process Outsourcing (BPO) operations.

In July 2014, we merged our Commercial Printing and Business Forms organizations, placing their nationwide sales, planning and manufacturing functions under a unified control framework. We aim to increase revenues and capital efficiency by improving customer service, enhancing solutions proposals, and boosting production efficiency, etc.

Main Policies

Expanding “honto” hybrid bookstore network and paper/digital publishing solutions

- Rather than serving solely as a manufacturer of printed materials, provide total support for stimulation of the publications market, for example through marketing and customer service.
- Provide a full range of publishing services including production of paper and electronic books, and print on demand services.
- Promote DNP’s “honto” hybrid bookstore network, which links physical bookstores, online mail-order sales, and an e-book sales website.

Promoting DNP’s business process outsourcing (BPO) business

- Expand BPO operations to provide comprehensive support for corporate clients’ overall business processes.
- Offer a variety of solutions, including market research, analysis of operational problems, business process design, operation of data centers and customer service centers, and production and shipment of sales promotion tools.

Total security solutions that protect information, people, and organizations

- Establish secure 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.

Settlement-linked marketing

- As a leader in the Japanese smart card market since the 1980s, express our strength in smart cards at the global level.
- Expand card-linked offers (CLO: payment history-based sales promotion) and other types of settlement-linked marketing methods based on verification of their effectiveness.

Expanding business that makes use of big data and consumers’ point of view

- Focus on developing communication channels that connect corporations and consumers.
- Expand various types of service businesses targeting the growing number of foreign visitors to Japan and Japanese traveling overseas.
- Develop O2O (Online to Offline) services for encouraging online users (of a mobile application, for example) to go to physical stores and buy merchandise.

Imaging Communication: everything to do with images

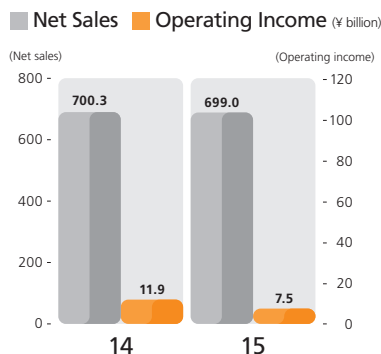
- Reinforce global manufacturing, sales and service systems; expand field of business beyond printing media to include the entire “imaging market.”
- Develop and provide—to photo imaging markets in Japan and overseas—solutions that offer more enjoyment, convenience or other added value.

Financial Results

Financial Highlights

(¥ billion, %)

	2014.3	2015.3
Net sales	¥ 700.3	¥ 699.0
Operating income	11.9	7.5
Operating income margin	1.7%	1.1%



Net sales

Business related to smart cards and settlement services grew nicely. However, due to factors like stagnation in the publications market and decreased demand for flyers, catalogs, and other commercial printed matter, the business environment surrounding the segment remained harsh. Partly because of comparison with the previous year, when we experienced a surge in information processing demand related to the introduction of the Nippon (Japan) Individual Savings Account (NISA) system, net sales declined by 0.2% or 1.35 billion yen from a year earlier.

Operating income

The segment enjoyed increased sales related to electronic money and other smart cards for financial institutions as well as international brand prepaid systems and other settlement services, which helped boost net sales and income. In addition, we worked on cutting costs in manufacturing units, for example by increasing our in-house production rate. However, due to factors like intensified competition pushing down unit prices, higher raw material costs and increased expenses related to development of e-books and other businesses, operating income declined by 4.37 billion yen or 36.7% year on year. The segment's operating income margin decreased by 0.6 percentage point, from 1.7% a year earlier to 1.1%.

Fiscal Term through March 2015: Business Environment and Summary of Financial Results

Books and Magazines

The Japanese publications market has continued to shrink since 1997. In the year through March 2015, an increase in the Japanese consumption tax rate applied further pressure, and demand remained sluggish. Publishing industry sales declined by 3.9% from the previous fiscal year to 1,594.6 billion yen according to Japan's Research Institute for Publications. The number of magazines sold declined while the number of magazines that suspended publication increased, resulting in a 3.9% year-on-year decline in magazine sales to 849.0 billion yen. Amid a dearth of big-selling books, book sales also declined by 3.9%, to 745.5 billion yen. Meanwhile, according to Impress Research Institute, Ltd., Japan's e-book market grew sharply, by 35.3% in the fiscal term through March 2015, to 126.6 billion yen. Combined with electronic magazines, the overall market for electronic publications amounted to 141.1 billion yen.

Although DNP actively developed publishing-related proposals and sales activities, lackluster demand in the publishing market caused sales of both books and magazines to end below the previous-year level.

As the Japanese publishing industry's "No.1 partner," DNP intends to stimulate the publishing market by offering comprehensive support not only as a manufacturer of printed materials but as a provider of publishing-related marketing, sales promotion planning, distribution and sales services.

Commercial Printing

Although Japanese corporate advertising expenses in the fiscal year ended March 2015 grew by 2.3% from the previous year (according to Japan's Ministry of Economy, Trade and Industry), the growth occurred in television and Internet-related advertising, while printed sales promotions declined by 2.3%. Sales were affected by such trends as a decrease in printed flyers and direct mail along with a shift toward online distribution of product catalogs and instruction manuals.

On the other hand, DNP has been increasing collaboration between its Commercial Printing sector and other business units and working to expand new businesses. In addition to teaming up with Packaging operations to develop promotional planning for food manufacturers, we began providing a digital signage-based information distribution service for transportation, tourism and distribution-related businesses. Nevertheless, because of slow sales of flyers, catalogs and other printed matter throughout the fiscal term, overall sales declined year on year.

DNP's Commercial Printing business handles companies' sales promotion, and is developing comprehensive shopping support services based on consumers' standpoint. In addition to information media and content production, we will also handle interactive communication systems and provide value-added services that make use of consumer information.

Business Forms

As part of corporations' efforts to streamline and trim expenses, they are increasingly using their websites to publish various types of notices and to handle applications and inquiries. Because this entails the online exchange of sensitive corporate information and consumers' personal information, ensuring high-level information security has become more important than ever. We are working on leveraging our strengths—including DNP's solid security infrastructure and our track record in manufacturing, issuing and developing software for smart cards—in order to expand our original security solutions businesses.

In the fiscal term ended March 2015, Business Forms saw increased sales of smart cards used by financial institutions and electronic money applications, while settlement services for international brand prepaid systems, etc., also expanded nicely. However, demand for paper products such as ledger books and continuous forms decreased. Sales also declined in Information Processing Services (IPS), which handles personalized mail production, from data input to printing and mailing, partly because of a drop in business related to the Nippon (Japan) Individual Savings Account (NISA) system that was newly introduced in the previous year. Overall Business Forms sales declined relative to a year earlier.

Going forward, we will actively work to win business related to the January 2016 launch of Japan's "My Number" citizen numbering system for tracking social insurance and taxation, including number notifications and card issuance. Since the numbers are also expected to be used for nongovernmental purposes, DNP is gearing up to help clients link them to all kinds of settlement services and medical applications including electronic charts, etc.

Education and Publications

Distribution Business

Primarily through our "honto" hybrid bookstore network that combines physical bookstores with online mail-order sales and e-book sales, DNP strives to provide consumers with "the books they want, when they want them, in the formats they want." In December 2014, we launched the "honto pocket" e-reader, which comes preloaded with one or more e-books. We also introduced the "honto with" smartphone application that has proved very popular among book-loving consumers by enabling them to check which bookstores currently stock a book they want, and even to locate it on the bookstore shelf.

Maruzen CHI Holdings Co., Ltd., a DNP Group company, is doing well in multiple businesses including library support and sales of books to universities and libraries. Overall, Education and Publications Distribution sales increased year on year, thanks in part to increased online mail-order and e-book sales, and to the acquisition of Shufunotomo Co., Ltd. as a consolidated subsidiary.

The publications distribution market is expected to continue to face harsh conditions, but DNP intends to expand its business by enhancing marketing and promotional measures, primarily through our "honto" hybrid bookstore network. We will focus on measures such as reducing expenses, consolidating existing stores and rebuilding outdated ones, and otherwise constructing an efficient distribution network in order to boost profitability.

In all four subsegments, we will make use of DNP's earthquake-resistant, fire-resistant, highly secure Kashiwa Data Center and increase cooperation with partners including Nihon Unisys, Ltd., Intelligent Wave Inc. and the largest Vietnamese card manufacturer MK Smart Joint Stock Company as we develop new businesses.

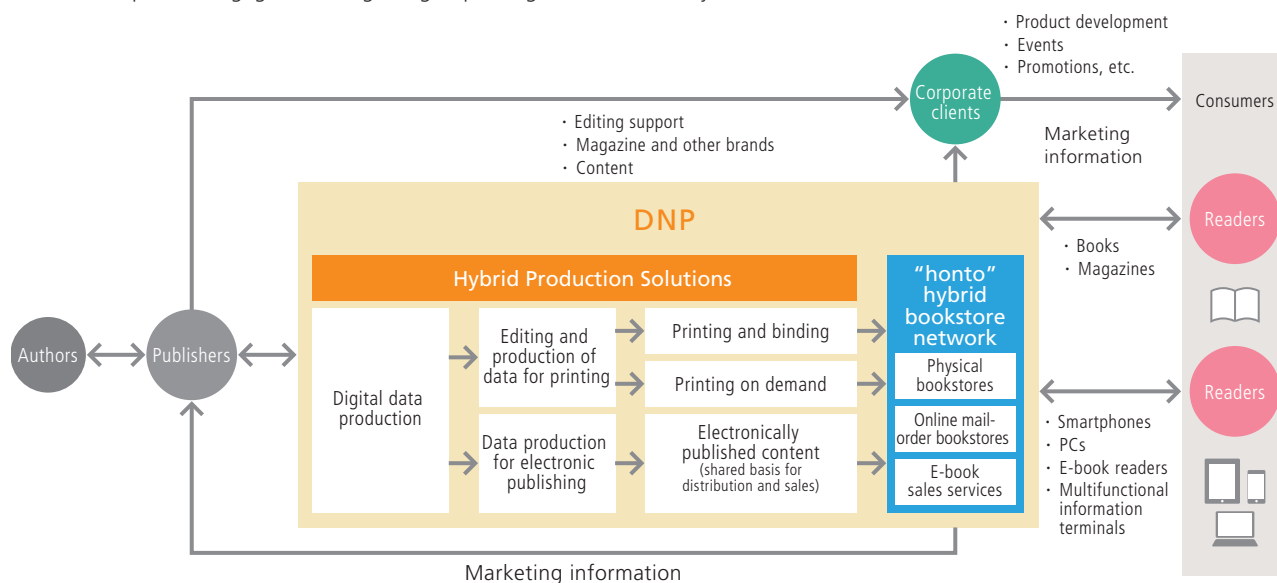
Presentation of Growth Businesses and Strategic Businesses

The Japanese publishing industry's "No.1 partner" for both paper and electronic media

As the Japanese publishing industry's "No.1 partner," DNP does not just manufacture printed materials. Rather, we provide comprehensive support including publishing-related marketing and sales promotion planning, and distribution and sales services. We handle both paper and electronic books, and work to increase added value both through manufacturing-related activities like printing and bookbinding, and through services like content and application development.

DNP was quick to engage in the digitizing of printing

processes. We built an electronic composition system in the early 1970s, which has led to our ability to provide optimal solutions for both paper and electronic publications today. Besides printing large lots, we also offer "print on demand" small-lot printing services. We continue to develop new businesses by increasing cooperation with publishers. For example, we help publishers make long-term use of magazine content by combining diverse information media in a variety of ways.



Expanding hybrid publishing solutions and DNP's "honto" hybrid bookstore network: providing "the books readers want, when they want them, in the formats they want"

In order to provide consumers with "the books they want, when they want them, in the formats they want" even as consumers' reading styles are diversifying, we linked our honto.jp website (which offers both electronic and paper books) with DNP-affiliated physical bookstores (operated by Maruzen Co., Ltd., Junkudo Co., Ltd., and Bunkyo Group Holdings Co., Ltd.) to form the "honto" hybrid bookstore network. Among the benefits that customers receive by belonging to the "honto" network are loyalty points that accumulate whether they buy from a physical bookstore, online mail-order or electronic bookstores, a single customer ID that works throughout the system, a dedicated smartphone application that allows them to check network-wide inventories and even shelf locations of items they want, and recommendations based on purchasing history in all formats.

As of June 2015, "honto" had more than 2.8 million members, and some 150 bookstores were offering loyalty points that can also be used on the honto.jp website. The site offers more than one million paper books and other items by mail order, along with Japan's largest e-book sales service, handling about

450,000 titles in the fields of literature, comics and business.

Through these publications distribution businesses, DNP tracks and analyzes consumer needs and purchasing trends. We provide this highly reliable marketing information to publishers and other businesses in order to help stimulate the publishing market.



The "honto pocket" e-book reader, pre-loaded with e-book content. Nine versions were offered for sale as of June 2015, including "Agatha Christie Complete Collected Works" and "Masterpieces of Mystery: Selected by Ellery Queen."

"honto with" smartphone app helps readers buy books from bricks-and-mortar bookstores



Promoting DNP's Business Process Outsourcing (BPO) services

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. In this way, as a business partner who is aligned with client companies' management strategies in the medium- to long-term, we will continue to support effective and strategic operational reforms aimed at strengthening clients' business structures and helping them achieve expansion of their businesses.

Today, DNP offers more than just manufacturing processes for making products like printed matter. We are highly regarded as a comprehensive business process outsourcing (BPO) provider involved in all kinds of ways in organically linking consumers, companies, and society. Examples include marketing planning based on our own market research and analysis, analysis of operational challenges and design of overall business processes, construction of secure information environments and data center operations, handling of all types of applications and inquiries from consumers, and operation of customer service centers.

In the fiscal year ended March 2015, we took on a series of large-scale, challenging BPO projects. For example, in a project related to applications for group insurance policies, we offered comprehensive support including computerized design of forms used by insurance company sales representatives, printing of personalized applications with customer information filled in, and input of data taken from submitted applications. DNP's comprehensive photography-related services are popular among distribution businesses: we operate a photography studio, process, organize and store photo data according to how it is to be used, and manage projects that make use of various types of information media. Each year we are doing more "full printing outsourcing" whereby when printers owned by banks, insurance companies and other financial institutions are due for replacement, we take over all of the printing operations that they previously handled in-house using their own equipment.

We will continue to expand our BPO business by meeting demand related to public projects such as the introduction of Japan's "My Number" citizen ID numbering system, implementation of economic stimulus measures, and regional development.



Why DNP? 1

Capacity and track record for comprehensive handling of business processes, from generating information to collecting it

Why DNP? 2

Execution of processes using the latest and best information technologies

Why DNP? 3

Nationwide business continuity plan (BCP) framework

Why DNP? 4

A highly secure operating environment for handling sensitive information

Why DNP? 5

High degree of credibility in our ability to hold over many years of business execution

DNP security solutions: protecting information, people and organizations

In recent years, there have been many incidents of information leakage as a result of cyber attacks from outside an organization or criminal acts perpetrated from the inside. In many cases, these incidents occur because of weaknesses in the organization's information security, and there are a variety of measures that should be taken to prevent such incidents. It would be difficult for every company to undertake on its own the introduction and operation of network security equipment, room entry and exit control, document control, PC and server endpoint control, review of various types of logs and operational flow, employee education, and the drafting and promulgation of various in-house regulations, etc.

DNP serves as a one-stop source for information security-related needs, including consulting, identifying corporate clients' vulnerabilities, and providing products and services that address those vulnerabilities. Perpetrators of cyber attacks often gain

entrance to the network of the targeted corporation or public agency by sending to someone inside the organization e-mail that is designed to trick the recipient into opening an attached file containing malware. Because this type of malware is customized for each targeted organization, it usually cannot be detected by off-the-shelf antivirus software. To counter this problem, in May 2015 DNP concluded a sales agency agreement with Palo Alto Networks and began providing its targeted attack protection program, Traps Advanced Endpoint Protection. Once Traps is installed on a computer, it "lies in wait" until it detects one of several particular programming methods used in cyber-attack malware, then forcibly stops the attack program as soon as it starts operating.

DNP combines the latest solutions to help businesses and other organizations bolster their information security functions.

Examples of DNP's Comprehensive Security Solutions for Businesses and Other Organizations

Physical security	Endpoint security	Cyber security	Mobile security
Entry/exit control	Malware detection	Malware detection	Malware detection
Surveillance cameras	PC operation control and monitoring	Illicit money transfers and phishing countermeasures	Illicit money transfers and phishing countermeasures
Vehicle gates	IT asset control	Website and network vulnerability diagnosis	Application tampering prevention
Document control	Personal information detection	Web tampering detection	Application tampering detection
Secure printing	Authentication reinforcement	Damage control following information leakage	Application vulnerability diagnosis
Control of keys and valuables	Prevention of erroneous mail transmission	Targeted attack mail-handling drills	Remote control and monitoring of terminals
Other			
Information security consulting	Information security education	Various types of security authorization acquisition support	Zoning and consulting
			Emergency shelter systems

Overseas security businesses based on holograms and other anti-counterfeiting technologies

In June 2015, DNP agreed on a security solutions business tie-up with De La Rue Plc., one of the world's top secure printing companies and a leader in many security-related fields. Based in Britain, De La Rue is the world's number one manufacturer of paper currency. The firm's global businesses include secure printing of passports, driver licenses and other official documents, and provision of paper money numbering equipment and ATM machines, etc.

Amid demand for more sophisticated information security to keep pace with progress in telecommunications technology, the two companies aim to generate new solutions and lead the global security business by combining DNP's advanced anti-counterfeiting technologies with De La Rue's secure printing

technologies. As a first step, DNP will provide its Lippmann holograms, embossed holograms and other security products to De La Rue in order to participate in overseas security markets.



De La Rue CEO Martin Sutherland (left) and DNP Managing Director Sakae Hikita (right)

Expanding our imaging solutions business, starting with manufacturing and sales of printing media

In the 1980s, DNP developed two types of printing media—dye-sublimation and thermal resin—by applying the coating technologies that it had cultivated through its printing business. Today, we make use of our global manufacturing and sales frameworks to expand sales of dye-sublimation media, which is used in photo and card printers that produce high resolution, full-color images, and of thermal resin media used for printing barcodes.

Due to increasing use of smartphones, consumers have far more opportunities to take photographs, and photo-related demand is becoming more diverse. In response, we have broadened our business to address all aspects of the “imaging

market,” from taking photographs and processing and printing photo data, to using images to stimulate communication between consumers and between consumers and companies. Based on the idea of “building a future that links people to the world through imaging,” we will increase collaboration with other DNP business units and with outside partners in order to develop new IT solutions in addition to developing and manufacturing conventional printing media and developing printing systems and software. The end goal is to provide convenient products and high-added value services that consumers can enjoy.

Reinforcing global deployment of printing systems

Our subsidiary DNP Photo Imaging Japan Co., Ltd. operates about 3,000 PrintRush self-service printing systems with built-in dye-sublimation type printers as well as about 7,000 Ki-Re-i ID photo kiosks throughout Japan. These systems are highly regarded by consumers, mainly because they are easy to use and deliver high-quality images. Both systems are among the top players in their respective markets in Japan. In addition to responding to consumers’ needs, we develop and provide products and services that arouse new demand. For example, we made it possible to use PrintRush to print photos taken with a smartphone, and we developed a feature that allows ID photos taken using our Ki-Re-i system to be sent to and saved on a smartphone.

In December 2014, DNP Imagingcomm America Corporation (a U.S. subsidiary of DNP) acquired Foto Fantasy, Inc., which operates self-service, automated photo print systems (photo booths) mainly in North America, and is one of the largest players in the U.S. market. Foto Fantasy’s booths, found in shopping malls, zoos, and amusement facilities, etc., allow users to purchase “fun photo” prints that synthesize images recorded in the booth with characters, logos, and other images tailored to each booth’s location. DNP intends to expand this business worldwide.



PrintRush self-service photo printing system



Ki-Re-i ID photo kiosk



Foto Fantasy, Inc. self-service photo booth

DNP leads the growing market for photo books

DNP’s DreamPages service enables customers to casually create a personalized photo book or album by using DNP’s website or a free, dedicated application. After arranging photographs on each page and inserting comments, users can print out a high-quality original photo book from our six-color digital printer. In order to create new demand, we will continue to expand our lineup of products like these.



A photo book made with “DreamPages”

Lifestyle and Industrial Supplies



Top right: Photovoltaic panels
Above, from left: Interior materials for hospital use, Biomass plastic packaging

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. DNP's Packaging business creates many of the packages that consumers pick up and use, including packaging for foods and beverages and for pharmaceutical products. Lifestyle Materials is involved in a wide variety of products that form the spaces in which consumers live, such as floor and wall coverings, residential exterior products, and automotive interior products. Products provided by Industrial Supplies include components used in photovoltaic cells and lithium-ion rechargeable 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 of universal design principles that make products and services easy to use for most consumers. In our development and production activities, we must consider energy conservation and cleaner energy sources, minimize stress on the environment caused by the use and disposal of our products, and work to preserve biodiversity. Our strategy for the Lifestyle and Industrial Supplies segment is to anticipate the diverse needs of businesses and consumers in Japan and overseas and develop a large number of products and services that enrich people's lives while fulfilling all of the above conditions.

DNP has identified four growth areas that present themes for the development of new businesses across our existing business unit boundaries: knowledge and communication; food and healthcare; environment and energy; lifestyle and mobility. Naturally we will encourage in-house cooperation to make the most of the technologies and expertise that our segment has cultivated. In addition, we will work to speed business creation by actively collaborating with research institutes and companies that have particular strengths.

In April 2015, our Imaging Communication business, which handles materials used in photo printing, was transferred to DNP's Information Communication segment. The segment provides many consumer services that make use of information technologies. Going forward, we intend to continue our course of developing high-added value services that meet consumers' needs in areas such as photo printing and photo album creation.

Main Policies

Packaging

- **Develop eco-friendly, advanced products worldwide**
 - Reduce the burden that our products place on the environment; actively develop products that are both eco-friendly and biodiversity-friendly.
 - Enhance lineup of advanced products with outstanding functionality including preservation of package contents.
 - Transparent films that are exceptionally impermeable to oxygen and water vapor
 - Packaging made from plant-derived materials or other recyclable resources, etc.
 - Make use of overseas production bases to promote global packaging business.
 - Analyze consumers' packaging usage patterns and awareness of packaging-related issues.
 - Develop packages that are easy for anyone to use, in accordance with universal design principles.

Lifestyle Materials

- **Provide solutions for the spaces in which people live their lives**
 - Enhance lineup of 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: examples include living environment assessment, living space design, proposals based on special considerations such as Kansei (affective) engineering, 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 diffusing light
 - Expand market share in Europe, the Americas and emerging countries by making use of DNP's global business networks.

Industrial Supplies

- **Reduce energy consumption by providing diverse products**

Advanced Materials

- Supply customers in Japan and overseas with advanced products that solve environment and energy-related problems by making use of DNP's original converting (materials processing) technologies.
- Photovoltaic cells: Reduce costs and increase functionality of back sheets and encapsulants; develop new products that help improve the conversion efficiency and reliability of photovoltaic cells.
- "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, including products that maintain comfortable light and heat levels, and advanced barrier films for medical or agricultural applications.

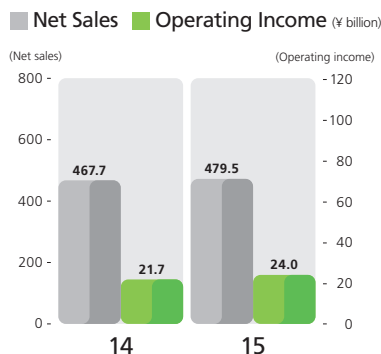
★ In April 2015, DNP's Imaging Communication business was transferred from Lifestyle and Industrial Supplies to Information Communication. Main policies for Imaging Communication can be found on page 37.

Financial Results

Financial Highlights

(¥ billion, %)

	2014.3	2015.3
Net sales	¥ 467.7	¥ 479.5
Operating income	21.7	24.0
Operating income margin	4.6%	5.0%



Net sales

Sales of floor and wall coverings and other Lifestyle Materials declined due to an increase in the Japanese consumption tax. However, sales of aseptic PET plastic bottle filling systems and film packaging products increased, and sales of dye-sublimation thermal transfer printing media were solid, so overall segment sales grew by 11.78 billion yen, or 2.5%.

Operating income

Operating income was affected by higher prices for films, resins, and other raw materials as well as by increased competition which drove down unit prices. Nevertheless, thanks to other factors such as increased net sales and photo printing materials exports (which were helped by the cheaper yen), operating income grew by 10.5% or 2.27 billion yen. The operating income margin increased 0.4 percentage point from the previous year's 4.6%, to 5.0%.

★ In April 2014, DNP's optical film business was transferred from Lifestyle and Industrial Supplies to the Electronics segment. Figures for the term ended March 2014 in the chart above have been adjusted to reflect the new configuration of the Lifestyle and Industrial Supplies segment.

Fiscal Term through March 2015: Business Environment and Summary of Financial Results

Packaging

In the year through March 2015, sales of paper packaging products declined, but sales of large-scale aseptic PET plastic bottle filling systems increased, and Packaging enjoyed strong sales overseas, especially in Indonesia. Overall packaging sales increased relative to the previous term.

Worldwide, DNP's sales of plastic film packaging and paper cups increased. Overseas, we responded to robust demand from the still-growing markets of Southeast Asia by providing high-added value products and services to Japanese and other global companies operating in the region. At home, in July 2014 we consolidated our sales organizations throughout Japan and introduced a new, unified system in order to boost competitiveness and achieve overall optimization. We will work on increasing customer satisfaction and new orders, which we hope will enable us to expand our business.

Lifestyle Materials

According to Japan's Land, Infrastructure and Transportation Ministry, Japanese housing starts in the fiscal term through March 2015 declined by 10.8% year on year to about 880,000 units, marking the first decline in five years. The decline followed a jump in housing starts toward the end of the previous year, when residents rushed to build before a scheduled consumption tax hike. DNP's Lifestyle Materials business concentrated on selling eco-friendly products made with DNP's unique electron beam (EB) coating technology and other high-added value products that offer outstanding design and functionality. Although we worked hard to increase our share of the market, the drop in demand outweighed those efforts and sales ended below the previous-year level.

Going forward, we aim to develop new applications including residential and automotive products using EB coating and aesthetic steel plates for use in railway cars. In addition, we intend to strengthen overseas business development. Primarily at the "DNP Sumai Mirai Lab" that we established in October 2014, we are expanding cooperation between industry, government and academia and plan to develop new products and services that will offer greater comfort and abundance in a variety of living spaces including homes, offices, commercial facilities and vehicles.

Industrial Supplies

Advanced Materials

According to the Japan Photovoltaic Energy Association, the fiscal term through March 2015 saw increased (in terms of power generation capacity) domestic shipments of industrial-use photovoltaic cells, primarily for use in large-scale solar power plants. Shipments increased by 8% to 9,216,325 kilowatts over the same period a year earlier, to an all-time high level. Among the encapsulants, back sheets and other photovoltaic module components offered by DNP, there was an increase in sales of high-performance, highly durable products that improve power generation efficiency.

DNP's lightweight, easy-to-process soft packs for lithium-ion rechargeable batteries are among the most popular in the world. In the term ended March 2015, demand for smartphones and tablet PCs was solid. Sales of soft packs for use in in-car devices were sluggish despite high hopes for wider use of such devices, and subsegment sales dipped below the previous year's level.

In the future, we intend to boost the functionality of our components used in photovoltaic cells and lithium-ion rechargeable batteries. In addition, we plan to use our proprietary converting (materials processing) technologies as we focus on developing and marketing highly reliable new products. We will continue to work on expanding our advanced materials business through products like films for controlling light and heat, and high-added value barrier films for medical and industrial applications.

Imaging Communication

In the commercial photo printing market, companies are increasingly switching from the conventional silver halide method to dry methods that do not require a developing solution. Buoyed by this trend, DNP's sales of dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) used for printing photos have grown significantly in the Southeast Asian, North American, and European markets. The business's performance was also helped by the full start-up of our new plant in Malaysia, which we finished building in December 2013. We also enjoyed strong sales of thermal resin-type transfer printing media, which is employed for printing bar codes used in production control and distribution. Sales in this sector in the term ended March 2015 exceeded those of the previous year.

In the overall "imaging market" that we view as this sector's business arena, there is growing demand among consumers for photo printing and photo album creation, which we believe presents an opportunity to provide high-added value services that make the most of information technologies. In order to smoothly develop these types of solutions, in April 2015 we transferred Imaging Communication to our Information Communication segment. By combining our global framework for manufacturing and selling dye-sublimation type and thermal resin-type thermal transfer printing media with a variety of information services, we intend to develop high-added value businesses aimed at consumers and corporate clients.

Packaging

Expanding business around three ideas: environmental protection, high performance, globalization

DNP engages in a wide variety of packaging operations in Japan and overseas with the aim of becoming the “No.1 partner” of consumers and corporate clients. As part of our efforts to help meet worldwide demand for affluent and convenient lifestyles that place minimal burden on the environment, we are working on developing new materials and designing high-performance packages that are easy to use.

Particularly in Japan, the birth rate has fallen, the average age has risen and lifestyles have diversified to the point that significant changes are occurring in markets for the kind of products that packaging is mainly used for—beverages, snack foods and other food products, daily household items. It is important to respond flexibly to these changes, which include trends toward more people eating single portions (elderly people and single-person households), increased sales of ready-to-eat dishes, and greater awareness of food safety and security issues. At DNP, we are also consumers. More than ever before, we collaborate with client companies and consider the consumer’s point of view as we work to improve packaging functionality, to develop added value and to introduce universal design principles for making products easy for all kinds of people to use.

Overseas, one of our main policies is to expand business within Asia. 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, where the economy is continuing to grow rapidly. We intend to make use of these overseas production bases to supply high-added value products and services to Japanese companies doing business overseas and to other global companies.

Going forward, we will continue to expand our packaging business in Japan and overseas, armed with the comprehensive strength that enable us to handle every aspect of the business including anticipating social changes and changes in the needs of consumers and corporate clients, market analysis and planning, package design and manufacturing, and sales promotion support.



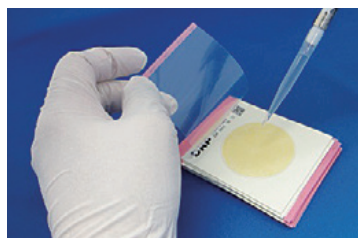
Examples of packages made with biomass plastic

DNP Vietnam Co., Ltd.

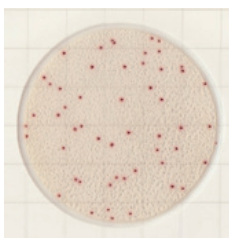


Development of bacterial detection film culture media and bacteria measuring system

DNP is focusing on applying the printing and information technologies that are its strong suit to the development of new businesses in the medical care and health care fields. As part of these efforts, in the fiscal term ended March 2015 DNP developed easy-to-use “Medi-Ca Culture Film for Bacterial Testing,” which makes microbial colonies very easy to see, and a “Colony Counting System for Medi-Ca Culture Film” that increases the accuracy of detecting colonies cultured using the Medi-ca medium. By using both products together, users (mainly food manufacturers) can perform bacterial testing more quickly and easily than with existing methods.



Medi-Ca Culture Film for Bacterial Testing



Cultured bacterial colonies

Development of easy-to-use pouch using tactile sensors

As Japan’s population ages, demand has increased more than ever for universal design-based packaging that is easy for all types of consumers to use. DNP has constructed an evaluation system that can quantify a package’s ease of use, and is using it to develop a variety of packages. The system uses “HapLog” tactile sensors* that track finger movements and measure finger pressure and contact force, together with original DNP software made specifically for analyzing packages.

One of the packages designed with help from the system’s analyses is the “Uneven Laser-cut Pouch.” Due to the use of special laser cutting technology, the first time the pouch is opened, one side ends up being lower than the other, making it easier to open for reuse. Unlike conventional pouches whose two sides are even upon opening, every type of user was able to open the new pouch in a short time. The new pouch is being offered as a package for health foods that are often used by elderly people.

* HapLog tactile sensors: developed jointly by Shiseido Co., Ltd., Kato Tech Co., Ltd. and Tec Gihan Co., Ltd.



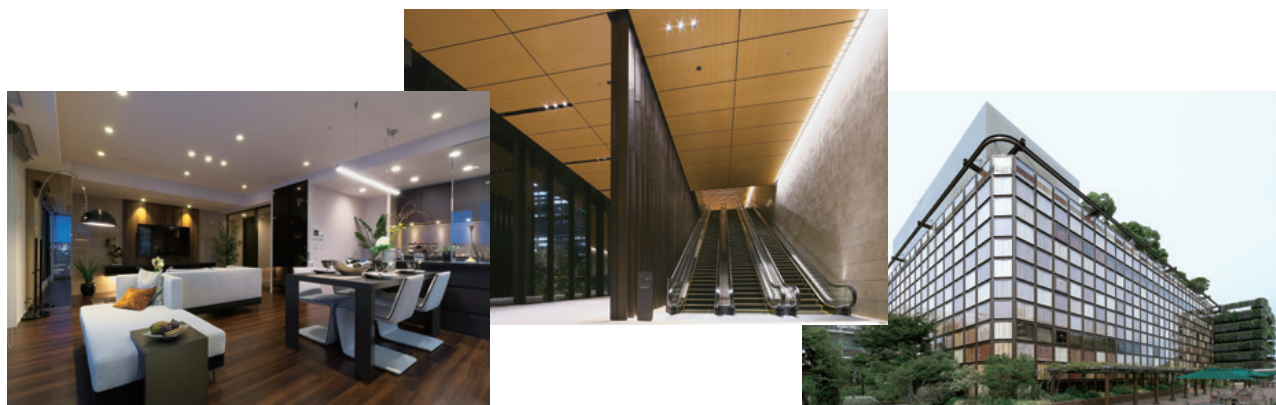
Uneven Laser-cut Pouch before opening (left) and after opening (right)

DNP views homes, offices, medical and nursing care facilities, commercial facilities, automobiles, railroad passenger cars and other places where people spend time as “living spaces.” Lifestyle Materials develops and supplies a variety of products and services for all kinds of corporate clients involved in living spaces. As we work to expand this sector, we keep in mind goals like minimizing strain on the environment, reducing energy consumption, enabling safe, carefree, healthy and comfortable living, and accommodating Japan’s aging population, smart society, and other social trends.

We receive strong praise from corporate clients and consumers for our high-performance, eco-friendly and attractively designed floor and wall coverings and other products made with DNP’s proprietary electron beam (EB)

technology, regarding which we have applied for more than 1,000 patents. Our share of the market for such products has been growing, particularly in Japan. Overseas, we have been expanding our business in response to demand from various regions, starting with North America, by selling decorative steel plates for use in public facilities, business complexes and other large-scale buildings as well as decorative materials for homes and automotive interior materials.

In order to create comfortable living spaces for consumers by increasing both “functional value” (mainly through EB technologies) and “emotional value” (mainly through good design), DNP offers total solutions encompassing everything from materials development to space design, coordination, installation and construction method development.



Development of decorative metal paneling for railroad car interiors

DNP develops and sells decorative metal paneling made by coating and/or printing a pattern, wood grain or other design directly onto steel plates, stainless steel, aluminum or another type of sheet metal. These products combine the fire resistance and other benefits of metal with authentic-feeling, luxurious textures. They are used increasingly widely in applications including front entrance doors, bathroom wall panels, hotel and office building exteriors, elevator and train car interiors, and exterior panels for household appliances.

DNP entered the market for railroad car interior materials in 2000. DNP decorative aluminum panels are lightweight and easy to work with. Although the surface is very hard, it is processed in such a way that it does not feel cold to the touch. Appreciation for these qualities has led to our paneling being selected for use in special express trains and N700 bullet train cars in Japan. We have been winning more orders for this type of product overseas as well. For example, in 2008 our paneling was adopted for use on the ceilings of passenger cars in England’s high-speed Channel Tunnel Rail Link.

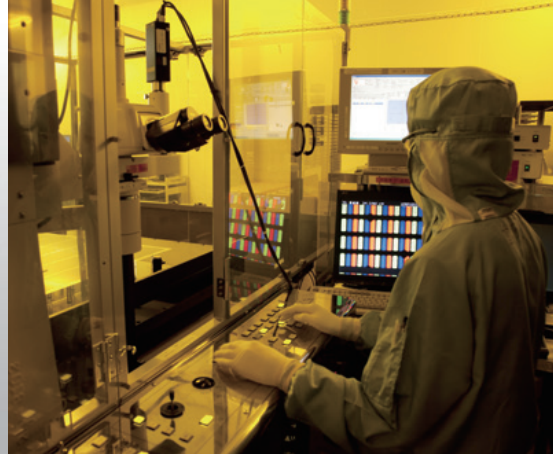
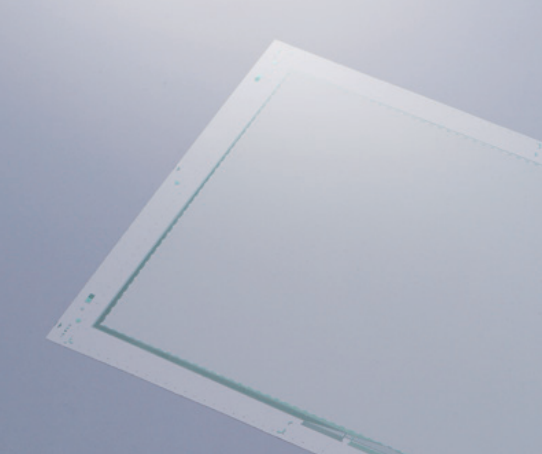
In 2012, we developed “High-reflective, Light-diffusing Ellio” interior paneling which effectively reflects and diffuses light so

that a small amount of light reaches a broad area, thereby reducing energy consumption. This material was used in East Japan Railway Co., Ltd.’s E5 Hayabusa Shinkansen (bullet train) and in the E7 Hokuriku Shinkansen cars that were put into service in spring 2015. We expect it to be used in more high-speed trains worldwide and will actively promote this business in response to growth in the market for railroad car interiors.



Interior of a Hokuriku Shinkansen car with DNP’s decorative steel plate on the ceiling

Electronics



Top right: Tablet PC
Above, from left: Touch panel film, Ultra-short focus projector, Testing color filters

Business Strategies

Modern life has become richer and more convenient due to growing use of devices like digital household appliances, high-definition display products and mobile information terminals including smartphones and tablet PCs. Given the massive amount of information circulating in today's society, demand for easy-to-use information devices that make use of cutting-edge technologies is becoming increasingly diverse, and changes are occurring more rapidly than ever.

DNP's Electronics segment handles display components and electronic devices. The segment develops and combines existing DNP technologies and works to create new core technologies in order to provide products, services, and systems that anticipate changes in the needs of businesses and consumers, primarily for the electronic equipment market. DNP's Electronics segment works especially hard to develop new products and new businesses—including participation in new business fields—by fusing technologies like the world's most advanced fine patterning and ultrafine etching techniques.

We endeavor to develop new products with high added value and exceptional functionality while keeping our eye on next-generation trends in electronic products. As we do so, we actively seek opportunities to collaborate with companies that have specialized strengths, in order to speed up business development. DNP's Electronics segment is working on improving the quality and functionality of its existing lineup of strong products including color filters, antiglare films, films for 3D displays, other optical films, semiconductor photomasks and touch panel components. At the same time, the segment is taking steps to improve its bottom line, for example by using its plants in Japan and overseas production bases to optimize production locations from a global standpoint, by thoroughly cutting costs, and by boosting investment efficiency.

Main Policies

Display Components

Liquid crystal display (LCD) color filters

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.
- Focus on developing high-definition, high-quality products needed for small- and medium-size devices in order to stabilize business.

Promote new product development by using our strongest technologies and/or by collaborating with partners

- Develop new products related to touch panels, organic EL and LED displays, etc. by making effective use of DNP's strongest technologies and existing equipment, and by strengthening cooperation with business partners.

Optical films

Develop new products by thoroughly grasping customer needs

Propose new products that address consumers' diverse requirements for displays

- Anticipate demand trends such as higher resolution, wider color gamut, larger size, lighter weight, greater energy efficiency and higher performance while also meeting demand for products on the other end of the spectrum.
- Expand new product lineup by blending core technologies through cooperation with the color filter and/or electronic devices businesses.

Further increase DNP's share of the market for LCD surface materials

- Further develop core technologies in order to raise quality and productivity and provide the market with more competitive products.

Electronic Devices

Respond on a global scale and generate new business models

Meet global demand for semiconductor photomasks and develop cutting-edge technologies

- Keep a solid grip on one of the world's top market shares, particularly for the most advanced products (with line widths of 28nm*¹ or less).
- 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.
- Make use of DNP's world-class technological prowess to contribute to fields beyond semiconductors, such as areas related to IoT, big data, life sciences, etc.

Boost earning power by developing new products

- Develop products that make use of microfabrication technologies, including 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 units, 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

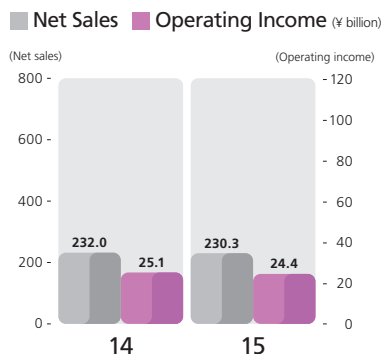
*4 MEMS (micro electro mechanical system): a group of minute components made with semiconductor microfabrication technologies

Financial Results

Financial Highlights

(¥ billion, %)

	2014.3	2015.3
Net sales	¥ 232.0	¥ 230.3
Operating income	25.1	24.4
Operating income margin	10.8%	10.6%



Net sales

Although demand was solid for liquid crystal color filters used in televisions, demand for filters used in laptop and tablet PCs slackened. Demand for touch panel sensors and other display-related product was also weak. Overall, color filter sales declined relative to the previous year. Sales of optical films grew from a year earlier thanks to growth in anti-reflection films applied to liquid crystal displays (LCDs). After reviewing our semiconductor photomask business, we deconsolidated our Taiwan operating base. Due to these and other factors, photomask sales declined relative to a year earlier. Overall, Electronics sales declined by 0.7%, or 1.69 billion yen, compared to the previous year.

Operating income

Depreciation and amortization expenses declined year on year by 5.35 billion yen, mainly due to decreased major capital spending and the sale of surplus equipment. However, smaller net sales and lower unit prices resulting from increased competition caused operating income to decline by 2.7%, or 0.7 billion yen from a year earlier. The segment's operating income margin decreased by 0.2 percentage point, from 10.8% a year earlier to 10.6%.

★ In April 2014, DNP's optical film business was transferred from Lifestyle and Industrial Supplies to the Electronics segment. Figures for the term ended March 2014 in the chart above have been adjusted to reflect the new configuration of the Electronics segment.

Fiscal Term through March 2015: Business Environment and Summary of Financial Results

Display Components

(LC color filters, optical films, etc.)

According to one research company's figures, worldwide shipments of flat-panel televisions in calendar 2014 increased by 3% over the previous year to about 230 million units, with the Chinese market supplying about one quarter of the total. Shipments increased particularly among high-added value products, such as ultra HD (high definition) TVs that offer four times the resolution of full HD models. Smartphone shipments amounted to some 1.29 billion units, exceeding the previous year by 26%. This was the slowest growth rate for smartphones in the past five years. Shipments of tablet PCs grew by just 4.4% to about 230 million units, reflecting a considerable slowdown in the growth rate compared to around 50% growth in calendar 2013. In the PC market, replacement demand sparked by Microsoft Corporation's termination of support for Windows XP has run its course, resulting in sluggish demand.

In this market, the increasing popularity of ultra HD televisions has boosted demand for large-scale LC color filter panels, leading to solid production of DNP's color filters for televisions, mainly on our 8th-generation production lines. However, demand for small- and medium-sized products decreased from a year earlier. In optical films, sales of films for 3D and touch panel displays declined year on year, but sales of anti-reflection films for televisions and smartphones grew, as did projection screen components and other products.

Going forward, we expect an increase in worldwide shipment volumes of high-performance smartphones that offer HD or higher image resolution. Some analysts expect that in 2018 these high-end products will account for some 1.5 billion units, or more than 80% of the smartphone market. Also in 2018, sales of the ultra HD smartphones that will debut on the market in 2015 are expected to top 100 million units. In China, the world's largest LCD market, 2018 shipments of flat-panel televisions are expected to reach some 60 million units, or about 14% more than the 2014 figure.

In response to these projections, DNP has decided to transfer some of the color filter production equipment at its Mihara Plant in Hiroshima Prefecture to a Chinese LCD glass manufacturer by the end of March 2016. By continuing to provide technical and other support, we will continue to benefit from the business opportunities presented by growth in the Chinese LC market. We will also focus on developing new color filters that can support high-brightness, energy-efficient LC displays. In addition, we will work to expand our business by developing touch panel films that accommodate the trend towards larger displays, and by continuing to supply components for high-end smartphones that deliver very sharp images.

Electronic Devices

In calendar 2014, the world market for semiconductors grew 9.9% year on year, the largest annual growth since 2011. In 2015 and 2016, semiconductor demand is expected to grow by around 3% annually. Future growth is expected to take place mainly in the U.S. and Asia, in a wide variety of fields including digital household appliances and automobiles.

Thanks to this growth in demand, DNP's Electronic Devices business enjoyed greater sales of photomasks used for making flash memories in Japan and logic products in China and Taiwan. Nevertheless, the business's sales fell below the previous-year level because DNP deconsolidated* its production base in Taiwan, DNP Photomask Technology Taiwan Co., Ltd.

The semiconductor market of the future is expected to be affected by increased demand for all types of devices related to spreading use of the Internet of Things linking all kinds of everyday objects to a network. DNP is working to expand its cutting-edge products business in Japan and abroad. In addition to continuing to supply photomasks for flash memories and other products, we will also focus on joint development with other companies. Regarding the use of nanoimprinting technologies in ultrafine processing, we intend to provide nanoimprinting solutions that comprehensively support application development, product planning, die and prototype production, and mass production, etc. We are also developing new products outside of the semiconductor arena, such as medical materials in the life science field.

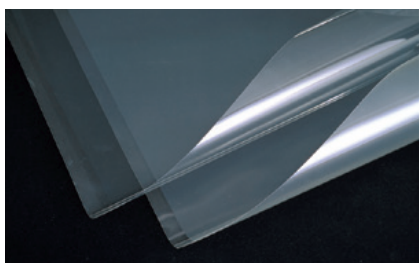
DNP is working on improving the profitability of products that take advantage of our etching expertise by shifting our emphasis to higher-added value products. We enjoyed solid sales in our lead frames business, where orders increased not only for products used in wireless LAN devices and hard disk drives, but also for metal plates used by Taiwanese manufacturers making IC packages used in power supplies. Demand for lead frames is expected to keep growing along with increasing use of smartphones and tablet PCs. We aim to increase our share of metal substrates for IC packages used in power semiconductors. Demand for metal substrates used in LED lighting for the Taiwanese and Chinese markets is also growing. Going forward, we aim to increase sales of high-added value products with reflectors attached. DNP enjoyed increased sales to China of autofocus springs used in compact camera modules built into smartphones and other mobile devices. Sales of hard disk drive components for personal computers were slack, but sales of components used in servers increased thanks to expanded demand for cloud services. Demand declined for substrates with embedded components used in cameras, a mainstay of our electronic modules business, but we are also focusing on telecom-related modules for the future, as well as developing modules that can be used in wearable devices.

* In April 2014, DNP subsidiary DNP Photomask Technology Taiwan Co., Ltd. merged with Photonics Semiconductor Mask Corp., which specializes in photomask production technologies, to form Photonics DNP Mask Corporation. The new company became an equity-method affiliate of DNP, with DNP owning 49.99% of its common shares.

Presentation of Growth Businesses and Strategic Businesses

Innovations born of DNP's core technologies

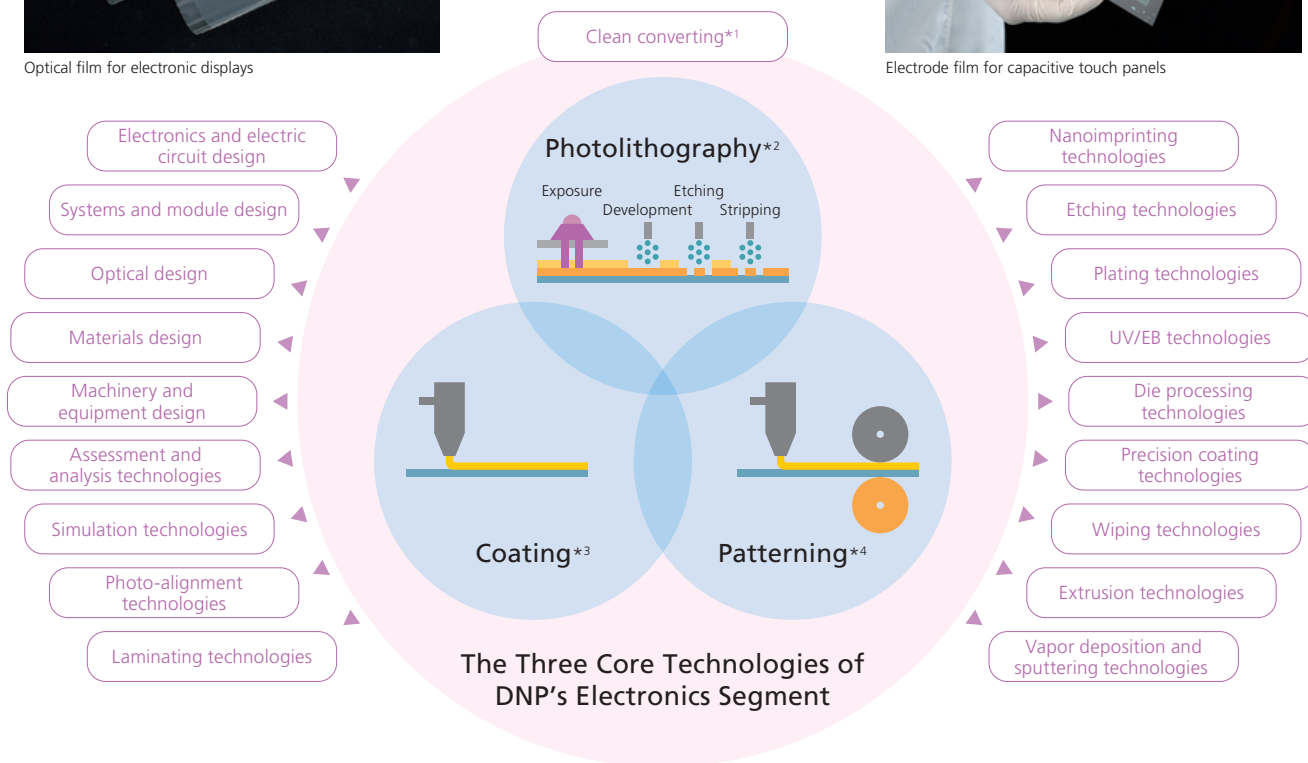
For more than half a century, DNP has been developing a wide variety of electronic components by applying the photographic film-making skills that we cultivated through our printing business, and by refining technologies for applying uniform coatings as well as the photolithography and etching technologies that enable us to make extremely fine patterns. The various products and systems that DNP supplies improve the functionality and operability of electronic devices.



Optical film for electronic displays



Electrode film for capacitive touch panels



*1 Clean converting: A combination of optical technologies and other technologies, such as technologies used for applying precision thin-film coatings or for molding. Based on our strength in this area, DNP has developed a wide range of optical films including anti-glare films and other films used in liquid crystal displays (LCDs). Going forward, we intend to actively respond to display market trends such as higher definition, increasing multi-functionality and greater energy efficiency, and to provide a wide variety of products that only DNP can provide by virtue of our solid grasp of the properties of light.

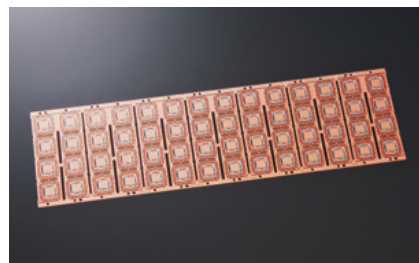
*2 Photolithography: A process by which images on a form plate are burned onto a resin or metal plate that has been coated with photosensitive material.

*3 Coating: Applying and fixing ink or another material, from a printing plate to which it has first been applied, onto paper, film or another material.

*4 Patterning: Originally used for making films for printing, these technologies are used to make images such as text, photographs, or illustrations on a form plate. Minute images that have been drawn on the form plate using patterning technologies are then burned onto a resin or metal printing plate.



A photomask used for manufacturing semiconductors



A lead frame

Advanced optical films make possible the rich expression of information

In 1990, DNP used the coating technologies that it had cultivated through its printing operations to start developing low reflection films that suppress glare on display surfaces and improve contrast, allowing the display to deliver vivid images. DNP went on to capture the top share of the world market for anti-reflection films.

Previously, developers of these types of films found that when they increased the anti-reflective properties, the film's hardness decreased and it became more susceptible to scratching and soiling. DNP approached its product development from a fresh angle and in 2014 succeeded in developing ultra-low reflection film that is both highly soil-resistant and significantly reduces glare from indoor light, making it possible to produce a display that exhibits images with vivid contrast.

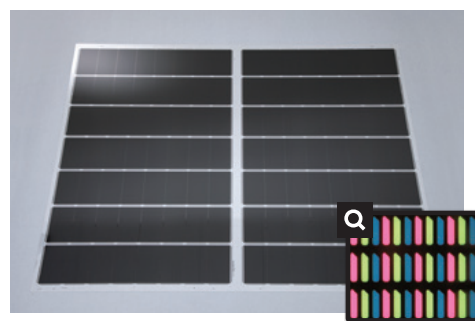
Antireflective film is manufactured by adjusting the thickness and refractive index of layers of low reflective material applied to a base film so that light reflected from the surface of the film and light reflected from the film's intermediate layers will interfere with each other and cancel each other out. Thanks to DNP's know-how and technical prowess, we were able to fulfill two competing needs, i.e. to achieve desirable degrees of both reflectance, which is the key to clearly visible images, and of hardness, which protects against scratches. Regarding ultra-low reflection film, we are verifying its durability under a wide range of conditions including high temperatures and high humidity, with an eye toward marketing them not only in Japan but for use in televisions distributed worldwide. We aim to further improve low reflection functionality and increase our share of the market. DNP will always remain one step ahead of the times as we explore new issues and provide high-added value optical film products to markets around the world.

Making energy-efficient, high brightness LCDs a reality

DNP has developed a high-luminance blue resist that enables display of brighter colors and has begun offering them in its LCD color filters. In recent years, increasing use of color management to match colors displayed across different media platforms, such as televisions, smartphones, digital signage and paper pamphlets, has led to the use of brighter colors. As a result, we see increasing demand for a solution that will enable color reproduction over a broader gamut of colors. In order to improve brightness in LC color filters, DNP developed a dye-based color resist that has greater heat resistance than conventional pigment-based products, and improved the transparency of the blue resist, which has less brightness than other color resists. By pairing the color filter with the right backlight, it becomes possible not only to widen the color reproduction gamut, but also to conserve electricity by reducing the number of LEDs used in the product.

DNP plans to provide these LC color filters and resists to panel manufacturers, aiming to capture 30% of the market for high

resolution LCDs in 2016. DNP will continue research and development aimed at commercializing not only the processing technologies involved but also the materials technologies. In addition, we will work to develop color filters that are optimized for combination with optical films that can further expand the color gamut, and offer these as a new solution for high-definition (HD) smartphones and ultra HD (4K and 8K) televisions. In anticipation of wider use of 8K televisions, we are also developing red and green dye-based color resists in addition to blue, in order to contribute to even further improvements in display brightness and color reproduction.



Color filter (magnified view at lower right)

100-inch image display system for use with ultra-short focus projectors

DNP has begun sales of its "JETBLACK®-STS" display system for ultra-short focus projectors, which makes it possible to hold teleconferences that so closely imitate face-to-face meetings that participants can read the expressions on each other's faces. Because the system's screen eliminates superfluous exterior light and reflects to viewers only light from the projector, images on the screen are clearly visible even in a well-lit room, unlike previous projector screens. Despite the system's large size, it consumes little electricity. Compared to a similarly sized liquid crystal display, it is lighter, thinner, easier to handle, and offers outstanding cost performance. DNP will continue to enrich people's lives by combining the new display system with our strengths in data processing and content production. Beginning with digital signage, other applications that we will explore include remote medical care and educational services for children.



Teleconference using an ultra-short focus projector

How DNP Works to Achieve Sustainable Development

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Compliance with Laws and Social Ethics

Rather than simply having each of our employees comply with laws and regulations in the execution of DNP's business activities, we believe that DNP can win society's trust by maintaining even higher ethical standards than those expected by society, and by consistently remaining fair and equitable as we help to maintain and develop orderly, free and competitive markets. In order to be able to act in ways that meet society's expectations, DNP works to instill corporate ethics throughout its corporate group.

Key Concepts Underpinning DNP's Approach to Corporate Ethics

DNP stresses the following concepts as we work to impart a broader and deeper awareness of corporate ethics: continuity, autonomy, positivity, and efficiency.

Framework and Systems for Promoting Corporate Ethics

DNP has established a "Corporate Ethics Committee," composed of corporate directors and executive officers in charge of the business units in our head office. This umbrella organization is charged with instilling and disseminating corporate ethics throughout the DNP Group. There is also a corporate ethics committee within each business unit and the administrative section of each Group company. Through these committees, the entire DNP Group works together from a variety of approaches to promote corporate ethics.

Systems for Promoting Absolute Corporate Ethics



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

Product and Service Safety and Quality Assurance

As a manufacturer providing society with products and services, DNP is aware that its efforts to secure safety and quality are more important than any other concern. We strive to provide products and services that satisfy customers by envisioning various circumstances under which our products and services may be used and considering, from the user's viewpoint, what qualities are desired, what will be safe, and what will be easy to use. Based on our findings, we make improvements again and again.

Measures to Ensure Product Safety

Obviously, DNP must comply with publicly mandated product standards and legal regulations. Our corporate responsibilities are laid out in the DNP Group Product Safety Policy.

DNP has established product safety committees in its head office, in each business unit, and in each Group company. In addition, the DNP Group Product Safety Regulations describes the organizational frameworks and checklists to be used for product safety management. Each business unit and each Group company works to ensure the safety of the products it handles by implementing product safety management based on these regulations.

Because ensuring product safety is an ongoing task, we examine our product safety assurance methods and conduct risk assessments of our entire product lineup twice each year. Based on the results of these assessments, we may review our control systems or make product design changes or manufacturing process improvements in order to achieve an even higher degree of product safety.

Product Safety Policy

DNP Group products conform to required standards and legal regulations without fail, and our basic guideline requires that we meet our corporate social responsibilities by offering products which exceed customer needs and expectations for safety.

These Guidelines are known throughout the DNP Group, and product safety controls are thoroughly enforced.

The DNP Group shall engage in the following product safety efforts under the basic policy noted above:

1. Ensuring product safety is a priority issue.
2. Thorough product safety evaluations are conducted prior to new product sales.
3. We shall work to gather data from consumers and customers concerning safety.
4. In the event of a product accident occurrence, we shall seek to prevent recurrence by taking prompt and appropriate actions including gathering data, issuing notices both within and outside the company, product recalls, etc.

Initiatives Aimed at Ensuring Quality

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

Because DNP engages in a wide variety of businesses, we use different safety and quality assurance methods according to the types of products and services that we offer. In addition to promoting quality assurance activities that are appropriate for each business field, we carefully assess the needs of our customers and society and initiate Group-wide actions and employee education in order to maximize synergistic benefits.

Quality Policy

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

Information Security

Information security and the protection of personal information have become more important than ever. DNP handles a large volume of personal information and other information assets. For us, proper management and protection of information assets are critical tasks that could even be called part of our social mission. Our management addresses information security as one of its top-priority concerns, and works to strengthen related systems and to educate employees.

Information Security and Personal Information Protection

It is obvious to us that we have a responsibility to protect personal information, data entrusted to us by corporate clients, and other information assets. We have established policies related to information security and personal information protection. We maintain strict and continuous control by strengthening related systems and educating employees, etc.

DNP Group's Basic Policy on Information Security

At the DNP Group, our management concept is to "contribute to the creation of an intellectually active, rich, 21st century society with emergent evolution." We have employed "P & I Solutions DNP" as our concept phrase for putting this management concept into practice. This means utilizing the range of both print technology and information technology that we have built up over the course of the years to offer solutions to the challenges facing our clients and general consumers, giving shape to the vision we have presented.

In an emergently evolving society, a communication environment with an advanced level of security that is safe and highly reliable is an indispensable element.

We have accumulated a great deal of expertise in information security utilizing the information assets entrusted to us from clients and general consumers as well as information assets of our own to provide our clients and general consumers with a diverse range of services. Through recognition of this expertise as a competitive edge as well as the continual, systematic enhancement of it, we hope to contribute to the development of a society with emergent evolution, perpetually expanding the business of our clients' and of our own. It is for these purposes that we set forth our basic policy on information security as follows:

Basis of Conduct

We will apply appropriate physical, electronic and human measures in order to protect information assets entrusted to us from clients and general consumers as well as information assets possessed by the DNP Group itself from leakage, tampering, inhibition of use, etc. due to accidents, crime and disasters. By boosting the worth of our business thus, we will gain the trust of society.

Legal & Social-Ethical Compliance

We will act in good faith to comply with information security-related laws and social ethics.

Self-Development & Awareness Campaigns

We will continually implement development, awareness and education related to this policy through ample recognition of the importance of information security.

Management System

In order to continually improve and implement information security-related activities, we will construct, in accordance with this policy, information security management systems in each department with clear recognition of authorities and responsibilities.

Personal Information Protection Policies

A variety of companies and organizations entrust DNP with personal information so that we can help them provide all types of services and products for consumers. In addition, we have developed various types of services and products that make effective use of personal information in businesses that DNP operates itself. Through these various businesses, we have become well aware of the importance of personal information and it is obvious to us that we are obligated to provide appropriate protection for such information.

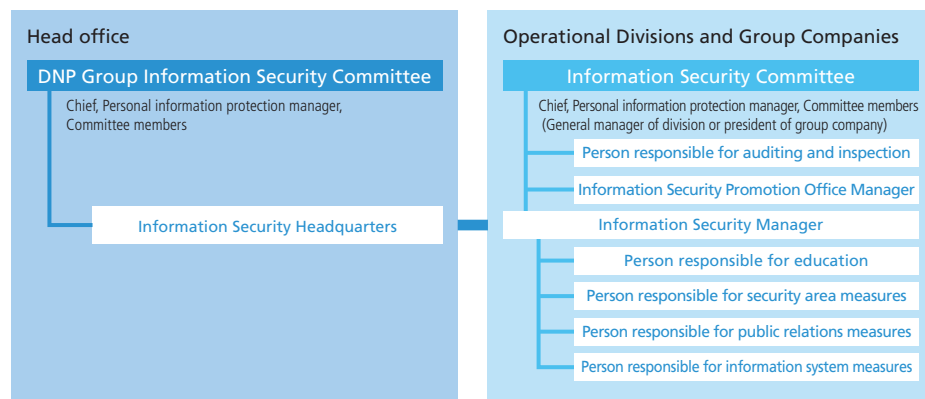
We will handle personal information appropriately, in line with DNP's Personal Information Protection Policies.

1. Strictly comply with laws, national government guidelines, and other regulations related to personal information protection; strive to protect personal data.
2. Take necessary and appropriate safety precautions to prevent leakage, loss or destruction of personal data. In the event that a problem should occur, take prompt measures to correct the situation.
3. Specify reasons for using personal information; acquire, use and provide personal information in fair and appropriate ways. Take measures to prevent personal information from being used for any purpose other than the specific purpose for which it was acquired.
4. Respond appropriately to a request for disclosure from someone whose own personal information is being held by the Company.
5. When the performance of services on behalf of a client company involves the handling of personal information, use the information only within the scope of the requested services.
6. Establish in-house regulations concerning the handling of personal information; build, maintain and continuously improve related systems.
7. Respond appropriately to complaints or questions from someone whose personal information is being held by the Company regarding DNP's handling of personal information or our systems for protecting personal information.

Information Security Management System

At DNP headquarters we established the DNP Group Information Security Committee, and under its auspices the Personal Information Protection Office. Together they inspect and guide DNP's business units and Group affiliates.

Framework for Promoting Information Security

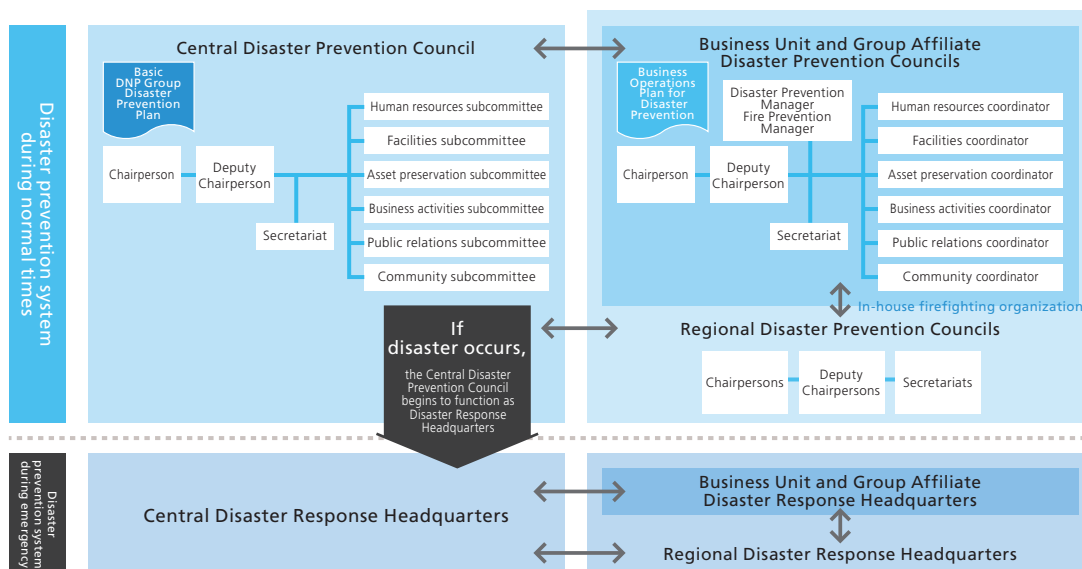


Business Continuity

In the event that an emergency situation should compromise the continuity of DNP's business operations, any interruption in our operations would affect not only DNP but our customers, suppliers, their employees and a variety of stakeholders. DNP has prepared a business continuity plan (BCP) in order to build a strong corporate structure that can continue operating under crisis conditions and quickly restore operations in the event of an interruption. In the course of our daily operations, we maintain a proper awareness of disaster risks and implement employee training and other measures aimed at enabling us to cope in extreme situations.

Disaster Prevention Systems that Prepare DNP for Unforeseeable Circumstances

We established the DNP Group Central Disaster Prevention Council to create and promote basic disaster prevention measures for the entire DNP Group. Each business unit and Group company has established its own disaster prevention council to promote measures that suit its own particular characteristics and requirements. We also established regional disaster councils to promote cooperative measures within each geographical region. Each of these councils has prepared plans and measures for coping with emergency situations. In the "DNP Group Basic Code for Disaster Response," we determined basic policies and systems for coping with disaster or other unforeseen circumstances. DNP implements disaster prevention measures aimed at securing the safety of employees and related parties, and at enabling a variety of stakeholders to feel at ease.



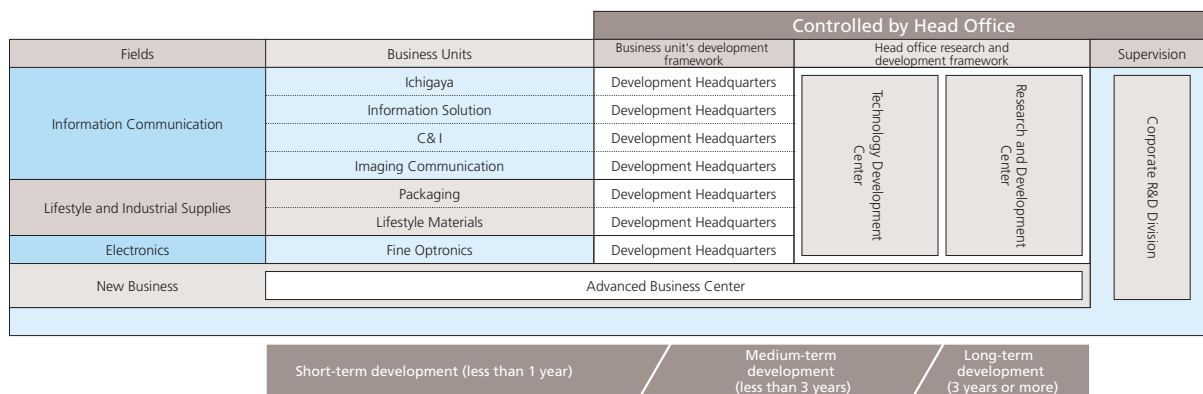
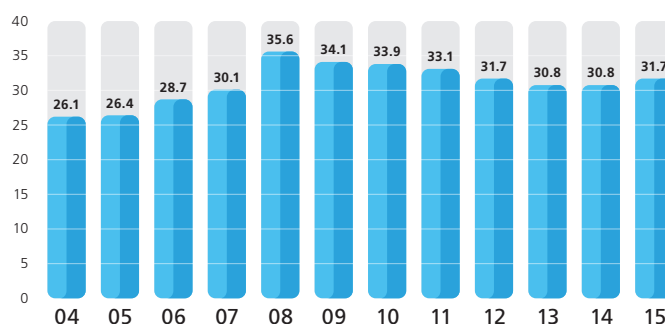
Research and Development

Research and Development Aimed at Business Creation

Research and development are extremely important for DNP as a company that has expanded its fields of business by developing new ways to apply printing and information technologies. In today's rapidly changing world, we need to look carefully at what is happening in society from a consumers' point of view, and be quick to discern existing problems and the technologies that are needed to solve them. We then accelerate development by actively pursuing alliances with other companies that have specialized strengths in addition to developing our own original technologies.

Research and Development Expenditures (consolidated)

(¥ billion)



Intellectual Property Management

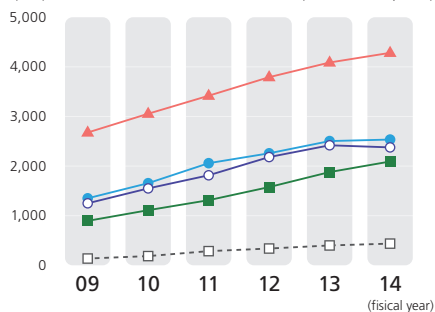
Intellectual Property Initiatives that Support Wide-Ranging Business Activities

In our view, intellectual property initiatives provide the most basic underpinning for a wide range of business activities and are indispensable to the differentiation of DNP from competitors. Because the competitive standing of our intellectual property greatly affects DNP's business operations, DNP employs 17 (as of June 30, 2015) in-house patent attorneys who form a powerful team for pursuing intellectual property-related initiatives. As a result of this proactive stance, DNP had 2,232 laid-open patent applications published in the fiscal year ended March 2015, which is an extremely high number for any Japanese company.

Intellectual Property by Segment

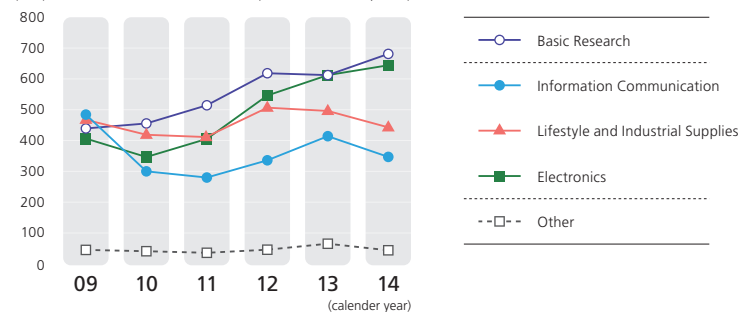
Number of patents and utility models held

(case) (As of March 31, 2015)



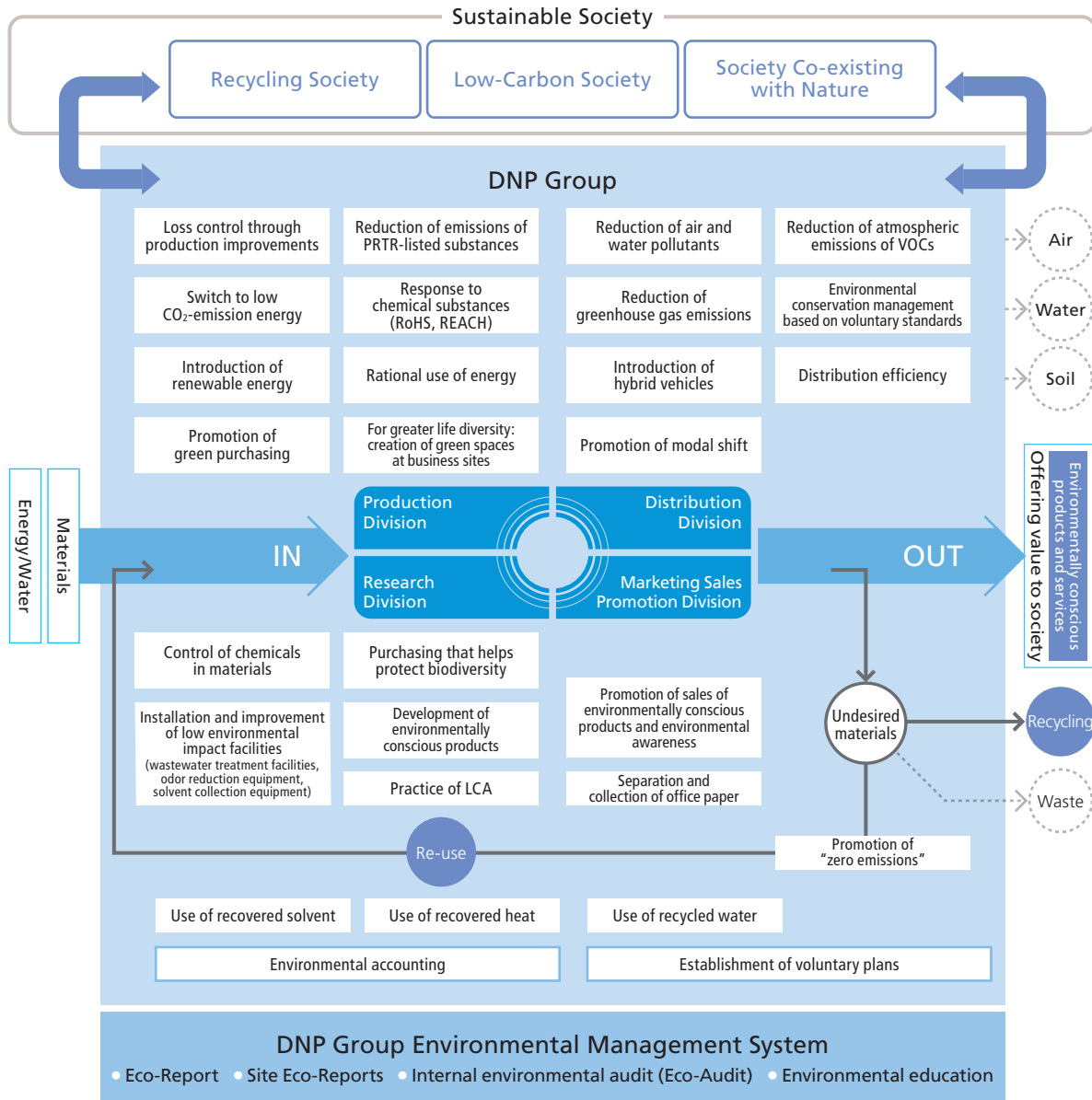
Number of patents published

(case) (As of December 31, 2014)



Environmental Conservation and a Sustainable Future

As a manufacturer, DNP always considers how to coexist with the Earth's environment. The most urgent problem facing humanity in the 21st century (sometimes called "the environment century") is how to coexist with nature and preserve its gifts so that we can maintain an inhabitable planet to pass on to the next generation. One of the values set forth in the DNP Group Code of Conduct is to help realize a sustainable society so that we can bequeath an abundant Earth to future generations. The entire DNP Group is working to achieve that goal, for example by preventing global warming, protecting biodiversity, and using resources efficiently.

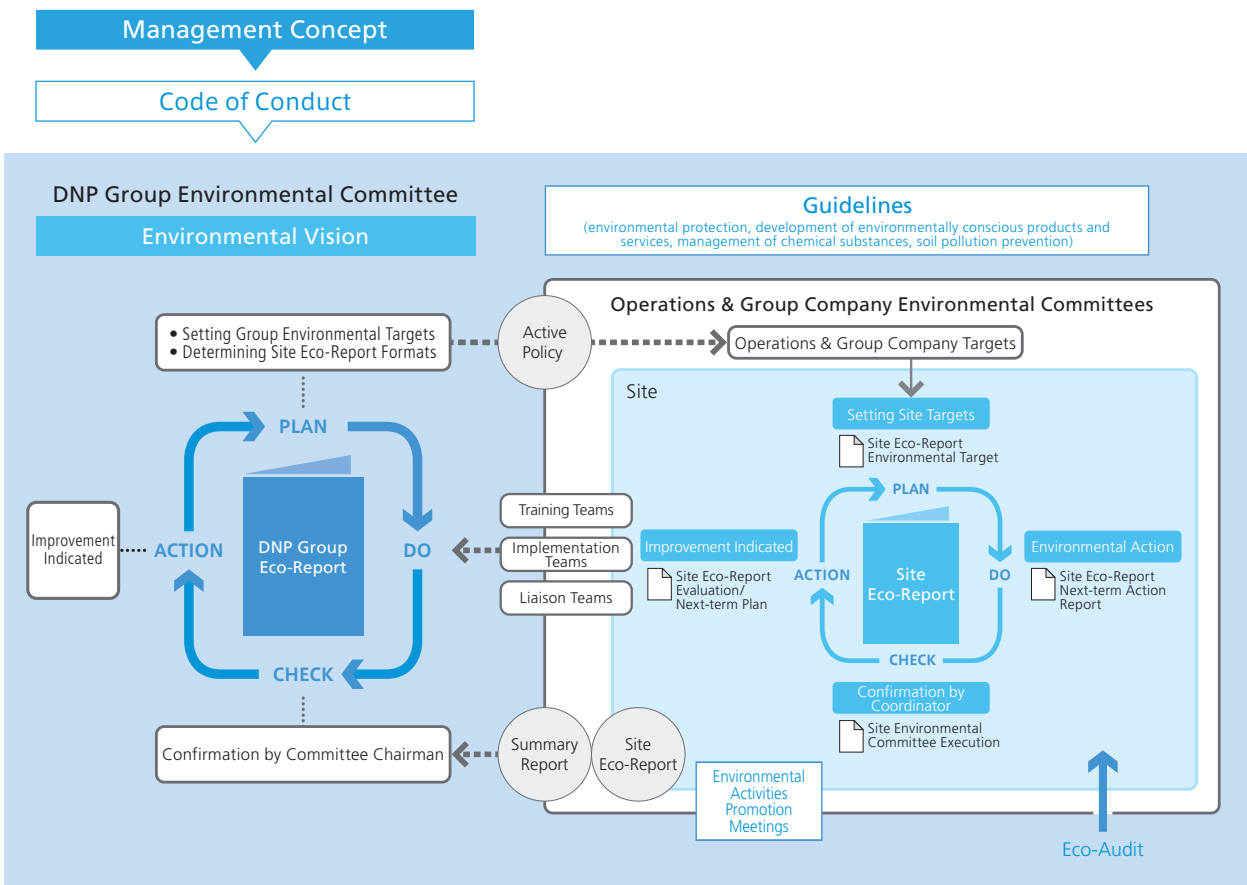


Environmental Management System

In 1972, DNP became the first Japanese printing company to establish a special section charged with addressing environmental issues. Now called the Environmental Safety Department, it initiated antipollution measures and *taiwa* (dialogue) with residents of local communities. Since 1990, DNP has also concentrated on addressing global environmental issues. We created our own environmental management system (EMS) in 1993, before the 1996 publication of international standards for environmental management systems (ISO14001). Our EMS is the basis for the environmental management activities that we perform every six months in the form of "Plan-Do-Check-Action" cycles.

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

Outline of the DNP Group Environmental Management System



Brand Management

DNP as a Corporate Brand

As a result of DNP's business activities over the past 140 years or so, corporate clients and consumers have come to view the DNP corporate brand as representing "reliability and high expectations" backed by DNP's considerable technological strengths and numerous achievements.

Recently we determined four growth areas that we intend to develop not only in Japan, but globally, both "B to B" (business to business) and "B to C" (business to consumer). By making maximum use of the "DNP" brand in the various situations in which we promote these businesses, we expect to increase both our businesses' value and the DNP brand value.

In order to improve communication with consumers and gain consumers' understanding of DNP, in 2012 we introduced the "DNPenguin" as our corporate symbol. By effectively incorporating the DNPenguin into advertising through newspapers, television, DNP websites and other media, we strive to boost the appeal of the "DNP" brand.

Corporate Brand "DNP"

DNP

Examples of DNP's B to C businesses



"honto"
hybrid bookstore network



Household budget-tracking
application "Receipt!"



Photobook compilation service
"DreamPages Plus"



Self-service printing systems
"PrintRush"

Promoting a corporate image advertising campaign featuring a friendly mascot



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

Future Initiatives

In order to gain support from corporate clients and consumers and continue growing even further, DNP will base its activities on the following "brand policies":

- Actively present the DNP corporate brand and enhance brand value along with business value.
- Construct categories of products and services that are easy for corporate clients and consumers to understand.
- Promote communication that makes use of the DNPenguin.

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 13 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, Hirofumi Nikaido,
Tsuguhiro Tsukakoshi, Yurika Kimura
- **Audit firm**
Meiji Audit Corporation
- **Number of accounting audit assistants**
17 certified public accountants, 3 others

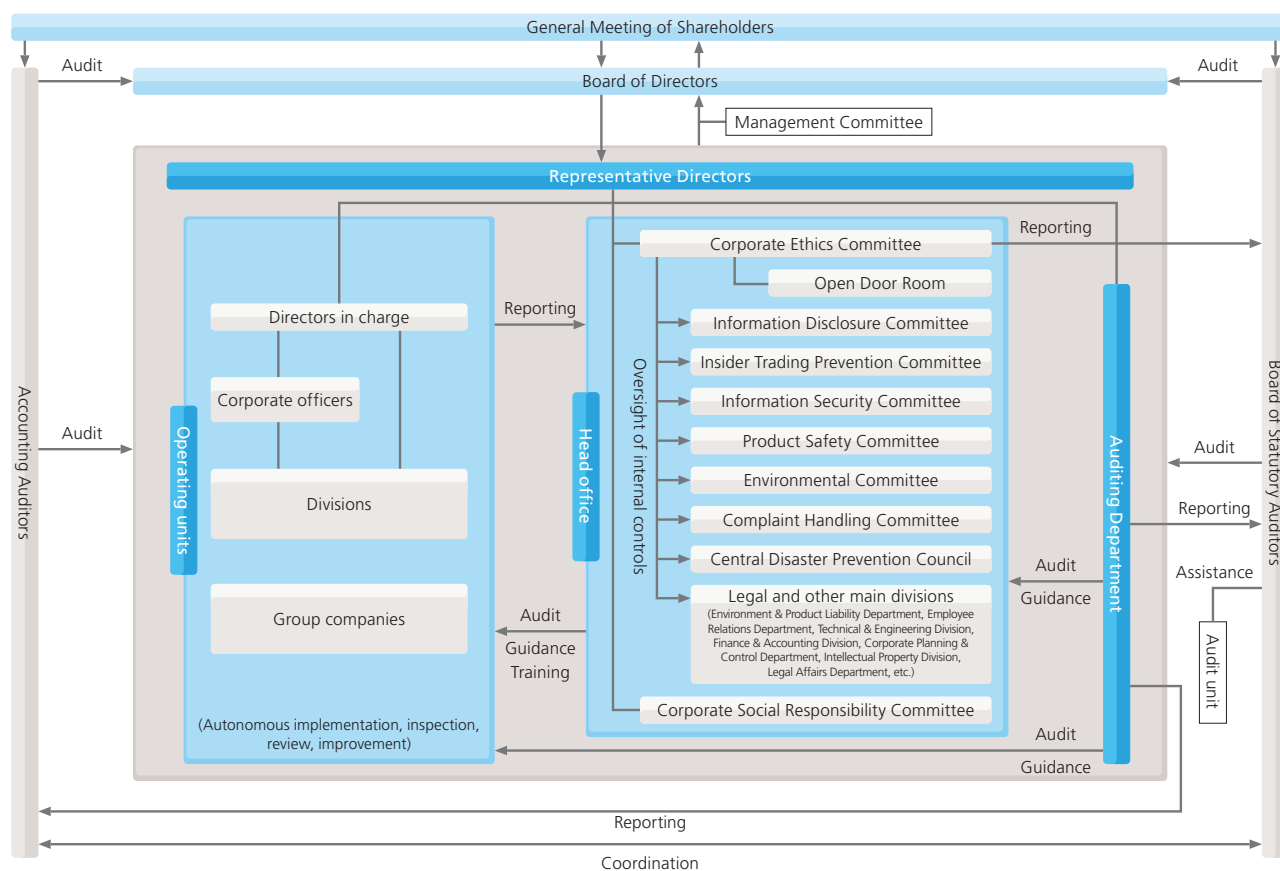
(3) Development of a risk management structure

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)	1,258	1,110	148	20
Statutory auditors (excluding outside auditors)	79	79	—	2
Outside directors and auditors	100	100	—	5

Notes: 1. Bonuses are provisions for bonuses for directors and statutory auditors for the fiscal year.
2. There were 16 internal directors, two internal statutory auditors and five 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)	323	Dai Nippon Printing Co., Ltd.	298	24
Koichi Takanami (Director)	129	Dai Nippon Printing Co., Ltd.	115	13
Masayoshi Yamada (Director)	129	Dai Nippon Printing Co., Ltd.	115	13

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: 393

Total on the balance sheet: 341,594 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.	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.

(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
Recruit Holdings Co., Ltd.	37,700,000	141,375	Enhance business relationship
The Dai-ichi Life Insurance Co., Ltd.	6,606,600	11,531	Enhance business relationship
Ezaki Glico Co., Ltd.	1,614,101	7,844	Enhance business relationship
Asahi Group Holdings, Ltd.	1,860,029	7,093	Enhance business relationship
Terumo Corporation	2,202,000	6,980	Enhance business relationship
Taisho Pharmaceutical Holdings Co., Ltd.	692,700	6,192	Enhance business relationship
YAKULT HONSHA CO., LTD.	701,000	5,867	Enhance business relationship
Mizuho Financial Group, Inc.	27,134,319	5,728	Enhance business relationship
CALBEE, Inc.	1,032,800	5,391	Enhance business relationship
NISSIN FOODS HOLDINGS CO., LTD.	898,711	5,311	Enhance business relationship
YAMATO HOLDINGS CO., LTD.	1,660,600	4,603	Enhance business relationship
Meiji Holdings Co., Ltd.	282,200	4,134	Enhance business relationship
Aica Kogyo Co., Ltd.	1,293,743	3,622	Enhance business relationship
Toyo Suisan Kaisha, Ltd.	794,980	3,362	Enhance business relationship
NSK Ltd.	1,814,000	3,189	Strengthen business alliance
FUJIFILM Holdings Corporation	685,965	2,933	Enhance business relationship
NuFlare Technology, Inc.	500,000	2,670	Strengthen business alliance
Mitsubishi Chemical Holdings Corporation	3,598,790	2,514	Strengthen business alliance
Daikin Industries, Ltd.	300,000	2,413	Enhance business relationship
Lion Corporation	3,140,665	2,298	Enhance business relationship
TOSHIBA CORPORATION	4,547,000	2,292	Strengthen business alliance
ROHM Co., Ltd.	268,893	2,212	Enhance business relationship
Hakuhodo DY Holdings Inc.	1,720,000	2,199	Enhance business relationship
Mitsubishi Electric Corporation	1,300,000	1,857	Enhance business relationship
Sapporo Holdings Limited	3,796,388	1,807	Enhance business relationship
Mitsubishi UFJ Financial Group, Inc.	2,399,760	1,784	Enhance business relationship
SMK Corporation	3,200,000	1,667	Enhance business relationship
Ajinomoto Co., Inc.	630,931	1,662	Enhance business relationship
Tosoh Corporation	2,609,000	1,581	Strengthen business alliance
Isetan Mitsukoshi Holdings Ltd.	783,600	1,557	Enhance business relationship
KUBOTA Corporation	774,000	1,472	Enhance business relationship
Shiseido Co., Ltd.	677,619	1,445	Enhance business relationship
Hulic Co., Ltd.	1,040,000	1,405	Enhance business relationship
Kobayashi Pharmaceutical Co., Ltd.	156,445	1,345	Enhance business relationship
Kikkoman Corporation	350,940	1,338	Enhance business relationship
Senshukai Co., Ltd.	1,511,663	1,315	Enhance business relationship
MORINAGA & CO., LTD.	2,965,000	1,251	Enhance business relationship
NIPPON STEEL & SUMITOMO METAL CORPORATION	3,905,768	1,181	Strengthen business alliance
KDDI Corporation	142,200	1,160	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	3,861,000	12,239	Hold voting instruction rights for shares in retirement benefit trust
Astellas Pharma Inc.	4,568,850	8,989	Hold voting instruction rights for shares in retirement benefit trust
TV Asahi Holdings Corporation	4,030,000	8,080	Hold voting instruction rights for shares in retirement benefit trust
Japan Tobacco Inc.	1,000,000	3,800	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.	92	—	96	—
Consolidated subsidiaries	121	—	127	—
Total	213	—	223	—

(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

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

Board of Directors, Statutory Auditors and Corporate Officers

(As of June 26, 2015)

President

Yoshitoshi Kitajima

Executive Vice Presidents

Koichi Takanami

Masayoshi Yamada

Yoshinari Kitajima

Senior Managing Directors

Mitsuhiko Hakii

Masahiko Wada

Tetsuji Morino

Tokuji Kanda

Managing Directors

Kunikazu Akishige

Motoharu Kitajima

Masaki Tsukada

Sakae Hikita

Fujio Yamazaki

Takashi Saito

Kouichi Hashimoto

Satoru Inoue

Directors

Tadao Tsukada*

Tsukasa Miyajima*

Standing Statutory Auditors

Kazunari Tanaka

Naoki Hoshino

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

Hirofumi Hashimoto

Kazuhiko Sugita

Masafumi Kuroyanagi

*Outside directors or auditors

To Our Shareholders

DNP in Brief

Special Feature

Segment Information

How DNP Works to Achieve Sustainable Development

Financial Section

Appendix



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 maintained modest growth during the current fiscal year (April 2014–March 2015), aided by government economic policies and monetary easing by the Bank of Japan. However, the economy has still not reached a full-fledged recovery, due partly to sluggish consumer spending after the consumption tax hike and higher prices for imported products (e.g., raw materials) due to the weak yen trend. The printing industry continued to face a tough business environment, due partly to a decline in order prices amid weak demand and stiffer competition, and higher raw material costs. A discussion of the business environment affecting each of DNP's business segments is provided below.

Information Communication

- In the Books and Magazines business and the Education and Publications Distribution business, demand continued to slump on an ongoing contraction of the publications market since 1997 and the impact of a consumption tax hike. Publication industry sales fell 3.9% year on year to ¥1,594.6 billion (according to The Research Institute for Publications, Japan). Magazine sales fell 3.9% to ¥849.0 billion on a decline in circulation and increase in the number of discontinued publications. Book sales were also down 3.9% at ¥745.5 billion amid few hit titles. Concerning the e-book business, the e-book market grew a robust 35.3% year on year to ¥126.6 billion during the fiscal year ended March 2015, and adding e-magazines, the overall electronic publishing market totaled ¥141.1 billion (according to Impress Research Institute, Ltd.).
- In the Commercial Printing business, corporate advertising expenditures grew 2.3% year on year in the fiscal year ended March 2015 (according to the Ministry of Economy, Trade and Industry). However, while television and internet advertising increased, sales promotions on printed material decreased by 2.3%. Sales were also affected by declines for advertising flyers and direct mail, and by a shift to internet distribution of product catalogs and instruction manuals.
- In the Business Forms business, as part of efforts to cut costs and streamline operations, more companies are using websites to post various notifications and respond to applications and inquiries. Ensuring high-level information security is becoming more important due to the online exchange of sensitive corporate data and consumers' personal information. In line with these trends, the market for Business Process Outsourcing (BPO) is gaining momentum. Outsourcing demand has expanded as a result of major financial institutions revising their business operations, and the Japan Consumer Credit Association has hastened the introduction of smart cards as a result of setting a target of using smart cards for 80% of all credit cards by December 2016 with the aim on enhancing security.

Lifestyle and Industrial Supplies

- The pullback in reaction to front-loaded demand ahead of the consumption tax hike generally ended in the second half of the fiscal year through March 2015. However, consumer spending was sluggish for daily goods (e.g., toiletries), foods, and beverages, and demand continued to decline for packaging materials. Meanwhile, consumption of foods, daily goods, and other daily necessities increased in ASEAN amid ongoing economic growth, and demand has expanded for packaging materials, mainly film packaging.

- In the Lifestyle Materials business (including decorative materials), domestic housing starts fell 10.8% year on year to around 880,000 units during the fiscal year ended March 2015, the first decrease in five years (according to the Ministry of Land, Infrastructure, Transport, and Tourism). In addition to a reaction to front-loaded demand toward the end of the previous fiscal year before the consumption tax hike, housing starts were affected by higher construction costs for materials, labor, and other items.
- In the Industrial Supplies business, the commercial photo printing market saw a shift mainly in North America from conventional silver halide development systems to dry methods that do not use developing solutions. In energy-related business, domestic solar cell shipment volume (power generation capacity equivalent) grew 8% year on year to an all-time high of 9,216,325 kilowatts in fiscal 2014 on growth for industrial applications, mainly large-scale solar power generation plants (mega solar) (according to the Japan Photovoltaic Energy Association). However, the installation of solar power generation panels has slowed, due partly to inadequate supply of suitable sites for mega solar projects and to a sharp rise in construction material costs.

Electronics

- In the display panel market in 2014, panel makers in China and elsewhere maintained high capacity utilization, especially in the production of large ultra HD TV panels with high profitability. TV panel prices rose from April 2014 for 50–60-inch ultra HD models, and prices also fell only slightly for 32-inch models amid high shipment volume. However, laptop PC panels were in oversupply, and tablet panels were pressured by ever larger smartphones. Panel prices decreased for both applications.
- In the semiconductor market, PC shipment value fell 0.8% year on year in 2014, but demand trends differed between emerging and developed markets. In emerging markets, PC shipment volume dropped 9.5% year on year on reductions in public works spending, spread of smartphones, and other factors. In developed markets, meanwhile, shipment volume rose 8.4%, the first increase in four years, due to replacement demand for U.S.-based Microsoft's Windows XP operating system and a decline in PC prices. Going forward, the semiconductor market is expected to see growing demand mainly in the U.S. and Asia in a wide range of areas, including for digital home appliances and automobiles. World Semiconductor Trade Statistics (WSTS) forecasts annual growth of around 3% in 2015–2016.

Beverages

- As consumers have become more health conscious in recent years, the beverage industry has seen growth for teas, mineral waters, beverages classified as food for specified health use (FOSHU), and vegetable drinks. Meanwhile, carbonated drinks have trended downward. The business environment remained difficult in the fiscal year ended March 2015, due partly to the consumption tax hike and unseasonable summer weather. The location of consumer contact with soft drinks is also changing, as indicated in part by growth for coffees at convenience stores.

Overview

DNP, based on its P&I Solutions business vision, has aggressively pursued domestic and overseas business from consumer and social perspectives under the catchphrase "Today's Innovation is Tomorrow's Basic." It has also implemented structural reforms, including business structure reorganization, from the standpoint of overall optimization. As a result, DNP's consolidated net sales grew 0.9% year on year to ¥1,462,118 million in the fiscal year ended March 2015.

Consolidated operating income fell 3.8% year on year to ¥48,174 million, due partly to the impact of price cuts and higher raw material costs, and to a slump for paper printed material in the Information Communication segment. The consolidated operating income margin fell by 0.2 percentage points to 3.3%.

The operating income margin decreased by 0.6 percentage points to 1.1% in the Information Communication segment, increased by 0.4 percentage points to 5.0% in the Lifestyle and Industrial Supplies segment, decreased by 0.2 percentage points to 10.6% in the Electronics segment, and increased by 0.6 percentage points to 1.8% in the Beverages segment.

	2015.3	2014.3	2013.3
Net sales (¥ million)	¥ 1,462,118	¥ 1,448,550	¥ 1,446,607
Gross profit margin (%)	19.1%	18.8%	18.0%
Operating income margin (%)	3.3%	3.5%	2.5%
Ordinary income margin (%)	3.7%	3.7%	2.8%
Net income margin (%)	1.8%	1.8%	1.3%
Net income per share (¥)	¥ 41.82	¥ 39.82	¥ 29.84

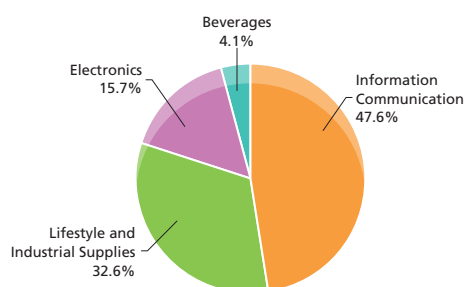
Net Sales

Net sales totaled ¥1,462,118 million in the current fiscal year, up 0.9%, or ¥13,568 million, from the previous year. Foods, daily goods, and other products subject to the strong consumer focus on low prices did not benefit much from an economic recovery and were affected by discount demands amid continued stiff competition.

Information Communication

In the Books and Magazines business, sales decreased for both magazines and books, due mainly to an increase in discontinued magazines, a decrease in circulation and pages, and a decline in book best sellers. In the Commercial Printing business, DNP strengthened cooperation with other business segments and worked to expand new business, including by providing information distribution services using digital signage to companies in the transport, tourism and distribution industries. However, overall sales fell below year-ago levels due to weak sales throughout the year for flyers, catalogs, and point-of-sale materials for in-store sales promotion. In the Business Forms business, smart card sales increased for financial institutions and electronic money, and settlement services expanded favorably, including international brand prepaid systems. However, Information Processing Services (IPS; ranging from data entry to printing and shipment of personalized mail and other items) were sluggish, and overall sales decreased. In the Education and Publications Distribution business, amid a downturn in sales of books and magazines, sales in this business increased on contributions from favorable sales in the library support business,

Net Sales by Segment
(Year ended March 2015)



growth in online sales and e-book sales, making SHUFUNOTOMO Co., Ltd. a consolidated subsidiary, and other factors.

As a result, overall segment sales fell by 0.2%, or ¥1,352 million, to ¥698,952 million.

Lifestyle and Industrial Supplies

In the Packaging business, sales of paper packaging decreased, but overall sales increased on growth in sales of aseptic PET plastic bottle filling systems and strong overseas sales, especially in Indonesia. In the Lifestyle Materials business, DNP focused on sales of interior materials that use its proprietary Electron Beam coating technology, but overall sales decreased, affected mainly by weak domestic housing starts. In the Industrial Supplies business, sales of dye-sublimation thermal transfer printing media for photo printing increased on market growth in North America and Europe and the launch of full operations at the Malaysian plant that opened in December 2013. Sales of thermal resin-type transfer printing media for printing barcodes also increased, due mainly to growing overseas demand, especially in North America and Latin America.

As a result, overall segment sales rose by 2.5%, or ¥11,780 million, to ¥479,453 million.

Electronics

Sales of color filters for LCD displays increased for large TVs, but decreased overall on a decline for mobile devices. Optical film sales increased, despite a decline for 3D TV films, due to growth for surface films for polarizing plates.

For photomasks, DNP focused on acquiring overseas demand, but sales decreased on a decline in domestic demand. For lead frames and other products, the company worked to expand sales of high-value-added etching products, but sales decreased on lower demand for printed wiring boards.

As a result, overall segment sales fell by 0.7%, or ¥1,686 million, to ¥230,306 million.

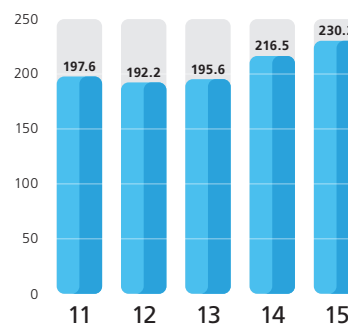
Beverages

Overall segment sales grew by 8.8%, or ¥4,833 million, to ¥59,641 million, driven by high growth for I LOHAS, a brand of mineral water that uses a lightweight PET bottle, and by efforts to bolster sales of new products and core brand products.

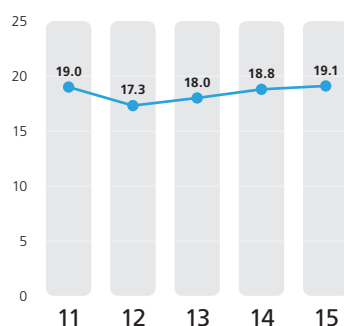
Overseas sales totaled ¥230,205 million in the current fiscal year, up 6.4%, or ¥13,748 million, from the previous year. The ratio to overall sales was 15.7%, up 0.8 percentage points from 14.9%. By region, sales in Asia (mainly South Korea, Taiwan, China, and Indonesia) were up 5.4% from the previous year at ¥160,681 million, and other regions (mainly the U.S., France, UK, and Germany) were up 8.7% at ¥69,524 million.

DNP's Overseas Sales

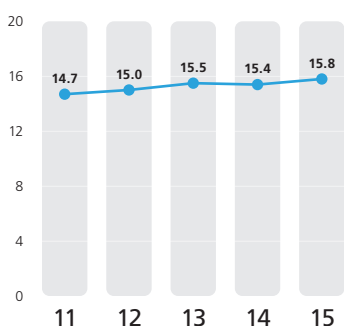
(¥ billion)



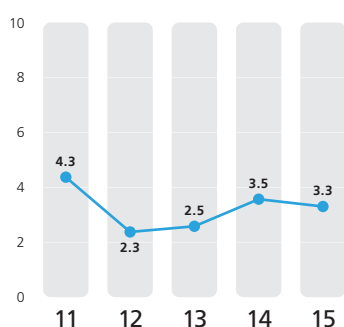
Gross Profit Margin
(%)



SGA Expenses to Net Sales
(%)



Operating Income Margin
(%)



Cost of Sales

The cost of sales totaled ¥1,182,954 million, up 0.6%, or ¥6,877 million, from the previous year. The gross profit margin was 19.1%, up 0.3 percentage points from 18.8%.

Prices increased for resins, films, and other petrochemical products and for printing paper, but higher raw material costs had a ¥5.2 billion impact in the current fiscal year, down ¥1.1 billion from ¥6.3 billion in the previous year. DNP worked to pass through these costs to product prices throughout the year, achieving a pass-through rate of 90% in the current fiscal year, versus just 40% in the previous year.

DNP pursued several cost-cutting initiatives including a reduction of personnel costs from cutting overtime hours, reduction of equipment and repair costs from the sale and disposal of equipment while consolidating manufacturing processes, and improvements in production efficiency, yields, and material losses from organizational integration in the Information Communication segment and Packaging operations. As a result, DNP cut costs by ¥27.8 billion during the current fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥230,990 million in the current fiscal year, up 3.9%, or ¥8,616 million, from the previous year. Selling, general and administrative expenses equated to 15.8% of net sales, up 0.4 percentage points from the previous year.

Operating Income

Operating income totaled ¥48,174 million in the current fiscal year, down 3.8%, or ¥1,925 million, from the previous year. The operating income margin was 3.3%, down 0.2 percentage points from 3.5% in the previous year.

Information Communications

In addition to growth for smart cards (e.g., electronic money for financial institutions) and settlement services (e.g., international brand prepaid systems), DNP worked to cut costs in manufacturing segments by raising the ratio of internal production. Nevertheless, segment operating income totaled ¥7,534 million, down 36.7%, or ¥4,367 million, from the previous year, as a result of price declines caused by stiffer competition, higher raw material costs, increased outlays for developing e-books and other new businesses, and other factors. The operating income margin was 1.1%, down 0.6 percentage points from 1.7% in the previous year.

Lifestyle and Industrial Supplies

DNP was affected by higher costs for raw materials, mainly for films and other petrochemical products. However, segment operating income totaled ¥23,996 million, up 10.5%, or ¥2,273 million, from the previous year, due to efforts to increase business efficiency and pass through higher costs to product prices, an increase in sales of main products, and weak yen benefits when exporting photo printing materials. The operating income margin was 5.0%, up 0.4 percentage points from 4.6% in the previous year.

Electronics

Depreciation decreased by ¥5,349 million from the previous year as a result of efforts in recent years to sell surplus equipment while restraining large investment, among other factors. However, segment operating income totaled

¥24,428 million, down 2.7%, or ¥690 million, from the previous year, due partly to price cuts prompted by stiffer competition. The operating income margin was 10.6%, down 0.2 percentage points from 10.8% in the previous year.

Beverages

Segment operating income totaled ¥1,077 million, up 65.3%, or ¥425 million, from the previous year, due to higher sales and rigorous cost-cutting efforts. The operating income margin was 1.8%, up 0.6 percentage points from 1.2% in the previous year.

Nonoperating Income (Expenses) and Extraordinary Income (Losses)

Nonoperating income totaled ¥12,536 million, up 19.3%, or ¥2,029 million, from the previous year; and nonoperating expenses totaled ¥6,950 million, down 5.1%, or ¥370 million. As a result, net nonoperating income was ¥5,586 million.

Ordinary income totaled ¥53,759 million, up 0.9%, or ¥474 million, from the previous year.

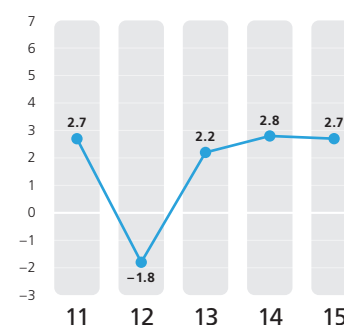
Extraordinary income totaled ¥4,845 million, up ¥2,527 million from the previous year. Key items included gains on the sale of property, plant and equipment of ¥245 million, down ¥764 million from ¥1,009 million in the previous year; and gains on the sale of investment securities of ¥4,442 million, up ¥4,094 million from ¥348 million in the previous year. Extraordinary losses totaled ¥7,543 million, up ¥548 million from the previous year. Key items included decreases in losses on the disposal of property, plant and equipment and in other losses; and business integration losses of ¥4,342 million. As a result, net extraordinary losses totaled ¥2,698 million, down from ¥4,677 million in the previous year.

As a result of the above, income before income taxes and minority interests totaled ¥51,062 million, up ¥2,454 million from the previous year.

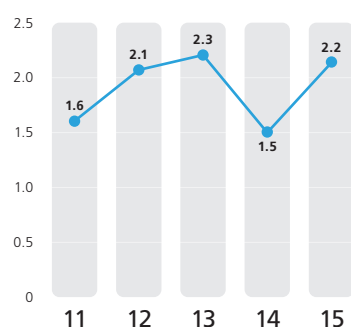
Net Income

Net income totaled ¥26,924 million, up 5.0%, or ¥1,282 million, from the previous year. Net income per share was ¥41.82, up ¥2.00.

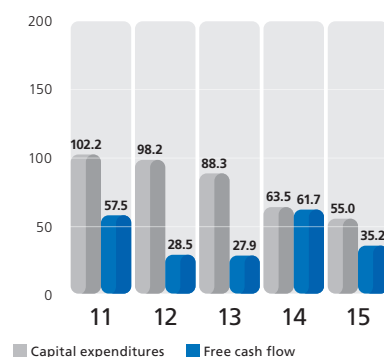
ROE
(%)



Interest-bearing Debt to Cash Flow Ratio
(times)



Capital Expenditures and Free Cash Flow
(¥ billion)



Liquidity and Capital Resources

Cash Flow

	2015.3	2014.3	2013.3
Cash flow from operating activities	¥ 85,731	¥ 120,109	¥ 100,498
Cash flow from investing activities	(50,540)	(58,371)	(72,588)
Free cash flow	35,191	61,738	27,910

(¥ million)

Net cash provided by operating activities totaled ¥85,731 million, down 28.6% from the previous year.

Net cash used in investing activities totaled ¥50,540 million, down 13.4%, or ¥7,831 million, from ¥58,371 million in the previous year.

Net cash used in financing activities totaled ¥23,865 million, down ¥56,173 million, from ¥80,038 million in the previous year.

As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled ¥212,762 million, up 6.5%, or ¥12,949 million, from the previous year.

Free cash flow—i.e., net cash provided by operating activities minus net cash used in investing activities—was ¥35,191 million, down ¥26,547 million from ¥61,738 million in the previous year.

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

Capital expenditures this fiscal year were mainly invested in streamlining, and totaled ¥55.0 billion, down 13.3%, or ¥8.4 billion, from the previous year. By segment, capital expenditures in the Information Communication segment were ¥17.8 billion, down ¥5.9 billion from the previous year and accounting for 32% of total capital expenditures. The Lifestyle and Industrial Supplies segment was ¥18.5 billion, down ¥7.2 billion and accounting for 34%. The Electronics segment was ¥14.3 billion, up ¥4.8 billion and accounting for 26%. Other businesses were ¥4.4 billion, unchanged and accounting for 8%.

Depreciation totaled ¥67.0 billion, down 8.7%, or ¥6.4 billion, from the previous year. By segment, depreciation in the Information Communication segment was ¥22.6 billion, up ¥0.6 billion from the previous year and accounting for 34% of total depreciation. The Lifestyle and Industrial Supplies segment was ¥20.9 billion, down ¥1.5 billion and accounting for 31%. The Electronics segment was ¥18.4 billion, down ¥5.3 billion and accounting for 27%. Other businesses were ¥5.1 billion, down ¥0.2 billion and accounting for 8%.

Research and development expenditures totaled ¥31.7 billion, up 3% from ¥30.8 billion in the previous year.

The Balance Sheet

	2015.3	2014.3	2013.3
Total assets (¥ million)	¥ 1,809,462	¥ 1,574,754	¥ 1,578,976
Current ratio (%)	175%	175%	164%
Working capital/net sales (%)	22%	22%	20%
Debt-to-equity ratio (%)	17%	20%	25%
Net assets per share (¥)	¥ 1,675.63	¥ 1,447.96	¥ 1,386.86

DNP's total assets at the end of this fiscal year amounted to ¥1,809,462 million, up 14.9%, or ¥234,708 million, from the previous year.

Among current assets, cash and cash equivalents and time deposits totaled ¥213,979 million, up 5.3%, or ¥10,767 million, from the previous year. Trade receivables totaled ¥366,068 million, up 2.5%, or ¥9,087 million. Inventories of merchandise and finished products, work in process, raw materials and supplies totaled ¥147,906 million, up 5.9%, or ¥8,250 million. As a result, current assets totaled ¥763,122 million, up 4.1%, or ¥30,068 million.

Among long-term assets, property, plant and equipment totaled ¥512,791 million, down 3.0%, or ¥15,747 million, from the previous year. Intangible assets totaled ¥30,583 million, down 3.7%, or ¥1,168 million. Investments and other assets totaled ¥502,966 million, up 78.7%, or ¥221,557 million. As a result, long-term assets totaled ¥1,046,340 million, up 24.3%, or ¥204,641 million.

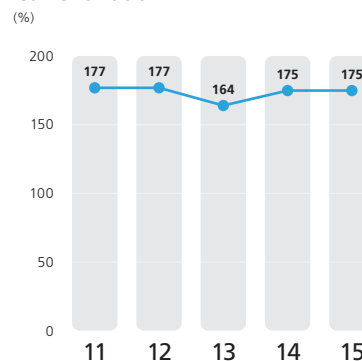
Current liabilities totaled ¥435,405 million, up 4.1%, or ¥16,982 million, from the previous year. Long-term liabilities totaled ¥249,965 million, up 38.9%, or ¥70,019 million. As a result, total liabilities amounted to ¥685,370 million, up 14.5%, or ¥87,001 million.

Additionally, net assets totaled ¥1,124,092 million, up 15.1%, or ¥147,707 million.

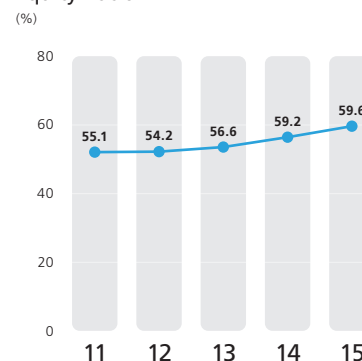
DNP repurchased a total of about 112.86 million of its shares between fiscal 2002 and fiscal 2008 and retired 59 million treasury shares between fiscal 2004 and fiscal 2008. As of March 31, 2015, the number of treasury shares totaled 56,647,614, or 8.09% of total shares outstanding of 700,480,693 shares. The number of treasury shares increased by 60,784 shares from the previous year due to the purchase and sale of odd-lot shares.

DNP will repurchase up to 18 million shares between May 15 and August 31, 2015 (the maximum purchase amount is ¥20 billion). It also retired 20 million treasury shares on May 28, 2015.

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 steadily its business 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 an 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, stricter environmental 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 prices 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, the depletion of natural resources, and climate change. 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 the social infrastructure.

Lawsuits and fines

DNP works to establish corporate ethics throughout the group and earn the trust of society by each and every employee complying 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

	2015	2014	2013	2012
Statements of Operations Data (¥ million)				
Net sales	¥ 1,462,118	¥ 1,448,550	¥ 1,446,607	¥ 1,507,228
Cost of sales	1,182,954	1,176,077	1,186,558	1,246,878
Gross profit	279,164	272,473	260,049	260,350
Selling, general and administrative expenses	230,990	222,374	224,269	226,335
Operating income	48,174	50,099	35,780	34,015
Ordinary income	53,759	53,285	40,318	36,843
Income (loss) before income taxes and minority interests	51,062	48,608	35,152	2,673
Net income (loss)	26,924	25,642	19,218	(16,356)
Balance Sheet Data (¥ million)				
Total assets	¥ 1,809,462	¥ 1,574,754	¥ 1,578,976	¥ 1,608,806
Property, plant and equipment—net	512,791	528,538	538,455	579,567
Long-term liabilities	249,965	179,946	184,136	251,414
Total liabilities	685,370	598,369	641,921	694,593
Total stockholders' equity	—	—	—	—
Stockholders' equity	902,217	892,110	887,194	888,650
Total net assets	1,124,092	976,385	937,055	914,213
Other Selected Data (¥ million)				
Capital expenditures	¥ 55,024	¥ 63,465	¥ 88,315	¥ 98,189
Depreciation expenses	67,034	73,459	80,200	95,829
R&D expenditures	31,748	30,820	30,820	31,690
Common Share Data (¥, shares)				
Earnings (loss) per share—primary	¥ 41.82	¥ 39.82	¥ 29.84	¥ (25.39)
Earnings (loss) per share—fully diluted	41.44	39.65	29.79	—
Dividends paid per share	32.00	32.00	32.00	32.00
Book value per share	1,675.63	1,447.96	1,386.86	1,352.71
No. of common shares outstanding (exc. treasury shares)	643,833,079	643,893,863	643,990,364	644,062,928
Financial Ratios (% , times)				
As a percent of net sales:				
Gross profit	19.09%	18.81%	17.98%	17.27%
Selling, general and administrative expenses	15.80	15.35	15.50	15.02
Operating income	3.29	3.46	2.47	2.26
Income (loss) before income taxes and minority interests	3.49	3.36	2.43	0.18
Net income (loss)	1.84	1.77	1.33	-1.09
Return on equity	2.67	2.81	2.18	-1.84
Current ratio	175	175	164	177
D/E ratio	17	20	25	26

	2011	2010	2009	2008	2007	2006
	¥ 1,589,373	¥ 1,583,383	¥ 1,584,844	¥ 1,616,053	¥ 1,557,802	¥ 1,507,506
	1,287,581	1,286,682	1,324,522	1,327,872	1,268,072	1,202,160
	301,792	296,701	260,322	288,181	289,730	305,346
	233,973	230,187	214,145	201,077	193,585	184,676
	67,819	66,514	46,177	87,104	96,145	120,670
	62,786	68,841	47,390	86,502	101,348	124,715
	52,696	49,496	(27,842)	88,469	98,950	114,640
	25,033	23,278	(20,933)	45,172	54,842	65,188
	¥ 1,649,784	¥ 1,618,854	¥ 1,536,557	¥ 1,601,193	¥ 1,700,250	¥ 1,662,377
	614,827	616,848	604,904	639,343	635,784	568,966
	249,575	190,045	126,671	106,691	118,437	118,287
	697,343	661,990	596,471	561,058	600,811	571,170
	—	—	—	—	—	1,063,309
	925,702	921,775	917,348	990,122	1,027,475	—
	952,441	956,864	940,086	1,040,135	1,099,439	—
	¥ 102,173	¥ 119,063	¥ 96,156	¥ 116,139	¥ 162,886	¥ 136,059
	97,977	91,695	106,883	109,902	100,161	87,264
	33,147	33,850	34,112	35,556	30,113	28,692
	¥ 38.86	¥ 36.13	¥ (32.35)	¥ 67.08	¥ 78.10	¥ 91.23
	—	—	—	—	—	—
	32.00	32.00	32.00	36.00	32.00	26.00
	1,410.44	1,422.34	1,393.91	1,516.35	1,544.02	1,507.90
	644,142,530	644,238,930	644,357,076	661,366,377	694,226,171	704,972,101
	18.99%	18.74%	16.43%	17.83%	18.60%	20.26%
	14.72	14.54	13.51	12.44	12.43	12.25
	4.27	4.20	2.91	5.39	6.17	8.00
	3.32	3.13	-1.76	5.47	6.35	7.60
	1.57	1.47	-1.32	2.80	3.52	4.32
	2.74	2.57	-2.20	4.35	5.14	6.29
	177	157	144	157	166	178
	25	18	14	8	6	6

Consolidated Financial Statements

Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2015 and 2014	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Assets			
Current assets:			
Cash and cash equivalents (Notes 4 and 15)	¥ 212,762	¥ 199,813	\$ 1,773,017
Time deposits (Note 15)	1,217	3,399	10,142
Trade receivables (Notes 10 and 15)	366,068	356,981	3,050,567
Allowance for doubtful receivables	(822)	(2,791)	(6,850)
Inventories (Note 6)	147,906	139,656	1,232,550
Prepaid expenses and other current assets (Notes 5, 10 and 13)	35,991	35,996	299,924
Total current assets	763,122	733,054	6,359,350
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Notes 10 and 15)	51,835	33,935	431,958
Investment securities (Notes 5 and 15)	346,053	183,877	2,883,775
Other (Note 15)	8,072	8,634	67,267
Total investments and advances	405,960	226,446	3,383,000
Property, plant and equipment, at cost (Note 7) :			
Land	154,094	153,160	1,284,117
Buildings and structures	537,358	536,979	4,477,983
Machinery and equipment	883,201	894,767	7,360,008
Leased assets	29,378	31,393	244,817
Construction in progress	41,458	27,577	345,483
Total	1,645,489	1,643,876	13,712,408
Accumulated depreciation	(1,132,698)	(1,115,338)	(9,439,150)
Net property, plant and equipment	512,791	528,538	4,273,258
Other assets			
Net defined benefit asset (Note 8)	65,931	19,234	549,425
Other (Notes 7 and 13)	61,658	67,482	513,817
Total other assets	127,589	86,716	1,063,242
Total assets	¥ 1,809,462	¥ 1,574,754	\$ 15,078,850

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2015 and 2014	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Liabilities and Net Assets			
Current liabilities :			
Short-term bank loans (Notes 7 and 15)	¥ 53,371	¥ 48,962	\$ 444,758
Current portion of long-term debt (Notes 7 and 15)	11,291	14,330	94,092
Trade payables (Notes 10 and 15)	258,887	249,605	2,157,392
Accrued expenses (Note 10)	40,221	38,656	335,175
Income taxes payable (Note 13)	8,075	8,942	67,292
Other current liabilities (Notes 7, 10 and 13)	63,560	57,928	529,666
Total current liabilities	435,405	418,423	3,628,375
Long-term liabilities:			
Long-term debt (Notes 7 and 15)	124,336	119,305	1,036,133
Net defined benefit liability (Note 8)	32,348	29,550	269,567
Other long-term liabilities (Notes 7 and 13)	93,281	31,091	777,341
Total long-term liabilities	249,965	179,946	2,083,041
Contingent liabilities (Note 17)			
Net assets			
Stockholders' equity			
Common stock -			
Authorized : 1,490,000,000 shares;			
Issued : 700,480,693 shares;	114,464	114,464	953,867
Capital surplus (Note 9)	144,898	144,898	1,207,483
Retained earnings (Note 9)	737,241	727,070	6,143,675
Treasury stock, at cost			
56,647,614 shares in 2015 and 56,586,830 shares in 2014 (Note 9)	(94,386)	(94,322)	(786,550)
Total stockholders' equity	902,217	892,110	7,518,475
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	147,914	34,598	1,232,617
Net deferred gains (losses) on hedges	(0)	3	(0)
Foreign currency translation adjustments	7,247	145	60,392
Remeasurements of defined benefit plans (Note 8)	21,450	5,473	178,750
Total accumulated other comprehensive income	176,611	40,219	1,471,759
Stock acquisition rights	16	16	133
Minority interests	45,248	44,040	377,067
Total net assets	1,124,092	976,385	9,367,434
Total liabilities and net assets	¥ 1,809,462	¥ 1,574,754	\$ 15,078,850

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, 2015 and 2014	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Net sales (Note 18)	¥ 1,462,118	¥ 1,448,550	\$ 12,184,317
Cost of sales (Notes 11 and 18)	1,182,954	1,176,077	9,857,950
Gross profit	279,164	272,473	2,326,367
Selling, general and administrative expenses (Notes 11 and 18)	230,990	222,374	1,924,917
Operating income	48,174	50,099	401,450
Other income (expenses) (Note 12):			
Interest and dividends income	4,138	3,738	34,483
Interest expenses	(2,453)	(2,914)	(20,442)
Equity in earnings of affiliates	2,171	743	18,092
Foreign exchange transaction gain	1,754	1,068	14,617
Net loss on sale or disposal of property, plant and equipment	(1,941)	(3,861)	(16,175)
Net gain on sales of investment securities	4,456	385	37,133
Loss on devaluation of investment securities	(67)	(489)	(558)
Loss on business integration	(4,342)	—	(36,183)
Other	(828)	(161)	(6,900)
	2,888	(1,491)	24,067
Income before income taxes and minority interests	51,062	48,608	425,517
Income taxes (Note 13):			
Current	14,097	14,589	117,475
Deferred	8,475	7,224	70,625
	22,572	21,813	188,100
Net income before minority interests	28,490	26,795	237,417
Minority interests	(1,566)	(1,153)	(13,050)
Net income	¥ 26,924	¥ 25,642	\$ 224,367

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, 2015 and 2014	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Net income before minority interests	¥ 28,490	¥ 26,795	\$ 237,417
Other comprehensive income			
Valuation difference on available-for-sale securities	113,164	15,125	943,033
Net deferred gains (losses) on hedges	(31)	1	(258)
Foreign currency translation adjustments	6,991	13,099	58,258
Remeasurements of defined benefit plans	15,200	—	126,667
Share of other comprehensive income in associates accounted for using the equity method	1,869	698	15,575
Total other comprehensive income	137,193	28,923	1,143,275
Comprehensive income	165,683	55,718	1,380,692
Attributable to:			
Shareholders of parent company	¥ 163,316	¥ 54,457	\$ 1,360,967
Minority interests	2,367	1,261	19,725

	Yen		U.S. dollars (Note 3)
	2015	2014	2015
Net assets per common share	¥ 1,675.63	¥ 1,447.96	\$ 13.96
Net income per common share			
primary	¥ 41.82	¥ 39.82	\$ 0.35
Net income per common share			
fully diluted	¥ 41.44	¥ 39.65	\$ 0.35

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, 2015 and 2014	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, 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 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
Cumulative effects of changes in accounting policies	—	—	—	4,001	—	—	—	—	—	—	(506)
Adjusted balance at March 31, 2014	700,480	114,464	144,898	731,071	(94,322)	34,598	3	145	5,473	16	43,534
Changes of items during the period											
Net income	—	—	—	26,924	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(20,622)	—	—	—	—	—	—	—
Changes resulting from change of scope of consolidation	—	—	—	(141)	—	—	—	—	—	—	—
Changes resulting from change of scope of equity method	—	—	—	10	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(67)	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	(1)	3	—	—	—	—	—	—
Changes in valuation difference on available-for-sale securities	—	—	—	—	—	113,316	—	—	—	—	—
Changes in deferred gains (losses) on hedges	—	—	—	—	—	—	(3)	—	—	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	7,102	—	—	—
Changes in remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	15,977	—	—
Changes in minority interests	—	—	—	—	—	—	—	—	—	—	1,714
Other	—	—	0	—	0	—	—	—	—	—	—
Total changes of items during the period	—	—	0	6,170	(64)	113,316	(3)	7,102	15,977	—	1,714
Balance at March 31, 2015	700,480	114,464	144,898	737,241	(94,386)	147,914	(0)	7,247	21,450	16	45,248

	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, 2014	700,480	953,867	1,207,483	6,058,917	(786,017)	288,317	25	1,208	45,608	133	367,000
Cumulative effects of changes in accounting policies	—	—	—	33,342	—	—	—	—	—	—	(4,217)
Adjusted balance at March 31, 2014	700,480	953,867	1,207,483	6,092,259	(786,017)	288,317	25	1,208	45,608	133	362,783
Changes of items during the period											
Net income	—	—	—	224,367	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(171,850)	—	—	—	—	—	—	—
Changes resulting from change of scope of consolidation	—	—	—	(1,175)	—	—	—	—	—	—	—
Changes resulting from change of scope of equity method	—	—	—	83	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(558)	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	(9)	25	—	—	—	—	—	—
Changes in valuation difference on available-for-sale securities	—	—	—	—	—	944,300	—	—	—	—	—
Changes in deferred gains (losses) on hedges	—	—	—	—	—	—	(25)	—	—	—	—
Changes in foreign currency translation adjustments	—	—	—	—	—	—	—	59,184	—	—	—
Changes in remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	133,142	—	—
Changes in minority interests	—	—	—	—	—	—	—	—	—	—	14,284
Other	—	—	0	—	0	—	—	—	—	—	—
Total changes of items during the period	—	—	0	51,416	(533)	944,300	(25)	59,184	133,142	—	14,284
Balance at March 31, 2015	700,480	953,867	1,207,483	6,143,675	(786,550)	1,232,617	(0)	60,392	178,750	133	377,067

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, 2015 and 2014	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 51,062	¥ 48,608	\$ 425,517
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	67,034	73,459	558,617
Impairment loss on fixed assets	79	140	658
Provision for doubtful receivables (net)	700	(516)	5,833
Net defined benefit asset (net)	(14,799)	(7,478)	(123,325)
Net defined benefit liability (net)	151	719	1,258
Equity in earnings of affiliates	(2,171)	(743)	(18,092)
Amortization of consolidation goodwill (net)	1,989	3,648	16,575
Interest and dividends income	(4,138)	(3,738)	(34,483)
Interest expenses	2,453	2,914	20,442
Net gain on sales of investment securities	(4,456)	(385)	(37,133)
Loss on devaluation of investment securities	67	489	558
Net loss on sale or disposal of property, plant and equipment	1,980	3,899	16,500
Changes in assets and liabilities			
Trade receivables	(12,507)	15,085	(104,225)
Inventories	(5,711)	3,042	(47,592)
Trade payables	4,767	(6,147)	39,725
Other assets and liabilities	14,872	1,703	123,934
Sub-total	101,372	134,699	844,767
Extra retirement payments	(153)	(249)	(1,275)
Payments of income taxes	(15,488)	(14,341)	(129,067)
Net cash provided by operating activities	85,731	120,109	714,425
Cash flows from investing activities:			
Net decrease (increase) in time deposits	2,161	(1,484)	18,008
Payments for purchases of property, plant and equipment	(52,627)	(54,876)	(438,558)
Proceeds from sales of property, plant and equipment	3,961	7,168	33,008
Payments for purchases of investment securities	(2,330)	(7,922)	(19,416)
Proceeds from sales of investment securities	7,846	1,232	65,383
Payments for purchases of intangible assets	(8,989)	(7,766)	(74,908)
Payments for acquisition of subsidiaries' shares, resulting in consolidation scope change	(675)	—	(5,625)
Proceeds from acquisition of subsidiaries' shares, resulting in consolidation scope change	—	796	—
Interest and dividends received	4,990	5,127	41,583
Other investing	(4,877)	(646)	(40,641)
Net cash used in investing activities	(50,540)	(58,371)	(421,166)
Cash flows from financing activities:			
Net increase in short-term bank loans	4,029	168	33,575
Proceeds from long-term debt	11,153	9,227	92,942
Repayments of long-term debt	(10,232)	(7,453)	(85,266)
Proceeds from issuance of debentures	2,947	850	24,558
Payments for redemption of debentures	(1,850)	(50,760)	(15,417)
Interest paid	(2,443)	(2,956)	(20,358)
Dividends paid	(20,613)	(20,625)	(171,775)
Dividends paid to minority shareholders	(365)	(440)	(3,042)
Payments for purchases of treasury stocks	(68)	(99)	(567)
Other financing	(6,423)	(7,950)	(53,525)
Net cash used in financing activities	(23,865)	(80,038)	(198,875)
Effect of exchange rate changes on cash and cash equivalents	2,790	6,051	23,250
Net increase (decrease) in cash and cash equivalents	14,116	(12,249)	117,634
Cash and cash equivalents at beginning of year	199,813	212,062	1,665,108
Increase in cash and cash equivalents resulting from change of scope of consolidation	64	—	533
Decrease in cash and cash equivalents resulting from merger of consolidated subsidiaries	(1,274)	—	(10,616)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	43	—	358
Cash and cash equivalents at end of year	¥ 212,762	¥ 199,813	\$ 1,773,017

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, 2015 and 2014

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 2014 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 112 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" as reported in 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

Debt securities that are held to maturity with positive intent and ability ("held-to-maturity debt securities") are stated at amortized cost. Available-for-sale securities with available fair market values are stated at fair value. Unrealized gains and losses on available-for-sale securities, net of applicable taxes, are reported in a separate component of accumulated other comprehensive income in the consolidated balance sheets.

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 (\$833) or more per unit and less than ¥200,000 (\$1,667) per unit are depreciated over three years on a straight-line basis, whereby one-third of such acquisition costs may be taken as depreciation expense each year.

Leased assets

Finance leases which do not transfer ownership were accounted for as operating lease prior to 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 are amortized by the straight-line method over five years.

Impairment of fixed assets

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

Employees' retirement benefits

The Company and 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. Benefit formula basis is applied for the method of attributing expected retirement benefits to periods. Prior service cost is being amortized as incurred by the straight-line method over the period within the average remaining service periods (primarily 6 years) 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 (primarily 9 years) 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 Act for Partial Amendment of the Income Tax Act, etc., (Act No.9 of 2015) and The Act for Partial Amendment of the Local Tax Act, etc., (Act No.2 Of 2015) were enacted on March 31, 2015.

Consequently, the statutory tax rate used to calculate deferred tax assets and liabilities changed from 35.6% to 33.1% for temporary differences expected to be realized during the fiscal year beginning on or after April 1, 2015 until March 31, 2016. The rate will be changed to 32.3% for temporary differences expected to be realized during the fiscal years beginning on or after April 1, 2016.

As a result of these changes in the corporate tax rate, deferred tax assets (net of deferred tax liabilities) increased by ¥5,733 million (\$47,775 thousand), and income taxes-deferred increased by ¥2,077 million (\$17,308 thousand). In addition, the valuation difference on available-for-sale securities increased by ¥6,887 million (\$57,392 thousand), net deferred gains (losses) on hedges increased by ¥0 million (\$0 thousand), and remeasurements of defined benefit plans increased by ¥923 million (\$7,692 thousand).

Derivatives and hedging activities

The Company and certain consolidated subsidiaries use derivative financial instruments ("derivatives") for foreign currency forward contracts, interest rate swaps and currency swaps to manage the risk arising from fluctuations in the 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 and changes in fair value are recognized as gains or losses, unless the derivatives are used for hedging purposes.

If derivatives meet certain hedging criteria, recognition of gains or losses resulting from changes in the fair value of derivatives is deferred until the related gains or losses on hedged items are recognized.

In cases where foreign currency forward contracts or currency swap contracts meet certain hedging criteria, the hedged items are stated by the contracted rates ("alternative method"). In addition, if interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from interest on the assets or liabilities for which the interest rate swap contracts were executed ("exceptional accrual method").

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, 2015 and 2014, 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”

The Company and domestic significant consolidated subsidiaries adopted the provisions of the main clauses in Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012; hereinafter, the Accounting Standard) and in Paragraph 67 of the Guidance on the Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, March 26, 2015; hereinafter, the Guidance) starting in the first quarter of the current fiscal year.

Accordingly, the Company and its subsidiaries has revised the method of calculating retirement benefit obligations and service costs; changed the method of attributing expected retirement benefits to periods from a straight line-basis to a benefit formula basis; and changed the method of determining a discount rate from a method in which bond duration as the basis for determining the discount rate is determined based on a number of years similar to the average remaining service period of employees to a method that mainly uses multiple discount rates established for each period of expected retirement benefit payments.

With the adoption of the Accounting Standard, etc., in accordance with the transitional treatment stipulated in Paragraph 37, the Company and its subsidiaries reflected in retained earnings the amount of the impact of the change in the method of calculating retirement benefit obligations and service costs at the start of the current fiscal year.

As a result, net defined benefit liability at the start of the current fiscal year increased by ¥2,393 million (\$19,942 thousand), net defined benefit asset increased by ¥9,190 million (\$76,583 thousand), and retained earnings increased by ¥4,001 million (\$33,342 thousand).

Additionally, operating income increased by ¥1,567 million (\$13,058 thousand), and income before income taxes and minority interests increased by ¥1,629 million (\$13,575 thousand) in the current fiscal year.

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 ¥120=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2015. 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, 2015 and 2014 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 212,762	¥ 199,813	\$ 1,773,017

5. Marketable Securities and Investment Securities

The carrying amount and aggregate fair value of marketable and investment securities classified as held-to-maturity debt securities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		
	Carrying amount	Fair value	Difference
March 31, 2015			
Others	¥ 202	¥ 202	¥ 0

	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Difference
March 31, 2015			
Others	\$ 1,683	\$ 1,683	\$ 0

March 31, 2014 No relevant items.

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, 2015 and 2014 were as follows:

	Millions of yen			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
March 31, 2015				
Stocks	¥ 130,487	¥ 216,152	¥ 1,112	¥ 345,527
Others	2,214	19	—	2,233
Total	¥ 132,701	¥ 216,171	¥ 1,112	¥ 347,760

Thousands of U.S. dollars (Note 3)

March 31, 2015	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 1,087,392	\$ 1,801,267	\$ 9,267	\$ 2,879,392
Others	18,450	158	—	18,608
Total	\$ 1,105,842	\$ 1,801,425	\$ 9,267	\$ 2,898,000

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

The proceeds from sales of available-for-sale securities for the years ended March 31, 2015 and 2014 were ¥5,726 million (\$47,717 thousand) and ¥1,140 million, respectively. The gross realized gains on these sales for the years ended March 31, 2015 and 2014 were ¥4,443 million (\$37,025 thousand) and ¥348 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2015 and 2014 were ¥1 million (\$8 thousand) and ¥25 million, respectively.

The redemption schedules for securities with maturities at March 31, 2015 and 2014 were as follows:

Millions of yen

March 31, 2015	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	¥ —	¥ 201	¥ 180
Trust beneficiary right on sales credit	1,900	—	—

Thousands of U.S. dollars (Note 3)

March 31, 2015	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	\$ —	\$ 1,675	\$ 1,500
Trust beneficiary right on sales credit	15,833	—	—

Millions of yen

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

6. Inventories

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Merchandise and finished products	¥ 97,232	¥ 91,682	\$ 810,267
Work in process	28,278	28,509	235,650
Raw materials and supplies	22,396	19,465	186,633
	¥ 147,906	¥ 139,656	\$ 1,232,550

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

Short-term bank loans at March 31, 2015 and 2014 were represented by bank loans and bank overdrafts, etc., bearing interest at an average rate of 0.66% per annum for 2015 and 0.67% per annum for 2014.

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Unsecured debentures			
1.358% due 2021	¥ 50,000	¥ 50,000	\$ 416,667
0.350~1.705% due 2020	50,200	50,000	418,333
0.350~0.54% due 2019	2,370	170	19,750
0.350~0.54% due 2018	470	270	3,917
0.350~0.79% due 2017	710	510	5,917
0.350~0.79% due 2016	1,050	850	8,750
0.40~0.79% due 2015	–	1,850	–
Mortgage loans, maturing 2015~2030	13,474	13,767	112,283
Unsecured loans, maturing 2015~2022	17,353	16,218	144,608
	135,627	133,635	1,130,225
Current portion of long-term debt	(11,291)	(14,330)	(94,092)
	¥ 124,336	¥ 119,305	\$ 1,036,133

Finance lease obligations at March 31, 2015 and 2014 which are included in other long-term liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Finance lease obligations	¥ 16,810	¥ 16,285	\$ 140,083
Current portion of lease obligations	(4,738)	(6,670)	(39,483)
	¥ 12,072	¥ 9,615	\$ 100,600

The assets pledged as collateral for the company and its consolidated subsidiaries' indebtedness, such as property, plant and equipment and other assets, were ¥10,852 million (\$90,433 thousand) and ¥11,233 million at March 31, 2015 and 2014, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 0.47% to 2.86% per annum for 2015 and from 0.60% to 2.86% per annum for 2014, while interest rates on unsecured loans ranged from 0.52% to 2.00% per annum for 2015 and from 0.54% to 2.00% per annum for 2014.

The aggregate annual maturities of long-term debt after March 31, 2015 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2016	¥ 11,291	\$ 94,092
2017	7,451	62,092
2018	9,155	76,292
2019	5,723	47,692
2020	51,521	429,341
2021 and thereafter	50,486	420,716
	¥ 135,627	\$ 1,130,225

The aggregate annual maturities of finance lease obligations after March 31, 2015 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2016	¥ 4,738	\$ 39,483
2017	3,454	28,783
2018	2,717	22,642
2019	2,263	18,858
2020	1,523	12,692
2021 and thereafter	2,115	17,625
	¥ 16,810	\$ 140,083

8. Retirement Benefits

The Company and its subsidiaries have several 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 and its subsidiaries is covered by the employees' pension fund.

The reconciliation of beginning and ending balance of the projected benefit obligation at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Change in projected benefit obligation:			
Balance at the beginning of year	¥ 219,322	¥ 211,159	\$ 1,827,683
Cumulative effects of changes in accounting policies	(6,798)	—	(56,650)
Adjusted balance at the beginning of year	212,524	211,159	1,771,033
Service cost	11,919	11,154	99,325
Interest cost	1,861	3,758	15,508
Actuarial gain/loss	6,616	(1,018)	55,133
Benefits paid	(7,933)	(6,737)	(66,108)
Prior service cost	(130)	(13)	(1,083)
Change of scope of consolidation	17	1,051	142
Other	279	(32)	2,325
Balance at the end of year	¥ 225,153	¥ 219,322	\$ 1,876,275

The reconciliation of beginning and ending balance of the plan assets at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Change in plan assets:			
Balance at the beginning of year	¥ 209,006	¥ 178,478	\$ 1,741,717
Expected return on plan assets	5,177	4,435	43,142
Actuarial gain/loss	30,973	14,105	258,108
Contributions by the employer	19,936	17,187	166,133
Benefits paid	(6,523)	(5,268)	(54,359)
Other	167	69	1,392
Balance at the end of year	¥ 258,736	¥ 209,006	\$ 2,156,133

The reconciliation of projected benefit obligation and plan assets to net defined benefit liability and asset recognized in the consolidated balance sheets as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Funded projected benefit obligation	¥ 194,476	¥ 190,468	\$ 1,620,633
Plan assets	(258,736)	(209,006)	(2,156,133)
	(64,260)	(18,538)	(535,500)
Unfunded projected benefit obligation	30,677	28,854	255,642
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ (33,583)	¥ 10,316	\$ (279,858)
Net defined benefit liability	32,348	29,550	269,567
Net defined benefit asset	(65,931)	(19,234)	(549,425)
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ (33,583)	¥ 10,316	\$ (279,858)

The components of net periodic benefit costs for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Service cost	¥ 11,850	¥ 11,090	\$ 98,750
Interest cost	1,861	3,758	15,508
Expected return on plan assets	(5,177)	(4,435)	(43,142)
Actuarial gain/loss	(2,157)	1,038	(17,975)
Amortization of prior service cost	321	445	2,675
Net periodic benefit costs of the defined benefit plan	¥ 6,698	¥ 11,896	\$ 55,816

Remeasurements of defined benefit plans, before income-tax effect, at March 31, 2015 and 2014 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Unrecognized actuarial gain/loss	¥ 30,860	¥ 8,761	\$ 257,167
Unrecognized prior service cost	(782)	(1,231)	(6,517)
Total	¥ 30,078	¥ 7,530	\$ 250,650

The major categories of plan assets as of March 31, 2015 and 2014 were as follows:

	2015	2014
Bonds	20%	25%
Stocks	52%	47%
Other	28%	28%
Total	100%	100%

Assumptions used for the years ended March 31, 2015 and 2014 were set forth as follows:

	2015	2014
Discount rate	1.3%	1.6%
Long-term expected rate of return on plan assets	2.5%	2.5%

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 (\$0.1) per share, aggregating ¥10,310 million (\$85,917 thousand) were approved at the general stockholders' meeting held in June 2015 with respect to the year ended March 31, 2015.

(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, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Trade receivables	¥ 6,374	¥ 4,913	\$ 53,117
Other current assets	460	1,468	3,833
Investment securities	51,063	33,183	425,525
Long-term loans	170	150	1,417
Other investments	¥ 602	¥ 602	\$ 5,016
Trade payables	4,631	5,436	38,592
Accrued expenses	321	233	2,675
Other current liabilities	1,079	1,396	8,992

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Salaries and allowances	¥ 67,867	¥ 66,297	\$ 565,558
Accrued bonuses	6,110	5,940	50,917
Provision for retirement benefits	1,458	3,194	12,150
Depreciation	13,709	13,393	114,242
Research and development expenses	31,749	28,715	264,575
Other	110,097	104,835	917,475
	¥ 230,990	¥ 222,374	\$ 1,924,917

Total research and development expenses (including manufacturing costs) amounted to ¥31,749 million (\$264,575 thousand) and ¥30,820 million for 2015 and 2014, respectively.

12. Other Income

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Interest and dividends income	¥ 31	¥ 62	\$ 258
Rent income on facilities	133	165	1,108

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 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

In addition, the statutory tax rate will change approximately 35.6% to 33.1% effective for the fiscal years beginning on or after April 1, 2015 until March 31, 2016 and to 32.3% afterwards. These changes were caused by the revision of the Income Tax Act, etc., in 2015. (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, 2015 and 2014, respectively.

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Expenses not deductible for income tax purposes	0.9	0.7
Amortization of consolidation goodwill	0.9	2.2
Change in valuation allowance	0.3	3.6
Loss on business integration	3.0	—
The effective income tax rate change	4.2	1.4
Other	(0.7)	(1.0)
Actual effective tax rate	44.2%	44.9%

Net deferred tax assets (liabilities) at March 31, 2015 and 2014, 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)
	2015	2014	2015
Prepaid expenses and other current assets	¥ 8,540	¥ 8,677	\$ 71,167
Other assets	6,601	11,083	55,008
Other current liabilities	¥ (29)	¥ (84)	\$ (242)
Other long-term liabilities	(65,861)	(2,232)	(548,841)
Net deferred tax assets (liabilities)	¥ (50,749)	¥ 17,444	\$ (422,908)

Significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liability	¥ 13,184	¥ 12,948	\$ 109,866
Loss on devaluation of investment securities	3,406	4,073	28,383
Excess provision for doubtful receivables	2,220	1,829	18,500
Accrued bonuses	5,735	6,078	47,792
Loss on write-down of inventories	1,058	1,176	8,817
Operating loss carryforwards	40,090	46,185	334,083
Impairment loss on fixed assets	11,460	13,059	95,500
Other	16,767	15,207	139,725
Total deferred tax assets	93,920	100,555	782,666
Less: valuation allowance	(53,044)	(56,871)	(442,033)
Total	¥ 40,876	¥ 43,684	\$ 340,633
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (67,468)	¥ (16,459)	\$ (562,233)
Reserve for special depreciation	(11)	(17)	(92)
Undistributed earnings of subsidiaries	(960)	(818)	(8,000)
Net defined benefit asset	(21,295)	(6,850)	(177,458)
Other	(1,891)	(2,096)	(15,758)
Total	¥ (91,625)	¥ (26,240)	\$ (763,541)
Net deferred tax assets (liabilities):	¥ (50,749)	¥ 17,444	\$ (422,908)

14. 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, 2015 and 2014 are also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Future lease payments:			
One year or less	¥ 4,771	¥ 4,987	\$ 39,758
More than one year	18,312	21,199	152,600
	¥ 23,083	¥ 26,186	\$ 192,358

15. 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 the 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 sheets as of March 31, 2015 and 2014 are as follows.

	Millions of yen		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Differences
March 31, 2015			
(1) Cash and deposits	¥ 213,979	¥ 213,979	¥ –
(2) Trade receivables	366,068	366,068	–
(3) Short-term and long-term investment securities	343,326	353,336	10,010
(4) Long-term loan receivables	8,958	9,012	
Allowance for doubtful receivables*1	(1,614)		
	7,344	9,012	1,668
Assets	930,717	942,395	11,678
(1) Trade payables	258,887	258,887	–
(2) Short-term bank loans	53,371	53,371	–
(3) Long-term debts	135,627	141,943	6,316
Liabilities	447,885	454,201	6,316
Derivatives *2			
[1] Hedge accounting is not applied	(166)	(166)	–
[2] Hedge accounting is applied	(36)	(36)	–
Total	(202)	(202)	–

	Thousands of U.S. dollars (Note 3)		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Differences
March 31, 2015			
(1) Cash and deposits	\$ 1,783,159	\$ 1,783,159	\$ –
(2) Trade receivables	3,050,567	3,050,567	–
(3) Short-term and long-term investment securities	2,861,050	2,944,467	83,417
(4) Long-term loan receivables	74,650	75,100	
Allowance for doubtful receivables*1	(13,450)		
	61,200	75,100	13,900
Assets	7,755,976	7,853,293	97,317
(1) Trade payables	2,157,392	2,157,392	–
(2) Short-term bank loans	444,758	444,758	–
(3) Long-term debts	1,130,225	1,182,858	52,633
Liabilities	3,732,375	3,785,008	52,633
Derivatives *2			
[1] Hedge accounting is not applied	(1,383)	(1,383)	–
[2] Hedge accounting is applied	(300)	(300)	–
Total	(1,683)	(1,683)	–

	Millions of yen		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Differences
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	–

*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 16.

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

	Millions of yen	Thousands of U.S. dollars (Note 3)
March 31, 2015	Carrying amounts	Carrying amounts
Unlisted equity securities	¥ 55,444	\$ 462,033
Other	255	2,125

	Millions of yen
March 31, 2014	Carrying amounts
Unlisted equity securities	¥ 55,139
Other	204

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.

16. Derivative Financial Instruments

Nature of Derivative Financial Instruments:

The Company and certain consolidated subsidiaries enter into derivatives for foreign currency forward contracts, currency swap 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 Accounting Department controls and executes derivatives based on the internal policies of the Company.

Fair value of derivatives:

The contracted amount and fair value of derivatives at March 31, 2015 and 2014 were as follows:

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

March 31, 2015	Millions of yen		
	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 20,764	¥ (374)	¥ (374)
Euro	1,911	86	86
Payables:			
U.S. dollars	1	0	0
	¥ 22,676	¥ (288)	¥ (288)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	¥ 300	¥ 122	¥ 122

March 31, 2015	Thousands of U.S. dollars (Note 3)		
	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	\$ 173,033	\$ (3,117)	\$ (3,117)
Euro	15,925	717	717
Payables:			
U.S. dollars	8	0	0
	\$ 188,966	\$ (2,400)	\$ (2,400)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:	\$ 2,500	\$ 1,017	\$ 1,017

March 31, 2014	Millions of yen		
	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

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

Millions of yen			
March 31, 2015	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	¥ 634	¥ (2)
Euro	Trade receivables	21	–
Payables:			
U.S. dollars	Trade payables	2,123	(2)
Sterling pound	Trade payables	202	(6)
Euro	Trade payables	318	(26)
		¥ 3,298	¥ (36)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:			
	Long-term loan payables	¥ 117	¥ –
Interest rate swaps			
Receive floating and pay fixed	Long-term loan payables	¥ 6,798	¥ –

Thousands of U.S. dollars (Note 3)			
March 31, 2015	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	\$ 5,283	\$ (17)
Euro	Trade receivables	175	–
Payables:			
U.S. dollars	Trade payables	17,692	(17)
Sterling pound	Trade payables	1,683	(50)
Euro	Trade payables	2,650	(216)
		\$ 27,483	\$ (300)
Currency swap contracts			
Receive U.S. dollars, and pay Japanese yen:			
	Long-term loan payables	\$ 975	\$ –
Interest rate swaps			
Receive floating and pay fixed	Long-term loan payables	\$ 56,650	\$ –

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	¥ –

The fair values of foreign currency forward contracts and currency swap contracts subject to alternative method are included in trade receivables, trade payables and long-term loan payables as hedged items. The fair values of interest rate swap contracts subject to exceptional accrual method are included in long-term loan payables as hedged items.

Fair value of derivatives is based on forward exchange rates or information provided by financial institutions at the end of the fiscal year.

17. Contingent Liabilities

The Company and its consolidated subsidiaries were guarantors of bank loans of other companies, amounting to approximately ¥22 million (\$183 thousand) and ¥33 million at March 31, 2015 and 2014, 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, 2015 and 2014, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥625 million (\$5,208 thousand) and ¥665 million, respectively. One of the consolidated domestic subsidiaries securitized deposits for its leased property and sold them to third parties for ¥1,119 million (\$9,325 thousand) and ¥1,720 million at March 31, 2015 and 2014, respectively.

18. 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.

Changes in reportable business segments, etc.

(1) Changes in reportable business segments

The Company changed its reportable business segments effective from the first quarter of the current fiscal year.

The Company shifted the Optical Films business from the Lifestyle and Industrial Supplies segment to the Electronics segment as a result of integrating the business unit responsible for display products and semiconductor photomasks and the business unit responsible for optical films including LCD surface films in April 2014.

Segment information for the previous fiscal year has been prepared based on the new reportable business segments.

(2) Application of "Accounting Standard for Retirement Benefits"

As noted in the section on changes in accounting policies, the Company and domestic significant consolidated subsidiaries changed the method of calculating retirement benefit obligations and service costs effective from the first quarter of the current fiscal year. Accordingly, this change has been considered in the method of calculating retirement benefit obligations and service costs for business segments.

As a result of this change, compared with the previous method, segment profits increased by ¥741 million (\$6,175 thousand) for Information Communication, by ¥375 million (\$3,125 thousand) for Lifestyle and Industrial Supplies, by ¥216 million (\$1,800 thousand) for Electronics, and by ¥142 million (\$1,183 thousand) for Beverages.

Information on sales and profit, identifiable assets and other items by business segment

	Millions of yen					
	Segment report				Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages		
For 2015:						
Net sales and operating income						
Net sales						
Outside customers	¥ 693,649	¥ 478,540	¥ 230,298	¥ 59,631	¥ 1,462,118	¥ 1,462,118
Intersegment	5,303	913	8	10	(6,234)	–
Total	698,952	479,453	230,306	59,641	(6,234)	1,462,118
Segment income	7,534	23,996	24,428	1,077	(8,861)	48,174
Segment assets	¥ 793,145	¥ 554,708	¥ 310,759	¥ 46,359	¥ 1,704,971	¥ 1,809,462
Others						
Depreciation and amortization	¥ 22,598	¥ 20,949	¥ 18,361	¥ 3,841	¥ 65,749	¥ 1,285
Amortization of goodwill	960	1,038	18	0	2,016	–
Impairment loss	61	–	–	18	79	–
Tangible/intangible fixed assets increased	17,750	18,480	14,349	3,554	54,133	891
						55,024

	Thousands of U.S. dollars (Note 3)					
	Segment report				Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages		
For 2015:						
Net sales and operating income						
Net sales						
Outside customers	\$ 5,780,409	\$ 3,987,833	\$ 1,919,150	\$ 496,925	\$ 12,184,317	\$ 12,184,317
Intersegment	44,192	7,608	67	83	(51,950)	–
Total	5,824,601	3,995,441	1,919,217	497,008	(51,950)	12,184,317
Segment income	62,783	199,967	203,567	8,975	(73,842)	401,450
Segment assets	\$ 6,609,542	\$ 4,622,567	\$ 2,589,658	\$ 386,325	\$ 14,208,092	\$ 15,078,850
Others						
Depreciation and amortization	\$ 188,317	\$ 174,575	\$ 153,008	\$ 32,008	\$ 547,908	\$ 10,709
Amortization of goodwill	8,000	8,650	150	0	16,800	–
Impairment loss	508	–	–	150	658	–
Tangible/intangible fixed assets increased	147,916	154,000	119,575	29,617	451,108	7,425
						458,533

	Millions of yen					
	Segment report				Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages		
For 2014:						
Net sales and operating income						
Net sales						
Outside customers	¥ 694,948	¥ 466,805	¥ 231,992	¥ 54,805	¥ 1,448,550	¥ 1,448,550
Intersegment	5,356	868	0	3	(6,227)	–
Total	700,304	467,673	231,992	54,808	(6,227)	1,448,550
Segment income	11,901	21,723	25,118	652	(9,295)	50,099
Segment assets	¥ 629,818	¥ 527,064	¥ 300,113	¥ 45,471	¥ 1,502,466	¥ 1,574,754
Others						
Depreciation and amortization	¥ 21,957	¥ 22,447	¥ 23,710	¥ 3,910	¥ 72,024	¥ 1,435
Amortization of goodwill	2,666	1,101	101	1	3,869	–
Impairment loss	134	–	–	6	140	–
Tangible/intangible fixed assets increased	23,681	25,778	9,512	3,559	62,530	935
						63,465

[Relative information]

Information regarding regions

	Millions of yen			
For 2015 :	Japan	Asia	Other region	Total
Net sales	¥ 1,231,913	¥ 160,681	¥ 69,524	¥ 1,462,118

	Thousands of U.S. dollars (Note 3)			
For 2015 :	Japan	Asia	Other region	Total
Net sales	\$ 10,265,942	\$ 1,339,008	\$ 579,367	\$ 12,184,317

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

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2015 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, 2015, 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, 2015.

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, 2015 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 26, 2015

Major Subsidiaries and Affiliates

(As of March 31, 2015)

Printing

		Capital (¥ million)	Ownership ratio of voting rights (%)
DNP Hokkaido Co., Ltd.	General affairs, accounting work and other business services	350	100.0
DNP Tohoku Co., Ltd.	General affairs, accounting work and other business services	350	100.0
DNP Chubu Co., Ltd.	General affairs, accounting work and other business services	350	100.0
DNP Nishi Nippon Co., Ltd.	General affairs, accounting work and other business services	400	100.0
DNP Shikoku Co., Ltd.	Film making, printing, bookbinding; production and sale of packaging	50	97.0
Information Communication			
Books and Magazines			
DNP Book Factory Co., Ltd.	Offset printing and bookbinding	200	100.0
DNP Media Art Co., Ltd.	Film making	180	100.0
OGUCHI BOOK BINDING & PRINTING CO., LTD.	Printing and bookbinding	49.5	100.0 (15.1)
Tien Wah Press (Pte.) Ltd.	Film making, printing and bookbinding	(S\$1,000)	100.0
		4,600	
Commercial Printing			
DNP Graphica Co., Ltd.	Printing and bookbinding	100	100.0
DNP Media Create Co., Ltd.	Planning, production, film making and plate making	100	100.0
Business Forms			
INTELLIGENT WAVE, INC.	Development and maintenance of software	843	50.6
DNP Data Techno Co., Ltd.	Production and sale of business forms and plastic cards	100	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
MK Smart Joint Stock Company	Production and sale of plastic cards	(VND1,000,000)	36.3
		100,000	
Other			
DNP Art Communications Co., Ltd.	Planning, production and sale of artistic images and videos	300	100.0
DNP AV Center Co., Ltd.	Imaging software planning and production	100	100.0
DNP Digitalcom Co., Ltd.	Website planning, production and delivery	100	100.0
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 Hosoi Co., Ltd.	Filling and processing of packages	80	100.0
DNP Field Eyes Co., Ltd.	Surveys and provision of various information	50	100.0
DNP Vietnam Co., Ltd.	Production and sale of packaging products	(US\$1,000)	100.0
		31,500	(20.0)
PT DNP Indonesia	Production and sale of packaging products	(US\$1,000)	51.0
		26,000	
Lifestyle Materials			
DNP Lifestyle Materials Marketing Co., Ltd.	Sale of decorative products	300	100.0
DNP Elio 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 High-performance Materials Co., Ltd.	Production and sale of coating films, multilayer films, and other films	200	100.0
DNP Imaging Comm Co., Ltd.	Production of ink ribbons for thermal resin-type transfer printers and for dye-sublimation thermal transfer printers	100	100.0
DNP Photo Imaging Japan Co., Ltd.	ID photo business and sale of photographic supplies and components; production and sale of original books	100	100.0
DNP ID System Co., Ltd.	Sale of equipment for making driver licenses and ID photos	60	100.0
DNP Imagingcomm Asia Sdn. Bhd.	Production and sale of ink ribbons for dye-sublimation thermal transfer printers	(RM 1,000)	100.0
		190,000	
DNP Denmark A/S	Production and sale of precision electronic components	(DKr 1,000)	100.0
		135,000	
DNP Imagingcomm America Corporation	Production and sale of ink ribbons for thermal resin-type transfer printers and for dye-sublimation thermal transfer printers	(US\$1,000)	100.0
		71,980	(100.0)
Foto Fantasy, Inc.	Development, production and operation of automated systems that take and print photos; sales of fun photo prints	(US\$1,000)	100.0
		10	(100.0)
DNP Photo Imaging Europe SAS	Sale of photo-related products	(Euro 1,000)	100.0
		2,408	
DNP Imagingcomm Europe B.V.	Production and sale of ink ribbons for thermal resin-type transfer printers and for dye-sublimation thermal transfer printers	(Euro 1,000)	100.0
		1,000	
Electronics			
Display Components			
DNP Color Techno Kameyama Co., Ltd.	Production and sale of color filters for LCDs	2,500	100.0
DNP Precision Devices Himeji Co., Ltd.	Production of display-related components	400	100.0
Electronic Devices			
DT Fine Electronics Co., Ltd.	Production and sale of semiconductor components	490	65.0
DNP Fine Optonics Co., Ltd.	Production of precision electronic components	300	100.0
DNP LSI Design Co., Ltd.	Design and production of drawings used in semiconductor production	100	100.0
Photonics DNP Mask Corporation	Production and sale of photomasks	(NT 1,000)	49.9
		2,259,276	
DNP Photomask Europe S.p.A.	Production and sale of photomasks	(Euro 1,000)	80.6
		47,200	

		Capital (¥ million)	Ownership ratio of voting rights (%)
Other			
Nihon Unisys, Ltd.	Development and sale of software; computer system support services	5,483	22.0
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)
MaruzenJunkudo Bookstores Co., Ltd.	Sale of books, magazines, and stationery	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)
Yushodo Co., Ltd.	Import and sale of books, magazines, and other publications	35	53.0 (53.0)
BOOKOFF CORPORATION LIMITED	Used bookstore operation; development and operation of new used goods businesses; management guidance for affiliated stores	3,652	15.5 (9.3)
SHUFUNOTOMO Co., Ltd.	Publishing	2,611	99.6
BUNKYODO GROUP HOLDINGS CO., LTD.	Sale of books, magazines, CDs, DVDs, stationery, games, hobby-related products, etc.	2,035	51.8 (16.0)
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	1,187	32.0
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 Multi Print Co., Ltd.	Film making, printing and bookbinding	100	100.0
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	48.2
My Earth Projects LLC*	Planning, production and sale of trading cards	50	99.8
CP Design Consulting Co., Ltd.*	Personal information protection and risk management consulting	40	92.5
M's Communicate Co., Ltd.*	Consulting related to customer membership program services	30	95.0
At Table Co., Ltd.*	Research, consulting and planning related to production and sales promotions for supermarkets and other retailers	30	66.7
DNP Asia Pacific Pte. Ltd.	Coordination of DNP businesses in the Southeast Asia/Oceania region	(\$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	(\$1,000)	100.0
		350	
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 printed materials 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			
Beverages			
Hokkaido Coca-Cola Bottling Co., Ltd.	Production and sale of soft drinks	2,935	59.9 (6.4)

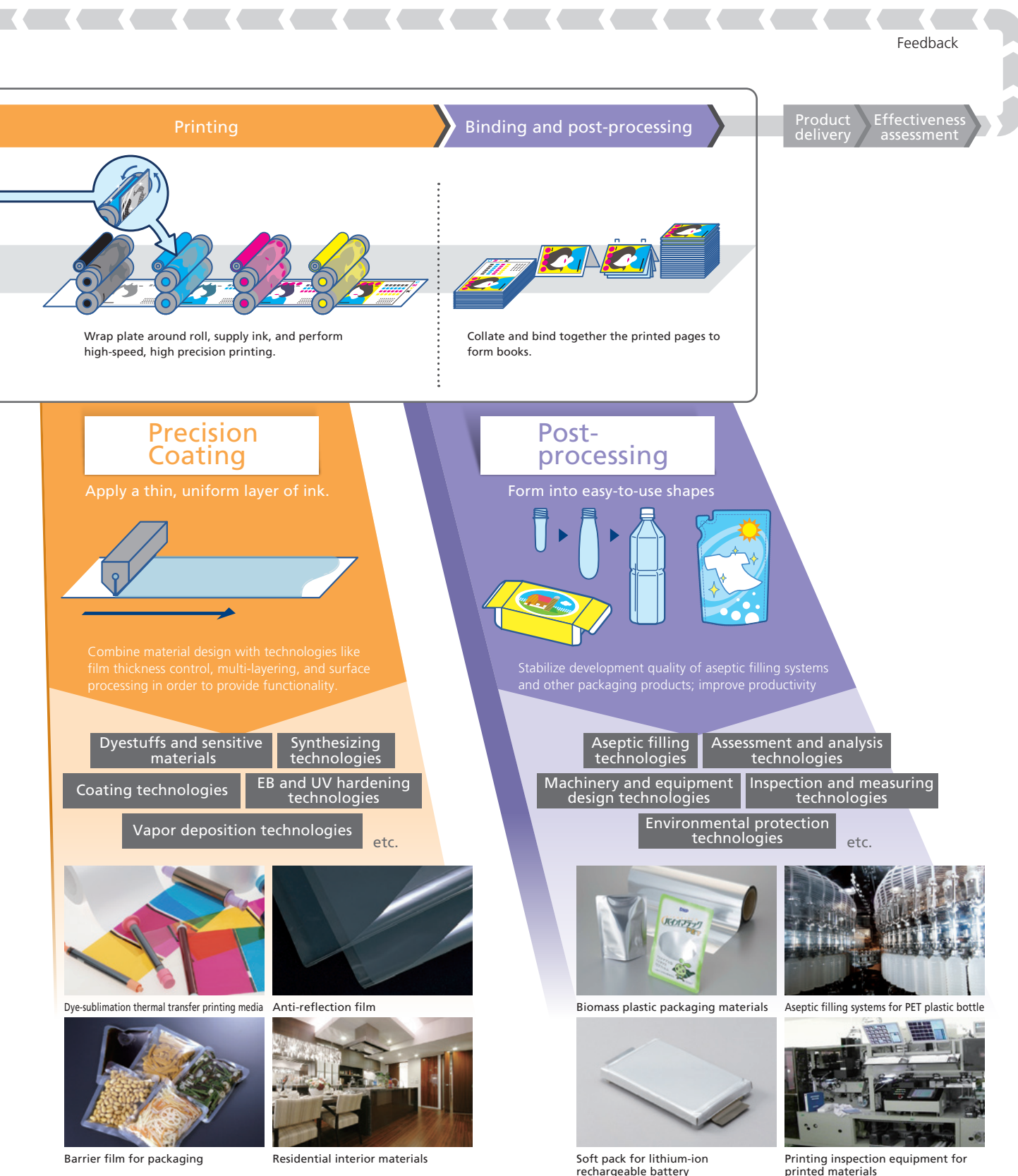
Notes: 1. Voting rights ownership ratios (in brackets) indicate the percentage of shares owned through DNP's subsidiaries or affiliates.
2. Companies with an asterisk are neither consolidated nor accounted for by the equity method.

Business Expansion through Application and Development of Printing Technologies

In order to meet the needs of businesses, consumers and society, DNP has evolved its printing technologies.

We take knowledge and expertise accumulated through performing each step of the printing process and expand it in multiple directions to develop new technologies.





With the digitization of printing, DNP has been developing a wide range of original information processing technologies including image processing, language processing, information security and networking technologies. We are also pursuing research and development in fields like computer vision, regenerative medicine, and artificial intelligence.

Image Processing and Recognition Technologies

TECHNOLOGIES

Image processing and recognition technologies apply appropriate information processing techniques to still or moving images in order to extract useful information. They enable information media to perform sophisticated information processing tasks that only humans were able to accomplish in the past. Sometimes these technologies even make it possible to see information that humans cannot recognize without help. Since DNP began digitizing the text and image data that we handle in our printing businesses, we began research and development in fields such as color reproduction, in which we have continued to develop related technologies. We are now developing applications in a wide range of fields including security, energy conservation, education, medical care, and entertainment. We are working at a variety of levels from developing our own algorithms to developing architecture.

PRODUCTS

Fisheye image correction systems

DNP's fisheye image correction system extracts accurate, unwarped images from among the images taken with a fisheye lens camera. This original system blends DNP image processing technologies with large-scale integrated circuit (LSI) design and mounting technologies. Equipping a camera with an LSI loaded with our image correction algorithm enables a significant reduction in the image processing burden placed on the camera itself or on a server. Videos recorded with a wide field of view can be corrected and/or converted freely and in real time to panoramic or planar images.

●Normal image processing



●DNP's image processing



Information Security Technologies

TECHNOLOGIES

DNP has three core types of technologies related to this area: smart card OS and application development technologies; smart card issuing technologies; and network server system development and operation technologies. In addition to manufacturing and issuing smart cards, we can develop a variety of products and services such as IC software and peripheral smart card-based systems by refining these three types of technologies.

PRODUCTS

Smart cards

A smart card contains a microchip with non-volatile memory capable of storing a large amount of data, and a CPU. Smart cards may be contact-type cards, contactless, or dual interface cards that combine contact-type and contactless functions. DNP maintains one of the leading shares of the Japanese smart card market, supplying every type of card—from credit cards and transportation cards to electronic money cards—used by a variety of business types and business formats.



Microfabrication

In the process of making masters (plate making) for printing, DNP has cultivated highly precise processing technologies. By applying those technologies to electronics, we have created a large number of micro-processed products including semiconductor photomasks and color filters for LCD displays. We continue to explore the limits of the microscopic world through our cutting-edge technologies.

Photolithography

TECHNOLOGIES

Photolithography is a technology for forming patterns by shining light on the surface of a substrate coated with photosensitive material. The pattern forms because some areas are exposed and some are not. DNP has honed its photolithography technologies through the production of masters used for printing. We apply these technologies to the manufacture of products like photomasks and color filters.

PRODUCTS

Photomasks

A photomask is a master used for forming semiconductor circuits. In order to make cutting-edge semiconductors, we need to use various special techniques in order to make photomasks that can produce circuits whose lines have the necessary resolution of 14 to 28nm*. DNP contributes to the miniaturization of semiconductor product line widths by providing photomasks that control not only the intensity but also the phase and polarity of the light that passes through them.

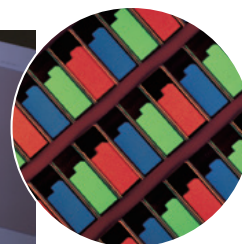
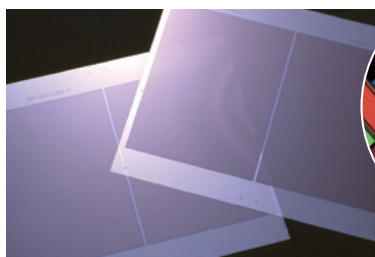
* nm (nanometer): one billionth of a meter



Color filters

We have developed high quality color filters—an important component of liquid crystal displays—by developing new coloring materials and using pigment miniaturization and dispersion techniques along with photolithography technologies for patterning of colored layers. In response to the trend toward multi-colored layers, we have also developed multicolor filters with expanded color reproduction ranges of four or five colors.

●Color filters



Close-up photograph of a color filter

Nanoimprinting

TECHNOLOGIES

Nanoimprinting is a method that enables the transfer of patterns with line width of 20nm or less by pressing a mold against a resin-coated substrate. The development of nanoimprinting makes use of knowledge and skills from a wide range of fields, including clarification of the mechanisms by which polymers react when exposed to light or to an electron beam, a good grasp of a material's behavior at its interface, and simulation technologies in addition to microfabrication and precision measuring techniques. Based on the technologies we have cultivated through our photomask business, we have been pursuing development in collaboration with materials and equipment manufacturers.

PRODUCTS

Product development

Nanoimprinting is being studied for its potential use in next-generation semiconductor lithography, ultrahigh density HDD media manufacturing, and optical elements. Quartz or silicon is generally used for making master molds (dies), and dry etching is used for forming a concavo-convex shape on the mold surface. DNP has developed a replica mold by using nanoimprinting lithography and a master mold made with electron beam lithography. We plan to supply this next-generation technology to a wide variety of corporate clients.



Precision Coating

Precision coating refers to processing that covers a surface by causing a film to adhere to it uniformly.

By combining material design technologies with film thickness control, multi-layering, surface processing and other technologies, we can bestow diverse functions such as optical properties, barrier properties, and heat resistance.

With extremely broad possibilities for application, this is one of DNP's core technologies and we make use of it across business unit boundaries.

Coating

TECHNOLOGIES

DNP has coating technologies that we employ in the manufacture of ink ribbons for dye-sublimation thermal transfer printers that print digital images, which enable us to apply various functional materials in a uniform layer about $1\mu\text{m}^*$ thick onto ultrathin film only about $5\mu\text{m}$ thick, at a speed of several hundred meters per minute. We have also developed materials such as coloring agents that are exceptionally well-suited for thin film coating and over coat materials, enabling us to succeed at high-speed thin-film coating in terms of both processing and materials. $\star \mu\text{m}$ (micrometer): one millionth of a meter

PRODUCTS

Dye-sublimation thermal transfer printing media

Printers that use dye-sublimation thermal transfer printing media form images by transferring dyestuffs from ink ribbons to receiver paper. Controlling heat energy in the printer's thermal head makes it possible to adjust the concentration of dyestuffs in each dot. Because they can reproduce some 16,700,000 colors in a single dot, these printers can produce high quality images. In addition to manufacturing and selling ink ribbons and receiver paper, DNP is further expanding and evolving its digital photo print business by developing new printing systems and proposing a variety of solutions that make use of its systems.

●Dye-sublimation thermal transfer printing media



●PrintRush self-service printing systems

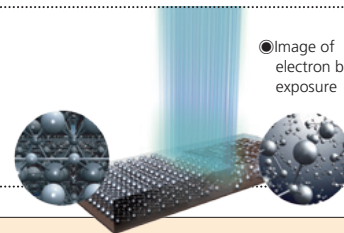


Electron Beam (EB) Technologies

TECHNOLOGIES

Electron beam (EB) technology uses electron beam exposure to instantly provide advanced functionality to resins and coating films. Depending on the type of resin used and the EB exposure conditions, some resins can be induced to exhibit superior properties that are completely different from their natural properties. Because EB production processes consume less energy, generate less CO_2 , and do not entail the use of solvents, they are friendlier to the environment and human health than conventional coating technologies.

●Image of electron beam exposure



PRODUCTS

Residential interior and exterior materials

By exposing various surface materials, such as doors or floor and wall coverings, to an electron beam, the materials can be made more functional in various ways. For example, in addition to gaining greater resistance to scratches, deterioration and discoloration, they become simpler to maintain as dirt wipes off easily. By employing additional techniques to improve surface materials, we are developing exterior materials with exceptional weatherability and developing automotive interior materials that can be processed into complicated shapes. We will continue to evolve EB technology to support "functional value" that can underpin the construction of senior-friendly homes, smart homes, and other living spaces for a comfortable future.

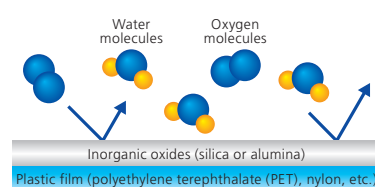


Vapor Deposition

TECHNOLOGIES

Vapor deposition is a coating technology whereby a gasified substance forms a coating on a plastic film within a vacuum. Alumina and silica are used in vapor deposition, with silica being used particularly in a method called "chemical vapor deposition." In chemical vapor deposition, because silica is deposited on the film surface at the molecular level, it is possible to form a minute layer with strong barrier properties despite its thinness. DNP creates a variety of products by continuously performing chemical vapor deposition on flexible plastic film.

●Transparent gas barrier film



PRODUCTS

Barrier films

Barrier films are used to package foods and medical supplies in order to prevent oxidation or drying, and to keep out moisture. Unlike aluminum foil and aluminum-based vapor deposition films, DNP's transparent vapor deposition "IB*" film can be used in a microwave oven and is amenable to detection of metallic impurities. Also, IB film is an environmentally friendly product whose production consumes less energy than that of aluminum foil.

\star Innovative Barrier



From bookbinding and processing of paper products to film packaging, plastic forming and aseptic bottle filling systems, DNP has developed one processing technology after another.

We have also acquired advanced technologies through testing, measuring, and analyzing a variety of products.

Aseptic Filling

TECHNOLOGIES

DNP has developed aseptic systems for filling sterilized packaging materials with food or beverages in a sterile environment, thereby contributing to improving food safety and decreasing the burden placed by packaging materials on the environment. In addition to food preservation and sterilization technologies, we make use of a wide variety of technologies in the development of these systems, including filling machinery design, control, sensing technologies, and packaging materials design technologies.

PRODUCTS

Aseptic filling systems

DNP's aseptic filling systems can be adapted for various packaging formats and filling volumes and can be used for filling with high quality contents. One aseptic filling system for pasta sauce, noodle broth or other liquid foods can be used to fill any amount from 10 to 1000mL; in other words, it can manufacture anything from a single-portion package to a commercial use product. Furthermore, DNP's system allows the supply of products that were difficult to process by conventional retort methods because those methods required heating for longer time periods, which tended to break down the contents. Because DNP's aseptic PET plastic bottle filling systems enable filling at room temperature, unlike conventional systems that required filling at high temperatures, it is possible to use lighter, thinner bottles that are good for reducing the burden placed on the environment.

● Aseptic filling systems for PET (polyethylene terephthalate) bottles



Assessment and Analysis Technologies

TECHNOLOGIES

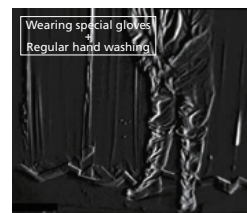
Assessment and analysis technologies are indispensable to strengthening and developing manufacturing in today's changing market environment. In our product development, DNP combines the latest analysis and measuring equipment and theories, identifies materials that can form product value, and explicates the mechanisms by which those materials express their functionality. We bring visualizing and sensing technologies into each factory and analyze its production processes in order to stabilize quality and boost productivity. We endeavor to improve working environments so as to add further protection to workers and solve all types of problems that arise on the factory floor.

Improving the manufacturing environment in clean rooms

We manufacture high quality, high precision products in clean rooms (CRs) in which the level of suspended particulates and other impurities in the air is controlled. In order to maintain and manage the quality and performance of DNP products, we use techniques that allow us to optimize the materials used in the CR as well as to see the amount of dust generated by employees' movements (see images at right, taken with a high-sensitivity camera). In this way we improve employee awareness and create a framework and mechanisms that allow us to continuously manufacture high quality products.



Maximum number of particles: about 200



Maximum number of particles: about 5

Machinery and Equipment Design Technologies

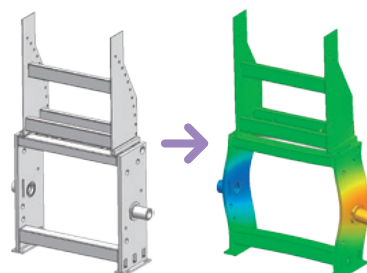
TECHNOLOGIES

Some of DNP's equipment requires a high level of precision and quality that existing equipment manufacturers cannot provide. In addition to making use of mechatronics, for the past 20 years DNP has been using structural analysis technologies in its design processes rather than relying exclusively on the experience and intuition of veteran designers. Moreover, we continually work to make our equipment more reliable based on vibration analysis and equipment maintenance information generated in house.

PRODUCTS

Printer frame deformation analyzer

Because the printers that make books, packaging materials and other products have precision-processed cylindrical plates that rotate with a high degree of precision, they must be assembled to a highly accurate margin of error of less than 50µm. Also, because the paper or other print stock that gets pushed onto the plate can weigh more than 500kg, it is important that the machine be designed to prevent deformation of its frame and the resulting effects on printed matter. DNP uses a scaled-down model for experimentation as well as strength and vibration analysis in order to predict characteristic number of vibrations and amount of frame deformation.



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.

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

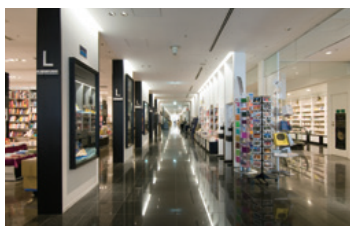
An advertising medium that uses large, flat-panel displays linked to an information network in order to broadcast up-to-the-minute, localized information in stores, train stations, or other public spaces. Digital signage can be made to function interactively, so that consumers can display the specific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

Electronic library

A service that lends electronic books to libraries by providing them via the Internet after receiving permission from the publisher. As of March 2015, more than 30 Japanese libraries were participating. The system is expected to provide new opportunities for the sale of published content.

Hybrid bookstore network “honto”

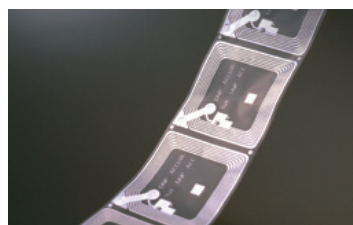
A service that sells both paper and electronic books by integrating DNP's e-book sales service, online bookstore for printed books, and physical bookstore chain operators Maruzen, Junkudo and Bunkyo-do. The service provides such features as a “recommend function” that suggests products a customer might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



Maruzen's main bookstore in Tokyo's Marunouchi district

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. 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.



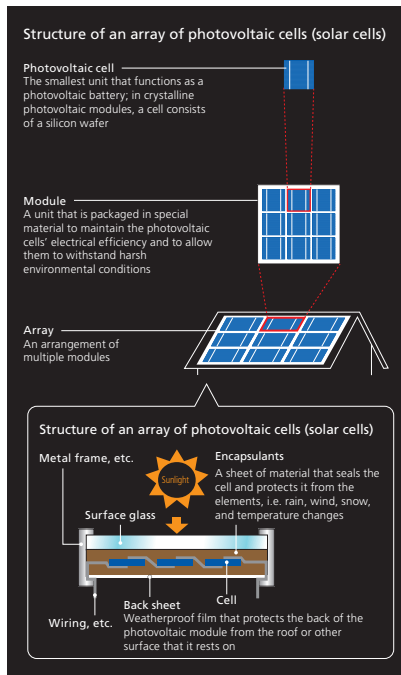
3. Lifestyle and Industrial Supplies

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.

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

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.

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

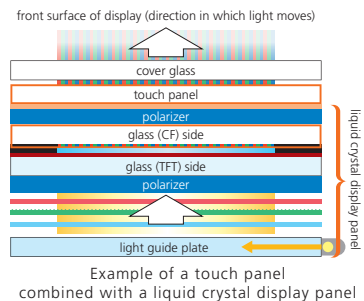
A metal component inside a semiconductor package that supports the semiconductor chip or chips and transmits electric signals.

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.

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

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 we issue a report about DNP's corporate social responsibilities, with the Japanese version coming out around the end of June and the English edition around August. 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.

About the Cover Illustration

Beginning in 2013, for three years the covers of DNP's annual reports have expressed belief in a sustainable future for DNP and for our planet.

This is the third time for me to design DNP's annual report cover.

The first year, the design was based on a "seeds and sprouts" motif, symbolizing DNP's efforts to build a future that makes the most of diversity. The "blossoming" of those seeds was depicted in the second year, and this year the cover shows further progress, to "fruition." My hope is that these fruits will bear seeds that will continue into the future—a better future for DNP and for our planet.



Annual Report 2013



Annual Report 2014



Annual Report 2015

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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