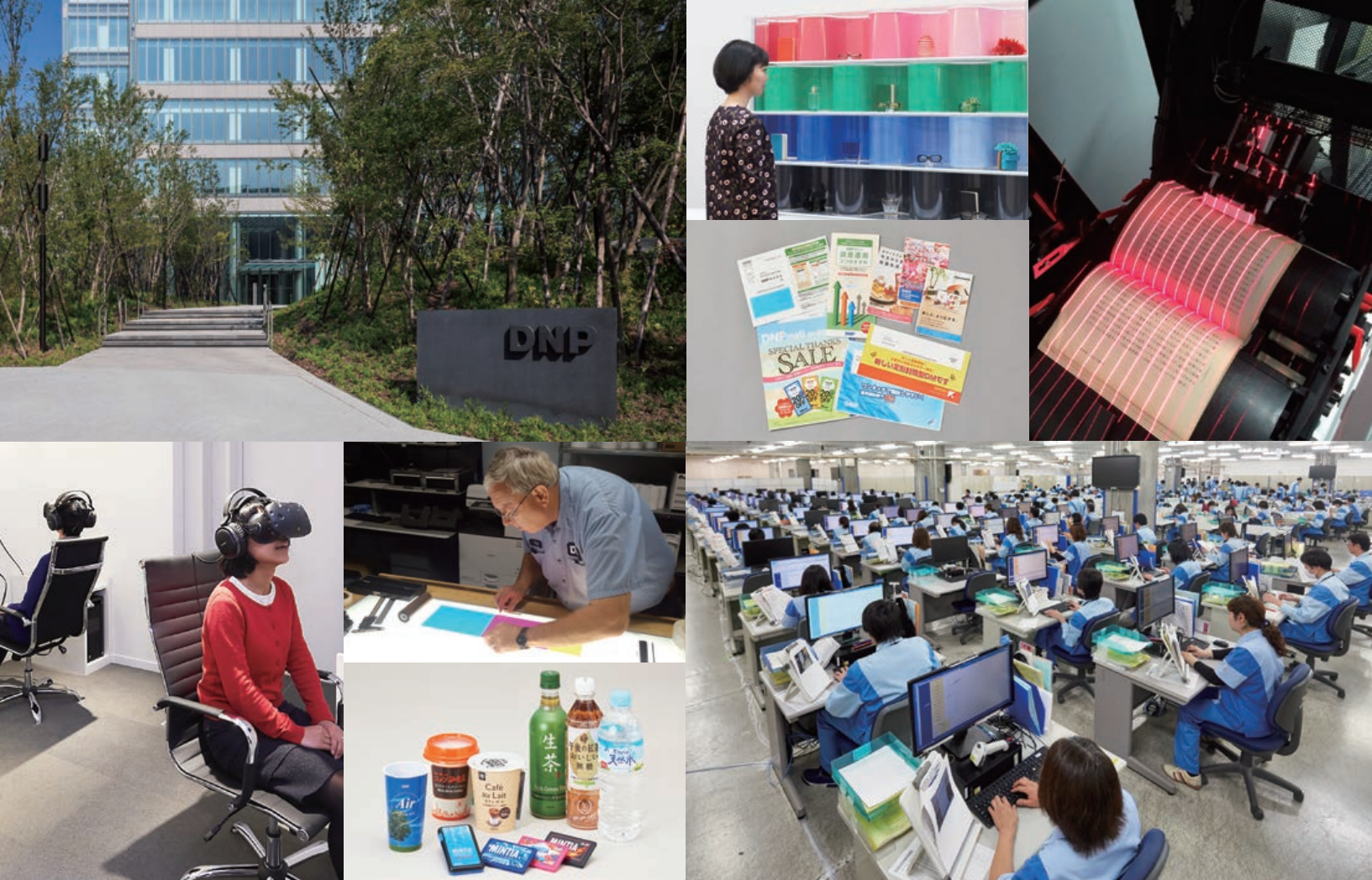


# DNP

## ANNUAL REPORT 2016





## DNP Annual Report 2016

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#### Editorial Policy

Our corporate philosophy is "the DNP Group connects individuals and society, and provides new value." When we say "new value," we are not talking only in terms of business operations, i.e. the development of new products and services. We are also referring to creating value in the medium and long terms by paying attention to the environment, society and governance, making quick and accurate decisions, and engaging in well-coordinated corporate activities. In "Annual Report 2016," we discuss what kinds of value DNP will create from the resources available to us within and outside of our corporate Group, from both financial and non-financial standpoints.

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 62-72), "DNP" refers to Dai Nippon Printing Co., Ltd.)

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## To Our Shareholders

Based on “DNP Group Vision 2015,” we will create new value, build DNP’s corporate value and contribute to society.



Yoshitoshi Kitajima  
President

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



## ■ Creating new value in line with “DNP Group Vision 2015”

In October 2016, we will celebrate the 140th anniversary of DNP's founding.

DNP was founded in 1876, nine years after the Meiji revolution. Letterpress printing was the cutting-edge technology of that time and remains the core technology around which DNP has expanded its business. Since its founding, DNP has continued to create new products and innovative services by taking advantage of strengths in areas like project planning, development, manufacturing, and sales, in addition to constantly working on technological development.

Today we are in the midst of major changes. In October 2015, we responded to these changes by reviewing our previous corporate vision and formulating “DNP Group Vision 2015” so that we can continue to increase DNP's corporate value in the long term.

The new corporate philosophy spelled out in our 2015 vision is that “the DNP Group connects individuals and society, and provides new value.” This philosophy contains our determination to respond to social changes by actively appealing to consumers in order to create our own, more positive changes, which we call “new value.” DNP is already working on a variety of innovations aimed at realizing this idea.

## ■ Contributing to society through “P&I innovations”

DNP's new Business Vision calls for using “P&I (printing and information) innovations” to expand business, primarily around four growth areas. The phrase “P&I innovations” expresses our idea of generating new value for society by combining DNP's strengths in printing and information, not only technologically but also in terms of sales, planning and other aspects, in order to produce a variety of innovations. The four areas are Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy.

We established these areas by taking a broad view of social issues in Japan and overseas and asking ourselves whether we can resolve those issues by applying DNP's strengths. By doing our utmost to provide new value that can resolve social issues, we

aim to succeed simultaneously at contributing to society and achieving growth for our own company.

## ■ Focusing on initiatives aimed at achieving sustainable growth

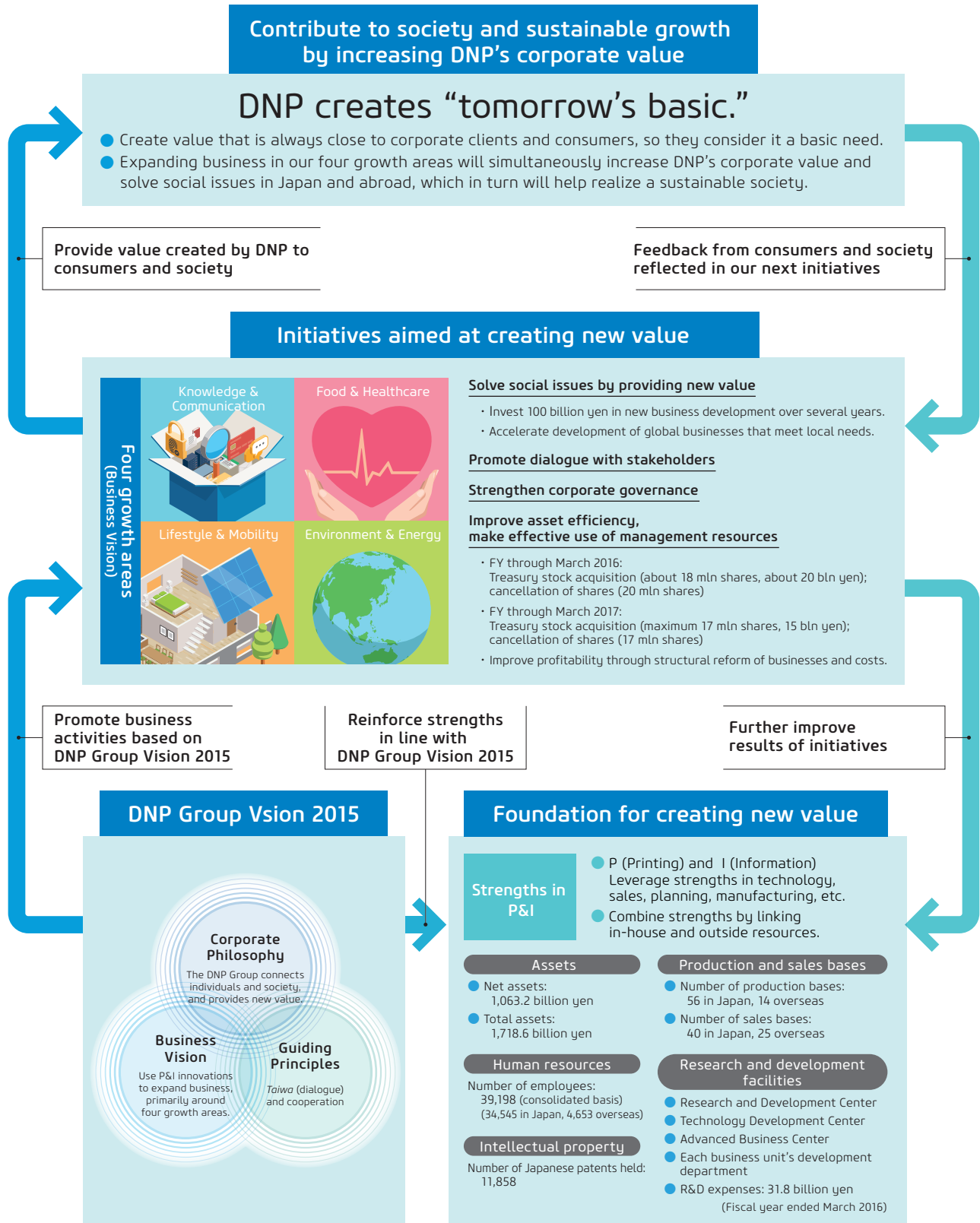
In Japan and abroad, companies are being asked to take initiatives that support sustainability from environmental, social, and governance (ESG) standpoints. Since before people began talking so much about ESG, DNP has actively addressed environmental and social challenges and has expanded its businesses based on the belief that we must promote dialogue with stakeholders.

DNP has received a great deal of praise for these types of ideas and initiatives, from general society as well as from investors. For example, DNP has been included in two major indices of socially responsible investments: in the Dow Jones Sustainability World Index for 11 consecutive years, and in the FTSE4Good Global Index for 15 consecutive years (as of December 31, 2015).

In addition, for two years in a row CDP, a U.K.-based international nonprofit organization that assesses corporations' efforts to fight global warming, has included DNP in its most lauded “Climate A List.” CDP evaluates more than 5,000 listed companies worldwide, including over 500 Japanese companies. Of those, only 115 companies worldwide and only eight from Japan were selected for the 2015 A list.

Selection is based on information disclosed by the companies through various reports and websites, etc., as well as on CDP's independent research. DNP is highly regarded for properly and promptly disclosing, in a coordinated manner, not only business performance and financial information, but also non-financial information about matters such as the strengths and systems that DNP uses to continue generating value, and initiatives aimed at achieving sustainable growth.

Create new value  
through overall corporate activities



(As of March 31, 2016)



## ■ Promoting business activities in four growth areas

Let's look at some of our specific initiatives in the four growth fields that we have identified.

- In **Knowledge and Communication**, our aims are to support people's lives through lively communication and to foster rich and varied culture. In addition to producing information media and content, we work at creating mechanisms that support safe and secure communication.

For example, a business partnership that we began in 2013 with Nihon Unisys, Ltd. has resulted in the construction of a settlement platform for international brand prepaid cards and other electronic money-related systems. We also offer a variety of services connected to the 2016 start of the Japanese government's new "My Number" system of assigning Individual Numbers for social insurance and taxation purposes. We provide related consulting services, security systems, and outsourced business processes such as collection of employees' and customers' Individual Numbers. In October 2015, we launched a unique service that allows people to easily apply for their Individual Number Card via Ki-Re-i ID photo kiosks. Many people have already taken advantage of the service, whereby the kiosk takes the required ID photo and submits the application online.

Meanwhile, amid increasing worldwide demand for information security, in March 2016 we established CYBER KNOWLEDGE ACADEMY Co., Ltd., which trains personnel to respond to cyber attacks that target corporations. As another example of our efforts focused on developing information security-related products and services, in July 2015 DNP acquired HyperTech Co., Ltd., which provides anti-tampering software for smartphone and computer applications.

- The **Food and Healthcare** field is affected by the dramatic demographic changes occurring around the world, including trends in Japan toward a falling birthrate and increasing average age. Amid these changes, DNP will continue to develop products and services that support safe, high-quality lifestyles, including lifelong health maintenance. In addition

to providing safe and clean packaging products for foods, beverages and pharmaceuticals that people can use with peace of mind, we will continue to expand in fields like films for agricultural use, regenerative medicine, and other life science-related businesses.

As an example, in March 2015 we acquired a controlled medical devices retailer license for our plant in Tanabe, Kyoto Prefecture, which allows us to sell products like blood sampling kits and clinical electronic thermometers. In combination with existing strengths, such as operating locations in Tokyo, Nagoya, and elsewhere that are already licensed for packaging and storing pharmaceutical products and medical devices, etc., we intend to develop businesses that lighten the operational loads of pharmaceutical and medical device manufacturers.

We are also promoting business development in the agricultural sector. For example, we are developing and selling "DNP Agri Film (reflective, moisturizing film)," which increases crop yields by reflecting sunlight more efficiently and thus maintaining optimal moisture for plant growth.

In the life science field, we are participating in a project aimed at developing "cell sheets" that show promise for stimulating regeneration when applied to a damaged cornea, heart muscle, or other body part. Among our other projects is the development of image analysis technology for investigating the cause of disease, which we are pursuing through a business and capital tie-up with leading medical imaging management system provider PSP Corporation.

- In **Lifestyle and Mobility**, we will continue to provide services that deliver a high degree of comfort, safety and peace of mind in all types of living spaces, including homes and commercial facilities, offices, medical facilities, automobiles and railway cars.

In a bid to expand our automotive business, in August 2015 the DNP Group acquired TAMURA PLASTIC MFG. Co., Ltd., which possesses superior technologies related to dies and resin forming. By combining TAMURA's resin forming technologies with DNP's hard-coat transfer film, decorative film

and other technologies, we intend to continue developing highly competitive new products for the automotive market.

Furthermore, we will keep leveraging DNP's original electron beam (EB) coating technology to increase our share of the market for interior and exterior materials that combine outstanding durability and functionality with pleasant designs and aesthetic appeal. We will also help create comfortable living environments by expanding into a wide range of fields including smart sensing devices, the "Internet of Things," and big data-based marketing.

- In the area of **Environment and Energy**, we are working to realize a sustainable society that simultaneously supports economic development and preservation of the global environment. We intend to work harder than ever to develop eco-friendly products and services that will conserve resources and energy and lead to the preservation of biological diversity.

In October 2015, we began selling "DNP Lighting Film (for laminated glass)" which brightens an entire room by effectively reflecting and diffusing sunlight that enters from windows onto the ceiling and walls. We have already received a large number of inquiries, and expect to supply the film for use in a wide variety of applications including residential and office buildings, and commercial and medical facilities. Meanwhile, DNP's "High-reflective, Light-diffusing Ellio" interior material helps save energy by delivering even a small amount of light to a wide area. It has been adopted for use in bullet train cars on the Tohoku, Hokkaido and Hokuriku Shinkansen lines, among other applications.

In our energy business, DNP's lithium-ion battery pouches have captured a major share of the global market. In addition, we are continuing to enhance the functionality of our photovoltaic module components and to reinforce products and services that support smart houses and smart cities.

#### ■ Turning "new value" into "tomorrow's basic"

In each of the growth areas described above, DNP will work both at further expanding existing businesses and at creating new businesses. Over a period of

several years, we plan to invest some 100 billion yen in developing new businesses.

Our hope is that the new value that we create will become so familiar to people in the future that they will take its existence for granted.

It is that very strong hope that we aim to express through our motto, "Today's Innovation is Tomorrow's Basic." In order to fulfill that hope, we devise medium- and long-term strategies from a holistic standpoint, make quick decisions, and carry them out by means of dynamic business activities.

#### ■ Building more global corporate value

We believe it is important that we continue to provide the new value that DNP creates not only within Japan, but on a broader, more global basis.

DNP has a long history of overseas expansion; after opening a Hong Kong office in 1964, we went on to establish operating locations in Europe, the Asia/Pacific region, North America and elsewhere. As of March 31, 2016, about one eighth of the DNP Group's roughly 40,000 employees were working outside Japan, where the Group has 25 sales offices and 14 production plants in 15 countries and a region.

We know that as we expand overseas, we must fine-tune our products and services to match the characteristics of each region and the needs of the people who live there.

In the fiscal year ended March 2016, we took advantage of our production bases in North America and Malaysia as well as our worldwide frameworks for integrated development, manufacturing, and sales to greatly expand our Imaging Communication unit, which handles businesses related to photography and other images. Following the business and capital tie-up that we formed in March 2014 with Vietnam's leading smart card maker, MK Smart Joint Stock Company, in February 2016 we strengthened our competitive position in the Southeast Asian region by forming a joint venture with Indonesia's largest cash card manufacturing and sales company, PT. Wahyu Kartumasindo International. We are accelerating DNP's global development in a variety of other business fields as well, for example by expanding our Southeast Asian packaging business, primarily through our plants in Indonesia and Vietnam.



### ■ Boosting competitiveness

In order to make DNP's businesses more competitive, we are continuously working hard on business structure and cost structure reforms.

For example, in April 2015, we transferred our Imaging Communication business from the Lifestyle and Industrial Supplies segment to the Information Communication segment. And in April 2016, we consolidated our business units involved in smart cards, information security, sales promotion and promotional tools, and planning and marketing. These measures will help us as we continue striving to increase the synergistic benefits that result from stronger inter-departmental cooperation, to combine marketing and settlement services, and to expand our BPO business by leveraging our information security infrastructure.

### ■ Returns to shareholders

Our basic policy toward shareholder returns is to pay stable dividends that are calculated with consideration for factors such as business performance and dividend payout ratio. At the same time, we support future business development by using retained earnings to enhance our financial constitution and strengthen 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 this way, we continue to actively create new businesses and expand existing businesses.

In order to improve capital efficiency, DNP also acquires and cancels treasury shares. DNP repurchased treasury shares for seven consecutive years from 2003 until 2009. Following the repurchase of up to 18 million shares for a maximum of 20 billion yen in the fiscal term ended March 2016, we plan to repurchase up to 17 million shares for a maximum of 15 billion yen in the fiscal term through March 2017. On May 26, 2016 we retired 17 million treasury shares. In the future we intend to continue to implement flexible capital policies in response to changes in the business environment.

### ■ Strengthening corporate governance

In order to increase DNP's corporate value in the medium and long term and improve financial indicators like profitability and capital efficiency, we are building and operating frameworks for making accurate management decisions, quickly and appropriately executing those decisions, and supervising and directing those processes. In order to further strengthen those frameworks, in June of 2016 we instituted a 12-member Board of Directors, including two outside directors.

In the fiscal term ended March 2016, we explained DNP's basic policy of more actively pursuing dialogue with shareholders and investors based on the principles set forth in Japan's new Corporate Governance Code, which took effect in June 2015. We are also working on enhancing corporate governance by establishing a new Advisory Committee, which includes our outside directors among its members. DNP's Management Committee will receive advice and recommendations from the Advisory Committee regarding nomination of director candidates and compensation of directors, after which it will examine and consider what it has heard before discussing and making decisions at a Board of Directors meeting.

In order to earn the trust of all of DNP's shareholders and other stakeholders, we will do our best to achieve sustainable growth in the medium and long term through our business activities, and we will continue to strive to increase 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

	2016	2015	2014	Dollars in thousands except per share amounts 2016	Change 2016/2015
<b>Statements of Operations</b> (¥ million)				(\$ thousand)	
Net sales	¥ 1,455,916	¥ 1,462,118	¥ 1,448,550	\$ 12,884,212	-0.4%
Operating income	45,472	48,174	50,099	402,407	-5.6%
Ordinary income	52,651	53,759	53,285	465,938	-2.1%
Income before income taxes	54,841	51,062	48,608	485,319	7.4%
Net income attributable to parent company shareholders	33,588	26,924	25,642	297,239	24.8%
<b>Balance Sheets</b> (¥ million)				(\$ thousand)	
Total net assets	¥ 1,063,242	¥ 1,124,092	¥ 976,385	\$ 9,409,221	-5.4%
Interest-bearing debt	189,821	187,946	182,597	1,671,062	1.0%
Total assets	1,718,636	1,809,462	1,574,754	15,209,168	-5.0%
<b>Cash Flow Statements</b> (¥ million)				(\$ thousand)	
Cash flow from operating activities	¥ 72,629	¥ 85,731	¥ 120,109	\$ 642,735	-15.3%
Cash flow from investing activities	(60,883)	(50,540)	(58,371)	(538,788)	20.5%
Cash flow from financing activities	(47,166)	(23,865)	(80,038)	(417,399)	97.6%
Free cash flow*	11,746	35,191	61,738	103,947	-66.6%
<b>Per Share Data</b> (¥)				(\$)	
Net income	¥ 53.10	¥ 41.82	¥ 39.82	\$ 0.47	27.0%
Net assets	1,618.66	1,675.63	1,447.96	14.32	-3.4%
Cash dividend	32	32	32	0.28	—
<b>Profit Margins</b> (%)					
Operating income margin	3.12	3.29	3.46	3.12	-0.17
EBITDA margin	8.42	8.24	8.63	8.42	0.18
Net income to net sales	2.31	1.84	1.77	2.31	0.47
<b>Financial Ratios</b>					
ROE (%)	3.20	2.67	2.81	3.20	0.53
ROA (%)	1.90	1.59	1.63	1.90	0.31
D/E ratio (%)	19	17	20	19	—
Interest coverage ratio (times)	20.79	21.32	18.47	20.79	—
<b>Valuations</b> (against share price on March 31)					
PER (times)	18.84	27.94	24.84	18.84	—
PBR (times)	0.62	0.70	0.68	0.62	—
EV/EBITDA (times)	5.23	6.01	4.93	5.23	—
PCFR (times)	6.36	8.00	6.43	6.36	—
Dividend yield (%)	3.20	2.74	3.24	3.20	0.46
<b>Returns to Shareholders</b>					
Value of shares repurchased (¥ million)	19,998	—	—	19,998	—
Dividend payout ratio (%)	60.30	76.50	80.4	60.30	—
<b>Others</b>					
Long-term credit rating (R&I)	AA-	AA-	AA	AA-	—
Foreign ownership (%)	22.01	25.54	24.41	22.01	—

U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥113=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2016.

\* Free cash flow = net cash from operating activities - net cash from investing activities

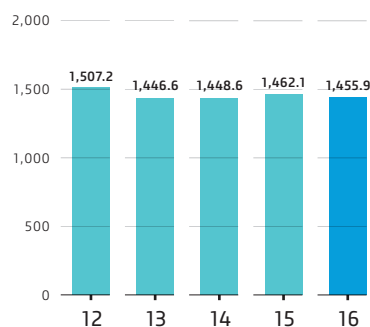


We expanded sales of products like smart cards, thermal transfer media for photo printing, lithium-ion rechargeable battery components, etc.

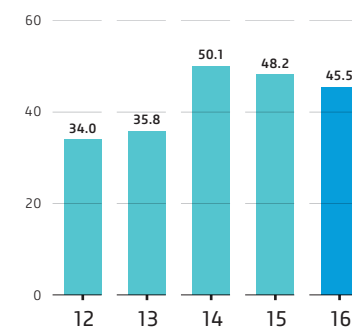
The Information Communication segment succeeded in boosting sales and profits, with operating income growing 32.3%.

We implemented strategic M&As, capital spending and other measures aimed at creating new value.

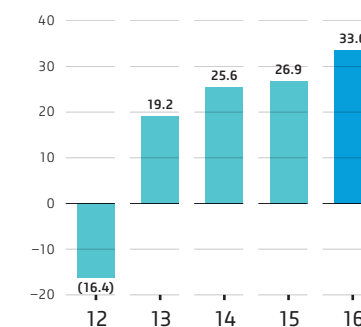
Net Sales  
(¥ billion)



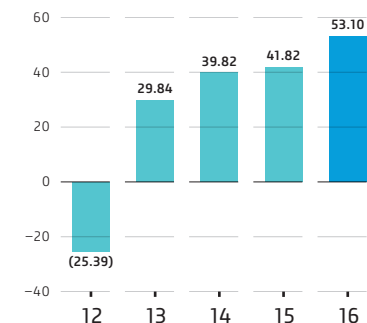
Operating Income  
(¥ billion)



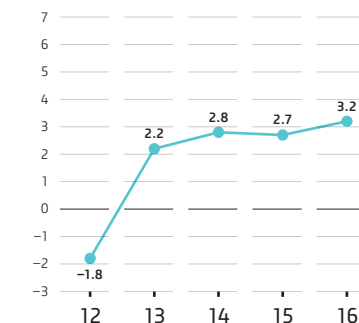
Net Income (Loss) Attributable to  
Parent Company Shareholders  
(¥ billion)



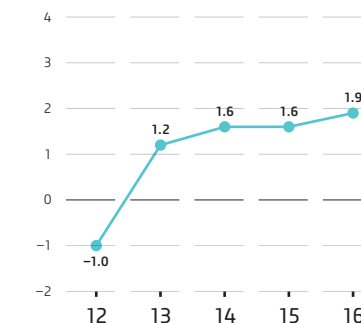
Net Income (Loss) per Share  
(¥)



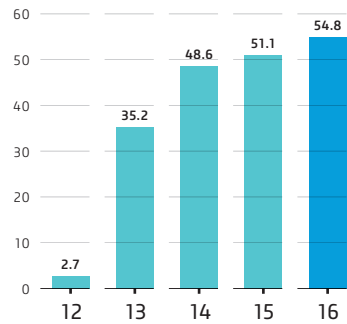
ROE  
(%)



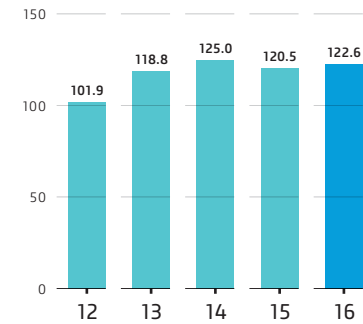
ROA  
(%)



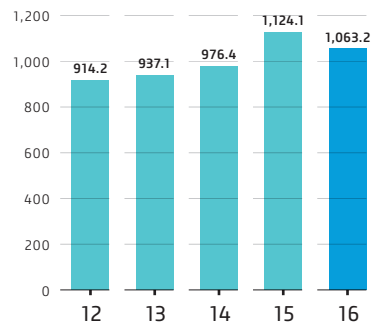
**Income before Income Taxes**  
(¥ billion)



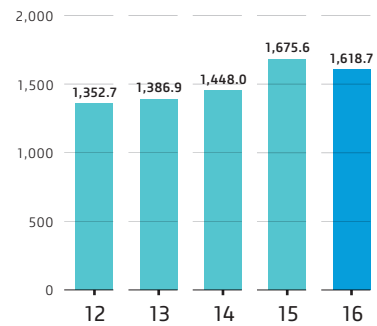
**EBITDA**  
(¥ billion)



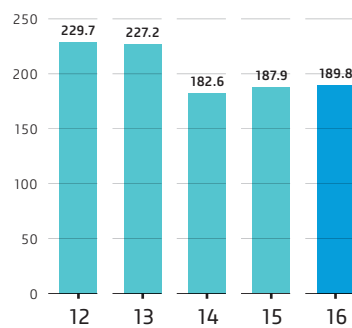
**Total Net Assets**  
(¥ billion)



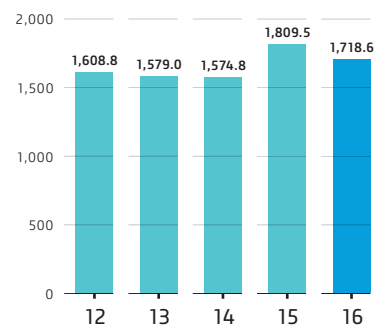
**Net Assets per Share**  
(¥)



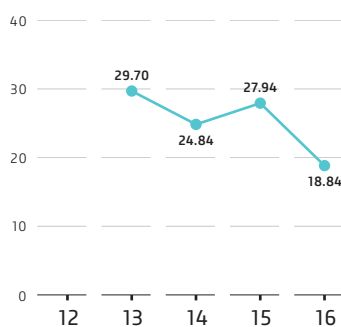
**Interest-bearing Debt**  
(¥ billion)



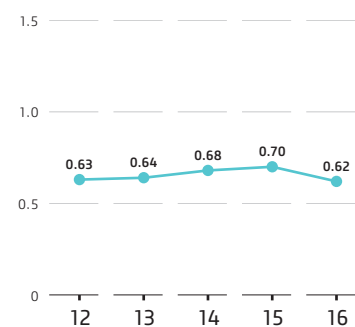
**Total Assets**  
(¥ billion)



**PER (Price Earnings Ratio)\***  
(times)



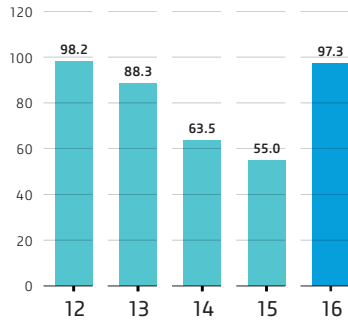
**PBR (Price Book-value Ratio)**  
(times)



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

## Capital Expenditures\*

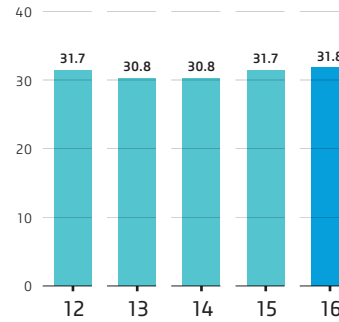
(¥ billion)



\*Figures include capital expenditures for intangible fixed assets.

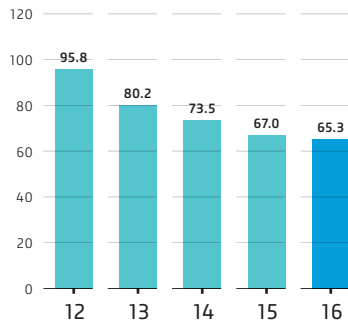
## Research and Development Expenditures

(¥ billion)



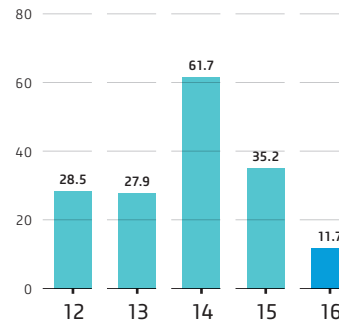
## Depreciation Expense

(¥ billion)



## Free Cash Flow\*

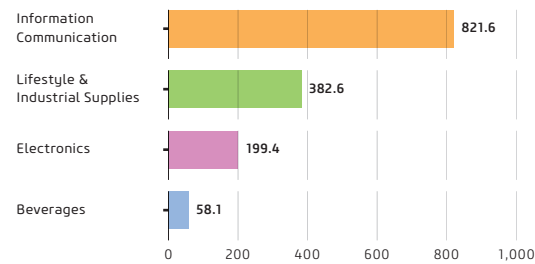
(¥ billion)



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

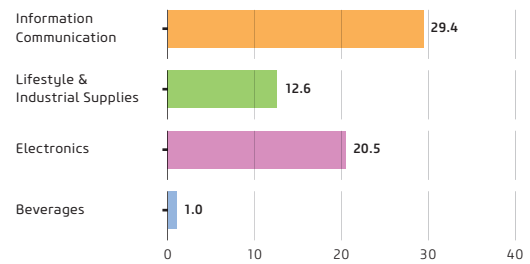
## Net Sales by Segment (Year ended March 31, 2016)

(¥ billion)



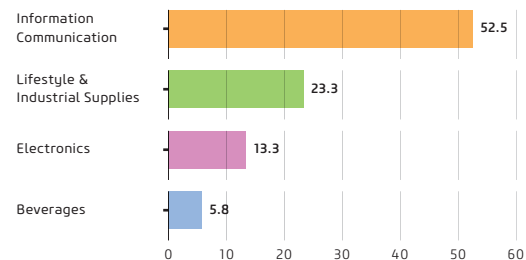
## Operating Income by Segment (Year ended March 31, 2016)

(¥ billion)



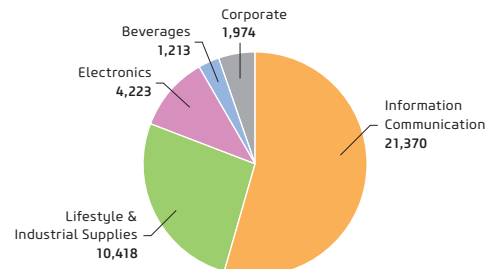
## Capital Expenditures by Segment (Year ended March 31, 2016)

(¥ billion)



## Employees by Segment (As of March 31, 2016)

(persons)



# DNP at a Glance

## Profile

### A comprehensive printing company that creates new value by combining strengths in printing and information

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 used these technologies to branch out from publishing and commercial printing into diverse fields including packaging, decorative materials, display components, and electronic devices, and has developed many products in which it holds the world's largest market share. In the future, we will continue to create new value by combining our main strengths—printing and information technologies—to innovate in the growth areas of Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy in order to solve the problems confronting consumers and society.

From early in its development, DNP set about boosting the efficiency of the overall Group's management through measures including promotion of overall optimization, boosting profitability, and making effective use of management resources. We work hard to manage the company efficiently, for example by concentrating functions like 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, 2016, the DNP Group employed about 39,198 people and had 40 sales bases and 56 production plants in Japan. Overseas, the Group has 25 sales bases in 15 countries and a region, and 14 production plants in eight countries and a region. Overseas sales contributed 16.1% of the Group's overall net sales in the fiscal year ended March 2016.

## Business Portfolio

### DNP's business portfolio is balanced in terms of stability, profitability, growth potential, and business risks

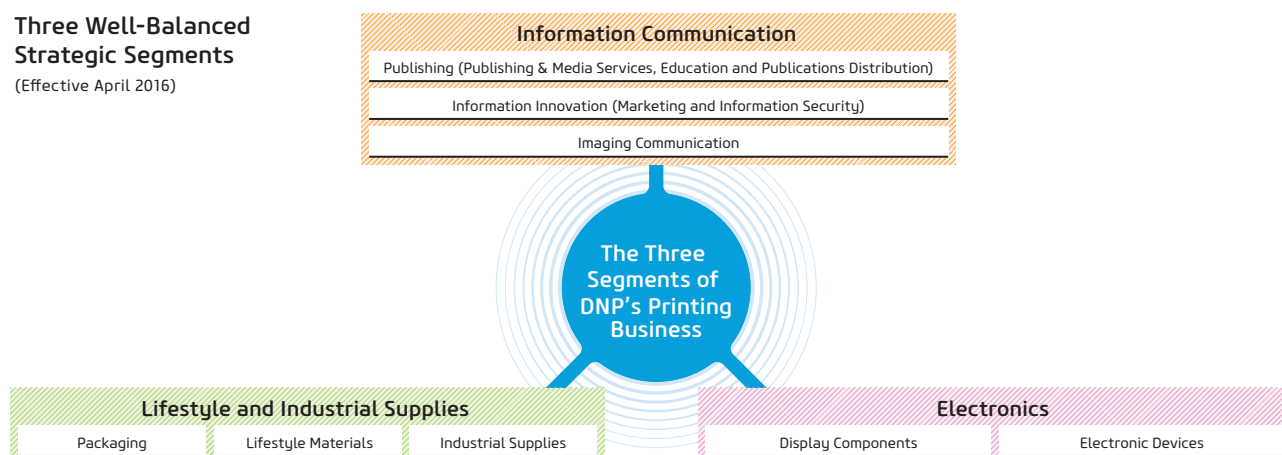
DNP has two main businesses: Printing, which contributes about 96% of consolidated net sales, and Beverages, which generates about 4% of the Group's sales through Hokkaido Coca-Cola Bottling Co., Ltd. Armed with this business portfolio, DNP aims to expand its businesses and increase its corporate value by providing new value to 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 book and magazine printing business where DNP got its start, marketing-related materials with a focus on commercial printing, smart cards and other products related to information security, and Imaging Communication, which focuses on photo printing and related products, (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 deals in 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 cooperation with bottlers in various parts of Japan.

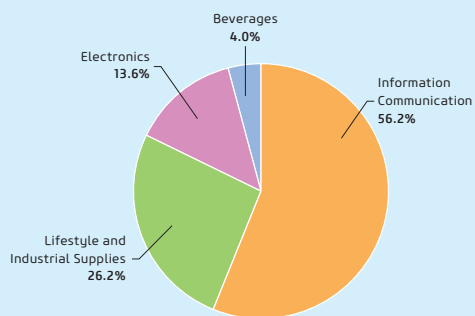
### Three Well-Balanced Strategic Segments

(Effective April 2016)

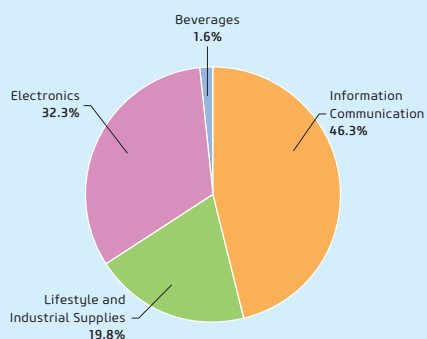




**Net Sales  
by Segment** (Year ended March 31, 2016)

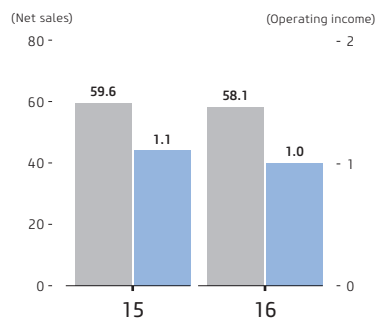


**Operating Income  
by Segment** (Year ended March 31, 2016)



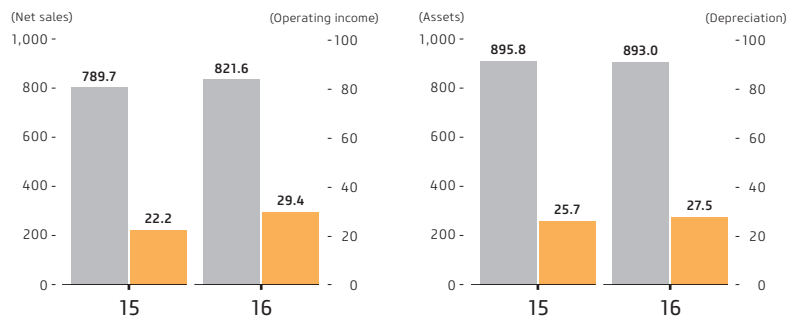
## Beverages

**Net Sales Operating Income (¥ billion)**



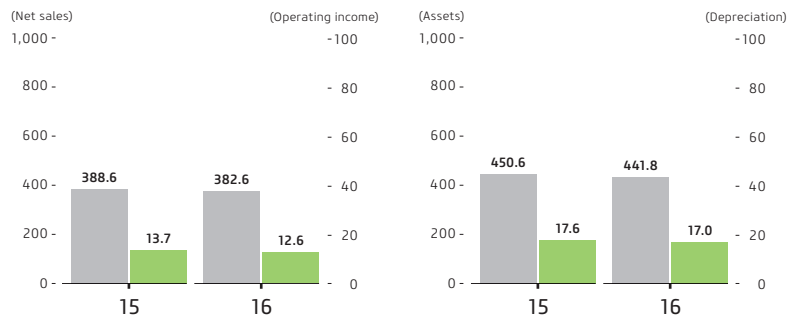
## Information Communication\*

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



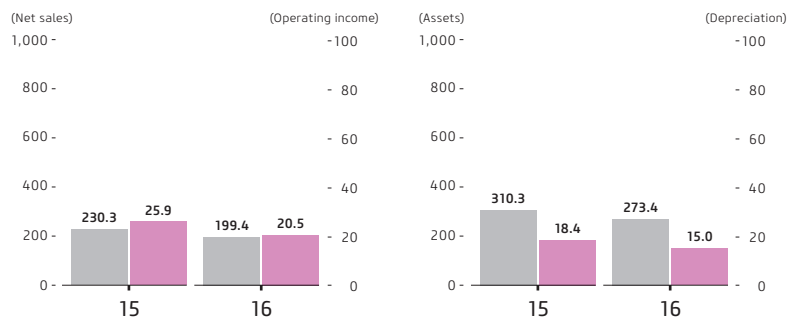
## Lifestyle and Industrial Supplies\*

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



## Electronics

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



\* In April 2015, Imaging Communication business was transferred into the Information Communication segment from the Lifestyle and Industrial Supplies segment. Figures for the term ended March 2015 in the chart above have been adjusted to reflect the new configuration of the Information Communication segment and Lifestyle and Industrial Supplies segment.

# Our Products and Services

## Information Communication

### Publishing

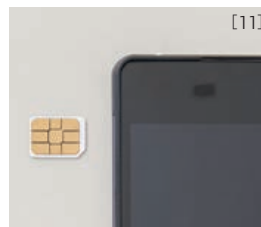
- **Publishing & Media Services** [1] Magazines [2] Books
- [3] Hybrid bookstore network "honto"
- **Education and Publications Distribution**
- [4] Maruzen & Junkudo Bookstore in Shibuya (Tokyo)

### Information Innovation

- **Marketing** [5] Flyers and catalogs
- [6] Household budget-tracking application
- [7] Energy-efficient digital signage
- **BPO\*** [8] DNP's Kamiya Solutions Center
- **Information Security** [9] Personalized mail
- [10] Smart cards and magnetic cards
- [11] SIM card [12] Transparent hologram ribbon

### Imaging Communication

- [13] Dye-sublimation thermal transfer printing media
- [14] Dye-sublimation photo printer [15] Ki-Re-i ID photo kiosk
- [16] Barcode labels made using thermal mass transfer printing media



\*BPO: Business Process Outsourcing

## Lifestyle and Industrial Supplies

### Packaging

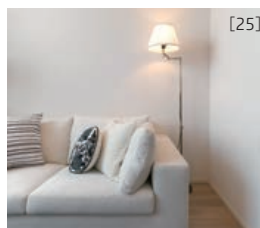
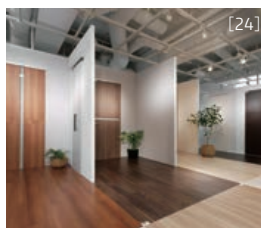
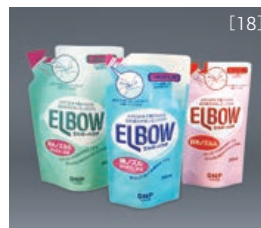
- [17] Packaging [18] Universal design products
- [19] Barrier film for packages
- [20] Biomass plastic packaging
- [21] PET plastic bottles and preform (left in the photo)
- [22] Aseptic filling systems for PET plastic bottles
- [23] Medicine packaging for daily behavior monitoring systems

### 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] Pouch for lithium-ion battery



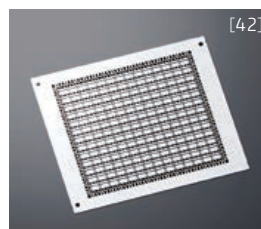
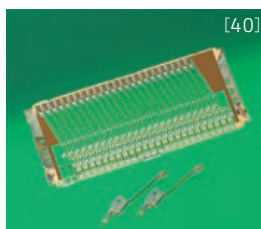
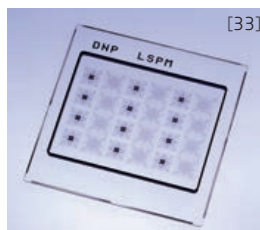
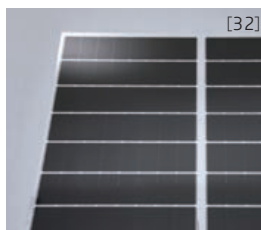
## Electronics

### Display Components

- [32] Color filter for liquid crystal display
- [33] Large-scale photomask [34] Touch panel sensors
- [35] Optical films used for displays
- [36] Electrode film for capacitive touch panels
- [37] Display system for ultra-short focus projector

### Electronic Devices

- [38] Semiconductor photomask
- [39] Master template for nanoimprinting
- [40] Hard disk drive suspension
- [41] Lead frame for compact semiconductor packages
- [42] Metal substrate for LED light
- [43] Camera module
- [44] Image Enhancement LSI
- [45] NFC (near field communication) module
- [46] Electronic paper display system
- [47] MEMS (micro electro mechanical systems) products



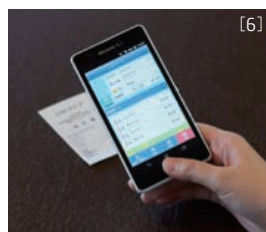
Note: Numbers in square brackets correspond to photographs on pp. 16-17.



[4]



[5]



[6]



[7]



[8]



[12]



[13]



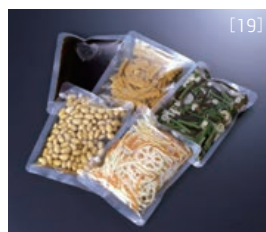
[14]



[15]



[16]



[19]



[20]



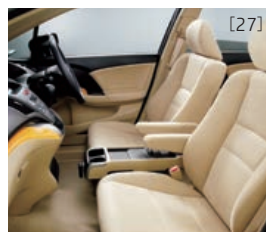
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[22]



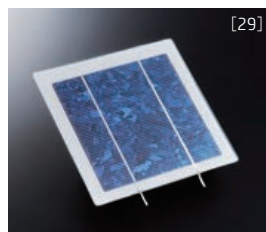
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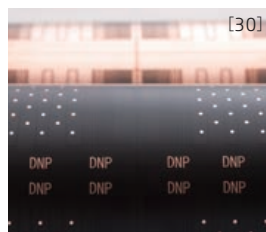
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[28]



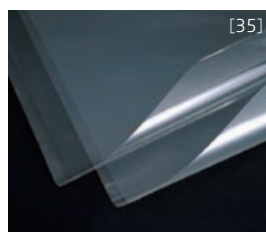
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[30]



[31]



[35]



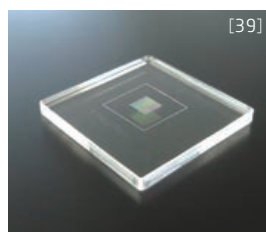
[36]



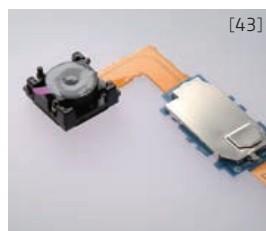
[37]



[38]



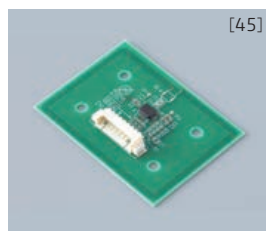
[39]



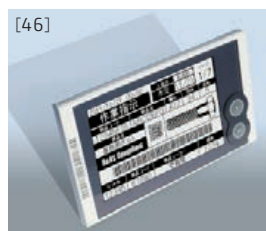
[43]



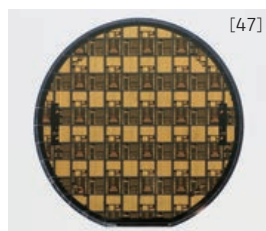
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[45]



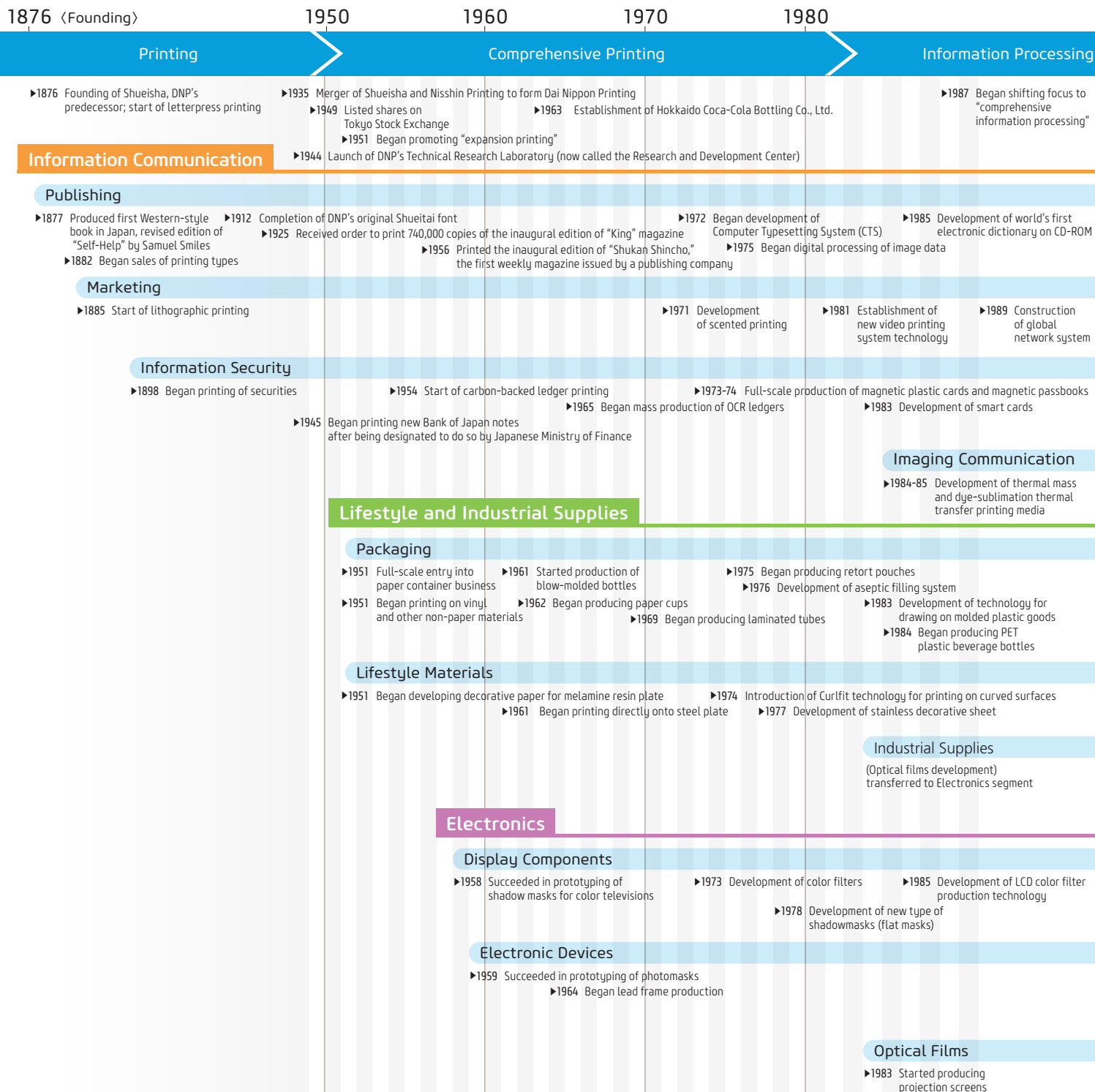
[46]



[47]



# Evolution of DNP's Businesses





1990 2000 2010 2016 (140th anniversary of DNP's founding)

## Information Communication

## P&I Solutions

## P&I Innovations aimed at creating new value

- Hybrid publishing solutions
- Hybrid bookstore network "honto"
- Promote BPO business
- Expand total security solutions
- Inbound tourism and regional revitalization
- Settlement-linked marketing
- Expand imaging market

- Expand eco-friendly products & services
- 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

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

►2015 Announcement of DNP Group Vision 2015

►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

►1995 Began Internet service "Media Galaxy"  
►1997 Began e-commerce service  
►2001 Began Orikomi! e-flyer service

►2008 Launch of digital signage project

►1993 Production of contactless smart cards  
►1999 Launch of IC tag project

►2004 Began Card Data Management Service (CDMS)  
►2005 Establishment of "SSF" office security consortium

►2013 Established DNP Kashiwa Data Center  
►2015 Expanded nationwide BPO center network to five locations

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

►2015 Began offering "My Number" citizen ID card applications via Ki-Re-i ID photo kiosks

►1997 Began selling aseptic PET plastic bottle-filling systems using preforms

►2007 Development of packaging for Japanese-style space food

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

►2013 Established plant in Vietnam  
►2015 Acquired license as controlled medical devices retailer (Kyoto)

►1996 Began producing sheet with EB coating

►2014 Established research facility "DNP Sumai Mirai Lab" concerned with pleasant future living

►1999 Commercialized pouches for lithium-ion rechargeable batteries

►2003 Development of photovoltaic module components  
►2005 Development of fuel cell components

►2007 Development of printed organic photovoltaic cells

►2015 Began selling DNP Agri Film  
►2015 Began selling DNP Lighting Film

►2001 Development of flexible organic EL displays

►2003 Development of full-color organic EL panels  
►2006 Mass production of color filters using inkjet method

►2016 Announced expanded production capacity of metal masks used for organic EL displays

►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

►2014 Development of ultra-low reflection film

## New Businesses

### Life Science (Regenerative Medicine, etc.)

►2004 Successful formation of capillary patterns

►2015 Business and capital tie-up with PSP, a major player in medical imaging management systems

►2008 Development of cell pattern culture substrate

►2008 Development of cell sheet culture film

# Investor Information

(as of March 31, 2016)

## 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): 39,198

Paid-in Capital: ¥114,464 million

### Number of Common Stocks:

Authorized: 1,490,000,000 shares

Issued: 680,480,693 shares

\* With the cancellation of 17 million treasury shares on May 26, 2016,  
the total number of outstanding shares stood at 663,480,693.

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

24,228

Stock Exchange Listing: Tokyo Stock Exchange

### Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,972	7.47
Japan Trustee Services Bank, Ltd. (Trust Account)	35,566	5.65
The Dai-ichi Life Insurance Co., Ltd.	30,882	4.91
Mizuho Bank, Ltd.	18,413	2.93
Employees' Shareholding Association	15,639	2.49
Nippon Life Insurance Company	9,471	1.51
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,010	1.27
The Bank of New York Mellon SA/NV 10	7,340	1.17
State Street Bank West Client-Treaty 505234	7,306	1.16
State Street Bank And Trust Company 505225	7,198	1.14

Notes: 1. The number of treasury shares (51,375,142) is excluded from the figures above.  
2. The ownership stakes are based on the total number of shares outstanding less treasury shares (629,105,551).

### Major Stock Indices in which DNP is a Constituent:

Nikkei Stock Average  
TOPIX Large70  
S&P/TOPIX 150  
Dow Jones Sustainability Indices  
FTSE4Good Global Index  
MSCI Global Sustainability Indexes  
CDP Climate Performance Leadership Index  
ETHIBEL Investment Register  
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.

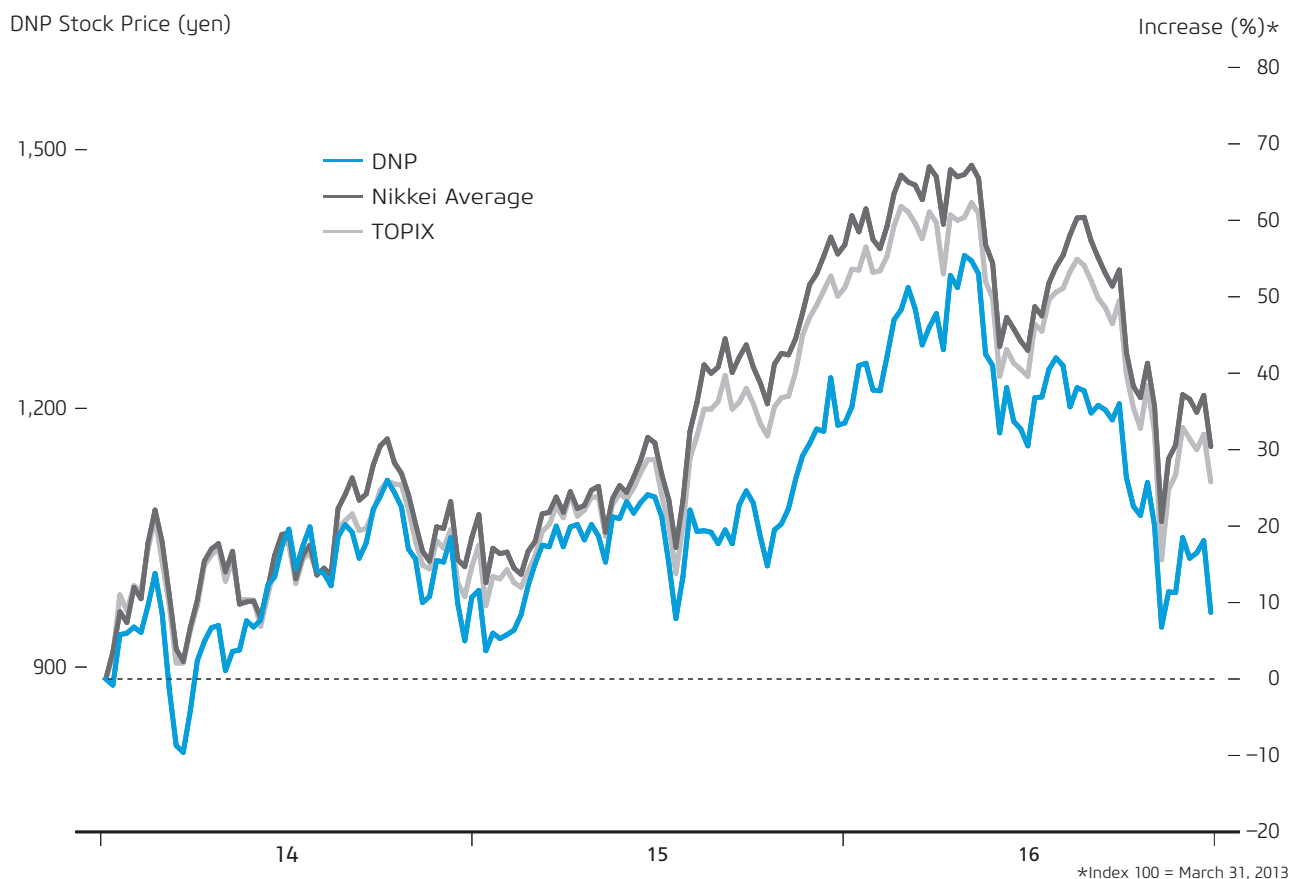
### Investor Relations:

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, 2013 and March 31, 2016)



### Voting Rights

(as of March 31, 2016)

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) (treasury stocks, etc.) (Mutually held stocks)	Common stocks	51,375,000	—
	Common stocks	1,085,000	—
Stocks with voting rights (other)	Common stocks	626,088,000	626,087
Stocks with less than trading units	Common stocks	1,932,693	—
Outstanding shares	680,480,693		—
Total voting rights of stockholders	—		626,087

### Treasury Stocks

(as of March 31, 2016)

Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	51,375,000	7.55
Kyoiku Shuppan Co., Ltd.	1,085,000	0.16
Total	52,460,000	7.71

Special Feature

# “Today's Innovation is Tomorrow's Basic”

Toward medium- and long-term growth  
for DNP and society

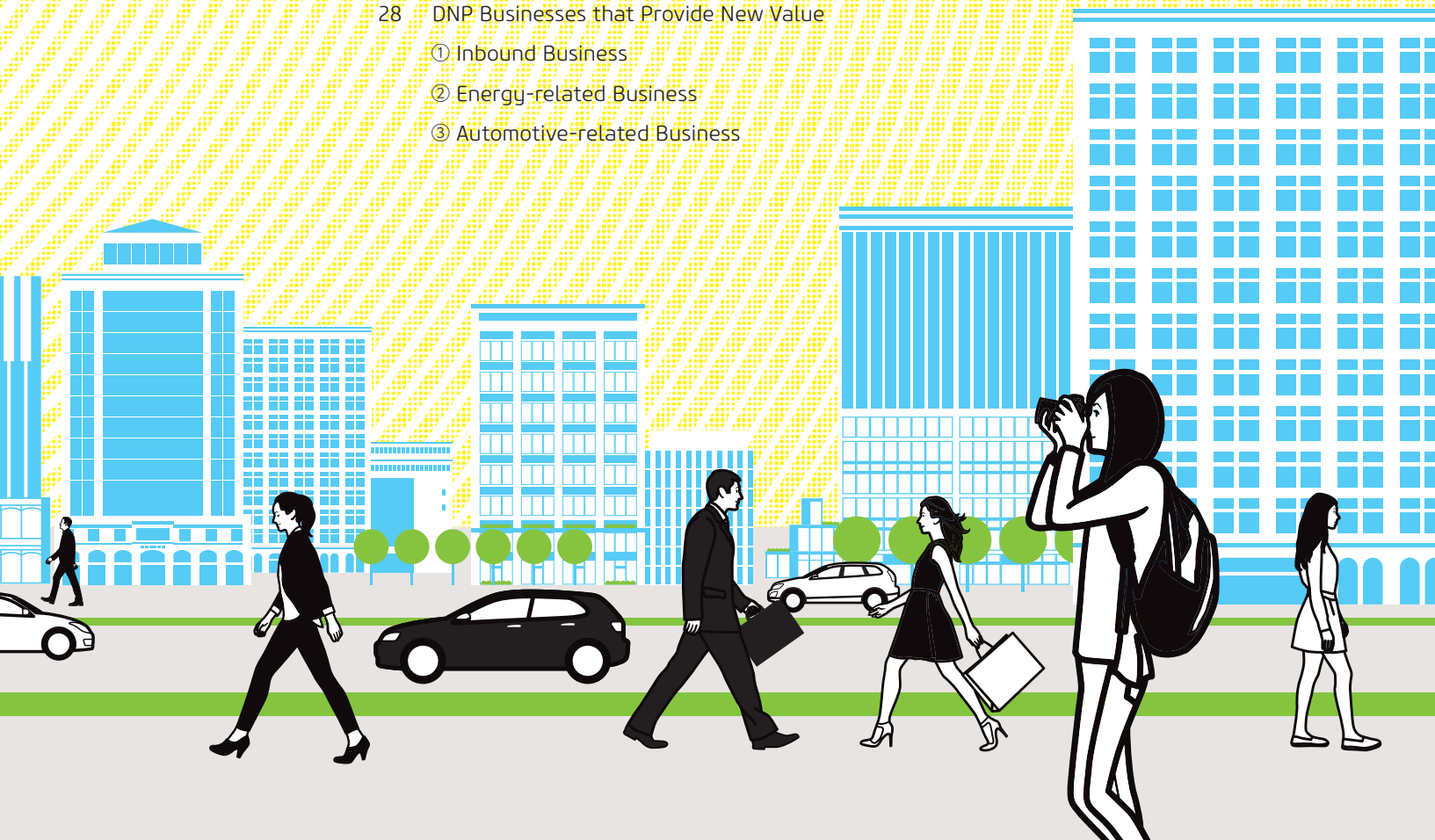




Our corporate philosophy is “the DNP Group connects individuals and society, and provides new value.” In other words, we at DNP aspire to provide value that never existed before, by more actively engaging with consumers and more proactively grappling with social issues. In order for the new value that DNP creates to become indispensable to companies’ business processes and to each consumer’s lifestyle, we must develop it in such a way that people come to think of it as a given—as something basic. “Today’s Innovation is Tomorrow’s Basic” represents DNP’s efforts to develop new value as universal value for society. In this special feature section, we will introduce medium- and long-term initiatives aimed at creating value for the future.

#### CONTENTS

- 24 Overview of Business Expansion Based on “DNP Group Vision 2015”
- 26 New Value to Be Generated in Four Growth Areas
- 28 DNP Businesses that Provide New Value
  - ① Inbound Business
  - ② Energy-related Business
  - ③ Automotive-related Business



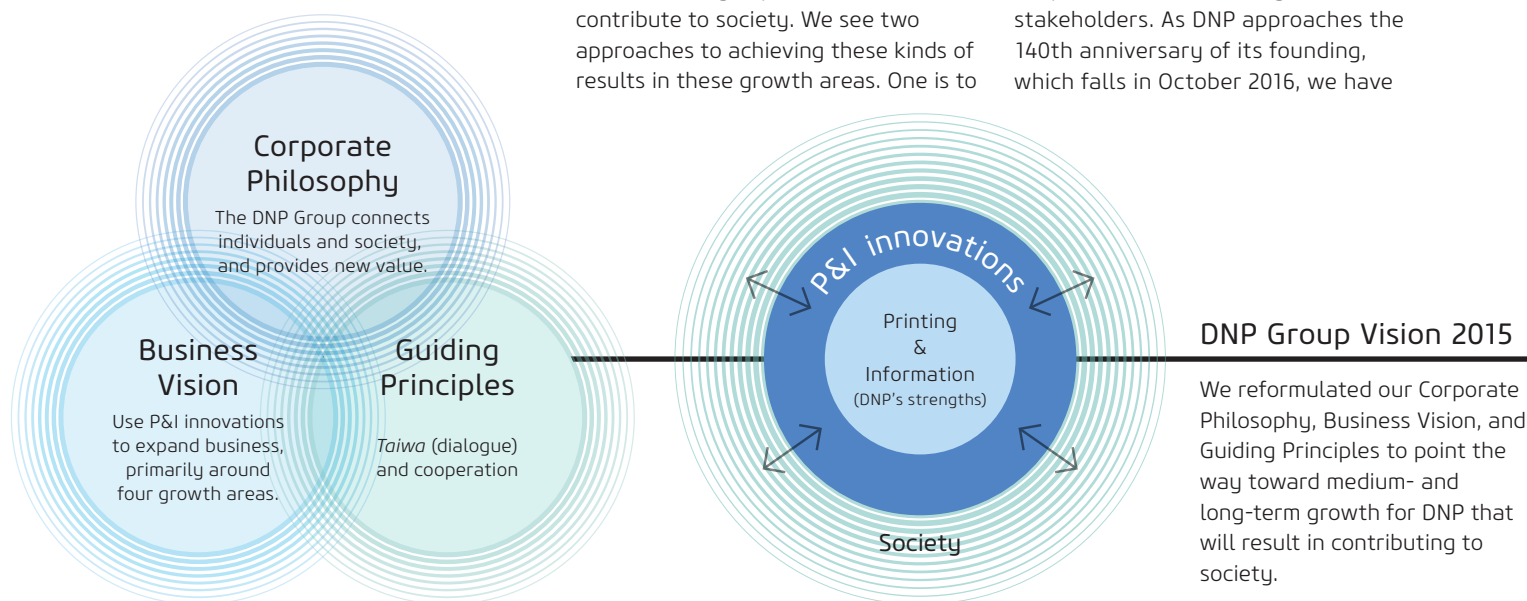
# Resolve social issues in four growth areas Expand business by providing new value

Our business vision is “Use P&I innovations to expand business, primarily around four growth areas.”

Among the various social problems in these four areas, both in Japan and overseas, we aim to address those which can be resolved through heavy involvement by DNP, allowing us to simultaneously expand our business and contribute to society. We see two approaches to achieving these kinds of results in these growth areas. One is to

develop new businesses. The other is to add new value within the many businesses we already pursue, with a view toward resolving social issues found in these growth areas.

In order to make both approaches succeed, DNP is working hard at engaging in *taiwa* (dialogue) and cooperation with its many stakeholders. As DNP approaches the 140th anniversary of its founding, which falls in October 2016, we have



## Main initiatives in the fiscal term ended March 2016

### Information Communication

**We expanded our business in Japan and overseas by leveraging DNP's strengths in areas like information security and business process outsourcing (BPO).**

December 2015 Strengthened BPO business by opening two new BPO centers, giving us a total of five operating locations in Japan  
February 2016 Expanded smart card business in Indonesia by establishing PT. Wahyu DNP Bureau

**We increased synergistic benefits by rethinking our business segments.**

April 2015 Transferred photo printing-related business to Information Communication segment

### Lifestyle and Industrial Supplies

**We pursued strategic M&As and other forms of collaboration aimed at generating new value.**

August 2015 Strengthened automotive business by adding TAMURA PLASTIC MFG. Co., Ltd. to the DNP Group  
February 2016 Strengthened medical image processing business by making PSP Corp. an affiliated company accounted for by the equity method

### Electronics

**We focused on products that use cutting-edge technologies and on developing new business models.**

April 2015 Started a new, market-creating ultrafine processing business utilizing nanoimprinting technology  
October 2015 Announced new film for in-vehicle displays that prevents glare on windshield

### P&I innovations

**We will use abilities and resources from within and outside DNP to continue creating new value.**

**We increased competitiveness by restructuring operations and implementing cost structure reforms.**

August 2015 Completion of DNP Ichigaya Kagacho Building, the centerpiece of DNP's Ichigaya district redevelopment project

# "Today's Innovation is Tomorrow's Basic"

Toward medium- and long-term growth for DNP and society

capital and a variety of tangible and intangible assets including the skills and expertise we have cultivated so far, strengths in sales, planning and manufacturing, and connections with society and communities. However, amid the large-scale changes that are rapidly occurring today, it is very important that we link our own strengths with those of the many stakeholders outside of DNP in ways that will lead to generating new value.

Any products or services that DNP creates as new value will be meaningless unless they are recognized as valuable by corporate clients and consumers. That's why

dialogue and cooperation are so important; they are the vehicles that will enable us to resolve issues in companies' business processes, make individuals' lives more rich and varied, and bequeath our planetary environment to the next generation without destroying it.

DNP intends to achieve sustainable growth for our company and for society by taking a broad view that encompasses past, present and future, formulating comprehensive strategies for the short, medium and long term, making decisions quickly, and actively developing business activities.

Increasing corporate value in the medium and long term  
Toward growth for DNP and society

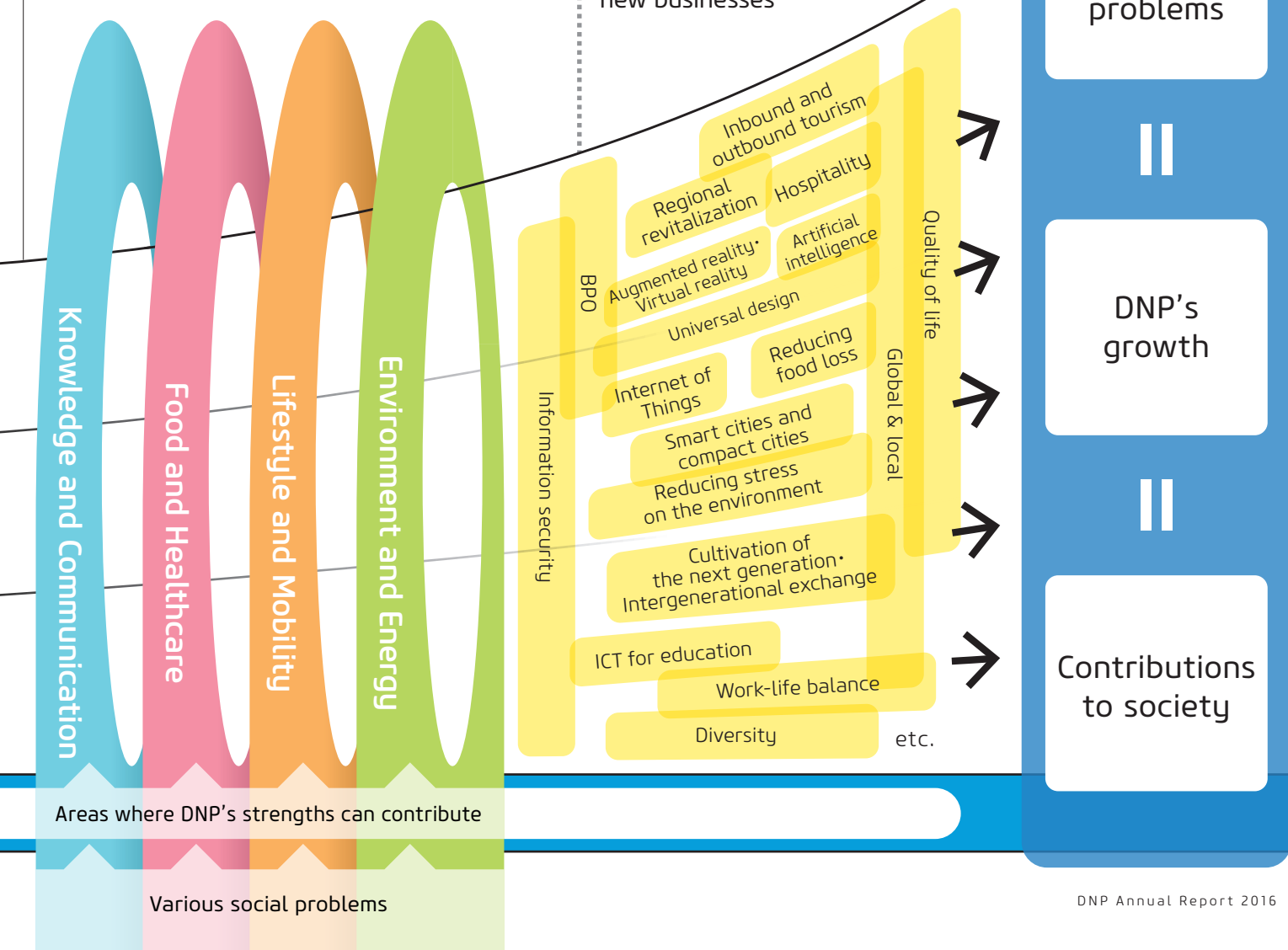
October 2015

## Four growth areas

Areas in which DNP can solve social problems by making use of its strengths, enhance its corporate value, and contribute to society

Some of the main areas where DNP can expect to create "new value"

Expanding existing businesses and creating new businesses









# "Today's Innovation is Tomorrow's Basic"

Toward medium- and long-term growth for DNP and society

## New Value Generated in Each Growth Area

DNP supports people's lifestyles through pleasant communication and provides products and services that foster culture. We provide information that consumers want, when they want it and in optimal formats, by producing information media and content and by enhancing services protected by information security measures, etc. For example, we will continue to promote initiatives like DNP's "honto" hybrid bookstore network which handles paper and electronic books, to develop educational information and communication technologies including digital textbooks, and to stimulate multilingual communication in response to the increasing number of people visiting Japan from overseas.

### Main businesses

- Safe and secure information platforms
- Reliable settlement solutions
- Stimulation of paper and electronic publications distribution markets
- Inbound and outbound tourism
- Multilingual communication, etc.

Amid changes in worldwide population dynamics, including a falling birthrate and increasing longevity in Japan, we will support safe, high-quality lifestyles and work to provide new value that supports lifelong health maintenance. For example, we support people's food supply and health by providing safe, hygienic packages for foods and beverages, household items and pharmaceutical products. In addition, we are actively developing advanced products and services using printing and information technologies in new fields like life sciences (including regenerative medicine and medical imaging control systems) and agricultural films that help boost farm productivity.

### Main businesses

- Development of products that can help increase agricultural productivity
- Reducing food loss with the help of high-performance packaging films
- "Universal design" that makes products and services easy for everyone to use
- Commercialization of regenerative medicine
- Advancement of medical imaging control systems, etc.

We will continue to provide new value that contributes to achieving a high degree of comfort, safety and security in a variety of living spaces including homes, commercial facilities, offices and medical facilities, automobiles and passenger trains. In our daily lives we pass through a number of living spaces and exchange various types of information. DNP will continue to develop products with outstanding functionality and aesthetic design in order to make these spaces more pleasant. We will keep our eye on developments in areas like mobile terminals, wearable devices, and the Internet of Things (IoT), and promote businesses aimed at realizing a smart society in which living space infrastructure is appropriately controlled.

### Main businesses

- Actualizing a smart society that comfortably connects various spaces
- "Internet of Things," connecting many things to the Internet
- Creation of information services that can be used safely
- Development of electric cars and other next-generation vehicles
- Making automated driving systems a reality, etc.

We will speed up development of a variety of products and services aimed at realizing a sustainable society that combines economic development and environmental preservation. One example is "DNP Lighting Film," which efficiently reflects light entering rooms from windows onto ceilings and other areas, and diffuses it to brighten up rooms. In the energy field, we intend to further increase our already large global share of the market for pouches for lithium-ion rechargeable batteries. In addition, we will focus on the development of eco-friendly products and services that will contribute to energy and resource conservation, and to preserving biological diversity.

### Main businesses

- Expanding eco-friendly products and services
- Generating, storing and conserving energy
- Reuse, reduction, recycling
- Advanced products that control light and heat
- Establishing traceability of materials, etc.

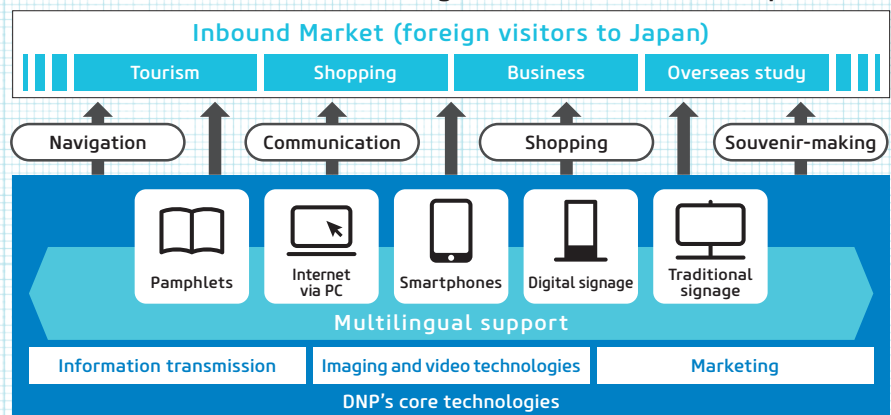
**Achieve medium- and long-term growth for both DNP and society by providing new value that makes possible richer and more varied lifestyles**

## Services for inbound travelers to Japan —Initiatives aimed at revitalizing every corner of Japan

The number of foreign travelers to Japan in 2015 reached about 19.74 million, and they spent 3.5 trillion yen, a sum on a par with total exports by Japan's automotive components industry. The government's new goal for 2020 is to double the number of foreign visitors to 40 million and increase their consumption to 8 trillion yen. The main reasons foreigners come to Japan are sightseeing and shopping. Related inbound business is seen as a significant potential booster for regional economies and is being hailed as a pillar of the government's growth strategy aimed at achieving GDP of 600 trillion yen.

Along with the advancement of digitization and networking, DNP has developed its own diverse information and communication technologies (ICT) such as optimal processing of image, voice and text data and stronger information security. Backed by our strengths in printing technologies and ICT, along with our experience in making safe, reliable and pleasant communication a reality for corporate clients and consumers, today DNP provides comprehensive services that meet the wide range of needs of foreign visitors to Japan. In addition to these services to foreign visitors, DNP also continues to work to increase the appeal of localities throughout Japan, prepare environments in which information is easy for everyone to access, and provide a variety of services.

### DNP's Initiatives for Serving Inbound Travelers to Japan



### Cross-media Communications Design that Makes Use of Printing Technologies

When we travel overseas, very often the first obstacle we encounter is the "language barrier," i.e. the difficulty of communicating smoothly. The same is true for the foreigners who visit Japan from a variety of countries and regions: when shopping or trying to find their way to an unfamiliar destination, it would be very reassuring to be able to navigate in one's own native language.

DNP's touchscreen multilingual digital signage based on universal design\* helps first-time visitors to a location or facility find their way easily.

In response to this problem, DNP has developed services that will help everyone who visits Japan to create the best possible memories. Examples include touchscreen digital signage that displays maps and tourist information in multiple languages and tablet PC apps that support smooth dialogue with customers in multiple languages by tapping the screen to change languages. We will focus on serving the growing number of foreign visitors to Japan by using the most appropriate expressions and designs based on gaining understanding of cultures around the world.

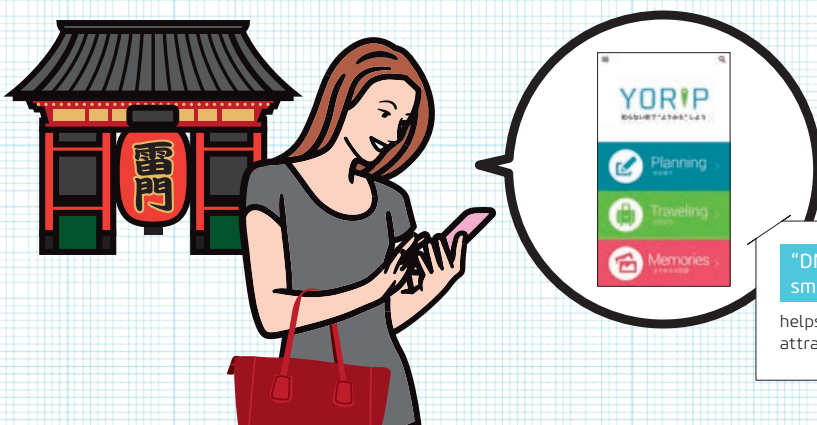
\* Universal design makes it easy for anyone to use a product or service.





# "Today's Innovation is Tomorrow's Basic"

Toward medium- and long-term growth for DNP and society



## "DNP YORIP" or "DNP Side Trip" smartphone application

helps popularize little-known attractions and establish local brands.

## Attractive Local Branding Connects Individuals and Society

### DNP content services

In our inbound business, at the same time that we bolster multilingual service and prepare environments that welcome foreign visitors, it is also important to take steps to increase the appeal of outlying regions. DNP is pursuing initiatives aimed at discovering each area's best features and publicizing them to a large number of people.

For example, DNP is promoting a digital archiving business that uses ultra high-definition technology to record 4K video content of the 17 shrines, temples and castles in Kyoto that are registered as World Heritage cultural sites. The content includes high-resolution images of treasures that tourists normally cannot see, such as ceiling paintings and paintings on interior sliding doors. In addition, DNP has entered into an industrial development cooperation agreement with the Higashimatsuura Genkai-cho district of Karatsu, Saga Prefecture, to promote the "Karatsu Cosmetic Concept," under which DNP will

help the district develop and market local health and beauty products, including support for overseas expansion.

Another service that DNP provides for travelers is its "DNP YORIP" or "DNP Side Trip" smartphone application, which sends information about the charms of various localities at different points along a journey. Before departure, the smartphone app helps travelers plan their trip and make various reservations. During the trip it suggests side trips, and afterward it helps the traveler record notes and memories. The first edition provides tourists with information about eight cities and towns in the broader Hachinohe area of Aomori Prefecture. DNP plans to actively promote new businesses related to regional revitalization. As an example of making souvenirs, DNP operates a nationwide network of "ShaGool!" automated photo booths at tourist attractions and event venues, where customers can take unique photos that commemorate their visit to the site or participation in an event.



## "ShaGool!" automated commemorative photo booths

help tourists share memories of their trip.

information is then provided to business operators within a secure information environment when the visitor orders goods or services.

### Barrier-free access

DNP is working on barrier-free urban development that will allow diverse people from all over the world to enjoy their time in Japan without worry. Looking ahead to the 2020 Tokyo Olympic and Paralympic Games, businesses and shopping malls throughout the city as well as train stations, airports and other transportation facilities have begun making many types of infrastructure barrier free. DNP is focusing especially on removing barriers from various types of information communication at shops and on city streets, for example by developing reading software and producing braille pamphlets that are easy for visually impaired people to use.

In ways like these, DNP takes a broad view of inbound business and uses its printing technologies and ICT to contribute to urban development, enabling all types of people to feel at ease in sightseeing and in daily life.

### Measures to ensure safety and security

From the autumn of 2016, a vendor relationship management (VRM) system developed by DNP will support the "Omotenashi (Hospitality) Platform" to be provided by Japan's Ministry of Economy, Trade and Industry for the convenience of foreign visitors. The VRM system will make it easy for foreign visitors to Japan to receive all types of services from the time they begin preparing for their trip until after they return home. By simply registering their personal information and credit card information with the system once, the



## Ryoanji, a World Heritage site from "Historic Monuments of Ancient Kyoto,"

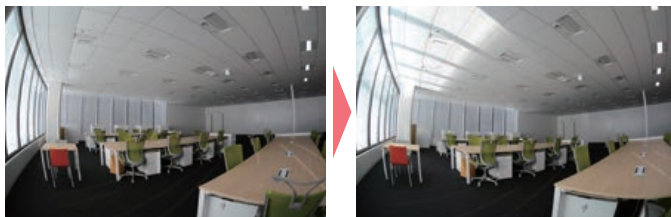
an example of the digital archiving business we are promoting



## Reducing stress on the environment in many areas —Initiatives that make effective use of energy

Due to rapid worldwide economic development and population growth, energy and resource use have increased sharply, and destruction of natural habitats and other negative effects on the global environment have become problematic. DNP positions Environment and Energy as one of its growth areas. We are promoting a variety of initiatives, including the development of eco-friendly products and services, in order to realize a sustainable society that can coexist with nature.

Through our business activities, DNP aims to simultaneously achieve economic growth and environmental preservation. Specific examples include helping to create smart cities that reduce resource and energy usage and supporting compact cities that concentrate the functions needed for domestic life; development of products and services that make effective use of natural energy; initiatives for generating and storing power; and development of products that are easy on the environment throughout their life cycle, i.e. from raw material procurement through manufacturing, usage, disposal and recycling.



Room brightness before applying lighting film (left) and after (right)

### DNP Lighting Film

improves room brightness by efficiently reflecting and dispersing sunlight.

### “DNP Lighting Film” applied to windows to brighten interior space

“DNP Lighting Film” is applied to windows at homes, offices, and commercial, medical or nursing care facilities, etc., in order to effectively bring sunlight inside so the interior is brightened during the daytime, thereby reducing electricity consumption. “DNP Lighting Film” (for laminated glass) was introduced for sale in October 2015. The film, which directs light coming into the room to jump upward, is sandwiched between two pieces of glass, thus also making the glass more difficult to break and preventing crime. In tests using the new film in laminated glass windows on the north side of buildings where there is not much sunlight, it was found that after installing the film, brightness in the rooms doubled<sup>\*1</sup>, and electricity required for lighting was reduced by 13%<sup>\*2</sup>. In previous attempts to make this type of product, its light-drawing function was hindered when the film was bonded to the glass. However, this problem was solved by tweaking the film’s structure and materials, for example by placing the light reflective and dispersal functions inside the film rather than on the surface. The product has been adopted by major housing manufacturers. DNP has also developed “DNP Lighting Film” (for on-site installation) which it provides for application to existing residential windows, for example during renovations.

<sup>\*1</sup> According to a DNP study; maximum values measured June 5, 2015, 9 a.m. to 6 p.m.

<sup>\*2</sup> According to a DNP study; measured July 2, 2015, 9 a.m. to 6 p.m.

# "Today's Innovation is Tomorrow's Basic"

Toward medium- and long-term growth for DNP and society

## Energy usage assessment system makes energy consumption visible

DNP actively develops solutions that manage overall energy usage. We began operating a monitoring system at our own facilities that displays at a glance, in addition to electric power and water usage, energy costs and CO<sub>2</sub> emissions equivalents. Building on that experience, we have answered the needs of companies and local governments that wanted to manage and reduce energy usage based on a smart house or smart cities model. We intend to continue helping them manage energy usage and operate energy management systems.

Citing DNP's contribution to gas-related technology and business development, the Japan Gas Association awarded its 2016 technology prize to DNP for our "e-gokochi" assessment system, which we developed in 2014 to help reduce household energy consumption. The system simulates water and power usage based on factors like the number of people in the household, the types of equipment being used, and the way equipment is used. It assesses equipment performance, proposes energy-saving and CO<sub>2</sub> reduction measures, and calculates the expected effectiveness of those measures. DNP will supply the system to a large number of gas dealers.

### "e-gokochi" energy conservation assessment system for household use

proposes household energy conservation measures.



## Disaster-resistant, crime-preventing digital signage uses natural energy

Many companies and local governments are working on making effective use of natural energy as a way to prevent global warming.

Since April 2016, DNP has been selling energy-efficient digital signage that contains a natural power generation system combining solar and wind power and storage batteries. In the event of a major earthquake, if power outages and/or disruptions in telecommunications infrastructure render smartphones and other information terminals unusable, it may become difficult to obtain emergency information promptly.

The energy-efficient digital signage developed by DNP can transmit emergency information and confirm individuals' safety should a disaster occur. In addition, it can be fitted with a security camera and serve as both a disaster prevention and crime prevention system. DNP will push to have the signs installed in public facilities and parks, schools and designated emergency shelters, commercial facilities where many people gather, high-traffic roads, apartment buildings, offices and factories, etc. in order to achieve safe, worry-free cities and towns.

### Energy-efficient digital signage with its own natural power generation system

transmits information in times of emergency as well as at normal times.





## Automotive-related initiatives that respond to changes in automobile functioning

In the automotive industry, a number of technologies are being developed in order to minimize stress on the environment and improve safety and comfort. Rather than simply meeting fuel efficiency standards, vehicle manufacturers are speeding up initiatives such as developing electric, fuel cell, and other next-generation vehicles and reducing the weight of auto body components in order to decrease the burden on the environment worldwide.

One of DNP's designated growth areas is "Lifestyle and Mobility," where our efforts involve securing people's comfort not only in homes, workplaces, schools and commercial facilities, but also in transit spaces such as automobiles and trains, as well as working to generate information services that are safe to use. Consumers often view automobiles in particular as their personal space where they seek special functions and new value.

Amid increasing adoption of advanced driving support systems that detect and preempt potential collisions, the automobile market is anticipating the realization of automated driving systems. The market is also focusing on products and services that increase comfort, for example by protecting privacy, improving design and texture of auto interiors and exteriors, or by adoption of head-up displays that project information onto a car's windshield. DNP is working to provide new value that will lead to resolving issues like these.

### ■ Toward realizing pleasant, safe and reliable transit spaces

#### More comfortable personal spaces

DNP began developing residential construction materials in the 1950s. In the 1980s, we developed methods of decorating products made of plastic formed into complex three-dimensional shapes, including "Thermoject" technology that enables the application of diverse designs simultaneous with injection molding, and our "Curlfit" technology for using water pressure to transfer design onto curved surfaces. Automobiles are considered part of personal space and there is strong demand for improving their design. DNP will continue to work toward advancing formed products through the use of these technologies, and to expand the range of possibilities for interior and exterior design. Meanwhile, TAMURA PLASTIC MFG. Co., Ltd., which joined the DNP Group in August 2015, holds a substantial share of the Japanese market for side visors that are attached above automobile side windows. We will focus on developing new products that combine Tamura's strengths with DNP's decorative technologies and strength in functional films.

#### Using nanoimprinting for self-driven cars

Nanoimprinting is a method that enables the transfer of concavo-convex micro-

patterns with line widths of 20nm\*<sup>1</sup> or less by pressing a template against a resin-coated substrate. DNP cultivated high-definition pattern-forming technologies by making semiconductor photomasks, and we believe we can apply those technologies to self-driven automobiles. Automatic controls used in automobiles require an enormous number of light sensors. By using nanoimprinting technology, it is possible to develop and mass produce optical elements that improve sensing accuracy and efficiency by controlling light within a nano-structure according to the light's wavelength. In 2015, DNP launched a one-stop service for companies that want to produce nano-processed goods, whereby we support every step from product planning and design to development, die production, transcription prototyping and mass production.

#### Increasing in-vehicle information security

People have started talking about "connected cars" that serve as information terminals since they are always connected to a network and have many sensors. Based on our strength in information security technologies, DNP offers services that boost the security of in-vehicle information systems, for example by

preventing the manipulation of applications loaded onto devices in the car. Our services use CrackProof, a program that prevents illicit access to information from in-vehicle systems, and DNP Multi-Peer VPN\*<sup>2</sup>, a system embedded in in-vehicle telecommunications devices that encodes transmitted data and uses dedicated servers to manage and authenticate access between devices. Going forward, we will continue to develop services that ensure the security of communication between automobiles and servers and between one automobile and another.

\*1 - A nanometer (nm) is one billionth of a meter.

\*2 - VPN stands for virtual private network.

#### DNP's ultra weather-resistant hard-coat transfer film

improves weather and wear resistance of resin glass.





# "Today's Innovation is Tomorrow's Basic"

Toward medium- and long-term growth for DNP and society

To Our Shareholders

DNP in Brief

Special Feature

Segment Information

How DNP Works to Achieve Sustainable Development

Finance Section

Appendix

## Initiatives aimed at linking sustainable society and automobiles

As people all over the world work to make sustainable societies, an important topic in the automotive industry is how to make lighter auto bodies that can directly improve fuel efficiency. As car bodies and many automotive components become lighter, DNP provides "pouches" as the outer covering of lithium-ion batteries. The pouches are made of multi-layer film that seals in electrolytes and other battery materials. Compared to conventional metal can-type containers, the pouches afford greater flexibility in battery dimensions and shape, and have won high praise as the best solution for reducing the weight and thickness of car batteries, which are key components in

electric and plug-in hybrid cars.

DNP has also developed a hard-coat transfer film for use on resin glass, which is seen as a promising substitute for conventional glass in automobiles. Simply by transferring DNP's new film to the surface of the resin glass, it increases wear resistance and prevents damage from ultraviolet rays.

Resin glass has already been adopted for use in some vehicles, including trains and construction equipment, because in addition to weighing only about half as much as regular glass, it is difficult to break and offers excellent thermal insulation and formability. DNP uses original technology for transferring the

hard-coat layers to the resin glass surface. Compared to previous technology that involved spraying hard-coat materials onto a surface, DNP's new method results in higher product yield. DNP began supplying resin glass with the new transfer film in the spring of 2016.

In addition, we will accelerate development of functional film products that can help realize reductions in auto body weight. For example, we are working on a film that can bond different materials together, such as carbon fiber-reinforced plastic and metal.

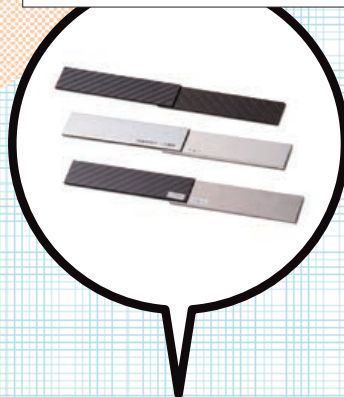


A rich variety of designs for automobile interior materials

thanks to DNP's technologies for decorating formed plastics

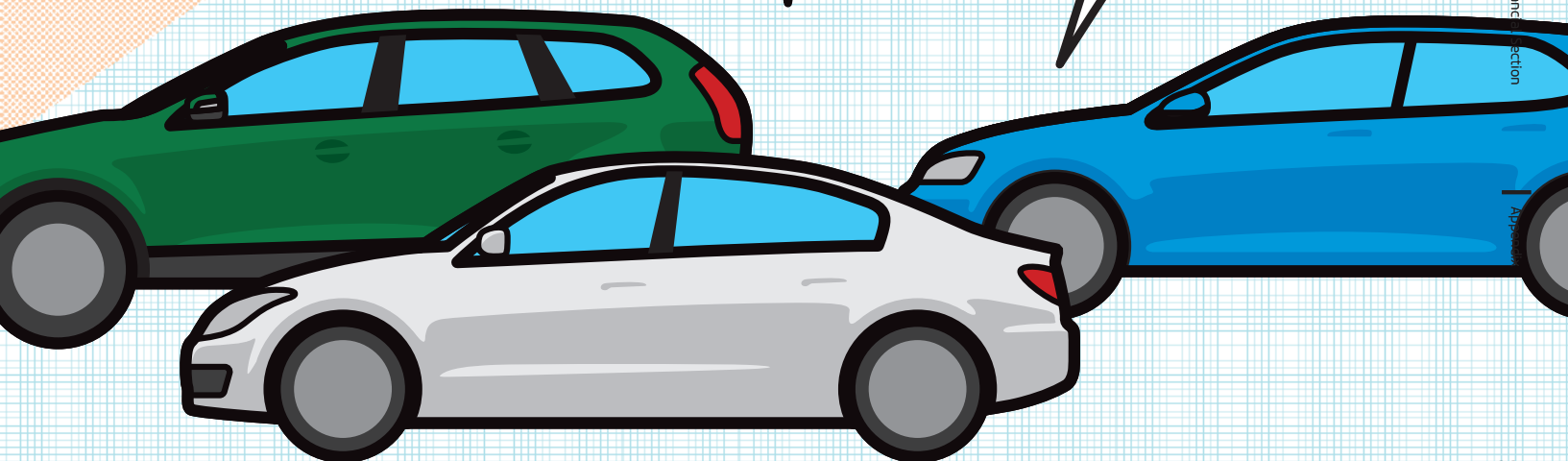
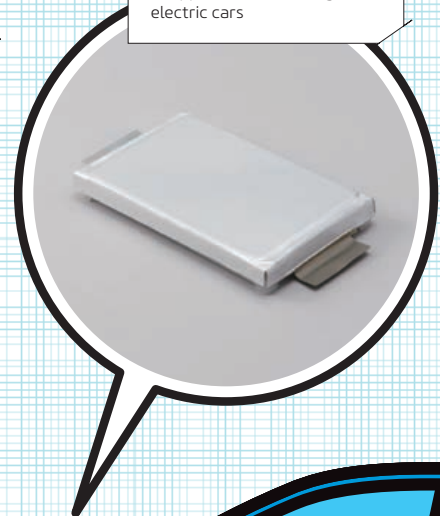
### DNP adhesive films

bond together different materials, such as aluminum and carbon fiber-reinforced plastic.



### Pouch for lithium-ion batteries

used in an increasing variety of applications including electric cars



# Segment Information

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# Information Communication



Top: "honto" hybrid bookstore network membership card and e-book  
Bottom (from left): PrintRush self-service photo printing system; DNP Kashiwa Data Center; Printing press in action

## Business Strategies

As information becomes increasingly digitized and networked, and information media become increasingly diverse, consumers' values and lifestyles have been undergoing major changes. Rather than simply responding to those changes, DNP is developing a wide range of businesses that "deliver the information that consumers want, when they want it, in optimal media formats" and enable us to generate changes ourselves.

The Information Communication segment includes Imaging Communication, a business that addresses all aspects of imaging, in addition to Books and Magazines, Commercial Printing, Business Forms, and Education and Publications Distribution.

Our Business Process Outsourcing (BPO) unit opened new BPO centers in Tokyo and Sendai in December 2015, giving us a total of five centers nationwide. By using our world-class information security technologies and expertise at these BPO centers, we can safely and reliably process information that belongs to consumers and corporate clients and provide a variety of products and services including direct mail and other variable notifications. DNP is one of Japan's largest smart card providers. In addition to expanding settlement services for international brand prepaid cards and card-linked offers (purchasing history-based sales promotions) that analyze and propose the most appropriate products based on individuals' purchasing histories, we will actively expand a variety of services

related to Japan's new "My Number" citizen numbering system. Furthermore, we plan to promote global business development, primarily in Southeast Asia. We will continue to offer diverse services like our "honto" hybrid paper and e-book sales network, and to create new value, for example by combining photo printing and information services.

Among the structural reforms that DNP is promoting in order to increase profits, in April 2016 we consolidated business units such as marketing (including Commercial Printing) and information security with units that specialize in system integration and consulting. By combining planning and development functions and having them cooperate more closely with sales and manufacturing units, we aim to increase synergistic benefits. We already introduced a unified management system for manufacturing functions nationwide in the fiscal year ended March 2015, and we intend to continue increasing revenues by boosting production efficiency and capital efficiency.



## Main Policies

### Expand paper/electronic hybrid sales and publishing solutions including “honto” network

- In order to provide the books that customers want to read, when they want them, in the formats that they want, we linked our honto.jp website, which offers both electronic and paper books, with physical bookstores operated by DNP affiliates MaruzenJunkudo Bookstores Co., Ltd. and Bunkyo Group Holdings Co., Ltd. to form the “honto” hybrid bookstore network.
- Rather than serving solely as a manufacturer of printed materials, DNP provides 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 regional revitalization businesses, for example by combining bookstore and library functions, or by creating public gathering places.

### Promote business process outsourcing (BPO) operations based on solid information security systems

- Expand BPO operations that provide comprehensive support for corporate clients' overall business processes.
- Use BPO centers to provide value for clients' overall business processes through activities like market research, analysis of operational problems, design, construction and operation of optimal business processes, customer center operation, and production and shipment of sales promotion tools.

### Settlement platform businesses that make use of DNP's data centers

- Use DNP Kashiwa Data Center to expand safe and reliable general-purpose branded prepaid and debit processing services.
- Provide unique settlement services that can be offered to a wide range of corporate clients nationwide, including financial institutions and distributors.

### Apply strength in smart cards to settlement-linked marketing, etc.

- Expand DNP's smart card business in the global arena now that we have already captured the top share of the Japanese market thanks to our overwhelming technological lead.
- Expand card-linked offers (purchasing history-based sales promotions) and other types of settlement-linked marketing methods that generate added value.

### Use big data to expand businesses like inbound and outbound tourism, and regional revitalization based on consumers' point of view

- Focus on developing communication channels that connect companies and consumers by using information access histories, purchasing histories, and other types of big data.
- In addition to responding to the growing number of foreign visitors to Japan and Japanese traveling overseas, expand various services that enliven outlying regions.

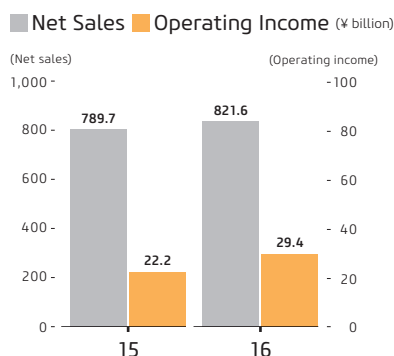
### Imaging Communication: everything to do with images

- Reinforce global manufacturing, sales and service systems; expand field of business beyond ink ribbons and other printing media to include the entire “imaging market.”
- Develop and provide—to photo imaging markets in Japan and overseas—solutions that offer new value such as enjoyment or convenience.
- Respond promptly to the digitalization of commercial photo printing systems that are being used increasingly around the world.
- Expand the DNP Imaging Mall that promotes distribution of video content from sporting and other events.

# Financial Results

## Financial Highlights

	2015.3	2016.3
Net sales	¥ 789.7	¥ 821.6
Operating income	22.2	29.4
Operating income margin	2.8%	3.6%



### Net sales

Although the segment was affected by stagnation in the publishing market and lower demand for flyers, catalogs, and other commercial printed matter, Imaging Communication performed favorably. Some other businesses also grew nicely, including businesses related to smart cards and settlement services, and information processing services such as data entry, printing, and mailing of personalized mail. Net sales grew by 4.0%, or 31.89 billion yen compared to a year earlier.

### Operating income

Growth in Imaging Communication and businesses related to the introduction of Japan's "My Number" citizen numbering system helped increase operating income. By reviewing sales, planning and production systems and implementing structural reforms, we compensated for increases in the cost of printing paper and other materials as well as for the effects of intense competition pushing down our own sale prices. As a result, operating income increased by 32.3% or 7.17 billion yen from the previous year. The segment's operating income margin increased by 0.8 point, from 2.8% a year earlier to 3.6%.

## Fiscal Term through March 2016: Business Environment and Summary of Financial Results

### Books and Magazines; Education and Publications Distribution

In the fiscal year ended March 2016, Japanese publishing industry sales declined by 5.9% from the previous fiscal year to 1,501.3 billion yen. Specifically, magazine sales declined 9.6% to 762.4 billion yen and book sales declined 1.7% to 738.8 billion yen. Meanwhile, in calendar 2015 the electronic publications market was brisk, surging by 31.3% over the previous year to 150.2 billion yen.

In DNP's Books and Magazines business, we worked proactively to increase sales, and ran special offer campaigns that succeeded in boosting book sales above the previous-year level. Nevertheless, due to a steep decline in magazine sales, this unit's overall sales fell below those of a year earlier.

In Education and Publications Distribution, we enjoyed higher sales through our honto network, achieving growth in sales of e-books as well as paper books both through physical stores and online mail order. In addition, we did well in library management support businesses linked to governmental efforts aimed at regional revitalization. DNP continues to promote businesses that offer consumers "the books they want to read, when they want them, in the formats they want," primarily through our "honto" hybrid bookstore network that links online mail-order sales, electronic bookstores, and physical bookstores operated by partners including Maruzen CHI Holdings Co., Ltd. and Bunkyo Group Holdings Co., Ltd. Maruzen CHI focuses on library management outsourcing services and promotes regional revitalization measures in cooperation with libraries and local governments. Bunkyo is pushing to open more stores in its Animega chain, which specializes in animation-related merchandise, and is working to draw in new customers through such measures as installing a stationary section in each store.

Going forward, DNP intends to further increase cooperation with publishers and work even harder to promote all types of publishing-related businesses from project planning to production, distribution, and sales, including secondary content usage and overseas market development, in order to stimulate the publishing market as the Japanese publishing industry's "No. 1 partner."

\* In April 2015, Imaging Communication business was transferred to the Information Communication segment from the Lifestyle and Industrial Supplies segment. Figures for the term ended March 2015 in the chart above have been adjusted to reflect the new configuration of the Information Communication segment.

## Commercial Printing

According to Japan's Ministry of Economy, Trade and Industry, Japanese corporate advertising expenses in the fiscal year ended March 2016 grew by 3.4% from the previous year as increased Internet-related and other expenses more than made up for a decline in direct mail and other printed advertisements. This shift in the market is reflected in DNP's Commercial Printing business, which felt the effects of the market's switch to Internet-based distribution of product catalogs and operating manuals.

For some years, DNP has been focusing on building a unified control framework for its nationwide sales, planning and production functions. In the fiscal year ended March 2016, we continued to promote market expansion across corporation and industry lines and focused on proposing solutions that create new value. We also strove to enlarge our BPO operations (including operation of sales campaign headquarters), and worked to achieve nationwide application of local development projects and successful endeavors, and to reap synergistic benefits. As a result, we achieved increased sales of pamphlets, in-store promotional materials for retail stores, and point-of-purchase and other sales tools, and ended with net sales similar to those of the previous year.

## Business Forms

Thanks to corporations' increasing need to securely manage and use employees' and customers' personal information, we have experienced growth in our electronic money and other smart card businesses as well as in information processing services. We are speeding up global development in our smart card business, starting with strengthening our position in the Southeast Asian region. For example, in March 2014 we formed a business and capital tie-up with MK Smart Joint Stock Company (MKS), Vietnam's leading smart card manufacturer, and in February 2016, we established a joint venture with Indonesia's largest cash card manufacturer and seller, Wahyu Kartumasindo International (WKI). In our IPS business, overall sales increased year on year thanks to growth in notification mailings connected to the launch of Japan's "My Number" citizen numbering system and in operations outsourced by financial institutions.

DNP is also focusing on expanding sales in its BPO business, which provides comprehensive support for corporate clients by analyzing their operational issues and planning, constructing, and operating optimal business process systems aimed at achieving sustainable growth. In December 2015, we established BPO centers in Tokyo and Sendai, giving us a total of five such centers nationwide. By doing so, we roughly doubled our overall BPO capacity

so that we can now process the equivalent of some 20 million units of direct mail per year. In addition to acquiring internationally recognized Payment Card Industry Data Security Standards (PCI DSS) certification, we will make use of our earthquake- and fire-resistant DNP Kashiwa Data Center along with our wealth of expertise to actively expand businesses that are suitable for full outsourcing by client companies.

## Imaging Communication

Net sales from Imaging Communication increased compared to the previous year. Commercial photo printing companies worldwide are increasingly switching from the conventional silver halide photo development method to dry methods that do not require developing solution. Buoyed by this trend, sales of DNP's dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) used for dry-method photo printing have grown significantly in the Southeast Asian, North American and European markets. In the market for thermal mass transfer printing media, which is used for printing bar codes that help control production and distribution, we saw growth in sales of high-added value products such as wax-based media that are exceptionally heat resistant. In addition, we enjoyed a smooth start for an Individual Number Card application service that we launched in October 2015. The service expedites issuance of official Japanese government ID cards by using our Ki-re-i ID photo system to both take an ID photo and transmit it along with application information within a highly secure communication environment.

In the "imaging market," we plan to take advantage of business opportunities arising from increasing consumer demand for services like photo printing and album production, for example by offering value-added services that make the most of DNP's IT expertise. In August 2015, we launched a new "DNP Imaging Mall" to help companies that want to make use of their rights to images of popular musicians, athletes, or other celebrities by selling photo prints. DNP provides comprehensive service including image storage and processing, website operation, and high-quality print production and delivery.

# Growth Businesses and Strategic Businesses

## Active development of Imaging Communication that addresses every aspect of imaging

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 have a comprehensive, global framework for the development, manufacturing and sales of these products and we are one of the world's top suppliers of both dye-sublimation media, used mainly for photo printing, and thermal resin media, used mainly for printing barcodes. DNP views as its field of business the overall “imaging market” that addresses every aspect of imaging. Based on the idea of “building a future that links people to the world through imaging,” we offer high-added value services in addition to developing, manufacturing, and selling printing media.

Nowadays people all over the world enjoy recording photographs and videos on smartphones or other portable devices and uploading them to social networking services, making diverse imaging-related needs more widespread. Mainly in Japan and North America, DNP offers consumers photo systems that take pictures and print them on the spot. In August 2015, we launched our “DNP Imaging Mall” service that provides one-stop image marketing solutions with a full range of functions including image data storage

and processing, website construction and operation, high-quality print production, and order-taking and shipment functions. The service allows companies that own content such as photos of popular athletes or other celebrities to market prints to consumers without burdening their other business operations and with little cost for startup or operation.

In October of the same year, we began offering an Individual Number Card application service that uses DNP's Ki-Re-i ID photo booths to provide consumers with a more convenient way to obtain their official government ID card.

Going forward, DNP will continue to provide consumers and society with new value by operating businesses that address every aspect of imaging communication, from picture-taking, data processing and printing, to using images to stimulate communication.



A Ki-Re-i ID photo booth, where customers can apply for an official Japanese government “My Number” card

## DNP's many initiatives to stimulate the Japanese publications market

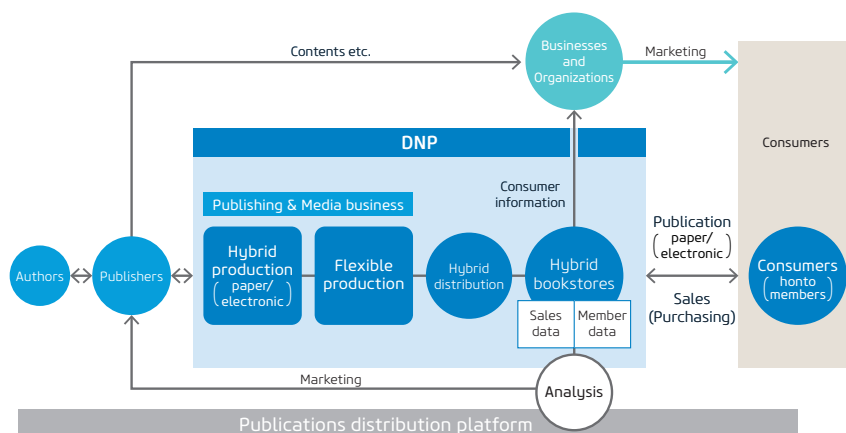
As “the publishing industry's No.1 partner,” DNP strives to stimulate the overall publishing market.

We make the most of our strengths in handling both paper and electronic books. As a manufacturer, we perform high-quality printing and binding (whether in large or small lots) and at the same time we plan and produce digital content. We provide platforms for developing diverse services including development of e-commerce websites and smartphone applications.

At the same time, in order to stimulate distribution and sales, we provide publications distribution platforms that effectively market both paper and electronic books. In order to provide “the books that people want to read, when they want them, in the formats they want” in response to consumers' increasingly diverse reading styles, we created the “honto” hybrid bookstore network that links our honto.jp book sales website with sales at bricks-and-mortar stores operated by MaruzenJunkudo Bookstores Co., Ltd. and Bunkyo Group Holdings Co., Ltd.

As of June 2016, honto had approximately 3.4 million members who enjoyed services that book-lovers find convenient, such as loyalty points and store inventory search capabilities.

DNP gains information from its contacts with many readers and uses that information together with publishers and other companies to formulate marketing and sales plans, plan and execute promotional measures, and take other steps to stimulate the publications market.



## Using DNP's information security expertise to make businesses more secure

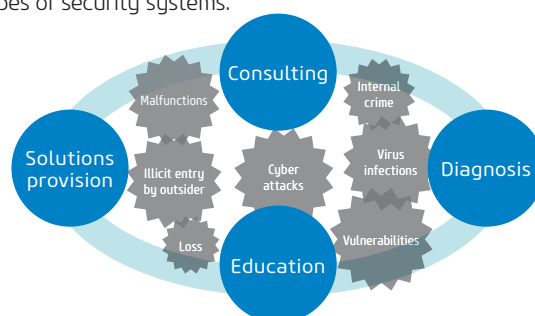
Cyber attacks that target specific corporations are becoming increasingly sophisticated. Recent years have seen a noticeable increase in attacks whose aim is not only to steal information, but to interrupt corporations' business operations by overloading servers, shutting down systems, or by encoding data so as to lock out the rightful owners.

Since its founding in 1876, DNP has been appropriately and safely handling large amounts of valuable information entrusted to it by other businesses. Examples of sensitive information that we are entrusted with include as-yet undisclosed information about new products, not yet released books and magazines, all types of financial institution statements, personal information including purchasing histories and membership in e-commerce websites, semiconductor designs and other technical data. We have constructed and implemented strong and appropriate measures to protect this valuable information from cyber attacks and leaks. In addition to reinforcing physical measures to secure networks and control entries/exits at factories and offices, we have revised our company regulations and workflows and trained employees to reinforce security.

We have always provided our information security expertise as added value in our business process outsourcing and other

businesses that involve receiving information from corporate clients. Now we are also making use of it to help companies bolster their own security measures. For example, now that businesses that handle credit card information are being asked to comply with international Payment Card Industry Data Security Standards (PCI DSS), in April 2016 DNP started a consulting service that helps businesses acquire PCI DSS certification.

DNP will continue to help companies and all types of organizations improve their information security in a variety of ways including consulting, employee training, diagnosis of vulnerabilities in operational systems and processes, and the sale of software that wards off targeted attacks and of various types of security systems.



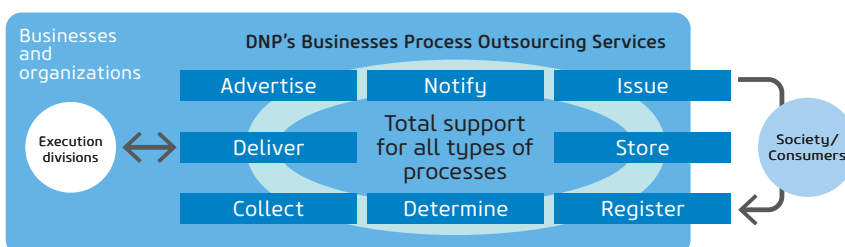
## Expanding BPO centers in response to demand for business process optimization

Amid today's dramatic social changes, companies and organizations are focusing on building new business models and developing new products and services. At the same time, developments in information communication and other technologies have made communication with consumers more diverse and more complicated. Given this situation, businesses and organizations are taking a fresh look at their conventional business operations and building new processes. As they work to optimize efficiency and costs, there is increasing demand for business process outsourcing (BPO) providers to take on some or all of their clients' operations.

DNP's BPO service provides a comprehensive range of functions, from study and analysis of operations to process design, construction, and safe, dependable execution in a high-security environment. DNP has successfully handled a wide range of assignments, including back-office operations involving the processing of millions of units, formulation of marketing policies, website construction and operation, and operation of customer contact centers and social media-based offices.

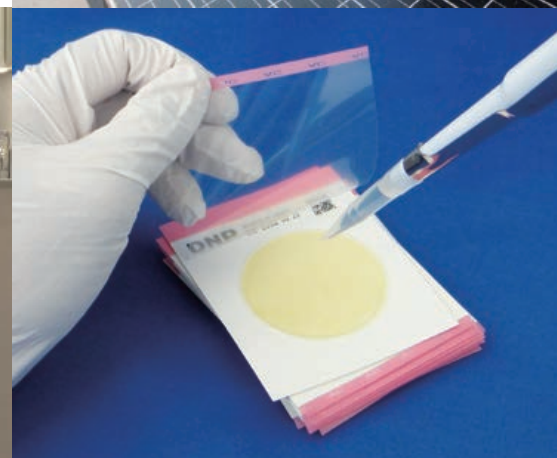
Making the most of our track record, skills and knowledge, DNP responded to the increasing demand for BPO services by establishing two new BPO centers in December 2015, one in Tokyo's Toshima Ward and one in Sendai, to supplement our three existing centers in Tokyo's Kita Ward, Osaka, and Nagoya. From 2016, we will reliably meet the outsourcing needs of businesses and organizations in areas like adjusting to Japan's new "My Number" citizen numbering system and liberalization of gas and electricity sales, and supporting digital marketing, e-commerce, and healthcare.

By expanding our BPO business, DNP is responding to dizzying changes in the business environment in ways that contribute to the development of a sustainable society.





# Lifestyle and Industrial Supplies



Top: Photovoltaic panels Bottom (from left): Interior material (floor covering) for residential use; Culture film for bacterial testing

## 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 and services that are important in the daily life of consumers. DNP's Packaging business creates many of the packages that consumers use in daily life, including packaging for foods and beverages and for pharmaceutical products. Lifestyle Materials handles 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 for universal design principles so they will be easy for most consumers to use. In our development and production activities, we must also 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 create new value that enriches people's lives while fulfilling all of the above criteria.

DNP has identified four growth areas where we see the potential to develop new value beyond our existing business unit boundaries: Knowledge and Communication; Food and Healthcare; Lifestyle and Mobility; and Environment and Energy. We will speed up business creation by making use of technologies and expertise cultivated within our segment, engaging in dialogue and cooperative efforts both within and outside of our corporate Group, and by actively collaborating with research institutes and companies that have relevant strengths.

\* In April 2015, DNP's Imaging Communication business, which mainly handles materials used in photo printing, was transferred from Lifestyle and Industrial Supplies to the Information Communication segment.

## Main Policies

### Packaging

#### Develop eco-friendly, advanced products and services worldwide

- Reduce the burden that we place on the environment; actively develop eco-friendly products and services that also help preserve biodiversity.
- 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.
- Develop packages that are easy for anyone to use, in accordance with universal design principles.
- Study and analyze consumers' awareness and hands-on interaction with packages that contain everyday items like foods, beverages, and household items.

### Lifestyle Materials

#### Provide new value in all kinds of spaces where people live their lives

- Enhance lineup of products that use DNP's original electron beam (EB) coating technology.
  - Develop and supply products such as interior and exterior materials with strong scratch and soil resistance and other outstanding characteristics including weatherability.
- Develop a variety of businesses that address entire living space-related supply chains.
  - Examples: measurement and assessment of living environments, living space design, proposals based on considerations like Kansei (sensitivity) engineering, and development of easy-to-implement construction techniques
- Develop new products and services needed for the realization of smart cities and smart houses.
  - Metal panels and other materials that save energy by effectively reflecting and diffusing light
- Use DNP's global business networks to expand our market share in Europe, the Americas and emerging countries.

### Industrial Supplies

#### Develop sophisticated products and services that take advantage of DNP's strengths in advanced materials

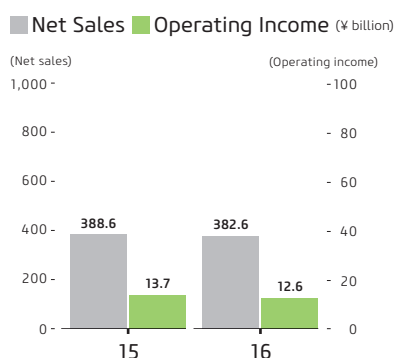
- Develop products and services, in Japan and overseas, that make use of DNP's original converting (materials processing) technologies; provide new value especially in three growth areas: Food and Healthcare, Lifestyle and Mobility, and Environment and Energy.
- Pouches for lithium-ion batteries: Take advantage of our strength as the world's number one supplier to expand applications beyond mobile telecommunications devices to include, for example, electric vehicles and household-use storage batteries.
- Photovoltaic module components: Develop back sheets, encapsulants and other components that help increase the conversion efficiency and reliability of photovoltaic cells.
- Develop products and services like advanced films that control heat and/or light, for use in fields like automobiles and agriculture.

# Financial Results

## Financial Highlights

(¥ billion, %)

	2015.3	2016.3
Net sales	¥ 388.6	¥ 382.6
Operating income	13.7	12.6
Operating income margin	3.5%	3.3%



### Net sales

In addition to pouches for lithium-ion rechargeable batteries used in smartphones, tablet PCs and automobiles, photovoltaic module components also sold well. On the other hand, Packaging saw slack sales of paper and film packaging products and aseptic PET plastic bottle filling systems, while a lagging recovery in residential construction demand caused Lifestyle Materials sales to fall below the previous year's level. Overall segment sales dipped 1.5% or 5.91 billion yen compared to a year earlier.

### Operating income

Operating income declined 7.9% or 1.08 billion yen year on year, largely due to decreased sales related to Packaging and Lifestyle Materials. The segment's operating income margin decreased by 0.2 point, from 3.5% a year earlier to 3.3%.

\* In April 2015, Imaging Communication business was transferred to the Information Communication segment from the Lifestyle and Industrial Supplies segment. Figures for the term ended March 2015 in the chart above have been adjusted to reflect the new configuration of the Lifestyle and Industrial Supplies segment.

## Fiscal Term through March 2016: Business Environment and Summary of Financial Results

### Packaging

The business environment in this sector remained harsh in the fiscal term ended March 2016 as stagnant wages encouraged consumers to further tighten their purse strings, resulting in continued sluggishness in individual consumption.

Despite these conditions, Packaging enjoyed solid sales of paper cups used as food packaging as well as plastic molded products. Nevertheless, the downturn in sales of aseptic PET plastic bottle filling systems and paper and film packaging products caused overall packaging sales to decline relative to a year earlier.

Going forward, we will reinforce our production bases in Indonesia and Vietnam and focus on expanding our share in Southeast Asian markets. In Japan we are working to further increase Packaging's competitive position, for example by reorganizing factories that make sake (rice wine) cartons and other paper containers for liquids, and by implementing overall optimization in order to boost production efficiency. In addition, we will strive to expand our lineup of packaging products that are eco-friendly and easy for all types of consumers to use, and we will push ahead with development of new products and services for the medical care, pharmaceutical, and healthcare fields as well as for industrial materials and other fields that are new to us.

### Lifestyle Materials

According to Japan's Land, Infrastructure, Transport and Tourism Ministry, Japanese housing starts grew by 4.6% year on year to about 920,000 units, marking the first increase in two years. Nonresidential (office buildings, commercial facilities, etc.) and condominium construction were slow, partly due to work interruptions arising from building cost increases.

Given this environment, DNP's Lifestyle Materials business focused on selling eco-friendly products made with DNP's original electron beam (EB) coating technology and other high-added value products that offer outstanding design and functionality. Although we worked hard to increase our market share, sales ended below the previous-year level amid increased price competition.

Going forward, we will focus on developing and selling more energy-efficient, eco-friendly products and strive to increase our market share especially for products made with EB coating. In addition, we will work harder at selling

to overseas manufacturers, mainly by offering Arttec decorative aluminum plate for interior and exterior use, other types of decorative metal paneling, and automotive interior materials. Furthermore, by increasing cooperation between industry, government and academia, we plan to create new value that will allow us to offer greater comfort and luxury in a variety of living spaces including homes, offices, commercial facilities and vehicles.

### Industrial Supplies

Domestic shipments of industrial-use photovoltaic cells in the fiscal term through March 2016 amounted to 7,136,677 kilowatts, down 23% (in terms of power generation capacity) from their peak a year earlier according to the Japan Photovoltaic Energy Association. Domestic demand for photovoltaic cells for both residential and nonresidential use has been on the decline as revisions to Japan's feed-in tariff scheme (fixed purchase prices for power generated from renewable sources) have resulted in falling purchase prices. However, demand remained firm for photovoltaic panels that offer outstanding power generation efficiency. Also among DNP's encapsulants,

back sheets and other photovoltaic module components, there was an increase in sales of high-performance, highly durable products that improve power generation efficiency.

Meanwhile, DNP's pouches for lithium-ion rechargeable batteries, which are lighter in weight and easier to process than metal alternatives, are among the most popular in the world. In the first half of the fiscal year ended March 2016, demand for pouches used in smartphones and tablets increased sharply, while the second half saw a rise in automotive demand, which is expected to continue to increase in the future. Overall, pouch sales exceeded the previous-year level.

Looking at the future of DNP's components for both photovoltaic cells and lithium-ion rechargeable batteries, in addition to using our proprietary converting (materials processing) technologies to boost functionality, we intend to develop highly reliable new products and actively expand our business overseas where demand is robust. We will also continue to work on expanding our business involving advanced materials such as films that control light and heat, and high-added value barrier films for industrial applications.



#### Expansion of Packaging operations overseas

### Providing high-quality packaging to the ASEAN region where strong growth is expected

In order to spread "Japan's excellent packaging culture" to the rest of the world, DNP founded PT DNP Indonesia in 1972 and DNP Vietnam Co., Ltd. in 2013. By handling all of our manufacturing processes in-house and providing high-quality products and services that meet a variety of needs, we have built strong relationships of trust with our corporate clients. In Indonesia we hold the top share of the market for packaging in many fields including household items and foods. We have also established an overwhelming competitive advantage in the ASEAN region by providing high-quality packaging products through local partnerships with companies that make cosmetics and sporting goods for the global market.

As an example of how we add value and functionality through product development, we take high-quality packaging materials developed in Japan, such as materials used in retort pouches or

plastics with outstanding oxygen and moisture barrier properties, and develop local versions of products that are tailored to the characteristics and needs of Southeast Asian markets. For example, in Indonesia, market stalls display products like shampoo and laundry detergent in "sachets," or small packets linked together and suspended from the stall's ceiling. Sachets provided by DNP offer the added advantage of strong oxygen, moisture, and light barrier properties that protect package contents during prolonged exposure to the outside environment.

DNP aims to be "Asia's No.1 packaging company." Toward that end, we will leverage our outstanding technologies as a leader in the packaging field, further reinforce our production framework in the ASEAN region where strong economic growth is expected, and continue to provide high-quality products and services.



Making rolls of printed film



A market stall in Indonesia



# Growth Businesses and Strategic Businesses

## Packaging

### Focus on expanding eco-friendly, advanced products worldwide

DNP engages in a wide variety of packaging operations in Japan and overseas with the aim of becoming the “No.1 partner” of corporate clients and consumers. 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, easy-to-use packages.

Domestically, our packaging business aims to respond flexibly to changes in the Japanese market. For example, because of the falling birth rate, rising average age and diversifying lifestyles, Japan has growing numbers of single-person households and seniors eating alone, which translates to more demand for single-portion foods and ready-to-eat dishes. We are also seeing increasing demand in medical, pharmaceutical, and healthcare fields for safe and hygienic packages that can be used with confidence, and in the manufacturing field for simple and convenient packaging for industrial materials, including for shipment between factories. At DNP, we respond to these needs by viewing them subjectively from a consumer’s point of view and by working

together with corporate clients to improve packaging functionality and to develop added value.

Overseas, one of our main policies is to expand our business in the Asian region. By taking advantage of factories that we already have in Indonesia and Vietnam, we will continue to provide high-added value products and services for overseas clients including Japanese-affiliated companies operating overseas.

DNP will also seek to expand profits from a standpoint of overall optimization. Domestically, we will reorganize our production bases under a framework that oversees sales and manufacturing functions on a nationwide basis. We will continue to expand our packaging business in Japan and overseas, armed with the comprehensive strength that enables us to handle every aspect of the business including anticipating changes in society and in the needs of consumers and corporate clients, applying “universal design” principles, market analysis and project planning, package design and manufacturing, sales promotion and marketing support, and supply of aseptic filling systems and other packaging systems.

### Tanabe Plant acquires controlled medical devices retailer license

In March 2015, DNP’s plant in Tanabe, Kyoto Prefecture, acquired a controlled medical devices retailer license, allowing it to sell controlled devices such as blood collection kits and electronic thermometers. The factory already had a general manufacturing (packaging, labeling and storage) license, which is required for packing medical devices together with their instruction manuals, etc. Now that the plant has both licenses, it can purchase controlled medical devices from pharmaceutical or medical device manufacturers, package each device with its instruction manual, and sell them directly to distributors.

Besides the Tanabe Plant, DNP has four other plants nationwide, including one in Tokyo and one in Nagoya, that are licensed for packaging and storing pharmaceuticals and medical devices. We plan to use these clean environments to continue to expand businesses that reduce the work loads of pharmaceutical and medical device manufacturers.



Operations at the Tanabe Plant

### The rectangular “Viewbell Cup” responds to Japan’s increasingly common single-person households

In Japan, people are living longer and having fewer children, and more women are working outside the home. With household size shrinking, single-person households becoming more common and lifestyles becoming increasingly diverse, we are hearing calls for the development of new products and points of sale that fit Japan’s changing dining table. In response to these new market needs, DNP developed its rectangular “Viewbell Cup,” an artistically designed plastic container that can be heated in a microwave oven.

The cup is a composite high-barrier container created by combining a molded product, made from barrier sheet that blocks the passage of air and moisture, with a barrier in-mold label formed from transparent vapor deposition film. Aimed at meeting the needs of people living alone or working couples who want to save time in the kitchen, the cup is suited to holding a small amount of pre-prepared food. It is also an ideal container for foods intended for senior citizens or nursing care patients, since the contents can be heated by microwave without the need to use a flame. DNP will continue to develop containers that have new value in response to various changes in the social landscape.



DNP’s in-mold label container (Viewbell Cup)

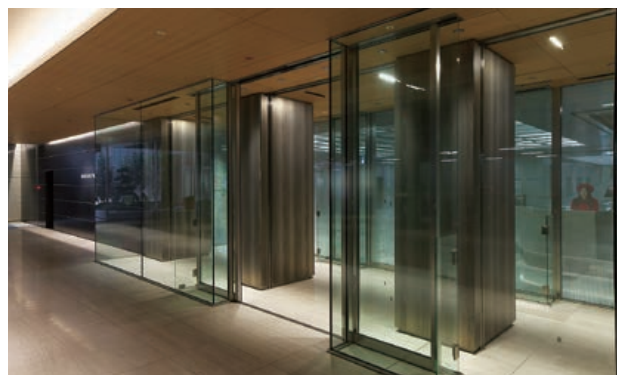
## Develop global businesses addressing all kinds of spaces where people live their lives

DNP views its field of business as extending to all the spaces where humans live their lives, including homes, offices, medical, nursing care and commercial facilities, automobiles and passenger cars on trains. We develop and supply products and services that offer various types of value to enhance these spaces. As we work to expand this sector, we keep in mind goals like enabling safe, carefree, healthy and comfortable lifestyles, adapting to aging populations and a smart society, and reducing energy consumption and stress on the environment.

DNP has applied for more than 1,000 patents related to our proprietary electron beam (EB) technology. We receive much praise from corporate clients and consumers for the very durable, highly scratch- and soil-resistant interior and exterior products that we make by taking advantage of EB technology, and our share of relevant markets has been growing, especially within Japan. In addition, we are actively

developing products with very attractive designs by using digital technologies that support high-definition image processing in order to create wood grain and other patterns. We are also working hard at expanding overseas. In response to demand in North America and other parts of the world, we are reinforcing sales of such products as residential decorative materials, automotive interior materials, and decorative metal panels for large buildings.

In order to create comfortable living spaces for consumers, we enhance both the functionality of our products (mainly by applying EB technologies) and the aesthetic appeal, by applying our image processing technologies and planning and design skills. At the same time, we provide comprehensive new value addressing every aspect from materials development to space design, coordination, and development of construction methods that place less stress on the environment.



### Development of decorative metal paneling contributes to a variety of pleasant spaces

DNP supplies decorative metal plate made by directly printing or painting a wide variety of designs, including wood grains, stony textures and artistic patterns, onto steel plate, stainless steel, aluminum or other metal paneling which is then used for a wide variety of purposes. These products, consisting of fire-resistant metal decorated with realistic textures and luxurious-looking designs, are strong yet easy to work with. They are used in a wide variety of applications including front entrance doors, bathroom wall panels, elevator and train car interiors, and exterior panels for household appliances.

Since we began full-fledged sales of Arttec decorative aluminum plate for interior and exterior use in 2015, we have gotten very positive feedback from architects and designers who praise this original, high-added value paneling for exuding a sense of custom-made luxury and lending a relaxed ambience and sense of dignity to large-scale public buildings including residential facilities. Arttec plate can be made to express new textures or the timeless beauty of natural materials like wood, stone or metal. The shape and construction method can also be chosen according to the style and purpose of the space where the material will be used. Other advantages are light weight and

excellent weatherability and fire resistance.

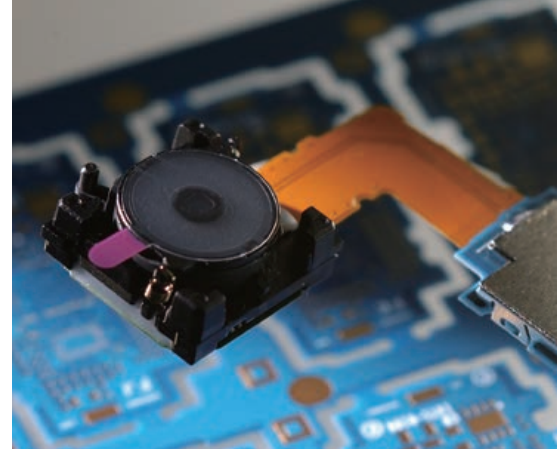
So far Arttec has been adopted as an interior material used in many passenger train cars, including for Japanese bullet trains and special express trains, and England's high-speed Channel Tunnel Rail Link. In recent years, Arttec plate has attracted the attention of the construction industry as a lightweight yet highly durable material. It was used on the exterior of the Under Armour Brand House that opened in Chicago in the spring of 2015; the building was selected as "Store of the Year" by the Association for Retail Environments in recognition of its design. Due to Arttec's high-quality design and functionality, it is being used increasingly in building construction not only in Japan but overseas as well.

Going forward, DNP will continue to promote new designs and expanded applications for Arttec, and will also respond to demand from building contractors in North America and other parts of the globe, in order to promote the business overseas.



Under Armour Brand House (Chicago)

# Electronics



Top: Camera module Bottom (from left): Display system for ultra-short focus projector; Electrode film for use in capacitive touch panels; Nanoimprinting development lab

## Business Strategies

Modern life has become richer and more convenient due to growing use of 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 includes Display Components and Electronic Devices, primarily for the electronic equipment market. The segment refines 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. We are working especially hard on providing new value in fields including automobiles, smart houses, medical and health care, and environment and energy by combining cutting-edge technologies like fine patterning and ultrafine etching.

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 to collaborate with corporate clients and/or companies that have specialized strengths, in order to speed up business development. In addition, we intend to develop technology licensing arrangements and other types of alliances or royalty businesses. DNP's Electronics

segment will continue striving to add new value to, and to improve the quality and functionality of our existing lineup of products including liquid crystal color filters, antiglare films, viewing angle control films and other optical films, semiconductor photomasks, sensors and other touch panel components, and vapor deposition masks (metal masks) for making organic EL panels.

In order to improve profitability, we will continue to select and concentrate on the most promising products in our lineup, and to meticulously cut costs and boost efficiency, for example by optimizing use of our production bases in Japan and overseas from a global standpoint.

## Main Policies

Amid major changes in the business environment surrounding electronics in Japan and around the world, we will concentrate management resources on the development of products, services, and systems that can be expected to lead to sustainable growth.

In contrast to the conventional investment recovery-oriented business model whereby we recouped large investments in production equipment by supplying large amounts of components, we will increase cooperation with customers, suppliers and other partners and develop process solution services that broaden the scope of our business to address the entire supply chain including materials, design and equipment.

### Display Components

#### Display Components (including liquid crystal (LC) color filters and metal masks for making organic EL displays)

The growth in smartphones that had been driving this sector has slowed, while worldwide television shipments remain flat from year to year. We will focus on meeting demand for small- and medium-size LC color filters, and for higher-definition products, as well as on reinforcing our framework for producing metal masks used in organic EL displays.

- Alongside this focus on LC color filters for small- and medium-size displays, we will also promote product supply in growing fields like automotive and medical equipment.
- Promote cost structure reforms including equipment optimization and the rethinking of development and production systems.
- In developing products related to newer fields like touch panels and organic EL displays, we will make effective use of our strongest technologies and existing equipment while reinforcing cooperation with business partners.

#### Optical Films

Continue developing new products and making proposals based on a thorough grasp of market needs while further refining our core technologies.

- Anticipate market trends and respond to the market's often conflicting demands, such as for higher resolution, a wider color gamut, larger size, lighter weight, decreasing thickness, greater energy efficiency and higher performance.

- Expand our new product lineup by promoting cooperation between our color filter and electronic devices businesses and blending core technologies.
- Broaden DNP's product lineup in the market for display surface materials by adding products geared toward organic EL and other new types of displays in addition to the LC market that we already serve.
- Develop viewing angle control film for use in car navigation systems and other in-vehicle displays, and for preventing glare on automobile windshields.
- Work harder at getting into clean converting products other than polarizing plate surface films.

### Electronic Devices

Generate new business models and strengthen our global focus.

- Use overseas production bases to actively take up worldwide demand and keep a solid grip on one of the world's top shares in the market for semiconductor photomasks, particularly for advanced products with line widths of 28nm\*<sup>1</sup> or less, while enhancing development and supply frameworks for cutting-edge, 14nm products.
- Continue to focus on commercializing next-generation microfabrication technologies such as nanoimprinting\*<sup>2</sup> and extreme ultraviolet (EUV) exposure\*<sup>3</sup>.
- Develop solutions-oriented businesses that apply nanoimprinting technologies in fields other than semiconductors where microfabrication is required.
- In addition to single electronic devices that use etching technologies, such as lead frames or hard disk drive components, expand into solutions-oriented businesses including packaging.

\*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

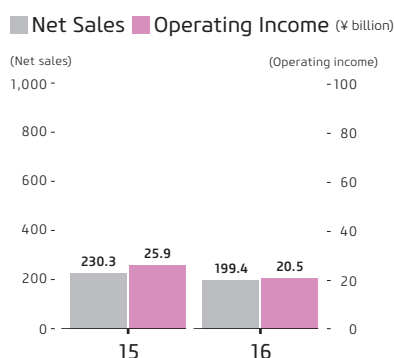
\*3 Extreme ultra-violet (EUV) exposure: a technique for using ultraviolet rays with extremely short wavelengths to burn minute circuit patterns onto wafers



# Financial Results

## Financial Highlights

	2015.3	2016.3
Net sales	¥ 230.3	¥ 199.4
Operating income	25.9	20.5
Operating income margin	11.2%	10.3%



### Net sales

DNP enjoyed strong sales of vapor deposition masks (metal masks) used in the manufacture of organic EL displays, which offer tremendous promise as next-generation displays. However, sales of color filters used in liquid crystal displays (LCDs) declined for both small- and medium-sized products used in smartphones and tablet PCs and large products used in televisions. Sales of anti-glare film, the mainstay of our optical film business, also declined. Sales of photomasks used for making semiconductors increased overseas, but were sluggish within Japan.

Overall, Electronics segment sales declined by 13.4%, or 30.96 billion yen, compared to the previous year.

### Operating income

Depreciation and amortization expenses declined year on year by 3.37 billion yen, mainly due to decreased major capital spending and sales of surplus equipment. However, smaller net sales and lower unit prices resulting from increased competition caused operating income to decline by 20.8%, or 5.40 billion yen from a year earlier. The segment's operating income margin decreased by 0.9 point, from 11.2% a year earlier to 10.3%.

## Fiscal Term through March 2016: Business Environment and Summary of Financial Results

### Display Components

According to one research company's figures, worldwide shipments of flat-panel televisions in calendar 2015 totaled about 240 million units, or roughly even with the previous year, due largely to depreciated currencies and economic stagnation in emerging markets. Smartphone shipments reached about 1.44 billion units, up 10% from a year earlier, but given that the Chinese market—the world's largest market—has matured, further double-digit growth is considered unlikely. About 200 million tablet PCs were shipped, down 10% year on year, while personal computer shipments amounted to some 270 million units, also down 10%, apparently due to smartphones eating into the markets for both types of products.

Given these conditions, DNP focused LC color filter production on its 8th-generation manufacturing lines, which make large-scale panels used in ultra high-definition televisions, but sales of large filters fell below previous-year levels along with medium-sized and small products. We saw growth in sales of some types of optical films, notably those used for projection screens, but sales of our mainstay anti-reflection films used for televisions and smartphones declined relative to a year earlier. Meanwhile, spurred by growing demand for organic EL displays, we enjoyed year-on-year growth in sales of metal masks used in their production, and maintained a large share of the market for these products by making use of DNP's proprietary photolithography and etching technologies.

Going forward, worldwide smartphone shipments in calendar 2016 are projected at around 1.5 billion units, representing an increase of 7-8% over 2015 and a slowdown from the double-digit growth of the past several years. Furthermore, growth in smartphone sales revenues is expected to be limited even more than growth in the number of units shipped, due to increasing sales of low-priced phones from Chinese manufacturers, particularly in the emerging markets that are driving expansion of the smartphone market.

In light of these projections, DNP is pursuing a plan to transfer color filter manufacturing equipment from its Mihara Plant in Hiroshima Prefecture to an LCD glass maker in China, probably by the end of March 2017. By continuing to provide technical and other support, we will continue to benefit from 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 intend to develop

touch panel films that accommodate increasingly large-sized displays, to work at securing orders for components for high-end smartphones that deliver very sharp images, and to focus on developing new products that support new applications including in-vehicle displays. Regarding organic EL displays, we intend to respond to growing demand for metal masks and maintain our dominant share of the market by boosting production capacity.

### Electronic Devices

Year-on-year growth in the world semiconductor market was basically flat in calendar 2015. While demand is expected to grow in 2016 in such fields as digital appliances and automobiles, primarily in the U.S. and Asia, the overall forecast is quite dim, with the market expected to shrink by about 2% amid a continued slump in sales of smartphones and personal computers.

In the fiscal year ended March 2016, DNP's Electronic Devices business enjoyed increased sales of photomasks used for making logic products for sale in China and Taiwan but was negatively impacted by lower prices for photomasks used for making flash memories in Japan. Among other factors that contributed to lowering sales compared to the previous year was the April 2014 deconsolidation\* of DNP Photomask Technology Taiwan Co., Ltd., our production base in Taiwan.

In the future, we expect to see even more widespread use of the Internet of Things (IoT) that links all kinds of everyday objects to a network. Concerning mobility, trends like growing usage of electric and hybrid automobiles and the transformation of automobiles into information terminals that receive a variety of services are boosting prospects for growth in a variety of electronic devices. In collaboration with a number of companies in Japan and overseas, DNP is working to expand its sales of cutting-edge products with line widths of less than 20nm and continuing to provide photomasks for flash memories and other products. Concerning the use of nanoimprinting technologies in ultrafine processing, we intend to offer nanoimprinting innovations that comprehensively support every aspect of production including planning and development of applications and products, design and production of dies and prototypes, and mass production. We also plan to develop new products outside of the semiconductor arena, such as medical materials.

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. Regarding lead frames, we have seen increasing demand for metal substrates used in LED lighting in the Chinese and Taiwanese markets. Going forward, we aim to increase sales of high-added value products with reflectors attached, and to develop lead frames for the smartphone market. We also aim to increase our share of metal substrates for IC packages used in power semiconductors. In the year ended March 2016, sales of hard disk drive (HDD) components for personal computers were slack as demand for HDDs declined amid growing use of solid-state drives that offer greater capacity and faster processing. 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 substrates with embedded components for wearable devices.

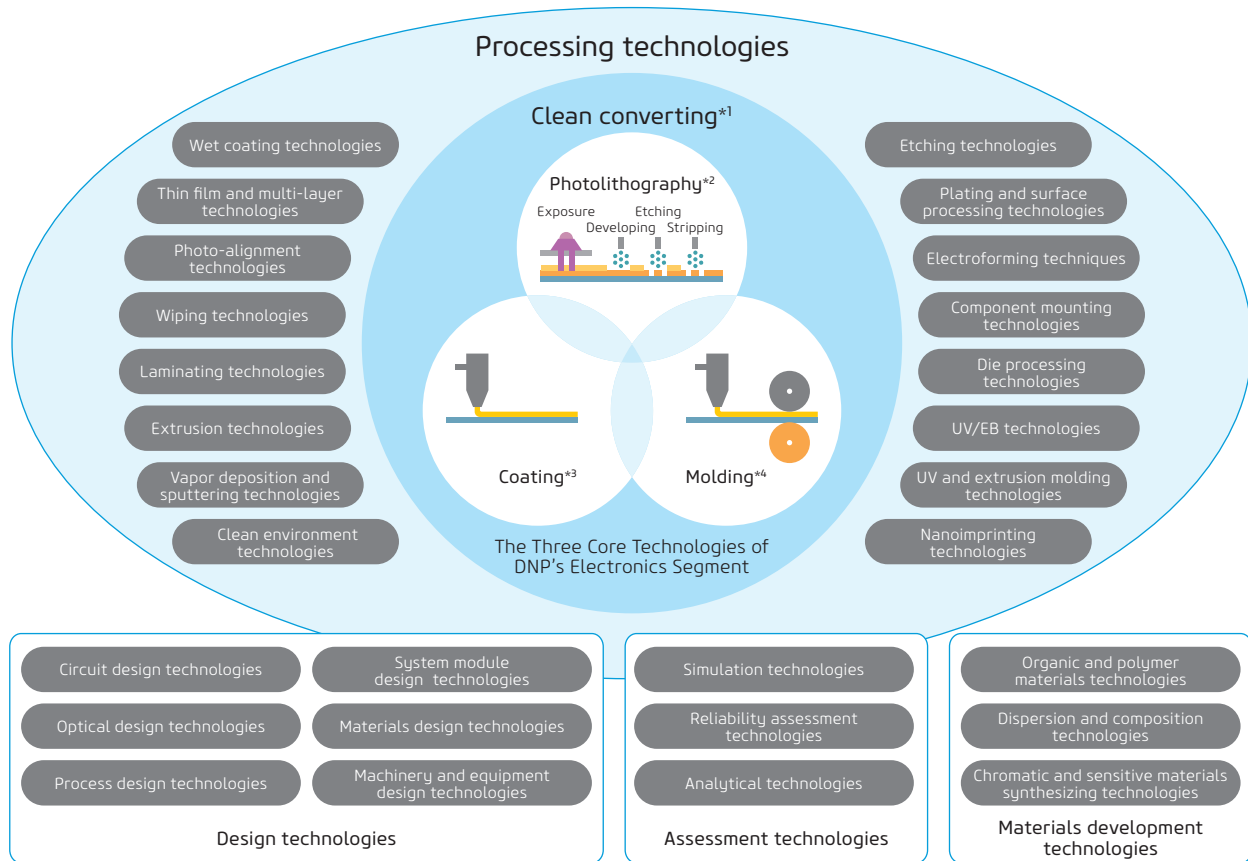
\* In April 2014, DNP subsidiary DNP Photomask Technology Taiwan Co., Ltd. merged with Photronics Semiconductor Mask Corp., which specializes in photomask production technologies, to form Photronics DNP Mask Corporation. The new company became an equity-method affiliate of DNP, with DNP owning 49.99%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

# 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 plate-making skills that we cultivated through our printing business, and by refining technologies for applying uniform coatings and 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 the electronic devices that consumers use.

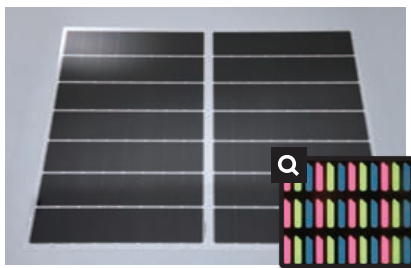


\*1 Clean converting : A combination of optical technologies and other technologies, such as technologies for applying precision thin-film coatings or for precision molding. Based on our strength in these areas, DNP has developed a wide range of optical films including anti-glare films and other films used on 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.

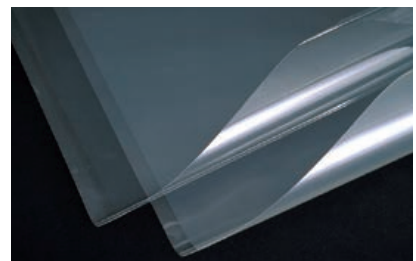
\*4 Molding: Technologies for forming minute shapes on the surface of film. Stamping with a die that bears minute shapes in order to form minute shapes on the surface of a polymer material that has been made somewhat fluid by heating or dissolving.



Color filter  
(magnified view at lower right)



Semiconductor photomask



Optical films used for displays



## Contributing to more widespread usage of organic EL displays

Organic EL displays are attracting attention as good candidates to form the next generation of displays since they are made of fewer components than LCDs. Not only can they be made thinner than LCDs, but they can also withstand bending and curling. An organic EL display works by sandwiching layers of organic molecules between positive and negative electrodes, making the organic molecules self-luminous. Organic EL displays deliver excellent contrast. In recent years they have become more widely used in smartphones. According to a report issued by U.S. research firm IHS Inc., the market for organic EL panels is expected to grow to about 682 million units in 2020, or almost three times the 2015 level.

There are two methods for getting organic EL panels to express a full range of colors. One is to line up organic materials on the substrate very precisely, in the three primary colors of light (red, green and blue or RGB), pixel by pixel. The other method is to light up the whole surface of the panel with white light and use RGB color filters to color the light. In the case of the former method, a vapor deposition mask (also called a metal mask, a thin metal plate with precisely arranged minute holes) is used to apply the colored organic materials separately onto the substrate, which is usually made of glass or plastic. The metal masks are used under vacuum conditions for each of the three primary colors; the organic material is vaporized and sprayed onto the substrate (vapor deposition). DNP began developing a metal mask in 2001 by applying our original photolithography and etching technologies. Currently we hold a large share of the market for metal masks used for making smartphone displays.

As mobile devices become increasingly high-definition and their displays become larger, the RGB organic materials must be precisely arranged during vapor deposition in order to enable the display of sharp images. This vapor deposition is one of the more difficult processes in the manufacture of organic EL panels, and manufacturers demand a high degree of precision in metal masks. DNP has wide-ranging expertise and holds patents related to various aspects of metal masks, including materials and manufacturing methods to use for making them. We have received much praise for our outstanding capacity for technological development and ability to offer stable supplies of high-quality, high-precision products. Looking ahead, DNP intends to respond to the rapidly growing market for metal masks by continuously investing in related equipment. By 2020 we plan to spend a total of 6 billion yen and triple current production capacity. By responding to even further increases in high definition, we aim to further broaden the advantage that we already enjoy as the overwhelmingly largest supplier of metal masks used for making smartphones. Our goal is some 30 billion yen in net sales of metal masks in 2020.



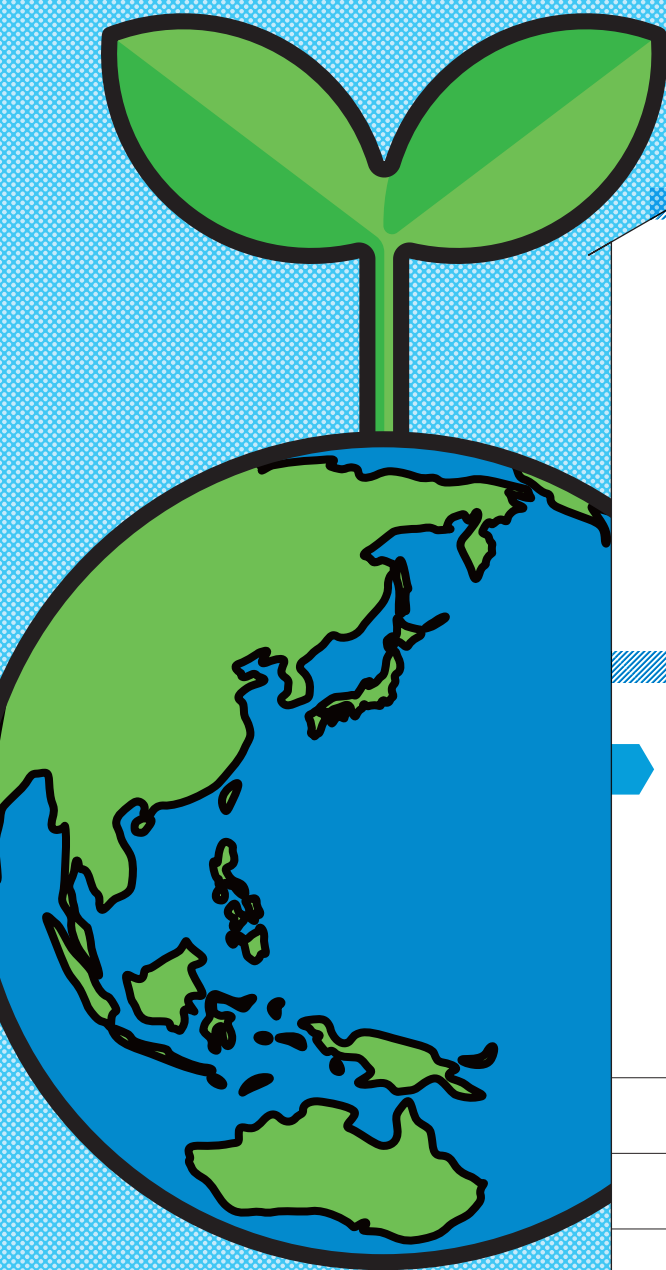
## Advanced optical films enable the rich expression of information

In 1990, DNP made use of coating technologies it had cultivated through printing as it began developing low reflection film that reduces glare on displays and delivers images enhanced by sharp contrasts. Low reflection film is a transparent film that reduces glare when light reflected from the top and the bottom (interface) of the film interferes with each other so that the reflected light is canceled out. In order to ensure that this happens, we need to adjust the refractive index and the thickness of the low reflection layer with which we coat the film. (See illustration on page 118.) In 2014, we developed ultra-low reflection film that is both highly soil-resistant and significantly reduces glare from indoor light. Thanks to DNP's knowledge and skills, in addition to having an ideal reflectance ratio—the factor that determines how easy (or not) it will be to view images—the product is hard enough that it resists scratching. In other words, it is difficult for light to bounce off of this film, and difficult for scratches to stick to it. DNP holds

a top share of the world market for anti-reflection films, which include anti-glare films that work according to a different principle from the low reflection film described above.

In 2015, we used molding technology to develop a new type of viewing angle control film, which is most often used for the displays of in-vehicle navigation systems. This optical film has minute louvers that control the angle at which light is reflected. In addition to preventing glare on the windshield from the display, the film also improves the brightness and visibility of the navigation screen. These optical characteristics—the product of DNP's original design technologies—are highly regarded in the industry and have been adopted by overseas car manufacturers.

DNP will always remain one step ahead of the times as we address new challenges and provide high-added value optical film products to markets around the world.



# How DNP Works to Achieve Sustainable Development

## CSR DNP's Three Corporate Responsibilities

—Remaining a company that is trusted by society—

DNP aims to remain a company that can always be fully trusted by its various stakeholders. In order to achieve that goal, we will work toward complete fulfillment of our “three corporate responsibilities:” value creation, integrity of conduct, and transparency (accountability).

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56	Construction of Systems that Support Business Continuity	59	Environmental Conservation and Realizing a Sustainable Future
57	Contributing to Social Development	60	TOPICS
	<ul style="list-style-type: none"> <li>· Research and Development</li> <li>· Creation of Intellectual Property</li> </ul>		

## Corporate Governance

In line with “DNP Group Vision 2015,” we promote Group-wide unified management and work at enhancing corporate governance so that we can generate value more efficiently and effectively. In the fiscal term ended March 2016, we explained DNP's stance toward more active pursuit of *taiwa* (dialogue) with shareholders and investors based on the principles set forth in Japan's new Corporate Governance Code, which took effect in June 2015.

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62	Corporate Governance	73	Board of Directors, Statutory Auditors and Corporate Officers
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# 1 Value Creation

DNP's Three Corporate Responsibilities



Contributing to social development  
● Research and development  
● Creation of intellectual property, etc.

A company's first and most fundamental social responsibility is to provide value for society. We must realize the connection between offering products and services necessary to the sustainable development of society and

achieving growth for the company. Through our Business Vision, DNP will continue to provide significant value that contributes to resolution of social problems.

# 2 Integrity of Conduct

DNP's Three Corporate Responsibilities



Respect for human dignity and diversity



Creating safe and vibrant workplaces



Ensuring the safety and quality of products and services



Information security

The second responsibility is practicing fairness and impartiality during the value creation process. Regardless of how superior or useful to society the value produced may be, that value will be compromised if, for example, the environment is damaged or laws are broken in the process of creating it. DNP seeks to fulfill its responsibilities by ensuring that all of its employees always act with integrity in accordance with the DNP Group Code of Conduct.



Promoting social responsibility throughout the supply chain



Environmental conservation and realizing a sustainable future



Contributing to society as a good corporate citizen

# 3 Transparency (Accountability)

DNP's Three Corporate Responsibilities



Proper disclosure of information

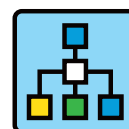
The third corporate responsibility is to achieve accountability and be a highly transparent company. DNP achieves accountability by having all employees, during the course

of their daily work, engage in dialogue with stakeholders; this entails both listening to stakeholders' opinions and providing correct information.

Prerequisites for fulfilling our three responsibilities



Compliance with laws and social ethics



Construction of systems that support business continuity





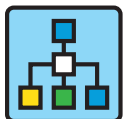
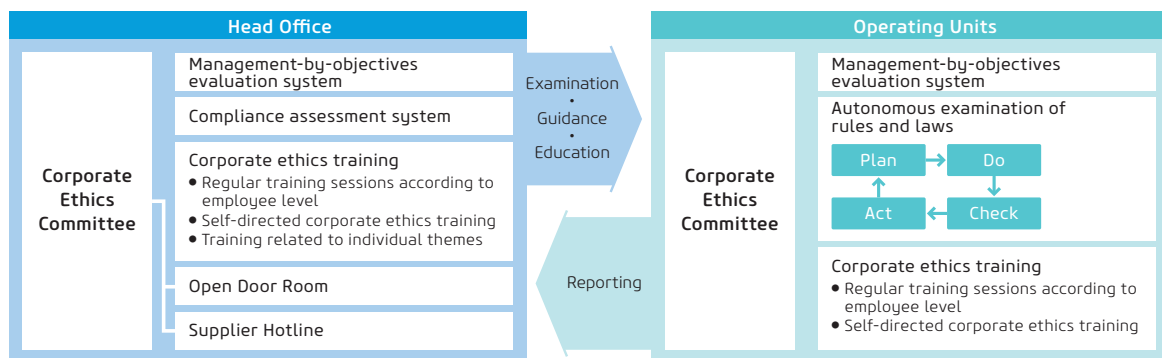
Prerequisites for fulfilling our three responsibilities

## 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 society expects 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 imbue corporate ethics throughout the DNP Group.

### Systems for Promoting Absolute Corporate Ethics

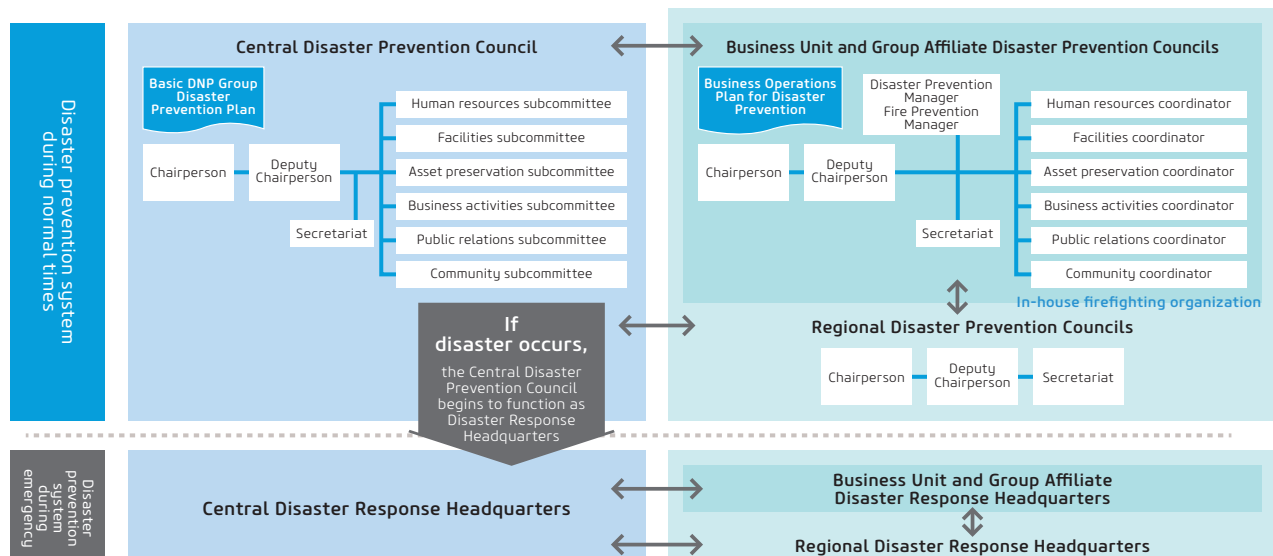


Prerequisites for fulfilling our three responsibilities

## Construction of Systems that Support 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 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.



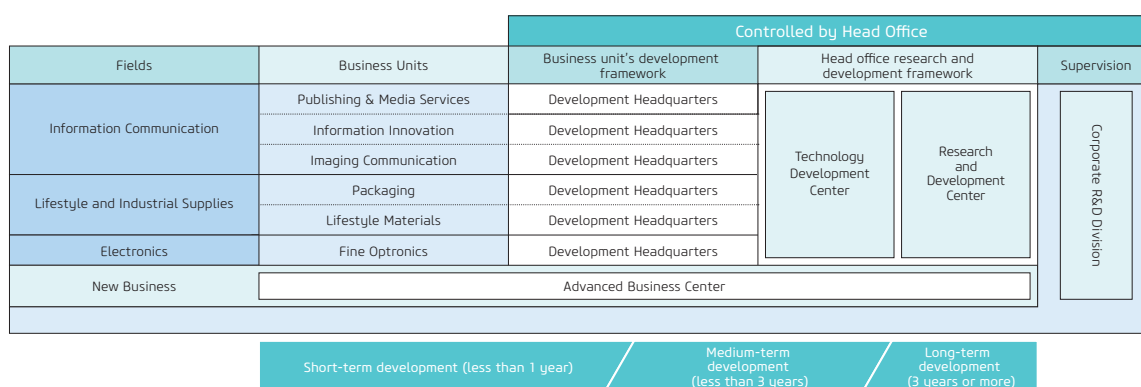


## Our 1st responsibility

# Contributing to Social Development: Research and development

Given that DNP has expanded its fields of business by developing applications for printing and information technologies, research and development are extremely important to us. In today's rapidly changing world, we need to take consumers' point of view, look carefully at what is happening in society, and be quick to discern existing

problems and the technologies that are needed to solve them. Having done so, we then develop our own original technologies while also actively pursuing alliances with other companies that have special strengths in order to speed up technological development.



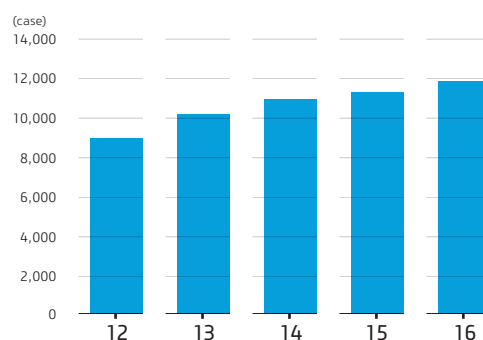
## Our 1st responsibility

# Contributing to Social Development: Intellectual property

In our view, intellectual property initiatives provide a basic underpinning for a wide range of business activities and are indispensable as we work to differentiate DNP from competitors. Because the competitive standing of our

intellectual property greatly affects DNP's business, we work at generating high-quality patents and making maximum use of our intellectual property in our business operations.

Number of patents held (As of March 31, 2016)





Our 2nd responsibility

## Information Security

Information security and the protection of personal information have become more important than ever. Because DNP handles a large volume of personal information and other information assets, proper management and protection of information assets are

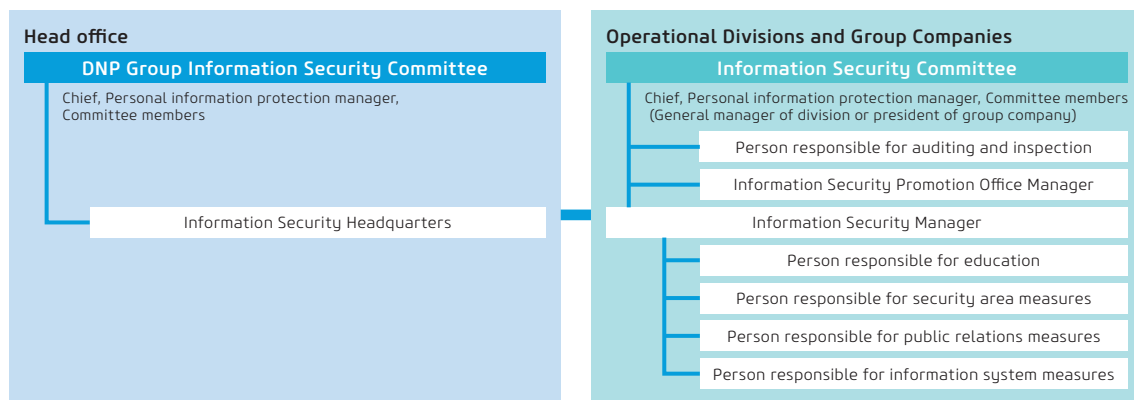
critical tasks that can even be called part of our social mission. DNP positions information security initiatives among management's top-priority concerns as we work to strengthen our information security-related frameworks and educate employees about protecting information.

### The DNP Group's Basic Policy on Information Security, and Personal Information Protection Policies

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.

### Information Security Management Framework










#### TOPICS

## Globalizing our Information Security Initiatives

In response to the globalization of DNP's business activities, in 2015 we established information security committees at each of our seven Group companies outside Japan, in order to reinforce our worldwide initiatives aimed at making information secure. In order to enhance employee education overseas, we issued an educational pamphlet, "Introduction to Information Security VII (2015 edition)," in nine languages.

DNP Group companies where we established information security committees:

**7**  
companies

-  Tien Wah Press (Pte.) Ltd.  
Singapore
-  TWP Sdn. Bhd.  
Malaysia
-  DNP Imagingcomm Asia Sdn. Bhd.  
Malaysia
-  DNP Imagingcomm America Corporation  
United States
-  DNP Imagingcomm Europe B.V.  
The Netherlands
-  DNP Photo Imaging Europe SAS  
France
-  DNP Photomask Europe S.p.A.  
Italy



Our educational pamphlet, "Introduction to Information Security VII (2015 edition)," was published in nine languages.



## Our 2nd responsibility

# Environmental Conservation and Realizing 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 pass them 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 pass on 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 Targets to Achieve by the Fiscal Term through March 2021

Environmental issue	Target for fiscal term through March 2021
Global warming prevention	Reduce greenhouse gas emissions by 10% worldwide compared to fiscal term ended March 2006
Reducing negative environmental impact of transport	Reduce per-unit fuel usage for transport (amount of transport fuel/net sales) by 1% per year; reduce by 10% compared to term ended March 2011
Volatile organic compounds (VOCs)	Reduce all VOC (except methane) emissions by 35% relative to fiscal term ended March 2011 Outside Japan, prepare to reduce VOC emissions by introducing helpful technologies and reducing emissions as much as possible in addition to complying with local laws
Industrial waste reduction	Reduce per-unit waste generation (amount of waste generated/production amount) by 20% worldwide compared to fiscal term ended March 2011 Maintain zero waste generation for DNP Group within Japan
Water conservation	Reduce per-unit water usage (amount of water used/net sales) by 25% worldwide compared to fiscal term ended March 2011
Development and sales of eco-friendly products and services	Achieve 600 billion yen in sales of eco-friendly products and services
Green purchasing	Focus on procuring raw materials; aim for 100% purchasing in line with DNP's Guidelines for Procurement of Paper for Printing and Converting
Environmental conservation	Maintain the maximum concentration of odors at our site perimeters at no more than 70% of the required standard
Office environment	Wastepaper sorting and recovery rate of at least 70% relative to general waste

### TOPICS

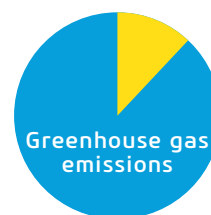


## Environmental Conservation and Realizing a Sustainable Future

Because DNP benefits from nature's bounty in all of our business activities, from procuring raw materials to manufacturing and disposal, etc., we are always thinking about how to coexist with the Earth's environment. The entire DNP Group works together on initiatives aimed at building a sustainable society.

**12%**  
reduction

(Scopes 1 and 2, in fiscal year ended March 2016 as compared to 2006)







## Respect for Human Dignity and Diversity

The DNP Group Code of Conduct cites respect for human dignity as an important value. Not only among employees, but in every field where our business activities may exert influence, we have determined that absolutely no discriminatory language or action will be tolerated and we work to ensure that this is the case throughout the DNP Group.

Number of overseas locations where we conducted human rights risk assessments:

**22**  
companies

(April 2015-March 2016)



## Ensuring the Safety and Quality of Products and Services

As a manufacturing enterprise, DNP believes that safety and quality take priority over every other consideration. DNP's basic approach to ensuring safety and quality is to envision the situations in which our products and services will be used, to consider from consumers' point of view what qualities are required, what is safe, and what is easy to use, and to continue making improvements again and again.

\* Practical sessions aimed at innovating manufacturing processes by using industrial engineering methods

On-site practical sessions\* across business sector lines (worldwide):

**46**  
times

(April 2015-March 2016)



## Promoting Social Responsibility throughout the Supply Chain

DNP works with suppliers to make entire supply chains more socially compatible. If raw materials procurement or manufacturing or other processes deviate from social norms, all of our endeavors will be pointless. DNP uses a variety of management tools aimed at simultaneously creating high-quality value and maintaining a strong awareness of compliance issues.

Number of companies that have assessed compliance with CSR Procurement Criteria:

About  
**1,200**  
companies

(April 2015-March 2016)



### Our 3rd responsibility

## Proper disclosure of information

We believe that if DNP is to continue growing sustainably along with society, it is essential that we build trusting relationships with stakeholders. In order to gain the understanding and sympathy of our various stakeholders, DNP remains accountable by disclosing information in a timely and appropriate manner, and by engaging in dialogue.

11 years  
in a row

Number of years included in the Dow Jones Sustainability Indices as a globally socially responsible investment:

(As of December 31, 2015)

15 years  
in a row

Number of years included in the FTSE4Good Global Index as a globally socially responsible investment:



In recognition of its initiatives for preventing climate change, DNP was selected by the Carbon Disclosure Project (CDP), for inclusion in its top-rated "A list" for two consecutive years.



CDP rates listed companies worldwide in terms of their efforts to reduce greenhouse gas emissions and otherwise fight climate change, as well as related information disclosure. In addition to assigning a grade of A-E to express the degree to which companies have adapted their business practices to alleviate climate change, CDP rates them for information disclosure using a scale of 0-100. Worldwide, 115 companies made CDP's "The Climate A List 2015," and DNP was one of the eight Japanese companies selected. DNP was also ranked a very high 97 for information disclosure.

DNP constructed its own original environmental management system in 1993. We established targets in areas like greenhouse gas emission reduction and effective use of resources and we have worked actively and continuously toward achieving those goals. Regarding greenhouse gas emissions, in addition to setting goals for our own production processes (including long-term goals), we formulated targets for our entire supply chain, in Japan and overseas (Scope 3), and we continue to work at reducing emissions.



"DNP" refers to Dai Nippon Printing Co., Ltd. in this section.  
(As of June 29, 2016)

## Fundamental philosophy

“Lifestyle and Mobility,” and “Environment and Energy.” We recognize that to increase our business competitiveness in the future, we must fulfill our corporate social responsibilities (CSR) and win the trust of our various stakeholders, including shareholders, customers, consumers, and employees. To this end, we regard improvement in corporate governance, including internal control systems, as a top management priority. We establish and operate systems that enable precise managerial decision-making, prompt and appropriate business execution based on these decisions, and supervision and auditing of these processes. We also conduct thorough training and education to improve each employee’s awareness of compliance issues and we strive to improve our overall corporate governance.

DNP's corporate governance and internal control system will have the following structure from June 29, 2016.

The diagram illustrates the internal control system of a company, structured as follows:

- General Meeting of Shareholders** (Top Level)
- Board of Directors** (Second Level)
  - Advisory Committee
  - Management Committee
- President and Directors in Charge** (Third Level)
  - Operating Units** (Left Side)
    - Directors and corporate officers in charge
    - Divisions
    - Group companies
    - (Autonomous implementation, inspection, review, improvement)
  - Head Office** (Center)
    - (Oversight of internal controls)**
      - Corporate Ethics Committee
        - Open Door Room
      - Information Disclosure Committee
      - CSR & Environmental Committee
      - Information Security Committee
      - Invention Compensation Committee
      - Central Disaster Prevention Council
      - Legal and other main divisions (CSR & Environment & Product Liability Department, Employee Relations Department, Technical & Engineering Division, Finance & Accounting Division, Corporate Planning & Control Department, Intellectual Property Division, Corporate Communication Division, Legal Affairs Department, etc.)
  - Auditing Department** (Right Side)
    - Audit Unit

**External Auditors:**

- Accounting Auditors** (Left Side)
  - Audit
- Board of Statutory Auditors** (Right Side)
  - Audit
  - Reporting
  - Assistance

**Internal Flow and Reporting:**

- Reporting:** From Operating Units to Head Office; from Head Office to Board of Directors; from Auditing Department to Board of Directors.
- Audit:** From Accounting Auditors to Operating Units; from Board of Statutory Auditors to Auditing Department; from Head Office to Auditing Department.
- Guidance/Training:** From Head Office to Operating Units; from Auditing Department to Head Office.
- Coordination:** Between Accounting Auditors and Board of Statutory Auditors.

## Management and business execution structure, audit 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. We are working to enhance our decision making and supervisory capabilities from a company-wide perspective by appointing directors in charge of each management function. 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 appointed by the Board of Directors have the responsibility and authority to execute business decided by the Board of Directors.
- 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 and corporate officers at one year.
- The Board of Directors consists of 12 directors, including two independent outside directors, and the Board ensures that meetings are run appropriately based on the Board of Directors Regulations. The Board meets once a month, in principle, to discuss and decide on important business matters. Corporate officers may also attend meetings as needed to provide reports. 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. Decisions about director compensation, designation of director candidates, and other such matters are made in light of the advice and opinions of an Advisory Committee comprised of independent outside directors in an effort to increase the transparency of the decision making process.
- 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 corporate officers regarding business operations.
- DNP provides in its Articles of Incorporation for the ability to conclude limited liability agreements based on laws and regulations in order to allow directors (excluding executive directors, etc.) and statutory auditors to adequately fulfill their expected roles and to ensure useful personnel in the future. DNP and its directors (excluding executive directors, etc.) and 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 perform their duties in good faith and without serious negligence.

## Reasons for choosing this structure

We ensure that the Board of Directors acts appropriately, agilely, and flexibly by adopting the organizational structure of a company with a Board of Statutory Auditors, as noted above, by introducing an independent outside director and corporate officer system, and by establishing and operating discretionary committees. We believe that adopting this corporate governance structure will allow the Company to sustain growth and increase enterprise value over the medium to long term.

## Internal control and risk management systems

The following provides an overview of the various systems that we have established to ensure appropriate business conduct at DNP and the corporate group comprising DNP and DNP subsidiaries (DNP Group), and an overview of the operation of these systems.

### (1) System for ensuring that directors and employees of DNP and DNP subsidiaries perform their duties in compliance with laws and regulations and the Articles of Incorporation

- a. We established the DNP Group Code of Conduct to govern the conduct of all employees (including directors). We distribute this code to all employees of the DNP Group and conduct training and take other action to promote a full understanding of this code.

#### **(Summary of operation)**

We promote a full understanding of the DNP Group Code of Conduct through various training sessions and other activities carried out mainly by DNP's Corporate Ethics Committee.

- b. 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. We appoint independent outside directors to ensure that the Board of Directors performs its duties in compliance with the law. Executive directors exercise their authority according to the Organization Rules, Work Authority Regulations, Proposal System Regulations, and other internal company rules; and they prevent acts in violation of laws, regulations, and the Articles of Incorporation by supervising the business execution of the corporate officers and general managers responsible for DNP's various organizational units.

DNP is a company with a Board of Statutory Auditors. Statutory auditors, including independent outside statutory auditors, audit the performance of duties by directors according to the audit criteria and responsibilities prescribed by DNP's Board of Statutory Auditors.



**(Summary of operation)**

The Board of Directors met nine times during the fiscal year ended March 2016. The Board held discussions, made decisions, and took appropriate actions on important matters based on the Board of Directors Regulations. Executive directors exercise their authority according to various rules and regulations, and they supervise the business execution of the corporate officers and general managers responsible for DNP's various organizational units. DNP also appoints two independent outside directors. Statutory auditors audit the performance of duties by directors according to the audit criteria and responsibilities prescribed by DNP's Board of Statutory Auditors.

- c. DNP's Corporate Ethics Committee is responsible for establishing and operating systems and other mechanisms to ensure appropriate business conduct within the DNP Group, based on the DNP Group's Basic Compliance Management Regulations.

**(Summary of operation)**

DNP's Corporate Ethics Committee meets once a month, in principle, to oversee the establishment and operation of systems and other mechanisms to ensure appropriate business conduct within the DNP Group.

- d. Under the general oversight of DNP's Corporate Ethics Committee, the Information Disclosure Committee, CSR & Environmental Committee, Information Security Committee, Invention Compensation Committee, Central Disaster Prevention Council, and various head office organizations responsible for specific laws and regulations conduct reviews, provide guidance, and offer training in their areas of specialty to other organizational units and group companies.

**(Summary of operation)**

The various special committees, Central Disaster Prevention Council, and various head office organizations responsible for specific laws and regulations conduct reviews, provide guidance, and offer training as appropriate through field inspections, group training sessions, and other means to other organizational units and group companies.

- e. The general managers of DNP's various organizational units independently determine, implement, check, evaluate, and improve the systems and procedures required for their own units, based on the DNP Group's Basic Compliance Management Regulations and in light of the specific operations of their unit.

**(Summary of operation)**

DNP's various organizational units independently determine and implement the systems and procedures required by their unit. Each organizational unit confirms the operation of these systems and procedures. Each unit compiled the results of its independent checks, evaluations, and improvements made through the end of the fiscal year ended March 2016 into a Unit

Confirmation Report, and provided the report to DNP's Corporate Ethics Committee.

- f. DNP's Auditing Department is independent from operating units, and based on the Internal Audit Regulations, it conducts internal audits and provides guidance to DNP's various organizational units and group companies regarding the establishment and operation of systems and other mechanisms to ensure appropriate business conduct.

**(Summary of operation)**

We established the Auditing Department as an organization that is independent from operating units to conduct internal audits and provide guidance to DNP and DNP Group companies. The results of the Auditing Department's internal audits and guidance are reported to DNP's President, statutory auditors, and accounting auditors.

- g. DNP's Corporate Ethics Committee established the Open Door Room as an internal and external whistleblowing forum for the DNP Group. It also established the Supplier Hotline as a means to receive information from material suppliers and contractors. It uses these to obtain information about legal violations and other such actions by employees and to respond to this information (including by not providing unfair treatment to whistleblowers).

**(Summary of operation)**

We seek to publicize and gain widespread recognition of this whistleblower system and to use it appropriately.

- h. We establish, operate, evaluate, and report on internal controls for financial reporting based on the Basic Policy and Basic Plan for Establishing, Operating, and Evaluating Internal Controls for Financial Reporting, as stipulated by DNP's Board of Directors. We thereby ensure compliance with laws and regulations and reliability in financial reporting.

**(Summary of operation)**

DNP works to ensure compliance with laws and regulations and reliability in financial reporting by establishing internal controls and evaluating their operation based on the Basic Policy and Basic Plan for Establishing, Operating, and Evaluating Internal Controls for Financial Reporting.

- i. To sever relations with antisocial forces, we stipulate in the DNP Group Code of Conduct that the company shall not engage in any activities with antisocial forces. In addition to complying with this stipulation, should a business partner be revealed as an antisocial force, we will pursue an arrangement among our various business partners that enables a severing of this relationship. The DNP Group will also strengthen ties with outside organizations, including the police and law offices, to guard against inappropriate demands made by antisocial forces.

#### **(Summary of operation)**

In an effort to sever relations with antisocial forces, if DNP finds that a business partner is an antisocial force, we will actively pursue an arrangement among our various business partners that enables a severing of this relationship. We are also working to strengthen ties with outside organizations, including the police and law offices, to guard against inappropriate demands made by antisocial forces.

### **(2) Regulations and other systems for managing the risk of losses at DNP and DNP subsidiaries**

To manage risks that could have a serious impact on the business of the DNP Group, including those related to compliance, information security, environment, disasters, product safety, insider trading, and export control, DNP's Corporate Ethics Committee, various special committees, and other head office organizations establish regulations and conduct training in an effort to prevent risks from occurring. When risks do occur, we respond quickly to avoid or minimize losses to the DNP Group. Additionally, under the general oversight of DNP's Corporate Ethics Committee, we regularly take inventory of risks and designate organizations and responsible directors to quickly respond to any new risks that could have a serious impact on our business.

#### **(Summary of operation)**

DNP's Corporate Ethics Committee, various special committees, and other head office organizations identify risks that could have a serious impact on our business and designate organizations and responsible directors to respond to these risks. Special committees and head office organizations evaluate compliance in relation to these risk and work to prevent risks from occurring.

### **(3) System for ensuring that directors of DNP and DNP subsidiaries perform their duties efficiently**

- a. The Board of Directors meets once a month, in principle, and also holds meetings as needed, providing a basic system for ensuring that directors perform their duties efficiently. Additionally, to contribute to fair and efficient decision making, we established the Advisory Committee comprised of independent outside directors to provide advice and opinions on important matters, including director compensation and designation of director candidates. The Management Committee comprised of senior managing and higher directors meets once a month, in principle, to examine and discuss important business matters.

#### **(Summary of operation)**

In addition to the operation outlined above in (1) b., we established the Advisory Committee in November 2015 to discuss and offer advice and opinions about important matters, including director compensation and designation of director candidates. Additionally, the Management Committee met 10 times during the fiscal

year ended March 2016 to examine and discuss important business matters.

- b. We seek to improve the efficiency of business execution by allowing executive directors to perform their duties based on decisions by the Board of Directors by appropriately delegating authority to the corporate officers and general managers responsible for DNP's various organizational units, within the scope provided for in the Organization Rules, Work Authority Regulations, Proposal System Regulations, and other internal company rules.

#### **(Summary of operation)**

DNP's Board of Directors reviewed the Board's processes and other matters on March 17, 2016. In line with this review, we amended various related regulations in an effort to enhance the efficiency of business execution by appropriately delegating the authority of executive directors to the corporate officers and general managers responsible for DNP's various organizational units.

- c. To ensure that directors at Group companies perform their duties efficiently, we seek to enhance the efficiency of business execution by providing guidance to enable Group companies, accounting for their size and other specific attributes, to independently hold Board of Directors meetings at their discretion based on the Board of Directors Regulations, and to appropriately delegate authority based on the Organization Rules, Work Authority Regulations, Proposal System Regulations, and other internal company rules.

#### **(Summary of operation)**

Group companies are working to enhance the efficiency of business execution by directors by establishing appropriate rules in light of their business portfolio, size, and other attributes.

### **(4) System for storing and managing information related to the performance of duties by DNP's directors**

We record information related to the performance of duties by directors in the Board of Directors meeting minutes, special committee meeting minutes, proposal documents, other paper documents, and electronic documents. Additionally, in accordance with the Basic Information Security Rules, Document Control Standards, and Electronic Data Control Standards, we appropriately and safely store and manage in an easily searchable format the paper and electronic documents in which this information is recorded for a period of time stipulated in these rules and standards.

#### **(Summary of operation)**

We record information related to the performance of duties by directors in paper and electronic documents, and appropriately store and manage these documents in the responsible organization according to various regulations.

**(5) System for ensuring appropriate business conduct by the corporate group comprising DNP and DNP subsidiaries**

- a. To ensure appropriate business conduct in the DNP Group, we undertake training and other activities so that all DNP Group employees (including directors) gain a full understanding and perform their work according to the DNP Group Code of Conduct. Concerning the establishment and operation of systems and other mechanisms to ensure appropriate business conduct, we established the DNP Group's Basic Compliance Management Regulations and the Affiliated Company Management Regulations, and provide guidance to Group companies to help them establish their own rules and regulations based on the above.

**(Summary of operation)**

In addition to the operation outlined above in (1) a., Group companies establish their own rules and regulations based on the DNP Group's Basic Compliance Management Regulations and the Affiliated Company Management Regulations.

- b. We confirm that group companies, based on the policies outlined in the preceding item, independently establish various rules and regulations, including Proposal System Regulations, that stipulate matters requiring prior consultation or subsequent reporting with the parent company, accounting for each company's size and other specific attributes; that they establish and operate reporting systems to report to DNP about important business execution by directors and other employees of group companies; and that this business execution complies with laws, regulations, and the Articles of Incorporation and is carried out efficiently. We also provide guidance to help group companies make independent decisions about the systems and procedures they need in light of their business portfolio, size, and other attributes; and to implement, check, evaluate, and improve their systems and procedures.

**(Summary of operation)**

Group companies establish various rules and regulations, including Proposal System Regulations, that stipulate matters requiring prior consultation or subsequent reporting with DNP; and establish appropriate systems in light of their business portfolio, size, and other attributes. Group companies confirmed the operation of these rules, regulations, and systems; compiled a Unit Confirmation Report by the end of the fiscal year ended March 2016; and reported to DNP's Corporate Ethics Committee.

- c. DNP's Auditing Department, Corporate Ethics Committee, various special committees, and other head office organizations conduct audits and checks and provide guidance and training in relation to the implementation of the preceding two items.

**(Summary of operation)**

DNP's Auditing Department, Corporate Ethics Committee, various special committees, and other head office organizations conduct audits and checks and provide guidance and training in relation to the systems of Group companies.

**(6) System for employees who assist DNP's statutory auditors in the performance of their duties and matters related to the independence of these employees from directors**

- a. DNP's Board of Statutory Auditors established the Audit Unit and appoints dedicated staff to assist DNP's statutory auditors in the performance of their duties. To ensure the effectiveness of the instructions given by DNP's statutory auditors to their staff, we grant their staff the authority to appropriately conduct checks and gather information.

**(Summary of operation)**

DNP appoints one dedicated staff member to assist its statutory auditors. We grant this staff the authority to appropriately conduct checks and gather information to ensure the effectiveness of their work.

- b. Audit Unit staff perform their duties under the direction of DNP's statutory auditors. Any personnel evaluation, transfer, reprimand, or other such actions related to this staff requires the consent of DNP's Board of Statutory Auditors.

**(Summary of operation)**

Audit Unit staff are independent from the direction of directors and perform their duties under the direction of DNP's statutory auditors. Any personnel evaluation, transfer, reprimand, or other such actions related to this staff requires the consent of DNP's Board of Statutory Auditors.

**(7) System for directors and employees of DNP and DNP subsidiaries to report to DNP's statutory auditors; policy for expenses incurred as statutory auditors perform their duties; system for other reporting to statutory auditors; and system for ensuring effective auditing by statutory auditors**

- a. DNP's statutory auditors at any time deemed necessary can request that directors and employees of the DNP Group provide a report on the performance of their duties; and the directors, employees, or persons receiving reports from these persons will report promptly when requested by DNP's statutory auditors.

**(Summary of operation)**

Statutory auditors are independent from the direction of directors, and have the authority to request as needed that directors and employees provide reports on business execution at DNP and DNP Group companies. DNP Group directors and employees respond promptly when requested to report by DNP's statutory auditors.

- b. If a DNP director discovers a legal violation or other matter that could significantly damage the DNP Group, the director will report this matter immediately to DNP's statutory auditors.

**(Summary of operation)**

We endeavor to make DNP directors fully aware of their reporting obligations to statutory auditors as stipulated in the Companies Act.

- c. DNP's Auditing Department and Corporate Ethics Committee provide regular reports to DNP's statutory auditors about the details of auditing of the DNP Group and the establishment and operation of systems and other mechanisms to ensure appropriate business conduct in the DNP Group.

**(Summary of operation)**

During the fiscal year ended March 2016, DNP's Auditing Department and Corporate Ethics Committee held meetings with DNP's statutory auditors and provided timely reports to these statutory auditors.

- d. DNP's statutory auditors convene liaison meetings and exchange opinions with statutory auditors at group companies.

**(Summary of operation)**

The statutory auditors of DNP and DNP Group companies convene liaison meetings at their discretion and exchange information and opinions.

- e. DNP bears the costs deemed necessary for its statutory auditors to perform their duties, and DNP's Board of Statutory Auditors can request these costs from DNP both before and after the fact.

**(Summary of operation)**

DNP bears costs related to the work of its statutory auditors within a scope that it deems necessary.

- f. DNP's President conducts regular exchanges of opinion with DNP's Board of Statutory Auditors.

**(Summary of operation)**

During the fiscal year ended March 2016, DNP's President held meetings and exchanged opinions with DNP's Board of Statutory Auditors.

## 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 statutory auditors regarding management conditions. In addition, the Auditing Department (consisting of 11 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.

## DNP's 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.

- Outside director Tadao Tsukada can participate in business decision making from an objective standpoint that is independent from the Company's management team that executes its business, based on keen insight and broad experience as a distinguished academic. Mr. Tsukada owns 2,000 shares of DNP stock.
- Outside director Tsukasa Miyajima can participate in business decision making from an objective standpoint that is independent from the Company's management team that executes its business, based on keen insight and broad experience as a legal professional. Mr. Miyajima owns 1,000 shares of DNP stock.
- Outside statutory auditor Shin-ichi Ikeda is designated as an independent officer and can help bolster auditing based on a broad knowledge gained from business experience at other companies. Mr. Ikeda owns 2,000 shares of DNP stock.
- 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 established its own Independence Standards for Independent Officers with reference to stock listing rules and other material in order to avoid conflicts of interest with general shareholders when appointing outside directors and outside statutory auditors. These standards are presented below, and we designate all of our outside directors and outside statutory auditors as independent officers as a result of satisfying these standards.



### DNP's independence standards for independent officers

Independent officers must have a neutral position that is independent from DNP's management team; none of the following conditions may apply.

- (1) An executive of DNP or DNP affiliated company (hereinafter, DNP Group) (person to whom this applies during the past 10 years. Persons who have served as a non-executive director or auditor of the DNP Group during the past 10 years may include those who have served as an executive during the 10-year period prior to their appointment as a director or auditor)
- (2) A major supplier of the DNP Group (supplier group [entity belonging to the consolidated group of the direct supplier] that provides products or services to the DNP Group for which the transaction value of the products or services provided to the DNP Group accounts for over 2% of the supplier group's annual consolidated sales or gross revenues in the most recent fiscal year) or an executive thereof
- (3) A major customer of the DNP Group (customer group that receives products and services from the DNP Group for which the transaction value of the products and services provided to the customer group from the DNP Group accounts for over 2% of the DNP Group's annual consolidated sales in the most recent fiscal year) or an executive thereof
- (4) A major lender to the DNP Group (lender providing loans accounting for over 2% of the DNP Group's total consolidated assets in the most recent fiscal year) or an executive thereof
- (5) A consultant, accounting professional, or legal professional (in the case of an organization, a person belonging to said organization) who receives a large amount of monetary or other consideration other than executive compensation from the DNP Group (person who receives consideration other than executive compensation in excess of the larger of an annual amount of ¥10 million or 2% of the person's sales or gross revenues in the most recent fiscal year)
- (6) A major shareholder of DNP (direct or indirect ownership of 10% or more of total voting rights) or an executive thereof
- (7) An executive at an entity in which the DNP Group is a major investor (direct or indirect ownership of 10% or more of total voting rights)
- (8) A person belonging to an auditing company that performs statutory audits for DNP
- (9) A person to whom items (2) through (8) have recently applied (within one year)
- (10) A relative (within second degree of kinship) of a person (excluding insignificant persons) to whom any of items (1) through (5) apply
- (11) An executive at an entity with mutual appointments of outside officers (person to whom this applies during the past 10 years)
- (12) An entity that receives donations from DNP (average donation during the past three fiscal years that is the higher of an annual amount of ¥10 million or 2% of the recipient's annual gross revenues) or an executive thereof (person to whom this applies during the past 10 years)

### 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)	1,244	1,103	141	16
Statutory auditors (excluding outside auditors)	64	64	—	4
Outside directors and auditors	105	105	—	5

Notes: 1. Bonuses are provisions for bonuses for directors and statutory auditors for the fiscal year ended March 2016.

2. There were 16 internal directors, two internal statutory auditors and five outside directors as of the end of the fiscal year ended March 2016.

## (2) Company directors and total compensation

Name (director type)	Total compensation (¥ million)	Company	Total compensation by type (¥ million)	
			Base compensation	Bonus
Yoshitoshi Kitajima (Director)	328	Dai Nippon Printing Co., Ltd.	306	22
Koichi Takanami (Director)	129	Dai Nippon Printing Co., Ltd.	116	12
Masayoshi Yamada (Director)	129	Dai Nippon Printing Co., Ltd.	116	12

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

2. Bonuses of Dai Nippon Printing Co., Ltd. are the amounts expected to be paid as bonuses for the fiscal year ended March 2016.

### (3) Policies regarding the determination of compensation for directors and statutory auditors

Compensation for directors is calculated within the limits on directors' compensation approved at a general meeting of shareholders; is reviewed and discussed by the Management Committee in light of the advice and opinions of the Advisory Committee comprised of independent outside directors; and is 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.

### Accounting auditing

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**

Atsushi Sasayama, Hirofumi Nikaido,  
Tsugihiko Tsukakoshi, Yurika Kimura

- **Audit firm**

ARK MEIJI AUDIT & Co.

- **Number of accounting audit assistants**

17 certified public accountants, 3 others

### Matters for resolution by the general 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 statutory 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.

### 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 16.

### 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.

### 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.

## Stockholdings

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

No. of stocks: 370

Total on the balance sheet: 301,988 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

(Fiscal year ended March 2015)

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.

**(Fiscal year ended March 2016)**

## 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.	35,700,000	122,629	Enhance business relationship
Ezaki Glico Co., Ltd.	1,614,656	9,316	Enhance business relationship
The Dai-ichi Life Insurance Co., Ltd.	6,606,600	9,001	Enhance business relationship
Terumo Corporation	2,202,000	8,885	Enhance business relationship
Asahi Group Holdings, Ltd.	1,860,029	6,523	Enhance business relationship
Taisho Pharmaceutical Holdings Co., Ltd.	692,700	6,178	Enhance business relationship
Meiji Holdings Co., Ltd.	564,400	5,107	Enhance business relationship
NISSIN FOODS HOLDINGS CO., LTD.	898,711	4,754	Enhance business relationship
Mizuho Financial Group, Inc.	27,134,319	4,561	Enhance business relationship
Lion Corporation	3,140,665	3,985	Enhance business relationship
YAMATO HOLDINGS CO., LTD.	1,660,600	3,731	Enhance business relationship
YAKULT HONSHA CO., LTD.	701,000	3,494	Enhance business relationship
Dexerials Corporation	3,125,000	3,475	Strengthen business alliance
Toyo Suisan Kaisha, Ltd.	794,980	3,211	Enhance business relationship
Aica Kogyo Co., Ltd.	1,293,743	3,058	Enhance business relationship
FUJIFILM Holdings Corporation	685,965	3,053	Enhance business relationship
Daikin Industries, Ltd.	300,000	2,523	Enhance business relationship
Hakuhodo DY Holdings Inc.	1,720,000	2,193	Enhance business relationship
Sapporo Holdings Limited	3,796,388	2,125	Enhance business relationship
NSK Ltd.	1,814,000	1,868	Strengthen business alliance
SMK Corporation	3,200,000	1,849	Enhance business relationship
Shiseido Co., Ltd.	677,619	1,702	Enhance business relationship
MORINAGA & CO., LTD.	2,965,000	1,698	Enhance business relationship
Ajinomoto Co., Inc.	630,931	1,602	Enhance business relationship
Kobayashi Pharmaceutical Co., Ltd.	157,054	1,551	Enhance business relationship
Mitsubishi Electric Corporation	1,300,000	1,533	Enhance business relationship
Kikkoman Corporation	350,940	1,298	Enhance business relationship
KDDI Corporation	426,600	1,282	Enhance business relationship
ROHM Co., Ltd.	269,474	1,277	Enhance business relationship
PILOT CORPORATION	297,400	1,275	Enhance business relationship
Mitsubishi UFJ Financial Group, Inc.	2,399,760	1,251	Enhance business relationship
NuFlare Technology, Inc.	250,000	1,246	Strengthen business alliance
Tosoh Corporation	2,609,000	1,234	Strengthen business alliance

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

Company name	Number of shares	Amount recorded on balance sheet (¥ million)	Holding purpose
Terumo Corporation	3,861,000	15,579	Hold voting instruction rights for shares in retirement benefit trust
TV Asahi Holdings Corporation	4,030,000	8,136	Hold voting instruction rights for shares in retirement benefit trust
Japan Tobacco Inc.	1,000,000	4,690	Hold voting instruction rights for shares in retirement benefit trust
Astellas Pharma Inc.	2,284,000	3,418	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

### Compensation paid to accounting auditors

	Fiscal year ended March 2015		Fiscal year ended March 2016	
	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.	96	—	96	—
Consolidated subsidiaries	127	—	125	—
Total	223	—	221	—

### Other material compensation details

None

### Compensation paid to accounting auditors for services other than auditing work provided to DNP

None

### Determination of compensation for audit services

DNP's compensation for auditing 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 29, 2016)

## President

Yoshitoshi Kitajima

## Executive Vice Presidents

Koichi Takanami

Masayoshi Yamada

Yoshinari Kitajima

## Senior Managing Directors

Masahiko Wada

Tetsuji Morino

Tokuji Kanda

## Managing Directors

Motoharu Kitajima

Takashi Saito

Satoru Inoue

## Directors

Tadao Tsukada\*

Tsukasa Miyajima\*

## Standing Statutory Auditors

Kazunari Tanaka

Naoki Hoshino

Shin-ichi Ikeda\*

## Statutory Auditors

Makoto Matsuura\*

Kuniaki Nomura\*

## Senior Executive Corporate Officers

Sakae Hikita

Kouichi Hashimoto

## Senior Corporate Officers

Shigemi Furuya

Ryuji Minemura

Masato Koike

Masato Yamaguchi

Morihiro Muramoto

Kenji Miya

Toshiki Sugimoto

Naohiko Sugimoto

## Corporate Officers

Kiyotaka Nakagawa

Kazuhiko Takada

Ryota Chiba

Nobuyuki Asaba

Mitsuru Tsuchiya

Hirofumi Hashimoto

Kazuhiko Sugita

Masafumi Kuroyanagi

Daiji Suzuki

Toru Takamatsu

Satoshi Kubota

Souichiro Nishitani

\* Outside directors or auditors



Tetsuji Morino

Yoshinari Kitajima

Koichi Takanami

Yoshitoshi Kitajima

Masayoshi Yamada

Masahiko Wada

Tokuji Kanda

# Financial Section

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## Operating Results

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### **Business Environment**

Japan's economy gradually recovered during the current fiscal year (April 2015–March 2016), as reflected by improvement in corporate earnings and employment conditions, supported by the economic policies of the Japanese government and monetary easing policies of the Bank of Japan. However, the economy has still not reached a full-fledged recovery, due partly to sluggish consumer spending, overseas economic slowdowns, including in China, and volatility in forex and equity markets since the start of 2016.

The printing industry continued to face a tough business environment as a result of lower demand for printed media, including published printed materials, and lower order prices due to stiffer competition. A discussion of the business environment affecting each of DNP's business segments in the current fiscal year is provided below.

### **Information Communication**

- Demand continued to decline in the Books and Magazines business and the Education and Publications Distribution business. Publication sales fell a sharp 5.9% year on year to ¥1,501.3 billion, and were down more than ¥1 trillion from the peak of ¥2,656.3 billion in 1996. Book sales fell 1.7% year on year to ¥738.8 billion, and magazine sales fell 9.6% to ¥762.4 billion on a further decline in circulation and increase in e-magazines.

Meanwhile, the domestic e-book market grew a sharp 31% year on year to ¥150.2 billion in 2015. Japan's Research Institute for Publications forecasts the e-book market to expand to ¥289.0 billion in the fiscal year through March 2020, up 92% from the fiscal year through March 2016.

- In the Commercial Printing business, although spending on direct mail and other printed material decreased, an increase in internet advertising contributed to corporate advertising expenditures rising 3.4% year on year in the fiscal year through March 2016 (according to the Ministry of Economy, Trade and Industry). This business was also affected by a decline in printed media amid a shift to internet distribution of product catalogs and instruction manuals.
- In the Business Forms business, ensuring high-level information security is becoming more important as companies face a greater need to safely manage and appropriately use the personal information of employees and customers. Japan's "My Number" citizen ID numbering system commenced full operation in January 2016 and smart cards are now being issued to applicants. Demand also increased for e-money cards such as international brand prepaid cards. The Business Process Outsourcing (BPO) market has expanded as major financial institutions revise their business processes and outsource the production and mailing of various notifications.
- In the Imaging Communication business, the global market for photo printing is gradually contracting, but developed markets are leading a shift toward commercial photo printing systems based on a dry method that uses dye-sublimation thermal transfer printing media, moving away from conventional silver halide printing systems (wet method).

### **Lifestyle and Industrial Supplies**

- In the Packaging business, demand for packaging materials was slow to recover as domestic consumer spending remained sluggish, affected by economic slowdowns in emerging markets and turmoil in global financial markets.
- In the Lifestyle Materials business, domestic housing starts increased by 4.6% year on year during the fiscal year through March 2016, but a recovery in demand still lacked momentum, and this business was also affected by work interruptions resulting in part from higher construction costs for non-residential properties (especially commercial facilities) and condominiums.
- In the Industrial Supplies business, the domestic photovoltaic cell market stagnated for both residential and non-residential applications, affected by price reductions in the feed-in tariff system.

### **Electronics**

- Chinese manufacturers continue to invest heavily while the Chinese government pursues a policy of expanding the home-country production ratio for LCD panels. As a result, LCD panels are in oversupply and prices have been falling since 2015. Sales are weak for high-priced smartphones and TVs, whereas low-priced smartphones have expanded in India and other emerging markets.
- Annual sales in the global semiconductor market edged down 0.2% year on year to \$335.2 billion in 2015, holding generally flat from a record high of \$335.8 billion in 2014, according to research by the U.S.-based Semiconductor Industry Association.

### **Beverages**

- The soft drink industry continued to face a tough market environment as a result of price and market share competition between manufacturers.

## Overview

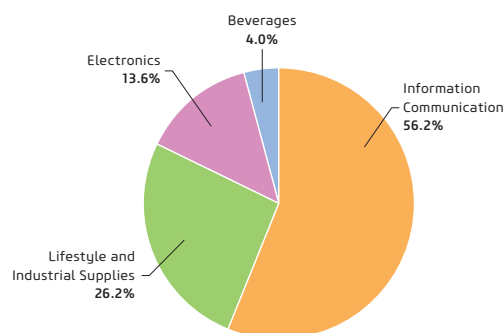
DNP reviewed the DNP Group Vision for the 21st Century, which it prepared in 2001 as a basic management policy, and established the DNP Group Vision 2015 in October 2015. DNP states its corporate philosophy as: "The DNP Group connects individuals and society, and provides new value." It also defines its business vision as: "Use P&I innovations to expand business, primarily around four growth areas."

DNP sought to increase the value of existing business by leveraging its strengths both inside and outside the company, mainly in the growth areas of "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility," and "Environment and Energy." It also focused on new business development and worked to expand its business by creating new value. As a result of these activities, consolidated net sales fell 0.4% year on year to ¥1,455,916 million in the fiscal year through March 2016.

Consolidated operating income in the Information Communication segment grew a sharp 32.3% year on year, driven by photo printing business and growth in smart card (mainly My Number cards) and BPO services. However, the Electronics segment fell 20.8% due to a global slump in LCD TV sales and slower growth in the smartphone market. DNP also made aggressive upfront investment in the current fiscal year, including for M&A, new business development, business unit integration, and redevelopment to establish an operating base in the Ichigaya district of Tokyo. As a result, overall consolidated operating income fell 5.6% year on year to ¥45,472 million. The consolidated operating income margin fell by 0.2 percentage points to 3.1%.

The operating income margin increased by 0.8 percentage points to 3.6% in the Information Communication segment, decreased by 0.2 percentage points to 3.3% in the Lifestyle and Industrial Supplies segment, decreased by 0.9 percentage points to 10.3% in the Electronics segment, and decreased by 0.1 percentage points to 1.7% in the Beverages segment.

**Net Sales by Segment**  
(Year ended March 31, 2016)



	2016.3	2015.3	2014.3
Net sales (¥ million)	¥ 1,455,916	¥ 1,462,118	¥ 1,448,550
Gross profit margin (%)	19.4%	19.1%	18.8%
Operating income margin (%)	3.1%	3.3%	3.5%
Ordinary income margin (%)	3.6%	3.7%	3.7%
Net income margin (%)	2.3%	1.8%	1.8%
Net income per share (¥)	¥ 53.10	¥ 41.82	¥ 39.82

## Net Sales

Net sales totaled ¥1,455,916 million in the current fiscal year, down 0.4%, or ¥6,202 million, from the previous year.

### Information Communication

In the Books and Magazines business, book sales increased but were unable to offset a decline in magazines, affected by market conditions, and overall sales decreased. In the Education and Publications Distribution

business, sales increased as the company worked to expand the “honto” hybrid bookstore network. In the Commercial Printing business, sales decreased for flyers, catalogs, and other products, but overall sales were on par with the previous year thanks to emerging benefits from building a unified control framework for nationwide sales, planning, and manufacturing functions; and to growth in BPO services (including promotional campaign offices) and sales promotion tools (e.g., point-of-purchase campaign materials). In the Business Forms business, sales increased on strong sales of smart cards, growth in Information Processing Services (including in relation to the My Number system), and expansion of business center outsourcing orders from financial institutions. As a result, overall segment sales grew 4.0%.

### **Lifestyle and Industrial Supplies**

In the Packaging business, sales were strong for paper cups, mainly for food applications, and increased for molded plastic goods. However, overall sales decreased, affected by weak sales of aseptic PET plastic bottle filling systems. In the Lifestyle Materials business, among DNP’s eco-friendly products that use its Electron Beam (EB) coating technology, the scratch resistance of its EB floor coverings is well regarded, and despite strong sales and top share of the domestic flooring materials market, overall sales in this business decreased. In the Industrial Supplies business, sales increased on contributions from increasing domestic market share for photovoltaic cell back sheets and expanding product lineups for overseas manufacturers, and growth for lithium-ion battery pouches used in mobile devices and automotive applications. As a result, overall segment sales fell 1.5%.

### **Electronics**

In the Display Products business, sales increased for high-value-added products such as vapor deposition masks (metal masks) used in the production of organic EL panels. However, LCD color filter sales decreased for both large filters and small- and medium-sized filters. For semiconductor photomasks, DNP worked to acquire overseas demand, but sales decreased as a result of weak sales in Japan and removal of a Taiwanese subsidiary from the scope of consolidation in April 2014. Sales were also weak and decreased for optical films and lead frames. As a result, overall segment sales fell 13.4%.

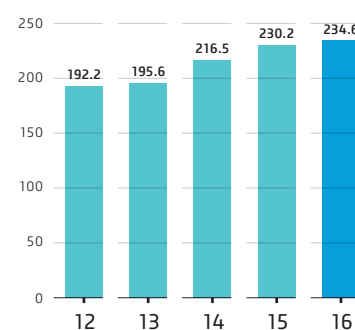
### **Beverages**

Sales increased for coffee drinks that use a new extraction technology and for tea drinks including the mainstay Ayataka brand, but decreased to Coca-Cola Group bottlers and for the Coca-Cola brand and sports drinks. As a result, overall segment sales fell 2.6%.

Overseas sales totaled ¥234,586 million in the current fiscal year, up 1.9%, or ¥4,381 million, from the previous year. As a result, the ratio to overall sales was 16.1%, up 0.4 percentage points from 15.7%. By region, sales in Asia (including Indonesia and Taiwan) were down 8.6% year on year at ¥146,925 million, and other regions (including the U.S. and France) were up 26.1% at ¥87,661 million.

**DNP’s Overseas Sales**

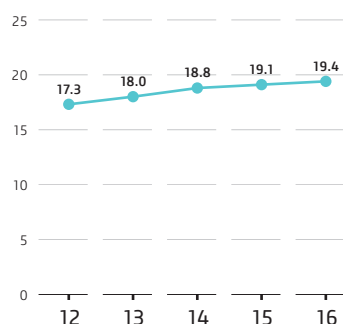
(¥ billion)





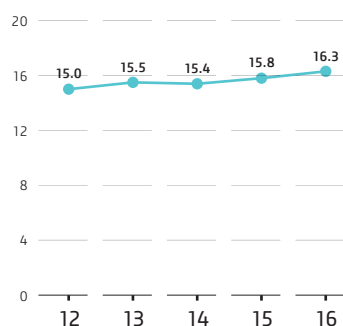
### Gross Profit Margin

(%)



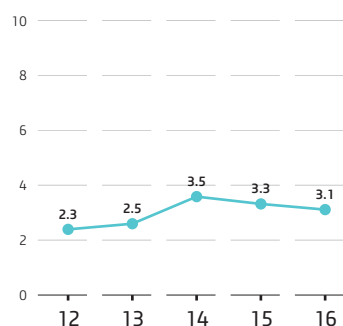
### SGA Expenses to Net Sales

(%)



### Operating Income Margin

(%)



## Cost of Sales

The cost of sales totaled ¥1,173,203 million in the current fiscal year, down 0.8%, or ¥9,751 million, from the previous year. The gross margin was 19.4%, up 0.3 percentage points from 19.1%.

Although demand for printing paper stagnated during the current fiscal year, prices increased for general paper in April 2015 and for communication paper in June 2015 as a result of higher costs for wood chips and other raw materials and fuels. However, petrochemical product prices continued to decline, due partly to a global slowdown in crude oil demand. As a result of these factors, the impact of higher raw material prices was ¥3.3 billion in the current fiscal year, down from ¥5.2 billion in the previous year. DNP worked to pass costs through to product prices by negotiating with customers, resulting in nearly all of the impact of higher prices being passed through to product prices.

DNP also endeavored to cut costs, reducing personnel costs mainly by shortening overtime work hours. It sought to reduce equipment and repair costs through the sale and disposal of equipment while consolidating manufacturing facilities. It worked to increase production efficiency by optimizing production locations across Japan, mainly in the Information Communication segment and the Packaging business. It strived to reduce variable manufacturing costs by improving yields and lowering material losses. As a result, DNP cut costs by ¥28.5 billion during the current fiscal year.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥237,241 million in the current fiscal year, up 2.7%, or ¥6,251 million, from the previous year. Selling, general and administrative expenses equated to 16.3% of net sales, up 0.5 percentage points from the previous year.

## Operating Income

Operating income totaled ¥45,472 million in the current fiscal year, down 5.6%, or ¥2,702 million, from the previous year. The operating income margin was 3.1%, down 0.2 percentage points from 3.3% in the previous year.

### Information Communication

Higher costs for printing paper and other raw materials and a decrease in unit prices due to stiffer competition were offset by profit growth from higher sales for My Number-related services, for BPO business from financial institutions and other customers, and for the Imaging Communication business. As a result, segment operating income totaled ¥29,364 million, up 32.3%, or ¥7,171 million, from the previous year. The operating income margin was 3.6%, up 0.8 percentage points, from 2.8% in the previous year.

### Lifestyle and Industrial Supplies

Segment operating income totaled ¥12,597 million, down 7.9%, or ¥1,079 million, from the previous year, due to lower sales in the Packaging business and the Lifestyle Materials business and to a decline in profitability, especially in the Lifestyle Materials business. The operating income margin was 3.3%, down 0.2 percentage points from 3.5% in the previous year.

## Electronics

Segment operating income totaled ¥20,509 million, down 20.8%, or ¥5,396 million, from the previous year, due to sharply lower sales for LCD color filters and optical films as mainstay products. The operating income margin was 10.3%, down 0.9 percentage point from 11.2% in the previous year.

## Beverages

Segment operating income totaled ¥991 million, down 8.0%, or ¥86 million, from the previous year. The operating income margin was 1.7%, down 0.1 percentage point from 1.8% in the previous year.

## Nonoperating Income (Expenses) and Extraordinary Income (Losses)

Nonoperating income totaled ¥14,751 million in the current fiscal year, up 17.7%, or ¥2,215 million, from the previous year; and nonoperating expenses totaled ¥7,571 million, up 8.9%, or ¥621 million. As a result, net nonoperating income totaled ¥7,180 million, up from ¥5,586 million in the previous year.

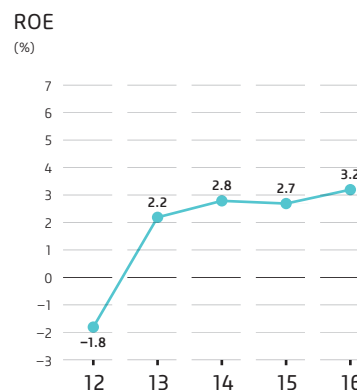
Ordinary income totaled ¥52,651 million, down 2.1%, or ¥1,108 million, from the previous year.

Extraordinary income totaled ¥16,491 million, up ¥11,646 million from the previous year, as gains on the sale of investment securities increased to ¥15,135 million from ¥4,442 million in the previous year. Extraordinary losses totaled ¥14,301 million, up ¥6,758 million from the previous year. DNP did not record business integration losses as in the previous year, but extraordinary losses still increased as a result of ¥2,264 million in production restructuring costs and ¥7,672 million in repair costs. As a result, net extraordinary income totaled ¥2,190 million, up from losses of ¥2,698 million in the previous year.

As a result of the above, income before income taxes and non-controlling interests totaled ¥54,841 million, up 7.4%, or ¥3,779 million, from the previous year.

## Net Income Attributable to Parent Company Shareholders

Net income attributable to parent company shareholders totaled ¥33,588 million in the current fiscal year, up 24.8%, or ¥6,664 million, from the previous year. Net income per share was ¥53.10, up ¥11.28 from the previous year.



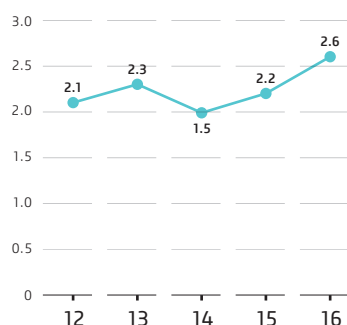
## Liquidity and Capital Resources

### Cash Flow

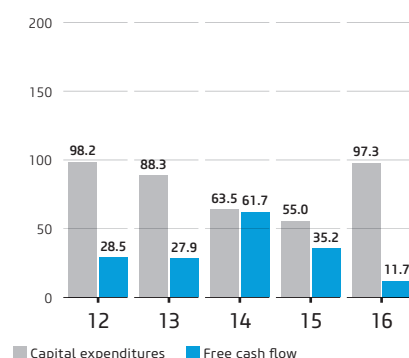
	2016.3	2015.3	2014.3
Cash flow from operating activities	¥ 72,629	¥ 85,731	¥ 120,109
Cash flow from investing activities	(60,883)	(50,540)	(58,371)
Free cash flow	11,746	35,191	61,738

(¥ million)

Interest-bearing Debt to Cash Flow Ratio  
(times)



Capital Expenditures and Free Cash Flow  
(¥ billion)



Net cash provided by operating activities totaled ¥72,629 million, down 15.3%, or ¥13,102 million, from the previous year.

Net cash used in investing activities totaled ¥60,883 million, up 20.5%, or ¥10,343 million, from ¥50,540 million in the previous year.

Net cash used in financing activities totaled ¥47,166 million, up ¥23,301 million, from ¥23,865 million in the previous year.

As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled ¥175,513 million, down 17.5%, or ¥37,249 million, from the previous year.

Free cash flow—i.e., net cash provided by operating activities minus net cash used in investing activities—was ¥11,746 million, down ¥23,445 million from ¥35,191 million in the previous year.

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

Capital expenditures this fiscal year consisted mainly of streamlining investment, but also included business structure reforms to create new business and increase value in existing business and DNP's redevelopment of the Ichigaya district in Tokyo as part of cost structure reforms. As a result, capital expenditures totaled ¥97.3 billion, up 76.8%, or ¥42.2 billion, from the previous year. By segment, capital expenditures in the Information Communication segment were ¥52.5 billion, up ¥29.2 billion from the previous year and accounting for 54% of total capital expenditures. The Lifestyle and Industrial Supplies segment was ¥23.3 billion, up ¥10.7 billion and accounting for 24%. The Electronics segment was ¥13.3 billion, up ¥1.1 billion and accounting for 14%. The Beverages segment was ¥5.8 billion, up ¥2.2 billion and accounting for 6%. Adjustment was ¥2.4 billion, up ¥1.3 billion and accounting for 2%.

Depreciation totaled ¥65.3 billion, down 2.6%, or ¥1.7 billion, from the previous year. By segment, depreciation in the Information Communication segment was ¥27.5 billion, up ¥1.8 billion from the previous year and accounting for 42% of total depreciation. The Lifestyle and Industrial Supplies segment was ¥17.0 billion, down ¥0.6 billion and accounting for 26%. The Electronics segment was ¥15.0 billion, down ¥3.4 billion and accounting for 23%. The Beverages segment was ¥3.9 billion, up ¥0.1 billion and accounting for 6%. Adjustment was ¥1.8 billion, up ¥0.3 billion and accounting for 3%.

Research and development expenditures totaled ¥31.8 billion, roughly the same as ¥31.7 billion in the previous year.

## The Balance Sheet

	2016.3	2015.3	2014.3
Total assets (¥ million)	¥ 1,718,636	¥ 1,809,462	¥ 1,574,754
Current ratio (%)	170%	175%	175%
Working capital/net sales (%)	20%	22%	22%
Debt-to-equity ratio (%)	19%	17%	20%
Net assets per share (¥)	¥ 1,618.66	¥ 1,675.63	¥ 1,447.96

DNP's total assets at the end of this fiscal year amounted to ¥1,718,636 million, down 5.0%, or ¥90,826 million, from the previous year.

Among current assets, cash and cash equivalents and time deposits totaled ¥176,694 million, down 18.6%, or ¥37,285 million, from the previous year. Trade receivables totaled ¥348,585 million, down 4.8%, or ¥17,483 million. Inventories of merchandise and finished products, work in process, raw materials and supplies totaled ¥155,947 million, up 5.4%, or ¥8,041 million. As a result, current assets totaled ¥721,725 million, down 5.4%, or ¥41,397 million.

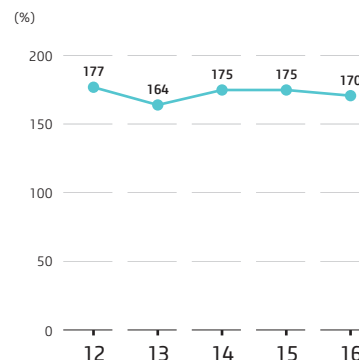
Among long-term assets, property, plant and equipment totaled ¥513,157 million, up 0.1%, or ¥366 million, from the previous year. Intangible assets totaled ¥35,802 million, up 17.1%, or ¥5,219 million. Investments and other assets totaled ¥447,952 million, down 10.9%, or ¥55,014 million. As a result, long-term assets totaled ¥996,911 million, down 4.7%, or ¥49,429 million.

Current liabilities totaled ¥423,314 million, down 2.8%, or ¥12,091 million, from the previous year. Long-term liabilities totaled ¥232,080 million, down 7.2%, or ¥17,885 million. As a result, total liabilities amounted to ¥655,394 million, down 4.4%, or ¥29,976 million.

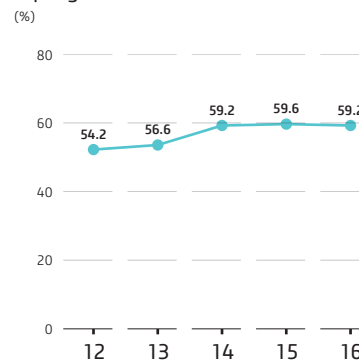
Additionally, net assets totaled ¥1,063,242 million, down 5.4%, or ¥60,850 million.

As of March 31, 2016, the number of treasury shares totaled 51,919,577, or 7.63% of total shares outstanding of 680,480,693 shares. Treasury shares decreased by 4,728,037 shares, reflecting the acquisition of 15,221,000 shares, acquisition of 54,962 odd-lot shares, cancellation of 20 million treasury shares, sale of 1,200 odd-lot shares, and decrease of 2,799 shares from changes in equity ownership ratios in equity-method affiliates.

Current Ratio



Equity Ratio





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## Business risks

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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 following are the major factors that the DNP management views as 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 steadily conducts 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-related 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 products and services that deliver new value to companies, consumers, and society. These development efforts face an accelerating pace of technological innovation and diversification of needs. Going forward, amid expectations for development competition to intensify in Japan and overseas, it is possible that DNP's performance could fluctuate significantly due to a greater-than-expected shortening of product life cycles and changes in market trends.

### **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**

DNP works hard to secure stable supplies and maintain optimal pricing 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, 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, if purchasing prices rise sharply, or if other such events occur.

### **Currency fluctuations**

Amid growth in business with overseas customers, DNP expects the impact of foreign exchange to steadily increase. 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 conceivably 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**

Global 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**

DNP conducts its business based on strict compliance with laws and social ethics. We are subject to a variety of legal regulations in Japan and overseas, including product liability laws, antimonopoly laws, personal data protection laws, patent laws, tax regulations, and import and export rules. We believe these regulations could be strengthened in the future. On the other hand, market and industry trends may change substantially as a result of deregulation. If that should occur, it is possible that DNP's business performance could be affected by limitations on its business activities, the burden of responding to regulatory changes, or increased costs.

### **Disasters**

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

### **Lawsuits and fines**

DNP seeks to establish corporate ethics throughout the group, and works to 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

	2016	2015	2014	2013
<b>Statements of Operations Data (¥ million)</b>				
Net sales	¥ 1,455,916	¥ 1,462,118	¥ 1,448,550	¥ 1,446,607
Cost of sales	1,173,203	1,182,954	1,176,077	1,186,558
Gross profit	282,713	279,164	272,473	260,049
Selling, general and administrative expenses	237,241	230,990	222,374	224,269
Operating income	45,472	48,174	50,099	35,780
Ordinary income	52,651	53,759	53,285	40,318
Income (loss) before income taxes and non-controlling interests	54,841	51,062	48,608	35,152
Net income (loss) attributable to parent company shareholders	33,588	26,924	25,642	19,218
<b>Balance Sheet Data (¥ million)</b>				
Total assets	¥ 1,718,636	¥ 1,809,462	¥ 1,574,754	¥ 1,578,976
Property, plant and equipment—net	513,157	512,791	528,538	538,455
Long-term liabilities	232,080	249,965	179,946	184,136
Total liabilities	655,394	685,370	598,369	641,921
Stockholders' equity	894,752	902,217	892,110	887,194
Total net assets	1,063,242	1,124,092	976,385	937,055
<b>Other Selected Data (¥ million)</b>				
Capital expenditures	¥ 97,265	¥ 55,024	¥ 63,465	¥ 88,315
Depreciation expenses	65,310	67,034	73,459	80,200
R&D expenditures	31,826	31,748	30,820	30,820
<b>Common Share Data (¥, shares)</b>				
Earnings (loss) per share—primary	¥ 53.10	¥ 41.82	¥ 39.82	¥ 29.84
Earnings (loss) per share—fully diluted	53.07	41.44	39.65	29.79
Dividends paid per share	32.00	32.00	32.00	32.00
Book value per share	1,618.66	1,675.63	1,447.96	1,386.86
No. of common shares outstanding (exc. treasury shares)	628,561,116	643,833,079	643,893,863	643,990,364
<b>Financial Ratios (% , times)</b>				
As a percent of net sales:				
Gross profit	19.42%	19.09%	18.81%	17.98%
Selling, general and administrative expenses	16.29	15.80	15.35	15.50
Operating income	3.12	3.29	3.46	2.47
Income (loss) before income taxes and non-controlling interests	3.77	3.49	3.36	2.43
Net income (loss) attributable to parent company shareholders	2.31	1.84	1.77	1.33
Return on equity	3.20	2.67	2.81	2.18
Current ratio	170	175	175	164
D/E ratio	19	17	20	25

2012	2011	2010	2009	2008	2007
¥ 1,507,228	¥ 1,589,373	¥ 1,583,383	¥ 1,584,844	¥ 1,616,053	¥ 1,557,802
1,246,878	1,287,581	1,286,682	1,324,522	1,327,872	1,268,072
260,350	301,792	296,701	260,322	288,181	289,730
226,335	233,973	230,187	214,145	201,077	193,585
34,015	67,819	66,514	46,177	87,104	96,145
36,843	62,786	68,841	47,390	86,502	101,348
2,673	52,696	49,496	(27,842)	88,469	98,950
(16,356)	25,033	23,278	(20,933)	45,172	54,842
¥ 1,608,806	¥ 1,649,784	¥ 1,618,854	¥ 1,536,557	¥ 1,601,193	¥ 1,700,250
579,567	614,827	616,848	604,904	639,343	635,784
251,414	249,575	190,045	126,671	106,691	118,437
694,593	697,343	661,990	596,471	561,058	600,811
888,650	925,702	921,775	917,348	990,122	1,027,475
914,213	952,441	956,864	940,086	1,040,135	1,099,439
¥ 98,189	¥ 102,173	¥ 119,063	¥ 96,156	¥ 116,139	¥ 162,886
95,829	97,977	91,695	106,883	109,902	100,161
31,690	33,147	33,850	34,112	35,556	30,113
¥ (25.39)	¥ 38.86	¥ 36.13	¥ (32.35)	¥ 67.08	¥ 78.10
—	—	—	—	—	—
32.00	32.00	32.00	32.00	36.00	32.00
1,352.71	1,410.44	1,422.34	1,393.91	1,516.35	1,544.02
644,062,928	644,142,530	644,238,930	644,357,076	661,366,377	694,226,171
17.27%	18.99%	18.74%	16.43%	17.83%	18.60%
15.02	14.72	14.54	13.51	12.44	12.43
2.26	4.27	4.20	2.91	5.39	6.17
0.18	3.32	3.13	-1.76	5.47	6.35
-1.09	1.57	1.47	-1.32	2.80	3.52
-1.84	2.74	2.57	-2.20	4.35	5.14
177	177	157	144	157	166
26	25	18	14	8	6



# Consolidated Financial Statements

## Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Notes 4 and 15)	¥ 175,513	¥ 212,762	\$ 1,553,212
Time deposits (Note 15)	1,181	1,217	10,452
Trade receivables (Notes 10 and 15)	348,585	366,068	3,084,823
Allowance for doubtful receivables	(1,349)	(822)	(11,938)
Inventories (Note 6)	155,947	147,906	1,380,062
Prepaid expenses and other current assets (Notes 5, 10 and 13)	41,848	35,991	370,336
Total current assets	721,725	763,122	6,386,947
<b>Investments and advances:</b>			
Non-consolidated subsidiaries and associated companies (Notes 10 and 15)	57,246	51,835	506,602
Investment securities (Notes 5 and 15)	306,190	346,053	2,709,646
Other (Note 10 and 15)	6,555	8,072	58,009
Total investments and advances	369,991	405,960	3,274,257
<b>Property, plant and equipment, at cost (Note 7):</b>			
Land	155,532	154,094	1,376,389
Buildings and structures	584,014	537,358	5,168,265
Machinery and equipment	888,329	883,201	7,861,319
Leased assets	24,644	29,378	218,088
Construction in progress	14,946	41,458	132,266
Total	1,667,465	1,645,489	14,756,327
Accumulated depreciation	(1,154,308)	(1,132,698)	(10,215,115)
Net property, plant and equipment	513,157	512,791	4,541,212
<b>Other assets</b>			
Net defined benefit asset (Note 8)	45,844	65,931	405,699
Other (Notes 7 and 13)	67,919	61,658	601,053
Total other assets	113,763	127,589	1,006,752
<b>Total assets</b>	¥ 1,718,636	¥ 1,809,462	\$ 15,209,168

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Notes 7 and 15)	¥ 55,316	¥ 53,371	\$ 489,522
Current portion of long-term debt (Notes 7 and 15)	8,755	11,291	77,478
Trade payables (Notes 10 and 15)	255,586	258,887	2,261,823
Accrued expenses (Note 10)	45,735	40,221	404,735
Income taxes payable (Note 13)	6,014	8,075	53,221
Other current liabilities (Notes 7, 10 and 13)	51,908	63,560	459,363
Total current liabilities	423,314	435,405	3,746,142
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7 and 15)	125,750	124,336	1,112,832
Net defined benefit liability (Note 8)	34,167	32,348	302,363
Other long-term liabilities (Notes 7 and 13)	72,163	93,281	638,610
Total long-term liabilities	232,080	249,965	2,053,805
<b>Contingent liabilities (Note 17)</b>			
<b>Net assets</b>			
Stockholders' equity			
Common stock -			
Authorized : 1,490,000,000 shares;			
Issued : 680,480,693 shares;	114,464	114,464	1,012,956
Capital surplus (Note 9)	144,283	144,898	1,276,841
Retained earnings (Note 9)	717,030	737,241	6,345,398
Treasury stock, at cost			
51,919,577 shares in 2016 and 56,647,614 shares in 2015 (Note 9)	(81,025)	(94,386)	(717,035)
Total stockholders' equity	894,752	902,217	7,918,160
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	123,478	147,914	1,092,726
Net deferred gains (losses) on hedges	(7)	(0)	(62)
Foreign currency translation adjustments	3,051	7,247	27,000
Remeasurements of defined benefit plans (Note 8)	(3,850)	21,450	(34,071)
Total accumulated other comprehensive income	122,672	176,611	1,085,593
<b>Stock acquisition rights</b>	16	16	142
<b>Non-controlling interests</b>	45,802	45,248	405,326
Total net assets	1,063,242	1,124,092	9,409,221
<b>Total liabilities and net assets</b>	¥ 1,718,636	¥ 1,809,462	\$ 15,209,168

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, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>Net sales (Note 18)</b>	¥ 1,455,916	¥ 1,462,118	\$ 12,884,212
<b>Cost of sales (Note 18)</b>	1,173,203	1,182,954	10,382,327
Gross profit	282,713	279,164	2,501,885
<b>Selling, general and administrative expenses (Notes 11 and 18)</b>	237,241	230,990	2,099,478
Operating income	45,472	48,174	402,407
<b>Other income (expenses) (Note 12):</b>			
Interest and dividends income	5,227	4,138	46,257
Interest expenses	(2,439)	(2,453)	(21,584)
Equity in earnings of affiliates	3,696	2,171	32,708
Foreign exchange transaction gain (loss)	(497)	1,754	(4,398)
Net loss on sale or disposal of property, plant and equipment	(1,609)	(1,941)	(14,239)
Net gain on sales of investment securities	15,111	4,456	133,726
Loss on devaluation of investment securities	(924)	(67)	(8,177)
Loss on business integration	–	(4,342)	–
Production restructuring costs	(2,265)	–	(20,044)
Repair costs	(7,672)	–	(67,894)
Other	741	(828)	6,557
	9,369	2,888	82,912
Income before income taxes and non-controlling interests	54,841	51,062	485,319
<b>Income taxes (Note 13):</b>			
Current	13,349	14,097	118,133
Deferred	6,788	8,475	60,071
	20,137	22,572	178,204
<b>Net income</b>	¥ 34,704	¥ 28,490	\$ 307,115
<b>Net income attributable to non-controlling shareholders</b>	1,116	1,566	9,876
<b>Net income attributable to parent company shareholders</b>	33,588	26,924	297,239

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, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>Net income</b>	¥ 34,704	¥ 28,490	\$ 307,115
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	(24,502)	113,164	(216,832)
Net deferred gains (losses) on hedges	22	(31)	195
Foreign currency translation adjustments	(5,236)	6,991	(46,336)
Remeasurements of defined benefit plans	(26,118)	15,200	(231,133)
Share of other comprehensive income in associates accounted for using the equity method	1,325	1,869	11,726
Total other comprehensive income	(54,509)	137,193	(482,380)
<b>Comprehensive income</b>	<b>(19,805)</b>	<b>165,683</b>	<b>(175,265)</b>
Attributable to:			
Parent company shareholders	¥ (20,351)	¥ 163,316	\$ (180,097)
Non-controlling shareholders	546	2,367	4,832

	Yen		U.S. dollars (Note 3)
	2016	2015	2016
<b>Net assets per common share</b>	¥ 1,618.66	¥ 1,675.63	\$ 14.32
<b>Net income per common share</b>			
primary	¥ 53.10	¥ 41.82	\$ 0.47
<b>Net income per common share</b>			
fully diluted	¥ 53.07	¥ 41.44	\$ 0.47

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, 2016 and 2015	Number of shares issued (in thousands)	Millions of yen									Stock acquisition rights	Non- controlling interests
		Stockholders' equity			Accumulated other comprehensive income							
	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				
<b>Balance at March 31, 2014</b>	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)	
<b>Adjusted balance at March 31, 2014</b>	700,480	114,464	144,898	731,071	(94,322)	34,598	3	145	5,473	16	43,534	
<b>Changes of items during the period</b>												
Net income attributable to parent company shareholders	-	-	-	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 non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,714	
Other	-	-	0	-	0	-	-	-	-	-	-	
<b>Total changes of items during the period</b>	-	-	0	6,170	(64)	113,316	(3)	7,102	15,977	-	1,714	
<b>Balance at March 31, 2015</b>	700,480	114,464	144,898	737,241	(94,386)	147,914	(0)	7,247	21,450	16	45,248	
<b>Changes of items during the period</b>												
Net income attributable to parent company shareholders	-	-	-	33,588	-	-	-	-	-	-	-	
Cash dividends paid	-	-	-	(20,376)	-	-	-	-	-	-	-	
Purchases of treasury stock	-	-	-	-	(20,067)	-	-	-	-	-	-	
Disposal of treasury stock	-	-	-	(1)	2	-	-	-	-	-	-	
Retirement of treasury stock	(20,000)	-	-	(33,422)	33,422	-	-	-	-	-	-	
Changes in valuation difference on available-for-sale securities	-	-	-	-	-	(24,436)	-	-	-	-	-	
Changes in deferred gains (losses) on hedges	-	-	-	-	-	-	(7)	-	-	-	-	
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(4,196)	-	-	-	
Changes in remeasurements of defined benefit plans	-	-	-	-	-	-	-	-	(25,300)	-	-	
Changes in non-controlling interests	-	-	(615)	-	-	-	-	-	-	-	554	
Other	-	-	-	-	4	-	-	-	-	-	-	
<b>Total changes of items during the period</b>	(20,000)	-	(615)	(20,211)	13,361	(24,436)	(7)	(4,196)	(25,300)	-	554	
<b>Balance at March 31, 2016</b>	680,480	114,464	144,283	717,030	(81,025)	123,478	(7)	3,051	(3,850)	16	45,802	

	Thousands of U.S. dollars (Note 3)										
	Number of shares issued (in thousands)	Stockholders' equity				Accumulated other comprehensive income				Stock acquisition rights	Non- controlling 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		
<b>Balance at March 31, 2015</b>	700,480	1,012,956	1,282,283	6,524,257	(835,274)	1,308,973	(0)	64,133	189,823	142	400,425
<b>Changes of items during the period</b>											
Net income attributable to parent company shareholders	-	-	-	297,239	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	(180,319)	-	-	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	(177,584)	-	-	-	-	-	-
Disposal of treasury stock	-	-	-	(9)	18	-	-	-	-	-	-
Retirement of treasury stock	(20,000)	-	-	(295,770)	295,770	-	-	-	-	-	-
Changes in valuation difference on available-for-sale securities	-	-	-	-	-	(216,247)	-	-	-	-	-
Changes in deferred gains (losses) on hedges	-	-	-	-	-	-	(62)	-	-	-	-
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(37,133)	-	-	-
Changes in remeasurements of defined benefit plans	-	-	-	-	-	-	-	-	(223,894)	-	-
Changes in non-controlling interests	-	-	(5,442)	-	-	-	-	-	-	-	4,901
Other	-	-	-	-	35	-	-	-	-	-	-
<b>Total changes of items during the period</b>	(20,000)	-	(5,442)	(178,859)	118,239	(216,247)	(62)	(37,133)	(223,894)	-	4,901
<b>Balance at March 31, 2016</b>	680,480	1,012,956	1,276,841	6,345,398	(717,035)	1,092,726	(62)	27,000	(34,071)	142	405,326

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, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>Cash flows from operating activities:</b>			
Income before income taxes and non-controlling interests	¥ 54,841	¥ 51,062	\$ 485,319
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation	65,310	67,034	577,965
Impairment loss on fixed assets	110	79	973
Provision for doubtful receivables (net)	(1,393)	700	(12,327)
Net defined benefit asset (net)	(15,312)	(14,799)	(135,504)
Net defined benefit liability (net)	(8)	151	(71)
Equity in earnings of affiliates	(3,696)	(2,171)	(32,708)
Amortization of consolidation goodwill (net)	2,201	1,989	19,478
Interest and dividends income	(5,227)	(4,138)	(46,257)
Interest expenses	2,439	2,453	21,584
Net gain on sales of investment securities	(15,111)	(4,456)	(133,726)
Loss on devaluation of investment securities	924	67	8,177
Net loss on sale or disposal of property, plant and equipment	1,665	1,980	14,735
Changes in assets and liabilities			
Trade receivables	17,881	(12,507)	158,239
Inventories	(10,532)	(5,711)	(93,204)
Trade payables	(4,726)	4,767	(41,823)
Other assets and liabilities	178	14,872	1,575
Sub-total	89,544	101,372	792,425
Extra retirement payments	(991)	(153)	(8,770)
Payments of income taxes	(15,924)	(15,488)	(140,920)
<b>Net cash provided by operating activities</b>	<b>72,629</b>	<b>85,731</b>	<b>642,735</b>
<b>Cash flows from investing activities:</b>			
Net decrease in time deposits	38	2,161	336
Payments for purchases of property, plant and equipment	(64,416)	(52,627)	(570,053)
Proceeds from sales of property, plant and equipment	2,792	3,961	24,708
Payments for purchases of investment securities	(5,664)	(2,330)	(50,124)
Proceeds from sales of investment securities	19,950	7,846	176,549
Payments for purchases of intangible assets	(8,702)	(8,989)	(77,009)
Payments for acquisition of subsidiaries' shares, resulting in consolidation scope change	(8,981)	(675)	(79,478)
Interest and dividends received	6,179	4,990	54,681
Other investing	(2,079)	(4,877)	(18,398)
<b>Net cash used in investing activities</b>	<b>(60,883)</b>	<b>(50,540)</b>	<b>(538,788)</b>
<b>Cash flows from financing activities:</b>			
Net increase in short-term bank loans	2,131	4,029	18,858
Proceeds from long-term debt	5,803	11,153	51,354
Repayments of long-term debt	(10,553)	(10,232)	(93,389)
Proceeds from issuance of debentures	4,718	2,947	41,752
Payments for redemption of debentures	(1,050)	(1,850)	(9,292)
Interest paid	(2,436)	(2,443)	(21,558)
Dividends paid	(20,381)	(20,613)	(180,363)
Dividends paid to non-controlling shareholders	(453)	(365)	(4,009)
Payments for purchases of treasury stocks	(20,068)	(68)	(177,593)
Payments for purchase of stock in subsidiaries not resulting in a change in the scope of consolidation	(152)	—	(1,345)
Other financing	(4,725)	(6,423)	(41,814)
<b>Net cash used in financing activities</b>	<b>(47,166)</b>	<b>(23,865)</b>	<b>(417,399)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,829)</b>	<b>2,790</b>	<b>(16,186)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(37,249)</b>	<b>14,116</b>	<b>(329,638)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>212,762</b>	<b>199,813</b>	<b>1,882,850</b>
<b>Increase in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>—</b>	<b>64</b>	<b>—</b>
<b>Decrease in cash and cash equivalents resulting from merger of consolidated subsidiaries</b>	<b>—</b>	<b>(1,274)</b>	<b>—</b>
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	<b>—</b>	<b>43</b>	<b>—</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 175,513</b>	<b>¥ 212,762</b>	<b>\$ 1,553,212</b>

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, 2016 and 2015

## 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 2015 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 114 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 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 (\$885) or more per unit and less than ¥200,000 (\$1,770) per unit are depreciated over three years on a straight-line basis, whereby one-third of such acquisition cost may be taken as depreciation expense each year.

#### **Leased assets**

Finance leases which do not transfer ownership are capitalized. 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.15 of 2016) and The Act for Partial Amendment, etc. of the Local Tax Act, etc., (Act No.13 Of 2016) were enacted on March 29, 2016.

Consequently, the statutory tax rate used to calculate deferred tax assets and liabilities changed from 32.3% to 30.9% for temporary differences expected to be realized during the fiscal year beginning on or after April 1, 2016 until March 31, 2018. The rate will be changed to 30.6% for temporary differences expected to be realized during the fiscal years beginning on or after April 1, 2018.

As a result of these changes in the corporate tax rate, deferred tax liabilities (net of deferred tax assets) decreased by ¥1,870 million (\$16,549 thousand), and income taxes-deferred increased by ¥959 million (\$8,487 thousand). In addition, the valuation difference on available-for-sale securities increased by ¥2,899 million (\$25,655 thousand), net deferred gains (losses) on hedges increased by ¥-0 million (\$-0 thousand), and remeasurements of defined benefit plans increased by ¥-70 million (\$-619 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 fluctuation in foreign currency exchange rate and interest rates. The Company and its subsidiaries do not enter into derivatives contracts for speculative purposes.

Derivatives are carried at fair value 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, 2016 and 2015, 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 Business Combinations"

The Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013), and other accounting standards. As a result, the Company now records any

differences resulting from changes in its ownership interests in subsidiaries subject to ongoing control under capital surplus, and records acquisition-related costs as expenses in the fiscal year in which they are incurred.

Furthermore, for business combinations carried out on or after the beginning of the current fiscal year, the Company now reflects the updated acquisition cost allocation based on finalization of the provisional accounting treatment in the consolidated financial statements for the fiscal year in which the business combination occurs.

In addition, the company has made changes in the presentation of net income and other items and has changed from presenting minority interests to presenting non-controlling interests. To reflect these changes in presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

The Company adopted the Accounting Standard for Business Combinations and other accounting standards in line with transitional measures stipulated in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4(4) of Accounting Standard for Business Divestitures, and this application is effective from the beginning of the current fiscal year and into the future.

In the consolidated statements of cash flows for the current fiscal year, the Company lists cash flows related to the purchase or sale of stock in subsidiaries not resulting in a change in the scope of consolidation in the category of cash flows from financing activities, and cash flows related to acquisition-related costs for stock in subsidiaries resulting in a change in the scope of consolidation or expenses arising in relation to the purchase or sale of stock in subsidiaries not resulting in a change in the scope of consolidation in the category of cash flows from operating activities.

Additionally, the Company is not reclassifying comparable information in the consolidated statements of cash flows for the current fiscal year, in line with transitional measures stipulated in Paragraph 26-4 of the Practical guidelines on Accounting Standards for Preparing Consolidated Statements of Cash Flows.

These changes have an immaterial impact on the financial statements for 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 ¥113=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2016. 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, 2016 and 2015 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 175,513	¥ 212,762	\$ 1,553,212

### 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, 2016 and 2015 were as follows:

	Millions of yen		
	Carrying amount	Fair value	Difference
March 31, 2016			
Others	¥ 201	¥ 201	¥ (0)

	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Difference
March 31, 2016			
Others	\$ 1,779	\$ 1,779	\$ (0)

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



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, 2016 and 2015 were as follows:

Millions of yen				
March 31, 2016	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 130,399	¥ 179,660	¥ 4,324	¥ 305,735
Others	249	14	0	263
Total	¥ 130,648	¥ 179,674	¥ 4,324	¥ 305,998

Thousands of U.S. dollars (Note 3)				
March 31, 2016	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 1,153,973	\$ 1,589,912	\$ 38,265	\$ 2,705,620
Others	2,204	123	0	2,327
Total	\$ 1,156,177	\$ 1,590,035	\$ 38,265	\$ 2,707,947

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

The proceeds from sales of available-for-sale securities for the years ended March 31, 2016 and 2015 were ¥19,632 million (\$173,735 thousand) and ¥5,726 million, respectively. The gross realized gains on these sales for the years ended March 31, 2016 and 2015 were ¥15,136 million (\$133,947 thousand) and ¥4,443 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2016 and 2015 were ¥1 million (\$9 thousand) and ¥1 million, respectively.

The redemption schedules for securities with maturities at March 31, 2016 and 2015 were as follows:

Millions of yen			
March 31, 2016	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	¥ 48	¥ 201	¥ 80

Thousands of U.S. dollars (Note 3)			
March 31, 2016	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	\$ 425	\$ 1,779	\$ 708

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	–	–

## 6. Inventories

Inventories at March 31, 2016 and 2015 consisted of the following:

Millions of yen			Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Merchandise and finished products	¥ 101,240	¥ 97,232	\$ 895,929
Work in process	29,686	28,278	262,708
Raw materials and supplies	25,021	22,396	221,425
	¥ 155,947	¥ 147,906	\$ 1,380,062

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

Short-term bank loans at March 31, 2016 and 2015 were represented by bank loans and bank overdrafts, etc., bearing interest at an average rate of 0.62% per annum for 2016 and 0.66% per annum for 2015.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Unsecured debentures			
0.320~1.358% due 2021	¥ 52,480	¥ 50,000	\$ 464,426
0.100~1.705% due 2020	51,680	50,200	457,345
0.320~0.54% due 2019	2,650	2,370	23,451
0.320~0.54% due 2018	750	470	6,637
0.320~0.79% due 2017	990	710	8,761
0.350~0.79% due 2016	—	1,050	—
Mortgage loans, maturing 2016~2030	11,131	13,474	98,504
Unsecured loans, maturing 2016~2025	14,824	17,353	131,186
	134,505	135,627	1,190,310
Current portion of long-term debt	(8,755)	(11,291)	(77,478)
	¥ 125,750	¥ 124,336	\$ 1,112,832

Finance lease obligations at March 31, 2016 and 2015 which are included in other long-term liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Finance lease obligations	¥ 14,343	¥ 16,810	\$ 126,929
Current portion of lease obligations	(3,972)	(4,738)	(35,150)
	¥ 10,371	¥ 12,072	\$ 91,779

The assets pledged as collateral for the company and its consolidated subsidiaries' indebtedness, such as property, plant and equipment and other assets, were ¥9,879 million (\$87,425 thousand) and ¥10,852 million at March 31, 2016 and 2015, respectively.

Interest rates on mortgage loans ranged from 0.47% to 2.86% per annum for 2016 and from 0.47% to 2.86% per annum for 2015, while interest rates on unsecured loans ranged from 0.47% to 2.00% per annum for 2016 and from 0.52% to 2.00% per annum for 2015.

The aggregate annual maturities of long-term debt after March 31, 2016 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2017	¥ 8,755	\$ 77,478
2018	10,458	92,549
2019	7,681	67,973
2020	54,147	479,177
2021	53,144	470,301
2022 and thereafter	320	2,832
	¥ 134,505	\$ 1,190,310

The aggregate annual maturities of finance lease obligations after March 31, 2016 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2017	¥ 3,972	\$ 35,150
2018	3,248	28,743
2019	2,685	23,761
2020	1,831	16,204
2021	617	5,460
2022 and thereafter	1,990	17,611
	¥ 14,343	\$ 126,929

## 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 balances of the projected benefit obligation at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Change in projected benefit obligation:			
Balance at the beginning of year	¥ 225,153	¥ 219,322	\$ 1,992,504
Cumulative effects of changes in accounting policies	—	(6,798)	—
Adjusted balance at the beginning of year	225,153	212,524	1,992,504
Service cost	12,678	11,919	112,195
Interest cost	1,667	1,861	14,752
Actuarial gain/loss	15,230	6,616	134,779
Benefits paid	(8,359)	(7,933)	(73,973)
Prior service cost	2,543	(130)	22,504
Change of scope of consolidation	143	17	1,265
Increase due to change from simplified method to principle method	209	—	1,850
Other	(319)	279	(2,823)
Balance at the end of year	¥ 248,945	¥ 225,153	\$ 2,203,053

The reconciliation of beginning and ending balances of the plan assets at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Change in plan assets:			
Balance at the beginning of year	¥ 258,736	¥ 209,006	\$ 2,289,699
Expected return on plan assets	6,494	5,177	57,469
Actuarial gain/loss	(13,401)	30,973	(118,593)
Contributions by the employer	14,945	19,936	132,257
Benefits paid	(6,261)	(6,523)	(55,408)
Other	109	167	965
Balance at the end of year	¥ 260,622	¥ 258,736	\$ 2,306,389

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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Funded projected benefit obligation	¥ 215,598	¥ 194,476	\$ 1,907,947
Plan assets	(260,622)	(258,736)	(2,306,389)
	(45,024)	(64,260)	(398,442)
Unfunded projected benefit obligation	33,347	30,677	295,106
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ (11,677)	¥ (33,583)	\$ (103,336)
Net defined benefit liability	34,167	32,348	302,363
Net defined benefit asset	(45,844)	(65,931)	(405,699)
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ (11,677)	¥ (33,583)	\$ (103,336)

The components of net periodic benefit costs for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Service cost	¥ 12,626	¥ 11,850	\$ 111,735
Interest cost	1,667	1,861	14,752
Expected return on plan assets	(6,494)	(5,177)	(57,469)
Actuarial gain/loss	(7,038)	(2,157)	(62,283)
Amortization of prior service cost	880	321	7,788
Amortization due to change from simplified method to principle method	208	—	1,841
Net periodic benefit costs of the defined benefit plan	¥ 1,849	¥ 6,698	\$ 16,364

Remeasurements of defined benefit plans, before income-tax effect, at March 31, 2016 and 2015 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Unrecognized actuarial gain/loss	¥ (4,687)	¥ 30,860	\$ (41,478)
Unrecognized prior service cost	(2,443)	(782)	(21,619)
Total	¥ (7,130)	¥ 30,078	\$ (63,097)

The major categories of plan assets as of March 31, 2016 and 2015 were as follows:

	2016	2015
Bonds	22%	20%
Stocks	45%	52%
Alternative	22%	16%
Other	11%	12%
Total	100%	100%

Assumptions used for the years ended March 31, 2016 and 2015 were set forth as follows:

	2016	2015
Discount rate	0.6%	1.3%
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 ¥10,066 million (\$89,080 thousand) were approved at the general stockholders' meeting held in June 29, 2016 with respect to the year ended March 31, 2016.

### (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 a 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.

Upon approval by resolution of the Board of Directors, the Company purchased 15,221 thousand shares of common stocks at an aggregate cost of ¥19,999 million (\$176,982 thousand) during the year ended March 31, 2016. Furthermore, the Company retired 20,000 thousand shares of common stocks at an aggregate cost of ¥33,422 million (\$295,770 thousand) during the year ended March 31, 2016.

## 10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2016 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Trade receivables	¥ 5,133	¥ 6,374	\$ 45,425
Other current assets	230	460	2,035
Investment securities	56,464	51,063	499,682
Long-term loan receivables	180	170	1,593
Other investments	602	602	5,327
Trade payables	4,420	4,631	39,115
Accrued expenses	579	321	5,124
Other current liabilities	973	1,079	8,611

## 11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Salaries and allowances	¥ 68,621	¥ 67,867	\$ 607,265
Accrued bonuses	6,048	6,110	53,522
Provision for retirement benefits	(616)	1,458	(5,451)
Depreciation	15,880	13,709	140,531
Research and development expenses	31,827	31,749	281,655
Other	115,481	110,097	1,021,956
	¥ 237,241	¥ 230,990	\$ 2,099,478

## 12. Other Income (Expenses)

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Interest and dividends income	¥ 76	¥ 31	\$ 673
Rent income on facilities	148	133	1,310
Rent expense	(114)	(23)	(1,009)

## 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 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

In addition, the statutory tax rate will change approximately from 32.3% to 30.9% effective for the fiscal years beginning on or after April 1, 2016 until March 31, 2018 and to 30.6% afterwards. These changes were caused by the revision of the Income Tax Act, etc., in 2016. (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, 2016 and 2015, respectively.

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Expenses not deductible for income tax purposes	3.4	0.9
Amortization of consolidation goodwill	0.9	0.9
Change in valuation allowance	(0.3)	0.3
Equity in earnings of affiliates	(2.2)	(1.5)
Loss on business integration	–	3.0
The effective income tax rate change	1.8	4.2
Other	0.0	0.8
Actual effective tax rate	36.7%	44.2%

Net deferred tax assets (liabilities) at March 31, 2016 and 2015, 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)
	2016	2015	2016
Prepaid expenses and other current assets	¥ 10,744	¥ 8,540	\$ 95,080
Other assets	6,732	6,601	59,575
Other current liabilities	¥ (20)	¥ (29)	\$ (177)
Other long-term liabilities	(48,884)	(65,861)	(432,602)
Net deferred tax assets (liabilities)	¥ (31,428)	¥ (50,749)	\$ (278,124)

Significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows :

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥ 14,281	¥ 13,184	\$ 126,381
Loss on devaluation of investment securities	2,967	3,406	26,257
Excess provision for doubtful receivables	2,044	2,220	18,088
Accrued bonuses	5,323	5,735	47,106
Loss on write-down of inventories	1,068	1,058	9,451
Operating loss carryforwards	35,062	40,090	310,283
Impairment loss on fixed assets	10,356	11,460	91,646
Other	18,645	16,767	165,000
Total deferred tax assets	89,746	93,920	794,212
Less: valuation allowance	(51,858)	(53,044)	(458,920)
Total	¥ 37,888	¥ 40,876	\$ 335,292
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (52,409)	¥ (67,468)	\$ (463,796)
Reserve for special depreciation	(90)	(11)	(796)
Undistributed earnings of subsidiaries	(806)	(960)	(7,133)
Net defined benefit asset	(14,028)	(21,295)	(124,142)
Other	(1,983)	(1,891)	(17,549)
Total	¥ (69,316)	¥ (91,625)	\$ (613,416)
Net deferred tax assets (liabilities):	¥ (31,428)	¥ (50,749)	\$ (278,124)

#### 14. Leases

##### Operating Leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2016 and 2015 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Future lease payments:			
One year or less	¥ 5,107	¥ 4,771	\$ 45,195
More than one year	16,088	18,312	142,371
	¥ 21,195	¥ 23,083	\$ 187,566

## 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 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, 2016 and 2015 were as follows:

	Millions of yen		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Differences
March 31, 2016			
(1) Cash and deposits	¥ 176,694	¥ 176,694	¥ -
(2) Trade receivables	348,585	348,585	-
(3) Short-term and long-term investment securities	305,589	319,048	13,459
(4) Long-term loan receivables	6,793	6,772	
Allowance for doubtful receivables* <sup>1</sup>	(1,080)		
	5,713	6,772	1,059
Assets	836,581	851,099	14,518
(1) Trade payables	255,586	255,586	-
(2) Short-term bank loans	55,316	55,316	-
(3) Long-term debts	134,505	140,170	5,665
Liabilities	445,407	451,072	5,665
Derivatives* <sup>2</sup>			
[1] Hedge accounting is not applied	700	700	-
[2] Hedge accounting is applied	(17)	(17)	-
Total	683	683	-

	Thousands of U.S. dollars (Note 3)		
	Carrying amounts reported in the consolidated balance sheet	Fair value	Differences
March 31, 2016			
(1) Cash and deposits	\$ 1,563,664	\$ 1,563,664	\$ -
(2) Trade receivables	3,084,823	3,084,823	-
(3) Short-term and long-term investment securities	2,704,328	2,823,434	119,106
(4) Long-term loan receivables	60,116	59,929	
Allowance for doubtful receivables* <sup>1</sup>	(9,558)		
	50,558	59,929	9,371
Assets	7,403,373	7,531,850	128,477
(1) Trade payables	2,261,823	2,261,823	-
(2) Short-term bank loans	489,522	489,522	-
(3) Long-term debts	1,190,310	1,240,443	50,133
Liabilities	3,941,655	3,991,788	50,133
Derivatives* <sup>2</sup>			
[1] Hedge accounting is not applied	6,194	6,194	-
[2] Hedge accounting is applied	(150)	(150)	-
Total	6,044	6,044	-

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* <sup>1</sup>	(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* <sup>2</sup>			
[1] Hedge accounting is not applied	(166)	(166)	–
[2] Hedge accounting is applied	(36)	(36)	–
Total	(202)	(202)	–

\*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

Information about 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)
	Carrying amounts	Carrying amounts
March 31, 2016		
Unlisted equity securities	¥ 56,934	\$ 503,841
Other	140	1,239
Millions of yen		
	Carrying amounts	
March 31, 2015		
Unlisted equity securities	¥ 55,444	
Other	255	

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, 2016 and 2015 were as follows:

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

Millions of yen			
March 31, 2016	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 19,805	¥ 690	¥ 690
Euro	1,605	10	10
Payables:			
U.S. dollars	182	0	0
	¥ 21,592	¥ 700	¥ 700

Thousands of U.S. dollars (Note 3)			
March 31, 2016	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	\$ 175,265	\$ 6,106	\$ 6,106
Euro	14,204	88	88
Payables:			
U.S. dollars	1,611	0	0
	\$ 191,080	\$ 6,194	\$ 6,194

Millions of yen			
March 31, 2015	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

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

Millions of yen			
March 31, 2016	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	¥ 131	¥ -
Payables:			
U.S. dollars	Trade payables	2,220	(13)
Sterling pound	Trade payables	92	(3)
Euro	Trade payables	331	(1)
		¥ 2,774	¥ (17)
Interest rate swaps			
Receive floating and pay fixed	Long-term loan payables	¥ 5,202	¥ -

Thousands of U.S. dollars (Note 3)			
March 31, 2016	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Trade receivables	\$ 1,159	\$ -
Payables:			
U.S. dollars	Trade payables	19,646	(115)
Sterling pound	Trade payables	814	(27)
Euro	Trade payables	2,930	(8)
		\$ 24,549	\$ (150)
Interest rate swaps			
Receive floating and pay fixed	Long-term loan payables	\$ 46,035	\$ -

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	¥ -

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 ¥7 million (\$62 thousand) and ¥22 million at March 31, 2016 and 2015, 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, 2016 and 2015, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥628 million (\$5,558 thousand) and ¥625 million, respectively. One of the consolidated domestic subsidiaries securitized deposits for its leased property and sold them to third parties for ¥758 million (\$6,708 thousand) and ¥1,119 million at March 31, 2016 and 2015, 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.

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

The Company shifted the Imaging Communication business including photo printing, etc. from the Lifestyle and Industrial Supplies segment to the Information Communication segment in April 2015.

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

## 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	Total		
For 2016:							
Net sales and operating income							
Net sales							
Outside customers	¥ 816,875	¥ 381,648	¥ 199,330	¥ 58,063	¥ 1,455,916	¥ –	¥ 1,455,916
Intersegment	4,747	999	20	32	5,798	(5,798)	–
Total	821,622	382,647	199,350	58,095	1,461,714	(5,798)	1,455,916
Segment income	29,364	12,597	20,509	991	63,461	(17,989)	45,472
Segment assets	¥ 892,969	¥ 441,761	¥ 273,403	¥ 45,800	¥ 1,653,933	¥ 64,703	¥ 1,718,636
Others							
Depreciation and amortization	¥ 27,514	¥ 17,026	¥ 15,008	¥ 3,941	¥ 63,489	¥ 1,821	¥ 65,310
Amortization of goodwill	1,593	607	–	1	2,201	–	2,201
Impairment loss	102	–	–	8	110	–	110
Tangible/intangible fixed assets increased	52,537	23,277	13,277	5,781	94,872	2,393	97,265

	Thousands of U.S. dollars (Note 3)						
	Segment report					Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
For 2016:							
Net sales and operating income							
Net sales							
Outside customers	\$ 7,228,982	\$ 3,377,416	\$ 1,763,982	\$ 513,832	\$ 12,884,212	\$ –	\$ 12,884,212
Intersegment	42,009	8,841	177	283	51,310	(51,310)	–
Total	7,270,991	3,386,257	1,764,159	514,115	12,935,522	(51,310)	12,884,212
Segment income	259,858	111,478	181,496	8,770	561,602	(159,195)	402,407
Segment assets	\$ 7,902,380	\$ 3,909,389	\$ 2,419,496	\$ 405,310	\$ 14,636,575	\$ 572,593	\$ 15,209,168
Others							
Depreciation and amortization	\$ 243,487	\$ 150,673	\$ 132,814	\$ 34,876	\$ 561,850	\$ 16,115	\$ 577,965
Amortization of goodwill	14,097	5,372	–	9	19,478	–	19,478
Impairment loss	902	–	–	71	973	–	973
Tangible/intangible fixed assets increased	464,929	205,991	117,496	51,159	839,575	21,177	860,752

	Millions of yen						
	Segment report					Adjustment	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
For 2015:							
Net sales and operating income							
Net sales							
Outside customers	¥ 784,671	¥ 387,518	¥ 230,298	¥ 59,631	¥ 1,462,118	¥ –	¥ 1,462,118
Intersegment	5,064	1,039	8	10	6,121	(6,121)	–
Total	789,735	388,557	230,306	59,641	1,468,239	(6,121)	1,462,118
Segment income	22,193	13,676	25,905	1,077	62,851	(14,677)	48,174
Segment assets	¥ 895,813	¥ 450,646	¥ 310,315	¥ 46,359	¥ 1,703,133	¥ 106,329	¥ 1,809,462
Others							
Depreciation and amortization	¥ 25,669	¥ 17,601	¥ 18,378	¥ 3,841	¥ 65,489	¥ 1,545	¥ 67,034
Amortization of goodwill	1,992	6	18	0	2,016	–	2,016
Impairment loss	61	–	–	18	79	–	79
Tangible/intangible fixed assets increased	23,343	12,600	14,395	3,554	53,892	1,132	55,024

[Relative information]

Information regarding regions

Millions of yen				
For 2016 :	Japan	Asia	Other region	Total
Net sales	¥ 1,221,330	¥ 146,925	¥ 87,661	¥ 1,455,916

Thousands of U.S. dollars (Note 3)				
For 2016 :	Japan	Asia	Other region	Total
Net sales	\$ 10,808,230	\$ 1,300,221	\$ 775,761	\$ 12,884,212

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

# 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, 2016 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, 2016, 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, 2016.

### ***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, 2016 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.



ARK MEIJI AUDIT & Co.

Tokyo, Japan  
June 29, 2016



# Major Subsidiaries and Affiliates

(As of March 31, 2016)

## 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
<b>Information Communication</b>			
<b>Books and Magazines</b>			
DNP Book Factory Co., Ltd.	Film making, printing and bookbinding	200	100.0
DNP Media Art Co., Ltd.	Film making	180	100.0
OGUCHI BOOK BINDING & PRINTING CO., LTD.	Binding and post-processing	49	100.0 (15.1)
Tien Wah Press (Pte.) Ltd.	Film making, printing and bookbinding	(S\$1,000) 4,600	100.0
<b>Commercial Printing</b>			
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
<b>Business Forms</b>			
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.	Printing, production and sale of magnetic cards	10	95.0
MK Smart Joint Stock Company	Production and sale of plastic cards and business forms	(VND 1,000,000) 100,000	36.3
<b>C &amp; I</b>			
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, etc.	10	100.0
DNP Information and Services (Shanghai) Co., Ltd.	Planning and production of electronic media	(CNY 1,000) 1,000	100.0 (100.0)
<b>Imaging Communication</b>			
DNP Imaging Comm Co., Ltd.	Thermal ribbons for thermal transfer, dye-sublimation type transfer printing	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.	Processing and sale of thermal transfer ribbons	(RM 1,000) 190,000	100.0
DNP Imagingcomm America Corporation	Processing and sale of thermal transfer ribbons	(US\$1,000) 71,980	100.0 (100.0)
Foto Fantasy, Inc.	Development, production and operation of automated systems that take and print photos	(US\$1,000) 10	100.0 (100.0)
DNP Photo Imaging Europe SAS	Sale of photo-related products	(Euro 1,000) 2,408	100.0
DNP Imagingcomm Europe B.V.	Processing and sale of thermal transfer ribbons	(Euro 1,000) 1,000	100.0
<b>Lifestyle and Industrial Supplies</b>			
<b>Packaging</b>			
LIFESCAPE MARKETING CORPORATION	Research, compilation and provision of various kinds of information about purchasing and consumption of foods and beverages	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 and sale of packaging equipment and aseptic filling equipment	100	100.0
DNP Hosoi Co., Ltd.	Filling and processing of packages	80	100.0
DNP Field Eyes Co., Ltd.	Marketing research and consulting	50	100.0
DNP Vietnam Co., Ltd.	Production and sale of packaging materials	(US\$1,000) 31,500	100.0 (20.0)
PT DNP Indonesia	Production and sale of packaging materials	(US\$1,000) 26,000	51.0
<b>Lifestyle Materials</b>			
DNP Lifestyle Materials Marketing Co., Ltd.	Sale of decorative products	300	100.0
DNP Ellio Co., Ltd.	Printing and processing of steel, aluminum and other metals	300	50.0
DNP Lifestyle Materials Co., Ltd.	Film making, plate making, printing and processing of decorative materials	200	100.0
<b>Industrial Supplies</b>			
DNP High-performance Materials Co., Ltd.	Production of fillers for photovoltaic cells	200	100.0
<b>Electronics</b>			
<b>Display Components</b>			
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
DNP Denmark A/S	Production and sale of precision electronic components	(Dkr 1,000) 135,000	100.0
<b>Electronic Devices</b>			
DT Fine Electronics Co., Ltd.	Production and sale of semiconductor components	490	65.0
DNP Fine Optronics 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
Photronics DNP Mask Corporation	Production and sale of photomasks	(NT 1,000) 2,259,276	49.9
DNP Photomask Europe S.p.A.	Production and sale of photomasks	(Euro 1,000) 47,200	80.5

Capital  
(¥ million)

Ownership ratio  
of voting rights (%)

Other		
Nihon Unisys, Ltd.	Development and sale of software; computer system support services	5,483 19.4
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-YUSHODO Company, Limited	Sale of books, magazines and stationery; importation and sale of rare Western books and academic books	100 53.0 (53.0)
MARUZEN PUBLISHING CO., LTD.	Publishing	50 53.0 (53.0)
MaruzenJunkudo Bookstores Co., Ltd.	Sale of books, magazines, and stationery	50 53.0 (53.0)
honto Book Service Co., Ltd.	Agency and sale of electronic books	50 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 15.6 (9.4)
BUNKYODO GROUP HOLDINGS CO., LTD.	Investment in operating companies	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, purchasing and sale of photographic materials and pharmaceuticals	100 100.0 (100.0)
All About, Inc.	Online shopping business, specialist referral business	1,199 31.8
DNP Logistics Co., Ltd.	Freight transport, warehousing, packing and shipping operations	626 100.0
2Dfacto, Inc.	Operation of hybrid bookstore network	500 80.5 (0.7)
DIC Graphics Corporation	Production and sale of printing ink	500 33.4
VISUAL JAPAN INC.*	Development, sale, and maintenance of computer software	435 86.7
PSP Corporation.	Planning, research, development, sales and maintenance of internal systems for hospitals and clinics	379 20.1
CAFI Corporation.*	Remote diagnostic imaging service	32 51.1
Publishing Marketing Innovation Japan Co., Ltd.	Research and policy planning aimed at activating Japan's publications distribution markets	50 50.0
SHUFUNOTOMO Co., Ltd.	Editing and sale of books and magazines	100 99.6
D.N.K. Co., Ltd.	Production, sale and repair of printing equipment and machine tools	100 100.0
DNP Trading Co., Ltd.	Trading of paper, materials and all types of merchandise	100 94.3
MobileBook.jp, Inc.	Electronic publishing and distribution platform services and e-book distribution service	100 63.4
DNP Multi Print Co., Ltd.	Film making, printing and bookbinding	100 100.0
Metro Systems Co., Ltd.	Planning, design, development, maintenance and support operations for information systems	100 100.0 (90.0)
DNP SP Tech Co., Ltd.	Planning and production of promotional materials	80 100.0
CYBER KNOWLEDGE ACADEMY Co., Ltd.	Operation of academy for training and developing personnel to defend against targeted cyber attacks	70 100.0
Kyoku Shuppan Co., Ltd.	Editing and sale of textbooks and educational materials	60 48.2
DNP Tamura Plastic Co., Ltd.	Production and sale of automotive goods and various types of plastic products	60 100.0
My Earth Projects LLC*	Planning, production and sale of trading cards	50 99.8
DNP HyperTech Co., Ltd.	Production and sale of computers and peripheral devices; development, production and sale of software	40 100.0
CP Design Consulting Co., Ltd.*	Personal information protection and risk management consulting	40 92.5
M's Communicate Co., Ltd.*	Consulting and 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 66.6
DNP Dexerials Consulting Co., Ltd.	Business planning and proposals	10 50.0
DNP Asia Pacific Pte. Ltd.	Coordination of DNP businesses in the Southeast Asia/Oceania region	(S\$1,000) 100.0
		2,000
DNP Business Consulting (Shanghai) Co., Ltd.*	Study of Chinese market and business feasibility	(US\$1,000) 100.0
		420
Personal Welfare, Facility Service and Others		
DNP Facility Services Co., Ltd.	Building facilities maintenance and management; sports and welfare facility operation; security	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 88.7
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 (7.1)
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, etc.	(US\$1,000) 100.0
		5,400
Dai Nippon Printing (Thailand) Co., Ltd.*	Sale of packaging supplies and precision electronic components	(THB 1,000) 100.0
		200,000
DNP Singapore Pte. Ltd.*	Sale of precision electronic components and decorative materials	(S\$1,000) 100.0
		350
DNP UK Co., Ltd.*	Sale of decorative materials	(£1,000) 100.0
		120
DNP America, LLC	Sale of printed materials, precision electronic components, and decorative materials	(US\$1,000) 100.0
		100 (100.0)
DNP Holding USA Corporation	Investment in operating companies	(US\$1,000) 100.0
		100 (100.0)
DNP Europa GmbH*	Sale of printed materials and decorative materials	(Euro 1,000) 100.0
		92
Dai Nippon Printing Co. (Australia) Pty. Ltd.*	Sale of printed materials	(A\$1,000) 100.0
		70

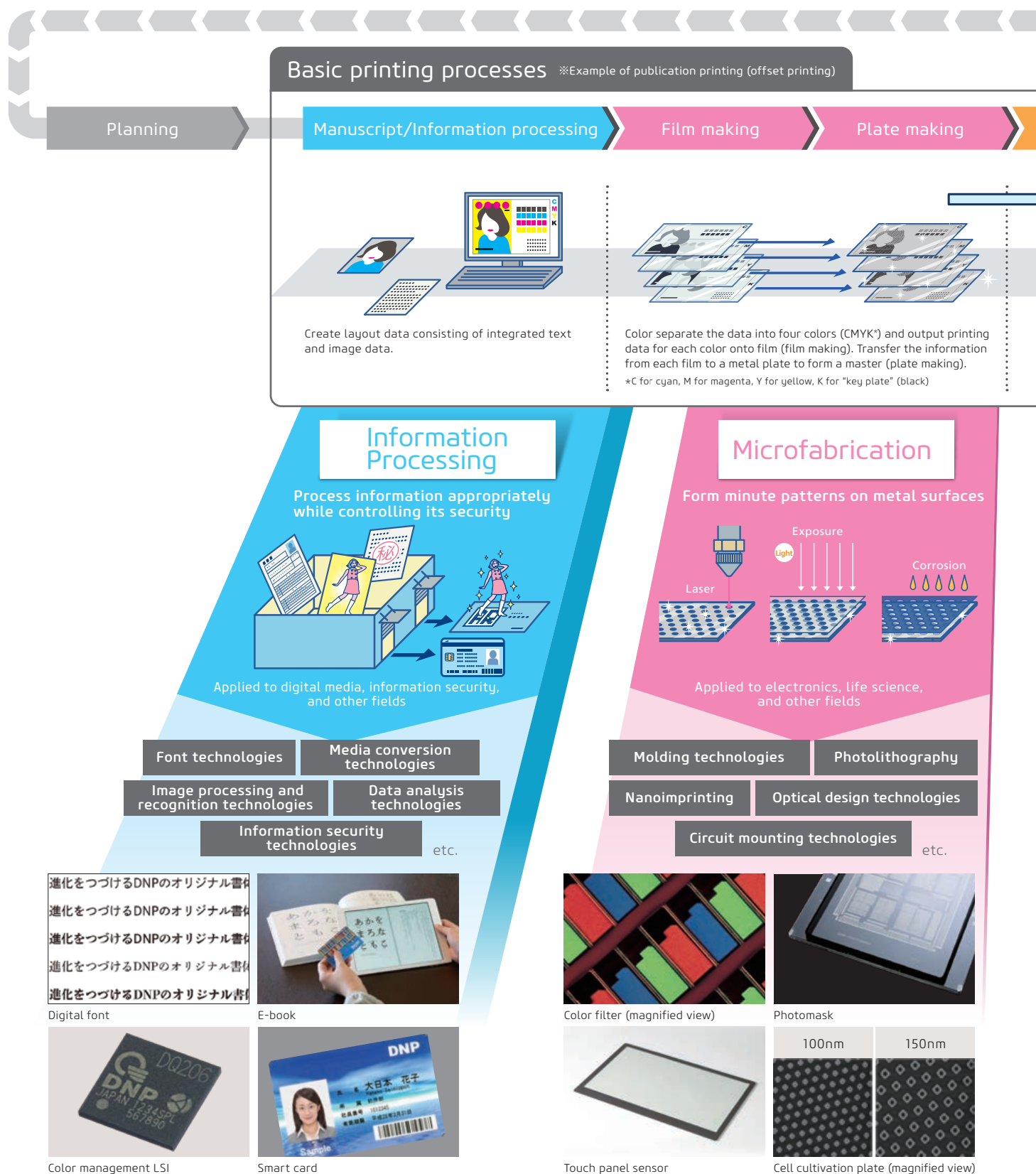
## Beverages

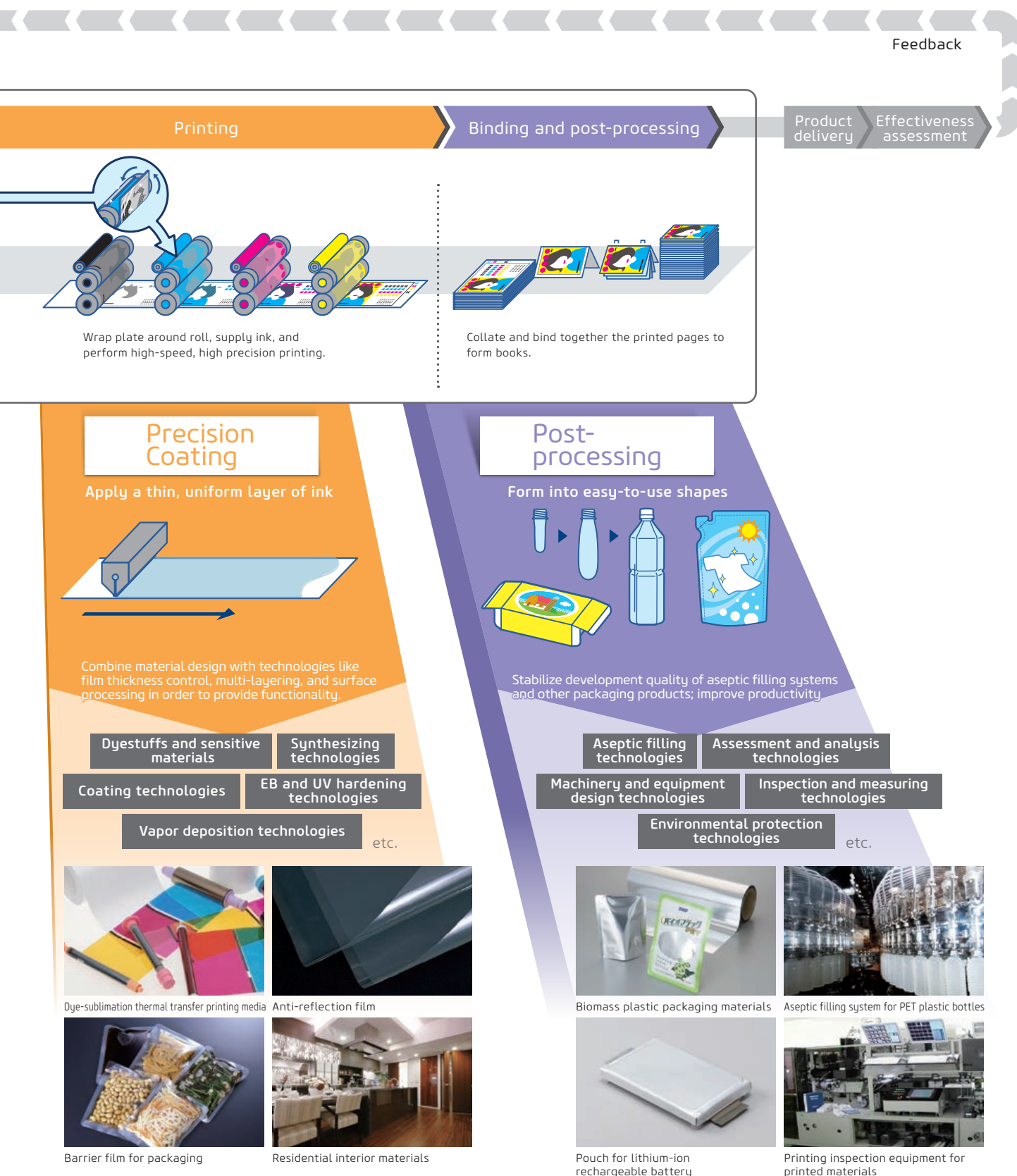
Beverages		
Hokkaido Coca-Cola Bottling Co., Ltd.	Production and sale of soft drinks	2,935 59.9 (6.4)

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 and provide new value, 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 & SERVICES

#### Real-time image analysis system

We developed a system for perceiving the danger of a potential accident or disaster by analyzing images from surveillance cameras in real time and quickly discovering anomalies. As an example, the system can help prevent people from being accidentally trapped in automated parking lots by detecting the presence of someone still inside at closing time. To supplement the use of motion detectors, DNP has developed a new technology that we call "stationary object detection," for perceiving a person who has fallen. In order to capture the movement of people and objects, DNP's original algorithm makes distinctions according to changes in lighting, shadows and reflections, and initiates follow-up processing based on information about colors and shapes. Parameters for this processing can be set according to the requirements of each environment. One important feature of this system is the ability to configure it very specifically in order to derive the most useful analysis.

● Motion Detection



● Stationary object detection



## 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 & SERVICES

#### 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, cash cards and transportation cards to electronic money cards—used by a variety of business types and business formats.





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 liquid crystal 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 & SERVICES

#### 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.

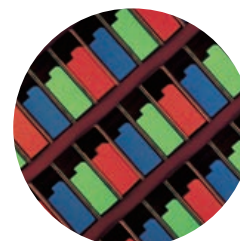
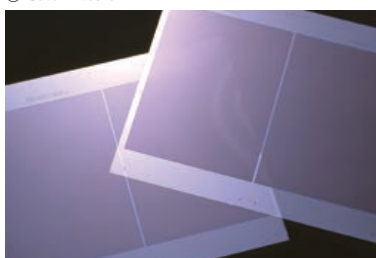
\* nm (nanometer): one billionth of a meter



#### 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

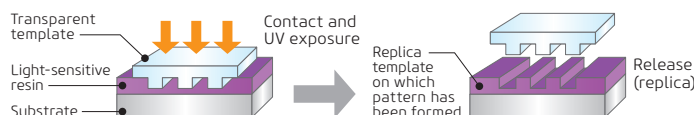
### TECHNOLOGIES

Nanoimprinting is a method that enables the transfer of patterns with line width of 20nm or less by pressing a template 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 & SERVICES

#### Development of various products

Nanoimprinting is being studied for its potential use in fields like next-generation semiconductor lithography, ultrahigh density HDD media manufacturing, and optical elements. Quartz or silicon is generally used for making master templates (dies), and dry etching is used for forming a concavo-convex shape on the template surface. DNP has developed a replica template by using nanoimprinting lithography and a master template 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.

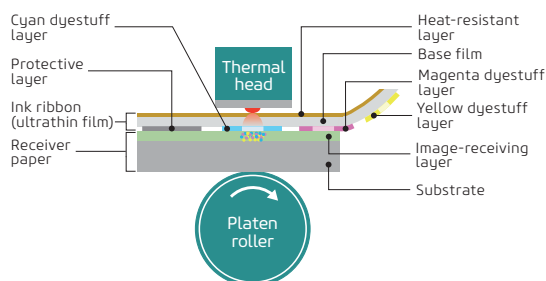
With extremely broad possibilities for application, this is one of DNP's core technologies and we make use of it across business unit boundaries.

### High-speed Thin Film Coating Technology

#### 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 overcoat materials, enabling us to succeed at high-speed thin-film coating in terms of both processing and materials. \*  $\mu\text{m}$  (micrometer): one millionth of a meter

#### ● Dye-sublimation thermal transfer



#### PRODUCTS & SERVICES

#### Dye-sublimation thermal transfer printing media

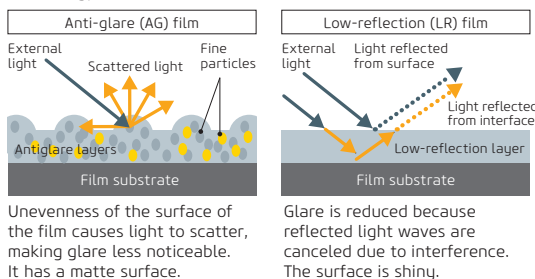
Printers that use dye-sublimation thermal transfer printing media form images by transferring dyestuffs from ink ribbons to receiver paper. Controlling heat energy in the printer's thermal head makes it possible to adjust the concentration of dyestuffs in each dot. Because they can reproduce some 16,700,000 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 photo print business by developing new printing systems and providing a variety of solutions that make use of its systems.

### Precision Thin-Film Clean Coating

#### TECHNOLOGIES

This technology is based on a printing technique that involves applying a film of liquefied polymeric material while very precisely controlling film thickness. The manufacturing processes that allow sub-micron film thickness control and simultaneous application of multiple layers are performed in a high-level clean environment. By combining material design and optical design technologies that DNP has accumulated through years of printing experience, we will continue to supply functional optical films with both desirable optical characteristics and high-quality appearance.

#### ● Main types of anti-reflection films



#### PRODUCTS & SERVICES

#### Anti-reflection films

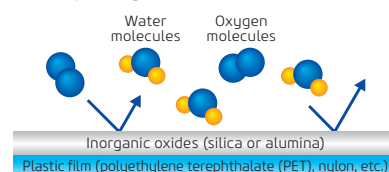
Anti-reflection films for displays—used to suppress glare from fluorescent or other types of light—were developed as a result of applying DNP's precision thin film clean coating technology. DNP's anti-reflection films hold one of the top shares in the world market for anti-reflection films used on liquid crystal displays. One of the reasons for the films' popularity is the multi-layer thin film coating used in DNP's films, which makes more effective use of optical interference compared to single-layer coatings.

### 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 & SERVICES

#### Barrier films

Barrier films are used to package goods such as 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.

\* Innovative Barrier



Starting with bookbinding and processing of paper products and moving on to film packaging, plastic forming and aseptic bottle filling systems, DNP has developed one post-printing 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 & SERVICES

#### Aseptic filling systems

DNP's aseptic filling systems can be adapted for various packaging formats and filling volumes and can be used for high-quality filling. One aseptic filling system for pasta sauce, noodle broth or other liquid foods can be used to fill any amount from 10 to 1,000mL; 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 system for PET (polyethylene terephthalate) bottles



## Assessment and Analysis Technologies

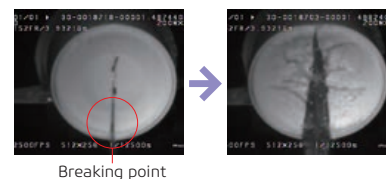
### TECHNOLOGIES

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.

### PRODUCTS & SERVICES

#### Analyzing breaking strength based on drop test of packaging cup

The market wants packaging cups made of thinner resin in order to minimize weight and cost, but without sacrificing strength. In conventional strength testing, cups are actually dropped and their strength is evaluated based on observation of broken cups, but by this method it is difficult to determine the specific point at which breakage was triggered. Therefore, we began using a high-speed camera to enable detailed analysis of breakdown behavior. By capturing the breaking point, we were able to select the most suitable resin and design optimal manufacturing processes.



## Machinery and Equipment Design Technologies

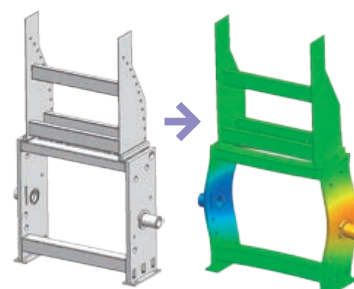
### TECHNOLOGIES

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 & SERVICES

#### 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 reduce 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.



## 1. DNP-related Terms

### DNP Group Vision 2015

The DNP Group's basic management policies. A revised version of the "DNP Group Vision for the 21st Century" that was drawn up in 2001, DNP Group Vision 2015 was officially adopted in October 2015. The vision is comprised of three main elements, the first of which is central: Corporate Philosophy, Business Vision, and Guiding Principles.

### Corporate Philosophy

The DNP Group connects individuals and society, and provides new value.

### Business Vision

Use P&I innovations to expand business, primarily around four growth areas.

- "P&I innovations" means the creation of new value—something that did not exist before—in the form of innovative concepts, products, or services etc. made by combining DNP's strengths (in printing (P) and information (I), in technology, sales, project planning, etc.) with the strengths of our many partners.
- The four growth areas are Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy. Of the social issues that DNP analyzed, we designated as growth areas those areas where we can likely solve problems by applying new value generated through P&I innovations, and where we can increase DNP's corporate value and contribute to society by solving those problems.

### Guiding Principles:

*Taiwa* (dialogue) and cooperation

- Each and every DNP employee should become a professional in his or her field and generate innovative products and services as a result of actively engaging in "taiwa and cooperation" within and outside of DNP.

### The DNP Group Code of Conduct

A set of codes underlying all types of activities aimed at achieving our Group Vision. All DNP employees must obey these codes.

- Contributing to the development of society
- Social contribution as a good corporate citizen
- Compliance with the laws 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

## 2. Information Communication

### Augmented reality (AR)

A technology for displaying text, images, or other virtual information superimposed on or otherwise integrated into the scene or objects found in a person's actual physical environment, enabling the expression of an enhanced or augmented experience of reality. For example, when someone uses a webcam or mobile phone-mounted camera to photograph an actual scene together with an identifying symbol or image, the photograph will appear as a synthesis, with a 3D computer-generated image or other pre-registered information integrated into the surrounding environment.



A picture book using augmented reality

### Big data

A general term for massive amounts of data of various types. Big data is attracting attention for providing indicators that are affecting how companies do business. For example, companies may refer to information service usage trends or product purchasing histories when predicting consumers' preferences or buying patterns.

### Business Process Outsourcing (BPO)

Commissioning of some or all of the processes that make up a business's various activities to be performed by an outside company that has specialized expertise, an advanced information security environment, and operational infrastructure.

A special feature of DNP's BPO business is its comprehensive nature. Rather than simply performing secretarial functions, we start from scratch and design optimal business processes, prepare an operational framework, build systems and/or operate them according to each business's characteristics and needs.

### Card-linked offers (CLOs)

CLOs use knowledge of individual credit card holder's personal attributes and purchasing history to select card holders who are likely to buy a particular product. Information about relevant special offers is distributed directly by smartphone or email, etc., directing customer traffic to participating merchants and promoting use of the credit card.

### Digital signage

An information medium that usually uses large, flat-panel displays linked to an information network in order to deliver advertisements or other information tailored to a particular time and place. It is installed in stores, public institutions, train stations, airports and other public spaces, and may have a variety of built-in functions. For example, it may enable consumers to obtain specific information by using a touch panel or mobile terminal, etc.

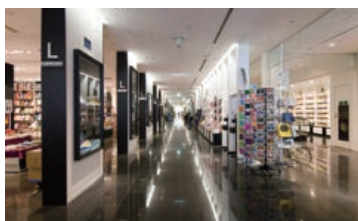


### Electronic library

A service that lends electronic books to libraries and provides the content to readers via the Internet after the publisher or other rights holder has authorized distribution. The system is expected to provide new opportunities for making use of published content. Many Japanese libraries are already participating.

### Hybrid bookstore network “honto”

A service offered by DNP that sells both paper and electronic books by integrating DNP's e-book sales service, online mail-order bookstore, and physical bookstores operated by Maruzen, Junkudo and Bunkyo-do. The service provides such features as a “recommend function” that suggests books a customer might like based on previous purchasing history, a “point service” program that allows customers to combine loyalty points regardless of which formats they use, and an “electronic bookshelf function” that can display a single list of all of a customer's paper and electronic book purchases together. Full-fledged operation of “honto” began in June 2012.



Maruzen's main bookstore in Tokyo's Marunouchi district

### Information Processing Services (IPS)

DNP's own term for our uniquely broad menu of services including inputting and safely transmitting massive amounts of personal information and other data, editing and processing, printing, producing, mailing and/or transmitting invoices, statements, and other forms of personalized mail—all in environments protected by advanced information security systems.



Personalized mail

### International brand prepaid cards

An electronic settlement method that allows customers who do not have a credit card to use settlement terminals that belong to international credit card brands like Visa or MasterCard. The prepaid cards can generally be used by customers of any age, at businesses that accept major credit cards. Because they are prepaid, there are no worries about overspending. DNP is also offering international brand debit cards, whereby payments are immediately deducted from the customer's bank account, as part of its focus on electronic settlement services involving international credit card brands.

### 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

DNP's original font, which we have been developing since the Meiji Era that began in the late 1860s. The sleek and graceful font elicits high praise from book publishers and readers for being beautiful as well as easy to read. From 2005 to 2012 we carried out a major project involving renewal of our existing font

and development of new fonts. We created a digital version in the 1970s and have been licensing its use since 2001.



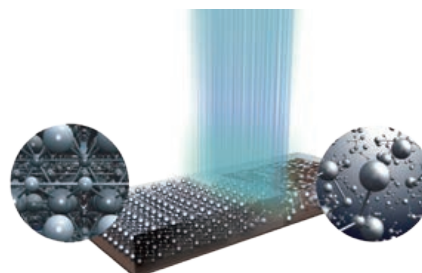
## 3. Lifestyle and Industrial Supplies

### 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 CO<sub>2</sub> absorbed by plants during their growing process cancels out the CO<sub>2</sub> emitted when the material is burned. Since biomass material is a renewable resource, supplies are expected to be stable.

### Electron Beam (EB) technologies

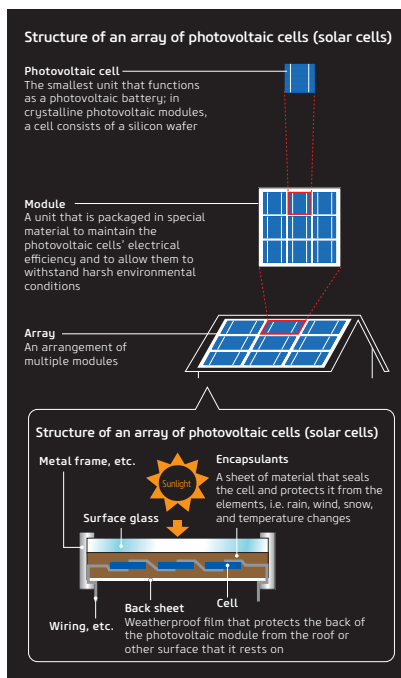
EB technologies use electron beam exposure to instantly provide advanced functionality to resins and coating films. Depending on the type of resin and EB exposure conditions, some materials may take on extra functionality not exhibited by normal resins. The technology is environmentally friendly since production processes do not require the use of solvents, and consume less energy and generate less CO<sub>2</sub> than conventional coating methods.





#### 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.
- Bus line sheet is a sheet configured with electrode circuit patterns used in photovoltaic cells. DNP's bus line sheet configures electrodes by attaching them to the back of a (back-contact) photovoltaic cell. Since electrodes positioned at the back of the cell do not block sunlight exposure, "shadow loss" is reduced and power generation efficiency is increased.



#### 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.

#### Universal design (UD)

The term "universal design" is said to have been coined by North Carolina State University professor Ronald Mace, who defined it as "the design of products and environments to be usable by all people, to the greatest extent possible." Unlike the term "barrier-free," which refers to removing obstacles for people with physical disabilities, UD proposes that products, services, all types of facilities and living environments should be designed so that most people can enjoy them not only whether or not they have a disability, but also regardless of differences in age, gender, nationality or personal abilities.

### 4. Electronics

#### 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.

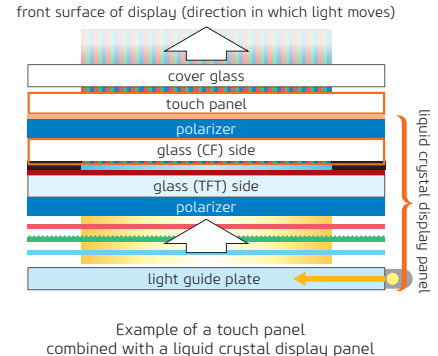
#### Organic EL (electroluminescent) display

Organic electroluminescence is a phenomenon that occurs when a voltage is applied to certain organic compounds, whereby the compound emits light while producing almost no heat. An organic light-emitting diode (OLED) is a product that takes advantage of this phenomenon. Unlike liquid crystal displays (LCDs), organic EL displays do not require a backlight because they use self-luminescent

OLEDs. This means they can be thinner, lighter and consume less electric power. Since they also offer the possibility of using substrates made of plastic or other flexible materials that can withstand bending and curling, organic EL displays are attracting attention as a next-generation alternative to LCDs.

#### Touch panel sensor

A component of a touchscreen display that receives, in the form of a signal, the location where a user's finger has touched a display. Touchscreens allow intuitive operation of devices like smartphones, tablets, and digital signage, making it possible to enlarge or shrink images, to turn pages or select information etc. by touching the screen with one or more fingers. In order to supply touch panel manufacturers with sensors, DNP uses its patterning technologies to give sensory function to glass or film by forming a minute electrode pattern along its length and breadth.



# Sources of Information about DNP

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

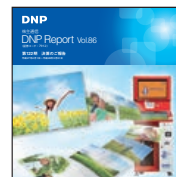
Our web site introduces our operations in a format that is easy to understand. In addition to disclosing information at appropriate times and in appropriate ways, we are continuously improving the site. The following publications and reports are also available as PDF files that can be downloaded from the web site.



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

## Publications

- **Annual Report (Japanese and English versions)**  
Each year around the end of July, we release Japanese and English versions simultaneously. This comprehensive report contains various types of information, including reports about business activities based on our Group Vision, financial information and non-financial information, all pertaining to 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. Financial statement values are taken from securities reports.
- **“DNP Report” Report to Shareholders (in Japanese)**  
This report is delivered quarterly to shareholders. Aimed mainly at individual investors, 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; available only as PDF file for download from web site)  
We report about DNP's role in society from the standpoint of its business activities and relevant processes. We release the Japanese version at the end of June, and the English version at the end of August.
- **DNP Group Environmental Report**  
(Japanese and English versions; available only as PDF files for download from web site)  
This report explores in detail the environmental management activities that are among DNP's CSR initiatives. We release the Japanese version at the end of June, and the English version at the end of August.
- **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 Report” to shareholders



DNP Group CSR Report

## Reports

- **“Yuhu” 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 “Yuhu” 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.

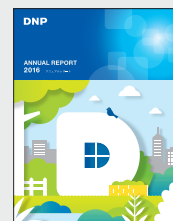
Note: Trademarks mentioned in this annual report in connection with DNP products or services are used or registered in Japan.

## About the Cover Illustration

“DNP Group Vision 2015” contains DNP's corporate philosophy: “The DNP Group connects individuals and society, and provides new value.” Our design is based on this concept: it shows how DNP supports society in a variety of ways, encourages society's development, and contributes to the development of a sustainable society.

### Design by groovisions

Design studio established in 1993. Primarily focused on graphics and video, groovisions works in a wide variety of media including music, print, product and interior design, fashion and the web. Main projects include stage visuals for PIZZICATO FIVE, editorial design for Metro Min. magazine and other publications, motion graphics for EXPO 2005 AICHI JAPAN, Maison Hermès shop window direction, and ggg's (Ginza Graphic Gallery's) 301st exhibition.



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